GOLF TRUST OF AMERICA INC
Form 10-Q
November 07, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

x **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

for the quarterly period ended: September 30, 2007

o **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from to

Commission File Number 001-14494

GOLF TRUST OF AMERICA, INC.
(Exact name of registrant as specified in its charter)

Maryland	**33-0724736**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
10 North Adger s Wharf, Charleston, South Carolina	**29401**
(Address of principal executive offices)	(Zip Code)

(843) 723-4653
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

On November 2, 2007, there were 7,317,163 shares outstanding of the registrant s common stock.

GOLF TRUST OF AMERICA, INC.

Quarterly Report on Form 10-Q
For the Three and Nine Months Ended September 30, 2007

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PART I. FINANCIAL INFORMATION

Cautionary Note Regarding Forward-Looking Statements

The following report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are statements that predict or describe future events or trends and that do not relate solely to historical matters. All of our projections in this Quarterly Report on Form 10-Q are forward-looking statements, including our projections regarding the amount and timing of liquidating distributions. You can generally identify forward-looking statements as statements containing the words believe , expect , will , anticipate , inten estimate , project , assume or other similar expressions. You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known (and unknown) risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the limited information currently available to us and speak only as of the date on which this Quarterly Report on Form 10-Q was filed with the Securities and Exchange Commission (the SEC). Our continued internet posting or subsequent distribution of this dated report does not imply continued affirmation of the forward-looking statements included in it. We undertake no obligation, and we expressly disclaim any obligation, to issue any updates to our forward-looking statements, even if subsequent events cause our expectations to change regarding the matters discussed in those statements. Future events are inherently uncertain. Accordingly, our projections in this Quarterly Report on Form 10-Q are subject to particularly high uncertainty. Our projections should not be regarded as legal promises, representations or warranties of any kind whatsoever. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such differences might be significant and harmful to our stockholders interests. Many important factors that could cause such a difference are described under the caption Risk Factors in Part II, Item 1A of this Quarterly Report on Form 10-Q, each of which you should review carefully.

GOLF TRUST OF AMERICA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF NET ASSETS (LIQUIDATION BASIS)

AS OF SEPTEMBER 30, 2007 (unaudited) AND DECEMBER 31, 2006

	September 30, 2007	December 31, 2006*
	(in thousands)	
ASSETS		
Real estate held for sale	$ 6,801	$ 55,592
Cash and cash equivalents	7,219	2,224
Cash in escrow	2,000	
Receivables net	413	2,892
Due from Salamander	1,387	
Other assets	293	5,370
Total assets	18,113	66,078
LIABILITIES		
Debt	4,100	4,872
Accounts payable and other liabilities	1,553	13,408
Other obligations		10,648
Reserve for estimated costs during the period of liquidation	1,258	3,285
Total liabilities	6,911	32,213
Commitments and contingencies		
Preferred stock, $.01 par value, 10,000,000 shares authorized, 800,000 shares issued and outstanding		20,000
Total liabilities and preferred stock	6,911	52,213
NET ASSETS IN LIQUIDATION (available to holders of common stock and OP units)	$ 11,202	$ 13,865

*** Derived from audited condensed consolidated financial statements**

See accompanying notes to condensed consolidated financial statements.

GOLF TRUST OF AMERICA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (LIQUIDATION BASIS)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

		Three Months Ended September 30, 2007		Three Months Ended September 30, 2006
		(in thousands, unaudited)		
Net assets in liquidation, beginning of period	$	11,470	$	13,432
Changes in net assets in liquidation:				
Adjustments to liquidation reserve:				
Operating loss		(1,286)		(2,966)
Net interest expense		(132)		(376)
Decrease in reserve for estimated liquidation costs and capital expenditures		1,102		2,342
Subtotal of adjustments to liquidation reserve		(316)		(1,000)
Increase in fair value of real estate and other assets		448		
Decrease in fair value of other assets		(400)		
Decrease in fair value of other obligations				79
Value of common stock and operating partnership units redeemed				(18)
Changes in net assets in liquidation		(268)		(939)
Net assets in liquidation, end of period	$	11,202	$	12,493

See accompanying notes to condensed consolidated financial statements.

GOLF TRUST OF AMERICA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (LIQUIDATION BASIS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
	(in thousands, unaudited)	
Net assets in liquidation, beginning of period	$ 13,865	$ 13,782
Changes in net assets in liquidation:		
Adjustments to liquidation reserve:		
Operating income	810	554
Net interest expense	(934)	(1,024)
Increase in reserve for estimated liquidation costs and capital expenditures	(1,577)	(1,254)
Subtotal of adjustments to liquidation reserve	(1,701)	(1,724)
(Decrease) increase in fair value of real estate	(3,062)	374
Decrease in fair value of other assets	(400)	
Decrease in fair value of other obligations		79
Value of common stock and operating partnership units redeemed		(18)
Forgiveness of preferred stock obligation	2,500	
Changes in net assets in liquidation	(2,663)	(1,289)
Net assets in liquidation, end of period	$ 11,202	$ 12,493

See accompanying notes to condensed consolidated financial statements.

GOLF TRUST OF AMERICA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (LIQUIDATION BASIS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
	(in thousands, unaudited)	
Cash flows from changes in net assets in liquidation and operating activities:		
Changes in net assets in liquidation	$ (2,663)	$ (1,289)
Adjustments to reconcile change in net assets in liquidation to net cash provided by operating activities:		
Increase in liquidation reserve and changes in fair value of real estate and non-real estate assets and forgiveness of preferred stock obligation	2,624	835
Cancellation of common shares		18
Provision for bad debts	7	349
Non-cash interest	337	587
Other changes in operating assets and liabilities	(13,108)	(449)
Decrease in liquidation liabilities	(3,505)	(1,945)
Net cash used in operating activities	(16,308)	(1,894)
Cash flows from investing activities:		
Resort and golf course improvements	(426)	(199)
Restricted cash	(2,000)	
Proceeds from asset sales	41,852	1,037
Decrease in notes receivable		3,067
Net cash provided by investing activities	39,426	3,905
Cash flows from financing activities:		
Proceeds from debt	320	
Redemption of outstanding preferred stock	(17,500)	
Repayments on debt and capital lease obligations	(943)	(1,043)
Net cash used in financing activities	(18,123)	(1,043)
Net increase in cash	4,995	968
Cash and cash equivalents, beginning of period	2,224	2,822
Cash and cash equivalents, end of period	$ 7,219	$ 3,790
Supplemental Disclosure of Cash Flow Information:		
Interest paid during the period	$ 889	$ 593
Non-cash transactions:		
Discount on Westin long-term obligation	$ 191	$
Discount on preferred stock obligation	$ 2,500	$
Assets acquired through capital leases	$ 498	$ 181

See accompanying notes to condensed consolidated financial statements.

GOLF TRUST OF AMERICA, INC.

Quarterly Report on Form 10-Q

For the Three and Nine Months Ended September 30, 2007

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Plan of Liquidation and the Resort

On February 25, 2001, the Company s board of directors (the Board) adopted, and, on May 22, 2001, the Company s common and preferred stockholders approved, a plan of liquidation for the Company. The plan of liquidation contemplated the sale of all of the Company s assets and the payment of, or provision for, the Company s liabilities and expenses, and authorized the Company to establish a reserve to fund the Company s contingent liabilities. As of November 2, 2007, the Company had sold 45 of the 47 (eighteen-hole equivalent) golf courses in which the Company once held interests pursuant to the plan of liquidation.

On July 15, 2004, the Company entered into a settlement agreement (the Settlement Agreement) with Golf Trust of America, L.P. and GTA-IB, LLC (GTA-IB), and Golf Host Resorts, Inc., our former unaffiliated borrower (GHR), Golf Hosts, Inc., Golf Host Management, Inc., Golf Host Condominium, Inc. and Golf Host Condominium, LLC, and took control of the Innisbrook Resort and Golf Club (the Resort). The settlement was accounted for using methods consistent with purchase accounting in accordance with Statement of Financial Accounting Standards, or SFAS, No. 141 Business Combinations . As a result of the settlement, the financial results of GTA-IB, the Company s wholly owned subsidiary that held title to the Resort, are consolidated in the Company s financial statements commencing July 16, 2004.

On January 21, 2005, we engaged Houlihan Lokey as our then financial advisor for an initial term of nine months to provide financial advisory services to us in furtherance of our stockholder-approved plan of liquidation. The Company s liquidation could have occurred through the sale of our assets, merger or otherwise in order to allow us to maximize value to our stockholders. In addition, subject to appropriate approvals, we could pursue a recapitalization. The engagement was extended on a month-to-month basis until June 29, 2006. Since an exit transaction had not occurred by June 29, 2006, the Company terminated the engagement with Houlihan Lokey. A tail period following the termination of the engagement during which Houlihan Lokey might still have been due a transaction fee expired on February 28, 2007; therefore, no obligation for financial advisor fees to them existed after that date. Following this termination of Houlihan Lokey, the Company continued to market the Resort for sale.

As a result of this effort, the Company announced on June 25, 2007, that the Company and certain of its affiliated entities entered into an Asset Purchase Agreement with Salamander Innisbrook Securities, LLC, Salamander Innisbrook Condominium, LLC and Salamander Innisbrook, LLC (collectively, Salamander), providing for the acquisition by Salamander of the business of the Resort (the Business), certain related assets and liabilities and the Company s equity interest in Golf Host Securities, Inc.

On July 16, 2007, the Company and its affiliates completed the sale of the Business of the Resort and all of GTA-IB Golf Resort, LLC s equity interest in Golf Host Securities, Inc. to Salamander pursuant to the Asset Purchase Agreement. The purchase price received by the Company was approximately $35,000,000 in cash less a working capital purchase price adjustment of $2,221,000 plus (a) $4,000,000 to be used to settle certain obligations, (b) $844,000 for reimbursement of certain rental pool payments discussed in more detail below, (c) $317,000 for

reimbursement of certain agreed upon capital expenditures, (d) $25,000 for reimbursement of expenses related to Parcel G and (e) the assumption of certain liabilities. The final post-closing working capital settlement amount, as set forth in the Asset Purchase Agreement, is currently being negotiated. The Company has recorded a receivable of $1,387,000 on the books of GTA-IB (consolidated into the financial statements of GTA). At this time, based on the facts available to the Company, management believes that this amount is a reasonable representation of the receivable that will be collected by the Company when the post-closing working capital adjustment is settled with Salamander. The Asset Purchase Agreement provides for a $2,000,000 escrow for GTA-IB s and the Company s indemnification liabilities to be held, pursuant to its terms, until at least March 31, 2008.

As part of the sale of the Business, Salamander assumed operation and control of the Rental Pool. The Rental Pool obligated the Company to make quarterly distributions of a percentage of room revenues to participating owners under the Amended and Restated Innisbrook Rental Pool Master Lease Agreement, dated January 1, 2004 (the MLA). The MLA also entitled participating owners to 50% reimbursement of the refurbishment costs of their units. In addition to reimbursement by Salamander of such obligations since January 1, 2007 in the amount of approximately $844,000, obligations in connection with the Refurbishment Program, along with all other obligations under the MLA, were assumed by Salamander upon the closing of the Asset Purchase Agreement. Also, all capital and operating lease obligations of the Resort were assumed by Salamander upon the closing of the Asset Purchase Agreement.

On July 13, 2007, the Company and certain of its affiliated entities and Troon Golf, L.L.C. (Troon) entered into a Facilities Management Agreement Termination Agreement (the Troon Termination Agreement) pursuant to which the Troon Management Agreement was terminated. The Troon Termination Agreement also provided for the payment to Troon

of $177,000 in accrued and unpaid fees and reimbursable expenses and the supplemental fee of $800,000 contemporaneous with the sale of the Resort.

Contemporaneously with the closing of the sale of the Resort, (a) the Company exercised the Option and repurchased the outstanding Series A Preferred Stock at the Exercise Price of $17,500,000 (see Note 8, *Preferred Stock*, for further discussion); (b) all outstanding accrued and unpaid amounts were paid to Pinellas County for property taxes, in the approximate amount of $343,000; (c) a termination fee of $5,403,000 was paid to Westin; (d) the supplemental fee and management fees totaling $977,000 were paid to Troon; and (e) the Patriot Bank loan was repaid and cancelled. With regard to the property taxes, the Company intends to continue to pursue the respective lawsuits to recover the contested amounts from Pinellas County.

Subsequent to the closing of the sale of the Resort, the Company paid outstanding accrued and unpaid (a) legal fees totaling approximately $3,261,000, (b) Board fees and expenses totaling approximately $263,000, and (c) milestone payments due to our current/former executive officers totaling approximately $1,317,000 plus accrued interest. See Note 2, *Organization and Basis for Presentation*, for further discussion regarding the milestone payments.

Although the Company has operated under the plan of liquidation since May 22, 2001, pursuant to which it has successfully sold 33 of the 34 properties owned by the Company on that date, the Board now believes that it is in the best interests of the stockholders of the Company to actively consider and pursue alternative business strategies in order to maximize stockholder value. The Board and management currently are working together to develop a recommended alternative strategy (an Alternative Strategy). The Alternative Strategy could include, among other things, the pursuit of acquisitions, a sale of the Company or certain of its assets, mergers, joint ventures or other business combinations and partnerships. **It is expected that the Alternative Strategy would focus on ways to extract value by capitalizing on existing strengths, such as the existing public platform, potential tax benefits from the Company s net operating loss carryforwards, as permitted by applicable law, and its current liquidity which, combined with the public platform, could make it an attractive candidate for a business combination. The Board is also actively developing a proposal to restructure both the existing management team and the composition of the Board itself to align respective skills to ensure optimum consideration and implementation of an Alternative Strategy.**

The implementation of an Alternative Strategy by the Company is inconsistent with the plan of liquidation and would require that the plan of liquidation be terminated. These financial statements, notes thereto and the assumptions therein are based on the current stockholder approved plan of liquidation until such time as the stockholders have approved a new strategy. See Note 9, *Subsequent Events*, for the most recent update on the Company s pursuit of an Alternative Strategy.

2. Organization and Basis of Presentation

The Company was incorporated in Maryland on November 8, 1996 as a real estate investment trust (REIT). As of fiscal year 2002, the Company no longer has its REIT status as a result of its repossession and operation of golf courses following the default of its original third-party lessees. At September 30, 2007, the Company s only remaining real estate asset, for which the estimated fair value is currently approximately 6,801,000, is the Country Clubs of Wildewood and Woodcreek Farms, or Stonehenge, which represents two private golf courses operating under one club structure located in South Carolina. Stonehenge is owned and managed by the Company and is presently held in fee simple. The title to Stonehenge is held by Golf Trust of America, L.P., a Delaware limited partnership and the Company s operating partnership. The Company refers to Golf Trust of America, L.P. as the Operating Partnership , and the Company refers to the Operating Partnership and itself (together with all subsidiaries) collectively as we , us or the Company . The title to the Resort, prior to its sale, was held by GTA-IB, a wholly owned subsidiary of GTA-IB Golf Resort, LLC, which in turn is 100% owned by the Operating Partnership. Through its wholly owned subsidiaries GTA GP, Inc. and GTA LP, Inc., the Company holds 100 percent of the interest in the Operating Partnership at September 30, 2007. GTA GP, Inc. is the sole general partner of the Operating Partnership and owns a 0.2 percent interest therein. GTA LP, Inc. is the sole limited partner in the Operating

Partnership and owns a 99.8 percent interest therein.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of GTA GP, Inc., GTA LP, Inc., the Operating Partnership and their wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Adjustments to Liquidation Basis of Accounting

As a result of the adoption by the Board of the plan of liquidation and approval of the plan of liquidation by the Company s stockholders, the Company adopted the liquidation basis of accounting for all periods subsequent to May 22, 2001. Accordingly, on May 22, 2001, the Company s assets were adjusted to their estimated fair value and the Company s liabilities, including estimated costs associated with implementing the plan of liquidation, were adjusted to their estimated settlement amounts. The valuation of real estate held for sale as of September 30, 2007 relies on estimates of sales values based on indications of interest from the marketplace and/or executed asset purchase agreements, as applicable, certain assumptions by management specifically applicable to each property, and on the property value ranges. The valuation of the Company s other assets and liabilities under the liquidation basis of accounting is based on management s estimates as of September 30, 2007.

For the three months ended September 30, 2007, net assets in liquidation decreased by approximately $268,000. This decrease resulted from (a) a decrease of approximately $274,000 in the forecast of the Company s cumulative net operating results, which includes its golf course assets and the overhead and interest expense of the Company s corporate operations, (b) an increase of $35,000 in the accrual for capital expenditures at Stonehenge, (c) a loss of $400,000 on the net proceeds received from the Company s interest in Parcel F, (d) an estimated recovery of approximately $448,000 on the estimated loss recorded at June 30, 2007 on the Resort sale transaction which continues to be subject to certain post-closing settlement adjustments, and (e) certain other miscellaneous adjustments of approximately $7,000. The forecast of the Company s cumulative net operating results is impacted by, among other things, changes in the anticipated sale date of Stonehenge, the final results of the post-closing settlement of the working capital adjustment for the Resort and the estimated time and expense required to wind-down the operations of the Company.

For the nine months ended September 30, 2007, net assets in liquidation decreased by approximately $2,663,000. This decrease was a result of the changes described above that were recorded in the three months ended September 30, 2007 plus the changes recorded in the six months ended June 30, 2007 which were (a) a decrease of approximately $900,000 in the forecast of the Company s cumulative net operating results, which included the Resort and golf course assets, the Resort condominium sales operations and the overhead and interest expense of the Company s corporate operations, (b) an increase of $30,000 in the accrual for capital expenditures at Stonehenge, (c) an increase of $180,000 for other incurred liquidation expenses, (d) an increase of $250,000 in the accrual for legal fees primarily for fees incurred in preparation for, and during the trial related to, the Young complaints, (e) an increase of $25,000 in the accrual for professional fees for accounting services, (f) a decrease in the carrying value of the debt to our preferred stockholder of $2,500,000 (see Note 8, *Preferred Stock*, for further discussion), and (g) a decrease of $3,510,000 in the carrying value of the business of the Resort based on the estimated net loss on the sale transaction. Also, approximately $97,000 was reallocated from the accrual for financial advisor fees to (i) a $50,000 increase in the accrual for legal fees and (ii) a $47,000 increase in the accrual for other liquidation expenses. The forecast of the Company s cumulative net operating results is impacted by, among other things, changes in an anticipated sale date of Stonehenge, the final results of the post-closing settlement of the working capital adjustment for the Resort which is currently being negotiated and the estimated time and expense required to wind-down the operations of the Company.

The net assets of approximately $11,202,000 at September 30, 2007 would result in a liquidation distribution per share of approximately $1.55. This $1.55 estimate for liquidation distribution per share includes projections of costs and expenses as described below under the heading *Reserve for Estimated Costs During the Period of Liquidation*. The actual per share distributions that the Company makes to the holders of the Company s common stock could be materially lower than the amount the Company currently estimates of $1.55 due to factors such as (a) the sale price and timing of any sale of Stonehenge and the corresponding transaction costs, (b) the performance of Stonehenge and Corporate overhead, and (c) a change in the underlying assumptions of the cash flow amount projected. The $1.55 estimate is derived by dividing the net assets in liquidation by the number of shares of common stock and common Operating Partnership units outstanding (7,317,000 less 85,000) after consideration of those shares that will be canceled prior to the distribution of the net assets. The 85,000 shares of common stock were pledged to the Company as security for the payment and performance of the obligations and liabilities of the pledgor under a common stock redemption agreement executed concurrently with a 2001 asset sale. Because this redemption agreement provides in part that these shares will be tendered to us if and when the total amount of liquidating distributions paid to the holders of common stock pursuant to the plan of liquidation is less than $10.74 per share, we expect these shares to be tendered to us and canceled.

Reserve for Estimated Costs During the Period of Liquidation

Under the liquidation basis of accounting, the Company is required to estimate and accrue the costs associated with implementing and completing the plan of liquidation. These amounts can vary significantly due to, among other things, the timing and realized proceeds from golf course sales, the costs of retaining personnel and others to oversee the liquidation, including the costs of insurance, the timing and amounts associated with discharging known and contingent liabilities,

transaction costs related to any sales and the costs associated with cessation of the Company s operations. These costs are estimates only and are expected to be paid out for expenses incurred during the period up to the date of the special meeting of the Company s stockholders on November 8, 2007 at which they will vote on, among other things, a proposal to terminate the Company s Plan of Liquidation and Dissolution which was originally approved on May 22, 2001. If this proposal is approved, the Company would no longer present their financial statements on a liquidation basis and, therefore, any remaining liquidation reserve accrual balances would be reversed. In light of the upcoming stockholder vote and the probability that the Plan of Liquidation and Dissolution will be terminated, the liquidation reserve has not been adjusted to contemplate operations of the Company for a future period, subsequent to the date of the Special Meeting, and leading to its cessation and wind-up. Further, the current liquidation reserve does not contemplate the impact on the Company s operating results of a sale of Stonehenge since no asset purchase agreement has been executed for Stonehenge as of November 2, 2007. Should the proposal be rejected by the stockholders, the Company s management will seek to sell Stonehenge and wind-up its corporate operations as soon as feasibly possible. The Company can provide no assurance as to the timeline by which this could occur. The Company has accrued the projected costs and operating results, including corporate overhead and specific liquidation costs of severance, professional fees and other miscellaneous costs, expected to be incurred during the period described above. These projections could change materially based on the outcome of the stockholder vote, the timing of any sale of Stonehenge, the performance of Stonehenge, transaction costs related to the sale of Stonehenge, corporate operating expenses including public company costs and any change in the underlying assumptions of the cash flow amount projected. These accruals will be adjusted as projections and assumptions change. See Note 9*, Subsequent Events*, for further discussion.

The following is a summary of the changes in the Reserve for Estimated Costs During the Period of Liquidation (Liquidation Reserve) (unaudited):

	December 31, 2006	Transfers and Payments	Operating Income(Loss) and Interest	Adjustments	September 30, 2007
Severance	$ 1,748,000	$ (1,317,000)	$	$	$ 431,000
Professional fees	1,250,000	(1,380,000)		325,000	195,000
Financial advisor fees	297,000	(200,000)		(97,000)	
Capital expenditures	47,000	(99,000)		65,000	13,000
Other	(57,000)	(607,000)	(118,000)	1,401,000	619,000
Total	$ 3,285,000	$ (3,603,000)	$ (118,000)	$ 1,694,000	$ 1,258,000

Included in the accrued severance amounts above are performance milestone payments aggregating approximately $1,317,000 (the accrued interest on these amounts is included in Accounts Payable and Other Liabilities) due to the Company s executives pursuant to their amended and restated employment agreements. The conditions to these payments were satisfied on June 19, 2003; therefore, these milestone payments plus accrued interest were paid to the Company s executives on July 16, 2007 following the closing of the sale of the Resort. The adjustment to the other liquidation reserve for the nine months ended September 30, 2007 of approximately $1,401,000 is the provision for the Company s past cumulative net operating results and future forecasts, which included the Resort and its condominium sales operations (until the closing of the sale of these assets on July 16, 2007) certain incurred but unbilled liquidation expenses, and an estimate of the overhead and interest expense of the Company s corporate operations through the date of the stockholder vote on the termination of the plan of liquidation. The increase in the professional fee accrual of $325,000 was primarily for fees incurred in preparation for, during and after the trial on the Young complaints. The increase of $65,000 in the accrual for capital expenditures is for capital improvement projects at Stonehenge. As described above, these projections could change materially and will be adjusted from time to time as projections and assumptions change. See Note 9, *Subsequent Events*, for further discussion.

3. Summary of Significant Accounting Policies

Interim Statements

The accompanying condensed consolidated financial statements for the three and nine months ended September 30, 2007 have been prepared in accordance with (a) accounting principles generally accepted in the United States of America (GAAP), and under the liquidation basis of accounting following our stockholders approval of the plan of liquidation on May 22, 2001, and (b) the instructions to Form 10-Q and Article 10 of Regulation S-X. These financial statements have not been audited by a registered independent public accounting firm; however, they include adjustments (consisting of normal recurring adjustments) which are, in the judgment of management, necessary for a fair presentation of the net assets, financial condition, results of operations and cash flows for such periods. However, these results are not necessarily indicative of results for any other interim period or for the full year. In particular, revenues from golf course operations are seasonal.

Certain information and footnote disclosures normally included in financial statements in accordance with GAAP have been omitted as allowed in quarterly reports by the rules of the SEC. The Company s management believes that the disclosures included in the accompanying interim financial statements and footnotes are adequate to make the information not misleading, but also believes that these statements should be read in conjunction with the summary of significant accounting policies and notes to financial statements included in our Form 10-K for the year ended December 31, 2006, filed on April 2, 2007.

Recent Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements. FIN 48 prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return. The provisions of FIN 48 were effective for the Company as of January 1, 2007 and required application of FIN 48 to all existing tax positions upon initial adoption. The adoption of the standard had no effect on the Company s financial condition or results of operations.

4. Commitments and Contingencies

Young Complaints

On March 22, 2004, a lawsuit was filed in the U.S. District Court for the District of South Carolina, Florence Division, by one of our prior directors, Larry D. Young (together with Danny L. Young, Kyle N. Young, the Young Family Irrevocable Trust and The Legends Group, Ltd.), against our independent auditors, BDO Seidman, LLP, and three former BDO partners (the BDO Defendants), and the Company and our executive officers (the GTA Defendants).

The complaint alleges that the BDO Defendants engaged in professional malpractice, misrepresentation, breach of fiduciary duty and fraud by counseling plaintiffs to participate in a type of tax shelter transaction allegedly held illegal by the Internal Revenue Service, and that the GTA Defendants conspired with the BDO Defendants to convince Mr. Young that he would realize a large projected tax gain in order to induce Mr. Young (and the other plaintiffs) to enter into the failed tax shelter transaction. The plaintiffs are seeking damages of at least $3.7 million, together with legal expenses and other costs. On November 4, 2004, we filed an answer and counterclaims. On February 14, 2005, the court granted the motion to compel arbitration of the BDO Defendants as to claims against them, and it appears that the plaintiffs and the BDO Defendants have resolved their differences. On October 18, 2006, the plaintiffs filed a notice of dismissal of their claims against the BDO Defendants. On March 1, 2007, the U.S. District Court granted the GTA Defendants Motion for Summary Judgment. As of March 26, 2007, the plaintiffs have no remaining claims against any of the GTA Defendants. All of GTA Defendants counterclaims against the plaintiffs remain. Mediation and settlement efforts by the parties were unsuccessful. The trial for the GTA Defendants counterclaims against the plaintiffs began on August 6, 2007 and concluded on August 10, 2007. The plaintiffs made a motion for a directed verdict during trial that was granted with respect to one of the GTA Defendants claims, and denied for the remaining three claims. The jury returned a verdict for the GTA Defendants on their claims for breach of contract and breach of fiduciary duty, and awarded the GTA Defendants actual damages in the amount of $3,726,856. In addition, the GTA Defendants were awarded $150,000 in attorneys fees in connection with the breach of contract claim. On August 20, 2007, the plaintiffs moved for judgment notwithstanding the verdict, or, alternatively, a new trial. On September 7, 2007, the GTA Defendants filed a response in opposition to plaintiffs motion, and plaintiffs filed a reply on September 14, 2007. Any appeal rights are stayed pending the determination of this post-trial motion. On August 27, 2007, the GTA Defendants filed a motion to amend or correct certain minor language in the text of the judgment, and the plaintiffs responded in opposition to this motion on September 14, 2007. On August 31, 2007, the GTA Defendants filed a motion seeking attorneys fees in connection with the GTA Defendants successful defense against the plaintiffs original claims, along with a motion to seal the invoices attached as exhibits to the motion for attorneys fees. The plaintiffs responded in opposition to the motion on October 10, 2007, and the GTA Defendants filed a reply on October 22,2007. All of the aforementioned post-trial motions remain pending before the Court. At this time, the Company is unable to assess the ultimate outcome of this litigation and has not recorded a receivable for the potential recovery of the award.

Property Tax Lawsuit

GTA-IB has filed lawsuits against the property appraiser of Pinellas County, Florida to challenge the 2004, 2005 and 2006 real estate assessment on the Resort property. Pinellas County filed a motion to dismiss, which was denied by the court. Discovery is in process and no trial date has been set. If Pinellas County were to prevail, management believes that there would be no material adverse effect upon our financial statements, as the entire Pinellas County assessment was fully accrued at June 30, 2007 and was paid concurrent with the sale of the Resort on July 16, 2007. See Note 1, *Plan of Liquidation and*

the Resort, for further discussion. If the Company were to prevail, the Company could possibly be awarded a reimbursement of a portion of these contested property taxes but the Company is unable to assess the outcome of this claim at this time.

Wall Springs Conservatory, Inc. Complaint

On July 13, 2006, Wall Springs Conservatory, Inc. (Wall Springs) filed suit against GTA-IB, as successor in interest to GHR, in the circuit court of Pinellas County for declaratory relief regarding the allocation of certain full golf memberships at the Resort. On July 14, 2006, Wall Springs also filed suit against us in the small claims division of the Pinellas County Court in connection with an easement agreement. We answered both claims, also asserting affirmative defenses and counterclaims in each action. We then filed a motion to transfer the small claims matter to Circuit Court, which was granted on September 27, 2006. We then moved to consolidate these two cases. Our motion to consolidate was granted by the Circuit Court on March 1, 2007. The Company is currently evaluating its alternatives regarding these claims given the fact that it no longer owns the Resort. At this time, the Company is unable to assess the likely outcome of this litigation.

Lake Ozark Industries, Inc. and Everett Holding Company, Inc. v. Golf Trust of America, et al.

The titled action was brought in the Circuit Court of Miller County, Missouri, by a contractor, Lake Ozark Construction Industries, Inc. (LOCI) and its asserted assignee of lien and account rights, Everett Holding Company, Inc., in the fall of 1999 against numerous defendants, including the Operating Partnership. Plaintiffs assert LOCI performed construction services on, or that LOCI benefited, the property of various defendants, including the Operating Partnership. With respect to the Operating Partnership, plaintiffs seek to foreclose a mechanic s lien upon property formerly owned by it. The lien is for the principal amount of approximately $1,276,000, plus interest at 10% per annum and attorney fees. Plaintiffs calculate interest to May 20, 1999, just prior to the lien filing, to be approximately $151,000 and interest thereafter to be $354 per day. The Court entered a written order granting the Operating Partnership s Motion for Summary Judgment in April 2002 and a final judgment in November 2003. Plaintiffs appealed the ruling to the Missouri Court of Appeals. The Court of Appeals on April 5, 2005 reversed the Circuit Court judgment in favor of us and remanded the case to the Circuit Court for further proceedings. On May 31, 2005, the Court of Appeals filed a modified Opinion, which again reversed the Circuit Court judgment in favor of us and remanded the case to the Circuit Court for further proceedings. As of November 2, 2007, the trial date has not yet been set. At this time, the Company is unable to assess the likely outcome of this litigation.

Ordinary Course Litigation

Owners and operators of golf courses are subject to a variety of legal proceedings arising in the ordinary course of operating a golf course, including proceedings relating to personal injury and property damage. The Company maintains insurance for these purposes, subject to deductibles and exclusions deemed reasonable by the Company. The Company is not currently subject to any material claims of this type.

Refundable Initiation Fees

Certain membership initiation fees at Stonehenge are refundable based on specific conditions. The estimated present value of the potential refunds over the thirty-year required membership term, as defined in the Club Membership Manual, is recorded as an accrued liability on our books at September 30, 2007 and is valued at $125,000. Additionally, certain initiation fees may be refundable prior to the expiration of the thirty-year term under specific membership replacement conditions. There is no liability recorded to consider the refundability of refunds issued under these conditions due to the fact that four new members have to join in the specific membership category for a resigned member to receive a refund. A refund issued under these specific circumstances would be considered a reduction of membership revenue for that period. All new initiation fees received are initially recorded as deferred revenue and amortized over the average life of a membership which, based on historical information, is deemed to be nine years.

5. Receivables and Due from Salamander

Receivables consists of approximately 1,387,000, which represents the estimated amount due from the buyer of the Resort in the final post closing working capital settlement which is currently being negotiated and is subject to change based on the final outcome of these negotiations, and approximately $413,000 in member, trade and other miscellaneous receivables of Stonehenge at September 30, 2007, as compared to the receivables at December 31, 2006, which include approximately $2,892,000 of member, trade and other miscellaneous receivables of our managed golf courses, the Resort and its related entity Golf Host Securities, Inc.

6. Debt

	September 30, 2007	December 31, 2006
Revolving line of credit	$ 4,100,000	$ 4,100,000
Capital lease obligations		772,000
Non-revolving loan		
Total	$ 4,100,000	$ 4,872,000

Revolving Line of Credit

On March 18, 2004, the Company entered into a loan agreement and related mortgage with Textron Financial Corporation (Textron) for a revolving line of credit with a maximum permissible outstanding loan amount of $2,100,000. On August 4, 2005, the line was increased to $4,200,000 and the term was extended to March 18, 2009. This loan is collateralized by a security interest in the Company s golf courses in Stonehenge. The interest rate is the prime rate plus 1.75% per annum paid monthly. This loan requires that the operations at Stonehenge for the immediately preceding twelve month period be sufficient to meet a debt service coverage ratio, as defined in the mortgage, of at least 1.20, as measured monthly. At September 30, 2007, the Company did not meet the debt service coverage ratio (in part due to the ramped up efforts to improve the playing quality of the golf courses by spending a significant sum on additional maintenance labor, beautification efforts and repair and maintenance projects on the golf courses that do not qualify for capitalization); however, due to the fact that the Company has consistently paid our interest obligations throughout the term of the loan, Textron waived the covenant violation subject to re-evaluation at December 31, 2007.

In certain instances, the loan may be assumed by a buyer of Stonehenge pursuant to assumption provisions in the loan amendment. The interest rate continues to be the prime rate (7.75% per annum at September 30, 2007) plus 1.75% per annum, paid monthly. The Company paid a one-time commitment fee to Textron of $42,000 to obtain the increase in this credit line. In addition, the Company will pay to Textron a fee of 0.25% per annum of the unused balance of this line of credit.

In connection with the execution of the Textron loan amendment, the Company, through its subsidiaries Stonehenge LLC and the Operating Partnership (collectively, the Borrower), entered into a Notice of Future Advance, Note, Mortgage and Loan Modification Agreement with Textron (the Amended Mortgage) modifying the March 2004 Mortgage, Security Agreement and Fixture Filing (as modified by the Amended Mortgage, the Security Agreement). The Security Agreement contains events of default provisions that include, among others, non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations and warranties, cross defaults, bankruptcy and insolvency proceedings, termination, dissolution or liquidation of Stonehenge LLC or the Operating Partnership, failure to cure the loss of certain licenses, permits or contracts, curtailment of utilities or services at Stonehenge and material judgments. In the event of the occurrence of an event of default, Textron is entitled to, among other things, accelerate all obligations of the Borrower under the aforesaid loan documents and sell certain of the Borrower s assets, namely Stonehenge and related assets, to satisfy the Borrower s obligations.

7. Accounts Payable and Other liabilities

Accounts payable and other liabilities consist of the following:

	September 30, 2007	December 31, 2006
Accounts payable	$ 658,000	$ 5,904,000
Accrued payroll	115,000	1,250,000
Accrued expenses	27,000	2,151,000
Deferred revenue and deposits	753,000	4,103,000
Total	$ 1,553,000	$ 13,408,000

See Note 1, *Plan of Liquidation and the Resort*, for discussion regarding the payment of accounts payable following the closing of the sale of the Resort on July 16, 2007.

8. Preferred Stock

Series A Cumulative Convertible Redeemable Preferred Stock

On April 2, 1999, the Company completed a registered offering of 800,000 shares of the Company s 9.25% Series A Cumulative Convertible Preferred Stock, par value $0.01 per share, at a price of $25.00 per share. All shares of the Series A

Preferred Stock were sold to AEW Targeted Securities Fund, L.P. ("AEW"). The Series A Preferred Stock was convertible, in whole or in part, at the option of the holder at any time into the Company s common stock at an implicit conversion price of $26.25 per share of common stock, subject to adjustment in certain circumstances. The Company contributed the net proceeds to the Operating Partnership in exchange for 800,000 Series A Preferred Operating Partnership units with analogous terms.

Aggregate Series A Preferred Stock dividends accrued until July 20, 2003 at a rate of $462,500 per quarter. Effective July 21, 2003, the rate increased to $625,000 per quarter (see further discussion of this increase below). As of March 31, 2007, the Company had not paid 22 quarters of Series A Preferred Stock dividends (including the dividend otherwise payable in respect of the quarter ended March 31, 2007). Under the Company s Series A Preferred Stock charter document, because the Company had at least six quarters of unpaid Series A Preferred Stock dividends, the holder of the Series A Preferred Stock, AEW or its transferee, had the right to elect two additional directors to the Board whose terms as directors would continue until the Company fully paid all accrued but unpaid Series A Preferred Stock dividends. This right went into effect at the Company s annual meeting that was held on November 17, 2003 and AEW did not exercise that right.

On February 22, 2001, the Company entered into a voting agreement with AEW. That agreement required AEW to vote in favor of the plan of liquidation and required the Company to redeem all of the shares of Series A Preferred Stock (for $25 per share plus dividends accrued and unpaid thereon through the date of the final redemption payment) promptly after the Company determined in good faith that it has received sufficient net proceeds from the disposition of the Company s assets and/or operations to redeem all of the Series A Preferred Stock without violating any legal or contractual obligations.

Moreover, under the Company s voting agreement with AEW, since the Company did not fully redeem the Series A Preferred Stock by May 22, 2003, AEW or its transferee had the right to require the Company to redeem the Series A Preferred Stock in full within 60 days thereafter, which right AEW exercised. Since the Company defaulted on that obligation, from July 21, 2003 until the Series A Preferred Stock was redeemed, the stated dividend rate of the Series A Preferred Stock increased from 9.25% to 12.50% per annum (equivalent to a quarterly dividend of $625,000). Although the Company was permitted to continue to accrue such dividends without paying the same on a current basis, the dividends would have been required to be paid in full prior to any distribution to the Company s common stockholders (but after payment of all obligations to the Company s creditors), which would have reduced the Company s cash available for liquidating distributions to common stockholders.

On June 25, 2007, the Company and AEW entered into the AEW Option Agreement, which, among other things:

granted the Company the Option, exercisable by the Company in its sole discretion, to purchase, on or before August 1, 2007, all 800,000 shares of the Series A Preferred Stock held by AEW including, without limitation, all of AEW s rights to Liquidation Preferences (as defined in the Company s Articles Supplementary, including, without limitation, Liquidation Preferences in respect of any accrued and unpaid dividends) payable in respect of such shares as of the Company s exercise of the Option for a price of $17,500,000 (the Exercise Price), subject to upward adjustment; provided, however, that the Option could only be exercised by the Company in the event that the Business of the Resort was purchased pursuant to the essential terms and conditions, including purchase price, of the Asset Purchase Agreement; and

provided that at such time as the Company exercised the Option and paid the Exercise Price in accordance with the provisions of the AEW Option Agreement, all rights of AEW pursuant to any agreements between AEW and the Company, the Company s Articles Supplementary or otherwise would terminate, and the Series A Preferred Stock

purchased would be authorized and unissued shares of Series A Preferred Stock to which AEW would no longer have any ownership rights.

As described in Note 1, *Plan of Liquidation and the Resort*, above, the Company exercised the Option and redeemed the Series A Preferred Stock for the Exercise Price in connection with the closing of the sale of the Resort.

9. Subsequent Events

On October 9, 2007, the Company filed a definitive proxy statement for its Special Meeting of Stockholders to be held on November 8, 2007 in Charleston, South Carolina. At the special meeting, stockholders will vote on a proposal to terminate the Company s Plan of Liquidation and Dissolution originally approved on May 22, 2001. Stockholders will also vote on a proposal to declassify the Company s Board of Directors and make certain changes to the Company s Amended and Restated Articles of Incorporation to remove provisions related to our former status as a REIT as well as a proposal to approve the adoption of the Golf Trust of America, Inc. 2007 Stock Option Plan. See Note 2, *Organization and Basis of*

Presentation, under the heading *Reserve for Estimated Costs During the Period of Liquidation,* for discussion regarding the Company s consideration of the pending stockholder vote and the impact of such consideration on Management s estimate of the reserve for estimated costs during the period of liquidation as of September 30, 2007.

In the event that the stockholders do not approve the termination of the plan of liquidation, the plan of liquidation and the Company s current management would remain in place, and the Company would continue to implement the plan of liquidation.

GOLF TRUST OF AMERICA, INC.
Quarterly Report on Form 10-Q
For the Three and Nine Months Ended September 30, 2007

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We were incorporated in Maryland on November 8, 1996. We have been engaged in a liquidation of our assets pursuant to a plan of liquidation approved by our stockholders. However, as previously announced and described more fully below, we are currently considering additional strategic options to maximize stockholder value. We were originally formed to be a REIT; however, as of fiscal year 2002 we no longer have our REIT status as a result of our repossession and operation of certain golf courses following the default of their original third-party lessees. As of November 2, 2007, our only remaining asset is the Country Clubs of Wildewood and Woodcreek Farms, or Stonehenge, held by us in fee simple, representing two private golf courses operating under one club structure located in South Carolina. The Operating Partnership holds title to Stonehenge. Through our wholly owned subsidiaries, GTA GP, Inc. and GTA LP, Inc., we held 100 percent of the interests in the Operating Partnership as of November 2, 2007. GTA GP, Inc. is the sole general partner of the Operating Partnership and owns a 0.2 percent interest therein. GTA LP, Inc. is the sole limited partner in the operating partnership and owns a 99.8 percent interest therein.

Significant Events

Significant events that have had or will have a material impact on our financial condition and results of operations include:

On July 16, 2007, the Company, the Operating Partnership and GTA-IB, GTA-IB Golf Resort, LLC, GTA-IB Condominium, LLC and GTA-IB Management, LLC (the Operating Partnership s subsidiaries) completed the sale of the Resort and all of GTA-IB Golf Resort, LLC s equity interest in Golf Host Securities, Inc. to Salamander pursuant to the Asset Purchase Agreement dated June 25, 2007. The purchase price received by the Company was approximately $35,000,000 in cash less a working capital purchase price adjustment of $2,221,000 plus (a) $4,000,000 to be used to settle certain obligations, (b) $844,000 for reimbursement of certain rental pool payments discussed in more detail below, (c) $317,000 for reimbursement of certain agreed upon capital expenditures, (d) $25,000 for reimbursement of expenses related to Parcel G and (e) the assumption of certain liabilities. The final post-closing working capital settlement amount, as set forth in the Asset Purchase Agreement, is currently being negotiated. The Company has recorded a receivable of $1,387,000 on the books of GTA-IB (consolidated into the financial statements of GTA). At this time, based on the facts available to the Company, management believes that this amount is a reasonable representation of the receivable that will be collected by the Company when the post-closing working capital adjustment is settled with Salamander. As part of the sale of the Business, Salamander assumed operation and control of the Rental Pool, which is a securitized pool of condominiums owned by participating persons and rented as hotel rooms to guests of the Resort. The Rental Pool obligated GTA-IB to make quarterly distributions of a percentage of room revenues to participating owners under the MLA. The MLA also entitled participating owners to 50% reimbursement of the refurbishment costs of their units. In addition to reimbursement by Salamander of such obligations since January 1, 2007 in the amount of approximately $844,000, obligations in connection with the Refurbishment Program, along with all other obligations under the MLA, were assumed by Salamander upon the closing of the sale of the Resort.

Upon the closing of the sale of the Resort, the Company exercised the Option and purchased all 800,000 shares of the Series A Preferred Stock held by AEW pursuant to the AEW Option Agreement, dated June 25, 2007. The Option was exercised at the Exercise Price of $17,500,000, subject to certain post-closing adjustments, as set forth in the AEW Option Agreement.

As a result of the sale of the Resort, the Company s liquidity improved significantly. Net cash proceeds from the sale after all the payouts required at closing were approximately $10,501,000, subject to an escrow for the Company s indemnification liability of approximately $2,000,000 that will be held, pursuant to its terms, until at least March 31, 2008 and the final post-closing working capital adjustment settlement which is currently anticipated to result in additional cash proceeds to the Company from Salamander of approximately $1,387,000. The Company s obligations under the Refurbishment Program under the MLA were assumed by Salamander and eliminated from the Company s balance sheet. As described above, the Company used a portion of the sale proceeds to satisfy its obligations to Westin, Troon, Patriot Bank and with respect to certain accounts payable, including payments to executives and former executives for earned and unpaid milestone payments and to its former legal counsel. In addition, the redemption of the Series A Preferred Stock eliminated from its balance sheet $17,500,000 of accrued liabilities for the liquidation value and accrued and unpaid dividends on the Series A Preferred Stock.

On October 9, 2007, we filed a definitive proxy statement for our Special Meeting of Stockholders to be held on November 8, 2007 in Charleston, South Carolina. At the special meeting, stockholders will vote on a proposal to terminate the Company s Plan of Liquidation and Dissolution originally approved on May 22, 2001. Stockholders will also vote on a proposal to declassify the Company s Board of Directors and make certain changes to the Company s Amended and Restated Articles of Incorporation to remove provisions related to our former status as a REIT as well as a proposal to approve the adoption of the Golf Trust of America, Inc. 2007 Stock Option Plan. See further discussion below under the heading *Possible Change in Business Strategy*.

Possible Change in Business Strategy

Following the sale of the Resort and the redemption of the Series A Preferred Stock, the only remaining assets of the Company are (a) cash, (b) certain holdbacks and escrowed funds related to the sale of the Resort, (c) contingent assets related to litigation, and (d) Stonehenge.

Although the Company has operated under the plan of liquidation since May 22, 2001, pursuant to which it has successfully sold 33 of the 34 properties owned by the Company on that date, the Board now believes that it is in the best interests of the stockholders of the Company to actively consider and pursue alternative business strategies in order to maximize stockholder value. The Board and management currently are working together to develop a recommended Alternative Strategy. The Alternative Strategy could include, among other things, the pursuit of acquisitions, a sale of the Company or certain of its assets, mergers, joint ventures or other business combinations and partnerships. **It is expected that the Alternative Strategy would focus on ways to extract value by capitalizing on existing strengths, such as the existing public platform, potential tax benefits from the Company s net operating loss carryforwards, as permitted by applicable law, and its current liquidity which, combined with the public platform, could make it an attractive candidate for a business combination. The Board is also actively developing a proposal to restructure both the existing management team and the composition of the Board itself to align respective skills to ensure optimum consideration and implementation of an Alternative Strategy.**

The implementation of an Alternative Strategy by the Company would be inconsistent with the plan of liquidation and would require that the plan of liquidation be terminated. On October 9, 2007, we filed a definitive proxy statement for our Special Meeting of Stockholders to be held on November 8, 2007 in Charleston, South Carolina. At the special meeting, stockholders will vote on a proposal to terminate the Company s Plan of Liquidation and Dissolution originally approved on May 22, 2001. In the event that the stockholders approve the termination of the plan of liquidation, the Board expects that any potential transactions would be presented subsequently to the stockholders for consideration and approval as they may be identified and as may be appropriate under applicable law.

In the event that the stockholders do not approve the termination of the plan of liquidation, it would remain in place and the Company would continue to implement the plan of liquidation.

Assets Held for Sale

On August 23, 2007, the sale of Parcel F, which is a parcel of land adjacent to the Resort, closed. On September 6, 2007, we received sales proceeds of $2,500,000 from the seller of Parcel F, GHR, pursuant to a contractual right related to such a sale of Parcel F.

As noted above, as of November 2, 2007, our only remaining asset is Stonehenge for which the current estimated fair value is $6,801,000. Also, as of November 2, 2007, we have not entered into any binding agreements with prospective purchasers for the sale of Stonehenge.

Current Strategic Choices

As described above, the Company is exploring a full range of Strategic Alternatives, and presented the Board s recommendation to its stockholders in the definitive proxy statement for the special meeting mailed to stockholders on October 9, 2007. Since we adopted the plan of liquidation in May 2001, we believe we have made significant progress in liquidating our assets. We have successfully closed on the sale of 33 of the 34 properties that we owned, leaving Stonehenge still remaining in our portfolio. If the Company ultimately continues the liquidation of its assets pursuant to the plan of liquidation, we anticipate making one or more liquidating distributions to the holders of our common stock. If the plan of liquidation is terminated, we will pursue Strategic Alternatives, as determined by the Board and stockholder approval of

certain specific transactions will be sought as required by law. We will continue to pursue the sale of Stonehenge pursuant to terms and conditions that our Board deems to be in the best interests of our stockholders, including the timing of such sale.

Potential Use of a Liquidating Trust

If the termination of the plan of liquidation is not approved by the stockholders and the Company continues to pursue the sale of our remaining assets and the wind-up of the Company, as contemplated by our plan of liquidation, we may elect to contribute our remaining assets and liabilities to a liquidating trust. For a more complete description of our potential use of a liquidating trust, please refer to Potential use of a Liquidating Trust; Related Income Tax Risks to our Stockholders in Part 1, Item 1 of our Form 10-K for the year ended December 31, 2006, filed on April 2, 2007.

Application of Critical Accounting Policies

Upon approval by our stockholders of the plan of liquidation on May 22, 2001, we adopted the liquidation basis of accounting for periods beginning after May 22, 2001. Pending any change in the Company s strategic direction, as discussed above, the Company will continue to present its financial statements under the liquidation basis of accounting. The changes in Net Assets in Liquidation for Golf Trust of America, Inc., excluding the Resort and Golf Host Securities, Inc., are discussed below. This discussion of changes in net assets, instead of a discussion of operating results, is consistent with the presentation of the liquidation basis financial statements in Item 1 of this Quarterly Report on Form 10-Q. The results of operations for the Resort are discussed separately below under the caption Results of Operations for the Three and Nine Months Ended September 30, 2007 . Please refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Application of Critical Accounting Policies in our Form 10-K for the year ended December 31, 2006, filed on April 2, 2007, for a complete description of our critical accounting policies.

Reserve for Estimated Costs During the Period of Liquidation

The change in our reserve for estimated liquidation costs for the three and nine months ended September 30, 2007 is summarized in Note 2, *Organization and Basis of Presentation*, under the heading, *Reserve for Estimated Costs During the Period of Liquidation,* to our Condensed Consolidated Financial Statements contained in Item 1 above.

Results of Operations for the Three and Nine Months Ended September 30, 2007

Results of Operations

Following the sale of the Resort, the redemption of our Series A Preferred Stock and the receipt of our portion of the proceeds from the sale of Parcel F, the only remaining assets of the Company are (a) cash, (b) certain holdbacks, amounts due related to the working capital adjustment settlement, and escrowed funds related to the sale of the Resort, (c) contingent assets related to litigation, and (d) Stonehenge. Other than the two-week period before the closing of the sale of the Resort, our only substantive operations were those of Stonehenge, which are significantly

less than those of the Resort.

The discussion and analysis that follows focuses on the Company s results of operations in the quarter ended September 30, 2007 and material factors that could impact future liquidity and results of operations. Given that the significant majority of our operations were sold at the beginning of the third quarter, results of operations and cash flow comparisons with prior periods are not meaningful and, thus, are not provided.

Changes in Net Assets in Liquidation

January 1, 2007 to September 30, 2007

The change in our net assets for the three and nine months ended September 30, 2007 is summarized in Note 2, *Organization and Basis of Presentation*, under the heading *Adjustments to Liquidation Basis of Accounting,* to our Condensed Consolidated Financial Statements contained in Item 1 above.

Liquidity and Capital Resources

As a result of our need for liquidity at that time, on March 18, 2004, we entered into a loan agreement and related mortgage with Textron for a revolving line of credit. On August 4, 2005, we executed loan documents with Textron to amend the terms of the existing revolving loan. Pursuant to this amendment, the maximum permissible outstanding loan amount was increased from $2,100,000 to $4,200,000. The interest rate pursuant to the amended Textron loan documents continues to be the prime rate plus 1.75% per annum, paid monthly. The amendment extended the term of the loan from March 18, 2006 to March 18, 2009. This loan is collateralized by a security interest in Stonehenge. The loan requires that the operations at Stonehenge for the immediately preceding twelve month period must be sufficient to meet a monthly debt service coverage ratio, as defined in the mortgage, of at least 1.20. At September 30, 2007, the Company did not meet the debt service coverage ratio (in part due to the ramped up efforts to improve the playing quality of the golf courses by spending a significant sum on additional maintenance labor, beautification efforts and repair and maintenance projects on the golf courses that do not qualify for capitalization); however, due to the fact that the Company has consistently paid our interest obligations throughout the term of the loan, Textron waived the covenant violation subject to re-evaluation at December 31, 2007.

Subject to certain conditions, a buyer of Stonehenge may assume this loan pursuant to the loan assumption provisions in the amendment. We paid a one-time commitment fee to Textron of $42,000, which represents 2% of the new funds approved to obtain the increase in this credit line. In addition, we will pay to Textron a fee of 0.25% per annum of the unused balance of the available line. As of the date of this report, we have drawn down a total of $4,100,000 on the line of credit. Subject to our satisfaction of the applicable terms, conditions and covenants of this loan, there is $100,000 available that could be drawn under this loan.

As described above, the sale of the Resort and the receipt of sales proceeds for Parcel F significantly improved the Company s liquidity. We anticipate that cash on hand, combined with cash flow from Stonehenge s operations, will be sufficient to meet the Company s operating needs in the near term.

Tax Consideration

We do not currently project any income tax liability for the remainder of our liquidation as a result of our net operating loss carryforwards, which we currently expect to be sufficient to offset any taxable income for the remainder of our liquidation. Should the Company pursue alternative strategic options, management will assess the income tax impact of such options at that time.

Off Balance Sheet Arrangements

As of September 30, 2007, we have no off balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations, Contingent Liabilities and Commitments

The following table summarizes our contractual obligations at September 30, 2007, and the effect such obligations are expected to have on our liquidity and cash flow (or upon our successors in interest under the applicable contracts, if the contracts are not terminated) in future periods:

	Payments Due by Period (in thousands)				
Contractual Obligation	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
Employment Agreements and Employment Security Agreements	$ 431	$ 431	$	$	$
Textron revolving line of credit	4,714	410	4,304		
Operating lease agreements at the managed golf courses	161	98	56	7	
Advertising, service, equipment maintenance and other contracts and software license and support agreements at the managed courses	1	1			
Lease agreements for GTA corporate office	7	5	2		
Total of our consolidated obligations	$ 5,314	$ 945	$ 4,362	$ 7	$

Interest is reflected, as applicable, in the commitments and obligations listed above.

Please refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations, Contingent Liabilities and Commitments in our Form 10-K for the year ended December 31, 2006, filed on April 2, 2007, for a description of our contractual obligations.

Inflation

We believe that inflation does not pose a material risk to us. Our main source of cash flow is golf course dispositions which are not particularly vulnerable to inflation because we can adjust our asking prices if supply/demand factors support an interest in the particular golf course. Although some of our obligations (such as the salary of our chief executive officer) automatically adjust for inflation, some of our rights are similarly indexed. Our golf course fees at Stonehenge are relatively flexible and can be increased, subject to constraints imposed by competition and, in some cases, patrons yearly membership privileges.

Seasonality

Since Stonehenge is a private membership club, the monthly member dues are the same throughout the year; however, swim and tennis revenues and expenses are higher in the summer months.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have not entered into any transactions using derivative financial instruments. We are subject to market risk associated with changes in interest rates applicable to the revolving line of credit that we obtained on March 18, 2004, and amended on August 4, 2005. At September 30, 2007, the outstanding debt under this line of credit subject to interest rate exposure is $4,100,000. As of September 30, 2007, a 25 basis point movement would have resulted in a $10,000 annualized increase or decrease in interest expense and cash flows.

We were also subject to market risk associated with changes in interest rates applicable to the non-revolving line of credit for $1,200,000 that GTA-IB obtained on April 10, 2007. This loan was repaid upon the closing of the sale of the Resort.

We have not entered into any transactions using foreign currency or derivative commodity instruments; therefore, we do not face any foreign currency exchange rate risk or commodity price risk.

Reference is made to Note 6, *Debt*, to the Condensed Consolidated Financial Statements in Item 1 for additional debt information.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Principal Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management assesses the costs and benefits of such controls and procedures based upon the prevailing facts and circumstances, including management s reasonable judgment of such facts. Our amended management agreement with Westin provided us with heightened control and access to information; however, prior to October 31, 2006 when we terminated the Westin Management Agreement, we did not directly assemble the financial information for the Resort (although we have taken steps that we deem to be reasonable under the circumstances to seek to verify such financial information) and consequently, our disclosure controls and procedures with respect to the Resort, while strengthened, were necessarily more limited than those we maintain with respect to our own corporate operations.

As of September 30, 2007, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)). Management concluded that as of September 30, 2007, our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our Exchange Act reports.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently involved in (or affected by) the following legal proceedings:

Young Complaints

On March 22, 2004, a lawsuit was filed in the U.S. District Court for the District of South Carolina, Florence Division, by one of our prior directors, Larry D. Young (together with Danny L. Young, Kyle N. Young, the Young Family Irrevocable Trust and The Legends Group, Ltd.), against our independent auditors, BDO Seidman, LLP, and three former BDO partners (the BDO Defendants), and the Company and our executive officers (the GTA Defendants).

The complaint alleges that the BDO Defendants engaged in professional malpractice, misrepresentation, breach of fiduciary duty and fraud by counseling plaintiffs to participate in a type of tax shelter transaction allegedly held illegal by the Internal Revenue Service, and that the GTA Defendants conspired with the BDO Defendants to convince Mr. Young that he would realize a large projected tax gain in order to induce Mr. Young (and the other plaintiffs) to enter into the failed tax shelter transaction. The plaintiffs are seeking damages of at least $3.7 million, together with legal expenses and other costs. On November 4, 2004, we filed an answer and counterclaims. On February 14, 2005, the court granted the motion to compel arbitration of the BDO Defendants as to claims against them, and it appears that the plaintiffs and the BDO Defendants have resolved their differences. On October 18, 2006, the plaintiffs filed a notice of dismissal of their claims against the BDO Defendants. On March 1, 2007, the U.S. District Court granted the GTA Defendants Motion for Summary Judgment. As of March 26, 2007, the plaintiffs have no remaining claims against any of the GTA Defendants. All of GTA Defendants counterclaims against the plaintiffs remain. Mediation and settlement efforts by the parties were unsuccessful. The trial for the GTA Defendants counterclaims against the plaintiffs began on August 6, 2007 and concluded on August 10, 2007. The plaintiffs made a motion for a directed verdict during trial that was granted with respect to one of the GTA Defendants claims, and denied for the remaining three claims. The jury returned a verdict for the GTA Defendants on their claims for breach of contract and breach of fiduciary duty, and awarded the GTA Defendants actual damages in the amount of $3,726,856. In addition, the GTA Defendants were awarded $150,000 in attorneys fees in connection with the breach of contract claim. On August 20, 2007, the plaintiffs moved for judgment notwithstanding the verdict, or, alternatively, a new trial. On September 7, 2007, the GTA Defendants filed a response in opposition to plaintiffs motion, and plaintiffs filed a reply on September 14, 2007. Any appeal rights are stayed pending the determination of this post-trial motion. On August 27, 2007, the GTA Defendants filed a motion to amend or correct certain minor language in the text of the judgment, and the plaintiffs responded in opposition to this motion on September 14, 2007. On August 31, 2007, the GTA Defendants filed a motion seeking attorneys fees in connection with the GTA Defendants successful defense against the plaintiffs original claims, along with a motion to seal the invoices attached as exhibits to the motion for attorneys fees. The plaintiffs responded in opposition to the motion on October 10, 2007, and the GTA Defendants filed a reply on October 22, 2007. All of the aforementioned post-trial motions remain pending before the Court. At this time, the Company is unable to assess the ultimate outcome of this litigation and has not recorded a receivable for the potential recovery of the award.

Stonehenge (Country Club at Wildewood and Country Club at Woodcreek Farms)

On April 22, 2002, we filed an action entitled *Golf Trust of America, L.P. and GTA Stonehenge, LLC v. Lyndell Lewis Young and Stonehenge Golf Development, LLC* in the Court of Common Pleas for Richland County. We asserted causes of action against the defendant for breach of contract, fraud and unfair trade practices. We were seeking damages of approximately $172,000, which represents prepaid dues that were not disclosed by the defendants. A counterclaim for payment under a consulting agreement, along with claims for payment of operating/maintenance and insurance expenses was filed by the defendant against us on June 20, 2002. The Court dismissed the case on May 28, 2003. On March 15, 2005, we took action to restore the case. The Court of Common Pleas for Richland County has ordered the case restored to the roster. As of November 2, 2007 the trial date has not yet been set. At this time, the Company is unable to assess the likely outcome of this litigation.

Land Use Lawsuits

On March 10, 2005, the Company filed a Motion to Intervene in the suit titled *Innisbrook Condominium Association, Inc., C. Frank Wreath, Meredith P. Sauer, and Mark Banning, Plaintiffs vs. Pinellas County, Florida, Golf Host Resorts, Inc. and Innisbrook F LLC, Defendants*, Case No. 043388CI-15. This motion was filed in the Circuit Court of the

Sixth Judicial Circuit, in and for Pinellas County, Florida, Civil Division and was granted by the Circuit Court. In this report, the Company refers to this matter as the Initial Land Use Lawsuit . The plaintiffs in the Initial Land Use Lawsuit have filed a multi-count complaint seeking injunctive and declaratory relief with respect to the land use and development rights of Parcel F, which is owned by GHR. The Company filed the Motion to Intervene as a defendant in the Initial Land Use Lawsuit in order to protect its property and its land use and development rights with respect to Parcel F. On April 26, 2005, Joseph E. Colwell, Marcia G. Colwell, Kirk E. Covert, Deborah A. Covert and the Autumn Woods Homeowner s Association, Inc. moved to intervene in the Initial Land Use Lawsuit, which the Court subsequently allowed. On April 8, 2005, a separate suit was filed by James M. and Mary H. Luckey, and Andrew J. and Aphrodite B. McAdams, against Pinellas County, GHR and Bayfair Innisbrook, LLC seeking injunctive and declaratory relief relating to the land use and development rights of Parcel F. This suit was consolidated with the Initial Land Use Lawsuit. In this report, the Company refers to this matter as the Subsequent Land Use Lawsuit and to the Initial Land Use Lawsuit and the Subsequent Land Use Lawsuit as the Land Use Lawsuits .

From December 19 through December 23, 2005, the Court tried these consolidated cases in a non-jury trial. On March 8, 2006, the Court ruled in favor of the defendants on all counts and denied all claims asserted by the plaintiffs in both Land Use Lawsuits. On March 31, 2006, the plaintiffs in the consolidated cases filed a notice of appeal to the Second District Court of Appeal. The Appeal Court affirmed per curium the Circuit Court judgment in favor of the defendants on February 28, 2007 and denied the plaintiffs-appellants motion for attorney fees. On March 13, 2007, the plaintiffs filed a motion for the Appeal Court to rehear their claims. On June 12, 2007, the Second District Court of Appeal denied the plaintiffs motion for rehearing. On September 11, 2007, Plaintiffs/Petitioners James M. Luckey, Mary Luckey, Marc Banning, Andrew McAdams, Aphrodite McAdams, Kirk Covert, Deborah Covert, Marcia Colwell and Joseph Colwell filed a Petition for Writ of Certiorari in the Supreme Court of the United States. On September 19, 2007, all of the respondents, including GTA-IB, LLC, filed a Waiver with the Supreme Court of the United States informing the Court that the respondents did not intend to file a response to the Petition for Writ of Certiorari unless one is requested by the Court. The respondents decision to file a waiver was based on the collective judgment of all defense counsel of record that the Petitioners Petition for Writ of Certiorari is meritless and has virtually no chance of success in their collective opinion. A further reason was the fact that if the Supreme Court of the United States does indicate that it may entertain the Petition, it will request a response at which time GTA-IB, LLC and the other respondents will have an opportunity to file our responses. At this time, the Company is unable to assess the likely outcome of this litigation.

Wall Springs Conservatory, Inc. Complaint

On July 13, 2006, Wall Springs filed suit against GTA-IB, as successor in interest to GHR, in the circuit court of Pinellas County for declaratory relief regarding the allocation of certain full golf memberships at the Resort. On July 14, 2006, Wall Springs also filed suit against us in the small claims division of the Pinellas County Court in connection with an easement agreement. We answered both claims, also asserting affirmative defenses and counterclaims in each action. We then filed a motion to transfer the small claims matter to Circuit Court, which was granted on September 27, 2006. We then moved to consolidate these two cases. Our motion to consolidate was granted by the Circuit Court on March 1, 2007. The Company is currently evaluating its alternatives regarding these claims given the fact that it no longer owns the Resort. At this time, the Company is unable to assess the likely outcome of this litigation.

Property Tax Lawsuit

We filed lawsuits against the property appraiser of Pinellas County, Florida to challenge the 2004, 2005 and 2006 real estate assessment on the Resort property. Pinellas County filed a motion to dismiss, which was denied by the court. No trial date has been set. If Pinellas County were to prevail, management believes that there would be no material adverse effect upon our financial statements, as the entire Pinellas County assessment was fully accrued at June 30, 2007 and was paid concurrent with the sale of the Resort on July 16, 2007. If the Company were to prevail, the Company could possibly be awarded a reimbursement of a portion of these property taxes but the Company is unable to assess the outcome of this claim at this time.

Lake Ozark Industries, Inc. and Everett Holding Company, Inc. v. Golf Trust of America, et al.

The titled action was brought in the Circuit Court of Miller County, Missouri by LOCI, and its asserted assignee of lien and account rights, Everett Holding Company, Inc., in the fall of 1999 against numerous defendants, including the Operating Partnership. Plaintiffs assert LOCI performed construction services on, or that benefited, the property of various defendants, including the Operating Partnership. With respect to the Operating Partnership, plaintiffs seek to foreclose a mechanic s lien upon property formerly owned by the Operating Partnership. The lien is for the principal amount of approximately $1,276,000, plus interest at 10% per annum and attorney fees. Plaintiffs calculate interest to May 20, 1999, just prior to the lien filing, to be approximately $151,000 and interest thereafter to be $354 per day. The Court entered a

written order granting the Operating Partnership s Motion for Summary Judgment in April 2002 and a final judgment in November 2003. Plaintiffs appealed the ruling to the Missouri Court of Appeals. The Court of Appeals on April 5, 2005 reversed the Circuit Court judgment in favor of us and remanded the case to the Circuit Court for further proceedings. On May 31, 2005, the Court of Appeals filed a modified Opinion, which again reversed the Circuit Court judgment in favor of us and remanded the case to the Circuit Court for further proceedings. As of November 2, 2007, the trial date has not yet been set. At this time, the Company is unable to assess the likely outcome of this litigation.

Routine Litigation

Owners and operators of golf courses are subject to a variety of legal proceedings arising in the ordinary course of operating a golf course, including proceedings relating to personal injury and property damage. We have in the past been, and expect to continue in the future to be, subject to proceedings relating to personal injury and property damage. Such proceedings are generally brought against the operator of a golf course, but may also be brought against the owner of the golf course. Since we are now either the operator or owner of our remaining golf courses, we maintain insurance to defend against certain of these actions.

ITEM 1A. RISK FACTORS

Risks Related to the Plan of Liquidation

As described in Part I, Item 2, *Management s Discussion and Analysis of Financial Condition and Results of Operations*, above, a proposal to terminate the plan of liquidation will be presented at the special meeting on November 8, 2007. If our plan of liquidation is not terminated at the November 8, 2007 special meeting, we will continue moving forward with the orderly liquidation of our remaining assets and the distribution of net proceeds to our stockholders. Risks associated with the pursuit of the plan of liquidation include:

The delayed sale or liquidation of our remaining assets, or our inability to sell or liquidate them, may reduce or delay liquidating distributions.

Although we have reported the estimated fair value of our remaining assets, including Stonehenge, in this Quarterly Report on Form 10-Q, we can provide no assurance that these estimates reflect its actual current market value. Potential unknown factors such as our inability to sell Stonehenge at an acceptable price and pursuant to acceptable terms may adversely effect the fair value of these assets or delay the liquidation of these assets. Accordingly, the amount of total liquidating distributions we make to holders of our common stock over the remainder of the liquidation period may be significantly less than we project or the timing of those distributions may be later than anticipated.

Decreases in the value of Stonehenge caused by economic recession, terrorist activity and other factors beyond our control might reduce the amount for which we can sell our assets.

The value of our interests in Stonehenge might be reduced, and substantially so, by a number of factors that are beyond our control, including the following:

adverse changes in the economy or prolonged recession;

terrorist activity against the United States or our allies or other war-time activities, which could increase public pessimism and decrease leisure spending, thereby reducing revenues of Stonehenge and diminishing the resale value of Stonehenge;

increased competition, including an increase in the amount of golf courses being offered for sale in our markets or nationwide;

continuing imbalance in supply and demand in the golf course industry; and

changes in real estate tax rates and other operating expenses.

Any reduction in the value of Stonehenge would make it more difficult for us to sell our assets for the amounts and within the time frames that we have estimated. Reductions in the amounts that we receive could substantially decrease or delay our payment of liquidating distributions to our stockholders.

If our liquidation costs or unpaid liabilities are greater than we expect, our liquidating distributions might be substantially reduced or delayed.

Before making the final liquidating distribution to the holders of our common stock, we will need to pay all of our transaction costs pertaining to the liquidation and all valid claims of our creditors, which we expect will be substantial. Our Board or Directors may also decide to acquire one or more additional insurance policies covering unknown or contingent claims against us, including, without limitation, additional directors and officers liability insurance, for which we would pay an additional premium based on market prices prevailing at the time of any such purchase. In addition, if we form a liquidating trust, we expect to have additional expenses in connection with the formation thereof and for items such as insurance for the trustees. We have estimated such transaction costs in calculating the amount of projected liquidating distributions previously reported. To the extent that we have underestimated costs and expenses in calculating our historical projections, our actual aggregate liquidating distributions may be substantially lower than we have historically projected.

We expect to incur significant compliance costs relating to the Exchange Act and Sarbanes-Oxley Act.

We and our subsidiary, GTA-IB, are required to comply with the reporting requirements of the Exchange Act as they apply to non-accelerated filers. As such, both entities must timely file Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K and Current Reports on Form 8-K, among other actions. Further, recently enacted and proposed laws, regulations and standards relating to corporate governance and disclosure requirements applicable to public companies, including the Sarbanes-Oxley Act and new SEC regulations, have increased the costs of corporate governance, reporting and disclosure practices that are now required of us and of GTA-IB. We were formed prior to the enactment of these new corporate governance standards, and as a result, we did not have all necessary procedures and policies in place at the time of their enactment. Our efforts to comply with applicable laws and regulations, including requirements of the Exchange Act and the Sarbanes-Oxley Act, are expected to involve significant, and potentially increasing, costs. Costs incurred in complying with these regulations may reduce the amount of cash available for liquidating distributions.

The Sarbanes-Oxley Act and related laws, rules and regulations create legal bases for administrative enforcement, civil and criminal proceedings against us in case of non-compliance, thereby increasing our risk of liability and potential sanctions. Costs incurred in defending against any such actions or proceedings, and any liability or sanctions incurred in connection with such actions or proceedings, could negatively affect the amount of cash available for liquidating distributions.

We are currently unable to reliably project the amount of the total liquidating distributions we will make to the holders of our common stock over the remainder of the liquidation period and such holders should not rely on the valuations or ranges earlier provided as representative of our current estimation.

As a result of the foregoing uncertainties, at the present time we will refrain from either making any adjustments (positive or negative) to any earlier reported range of distributions or proposing a new range. We may, however, be able to do so in future periods in the event that the quality

and reliability of all information necessary to make estimates of cash flow and, correspondingly, value become more reliable. You should not rely on the valuations or ranges provided in previous reports as representative of our current estimations.

Distributing interests in a liquidating trust may cause you to recognize gain prior to the receipt of cash.

As we contemplate the sale of our remaining assets and our wind-up as contemplated by our plan of liquidation, we may elect to contribute our remaining assets and liabilities to a liquidating trust. Our stockholders would receive interests in the liquidating trust, our corporate existence would terminate and our shares would no longer trade publicly.

For tax purposes, the creation of the liquidating trust should be treated as a distribution of our remaining assets to our stockholders, followed by a contribution of the same assets to the liquidating trust by our stockholders. As a result, we will recognize gain or loss inherent in any such assets, with any gains offset by available net operating loss carryovers. In addition, a stockholder would recognize gain to the extent his share of the cash and the fair market value of any assets received by the liquidating trust was greater than the stockholder s basis in his stock, notwithstanding that the stockholder would not contemporaneously receive a distribution of cash or any other assets with which to satisfy the resulting tax liability, and would not be able to transfer its interests in the liquidating trust.

Furthermore, it is possible that the fair market value of the assets received by the liquidating trust, as estimated for purposes of determining the extent of the stockholder s gain at the time interests in the liquidating trust are distributed to the stockholders, will exceed the cash or fair market value of property ultimately received by the liquidating trust upon its sale of the assets, in which case the stockholder may not receive a distribution of cash or other assets with which to satisfy any tax liability resulting from the contribution of the assets to the liquidating trust. In this case, the stockholder would recognize a loss in a taxable year subsequent to the taxable year in which the gain was recognized, which loss might be limited under the tax code.

If we do not distribute our assets to a liquidating trust and, instead, continue to operate as a regular corporation until all of our assets are sold, we would recognize gains or losses upon the sale of assets for federal income tax purposes. Since we are no longer a REIT, we could be subject to income tax on any recognized gains. If we were to recognize taxable gains in a year before consideration of net operating loss carryovers, we could be subject to alternative minimum tax. Generally, for tax years ending after December 31, 2002, the use of net operating loss carryovers to reduce alternative minimum taxable income is limited to 90% of alternative minimum taxable income. Therefore, tax at a rate of 20% could be imposed on our alternative minimum taxable income that cannot be reduced by net operating loss carryovers. If a liquidating trust is formed, our net operating loss carryovers will not be available to reduce any gains recognized within the trust. However, the trust will have a tax basis equal to the fair market value of its assets at the date the liquidating trust is formed. Any gain recognized by the trust would thus be the result of either appreciation in the value of the assets during the time that they are owned by the trust, or an initial underestimation of the fair market value of the assets at the time the trust is formed.

If we are unable to retain certain key executives and staff members to complete the plan of liquidation in a reasonably expeditious manner, our liquidating distributions might be reduced or delayed.

Our ability to consummate a transaction favorable to us for Stonehenge will depend to a large extent on the experience and ability of our president and chief executive officer, W. Bradley Blair, II, and his experience and familiarity with our assets, counter-parties and the market for golf course sales. We believe that a loss of Mr. Blair s services could materially harm our ability to complete the plan of liquidation in a reasonably expeditious manner and the prospects of selling our assets at the best potential prices.

The resignation of Mr. Blair would pose an even greater risk to us at this time in light of the February 5, 2007 resignation of Scott D. Peters, our former chief financial officer. If Mr. Blair were to resign, we would likely seek to hire a replacement for him, the cost of which would depend on our determination of the experience and skills that must be possessed by his replacement in light of our financial condition, our assets remaining to be liquidated and the complexity of any issues bearing on us and the liquidation at that time.

Our ability to complete the plan of liquidation in a timely manner also depends on our ability to retain key non-executive employees. Those employees may seek other employment rather than remaining with us throughout the process of liquidation.

If we are unable to retain certain key executives and staff members to complete our plan of liquidation in a reasonably expeditious manner, liquidating distributions might be reduced or delayed.

If we are unable to realize the value of a promissory note taken as part of the purchase price for any of our remaining properties, our liquidating distributions might be reduced.

In the sale of Stonehenge, we may agree to receive promissory notes from the buyer as a portion of the purchase price. Promissory notes are often illiquid. If we are unable to sell the promissory note without a great discount, or in the case of a short-term note, if we hold it to maturity and the maker ultimately defaults, our liquidating distributions may be reduced. We currently do not have any outstanding notes receivable.

Our common stock may be delisted from the Amex, which would make it more difficult for stockholders to sell their shares.

Currently, our common stock trades on the Amex. We cannot assure you that we will be able to maintain our listing on the Amex or any other established trading market. Among other things, the Amex has considerable discretion with respect to listing standards, which include qualitative and quantitative criteria, some of which are beyond our control. Further, in the event that we form a liquidating trust, we expect that we would delist from the Amex.

We cannot predict the degree to which delisting would harm our business and the value of your investment. If our common stock were to be delisted from the Amex, either as a result of voluntarily action by us or by the Amex because we no longer meet Amex listing standards, it could severely limit the liquidity of our common stock and your ability to sell our securities in the secondary market.

Stockholder litigation related to the plan of liquidation could result in substantial costs and distract our management.

Extraordinary corporate actions, such as our plan of liquidation, often lead to securities class action lawsuits and derivative litigation being filed against companies such as ours. We became involved in this type of litigation in connection with our plan of liquidation (and the transactions associated with it) in a legal action we refer to as the *Crossley* litigation. During the second quarter of 2003, the *Crossley* claim was dismissed with prejudice on our motion for summary judgment. Accordingly, the lawsuit was dismissed and the plaintiff will not be allowed to refile the claim, although the plaintiff could have appealed the dismissal. We subsequently entered into a non-monetary settlement with the plaintiff whereby the plaintiff agreed not to appeal the dismissal and we agreed not to seek reimbursement of our legal costs from the plaintiff. Even though the *Crossley* litigation has been dismissed, we face the risk that other claims might be brought against us. Any such litigation would likely be expensive and, even if we ultimately prevail, the process would divert management s attention from implementing the plan of liquidation and otherwise operating our business. If we do not prevail in any such litigation, we might be liable for damages. It is not possible to predict the amount of such potential damages, if any, but they could be significant. Any damage liability would reduce the net cash available for liquidating distributions to holders of our common stock.

Risks Associated with the Termination of the Plan of Liquidation and the Pursuit of Alternative Business Strategies

As described in Part I, Item 2, *Management s Discussion and Analysis of Financial Condition and Results of Operations*, above, a proposal to terminate the plan of liquidation will be presented at the special meeting on November 8, 2007. There are significant risks associated with terminating the plan of liquidation and pursuing alternative business strategies. These risks include, but are not limited to, the following:

We will incur significant expenses operating our existing properties and pursuing our new business strategy, which will reduce the amount of cash available to us for a business combination.

We will continue to incur costs and expenses to operate our remaining golf course properties, maintain our public company status and pursue potential business combinations, including business evaluation and due diligence costs, professional fees and other transaction costs. These ongoing costs and expenses will reduce the cash available for business combinations and possibly limit the number of target businesses we can reasonably pursue.

Because of our limited resources and the significant competition for business combination opportunities, we may not be able to consummate a suitable business combination.

We expect to encounter competition from other entities having a business objective similar to ours, including venture capital funds, leveraged buyout funds and operating businesses competing for business combinations. Many of these entities are well established and have extensive experience in identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater financial and other resources than we do. While we believe that there are numerous potential target businesses that we could evaluate and pursue, our ability to compete may be limited by our available financial resources.

If we cannot complete a suitable business combination, the ultimate liquidation value of Golf Trust, if any, could be less than the current net asset value or the value that would be received if Golf Trust completed its liquidation under the plan of liquidation.

We may be unable to obtain additional financing, if required, to complete a business combination or to fund the operations and growth of the target business, which could compel us to restructure or abandon a particular business combination.

We have not identified any prospective targets and therefore cannot ascertain the capital requirements for any particular transaction. If our cash liquidity proves to be insufficient, either because of the size of the business combination or the depletion of available cash due to operating costs, we will be required to seek additional financing. We cannot assure you that such financing would be available on acceptable terms, if at all. To the extent that additional financing proves to be unavailable when needed to consummate a particular business combination, we would be compelled to restructure the transaction or abandon that particular business combination and seek an alternative target business. In addition, if we consummate a business combination, we may require additional financing to fund the operations or growth of the new business. The failure to secure additional financing could have a material adverse effect on the continued development or growth of the new business.

Since we have not yet selected a particular industry or target business with which to complete a business combination, we are unable to currently ascertain the merits or risks of the industry or business in which we may ultimately operate.

We may consummate a business combination with a company in any industry we choose and are not limited to any particular industry or type of business. Accordingly, there is no current basis for you to evaluate the possible merits or risks of the particular industry in which we may ultimately operate or the target business with which we may ultimately complete a transaction. To the extent we complete a business combination with a financially unstable company or an entity in its development stage, we may be affected by numerous risks inherent in the business operations of those entities. If we complete a business combination with an entity in an industry characterized by a high level of risk, we may be affected by the currently unascertainable risks of that industry. Although our management and Board will endeavor to evaluate the risks inherent in a particular industry or target business, we cannot assure you that we will properly ascertain or assess all of the significant risk factors.

Our ability to utilize NOLs to offset future taxable income could be reduced significantly, or eliminated, by our strategic plans following the termination of the Plan of Liquidation or events outside of our control.

Golf Trust currently has approximately $82 million in federal income tax NOLs. Our ability to preserve these NOLs for future use by Golf Trust or the surviving corporation in a business combination is dependent on numerous rules and regulations. It is possible that the ownership shift that would accompany some of the business combination opportunities Golf Trust could pursue following the termination of the plan of liquidation would result in a substantial reduction in available NOLs. The available NOLs could also be reduced substantially if some or all of our significant stockholders increase their proportional ownership in Golf Trust through open market purchases of common stock.

Specifically, the availability of NOLs will be reduced if there is a more than 50% change in ownership over a three-year rolling period with respect to stockholders that own 5% or more of our outstanding common stock, whether they own 5% at the beginning of the period or cross that threshold during the period. Golf Trust estimates that there had been a 36% change in ownership for purposes of that analysis as of September 18, 2007. Therefore, a further 14% change in ownership resulting from a business combination or open market purchase or otherwise could result in an NOL reduction. We cannot provide a firm estimate of a future NOL reduction at this time due to the variability of several important analytical factors. However, for illustrative purposes, the amount of NOLs available assuming a hypothetical 14% change of ownership on September 18, 2007 would have been approximately $13 million, subject to the annual utilization limitations set forth in Section 382 of the Internal Revenue Code. However, the amount of available NOLs resulting from a change in ownership depends on factors such as the market price of our common stock, market capitalization, changes in ownership over time, prevailing interest rates and the nature and structure of any business combinations. Changes in any of these variables between the date of our illustration and any future change in ownership could decrease the available NOLs to an amount substantially below $13 million. In addition, if the sale of our remaining golf course assets occurs within two

years of a change of ownership, our available NOLs could be eliminated.

The market price of our common stock has been, and is likely to continue to be, highly volatile.

The average daily trading volume of our common stock has historically been relatively low and is likely to continue to be low if the plan of liquidation is terminated. As a result of this relatively low trading volume, our stock price can be highly volatile. Any large sales could have a negative effect on our stock price and its volatility.

If we fail to meet American Stock Exchange listing standards in the future as a result of our changing operations, the American Stock Exchange could delist our securities from quotation on its exchange, which could limit investors ability to complete transactions in our securities and subject us to additional trading restrictions.

Golf Trust s common stock is listed on the American Stock Exchange. We expect that the termination of the plan of liquidation will prompt an informal or formal notice from the American Stock Exchange regarding our continued listing. We cannot assure you that our response to any such notice will be acceptable and that our common stock will continue to be listed on the American Stock Exchange in the future if we fail to meet its listing standards as a result of our changing operations. The delisting of our common stock from trading on the American Stock Exchange could have adverse consequences, including a limited availability of market quotations for our common stock, a limited amount of news and analyst coverage for Golf Trust, a decreased ability to issue additional securities or obtain additional financing in the future and reduced attractiveness as a business combination partner.

If we effect a business combination with a company located outside of the United States, we would be subject to a variety of additional risks that may negatively impact our operations.

We may effect a business combination with a company located outside of the United States. If we do, we would be subject to any special considerations or risks associated with companies operating in the target business home jurisdiction, including any of the following:

- tariffs and trade barriers;
- regulations related to customs and import/export matters;
- longer payment cycles;
- tax issues, such as tax law changes and variations in tax laws as compared to the United States;
- currency fluctuations;
- challenges in collecting accounts receivable;
- cultural and language differences;
- employment regulations; and
- foreign laws affecting enforceability of contracts and available legal remedies.

We cannot assure you that we would be able to adequately address these additional risks. If we were unable to do so, our operations might suffer.

Golf Trust may issue shares of common stock, preferred stock or debt securities to complete a business combination or options or other equity awards to our new management or the management of a target business in a business combination, both of which would reduce the equity interest of our current stockholders and could cause a change in control.

Golf Trust may issue additional shares of common stock or preferred stock to complete a business combination. We may also issue options or other equity awards to our new management or the management of a target business in a business combination. These issuances could (i) significantly reduce the equity interest of our current stockholders, (ii) subordinate the rights of holders of common stock if preferred stock is issued with rights senior to those afforded to our common stock, (iii) cause a change in control, which may affect, among other things, our ability to use our NOLs, and (iv) adversely affect the prevailing market prices for our common stock. Similarly, if we issue debt securities, it could expose Golf Trust to events of default and acceleration of our debt obligations as well as limit our ability to obtain additional financing on acceptable terms.

Our ability to successfully effect a business combination and to be successful thereafter will be dependent upon the efforts of our key personnel, all of whom will join us following the termination of the plan of liquidation, or after a business combination.

We intend to identify and hire new management personnel if the plan of liquidation is terminated. Our success in effecting a business combination will, therefore, depend largely on our ability to find and retain the services of experienced senior management with skills applicable to our business plan. While we anticipate that Mr. Pearce will assume the duties of Chief Executive Officer and Mr. Toor will become the Chairman of the Board, these appointments are dependent on reaching a mutually satisfactory compensation arrangement with each of them. If we do not retain the services of either of Messrs. Pearce and Toor, Golf Trust will continue to evaluate alternative management candidates.

Following a business combination, it is likely that some or all of the management of the target business will remain in place, although it is possible that our new management would remain associated in senior management or advisory positions with the target business. The success of the company following a business combination will, therefore, depend largely on the skills and success of the management of the target company. The ability of our new management to remain with the company after the consummation of a business combination will not be the determining factor in our decision as to whether or not we will proceed with any potential business combination.

It is likely that initially we will only be able to complete one business combination, which will cause us to be dependent on a single business and its products or services.

Although any proceeds from the sale of our remaining assets, including Stonehenge, and the realization of certain contingent assets, such as the funds held in escrow in connection with the sale of the Resort, could increase our cash liquidity, it is probable that we will have the ability to complete only one business combination with a single operating business. Accordingly, the prospects for our success may be solely dependent upon the performance of a single business or upon the development or market acceptance of a single or limited number of products, processes or services. In this case, we will not be able to diversify our operations or benefit from the possible spreading of risks or offsetting of losses, unlike other entities, which may have the resources to complete several business combinations in different industries or different areas of a single industry.

The reporting requirements under SEC rules relating to shell companies may delay or prevent us from making certain acquisitions.

Under SEC rules, Golf Trust may be deemed to be a shell company once the bulk of its remaining operating assets are sold. These rules are designed to ensure that investors in shell companies that cease to be shell companies following a transaction have timely access to material information regarding the transaction and the company s resulting financial condition. The rules prohibit the use by shell companies of registration statements on Form S-8 and require a shell company to include extensive financial and other information in the Current Report on Form 8-K filed to report the acquisition of a business. The information to be included is equivalent to that required for the registration of a class of securities under the Securities Exchange Act of 1934, as amended.

The Current Report on Form 8-K would include a detailed description of the acquired company s business and properties, management, executive compensation, related party transactions, legal proceedings and historical market price information, as well as audited historical financial statements and management s discussion and analysis of results of operations. The Current Report on Form 8-K rules also require a shell company to file pro forma financial statements giving effect to the acquisition not later than four business days after the completion of the acquisition, instead of 75 days as required of non-shell companies.

The time and additional costs that may be incurred by some acquisition prospects to prepare such detailed disclosures and obtain audited financial statements may significantly delay or essentially preclude consummation of an otherwise desirable acquisition by Golf Trust, or deter potential targets from negotiating with Golf Trust. If Golf Trust were to be deemed a shell company, any increased difficulty in Golf Trust s ability to identify and consummate an acquisition with an appropriate merger candidate could materially adversely affect Golf Trust s ability to successfully implement its business combination strategy.

Risk Factors Relating to Stonehenge

Risks related to the ongoing ownership and operation of Stonehenge include:

We face competition to acquire additional members to Stonehenge and maintain existing memberships.

Membership to Stonehenge is affected by competition from comparable courses in the surrounding areas, including courses that have opened, reopened or been significantly upgraded in recent years. Additional memberships, if attained, will result in increased net operating revenues. However, preferences regarding location, aesthetics and other factors affecting the desirability or marketability of membership to private courses can, and often do, change from time to time. Accordingly, we cannot predict with any certainty whether or not Stonehenge will undergo short-term or long-term growth in desirability for prospective members. Failure to maintain sufficient membership growth could adversely affect the future financial performance of Stonehenge.

The operations of Stonehenge are subject to risks that could have an adverse affect on their financial performance.

The operations of Stonehenge are subject to operating risks such as adverse weather conditions (including heavy prolonged rains and hurricanes), employee-related issues (including labor shortages and disruptions), blight or other diseases affecting grass or other vegetation and costs of merchandise, equipment and supplies. If the operations of Stonehenge are impeded by any such factors beyond our control, the financial performance of Stonehenge could be adversely affected.

The loss of the liquor licenses of the Stonehenge golf courses could adversely affect their financial performance.

A large portion of the revenues from Stonehenge come from their food and beverage operations. In addition, such operations attract prospective members to Stonehenge. The Stonehenge courses currently hold liquor licenses for their respective facilities. If, for some reason, any one of these facilities were to lose their liquor license, revenues from food and beverage operations would decrease, Stonehenge would be less marketable and the financial performance of the golf and related operations of Stonehenge would be adversely affected.

The value of Stonehenge may depreciate significantly.

Improvements to Stonehenge have a limited useful life that will, over time, depreciate in value. Future private course developments in the area are also likely to decrease the useful life and economic value of Stonehenge and other improvements and could eventually make Stonehenge obsolete. If the value of Stonehenge depreciates considerably, our financial condition and results of operations could be adversely affected.

Liability for uninsured losses could adversely impact us.

Although the activities regularly conducted on the Stonehenge courses are generally not dangerous, conditions or activities could occur on the premises that cause personal injury or property damage. We will maintain insurance policies that provide coverage within limits that are sufficient, in our business judgment, to protect us from material financial loss due to liability for personal injuries or property damage sustained by persons on the premises. However, there are certain types of injury and property damage that are beyond the scope of those insurance polices. In addition, future increases in the cost of insurance could make adequate insurance coverage difficult for us to obtain, increasing our potential liability. The costs of significant litigation and any accompanying liability that might arise out of injuries or damages and of related claims in subsequent litigation could have a material adverse effect on our financial condition and results of operations.

In addition, types of losses generally catastrophic in nature, such as losses due to acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, may be uninsurable, not economically insurable or insurable subject to limitations, such as large deductibles or co-payments. In addition, insurance risks associated with potential acts of terrorism have sharply increased premiums. Future uncovered damage to Stonehenge due to force majeure, and the costs that may be incurred by us in connection with increased premiums, may also have a material adverse effect on our financial condition and results of operations.

Ownership of Stonehenge could result in potential environmental liability.

As owner of Stonehenge, we are subject to potential liability under federal and state environmental laws for contamination that might exist on the property, regardless of whether we caused or were otherwise responsible for the contamination. Accordingly, not only could substantial legal fees be required to defend against government or private party action, but we could also incur significant remediation costs and the value of Stonehenge could be substantially reduced. That increase in costs and decrease in value would have a material adverse effect on our financial condition and results of operations.

In addition, we cannot predict future changes in the interpretation and administration of current environmental law and the enactment of new environmental legislation or regulations. Compliance with new or more stringent laws and the more strict interpretation of existing laws may require material expenditures by us to ensure that the Stonehenge golf courses comply with those laws. Those increased costs would also have a material adverse effect on our financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the three months ended September 30, 2007.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification of the registrant s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the registrant s Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the registrant s Chief Executive Officer and Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GOLF TRUST OF AMERICA, INC.

Date: November 7, 2007

By: /s/ W. Bradley Blair, II
W. Bradley Blair, II
Chief Executive Officer and President

Date: November 7, 2007

By: /s/ Tracy S. Clifford
Tracy S. Clifford
Principal Accounting Officer and Secretary