

Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

AMERICAN MORTGAGE ACCEPTANCE CO  
Form 10-Q  
May 09, 2003

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 March 31, 2003

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  
-----

Indicate by check mark whether the registrant is an accelerated filer (as  
defined in Exchange Act Rule 12b-2). Yes X No  
-----

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Consolidated Balance Sheets (Dollars in thousands)

	March 31, 2003 ----- (Unaudited)	December 31, 2002 -----
<b>ASSETS</b>		
Investments in mortgage loans, net	\$ 12,367	\$ 22,384
Investments in GNMA certificates- available for sale	115,773	114,034
Investment in ARCap	20,240	20,240
Real estate owned	7,920	--
Cash and cash equivalents	3,645	10,404
Restricted cash	8,282	--
Notes receivable	42,442	25,997
Accrued interest receivable	1,336	1,170
Other assets	801	834
	-----	-----
Total assets	\$ 212,806	\$ 195,063
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Repurchase facility payable	\$ 93,565	\$ 87,880
Warehouse facility payable	16,997	8,788
Interest rate derivatives	393	--
Accrued interest payable	187	60
Accounts payable and accrued expenses	350	762
Due to Advisor and affiliates	611	690
Distributions payable	2,545	2,545
	-----	-----
Total liabilities	114,648	100,725
	-----	-----
<b>Commitments and contingencies</b>		
<b>Shareholders' equity:</b>		
Common shares of beneficial interest; \$.10 par value; 25,000,000 shares authorized; 6,738,826 issued and 6,363,630 outstanding in 2003 and 2002	674	674
Treasury shares of beneficial interest; 375,196 shares	(38)	(38)
Additional paid-in capital	99,470	99,470
Distributions in excess of net income	(13,824)	(14,471)
Accumulated other comprehensive income	11,876	8,703
	-----	-----
Total shareholders' equity	98,158	94,338

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Total liabilities and shareholders' equity	----- \$ 212,806 =====	----- \$ 195,063 =====
--	------------------------------	------------------------------

See accompanying notes to consolidated financial statements.

2

## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Consolidated Statements of Income (Dollars in the thousands except per share amounts) (Unaudited)

	=====	
	Three Months Ended	
	March 31,	
	-----	-----
	2003	2002
	-----	-----
Revenues:		
Interest income:		
Mortgage loans	\$ 1,407	\$ 401
GNMA certificates	1,872	1,084
Notes receivable	918	487
Temporary investments	8	11
Other income	28	60
	-----	-----
Total revenues	4,233	2,043
	-----	-----
Expenses:		
Interest	407	272
General and administrative	243	120
Fees to advisor	443	357
Amortization	77	6
Fannie Mae loan program	--	355
Other	80	--
	-----	-----
Total expenses	1,250	1,110
	-----	-----
Other gain:		
Equity in earnings of ARCap	600	592
Net gain (loss) on repayments and sales of		
GNMA certificates	(391)	614
	-----	-----
Total other gain	209	1,206
	-----	-----
Net income	\$ 3,192	\$ 2,139
	=====	=====

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Net income per share (basic and diluted)	\$ .50 =====	\$ .43 =====
Weighted average shares outstanding (basic and diluted)	6,363,630 =====	4,960,852 =====

See accompanying notes to consolidated financial statements.

3

## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Consolidated Statement of Changes in Shareholders' Equity (Dollars in thousands) (Unaudited)

	Shares of Beneficial Interest		Treasury Shares of Beneficial Interest	
	Shares	Amount	Shares	Amount
Balance at January 1, 2003	6,738,826	\$ 674	(375,196)	\$
Comprehensive income:				
Net income	--	--	--	
Other comprehensive income:				
Net unrealized loss on interest rate derivatives				
Unrealized holding gain arising during the period				
Less: reclassification adjustment for loss included in net income				
Total other comprehensive income				
Comprehensive income				
Distributions	--	--	--	
Balance at March 31, 2003	6,738,826 =====	\$ 674 =====	(375,196) =====	\$ =====

Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

	Distributions in Excess of Net Income	Comprehensive Income	Accumulated Other Comprehensive Income
	-----	-----	-----
Balance at January 1, 2003	\$ (14,471)		\$ 8,703
Comprehensive income:			
Net income	3,192	\$ 3,192	--
		-----	
Other comprehensive income:			
Net unrealized loss on interest rate derivatives		(393)	
Unrealized holding gain arising during the period		3,175	
Less: reclassification adjustment for loss included in net income		391	
		-----	
Total other comprehensive income		3,173	3,173
		-----	
Comprehensive income		\$ 6,365	
		=====	
Distributions	(2,545)		--
	-----		-----
Balance at March 31, 2003	\$ (13,824)		\$ 11,876
	=====		=====

See accompanying notes to consolidated financial  
statements.

4

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
(Dollars in thousands)  
(Unaudited)

	=====	
	Three Months Ended	
	March 31,	
	-----	-----
	2003	2002
	-----	-----
Cash flows from operating activities:		
Net income	\$ 3,192	\$ 2,139

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Adjustments to reconcile net income to net cash provided by operating activities:

Net (gain) loss on repayments of GNMA certificates and mortgage loans	391	(614)
Equity in earnings of ARCap, in excess of distributions received	--	13
Amortization - deferred financing costs	--	6
Amortization - loan premium and origination costs and fees	(204)	(20)
Accretion of GNMA discount (premium)	8	(5)
Changes in operating assets and liabilities:		
Accrued interest receivable	(166)	(280)
Other assets	(71)	543
Due to Advisor and affiliates	(79)	72
Accounts payable and accrued expenses	(410)	(9)
Accrued interest payable	127	29
	-----	-----
Net cash provided by operating activities	2,788	1,874
	-----	-----
Cash flows from investing activities:		
Increase in investment in mortgage loans	(7,049)	(4,209)
Repayments of mortgage loans	9,350	11
Funding of notes receivable	(20,502)	(7,354)
Repayment of notes receivable	4,057	--
Principal repayments of GNMA Certificates	5,960	109
Increase in investment in GNMA Certificates	(4,532)	(31,438)
Increase in restricted cash	(8,282)	--
	-----	-----
Net cash used in investing activities	(20,998)	(42,881)
	-----	-----

continued

5

## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Consolidated Statements of Cash Flows (Dollars in thousands) (Unaudited)

	=====	
	Three Months Ended	
	March 31,	
	-----	
	2003	2002
	-----	
Cash flows from financing activities:		
Proceeds from repurchase facility payable	21,184	11,250
Proceeds from warehouse facility payable	8,209	--
Repayments of repurchase facility payable	(15,499)	--
Distribution paid to shareholders	(2,545)	(2,307)
Increase in deferred loan costs	102	--

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Increase from distribution payable	--	915
Issuance of common shares	--	30,967
	-----	-----
Net cash provided by financing activities	11,451	40,825
	-----	-----
Net decrease in cash and cash equivalents	(6,759)	(182)
Cash and cash equivalents at the beginning of the period	10,404	1,018
	-----	-----
Cash and cash equivalents at the end of the period	\$ 3,645	\$ 836
	=====	=====
Supplemental information:		
Interest paid	\$ 430	\$ 243
	=====	=====
Conversion of mortgage loans to real estate owned:		
Increase in real estate owned	\$ 7,920,000	
Decrease in mortgage loans	(7,920,000)	
	-----	
	\$ --	
	-----	

See accompanying notes to consolidated financial statements

6

## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2003  
(Unaudited)

#### Note 1 - General

American Mortgage Acceptance Company (the "Company") was formed on June 11, 1991 as a Massachusetts business trust. The Company elected to be treated as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

The Company's business plan focuses on originating and acquiring mortgages secured by multi-family 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-multi-family mortgages. The Company also issues guarantees of construction and permanent financing and makes standby loan commitments.

The Company is governed by a board of trustees comprised of three independent trustees and two trustees who are affiliated with Related Capital Company ("Related"). The Company has engaged Related AMI Associates, Inc. (the "Advisor"), an affiliate of Related, to manage its day-to-day affairs. The Advisor has subcontracted with Related to provide the services contemplated. Through the Advisor, Related offers the Company a core group of experienced staff and executive management providing the Company with services on both a

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

full and part-time basis. These services include, among other things, acquisition, financial, accounting, tax, capital markets, asset monitoring, portfolio management, investor relations and public relations services. The Company believes that it benefits significantly from its relationship with Related, since Related provides the Company with resources that are not generally available to smaller-capitalized, self-managed companies.

The consolidated financial statements include the accounts of the Company and three wholly-owned subsidiaries which it controls: AMAC Repo Seller, AMAC/FM Corporation and AMAC Credit Facility, LLC. 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 March 31, 2003 and the results of its operations and its cash flows for the three months ended March 31, 2003 and 2002. 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 statements 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, 2002.

The preparation of the consolidated 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.

7

### AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements March 31, 2003 (Unaudited)

In April 2002, the FASB issued Statement No. 145 "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections". SFAS No. 145 among other things, rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and accordingly, the reporting of gains and losses from the early extinguishments of debt as extraordinary items will only be required if they meet the specific criteria for extraordinary items included in Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations". The rescission of SFAS No. 4 became effective January 1, 2003. The implementation of this statement did not have a material impact on the Company's consolidated financial statements.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 replaces current accounting literature and requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 became effective January 1, 2003. The implementation of this statement did not have a material effect on the



## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Company's consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45, "Guarantors' Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". The Interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This Interpretation does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. The disclosure provisions of this Interpretation are included in Note 11. The initial recognition and initial measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company currently receives a fee, in advance, for acting as a guarantor of certain construction loans. This fee is deferred and amortized over the guarantee period. The Company believes that the fee received approximates the fair value of the obligation undertaken in issuing the guarantee; therefore, the Company's current accounting for these guarantees will not be affected by this Interpretation.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities". This Interpretation clarifies the application of existing accounting pronouncements to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of the Interpretation will be immediately effective for all variable interests in variable interest entities created after January 31, 2003, and the Company will need to apply its provisions to any existing variable interest in variable interest entities by no later than July 1, 2003. The Company is in the process of evaluating all of its mezzanine loans, which may be deemed variable interests in variable interest entities under the provision of FIN 46. The real estate entities whose ownership interests collateralize these loans have assets totaling approximately \$95.1 million at March 31, 2003. The Company's maximum exposure to loss represents its recorded investment in these loans, totaling approximately \$10.6 million at March 31, 2003. The Company believes that some, and possibly all, of these investments may not ultimately fall under the

8

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
March 31, 2003  
(Unaudited)

provisions of FIN 46 and, accordingly, continue to be accounted for as loans and not consolidated as investments in real estate. The Company cannot make any definitive conclusion until it completes its evaluation.

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

9

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Notes to Consolidated Financial Statements  
March 31, 2003  
(Unaudited)

## Note 2 - Investments in Mortgage Loans

Information relating to the Company's investments in mortgage loans as of March 31, 2003 is as follows:  
(Dollars in thousands)

Property	Description	Final Maturity Date	Call Date (A)	Interest Rate (B)
First Mortgage Loans:				
Stony Brook II (E) (M) East Haven, CT	125 Units	6/37	12/06	7.625%
Sunset Gardens Eagle Pass, TX	60 Units	9/03	N/A	11.50%
Alexandrine Detroit, MI	30 Units	12/03	N/A	11.00%
Subtotal First Mortgage Loans				
Mezzanine Loans (G):				
Stabilized Properties				
-----				
Stony Brook II (J) (N) (M) East Haven, CT	125 Units	6/37	12/06	15.33%
Plaza at San Jacinto (N) (P) Houston, TX	132 Units	1/43	6/11	11.40%
Subtotal Stabilized Mezzanine Loans				
Properties in Lease-Up				
-----				
The Hollows (K) (N) Greenville, NC	184 Units	1/42	1/12	10.00%
Elmhurst Village (J) (N) Oveido, FL	313 Units	1/42	3/19	10.00%
The Reserve at Autumn Creek (J) (N) Friendswood, TX	212 Units	1/42	9/14	10.00%
Subtotal Properties in Lease-Up				

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

## Properties in Construction

-----

Club at Brazos (I) (N) (K) Rosenberg, TX	200 Units	5/43	TBD	10.00%
Northbrooke (J) (N) Harris County, TX	240 Units	8/43	TBD	11.50%
Del Mar Villas Dallas, TX	260 Units	4/04	N/A	LIBOR + 4.625%
Mountain Valley Dallas, TX	312 Units	11/04	N/A	LIBOR + 4.750%

Subtotal Properties in Construction

Subtotal Mezzanine Loans

Total Mortgage Loans

	Share of Excess Sale or Refinancing Proceeds	Periodic Payment Terms	Prior Liens	Outstanding Face Amount of Mortgages (C)	Unamortized Costs and Fees
First Mortgage Loans:					
Stony Brook II (E) (M) East Haven, CT	N/A	(F)	--	\$ --	\$ --
Sunset Gardens Eagle Pass, TX	N/A	(H)	--	1,451	(
Alexandrine Detroit, MI	N/A	(H)	--	342	--
Subtotal First Mortgage Loans				1,793	(9

Mezzanine Loans (G):

Stabilized Properties

-----

Stony Brook II (J) (N) (M) East Haven, CT	35%	(H)	--	--	--
Plaza at San Jacinto (N) (P) Houston, TX	50%	(H)	--	--	--

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Subtotal Stabilized Mezzanine Loans				--	--
-----					
Properties in Lease-Up					
-----					
The Hollows (K) (N) Greenville, NC	25%	(H)	8,907	1,549	(14)
Elmhurst Village (J) (N) Oveido, FL	25%	(H)	21,657 (L)	2,874	(41)
The Reserve at Autumn Creek (J) (N) Friendswood, TX	25%	(H)	16,008 (L)	1,987	(5)
				-----	
Subtotal Properties in Lease-Up				6,410	(61)
-----					
Properties in Construction					
-----					
Club at Brazos (I) (N) (K) Rosenberg, TX	25%	(H)	14,025	1,962	(7)
Northbrooke (J) (N) Harris County, TX	50%	(H)	12,134 (L)	1,500	(13)
Del Mar Villas Dallas, TX	N/A	(H)	5,554	765	--
Mountain Valley Dallas, TX	N/A	(H)	5,451	776	--
				-----	
Subtotal Properties in Construction				5,003	(21)
-----					
Subtotal Mezzanine Loans				11,413	(83)
				-----	
Total Mortgage Loans				\$13,206	\$ (83)
				=====	

## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements March 31, 2003 (Unaudited)

- (A) Loans are subject to mandatory prepayment at the option of the Company ten years after construction completion, with one year's notice. Loans with a call date of "TBD" are still under construction.

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

- (B) 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 and participation in sale or refinancing proceeds and certain provisions that cap the Company's total yield, including additional interest and participations, over the term of the loan.
- (C) No principal amounts of mortgage loans are subject to delinquent interest as of March 31, 2003.
- (D) Carrying amounts of the loans are net of unamortized origination costs and fees and loan discounts.
- (E) Interest and principal payments on this first mortgage loan are insured by the U.S. Department of Housing and Urban Development.
- (F) Requires monthly payments of principal and interest based on a 40-year amortization period. Loan is subject to five-year lockout against prepayments, as well as a prepayment penalty structure during the second five-year term of the loan.
- (G) 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 36 months after construction completion by an entity related to the general partner of the entity that owns the underlying property.
- (H) Interest only payments are due monthly, with loan balance due at maturity.
- (I) The funding of this mezzanine loan is based on property level operational achievements.
- (J) The Company has an interest in the first lien position relating to this mezzanine loan.
- (K) The Company does not have an interest in the first lien position relating to this mezzanine loan.
- (L) The first mortgage loans related to those properties were converted from participations in FHA loans to ownership of the GNMA certificates and are held by the Company.
- (M) The Stonybrook II first mortgage loan and mezzanine loan were repaid in January 2003 - see Note 5. Of the \$10 million received, approximately \$8.3 million is being held as restricted cash for collateral in the Fannie Mae DUS program.
- (N) Lifetime interest cap represents the maximum annual return, including interest, fees and participations, that can be earned by the Company over the life of the mezzanine loan, computed as a percentage of the balance of the first mortgage loan plus the mezzanine loan.
- (O) Interest cap on these loans is the maximum rate permitted by law.
- (P) The Plaza at San Jacinto mezzanine loan has been reclassified to real estate owned -- see Note 6.

Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

11

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
March 31, 2003  
(Unaudited)

Note 3 - Investments in GNMA Certificates-Available for Sale

Information relating to GNMA certificates owned by the Company as of March 31, 2003 is as follows:  
(Dollars in thousands)

Name -----	Certificate Number -----	Date Purchased/ Final Payment Date -----	Stated Interest Rate -----	Principal at March 31, 2003 -----	Amortized Cost at March 31, 2003 -----
Western Manor (1)	0355540	7/27/94 3/15/29	7.125%	\$ 2,452	\$ 2,467
Copper Commons (1) (3)	0382486	7/28/94 8/15/29	8.500%	2,084	2,153
SunCoast Capital Group, Ltd. (1)	G002412	6/23/97 4/20/27	7.000%	463	463
Elmhurst Village (1)	549391	6/28/01 1/1/42	7.745%	21,657	21,657
Reserve at Autumn Creek (1)	448748	6/28/01 1/1/42	7.745%	16,008	16,008
Casitas at Montecito (1) (2)	519289	3/11/02 10/15/42	7.300%	--	--
Village at Marshfield (1)	519281	3/11/02 1/15/42	7.475%	19,849	21,463
Cantera Crossing (1)	532662	3/28/02 6/1/29	6.500%	5,941	5,871
Fillmore Park (1)	536739	3/28/02 10/15/42	6.700%	1,221	1,235
Northbrooke (1)	548972	5/24/02 8/1/43	7.080%	12,134	12,283
Ellington Plaza (1)	585494	7/26/02 6/1/44	6.835%	12,946	13,018
Burlington (1)	595515	11/1/02 4/15/31	5.900%	6,801	6,886
				-----	-----

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Total	\$ 101,556	\$103,504
	=====	=====

- (1) These GNMA certificates are partially or wholly-pledged as collateral for borrowings under the repurchase facility - See Note 7.
- (2) This GNMA certificate was repaid in March 2003 at par. As a result of the repayment, the Company realized a loss of approximately \$391,000 due to the unamortized balance of the premium that was recorded when the GNMA certificate had been purchased.
- (3) This GNMA certificate was repaid in April 2003 at par.

12

## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements March 31, 2003 (Unaudited)

The amortized cost, unrealized gain and fair value for the investment in GNMA Certificates at March 31, 2003 and December 31, 2002 were as follows:

(Dollars in thousands)

	March 31, 2003	December 31, 2002
	-----	-----
Amortized cost	\$103,504	\$105,331
Net unrealized gain	12,269	8,703
	-----	-----
Fair Value	\$115,773	\$114,034
	=====	=====

As of March 31, 2003, there were gross unrealized gains and losses of \$12,296,332 and \$27,254, respectively. As of December 31, 2002, there were gross unrealized gains and losses of \$8,730,076 and \$27,147, respectively.

13

## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements March 31, 2003 (Unaudited)

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

## NOTE 4 - Notes Receivable

The Company's notes receivable are collateralized by equity interests in the owner of the related property and consist of the following as of March 31, 2003:

(Dollars in thousands)

Property	Location	Outstanding Principal Balance	Unamortized Costs and Fees	Carrying Amount	Remaining Committed Balance to Fund (1)
Parwood (3) (5)	Long Beach, CA	\$ 4,033	\$ 19	\$ 4,014	\$ 567
Concord at Little York	Houston, TX	3,500	19	3,481	--
Concord at Gulfgate	Houston, TX	3,500	38	3,462	--
Reserve at Fox River(3)	Yorkville, IL	1,350	5	1,345	--
Noble Towers	Oakland, CA	6,872	27	6,845	7,300
Clarks Crossing	Laredo, TX	550	55	495	1,099
Concord at Gessner	Houston, TX	1,496	33	1,463	204
Del Mar Villas (4)	Dallas, TX	5,554	33	5,521	--
Mountain Valley (4)	Dallas, TX	5,451	58	5,393	856(2)
Baywoods (4)	Antioch, CA	10,490	67	10,423	500
Total		\$ 42,796	\$ 354	\$42,442	\$10,526

(1) Funded on an as needed basis.

(2) To be funded for rehabilitation.

(3) These loans are to limited partnerships whose general partners are affiliates of the Advisor (see Note 9).

(4) Pledged as collateral in connection with warehouse facility with Fleet National Bank (see Note 8).

(5) This note receivable was partially paid down in the amount of \$1,350,000 in April 2003.

(6) LIBOR at March 31, 2003 was 1.30%.



## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

March 31, 2003  
(Unaudited)

### NOTE 5 - Restricted Cash

During February 2003, the Company received approximately \$10 million in proceeds relating to the repayment of the Stony Brook II first mortgage and mezzanine loans. The first mortgage and mezzanine loans had carrying values of approximately \$8.3 million and approximately \$651,000, respectively. The cash proceeds from the principal repayment of the first mortgage loan are being held as collateral for the Company's contingent liabilities under guarantees issued in the Fannie Mae DUS Program (see Note 11) and are recorded as restricted cash in the accompanying March 31, 2003 consolidated balance sheet. Included in the \$10 million of cash proceeds were additional interest payments of approximately \$526,000 and prepayment penalties of approximately \$331,000 that are recorded as interest income from mortgage loans in the accompanying March 31, 2003 consolidated statement of income. The Company also recognized approximately \$113,000 in deferred fee income which is recorded in interest income from mortgage loans in the accompanying March 31, 2003 consolidated statement of income.

### NOTE 6 - Real Estate Owned

On March 7, 2003, the Company exercised its rights under the subordinated promissory note and other documents to take possession of the real estate collateral of the Plaza at San Jacinto, a 132-unit multifamily property located in La Porte, Texas. The Company had provided a \$1.2 million mezzanine loan to the owner of the Plaza at San Jacinto on May 24, 2001. The Company paid approximately \$6.7 million and now owns the first mortgage loan on the property. As such, the Company is now a "mortgagee in possession". On May 6, 2003, the Company acquired the real estate at a foreclosure auction for approximately \$6.7 million, which has enabled the Company to secure and protect the real estate and cash collateral, securing both the first mortgage loan and the mezzanine loan. Based on a recent independent appraisal, the Company believes that the value of the collateral, less estimated disposal costs, exceeds the amount paid for the first mortgage loan and the carrying amount of the mezzanine loan. However, there can be no assurance that the Company will be able to sell this property for an amount greater than or equal to its appraised value. The Company has reclassified its investment in the Plaza at San Jacinto mezzanine loan, as well as the balance of the first mortgage, purchased during the quarter, to real estate owned on the March 31, 2003 consolidated balance sheet and ceased accrual of interest. The Company also incurred approximately \$80,000 of costs to effect this troubled debt restructuring, which are included in other expenses in the March 31, 2003 consolidated statement of income.

### NOTE 7 - Repurchase Facility

Effective February 15, 2000, the Company 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 up to 97% of the fair market value of Fannie Mae DUS Certificates owned by the Company. Through May 2002, borrowings on the GNMA Certificates would bear interest at 30-day LIBOR plus 0.50%. Subsequent to May 2002, interest on borrowings on the GNMA Certificates decreased to 30-day LIBOR plus 0.05%. Interest on borrowings on Fannie Mae DUS Certificates are at 30-day LIBOR. As of March 31, 2003 and December 31, 2002, the amounts outstanding under this facility were \$93.6 and \$87.9 million, respectively, and interest rates were 1.36% and 1.47%, respectively. Deferred costs relating to the Nomura Securities Repurchase Facility have been fully amortized. All amounts outstanding at March 31, 2003, had 30-day settlement

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements March 31, 2003 (Unaudited)

terms. As of March 31, 2003 and December 31, 2002, all GNMA certificates owned by the Company were wholly or partially-pledged as collateral for this facility.

### NOTE 8- Warehouse Facility

In October 2002, the Company entered into a mortgage warehouse line of credit with Fleet National Bank in the amount of up to \$40 million. Advances under the warehouse facility, up to 83% of the total loan package, will be used to fund first mortgage loans, which the Company will make to its customers for the acquisition/refinancing and minor renovation of existing, lender-approved multi-family properties located in stable sub-markets. This facility, which matures April 2006, bears an interest rate of 30-day LIBOR + 200 basis points, payable monthly on advances. Principal is due upon the earlier of refinance or sale of the underlying project or upon maturity. The Company will pay a fee of 12.5 basis points, paid quarterly, on any unused portion of the facility. As of March 31, 2003 and December 31, 2002, the Company had approximately \$17.0 and \$8.8 million in loans outstanding under this program, respectively.

### NOTE 9 - Related Party Transactions

The costs incurred to related parties for the three months ended March 31, 2003 and 2002 were as follows, all of which are paid or payable to the Advisor:

	Three Months Ended March 31,	
	2003	2002
Expense reimbursement	\$ 147	\$ 175
Asset management fees	249	182
Incentive fee	47*	--
	-----	-----
	\$ 443	\$ 357
	=====	=====

\* Accrual based on management estimates of the Company's full-year 2003 results.

Some of the Company's notes receivable (see Note 4), the guarantee on Creekside Apartments and standby bridge loan commitments described in Note 11 are to limited partnerships where the general partner is an affiliate of the Advisor.

In December 2002, Charter Municipal Mortgage Acceptance Company announced a proposed acquisition of Related. This acquisition will not affect the Company or its day-to-day operations.

### NOTE 10 - Earnings Per Share

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Basic net income per share in the amount \$.50 and \$.43 for the three months ended March 31, 2003 and 2002, respectively, equals net income for the periods (\$3,192,151 and \$2,139,024, respectively), divided by the weighted average number of shares outstanding which were 6,363,630 and 4,960,852, respectively.

Because the Company had no dilutive securities outstanding during the three months ended March 31, 2003 or 2002, diluted net income per share is the same as basic net income per share.

16

### AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements March 31, 2003 (Unaudited)

#### NOTE 11 - Commitments and Contingencies

The Company completed a loan program with Fannie Mae, which agreed to fully fund the origination of \$250 million of Delegated Underwriter and Servicer loans for apartment properties that qualify for low income housing tax credits under Section 42 of the Internal Revenue Code. Under the loan program, the Company intended to originate and contract for individual loans of up to \$6 million each over a two-year period in conjunction with American Property Financing, an unaffiliated third party, which would underwrite and service the loans for Fannie Mae. The Company guarantees a first loss position on the aggregate principal amount of the loans the Company originates under this program and would receive guaranty, loan origination and other fees. The Company also guarantees 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 March 31, 2003, the Company has originated loans totaling approximately \$3.3 million under the Fannie Mae Program and has made forward commitments for an additional approximate \$1.0 million. The Company's maximum guaranty at March 31, 2003 was approximately \$4.3 million.

Subsequent to creating this program, the level of loan origination competition increased, reducing the program's projected financing value and profitability. As a result, the Company decided in the first quarter of 2002 to discontinue this program. The Company has reached an agreement in principle to terminate this program and transfer its rights and obligations to a third party. There can be no assurance, however, that this agreement will be consummated. Accordingly, during the first quarter of 2002, the Company wrote off the balance of unamortized deferred costs relating to this program. This write-off totaled approximately \$355,000 and is included in Fannie Mae loan program expenses in the March 31, 2002 consolidated statement of income.

During March of 2003, the Company's liability under a forward commitment relating to a loan in the Fannie Mae Program, in the amount of \$3.0 million expired.

Except for the write-off of the program costs described above, the Fannie Mae loan program has not had, and its discontinuance is not anticipated to have, a significant impact on the Company's financial condition or results of operations.

17

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements March 31, 2003 (Unaudited)

The following table provides information relating to the loans originated and forward commitments made on Fannie Mae's behalf.

(Dollars in thousands)

### Loans

Property	Location	Number of Apartment Units	Loan Amount	Loss Sharing Fee (annual rate)
Valley View	Cedar Rapids, IA	96	\$2,187	0.36%
Maple Ridge Apartments	Jackson, MI	69	1,137	0.52%
Total		165	\$3,324	

### Forward Commitments

Property	Location	Number of Apartment Units	Loan Amount	Loss Sharing Fee (annual rate)
Desert View Apartments (1)	Coolidge, AZ	372	\$1,011	0.52%

- (1) During April 2003, the Company purchased the Desert View construction loan due to a default on such loan, which was 100% guaranteed by the Company under the Fannie Mae Program. The loan defaulted due to problems relating to construction. The Company will classify this loan as a first mortgage loan in the second quarter of 2003. The loan bears interest at a rate of 4% per annum above prime rate (8.25% at April 30, 2003); interest will not be accrued until construction issues are resolved and the loan is brought current by the borrower.

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

(Unaudited)

## Standby and Forward Loan and GNMA Commitments

During 2003 and 2002, the Company issued the following standby and forward bridge and permanent loan commitments for the purpose of constructing/rehabilitating certain multi-family apartment complexes in various locations.

(Dollars in thousands)

## Standby and Forward Bridge Loan Commitments

					Ma
					-----
Issue Date	Project	Location	No. of Apt. Units	Less than	
					-----
Jan-02	Parwood	Long Beach, CA	528	\$ --	
Jan-02	Valley View/Summertree (8)	Little Rock, AK	240	400	
Nov-02	Mountain Valley	Dallas, TX	312	856	
Feb-03	Noble Towers	Oakland, CA	195		
Feb-03	Clark's Crossing Apartments	Laredo, TX	160	1,099	
Mar-03	Concord at Gessner	Houston, TX	288	204	
Mar-03	Baywoods Apartments	Antioch, CA	128	500	
					-----
Total Standby and Forward Bridge Loan Commitments			1,851	\$3,059	=====

## Standby and Forward Permanent Loan Commitments

					Ma
					-----
Issue Date	Project	Location	No. of Apt. Units	Less than	
					-----
Mar-02	Sunset Gardens	Eagle Pass, TX	60	\$ 766	
May-02	Highland Park	Topeka, TX	200	4,250	
					-----
Total Standby and Forward Permanent Loan Commitments			260	\$5,016	=====

# Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements March 31, 2003 (Unaudited)

### Forward GNMA Commitments

		Maximum Am
Date Purchased	Project	Less than 1 Year
Mar-02	Cantera Crossing	\$ 587 (3)
Mar-02	Fillmore Park	203 (3)
May-02	Ellington Plaza	24,669 (3)
N/A	Northbrooke	1,756 (3)
Total Forward GNMA Commitments		\$ 27,215
Total Standby and Forward Loan and GNMA Commitments		\$ 35,290

- (1) Funding not anticipated to occur.
- (2) Funding in the amount of \$850,000 occurred during April 2003. Remaining fundings are on an as needed basis.
- (3) Funding has already begun. Amount represents remaining commitment to be funded.
- (4) Commitment amount represents approximately \$49,000 remaining to be funded on first mortgage loan and a \$717,000 standby permanent loan commitment.
- (5) The Company received a loan commitment fee of 2.50% for issuing the commitment.
- (6) The Company received a loan commitment fee of 2.00% for issuing the commitment.
- (7) The Company will receive a 1% loan origination fee if funding occurs.
- (8) The first mortgage bond relating to these apartments is held by Charter Municipal Mortgage Acceptance Company ("CharterMac"), a publicly traded company which is managed by an affiliate of the Advisor.

20

## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements March 31, 2003 (Unaudited)

### Construction Loan Guarantees

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

During 2002, the Company guaranteed the following loans in relation to the construction of affordable multi-family apartment complexes in various locations. The construction loan guarantees will provide credit support for the following projects after construction completion, up until the date in which permanent financing takes place.

During October 2002, the Company entered into an agreement with Wachovia Bank, National Association ("Wachovia") to provide stabilization guarantees for new construction of multi-family properties under the LIHTC program. Wachovia already provides construction and stabilization guarantees to Fannie Mae, for loans Wachovia originates under the Fannie Mae LIHTC forward commitment loan program, but only for loans within regions of the country Wachovia has designated to be within its territory. For loans outside Wachovia's territory, the Company has agreed to issue a stabilization guarantee, for the benefit of Wachovia. The Company is guarantying that properties which have completed construction will stabilize and the associated construction loans will convert to permanent Fannie Mae loans. The Company receives origination and guarantee fees from the developers for providing the guarantees. If the properties do not stabilize with enough Net Operating Income for Fannie Mae to fully fund its commitment for a permanent loan, AMAC may be required to purchase the construction loan from Wachovia or to fund the difference between the construction loan amount and the reduced Fannie Mae permanent loan amount.

(Dollars in thousands)

				Maximum Amount of Guarantee	
Date Closed	Project	Location	No. of Units	Less than 1 Year	1-3 Years
Jul-02	Clark's Crossing	Laredo, TX	160	\$ 4,790	\$ --
Sept-02	Creekside Apts.	Colorado Springs, CO	144	7,500	--
Oct-02	Village at Meadowbend	Temple, TX	138	--	3,675
Nov-02	Mapleview Apartments (3)	Saginaw, MI	104	--	3,240
			546	\$12,290	\$ 6,915

- (1) Loan Administration Fee is paid on a monthly basis during the guarantee period.
- (2) Construction Guarantee Fee is an up-front fee - paid at closing and amortized over the guarantee period.
- (3) Guarantee was made under Wachovia Bank, National Association Guarantee Agreement.

For each of these guarantees, and for the guarantees issued under the FNMA program discussed in the first paragraph of this Note 11, the Company monitors the status of the underlying properties and evaluates its exposure under the guarantees. To date, the Company has concluded that no accrual for probable losses is required under SFAS 5.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
March 31, 2003  
(Unaudited)

NOTE 12 - Financial Risk Management and Derivatives

On March 25, 2003, the Company entered into a five year interest rate swap in order to reduce the Company's exposure to any possible increases in the floating interest rate on its Nomura Securities Repurchase Facility (Note 7). Under the interest rate swap agreement, the Company is required to pay Fleet National Bank (the "Counterparty") a fixed rate of 3.48% on a notional amount of \$30 million. In return, the Counterparty will pay the Company a floating rate equivalent to 30-day LIBOR.

The average 30-day LIBOR rate for the three months ended March 31, 2003, was 1.33%. A possible risk of such swap agreements is the possible inability of the Counterparty to meet the terms of the contracts with the Company; however, there is no current indication of such an inability.

The Company will account for this swap under Statement of Financial Accounting Standards No. 133, as amended and interpreted. Accordingly, the Company has documented its established policy for risk management and its objectives and strategies for the use of derivative instruments to potentially mitigate such risks. The Company evaluates its interest rate risk on an ongoing basis to determine whether or not it would be advantageous to engage in any further hedging transactions. At inception, the Company designated the interest rate swap as cash flow hedges on the variable interest payments on its floating rate financing. Accordingly, the interest rate swap will be recorded at the fair market value each accounting period, with changes in the market value being recorded in other comprehensive income to the extent that the hedge is effective in achieving offsetting cash flows. The Company assesses, both at the inception of the hedge and on an ongoing basis whether the swap agreement is highly effective in offsetting changes in the cash flows of the hedged financing. Any ineffectiveness in the hedging relationship is recorded in earnings. The Company's assessment is that this swap will be highly effective.

At March 31, 2003, this interest rate swap was recorded as a liability with a fair market value of approximately \$393,000, included in interest rate derivatives on the consolidated balance sheet.

NOTE 13 - Subsequent Events

In April 2003, the Company completed a public offering of 1.7 million common shares at a price of \$15.00 per share, resulting in proceeds, net of underwriters discount and expenses, of approximately \$24 million. In connection with the offering, the Company issued 19,550 shares to the Advisor. The underwriters exercised an option to purchase an additional 255,000 common shares at a price of \$15.00 per share, resulting in additional net proceeds of approximately \$3.6 million. The net proceeds from the public offering and the over-allotment will be used to fund future investment activity.

On April 11, 2003, in accordance with the Incentive Share Option Plan, the Company's Compensation Committee granted 190,000 options to employees of Related for the year ended 2002. The per share exercise price was \$15.03, which was the market price of the Company's common stock at the issuance date. The Company will account for its stock options by adopting the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" for its share options issued to



## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

non-employees. Accordingly, compensation cost will be accrued at the estimated fair value of the options issued, and amortized over the vesting period.

22

### AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements March 31, 2003 (Unaudited)

During April and May 2003, the Company has made commitments to purchase six Fannie Mae DUS certificates for an aggregate face amount of approximately \$18.9 million. The Fannie Mae DUS certificates have an average coupon yield of 5.60%. These purchases will be funded using drawdowns from the repurchase facility and from proceeds received from the April 2003 common share public offering.

In May 2003, a distribution of \$2,545,452, (\$0.40 per share) which was declared in March 2003, was paid to shareholders for the quarter ended March 31, 2003.

23

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

##### Results of Operations

-----

Interest income from mortgage loans increased approximately \$1,006,000 for the three months ended March 31, 2003 as compared to 2002 primarily due to the additional interest and prepayment penalties received, as well as the recognition of deferred loan origination fees, from the repayment of the Stonybrook II first mortgage and mezzanine loans in January 2003.

Interest income from GNMA certificates increased approximately \$788,000 for the three months ended March 31, 2003 as compared to 2002 primarily due to the purchase of an additional three GNMA Certificates in the latter part of 2002.

Interest income from notes receivable increased approximately \$431,000 for the three months ended March 31, 2003 as compared to 2002 due to the funding of four notes receivable during 2003.

Other income decreased in the amount of \$32,000 for the three months ended March 31, 2003 as compared to 2002 due to loan extension fees earned in 2002.

Interest expense increased approximately \$135,000 due to the addition of the warehouse facility and additional borrowings under the repurchase facility.

Fees to advisor increased approximately \$86,000 for the three months ended March 31, 2003 as compared to 2002 primarily due to an increase in asset management fees payable to the Advisor due to an increase in the assets and the accrual of incentive management fees.

Amortization expenses increased approximately \$71,000 for the three months ended March 31, 2003 as compared to 2002 due to the amortization of deferred costs on the Fleet Warehouse Facility.

During the three months ended March 31, 2002, the Company recognized

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

approximately \$355,000 in FNMA loan program expenses associated with the write-off of the unamortized deferred costs related to the Fannie Mae loan program.

Other expenses of approximately \$80,000 for the three months ended March 31, 2003 represents costs incurred in the Plaza at San Jacinto debt restructuring.

A loss on the repayment of GNMA's in the amount of approximately \$391,000 was recorded for the three months ended March 31, 2003, relating to the write-off of a purchase premium due to the repayment of one GNMA certificate.

### Liquidity and Capital Resources

-----

As of March 31, 2003, the Company's mortgage investments consisted of two mortgage loans and seven mezzanine loans originated by or on behalf of the Company, eleven GNMA mortgage-backed securities and pass-through certificates, eleven bridge loans and a preferred equity investment in ARCap Investors, L.L.C. ("ARCap").

During the three months ended March 31, 2003, cash and cash equivalents decreased approximately \$6,759,000 primarily due to funding of notes receivable, \$20,509,000, increase in restricted cash, \$8,282,000, increase in investment in mortgage loans, \$7,049,000, investments in GNMA Certificates, \$4,532,000, repayments of repurchase facility payable, \$15,499,000, offset by principal

24

payments of mortgage loans, \$9,350,000, proceeds from warehouse facility payable, \$8,209,000, proceeds from the repurchase facility payable, \$21,184,000, principal repayments of GNMA certificates, \$5,960,000 and a repayment of a note receivable, \$4,057,000.

The Company finances the acquisition of its assets primarily through borrowing at short-term rates using demand repurchase agreements and the mortgage warehouse line of credit (see below). Under the Company's declaration of trust, the Company may incur permanent indebtedness of up to 50% of total market value calculated at the time the debt is incurred. Permanent indebtedness and working capital indebtedness may not exceed 100% of the Company's total market value.

On February 25, 2002, the Company completed a public offering of 2.5 million common shares at a price of \$13.50 per share. The net proceeds of approximately \$31 million, net of underwriter's discount and expenses, were used to fund investments. On April 23, 2003, the Company completed a public offering of 1.7 million common shares at a price of \$15.00 per share, resulting in proceeds, net of underwriters discount and expenses, of approximately \$24 million. In connection with this offering, the Company has issued 19,550 shares to the Advisor. The underwriters exercised an option to purchase an additional 255,000 common shares at a price of \$15.00 per share, resulting in additional net proceeds of approximately \$3.6 million. The net proceeds from the public offering and the over-allotment will be used to fund future investment activity.

The Company has the capacity to raise an additional approximate amount of \$172 million in either common or preferred shares remaining under a shelf registration statement filed with the Securities and Exchange Commission during 2002. If market conditions warrant, the Company may seek to raise additional funds up to this amount for investment through further common and/or preferred offerings in the future, although the timing and amount of such offerings cannot be determined at this time.

In April 2003, in accordance with the Incentive Share Option Plan, the Company's

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Compensation Committee granted 190,000 options to employees of Related for the year ended 2002. The per share exercise price on April 11, 2003 was \$15.03.

Effective February 15, 2000, the Company entered into a repurchase facility with Nomura Securities International Inc. This facility enables the Company to borrow up to 95% of the fair market value of GNMA Certificates and up to 97% of the fair market value Fannie Mae DUS Certificates owned by the Company, which are pledged as collateral for the borrowings. Up until May 2002, interest on borrowings on the GNMA Certificates would bear interest at 30-day LIBOR plus 0.50%. Subsequent to May 2002, interest on borrowings on the GNMA Certificates decreased to 30-day LIBOR plus 0.05%. Interest on borrowings on Fannie Mae DUS Certificates are at 30-day LIBOR. As of March 31, 2003 and December 31, 2002, the amount outstanding under this facility was approximately \$93.6 and \$87.9 million, respectively, and interest rates were 1.36% and 1.47%, respectively. All borrowings under this facility typically have 30-day settlement terms. However, the Company has the option to shorten or extend the length of the settlement terms at its discretion. The Company has not experienced any problems when renewing its borrowing and management believes it will be able to continue to renew its borrowings when due. If the Company were unable to renew such borrowings with Nomura, it would have to either find replacement financing or sell assets at prices which may be below market value.

In October 2002, the Company entered into the Fleet Warehouse Facility with Fleet National Bank in the amount of \$40 million. Advances under the warehouse facility, up to 83% of the total loan package, will be used to fund first mortgage loans, which the Company will make to its customers for the acquisition/refinancing and minor renovation of existing, lender-approved multi-family properties located in stable sub-markets. The warehouse facility,

25

which matures April 2006, bears an interest rate of 30-day LIBOR + 200 basis points, payable monthly on advances. Principal is due upon the earlier of refinance or sale of the underlying project or upon maturity. The Company will pay a fee of 12.5 basis points, paid quarterly, on any unused portion of the facility. As of March 31, 2003 and December 31, 2002, the Company had approximately \$17.0 million and \$8.8 million, respectively, in loans outstanding under this program.

In order to qualify as a REIT under the Code, as amended, 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 entered into a loan program with Fannie Mae, which agreed to fully fund the origination of \$250 million of Delegated Underwriter and Servicer loans for apartment properties that qualify for low income housing tax credits under Section 42 of the Internal Revenue Code. Under the loan program, the Company intended to originate and contract for individual loans of up to \$6 million each over a two-year period in conjunction with American Property Financing, an unaffiliated third party, which would underwrite and service the loans for Fannie Mae. The Company guarantees 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 would receive guaranty, loan origination and other fees. The Company also guarantees 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

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

loans. As of March 31, 2003, the Company has originated loans totaling approximately \$3.3 million under the Fannie Mae Program and has made forward commitments for an additional approximate \$1.0 million. The Company's maximum guaranty at March 31, 2003 was \$4.3 million.

Subsequent to creating this program, the level of loan origination competition has increased, reducing the program's projected financing value and profitability. As a result, the Company decided in the first quarter of 2002 to discontinue this program. The Company has reached an agreement in principle to terminate this program and transfer its rights and obligations to a third party. There can be no assurance, however, that this agreement will be consummated. Accordingly, during the first quarter of 2002, the Company wrote off the balance of unamortized deferred costs relating to this program. This write-off totaled approximately \$355,000 and is included in Fannie Mae loan program expenses in the March 31, 2002 Consolidated Statement of Income.

During March of 2003, the Company's liability under a forward commitment relating to the Fannie Mae Program, in the amount of \$3.0 million expired.

Except for the write-off of the program costs described above, the Fannie Mae loan program has not had, and its discontinuance is not anticipated to have, a significant impact on the Company's financial condition or results of operations.

26

During February 2003, the Company received approximately \$10 million in proceeds relating to the repayment of the Stony Brook II first mortgage and mezzanine loans, of which, \$8.3 million is being held as collateral for the Company's contingent liabilities under guarantees issued in the Fannie Mae DUS program.

In May 2003, a distribution of \$2,545,452 (\$.40 per share), which was declared in March 2003, was paid to the shareholders for the quarter ended March 31, 2003.

For a summary of the Company's commitments and contingencies at March 31, 2003, see Note 11 to the consolidated financial statements.

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.

### Distributions

-----

Of the total distributions of \$2,545,452 and \$2,306,815 for the three months ended March 31, 2003 and 2002, respectively, the three months ended March 31, 2003 had no return of capital and for 2002, \$167,792 (\$.03 per share or 7.27%) represented a return of capital determined in accordance with generally accepted accounting principles. As of March 31, 2003, 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 \$13,806,079. 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.

### Critical Accounting Policies

-----

The Company's critical accounting policies are described in its Form 10-K for the year ended December 31, 2002. These critical accounting policies have not

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

changed during 2003, but the Company has entered into several transactions which involve new critical accounting policies as described in the following two paragraphs.

During 2003, the Company entered into a five-year interest rate swap, which is accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Standards No. 133". At the inception, the Company designated this interest rate swap as a cash flow hedge on the variable interest payments in its floating rate financing. Accordingly, the interest rate swap is recorded at fair market value each accounting period, with changes in market value being recorded in other comprehensive income to the extent the hedge is effective in achieving offsetting cash flows. This hedge has been highly effective, so there has been no ineffectiveness included in earnings. Net amounts receivable or payable under the swap agreements are recorded as adjustments to interest expense.

During 2003, the Company exercised its rights under a subordinated promissory note and other documents to take possession of certain real estate collateral. The Company has also purchased the first mortgage loan on the property. This is a preliminary step towards foreclosure. When a loan is in the process of foreclosure, it is the Company's policy to reclassify the balance of the loan into real estate owned at the lower of fair value of the real estate, less estimated disposal costs or the carrying amount of the loan, and to cease accrual of interest.

### 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

27

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 creditworthiness 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.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the exposure to loss resulting from changes in interest rates, 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

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

considerations and other factors beyond the control of the Company.

### Interest Rate Risk

Interest rate fluctuations can adversely affect the Company's income and value of its common shares in many ways and present a variety of risks, including the risk of mismatch between asset yields and borrowing rates, variances in the yield curve and changing prepayment rates.

Various financial vehicles exist which would allow Company management to mitigate the impact of interest rate fluctuations on the Company's cash flows and earnings. During March 2003, upon management's analysis of the interest rate environment and the costs and risks of such strategies, the Company entered into an interest rate swap in order to hedge against increases in the floating interest rate on its Nomura Securities Repurchase Facility. Under the interest rate swap agreement, the Company is required to pay Fleet National Bank (the "Counterparty") a fixed rate on a notional amount of debt. In return, the Counterparty will pay the Company a floating rate equivalent to the 30-day LIBOR rate. On March 25, 2003, the Company entered into a five-year interest rate swap that fixes the 30-day LIBOR rate to 3.48% on a notional amount of \$30 million. This effectively fixes \$30 million of the Company's secured borrowings at 3.48%, protecting the Company in the event the 30-day LIBOR rate rises.

The Company's operating results will depend in large part on differences between the income from its assets (net of credit losses) and its borrowing costs. Most of the Company's assets, consisting primarily of mortgage loans, GNMA certificates, and notes receivable, generate fixed returns and will have terms in excess of five years. The Company funds the origination and acquisition of a significant portion of these assets with borrowings which have interest rates that reset relatively rapidly, such as monthly or quarterly. In most cases, the income from assets will respond more slowly to interest rate fluctuations than the cost of borrowings, creating a mismatch between asset yields and borrowing rates. Consequently, changes in interest rates, particularly short-term interest rates, may influence the Company's net income. The Company bears interest at rates that fluctuate with LIBOR. Based on the \$80.6 million unhedged portion of \$110.6 million of borrowings outstanding under these facilities at March 31, 2003, a 1% change in LIBOR would reduce the Company's annual net income and cash

28

flows by approximately \$806,000. Increases in these rates will decrease the net income and market value of the Company's net assets. Interest rate fluctuations that result in interest expense exceeding interest income would result in operating losses.

The value of the Company's assets may be affected by prepayment rates on investments. Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond the Company's control, and consequently, such prepayment rates cannot be predicted with certainty. When the Company originates mortgage loans, it expects that such mortgage loans will have a measure of protection from prepayment in the form of prepayment lock-out periods or prepayment penalties. However, such protection may not be available with respect to investments which the Company acquires, but does not originate. In periods of declining mortgage interest rates, prepayments on mortgages generally increase. If general interest rates decline as well, the proceeds of such prepayments received during such periods are likely to be reinvested by the Company in assets yielding less than the yields on the investments that were prepaid. In addition, the market value of mortgage investments may, because of the risk of prepayment, benefit less from declining interest rates than from other fixed-income securities. Conversely, in periods of rising interest rates, prepayments on mortgages generally decrease, in which

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

case the Company would not have the prepayment proceeds available to invest in assets with higher yields. Under certain interest rate and prepayment scenarios the Company may fail to recoup fully its cost of acquisition of certain investments.

### Real Estate Risk

Multi-family and commercial property values and net operating income derived from such properties are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing, retail, industrial, office or other commercial space); changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; retroactive changes to building or similar codes; and increases in operating expenses (such as energy costs). In the event net operating income decreases, a borrower may have difficulty paying the Company's mortgage loan, which could result in losses to the Company. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the Company's mortgage loans, which could also cause the Company to suffer losses.

### Risk in Owning Subordinated Interests

The Company has invested indirectly in subordinated CMBS through its ownership of a \$20.2 million preferred membership interest in ARCap. Subordinated CMBS of the type in which ARCap invests include "first loss" and non-investment grade subordinated interests. A first loss security is the most subordinate class in a structure and accordingly is the first to bear the loss upon a default on restructuring or liquidation of the underlying collateral and the last to receive payment of interest and principal. Such classes are subject to special risks, including a greater risk of loss of principal and non-payment of interest than more senior, rated classes. The market values of subordinated interests in CMBS and other subordinated securities tend to be more sensitive to changes in economic conditions than more senior, rated classes. As a result of these and other factors, subordinated interests generally are not actively traded and may not provide holders with liquidity of investment. With respect to the Company's investment in ARCap, the ability to transfer the membership interest in ARCap is further limited by the terms of ARCap's operating agreement.

29

### Participating Interest

In connection with the acquisition and origination of mortgages, the Company has, on occasion, obtained and may continue to obtain participating interests that may entitle it to payments based upon a development's cash flow, profits or any increase in the value of the development that would be realized upon a refinancing or sale of the development. Competition for participating interests is dependent to a large degree upon market conditions. Participating interests are more difficult to obtain when mortgage financing is available at relatively low interest rates. In the current interest rate environment, the Company may have greater difficulty obtaining participating interest. Participating interests are not government insured or guaranteed and are therefore subject to the general risks inherent in real estate investments. Therefore, even if the Company is successful in investing in mortgage investments which provide for participating interests, there can be no assurance that such interests will result in additional payments.

### Repurchase Facility Collateral Risk

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Repurchase agreements involve the risk that the market value of the securities sold by the Company may decline and that the Company will be required to post additional collateral, reduce the amount borrowed or suffer forced sales of the collateral. If forced sales were made at prices lower than the carrying value of the collateral, the Company would experience additional losses. If the Company is forced to liquidate these assets to repay borrowings, there can be no assurance that the Company will be able to maintain compliance with the REIT asset and source of income requirements.

### Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's reports filed or submitted under the Exchange Act.

Changes in Internal Controls. Since the Evaluation Date, there have not been any significant changes in the Company's internal controls or in other factors that could significantly affect such controls.

30

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

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

### Item 2. Changes in Securities - None.

### Item 3. Defaults Upon Senior Securities and Use of Proceeds - None

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

### Item 5. Other Information

Steven Wendel has resigned his position as Chief Operating Officer ("COO") of the Company effective April 25, 2003, in order to pursue other endeavors. The Company has begun a search for a new COO. In the interim, Alan Hirmes, the Executive Vice President of the Company, will function as the COO.

### Item 6. Exhibits and Reports on Form 8-K

#### Exhibits

99.1 Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.



## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

Reports on Form 8-K

Current report on Form 8-K relating to the Company entering into a five-year, 30-day London Inter-Bank offer rate interest rate swap with a notional amount of \$30 million.

31

### 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: May 9, 2003

By: /s/ Stuart J. Boesky

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

Date: May 9, 2003

By: /s/ Stuart A. Rothstein

-----  
Stuart A. Rothstein  
Chief Financial Officer

### CERTIFICATION

I, Stuart J. Boesky, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Mortgage Acceptance Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- a) designed such disclosure controls and procedures to ensure the material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors or persons performing the equivalent functions:
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

-----

By: /s/ Stuart J. Boesky

-----

Stuart J. Boesky  
Chief Executive Officer

### CERTIFICATION

I, Stuart A. Rothstein, hereby certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of American Mortgage Acceptance Company;
- 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading

## Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure the material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors or persons performing the equivalent functions:
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

By: /s/ Stuart A. Rothstein

-----  
Stuart A. Rothstein  
Chief Financial Officer

Exhibit 99.1

Edgar Filing: AMERICAN MORTGAGE ACCEPTANCE CO - Form 10-Q

CERTIFICATION PURSUANT TO  
18.U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of American Mortgage Acceptance Company (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stuart J. Boesky, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Stuart J. Boesky  
-----  
Stuart J. Boesky  
Chief Executive Officer  
May 9, 2003

Exhibit 99.2

CERTIFICATION PURSUANT TO  
18.U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of American Mortgage Acceptance Company (the "Company") on Form 10-Q for the period ending September, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stuart A. Rothstein, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Stuart A. Rothstein  
-----  
Stuart A. Rothstein  
Chief Financial Officer

May 9, 2003