

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

AMERICAN MORTGAGE ACCEPTANCE CO  
Form 10-Q  
November 12, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2002

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)  
No.)

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

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

## Item 1. Financial Statements

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

	September 30, 2002	December 31, 2001
	(Unaudited)	
<b>ASSETS</b>		
Investments in mortgage loans	\$ 20,406	\$ 17,799
Investments in GNMA certificates- available for sale	99,439	50,060
Investment in ARCap	20,240	20,246
Cash and cash equivalents	2,759	1,018
Notes receivable	14,997	11,373
Accrued interest receivable	900	570
Other assets	436	916
	-----	-----
Total assets	\$159,177	\$101,982
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Repurchase facilities payable	\$ 62,412	\$ 43,610
Accrued interest payable	49	22
Accounts payable and accrued expenses	503	1,348
Due to Advisor and affiliates	441	331
Distributions payable	2,386	1,392
	-----	-----
Total liabilities	65,791	46,703
	-----	-----
<b>Commitments and contingencies</b>		
<b>Shareholders' equity:</b>		
Shares of beneficial interest; \$.10 par value; 25,000,000 shares authorized; 6,738,826 issued and 6,363,630 outstanding and 4,213,826 issued and 3,838,630 outstanding in 2002 and 2001, respectively	674	421
Treasury shares of beneficial interest; 375,196 shares	(38)	(38)
Additional paid-in capital	99,470	68,841
Distributions in excess of net income	(14,399)	(14,505)
Accumulated other comprehensive income	7,679	560
	-----	-----
Total shareholders' equity	93,386	55,279
	-----	-----
Total liabilities and shareholders' equity	\$159,177	\$101,982
	=====	=====

See accompanying notes to consolidated financial statements

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

	=====		=====	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2002	2001	2002	2001
	-----		-----	
Revenues:				
Interest income:				
Mortgage loans	\$ 536	\$ 350	\$ 1,546	\$ 2,257
GNMA certificates	1,548	859	4,002	1,354
Notes receivable	548	127	1,662	234
Temporary investments	16	20	40	47
Equity in earnings of ARCap	600	604	1,800	1,788
Other income	67	40	203	70
	-----		-----	
Total revenues	3,315	2,000	9,253	5,750
	-----		-----	
Expenses:				
Interest	290	463	869	1,100
General and administrative	119	113	409	375
Fees to advisor	318	122	1,046	418
FNMA loan program	--	--	358	--
	-----		-----	
Total expenses	727	698	2,682	1,893
	-----		-----	
Net gain (loss) on repayments of GNMA certificates and mortgage loans	--	(212)	614	(212)
	-----		-----	
Net income	\$ 2,588	\$ 1,090	\$ 7,185	\$ 3,645
	=====		=====	
Net income per share (basic and diluted)	\$ .41	\$ .28	\$ 1.22	\$ .95
	=====		=====	
Weighted average shares outstanding (basic and diluted)	6,363,630	3,838,630	5,901,176	3,838,630
	=====		=====	

See accompanying notes to consolidated financial statements.

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, 2002	4,213,826	\$ 421	(375,196)	\$ (38)
Comprehensive income:				
Net income	--	--	--	--
Other comprehensive income:				
Unrealized holding gain arising during the period				
Less: reclassification adjustment for gain included in net income				
Total other comprehensive gain				
Comprehensive income				
Issuance of common shares	2,525,000	253		
Distributions	--	--	--	--
Balance at September 30, 2002	6,738,826	\$ 674	(375,196)	\$ (38)

	Additional Paid-in Capital	Distributions in Excess of Net Income	Comprehensive Income	Accumulated Other Comprehensive Income
Balance at January 1, 2002	\$ 68,841	\$ (14,505)		\$ 560
Comprehensive income:				
Net income	--	7,185	\$ 7,185	--
Other comprehensive income:				
Unrealized holding gain arising during the period			7,733	
Less: reclassification adjustment for gain included in net income			(614)	

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Total other comprehensive gain			7,119	7,119
			-----	
Comprehensive income			\$ 14,304	
			=====	
Issuance of common shares	30,629			
Distributions	--	(7,079)		--
	-----	-----		-----
Balance at September 30, 2002	\$ 99,470	\$ (14,399)		\$ 7,679
	=====	=====		=====

See accompanying notes to consolidated financial statements.

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

	=====	
	Nine Months Ended	
	September 30,	
	2002	2001
	-----	-----
Cash flows from operating activities:		
Net income	\$ 7,185	\$ 3,645
Adjustments to reconcile net income to net cash provided by operating activities:		
Net (gain) loss on repayments of GNMA		
Certificates and mortgage loans	(614)	212
Equity in earnings of ARCap, in excess of (less than) distributions received	5	(197)
Amortization - deferred financing costs	6	35
Amortization - loan premium and origination costs	(75)	41
Accretion of GNMA discount (premium)	14	(16)
Accretion of deferred income	--	(39)
Changes in operating assets and liabilities:		
Accrued interest receivable	(330)	254
Other assets	53	6
Due to Advisor and affiliates	110	(798)
Accounts payable and accrued expenses	(845)	117
Accrued interest payable	28	2
	-----	-----
Net cash provided by operating activities	5,537	3,262
	-----	-----
Cash flows from investing activities:		
Increase in investment in mortgage loans	(2,566)	(19,794)
Periodic principal payments of mortgage loans	34	194

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Funding of notes receivable	(3,520)	(4,139)
Principal repayments of GNMA Certificates	287	244
Increase in investment in GNMA Certificates	(41,949)	(6,556)
Decrease (increase) in other assets	370	(59)
	-----	-----
Net cash used in investing activities	(47,344)	(30,110)
	-----	-----

See accompanying notes to consolidated financial statements

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

	=====	
	Nine Months Ended	
	September 30,	
	2002	2001
	-----	-----
Cash flows from financing activities:		
Proceeds from repurchase facilities payable	18,802	30,535
Distributions paid to shareholders	(6,084)	(4,175)
Increase in deferred loan costs	(52)	(42)
Issuance of common shares	30,882	--
	-----	-----
Net cash provided by financing activities	43,548	26,318
	-----	-----
Net increase (decrease) in cash and cash equivalents	1,741	(530)
Cash and cash equivalents at the beginning of the period	1,018	1,632
	-----	-----
Cash and cash equivalents at the end of the period	\$ 2,759	\$ 1,102
	=====	=====
Supplemental information:		
Interest paid	\$ 841	\$ 1,098
	=====	=====
Consolidation of formerly unconsolidated subsidiary:		
Increase in investment in mortgage loans		\$ 8,353
Decrease in notes receivable		(7,264)
Decrease in investment in unconsolidated subsidiary		(1,089)
		-----
		\$ --

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Conversion of FHA mortgage loans to GNMA certificates:	-----
Investment in GNMA certificates	\$ 34,515
Decrease in investment in mortgage loans	(34,515)
	-----
	\$ --
	-----

See accompanying notes to consolidated financial statements

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## AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements September 30, 2002 (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. The Company elected to be treated as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended.

The Company's business plan focuses on originating and acquiring government insured and uninsured 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.

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".

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 from this offering, approximately \$31 million net of underwriters' discount and expenses, have been primarily used to invest in GNMA Certificates.

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

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The consolidated financial statements include the accounts of the Company and two wholly-owned subsidiaries which it controls: AMAC Repo Seller and AMAC/FM Corporation ("AMAC/FM"). 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, 2002 and the results of its operations for the three and nine months ended September 30, 2002 and 2001 and its cash flows for the nine months ended September 30, 2002 and 2001. 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, 2001.

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.

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AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2002  
(Unaudited)

In June 2001, the Financial Accounting Standards Board ("FASB") 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 implemented SFAS 142 on January 1, 2002. Implementation of these statements did not have a material impact on the Company's consolidated financial statements.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 requires the fair value of a liability or an asset retirement obligation to be recorded in the period in which it is incurred. SFAS No. 143 is not effective until January 1, 2003. Management does not anticipate that the implementation of this statement will have a material impact on the Company's consolidated financial statements.

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" (effective January 1, 2002). SFAS No. 144 supercedes existing accounting literature dealing with impairment and



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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 implemented SFAS No. 144 on January 1, 2002. Implementation of SFAS No. 144 did not have a material impact on the Company's consolidated financial statements.

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 is effective January 1, 2003. Management does not anticipate that the implementation of this statement will 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 is not effective until January 1, 2003. Management does not anticipate that the implementation of this statement will have a material effect on the Company's consolidated financial statements.

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

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AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2002  
(Unaudited)

Note 2 - Investments in Mortgage Loans

Information relating to investments in mortgage loans as of September 30, 2002 is as follows:

Property	Description	Final Maturity Date	Call Date	Interest Rate (B)	Periodic Payment Terms	Prior Liens
-----	-----	-----	-----	-----	-----	-----
First Mortgage Loans						
Stony Brook II						
East Haven, CT (E) (M)	125 Units	6/37	12/06	7.625%	(F)	
Sunset Gardens						
Eagle Pass, TX	60 Units	9/03	TBD	11.50%	(H)	
Northbrooke						
Harris County, TX	240 Units	8/43	N/A	7.45%	(L)	
Alexandrine						

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Detroit, MI (N)	30 Units	11/02	N/A	11.00%	(H)	
Subtotal First Mortgage Loans						
Mexxanine Loans (G):						
Stabilized Properties						
-----						
Stony Brook II (J)						
East Haven, CT	125 Units	6/37	12/06	15.33%	(H)	8,297,
Plaza at San Jacinto (K)						
Houston, TX	132 Units	1/43	6/11	11.40%	(H)	6,638,
Subtotal Stabilized Mezzanine Loans						
Properties in Lease-Up						
-----						
The Hollows (K)						
Greenville, NC	184 Units	1/42	1/12	10.00%	(H)	8,481,
Elmhurst Village (J)						
Oveido, FL	313 Units	1/42	3/19	10.00%	(H)	21,697,
The Reserve at Autmn Creek (J)						
Friendswood, TX	212 Units	1/42	9/14	10.00%	(H)	16,038,
Subtotal Properties in Lease-UP						
Properties in Construction						
-----						
Club at Brazos (I)						
Rosenberg, TX	200 Units	5/43	TBD	10.00%	(H)	14,363,
Northbrooke (J)						
Harris County, TX	240 Units	8/43	TBD	11.50%	(H)	6,143,
Subtotal Properties in Construction						
Subtotal Mezzanine Loans						
Total Mortgage Loans						

Property	Outstanding Face Amount of Mortgages (C)	Carrying Amount of Mortgages (D)	Interest Income Earned Applicable To the Six Months Ended September 30, 2002
-----	-----	-----	-----
First Mortgage Loans			
Stony Brook II			
East Haven, CT (E) (M)	\$8,297,343	\$8,297,343	\$ 475,383
Sunset Gardens			
Eagle Pass, TX	892,902	874,411	61,235
Northbrooke			
Harris County, TX	--	--	15,458
Alexandrine			
Detroit, MI (N)	342,000	342,000	5,038
	-----	-----	-----

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Subtotal First Mortgage Loans	9,352,245	9,513,754	557,114
-----			
Mezzanine Loans (G):			
Stabilized Properties			
-----			
Stony Brook II (J)			
East Haven, CT	763,909	656,898	67,730
Plaza at San Jacinto (K)			
Houston, TX	1,250,000	1,222,189	109,281
-----			
Subtotal Stabilized Mezzanine Loans	2,013,909	1,879,087	117,011
-----			
Properties in Lease-Up			
-----			
The Hollows (K)			
Greenville, NC	1,549,200	1,394,186	99,528
Elmhurst Village (J)			
Oveido, FL	2,874,000	2,446,037	237,655
The Reserve at Autumn Creek (J)			
Friendswood, TX	1,987,000	1,925,753	146,772
-----			
Subtotal Properties in Lease-Up	6,410,200	5,765,976	483,955
-----			
Properties in Construction			
-----			
Club at Brazos (I)			
Rosenberg, TX	1,962,000	1,884,245	148,559
Northbrooke (J)			
Harris County, TX	1,500,000	1,362,823	179,492
-----			
Subtotal Properties in Construction	3,462,000	3,247,068	328,051
-----			
Subtotal Mezzanine Loans	11,886,109	10,892,131	989,017
-----			
Total Mortgage Loans	\$21,418,354	\$20,405,885	\$1,546,131
=====			

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2002  
(Unaudited)

- (A) Loans are subject to mandatory prepayment at the option of the Company 10 years after construction completion, with one year's notice. Loans with a call date of "TBD" are still under construction.
- (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

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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%) 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 September 30, 2002.
- (D) Carrying amounts of the mezzanine loans include unamortized origination costs and fees and loan discounts.
- (E) Interest and principal payments on this first mortgage loan is 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 5-year lockout against prepayments, as well as a prepayment penalty structure during the second 5-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) This first mortgage loan is pledged to secure the Company's obligation under a first loss protection agreement with Fannie Mae - See Notes 9 and 10.
- (N) The Alexandrine first mortgage loan was purchased in August 2002.

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AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2002  
(Unaudited)

Note 3 - Investments in GNMA Certificates-Available for Sale

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Information relating to investments in GNMA certificates as of September 30, 2002 is as follows:

Name	Certificate Number	Date Purchase/ Final Payment Due	Stated Interest Rate	Principal at September 30, 2002	Amortized Cost at September 30, 2002	Unrealized Gain (Loss) at September 30, 2002
Western Manor (1)	0355540	7/27/94 3/15/29	7.125%	\$ 2,467,349	\$ 2,473,044	\$ 41,000
Copper Commons (1)	0382486	7/28/94 8/15/29	8.500%	2,093,372	2,162,276	(6,000)
SunCoast Capital Group, Ltd. (1)	G002412	6/23/97 4/20/27	7.000%	641,003	641,704	23,000
Hollows Apts. (2)	511909	5/29/01		--	--	
Elmhurst Village (1)	549391	6/28/01 1/1/42	7.745%	21,697,184	21,697,184	2,473,000
Reserve at Autumn Creek (1)	448747	6/28/01 1/1/42	7.745%	16,038,089	16,038,089	2,132,000
Casitas at Montecito (1)	519289	3/11/02 10/15/42	7.300%	5,787,263	6,180,818	101,000
Village at Marshfield (1)	519281	3/11/02 1/15/42	7.475%	19,887,779	21,522,879	821,000
Cantera Crossing	532662	3/28/02 6/1/29	6.500%	4,759,432	4,702,534	467,000
Fillmore Park (1)	536739	3/28/02 10/15/42	6.700%	1,189,095	1,202,905	31,000
Northbrooke	548972	5/24/02 8/1/43	7.080%	6,143,579	6,294,545	646,000
Ellington Plaza	585494	7/26/02 6/1/44	6.835%	8,795,268	8,844,547	945,000
<b>Total</b>				<b>\$89,499,413</b>	<b>\$91,760,525</b>	<b>\$7,679,000</b>

(1) These GNMA Certificates are pledged as collateral for borrowings under the repurchase facility - See Note 5.

(2) This GNMA Certificate was sold March 25, 2002.

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AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
 Notes to Consolidated Financial Statements  
 September 30, 2002  
 (Unaudited)

The amortized cost, unrealized gain and fair value for the investment in GNMA Certificates at September 30, 2002 and December 31, 2001 were as follows:

(Dollars in thousands)

	September 30, 2002 -----	December 31, 2001 -----
Amortized cost	\$ 91,760	\$ 49,500
Unrealized gain - net	7,679	560
	-----	-----
Fair Value	\$ 99,439 =====	\$ 50,060 =====

As of September 30, 2002, there were gross unrealized gains and losses of \$7,685,176 and \$6,103, respectively. As of December 31, 2001, there were gross unrealized gains and losses of \$579,252 and \$18,865, respectively.

On March 25, 2002, the Company sold the Hollows GNMA Certificate for approximately \$9.6 million. The amortized cost at the date of the sale was approximately \$9.0 million, resulting in a gain of approximately \$614,000. The Company recorded the sale on the trade date of March 25, 2002. The settlement date was in April 2002.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
 Notes to Consolidated Financial Statements  
 September 30, 2002  
 (Unaudited)

NOTE 4 - Notes Receivable

The Company's notes receivable are collateralized by equity interest in the owner of the related property and consist of the following as of September 30, 2002:

Number of	Outstanding	Remai Comm
-----------	-------------	---------------

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Property	Location	Apartment Units	Carrying Amount	Principal Balance	Balan Fu
Alexandrine (2)	Detroit, MI	30	\$ 213,936	\$ 213,936	
Coronado Terrace (2)	San Diego, CA	312	574,292	581,360 (1)	\$1,4
Plaza Manor (2)	National City, CA	372	1,499,010	1,499,010	
Concorde at Palm	Houston, TX	360	3,826,254	3,850,000	
Parwood (2)	Long Beach, CA	528	1,969,438	2,000,000 (1)	2,6
Concord at Little York	Houston, TX	276	3,469,654	3,500,000	
Concord at Gulfgate	Houston, TX	288	3,444,116	3,500,000	
Total		2,326	\$14,996,700	\$15,144,306	\$4,0

- (1) Funded on an as needed basis.  
(2) Affiliated transaction (see Note 6).

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2002  
(Unaudited)

The Company's notes receivable pay interest only until maturity when the principal is due. As of September 30, 2002, there were no past due amounts owed the Company on any note.

NOTE 5 - Repurchase Facilities

During 2001, the Company was party to a \$40 million repurchase facility with Nomura Asset Capital Corporation, which enabled the Company to borrow up to 80% (90% with a qualified hedge) of the fair market value of FHA loans owned by the Company. The interest rate under this repurchase facility was LIBOR plus 1.25%. As of December 31, 2001 there was no outstanding balance under this agreement. The agreement was not renewed upon its expiration in February 2002.

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, some of which are pledged as collateral for the borrowings. In past quarters, interest on borrowings was at LIBOR plus 0.50%. During the third

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quarter, interest on borrowings decreased to LIBOR plus 0.05%. As of September 30, 2002 and December 31, 2001, the amounts outstanding under this facility were \$62,412,000 and \$43,610,000 and interest rates were 1.87% and 2.58%, respectively. Deferred costs relating to the Nomura Securities Repurchase Facility have been fully amortized. All amounts outstanding at September 30, 2002, had 30-day settlement terms and are collateralized by certain GNMA Certificates as indicated in Note 3.

### NOTE 6 - Related Party Transactions

The costs incurred to related parties for the three and nine months ended September 30, 2002 and 2001 were as follows, all of which are paid to the Advisor:

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended December 31,	
	2002	2001	2002	2001
Expense reimbursement	\$ 110	\$ 61	\$ 428	\$ 233
Asset management fees	208	61	618	185
	-----	-----	-----	-----
	\$ 318	\$ 122	\$ 1,046	\$ 418
	=====	=====	=====	=====

Some of the Company's notes receivable (see Note 4), the guarantee on Creekside Apartments and standby bridge loan commitments described in Note 8 are to limited partnerships where the general partner is an affiliate of the Advisor with a 1% interest in the limited partnership, and the 99% limited partner is a limited partnership in which an affiliate of the Advisor owns a 1% general partnership interest and one or more Fortune 500 companies own a 99% limited partnership interest.

### Note 7 - Earnings Per Share

Basic net income per share in the amount \$.41 and \$.28 and \$1.22 and \$.95 for the three and nine months ended September 30, 2002 and 2001, respectively, equals net income for the periods (\$2,587,524 and \$1,090,107 and \$7,184,958 and \$3,645,284, respectively), divided by the weighted average number of shares outstanding which were 6,363,630 and 3,838,630 and 5,901,176 and 3,838,630, respectively.

Because the Company had no dilutive securities outstanding during the nine months ended September 30, 2002 or 2001, diluted net income per share is the same as basic net income per share.



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### Note 8 - 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 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 loans. As of September 30, 2002, the Company has originated loans totaling approximately \$3.3 million under the Fannie Mae program and has made forward commitments for an additional approximate \$5.3 million. The Company's maximum guaranty at September 30, 2002 was \$8.6 million.

During August 2002, the Company purchased one construction loan in the amount of \$342,000 due to a default on a construction loan that was 100% guaranteed by the Company under the Fannie Mae program. The loan defaulted due to problems relating to construction issues of Alexandrine Square, a 30-unit apartment complex in Detroit, Michigan. The construction loan is classified as a first mortgage loan on the balance sheet at September 30, 2002.

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 \$358,000 and is included in FNMA loan program expenses in the Consolidated Statement of Income.

In May of 2002, The Company guaranteed a construction loan of approximately \$7.5 million for Creekside Apartments, a proposed 144-unit affordable multi-family apartment complex located in Colorado Springs, Colorado, in exchange for a 0.375% fee, which will be received on a monthly basis after construction completion up until the date in which permanent financing takes place ("the guarantee period"). The construction loan guarantee will provide credit support for the guarantee period. It is anticipated that construction will be completed in February 2003 and that the property will reach stabilization in October 2003. The fee will be recognized monthly during the guarantee period.

In July of 2002, the Company granted a standby bridge loan commitment to a third party in the amount of approximately \$1.7 million. The purpose of the bridge loan, which is expected to be funded in February 2003, is to fund the construction of a 160-unit affordable multi-family apartment complex located in Laredo, TX, known as Clark's Crossing Apartments. The bridge loan will carry an interest rate of 12%. The Company received a bridge loan origination fee of 2% which has been deferred and will begin amortizing over the life of the loan when the loan is funded.

In conjunction with the bridge loan, the Company has also guaranteed a construction loan of approximately \$4.8 million, providing credit support for the period beginning with construction completion until the property reaches

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stabilization, in exchange for an up-front construction loan guarantee fee of 0.625% of the construction loan amount, which was received by the Company and is being amortized over the life of the construction loan, and a 0.50% construction loan administration fee, which will be received on a monthly basis during the guarantee period. Construction is expected to be completed in April 2003 and stabilization achieved in October 2003.

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### AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES Notes to Consolidated Financial Statements September 30, 2002 (Unaudited)

In February of 2002, the Company issued a standby bridge loan commitment of \$400,000 for the rehabilitation of Valley View and Summertree Apartments, two apartment complexes featuring 240 total units and located in Little Rock, Arkansas. The loan, if funded, will bear interest at 12%. Funding, should it be needed, is not anticipated to occur until the property reaches stabilization. The Company received a fee of 2.5% for issuing the commitment. 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.

In June of 2002, the Company issued a standby bridge loan commitment of \$1.4 million for the construction of Willow Creek Apartments, a 104-unit multi-family apartment complex located in North Port, Florida. The loan, if funded, will bear interest at a rate of 12%. Funding, should it be needed, is not anticipated to occur until December 2003, at the earliest. The Company received a fee of 3.57% for issuing the commitment. The first mortgage bond relating to these apartments is held by CharterMac.

In June of 2002, the Company issued a standby bridge loan commitment of \$400,000 for the rehabilitation of McMullen Square Apartments, a 100-unit complex featuring 18 two-story buildings and two one-story buildings, located in San Antonio, Texas. The loan, if funded, will bear interest at a rate of 12%. Funding, should it be needed, is not anticipated to occur until February 2003. The Company received a fee of 2.5% for issuing the commitment.

In August of 2002, the Company issued a standby permanent loan commitment of up to approximately \$4.3 million, for the rehabilitation of Highland Park Apartments, a 200-unit garden style apartment complex located in Topeka, Kansas, for which the Company received a loan standby commitment fee of 2.0%. If funded, which could occur in December 2003, the Company would receive interest of 9.5%. If funded, the Company will also receive a loan origination fee of 1.0%.

Based on the Company's experience with similar arrangements, management has taken the position that the likelihood that any of the above described commitments, with the exception of the standby bridge loan commitment granted to fund the construction of Clark's Crossing Apartments in the approximate amount of \$1.7 million, will be exercised is remote. Therefore, the fees received for a commitment to originate a loan are recognized over the commitment period on a straight-line basis in other income. If, however, management believes that the likelihood that the commitments will be exercised is possible or probable, the commitment fees will be deferred and, if the commitment is exercised, recognized over the life of the loan as an adjustment of yield, or, if the commitment expires unexercised, recognized in other income upon expiration of the commitment.

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### 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 would provide first loss protection on certain loans funded by Fannie Mae pursuant to a Master Financing and Loss Sharing Agreement.

Through a consolidated subsidiary, AMAC/FM, and pursuant to a Guaranty and Security Agreement with Fannie Mae, the payment of the Company's obligations under this program 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 \$7,264,092 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.

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AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2002  
(Unaudited)

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

### Note 10 - Shareholders' Equity

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 from this offering, approximately \$31 million net of underwriters' discount and expenses, have been primarily used to invest in GNMA Certificates.

### Note 11 - Subsequent Events

In November 2002, a distribution of \$2,386,361, (\$0.375 per share) which was declared in September 2002, was paid to shareholders for the quarter ended September 30, 2002.

In November 2002, the Company purchased a GNMA Permanent Loan Certificate (PLC) secured by Burlington Apartments, a 427-unit multi-family apartment complex located in St. Paul, Minnesota in the approximate amount of \$6,830,000. The PLC yields interest at a rate of 5.90% and matures in April 2031.

In October 2002, the Company guaranteed a construction loan of approximately \$3,675,000 for Village of Meadowbend Apartments, a proposed 138 unit affordable multi-family apartment complex located in Temple, Texas, in exchange for an up-front construction loan guarantee fee of 0.75% of the construction loan amount and a 0.50% construction loan administration fee, which will be received on a monthly basis during the guarantee period. The construction loan guarantee will provide credit support for the guarantee period. It is anticipated that

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construction will be completed in December 2003 and that the property will reach stabilization in April 2004. The construction loan guarantee fee has been received by the Company in October 2002. The construction loan administration fee will be recognized monthly during the guarantee period.

During October 2002, the Company secured a Mortgage Warehouse Line of Credit ("Facility") with Fleet Securities Inc. in the amount of \$40 million. Advances under the Facility 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 Facility, which matures April 2006, bears an interest rate of LIBOR + 200 basis points, payable monthly on advances. Principal will be 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.

During November 2002, the Company funded a \$6.3 million acquisition bridge loan for Del Mar Villas, a 260-unit multi-family apartment complex located in Dallas, Texas. The bridge loan, which matures April 2004, bears an interest rate of LIBOR + 462.5 basis points. Payments on the loan are interest only for the full 18-month term. The Company will receive a loan origination fee of 1.5% and will receive a exit fee of 0.5% - 1.5%, depending upon the timing and source of the repayment of the loan.

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

### Results of Operations

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The net income for the three and nine months ended September 30, 2002 and 2001 was \$2,587,524 and \$1,090,107 and \$7,184,958 and \$3,645,284, 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, 2002 and 2001.

Interest income from mortgage loans increased approximately \$186,000 for the three months ended September 30, 2002 as compared to 2001 due to the addition of Northbrooke, Sunset Gardens, and Alexandrine Square mortgage loans and decreased approximately \$711,000 for the nine months ended September 30, 2002 as compared to 2001 primarily due to the conversion of Hollows, Elmhurst Village and Autumn Creek mortgages to GNMA Certificates and the sale of the Columbiana mortgage during 2001.

Interest income from GNMA certificates increased approximately \$689,000 and \$2,648,000 for the three and nine months ended September 30, 2002 as compared to 2001, primarily due to the conversion of three mortgage loans to GNMA certificates in 2001 and the purchase of an additional five GNMA Certificates in 2002, offset by the loss of interest income from the Hollows GNMA Certificate which was sold in March of 2002.

Interest income from notes receivable increased approximately \$421,000 and \$1,428,000 for the three and nine months ended September 30, 2002 as compared to 2001 due to the addition of nine notes receivable during 2001 and 2002.

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During the nine months ended September 30, 2002, the Company recognized approximately \$358,000 in FNMA loan program expenses associated with the write-off of the unamortized deferred costs related to the FNMA loan program.

Fees to advisor increased approximately \$196,000 and \$628,000 for the three and nine months ended September 30, 2002 as compared to 2001 due to an increase in the Company's assets and an increase in the reimbursements of certain administrative and other costs incurred by the Advisor on behalf of the Company.

A gain on the repayment of GNMA's and mortgage loans in the amount of approximately \$614,000 was recorded for the nine months ended September 30, 2002, relating to the sale of the Hollows GNMA on March 25, 2002; during the three and nine months ending September 30, 2001, a loss on repayment of approximately \$212,000 was recorded relating to the repayment of the Columbian loans.

### 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 commenced trading on the American Stock Exchange on July 1, 1999 under the symbol "AMC". As of September 30, 2002, there were 6,363,630 shares outstanding.

The Company's business plan focuses on originating and acquiring government insured and uninsured 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.

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 from this offering, approximately \$31 million net of underwriters' discount and expenses, have been primarily used to invest in GNMA Certificates.

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During the nine months ended September 30, 2002, cash and cash equivalents increased approximately \$2 million primarily due to net proceeds from the common share offering, approximately \$31 million, proceeds from repurchase facilities payable, approximately \$18.8 million and cash provided by operating activities, approximately \$5.5 million, offset by investments in mortgage loans, approximately \$2.6 million, investments in GNMA Certificates, approximately \$42 million, increase in notes receivable, approximately \$3.6 million and distributions to shareholders, approximately \$6 million.

The yield on the GNMA Certificates will depend, in part, upon the rate and timing of principal prepayments on the underlying mortgages. 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's tends to decrease. The effect of prepayments on yield is greater the earlier a prepayment of principal is received. The Company's GNMA's are collateralized by mortgage loans on multi-family properties.

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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 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 multi-family property, and a participation in sale or refinancing proceeds. The yield will vary based on the operating results of the underlying property, its requirements for capital improvements, and the ability of the property owners to successfully sell or refinance the underlying property.

The yield on the bridge loans will depend, in part, on when, and if, the Company disposes of the loans prior to maturity or the obligor repays the outstanding debt. These loans are typically of shorter term, about 12 months, and higher risk. However, the Company's bridge loans are collateralized by the equity interests of the property owner. Although the loans bear a fixed rate of interest, the shorter term somewhat reduces the Company's interest rate risk.

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.

The Company finances the acquisition of its assets primarily through borrowing at short-term rates using demand repurchase agreements. 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. In February of 2002, the Company sold 2.5 million common shares at a price of \$13.50 per share, raising net proceeds of approximately \$31 million. If market conditions warrant, the Company may seek to raise additional funds for investment through further common offerings in the future, although the timing and amount of such offerings cannot be determined at this time.

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 other qualified mortgage securities owned by the Company, which are pledged as collateral for the borrowings. Through the quarter ended June 30, 2002, interest on borrowings were at LIBOR plus 0.50%. During the third quarter, interest on borrowings decreased to LIBOR plus 0.05%. As of September 30, 2002 and December 31, 2001, the amount outstanding under this facility was \$62,412,000 and \$43,610,000 and interest rates were 1.87% and 2.58%, 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

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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.

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During October 2002, the Company secured a Mortgage Warehouse Line of Credit ("Facility") with Fleet Securities Inc. in the amount of \$40 million. Advances under the Facility 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 Facility, which matures April 2006, bears an interest rate of LIBOR + 200 basis points, payable monthly on advances. Principal will be 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.

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 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 will originate and contract for individual loans of up to \$6 million 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. 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 will 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 September 30, 2002, the Company has originated loans totaling approximately \$3.3 million under the Fannie Mae program and has made forward commitments for an additional approximate \$5.3 million. The Company's maximum guaranty at September 30, 2002 was \$8.6 million.

Since the Company entered into the Fannie Mae loan program, the level of loan origination competition has increased, reducing the projected financing volume 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 happen.

In November 2002, a distribution of \$2,386,361 (\$0.375 per share), which was declared in September 2002, was paid to the shareholders for the quarter ended September 30, 2002.

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

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Of the total distributions of \$7,079,540 and \$4,174,510 for the nine months ended September 30, 2002 and 2001, respectively, the current year has no return of capital and for 2001, \$317,654 (\$.08 per share or 7.61%) represented a return of capital determined in accordance with generally accepted accounting principles. As of September 30, 2002, the aggregate amount of the distributions made since the inception of the Company in 1977 representing a return of capital, in accordance with generally accepted accounting principles, totaled approximately \$14,399,000. The portion of the distributions that constituted a return of capital was significant during the initial acquisition stage in order to maintain level distributions to shareholders.

## Critical Accounting Policies

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The Company's critical accounting policies are described in its Form 10-K for the year ended December 31, 2001. These critical accounting policies have not changed during 2002, but the Company has entered into several transactions which involve new critical accounting policies as described in the following two paragraphs.

The Company has entered into agreements to guarantee certain construction loans. The Company must periodically evaluate its potential liability under these guarantees and might be required to record a liability, or purchase the associated loan, should the loan experience credit difficulties. To date, the Company has not provided for any liability under its guarantees; although, it has purchased one construction loan that was in default and was guaranteed by the Company.

The Company has entered into standby loan commitments, for which it receives an upfront fee. The Company must evaluate each commitment's likelihood of exercise. To date, management has taken the position, with the exception of a standby bridge loan commitment to fund the construction of Clark's Crossing Apartments, that the likelihood that any of the commitments will be exercised is remote; accordingly, the fees are being recognized as income over the commitment period. If it is determined that the likelihood that a commitment will be exercised is possible or probable, as in the case of the loan commitment to fund the construction of Clark's Crossing Apartments, such fees are deferred and, if the commitment is exercised, will be amortized over the life of the loan as an adjustment to yield or, if the commitment expires unexercised, recognized as income upon expiration of the commitment.

## Forward-Looking Statements

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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 creditworthiness of prospective tenants,



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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

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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 considerations and other factors beyond the control of the Company.

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The Company's borrowings under repurchase agreements bear interest at rates that fluctuate with LIBOR. Based on the \$62.4 million of borrowings outstanding under these facilities at September 30, 2002, a 1% change in LIBOR would impact the Company's annual net income and cash flows by approximately \$624,000.

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 are not hedged. Cash and cash equivalents and the mortgage loans are carried at amortized cost, and so their carrying values are not impacted by changes in interest rates. The GNMA investments are adjusted to market value through comprehensive income in 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.

### Item 4. Controls and Procedures

- (a) 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.
- (b) 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.

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 - None.

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.

Form 8-K - None.

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 12, 2002

By: /s/ Stuart J. Boesky

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

Date: November 12, 2002

By: /s/ Stuart A. Rothstein

-----  
Stuart A. Rothstein

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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 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

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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: November 12, 2002  
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By: /s/ Stuart J. Boesky  
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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 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

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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: November 12, 2002  
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By: /s/ Stuart A. Rothstein  
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Stuart A. Rothstein  
Chief Financial Officer

Exhibit 99.1

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  
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Stuart J. Boesky  
Chief Executive Officer  
November 12, 2002

Exhibit 99.2

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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  
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Stuart A. Rothstein  
Chief Financial Officer  
November 12, 2002