

Edgar Filing: AMERICAN MORTGAGE INVESTORS TRUST - Form 10-Q

AMERICAN MORTGAGE INVESTORS TRUST  
Form 10-Q  
November 14, 2001

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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, 2001

OR

----- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Commission File Number 0-23972

AMERICAN MORTGAGE ACCEPTANCE COMPANY  
(Exact name of registrant as specified in its charter)

Massachusetts  
-----  
(State or other jurisdiction of  
incorporation or organization)

13-6972380  
-----  
(I.R.S. Employer  
Identification No.)

625 Madison Avenue, New York, New York  
-----  
(Address of principal executive offices)

10022  
-----  
(Zip Code)

Registrant's telephone number, including area code (212)421-5333

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 reports), and (2) has been subject to such  
filing requirements for the past 90 days. Yes X No  
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Consolidated Balance Sheets

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	=====	=====
	SEPTEMBER 30,	D
	2001	
	-----	-----
	(UNAUDITED)	
ASSETS		
Investments in mortgage loans	\$ 25,104,648	\$
Investments in GNMA certificates- available for sale	46,868,805	
Investment in ARCap	20,238,637	
Investment in unconsolidated subsidiary	0	
Cash and cash equivalents	1,102,239	
Notes receivable	5,535,031	
Accrued interest receivable	426,368	
Other assets	636,699	
	-----	-----
Total assets	\$ 99,912,427	\$
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Repurchase facilities payable	\$ 43,191,173	\$
Accrued interest payable	29,934	
Accounts payable and accrued expenses	395,349	
Due to Advisor and affiliates	184,157	
Distributions payable	1,391,503	
	-----	-----
Total liabilities	45,192,116	
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Shares of beneficial interest; \$.10 par value; 12,500,000 shares authorized; 4,213,826 issued and 3,838,630 outstanding	421,383	
Treasury shares of beneficial interest; 375,196 shares	(37,520)	
Additional paid-in capital	68,840,500	
Distributions in excess of net income	(14,655,543)	
Accumulated other comprehensive gain (loss)	151,491	
	-----	-----
Total shareholders' equity	54,720,311	
	=====	=====
Total liabilities and shareholders' equity	\$ 99,912,427	\$
	=====	=====

See accompanying notes to financial statements.

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	SEPTEMBER 30,		2001
	2001	2000	
<b>Revenues:</b>			
Interest income:			
Mortgage loans	\$ 349,575	\$ 500,295	\$2,256,5
GNMA certificates	859,754	117,701	1,354,3
Commercial mortgage-backed security-related investment	0	960,467	
Notes receivable	126,943	0	233,8
Temporary investments	19,783	624,146	46,5
Equity in earnings of ARCap	604,356	0	1,788,1
Other income	39,677	298,660	70,4
<b>Total revenues</b>	<b>2,000,088</b>	<b>2,501,269</b>	<b>5,749,8</b>
<b>Expenses:</b>			
Interest	462,600	1,044,215	1,099,6
General and administrative	230,622	425,520	758,1
Amortization	5,187	26,227	35,2
<b>Total expenses</b>	<b>698,409</b>	<b>1,495,962</b>	<b>1,892,9</b>
<b>Other gain (loss):</b>			
Net gain (loss) on repayments of GNMA certificates and mortgage loans	(211,572)	(8,371)	(211,5
Net gain (loss) on commercial mortgage-backed security-related investment and government securities sold short	0	246,341	
<b>Total other gain (loss)</b>	<b>(211,572)</b>	<b>237,970</b>	<b>(211,5</b>
<b>Net income</b>	<b>\$1,090,107</b>	<b>\$1,243,277</b>	<b>\$3,645,2</b>
<b>Net income per share (basic and diluted)</b>	<b>\$ .28</b>	<b>\$ .32</b>	<b>\$ .</b>
<b>Weighted average shares outstanding (basic and diluted)</b>	<b>3,838,630</b>	<b>3,838,630</b>	<b>3,838,6</b>

See accompanying notes to financial statements.

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	SHARES OF BENEFICIAL INTEREST		TREASURY SHARE BENEFICIAL INTEREST	
	SHARES	AMOUNT	SHARES	AMOUNT
Balance at January 1, 2001	4,213,826	\$421,383	(375,196)	\$(37,196)
Comprehensive income:				
Net income	0	0	0	0
Other comprehensive income:				
Net unrealized gain on GNMA Certificates:				
Net unrealized holding gain arising during the period				
Comprehensive income	0	0	0	0
Distributions				
Balance at September 30, 2001	4,213,826	\$421,383	(375,196)	\$(37,196)

	COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Balance at January 1, 2001		\$ (22,173)	\$55,073
Comprehensive income:			
Net income	\$3,645,284	0	3,645,284
Other comprehensive income:			
Net unrealized gain on GNMA Certificates:			
Net unrealized holding gain arising during the period	173,664	173,664	173,664
Comprehensive income	\$3,818,948		3,818,948
Distributions		0	(4,173)
Balance at September 30, 2001		\$151,491	\$54,723

See accompanying notes to financial statements.

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Cash flows from operating activities:		
Net income	\$	3,645,284
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on commercial mortgage-backed security-related investment		0
Loss on government securities sold short		0
Net loss (gain) on repayments of GNMA Certificates and mortgage loans		211,572
Equity in earnings of ARCap, in excess of distributions received		(196,904)
Equity income in unconsolidated subsidiary		0
Amortization - deferred financing costs		35,228
Amortization expense-loan premium and origination costs		41,066
Accretion of GNMA discount		(16,413)
Accretion of deferred income		(39,473)
Accretion of discount on commercial mortgage-backed security-related investment		0
Amortization of deferred costs relating to the CMBS-related investment		0
Purchase of government security		0
Government security sold short		0
Changes in operating assets and liabilities:		
Deposit with broker as collateral for security sold short		0
Accrued interest receivable		254,360
Other assets		6,079
Due to Advisor and affiliates		(797,634)
Accounts payable and accrued expenses		116,589
Accrued interest payable		2,084
Deferred costs relating to the CMBS-related investment		0
Net cash provided by operating activities		3,261,838
Cash flows from investing activities:		
Increase in investment in mortgage loans		(19,794,035)
Proceeds from repayments of mortgage loans		0
Periodic principal payments of mortgage loans		193,512
Funding of in notes receivable		(4,138,655)
Principal repayments of GNMA Certificates		244,103
Increase in investment in GNMA Certificates		(6,556,117)
Costs relating to repayment of mortgage loan		0
Increase in other assets		(59,285)
Net cash used in investing activities		(30,110,477)

See accompanying notes to financial statements.

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	NINE MONTHS END SEPTEMBER 30	
	----- 2001 -----	
Cash flows from financing activities:		
Proceeds from repurchase facilities payable	30,535,233	
Repayments of repurchase facilities payable	0	
Distribution paid to shareholders	(4,174,510)	
Increase in deferred loan costs	(42,497)	
Secured borrowings	0	
	-----	-----
Net cash provided by financing activities	26,318,226	
	-----	-----
Net (decrease) increase in cash and cash equivalents	(530,413)	
Cash and cash equivalents at the beginning of the period	1,632,652	
	-----	-----
Cash and cash equivalents at the end of the period	\$ 1,102,239	\$
	=====	=====
Supplemental information:		
Interest paid	\$ 1,097,524	\$
	=====	=====
Conversion of FHA mortgage loans to GNMA certificates:		
Investment in GNMA certificates	\$(34,515,534)	
Decrease in investment in mortgage loans	34,515,534	
	-----	-----
	\$ 0	\$
	=====	=====
Consolidation of former unconsolidated subsidiary:		
Increase in investment in mortgage loans	\$8,353,294	
Decrease in notes receivable	(7,264,092)	
Decrease in investment in unconsolidated subsidiary	(1,089,202)	
	-----	-----
	\$ 0	\$
	=====	=====
Adjustments due to contribution of mortgage loan to unconsolidated subsidiary:		
Increase in investment in unconsolidated subsidiary		\$
Increase in note receivable		
Decrease in investments in mortgage loans		
		-----
		\$
		=====

See accompanying notes to financial statements.

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(Unaudited)

## Note 1 - General

American Mortgage Acceptance Company (formerly American Mortgage Investors Trust) (the "Company") was formed on June 11, 1991 as a Massachusetts business trust for the primary purpose of investing in government-insured mortgages and guaranteed mortgage-backed certificates. The Company elected to be treated as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended.

On April 6, 1999, the Company received the necessary consent from its shareholders to approve proposals (the "Proposals") to, among other things, restructure the Company from a closed-ended, finite-life REIT to a publicly traded, open-ended, infinite-life operating REIT. In addition to restructuring the Company, the Proposals, among other matters, permit the Company to modify its investment objectives, to incur a specified amount of indebtedness and to list the Company's shares on a national exchange.

Effective April 26, 1999, upon authorization by the Board of Trustees, the Company's name was changed from American Mortgage Investors Trust to American Mortgage Acceptance Company.

The Company's business plan focuses on government insured and uninsured mortgages secured by multifamily properties, which may take the form of government insured first mortgages and uninsured mezzanine loans, construction loans and bridge loans. Additionally, the Company has indirectly invested in subordinate commercial mortgage-backed securities and may invest in other real estate assets, including non-multifamily mortgages.

The Company had been governed by a board of trustees comprised of two independent trustees and one trustee who is affiliated with Related Capital Company ("Related"), a nationwide, fully integrated real estate financial services firm. Effective June 12, 2001, at its annual meeting, the Company added two additional trustees, one an independent trustee, the other an affiliate of Related, bringing the total number of trustees to five. The Company has engaged Related AMI Associates, Inc. (the "Advisor"), an affiliate of Related, to manage its day-to-day affairs.

The consolidated financial statements include the accounts of the Company and two wholly owned subsidiaries which it controls: AMAC Repo Seller and, effective January 2001, AMAC/FM Corporation. All intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise indicated, the "Company" as hereinafter used, refers to American Mortgage Acceptance Company and its subsidiaries.

The consolidated financial statements of the Company have been prepared without audit. In the opinion of management, the financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of the Company as of September 30, 2001 and the results of its operations and its cash flows for the three and nine months ended September 30, 2001 and 2000. However, the operating results for the interim periods may not be indicative of the results for the full year.

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. It is suggested that these financial state-

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September 30, 2001  
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ments should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2000.

The preparation of financial statements in conformity with GAAP requires the Advisor to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It was implemented by the Company on January 1, 2001. Because the Company does not utilize derivatives, implementation of this statement did not have a material effect on the Company's financial statements.

In July 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations" (SFAS 141) and Statement No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). These statements establish new standards for accounting and reporting for business combinations and for goodwill and intangible assets resulting from business combinations. SFAS 141 applies to all business combinations initiated after June 30, 2001; the Company is required to implement SFAS 142 on January 1, 2002. Management believes that implementation of these statements will not have a material impact on the Company's financial statements.

In August of 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" (effective January 1, 2003) and SFAS No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period in which it is incurred. SFAS No. 144 supercedes existing accounting literature dealing with impairment and disposal of long-lived assets, including discontinued operations. It addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. The Company is in the process of evaluating the financial statement impact of the adoption these two standards.

Certain prior year amounts have been reclassified to conform to the current year presentation.

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AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
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### Note 2 - Investments in Mortgage Loans

Information relating to investments in mortgage loans as of September 30, 2001



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is as follows

PROPERTY	DESCRIPTION	FINAL MATURITY DATE	CALL DATE (F)	INTEREST RATE (C)	PERIODIC PAYMENT TERMS	PRIOR LIENS	AM MO
FIRST MORTGAGE LOANS (D):							
STABILIZED PROPERTIES							
	Columbiana Lakes						
	Columbia, SC (J)	204 Units	11/35	7.250%	(A)	\$ -	
	Stony Brook II						
	East Haven, CT	125 Units	6/37	12/06	7.625%	(A)	-
Subtotal First Mortgage Loans							
MEZZANINE LOANS (E):							
STABILIZED PROPERTIES							
	Columbiana Lakes						
	Columbia, SC (J)	204 Units	11/35	20.670%	(B)	8,919,374	
	Stony Brook II						
	East Haven, CT	125 Units	6/37	12/06	15.330%	(B)	8,342,532
	Plaza at San Jacinto						
	Houston, TX (G)	132 Units	1/43	6/11	11.000%	(B)	6,638,000
Subtotal Stabilized Mezzanine Loans							
PROPERTIES IN CONSTRUCTION							
	The Hollows						
	Greenville, NC	184 Units	1/42	TBD	10.000%	(B)	8,372,426 (H)
	Elmhurst Village						
	Oveido, FL	313 Units	1/42	TBD	10.000%	(B)	19,480,735 (H)
	The Reserve at Autumn Creek						
	Friendswood, TX	212 Units	1/42	TBD	10.000%	(B)	13,218,490 (H)
Subtotal Construction Mezzanine Loans							
Subtotal Mezzanine Loans							
Total Mortgage Loans							

See accompanying notes to financial statements.

(A) Requires monthly payments of principal and interest based on a 40 year amortization period. Loans are subject to 5-year lockouts against prepayments,

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as well as a prepayment penalty structure during the second 5-year term of the loans.

(B) Interest only payments are due monthly, with loan balance due at maturity.

(C) Interest on the mezzanine loans is based on a fixed percentage of the unpaid principal balance of the related first mortgage loan (prior liens). The amount shown is the approximate effective rate earned on the balance of the mezzanine loan. The mezzanine loans also provide for payments of additional interest based on a percentage of cash flow remaining after debt service (generally 50%) and participation in sale or refinancing proceeds (generally 25%)

(D) Interest and principal payments on first mortgage loans are insured by the U.S. Department of Housing and Urban Development.

(E) The principal balance of the mezzanine loans is secured by the partnership interests of the entity that owns the underlying property and a third mortgage deed of trust. Interest payments on the mezzanine loans are secured by a second mortgage deed of trust and are guaranteed for the first thirty six months after construction completion by an entity related to the general partner of the entity that owns the underlying property.

(F) Loans are subject to mandatory prepayment at the option of the Company 10 years after construction completion, with one year's notice.

(G) The funding of this mezzanine loan is based on property level operational achievements. There is a remaining amount to fund of \$100,000. The Company does not hold the first mortgage loan relating to this mezzanine loan.

(H) The first mortgage loans related to those properties were converted into GNMA Certificates and are held by the Company (see Note 3).

(I) Carrying amounts of mortgage loans include unamortized origination costs and fees.

(J) During the third quarter of 2001, the Company arrived at a negotiated settlement with the borrower under the Columbiana Lakes loans. Under this agreement, the Company received approximately \$9.3 million on October 1, 2001, in full settlement of the first mortgage loan and mezzanine loan, resulting in a loss on repayment of approximately \$212,000, which was recorded during the third quarter of 2001.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
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Note 3 - Investments in GNMA Certificates-Available for Sale

Information relating to investments in GNMA certificates as of September 30, 2001 and December 31, 2000 is as follows:

DATE PURCHASED/ CERTIFICATE FINAL PAYMENT	STATED	PRINCIPAL AT SEPTEMBER	AMORTIZED COST AT SEPTEMBER	UNREALIZED GAIN (LOSS) SEPTEMBER
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NAME	NUMBER	PAYMENT DATE	INTEREST RATE	30,2001	30,2001	30,2001
-----	-----	-----	-----	-----	-----	-----
Bear Stearns	0355540	7/27/94 3/15/29	7.125%	\$ 2,496,416	\$ 2,482,644	\$ 13,77
Malone Mortgage	0382486	7/28/94 8/15/29	8.500%	2,111,865	2,180,680	(74,09
SunCoast Capital Group, Ltd.	G22412	6/23/97 4/20/27	7.000%	982,697	982,339	28,37
Hollows Apts.	511908	5/29/01 7/15/02	7.620%	8,372,426	8,372,426	(20,93
Elmhurst Village	549390	6/28/01 4/15/04	7.745%	19,480,735	19,480,735	121,75
Reserve at Autum Creek	448747	6/28/01 7/15/02	7.745%	13,218,490	13,218,490	82,61
Total				\$46,662,629	\$46,717,314	\$151

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AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
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The amortized cost, unrealized gain and fair value for the investment in GNMA Certificates at September 30, 2001 and December 31, 2000 were as follows:

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
	-----	-----
Amortized cost	\$46,717,314	\$5,873,392
Gross unrealized gain (loss)	151,491	(22,173)
Fair Value	\$46,868,805	\$5,851,219
	=====	=====

Note 4 - Commercial Mortgage-Backed Security-Related Investment and Short Sale; Investment in ARCap

On September 30, 1999, the Company acquired from ARCap Investors, L.L.C. ("ARCap") a "BB+" rated subordinated commercial mortgage-backed security ("CMBS") from a Chase Manhattan Bank-First Union Nation Bank Commercial Mortgage Trust. The CMBS investment, which was purchased for \$35,622,358, had a face amount of \$50,399,711 and an annual coupon rate of 6.4%. The Company purchased the CMBS investment using cash and debt provided through the Bear Stearns Repurchase Facility (see Note 5). In connection with this acquisition, the Company entered into an agreement with ARCap. Under the agreement, the Company had the right to sell the CMBS investment to ARCap and purchase a preferred

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equity position in ARCap, all based on the then fair value of the CMBS investment.

This investment was accounted for as a trading asset and carried at estimated fair value, with changes in fair value included in earnings. Interest income was accrued as it became receivable, and included accretion of discounts, computed using the effective yield method, after considering estimated prepayments and credit losses. The Company recognized gains on this investment totaling \$996,801 during the nine months ended September 30, 2000 due to marked-to-market adjustments.

On September 30, 1999, in order to mitigate the potential income statement effect of changes in the fair value of its CMBS investment caused by changes in interest rates, the Company entered into a short sale involving the sale of a U.S. Treasury Note with a face amount of \$39,327,000 and an annual coupon rate of 5.625% borrowed from Bear Stearns & Co., Inc. ("Bear Stearns"). On March 16, 2000, the Company replaced the borrowed security by purchasing such security through Bear Stearns, and entered into an additional short sale contract involving the sale of a U.S. Treasury Note with a face amount of \$34,512,000 and an annual coupon rate of 6.0% borrowed from Bear Stearns. Short sale positions were carried at estimated fair value, with changes in fair value included in earnings. The Company recognized losses on these positions totaling \$1,461,237 during the nine months ended September 30, 2000 due to marked-to-market adjustments.

On November 1, 2000, the Company, in accordance with the agreement with ARCap, sold the CMBS investment to ARCap and repaid its borrowing under the Bear Stearns Repurchase Facility (see Note 5), closed out its short sale position and purchased a preferred equity interest in ARCap in the face amount of \$20,000,000, with a preferred dividend rate of 12%. This preferred equity interest was recorded at \$19,640,637, representing the fair value of the CMBS investment at the date of the transaction, less the Bear Stearns Repurchase Facility repayment plus approximately \$3.5 million in cash paid to ARCap.

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AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
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### NOTE 5 - Repurchase Facilities

On September 30, 1999, the Company entered into a repurchase facility with Bear Stearns (the "Bear Stearns Repurchase Facility"), whereby Bear Stearns advanced \$19,568,000 in cash towards the purchase of a CMBS-related investment (see Note 4). The Bear Stearns Repurchase Facility had a variable interest rate based on the one-month LIBOR rate plus 1.5%, which was adjusted on the first day of each month. The Bear Stearns Repurchase Facility was repaid November 1, 2000 in connection with the CMBS sale discussed in Note 4.

Effective February 15, 2000, the Company entered into a \$60 million FHA repurchase facility with Nomura Asset Capital Corporation (the "Nomura Repurchase Facility") with a term of one year. This facility enables the Company to borrow up to 90% with a qualified hedge or 80% without a qualified hedge of the fair market value of FHA loans owned by the Company. The Nomura Repurchase Facility was renewed February 15, 2001 for \$40 million, with a one time option to increase to \$60 million, a one year term and interest at LIBOR plus 1.25%. As of September 30, 2001, there was no outstanding balance. As of December 31, 2000, \$7,138,940 was outstanding under The Nomura Repurchase Facility and the interest rate was 7.87%. Deferred costs relating to the Nomura Repurchase

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Facility are being amortized using the straight-line method over 364 days, which is the term of the facility.

Effective February 15, 2000, the Company also entered into a repurchase facility with Nomura Securities International Inc. (the "Nomura Securities Repurchase Facility"). This facility enables the Company to borrow up to 95% of the fair market value of GNMA Certificates and other qualified mortgage securities owned by the Company. Borrowings bear interest at LIBOR plus 0.50%. As of September 30, 2001 and December 31, 2000, the amount outstanding under this facility was \$43,191,173 and \$5,517,000 and interest rates were 4.07% and 7.12%, respectively. Deferred costs of \$101,169 relating to the Nomura Securities Repurchase Facility are being amortized using the straight-line method over five years. As of September 30, 2001, all GNMA certificates owned by the Company were pledged as collateral.

### NOTE 6 - Related Party Transactions

The costs incurred to related parties for the three and nine months ended September 30, 2001 and 2000 were as follows, all of which are paid to the Advisor:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MO SEP
	2001	2000	2001
Expense reimbursement	\$ 61,000	\$ 102,130	\$232,935
Asset management fees	60,517	120,733	184,897
	\$ 121,517	\$ 222,863	\$417,832

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AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
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### Note 7 - Earnings Per Share

Basic net income per share in the amount \$.28 and \$.32 and \$.95 and \$.62 for the three and nine months ended September 30, 2001 and 2000, respectively, equals net income for the periods (\$1,090,107 and \$1,243,277 and \$3,645,284 and \$2,376,920, respectively), divided by the weighted average number of shares outstanding which was 3,838,630 for each period.

Because the Company had no dilutive securities outstanding during the three and nine months ended September 30, 2001 or 2000, diluted net income per share is the same as basic net income per share.

### Note 8 - Commitments and Contingencies

The Company completed a loan program with Fannie Mae which has agreed to fully fund the origination of \$250 million of Delegated Underwriter and Servicer loans for apartment properties that qualify for low income housing

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tax credits under Section 42 of the Internal Revenue Code (see Note 9). Under the loan program, the Company will originate and contract for individual loans of up to \$6 million dollars each over a two-year period and will work with American Property Financing, an unaffiliated third party, which will underwrite and service the loans for Fannie Mae. Each property in the transaction will benefit from 9% low income housing tax credits for no less than 90% of its units. The Company will guaranty a first loss position of up to \$21.25 million, depending on the aggregate principal amount of the loans the Company originates under this program and will receive guaranty, loan origination and other fees. The Company also guaranteed construction loans for which it has issued a forward commitment to originate a loan under the Fannie Mae program with respect to which it guarantees repayment of 100% of such construction loans. As of September 30, 2001, the Company had originated loans totaling approximately \$2.2 million under the Fannie Mae program and has forward commitments for an additional approximate \$6.8 million. The Company's maximum guaranty at September 30, 2001 is \$9.0 million.

### Note 9 - Investment in Unconsolidated Subsidiary and Note Receivable

As discussed in Note 8, the Company has entered into an agreement with Fannie Mae whereby the Company will provide first loss protection ("First Loss Obligation") on certain loans funded by Fannie Mae pursuant to a Master Financing and Loss Sharing Agreement. Through a consolidated subsidiary, AMAC/FM Corporation ("AMAC/FM"), and pursuant to a Guaranty and Security Agreement with Fannie Mae, the payment of the First Loss Obligation is guaranteed and secured by AMAC/FM's pledge and grant to Fannie Mae of a security interest on certain assets of AMAC/FM.

AMAC/FM was capitalized by a contribution by the Company to AMAC/FM of the mortgage loan secured by Stony Brook Village II Apartments with a principal amount of \$8,404,092. This contribution was recorded by AMAC/FM as a \$7,264,093 loan from the Company via a subordinated promissory note, with a stated interest rate of 7.75% and a \$1,140,000 capital contribution through the issuance of AMAC/FM non-voting common stock. During 2000, the Company accounted for its \$1,140,000 investment in AMAC/FM under the equity method of accounting, because all of AMAC/FM's voting common shares were held by the Advisor and, therefore, the Company did not control AMAC/FM.

During January 2001, all of the voting common stock of AMAC/FM, previously owned by the Advisor, was purchased by the Company, the effect of which is to make AMAC/FM a wholly owned, consolidated subsidiary of the Company. This change was implemented as a result of

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### AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements September 30, 2001 (Unaudited)

the REIT Modernization Act of 1999, which allows REITs to directly own taxable REIT subsidiaries, beginning after the year 2000.

### Note 10 - Subsequent Events.

In November 2001, a distribution of \$1,391,503, (\$0.3625 per share) which was declared in September 2001, was paid to shareholders for the quarter ended September 30, 2001.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### LIQUIDITY AND CAPITAL RESOURCES

Effective April 26, 1999, upon authorization by the Board of Trustees, the Company's name was changed from American Mortgage Investors Trust to American Mortgage Acceptance Company. The Company's shares of beneficial interest (the "Shares") commenced trading on the American Stock Exchange on July 1, 1999 under the symbol "AMC". As of September 30, 2001, there were 3,838,630 Shares outstanding.

The Company's business plan focuses on government insured and uninsured mortgages secured by multifamily properties, which may take the form of government insured first mortgages and uninsured mezzanine loans, construction loans and bridge loans. Additionally, the Company has indirectly invested in subordinate commercial mortgage-backed securities and may invest in other real estate assets, including non-multifamily mortgages.

As of September 30, 2001, the Company's mortgage investments consisted of two mortgage loans and six mezzanine loans originated by or on behalf of the Company, six GNMA mortgage-backed securities and pass-through certificates, three bridge loans and a preferred equity investment in ARCap Investors, L.L.C. ("ARCap").

During the nine months ended September 30, 2001, the Company converted three mortgage loans (Hollows Apartments, Elmhurst Village, and Reserve at Autumn Creek) to GNMA Certificates. This action was completed to take advantage of the additional liquidity of GNMA Certificates as compared with mortgage loans and the lower interest costs and higher leverage available under the Nomura Securities Repurchase Facility (see Note 5). This conversion resulted in an additional \$11,000,000 in borrowings. Approximately \$6,500,000 was used to repay borrowings under the Nomura Repurchase Facility during July 2001. The remaining \$4,500,000 was used for further investments.

The Company is still in the process of implementing its new business plan and, therefore, the current portfolio should not be considered indicative of the composition of the portfolio that might be expected in the future.

During the nine months ended September 30, 2001, cash and cash equivalents decreased approximately \$530,000 primarily due to proceeds from repurchase facilities payable (\$30,535,000) and cash provided by operating activities (\$3,291,000), offset by investments in mortgage loans (\$19,823,000), investments in GNMA Certificates (\$6,312,000), increase in notes receivable (\$4,139,000) and distributions to shareholders (\$4,175,000).

The yield on the GNMA Certificates will depend, in part, upon the rate and timing of principal prepayments on the underlying mortgages in the asset pool. Generally, as market interest rates decrease, mortgage prepayment rates increase and the market value of interest rate sensitive obligations like the GNMA Certificates increases. As market interest rates increase, mortgage prepayment rates tend to decrease and the market value of interest rate sensitive obligations like the GNMA Certificates tends to decrease. The effect of prepayments on yield is greater the earlier a prepayment of principal is received. Certain of the Company's GNMA Certificates are collateralized by mortgage loans on multifamily properties; these loans are generally less subject to prepayment.

The yield on the mortgage loans will depend, in part, on when, and if, the Company disposes of the mortgage loans prior to maturity or the obligor fully repays the outstanding debt. The mortgage loans have fixed interest rates, the base amount of which is insured by HUD, result-

ing in a minimal amount of interest rate risk. The effect of prepayments on yield is greater the earlier a prepayment of principal is received. Due to the uncertainty of future economic and other factors that affect interest rates and mortgage prepayments, it is not possible to predict the effects of future events upon the yield to maturity or the market value of the mortgage loans upon any sale or other disposition or whether the Company, if it chose to, would be able to reinvest proceeds from prepayments at favorable rates relative to the current mortgage loan rates.

The yield on the mezzanine loans is based on a fixed percentage of the associated first mortgage loan, plus a percentage of the available cash flow produced by the underlying multifamily property, and a participation in sale or refinancing proceeds. The yield will vary based on the operating results of the property, its requirements for capital improvements, and the ability of the property owners to successfully sell or refinance the property.

The Company's equity in the earnings of ARCap will generally be equal to the Company's preferred equity dividend rate of 12%, unless ARCap does not have earnings and cash flows adequate to meet this dividend requirement. ARCap's investment portfolio consists of subordinated commercial mortgage backed securities, whose yields depend, among other things, on the rate and timing of principal payments, the pass through rate, interest rate fluctuations and defaults on the underlying mortgages. The Company's investment in ARCap is illiquid and its carrying amount is not necessarily representative of the amount the Company would receive upon a sale of this investment.

Effective February 15, 2000, the Company entered into a \$60 million FHA repurchase facility with the Nomura Asset Capital Corporation (the "Nomura Repurchase Facility"), with a term of one year. This agreement enables the Company to borrow up to 90% with a qualified hedge or 80% without a qualified hedge of the fair market value of FHA loans owned by the Company. The Nomura Repurchase Facility was renewed February 15, 2001, for \$40 million, with a one time option to increase to \$60 million, a one year term, and interest at LIBOR plus 1.25%. As of September 30, 2001, there was no outstanding balance on this line. As of December 31, 2000, \$7,138,940 was outstanding under The Nomura Repurchase Facility.

Effective February 15, 2000, the Company also entered into a repurchase facility with Nomura Securities International Inc. (the "Nomura Securities Repurchase Facility"). This agreement enables the Company to borrow up to 95% of the fair market value of qualified mortgage securities owned by the Company. Borrowings bear interest at LIBOR plus 0.50%. As of September 30, 2001 and December 31, 2000, the amount outstanding under this facility was \$43,191,173 and \$5,517,000 and interest rates were 4.07% and 7.12%, respectively.

In order to qualify as a REIT under the Code, the Company must, among other things, distribute at least 90% of its taxable income. The Company believes that it is in compliance with the REIT-related provisions of the Code.

The Company expects that cash generated from the Company's investments will meet its needs for short-term liquidity, and will be sufficient to pay all of the Company's expenses and to make distributions to its shareholders in amounts sufficient to retain the Company's REIT status in the foreseeable future.

The Company completed a loan program with Fannie Mae which has agreed to fully fund the origination of \$250 million of Delegated Underwriter and Servicer loans for apartment properties that qualify for low income housing



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tax credits under Section 42 of the Internal Revenue Code (see Note 9). Under the loan program, the Company will originate and contract for individual loans of up to \$6 million dollars each over a two-year period and will work with American Property Financing, an unaffiliated third party, which will underwrite and service the loans for Fannie

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Mae. Each property in the transaction will benefit from 9% low income housing tax credits for no less than 90% of its units. The Company will guaranty a first loss position of up to \$21.25 million, depending on the aggregate principal amount of the loans the Company originates under this program and will receive guaranty, loan origination and other fees. The Company also guaranteed construction loans for which it has issued a forward commitment to originate a loan under the Fannie Mae program with respect to which it guarantees repayment of 100% of such construction loans. As of September 30, 2001, the Company had originated loans totaling approximately \$2.2 million under the Fannie Mae program and has forward commitments for an additional approximate \$6.8 million. The Company's maximum guaranty at September 30, 2001 is \$9.0 million.

Since the company entered into Fannie Mae loan program, the level of loan competition has increased, reducing the projected financing volume and profitability. As a result we are de-emphasizing this program and evaluating the possibility of transferring our rights and obligations in the Fannie Mae loan program.

In November 2001, a distribution of \$1,391,503 (\$0.3625 per share), which was declared in September 2001, was paid to the shareholders for the quarter ended September 30, 2001.

Management is not aware of any trends or events, commitments or uncertainties, which have not otherwise been disclosed that will or are likely to impact liquidity in a material way.

### RESULTS OF OPERATIONS

The net income for the three and nine months ended September 30, 2001 and 2000 was \$1,090,107 and \$1,243,277 and \$3,645,284 and \$2,376,920, respectively. The total of the annual operating expenses of the Company may not exceed the greater of (i) 2% of the Average Invested Assets of the Company or (ii) 25% of the Company's net income, unless such excess is approved by the Independent Trustees. On an annualized basis, there was no such excess for the nine months ended September 30, 2001 and 2000.

Interest income from mortgage loans increased approximately \$1,068,000 for the nine months ended September 30, 2001 as compared to 2000 primarily due to interest earned on the additional principal advances to the Hollows, Elmhurst Village and Autumn Creek prior to their conversion to GNMA certificates and Stonybrook while held by AMAC/FM, partially offset by the repayment of the Town and Country mortgage loan. Interest income from mortgage loans decreased approximately \$151,000 for the three months ended September 30, 2001 as compared to 2000 primarily due to the conversion of the three aforementioned loans to GNMA certificates.

Interest income from GNMA certificates increased approximately \$742,000 and \$998,000 for the three and nine months ended September 30, 2001, primarily due to the conversion of three mortgage loans to GNMA certificates.

Interest income from commercial mortgage-backed security-related investment in the amount of approximately \$960,000 and \$2,868,000 was recorded for the three

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and nine months ended September 30, 2000; such investment was sold in October 2000.

Interest income from cash and cash equivalents and temporary investments decreased approximately \$604,000 and \$1,799,000 for the three and nine months ended September 30, 2001 as compared to 2000 primarily due to the reduced balances of temporary investments and termination of the deposits with brokers held as collateral for short sales.

Interest income from notes receivable in the amount of approximately \$127,000 and \$234,000 was recorded for the three and nine months ended September 30, 2001; such investments were made since September 2000.

Equity in earnings of ARCap in the amount of \$604,000 and \$1,788,000 was recorded for the three and nine months ended September 30, 2001. This investment was acquired in October 2000.

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Other income in the amount of \$40,000 and \$70,000 was recorded for the three and nine months ended September 30, 2001 due to the guaranty and loan origination fees earned on loans in the Fannie Mae program.

Other income for the three and nine months ended September 30, 2000 included approximately \$295,000 of interest income from a note receivable from AMAC/FM. Effective January 1, 2001, AMAC/FM is consolidated for financial reporting purposes (see Note 9). Any interest due from AMAC/FM to AMAC for the three and nine months ended September 30, 2001 was eliminated in Consolidation.

Interest expense decreased approximately \$582,000 and \$1,757,000 for the three and nine months ended September 30, 2001 as compared to 2000 due to the termination of the Bear Stearns Repurchase Facility and closing out of government securities sold short positions partially offset by higher interest expenses related to the Nomura Securities repurchase facilities due to higher outstanding balance.

General and administrative expenses decreased approximately \$195,000 and \$258,000 for the three and nine months ended September 30, 2001 as compared to 2000 primarily due to a decrease in asset management fees payable to the Advisor due to the sale of commercial mortgage-backed security-related investment and a decrease in the reimbursements of certain administrative and other costs incurred by the Advisor on behalf of the Company.

Amortization decreased approximately \$21,000 and \$25,000 for the three and nine months ended September 30, 2001 due to the deferred costs relating to the Nomura Repurchase Facility being fully amortized.

A gain on the repayment of mortgage loans in the amount of approximately \$14,000 was recorded for the nine months ended September 30, 2000, relating to the repayment of the Town & Country mezzanine loan and FHA insured mortgage loan on January 21, 2000. A gain of approximately \$58,000 was recognized during the nine months ended September 30, 2000 from the repayment of a GNMA certificate. A loss of approximately \$212,000 was recognized during the three months ended September 30, 2001 relating to the repayment of the Columbiana loans.

A net loss on the commercial mortgage-backed security-related investment and government securities sold short in the amount of approximately \$464,000 was recorded for the nine months ended September 30, 2000. These positions were liquidated in October of 2000.

DISTRIBUTIONS

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Of the total distributions of \$4,174,510 and \$4,174,512 for the nine months ended September 30, 2001 and 2000, respectively, \$317,654 (\$.08 per share or 7.61%) and \$1,836,883 (\$.48 per share or 44%), respectively, represented a return of capital determined in accordance with generally accepted accounting principles. As of September 30, 2001, the aggregate amount of the distributions made since the commencement of the initial public offering representing a return of capital, in accordance with generally accepted accounting principles, totaled \$14,435,381. The portion of the distributions which constituted a return of capital was significant during the initial acquisition stage in order to maintain level distributions to shareholders.

### FORWARD-LOOKING STATEMENTS

Certain statements made in this report may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include statements regarding the intent, belief or current expectations of the Company and its management and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following: general economic and business conditions, which will, among other things, affect the availability and creditworthi-

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ness of prospective tenants, lease rents and the terms and availability of financing; adverse changes in the real estate markets including, among other things, competition with other companies; risks of real estate development and acquisition; governmental actions and initiatives; and environment/safety requirements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

### INFLATION

Inflation did not have a material effect on the Company's results for the periods presented.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, changes in spreads on CMBS, foreign currency exchange rates, commodity prices and equity prices. The primary market risk to which the investments of the Company is exposed is interest rate risk which is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond the control of the Company.

The Company's borrowings under repurchase agreements bear interest at rates that fluctuate with LIBOR. Based on the \$43.2 million of borrowings outstanding under these facilities at September 30, 2001, a 1% change in LIBOR would impact the Company's net income by approximately \$432,000.

Cash flows and income from the Company's other financial instruments, consisting primarily of mortgage loans, a preferred equity interest, GNMA certificates, and cash and cash equivalents, would not be significantly affected by changes in interest rates, because most of these instruments bear interest at fixed rates, and are not subject to financing or hedged. Cash and cash equivalents and the mortgage loans are carried at amortized cost, and so their carrying values are

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not impacted by changes in interest rates. The GNMA investments are adjusted to market value through comprehensive income in the equity statement, but changes in their value have not historically been significant to shareholders' equity. The preferred equity interest is carried on the equity method; although changes in interest rates would not directly impact the carrying value of this asset, they might adversely affect the ability of the underlying entity to meet its preferred distribution requirements.

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### PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

The Company is not a party to any material pending legal proceedings.

#### INFORMATION REGARDING OTHER COMPANIES MANAGED BY AFFILIATES OF THE ADVISOR.

The three previously disclosed purported class actions against, among others, the advisor and property manager of Aegis Realty, Inc. ("Aegis") have been dismissed without prejudice. Aegis is a public company, which like the Company, is externally advised by affiliates of the company's advisor, related AMI Associates Inc.. Each of these three actions challenged Aegis' proposed acquisition of a property portfolio and development business owned by a third party, which transaction also involved the termination by Aegis of its external advisory agreements and purchase by Aegis of various assets owned by these external advisor's. Each suit alleged that the defendants breached their fiduciary duties to the Aegis stockholders by, among other things, committing Aegis to pay unwarranted fees and other consideration to affiliates of the company's advisor. On August 7, 2001, Aegis announced that it had terminated, by mutual consent with the third party, the transaction that is at issue in each suit. As of October 29, 2001, each of the three lawsuits had been dismissed without prejudice. No money was paid by any of the defendants to any plaintiff or plaintiff's attorney in connection with their dismissals.

Item 2. Changes in Securities - None.

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - None

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K - None

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### 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.

AMERICAN MORTGAGE ACCEPTANCE COMPANY  
(Registrant)

Date:

November 14, 2001

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By: /s/ Stuart J. Boesky

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Stuart J. Boesky  
Trustee, Chairman of the Board,  
President and Chief Executive Officer

Date:

November 14, 2001

By: /s/ Michael I. Wirth

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Michael I. Wirth  
Chief Financial Officer