

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

AMERICAN MORTGAGE INVESTORS TRUST  
Form 10-Q  
August 13, 2001

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2001

OR

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

Commission File Number 0-23972

AMERICAN MORTGAGE ACCEPTANCE COMPANY  
-----

(Exact name of registrant as specified in its charter)

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

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

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

10022  
-----  
(Zip Code)

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

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES

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

## Consolidated Balance Sheets

	JUNE 30, 2001	DECEMBER 31, 2000
	(UNAUDITED)	
<b>ASSETS</b>		
Investments in mortgage loans	\$ 25,938,405	\$ 32,564,679
Investments in GNMA certificates- available for sale	40,309,471	5,851,219
Investment in ARCap	20,232,637	20,041,733
Investment in unconsolidated subsidiary	0	1,149,182
Cash and cash equivalents	12,320,002	1,632,652
Note receivable	2,837,439	8,677,843
Accrued interest receivable	514,517	680,728
Other assets	666,248	576,223
	\$102,818,719	\$ 71,174,259
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Repurchase facilities payable	\$ 45,099,616	\$ 12,655,940
Accrued interest payable	51,749	27,850
Deferred income	709,925	735,946
Accounts payable and accrued expenses	295,609	278,760
Due to Advisor and affiliates	324,926	1,008,387
Distributions payable	1,391,503	1,391,503
	47,873,328	16,098,386
	-----	-----
<b>Commitments and contingencies</b>		
<b>Shareholders' equity:</b>		
Shares of beneficial interest; \$.10 par value; 12,500,000 shares authorized; 4,213,826 issued and 3,838,630 outstanding	421,383	421,383
Treasury shares of beneficial interest; 375,196 shares	(37,520)	(37,520)
Additional paid-in capital	68,840,500	68,840,500
Distributions in excess of net income	(14,354,146)	(14,126,317)
Accumulated other comprehensive gain (loss)	75,174	(22,173)
	54,945,391	55,075,873
	-----	-----
Total liabilities and shareholders' equity	\$102,818,719	\$ 71,174,259
	=====	=====

See accompanying notes to financial statements

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
<b>Revenues:</b>				
Interest income:				
Mortgage loans	\$1,018,687	\$ 356,405	\$1,906,939	\$ 847,805
GNMA certificates	378,929	118,630	494,553	238,261
Commercial mortgage- backed security-related investment	0	956,530	0	1,907,192
Note receivable	61,626	0	106,939	0
Temporary investments	9,782	674,520	26,761	1,221,624
Equity in earnings of ARCap	591,781	0	1,183,781	0
Other income	24,719	0	30,786	0
<b>Total revenues</b>	<b>2,085,524</b>	<b>2,106,085</b>	<b>3,749,759</b>	<b>4,214,882</b>
<b>Expenses:</b>				
Interest	361,382	903,614	637,007	1,812,721
General and administrative	289,756	271,101	527,534	603,321
Amortization	10,357	40,450	30,041	54,101
<b>Total expenses</b>	<b>661,495</b>	<b>1,215,165</b>	<b>1,194,582</b>	<b>2,470,143</b>
<b>Other gain (loss):</b>				
Net gain (loss) on repayments of GNMA certificates and mortgage loans	0	(6,077)	0	80,362
Net loss on commercial mortgage- backed security-related investment and government securities sold short	0	(253,735)	0	(710,777)
<b>Total other gain (loss)</b>	<b>0</b>	<b>(259,812)</b>	<b>0</b>	<b>(630,415)</b>
<b>Net income</b>	<b>\$1,424,029</b>	<b>\$ 631,108</b>	<b>\$2,555,177</b>	<b>\$1,114,324</b>
<b>Net income per share (basic and diluted)</b>	<b>\$ .37</b>	<b>\$ .16</b>	<b>\$ .67</b>	<b>\$ .29</b>
<b>Weighted average shares outstanding (basic and diluted)</b>	<b>3,838,630</b>	<b>3,838,630</b>	<b>3,838,630</b>	<b>3,838,630</b>

See accompanying notes to financial statements

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

	SHARES OF BENEFICIAL INTEREST		TREASURY SHARES OF BENEFICIAL INTEREST	
	SHARES	AMOUNT	SHARES	AMOUNT
Balance at January 1, 2001	4,213,826	\$421,383	(375,196)	\$(37,520)
Comprehensive income:				
Net income	0	0	0	0
Other comprehensive income:				
Net unrealized gain on first mortgage bonds:				
Net unrealized holding gain arising during the period				
Comprehensive income				
Distributions	0	0	0	0
Balance at June 30, 2001	4,213,826	\$421,383	(375,196)	\$(37,520)

	DISTRIBUTIONS IN EXCESS OF NET INCOME	COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Balance at January 1, 2001	\$(14,126,317)		\$(22,173)
Comprehensive income:			
Net income	2,555,177	\$2,555,177	0
Other comprehensive income:			
Net unrealized gain on first mortgage bonds:			
Net unrealized holding gain arising during the period		97,347	97,347
Comprehensive income		\$2,652,524	
Distributions	(2,783,006)		0
Balance at June 30, 2001	\$(14,354,146)		\$75,174

See accompanying notes to financial statements.

4

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

SIX MONTHS ENDED JUNE 30,	
2001	2000

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

	-----	-----
Cash flows from operating activities:		
Net income	\$ 2,555,177	\$ 1,114,324
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on commercial mortgage-backed security-related investment	0	(297,576)
Loss on government securities sold short	0	1,008,353
Net gain on repayments of GNMA certificates and mortgage loans	0	(80,362)
Equity in earnings of ARCap, in excess of distributions received	(190,904)	0
Amortization - deferred financing costs	30,041	54,101
Amortization expense-loan premium and origination costs	3,217	103,837
Accretion of GNMA discount	(10,982)	(11,240)
Accretion of deferred income	(26,021)	(3,858)
Accretion of discount on commercial mortgage-backed security-related investment	0	(299,903)
Amortization of deferred costs relating to the CMBS-related investment	0	5,502
Purchase of government security	0	(37,299,201)
Government security sold short	0	33,541,350
Changes in operating assets and liabilities:		
Deposit with broker as collateral for security sold short	0	2,703,421
Accrued interest receivable	166,211	482,208
Other assets	5,590	(86,126)
Due to Advisor and affiliates	(674,294)	(97,370)
Accounts payable and accrued expenses	16,849	75,385
Accrued interest payable	23,899	439,563
Deferred costs relating to the CMBS-related investment	0	(53,139)
	-----	-----
Net cash provided by operating activities	1,898,783	1,299,269
	-----	-----
Cash flows from investing activities:		
Increase in investment in mortgage loans	(19,622,200)	(9,302,732)
Proceeds from repayments of mortgage loans	0	10,040,284
Periodic principal payments of mortgage loans	133,815	0
Increase in note receivable	(1,423,689)	0
Principal repayments of GNMA Certificates	165,628	3,823,910
Costs relating to repayment of mortgage loan	0	(51,166)
Increase in other assets	(83,160)	(35,693)
	-----	-----
Net cash (used in) provided by investing activities	(20,829,606)	4,474,603
	-----	-----

See accompanying notes to financial statements

5

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
(Unaudited)  
(continued)

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

SIX MONTHS ENDED  
JUNE 30,

	2001	2000
Cash flows from financing activities:		
Proceeds from repurchase facilities payable	32,443,676	1,594,000
Repayments of repurchase facilities payable	0	(1,097,000)
Distribution paid to shareholders	(2,783,007)	(2,783,008)
Increase in deferred loan costs	(42,496)	(143,742)
Net cash provided by (used in) financing activities	29,618,173	(2,429,750)
Net increase in cash and cash equivalents	10,687,350	3,344,122
Cash and cash equivalents at the beginning of the period	1,632,652	3,802,298
Cash and cash equivalents at the end of the period	\$ 12,320,002	\$7,146,420
Supplemental information:		
Interest paid	\$ 613,108	\$1,373,158
Conversion of FHA mortgage loans to GNMA certificates:		
Investment in GNMA certificates	\$ (34,515,534)	
Decrease in investment in mortgage loans	34,515,534	
	\$ 0	
Consolidation of former unconsolidated subsidiary:		
Increase in investment in mortgage loans	\$ 8,353,294	
Decrease in notes receivable	(7,264,092)	
Decrease in investment in unconsolidated subsidiary	(1,089,202)	
	\$ 0	

See accompanying notes to financial statements

6

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

Note 1 - General

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

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

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

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

The Company's business plan focuses on three types of mortgage products: 1) origination of participating FHA insured multifamily mortgages, 2) origination of construction and permanent mortgage financing for affordable multifamily housing pursuant to a new venture with Federal National Mortgage Association ("Fannie Mae"), and 3) acquisition of direct and indirect subordinated interests in commercial mortgage-backed securities.

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

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

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

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

7

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

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

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

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

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

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

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

8

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

Note 2 - Investments in Mortgage Loans

Information relating to investments in mortgage loans as of June 30, 2001 and December 31, 2000 is as follows:

PROPERTY	DESCRIP- -TION	DATE OF INVEST- MENT	FINAL MA- TURITY DATE	BASE INTEREST RATE ON MORTGAGE LOAN (HUD INSURED)	PARTICIPATION RATES (C)	ADDITIONAL INTEREST RATE	MORTGAGE LOANS
Columbiana Lakes Apts. Columbia, SC	204 Apt. Units	4/94 (A) (B)	8/29	7.90%	25%/-	0.778%	\$ 9,106,099
Stony Brook Village II Apts. East Haven,	125 Apt. Units	12/95 (A)	6/37	7.75%		1.378%	8,500,000



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

CT

Hollows Apts. Greenville, NC	184 Apt. Units	4/00	1/42	7.875%	50%/25%	1.4482%	(D)
Elmhurst Village Oveida, FL	313 Apt. Units	6/00	1/42	8.00%	50%/25%	1.3232%	(D)
Reserve at Autumn Creek Friends- wood, TX	212 Apt. Units	8/00	12/41	8.00%	50%/25%	1.202%	(D)
Plaza at San Jacinto La Porte, TX	132 Apt. Units	6/01 (E)	6/11	(E)	50%/50%	2.1735%	

Total

-----  
\$17,606,099  
=====

PROPERTY	BALANCE AT JUNE 30, 2001	BALANCE AT DECEMBER 31, 2000	INTEREST EARNED BY THE COMPANY FOR 2001	LESS 2001 AMOR- TIZATION	NET INTEREST EARNED
-----	-----	-----	-----	-----	-----
Columbiana Lakes Apts. Columbia, SC	\$ 9,495,686	\$ 9,563,501	\$ 558,053	\$ (44,779)	\$ 513,274
Stony Brook Village II Apts. East Haven, CT	9,057,519	748,665	377,143	(44,440)	332,703
Hollows Apts. Greenville, NC	1,549,200	5,113,264	201,917	8,656	210,573
Elmhurst Village Oveida, FL	2,874,000	10,568,310	522,167	14,905	537,072
Reserve at Autumn Creek Friends- wood, TX	1,987,000	6,570,939	310,856	2,461	313,317
Plaza at San Jacinto	975,000				

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

La Porte, TX

Total	\$25,938,405	\$32,564,679	\$1,970,136	\$ (63,197)	\$1,906,939
-------	--------------	--------------	-------------	-------------	-------------

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

(A) The Mortgages have terms of 40 years, subject to mandatory prepayment at any time after 10 years and upon one year's notice.

(B) Pledged as collateral in connection with a secured credit repurchase facility with Nomura Asset Capital Corporation (See Note 5).

(C) In addition to the interest due at the base and additional interest rates, the Company is entitled to participation in certain cash flows from the underlying properties. The first percentage listed represents the Company's participation in cash flows remaining, if any, after payment of debt service: the second represents the Company's participation in sale or refinancing proceeds.

(D) Effective 5/29/01, 6/28/01 and 6/28/01, the mortgage loans for the Hollows Apartments, Elmhurst Village and Reserve at Autumn Creek, respectively, were converted to GNMA certificates.

(E) The first mortgage loan for San Jacinto was underwritten by the Company, then funded by an unaffiliated third party. The Company has funded the additional equity loan for an amount of \$975,000 and committed to fund an additional \$275,000. The first mortgage bears interest at 7.125% per annum, is insured by HUD, and has a term of 40 years.

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

Note 3 - Investments in GNMA Certificates-Available for Sale

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

SELLER	CERTIFICATE NUMBER	DATE PURCHASED /FINAL PAYMENT DATE	STATED INTEREST RATE	ORIGINAL PURCHASE PRICE INCLUDING DISCOUNT	PRINCIPAL AT JUNE 30, 2001
--------	--------------------	------------------------------------	----------------------	--	----------------------------

GNMA Certificates

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

Bear Stearns	0355540	7/27/94 3/15/29	7.125%	\$ 2,407,102	\$ 2,503,354	\$
Malone Mortgage	0382486	7/28/94 8/15/29	8.500%	2,197,130	2,116,243	
SunCoast Capital Group, Ltd.	G22412	6/23/97 4/20/27	7.000%	1,981,566	1,049,856	
Hollows Apts.	511908	5/29/01 7/15/02	7.620%	8,002,108	8,002,108	
Elmhurst Village	549390	6/28/01 4/15/04	7.745%	16,717,335	16,717,335	
Reserve at Autumn Creek	448747	6/28/01 7/15/02	7.745%	9,796,091	9,796,091	
Total				\$41,101,332	\$40,184,987	\$

SELLER	LOAN ORIGINATION COSTS AT JUNE 30, 2001	UNREALIZED GAIN (LOSS) AT JUNE 30, 2001	BALANCE AT JUNE 30, 2001	BALANCE AT DECEMBER 31, 2000	INTEREST EARNED BY THE COMPANY FOR 2001	2001 ACCRETION
GNMA Certificates						
Bear Stearns	\$ 77,448	\$ (2,479)	\$ 2,482,168	\$2,498,175	\$ 89,444	\$ 9,811
Malone Mortgage	71,874	(18,078)	2,166,948	2,159,906	90,152	351
SunCoast Capital Group, Ltd.	0	33,402	1,082,492	1,193,138	38,802	820
Hollows Apts.	0	(15,916)	7,986,192	0	94,051	0
Elmhurst Village	0	28,713	16,746,048	0	107,896	0
Reserve at Autumn Creek	0	49,532	9,845,623	0	63,226	0
Total	\$149,322	\$75,174	\$40,309,471	\$5,851,219	\$483,571	\$10,982

11

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

The amortized cost, unrealized gain and fair value for the investment in GNMA Certificates at June 30, 2001 and December 31, 2000 were as follows:

	JUNE 30, 2001	DECEMBER 31, 2000
Amortized cost	\$40,234,297	\$5,873,392
Gross unrealized gain (loss)	75,174	(22,173)
Fair Value	\$40,309,471	\$5,851,219

=====

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

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

This investment was accounted for as a trading asset and carried at estimated fair value, with changes in fair value included in earnings. Interest income was accrued as it became receivable, and included accretion of discounts, computed using the effective yield method, after considering estimated prepayments and credit losses. The Company recognized gains on this investment totaling \$297,577 during the six months ended June 30, 2000 due to mark-to-market adjustments.

On September 30, 1999, in order to mitigate the potential income statement effect of changes in the fair value of its CMBS investment caused by changes in interest rates, the Company entered into a short sale involving the sale of a U.S. Treasury Note with a face amount of \$39,327,000 and an annual coupon rate of 5.625% borrowed from Bear Stearns & Co., Inc. ("Bear Stearns"). On March 16, 2000, the Company replaced the borrowed security by purchasing such security through Bear Stearns, and entered into an additional short sale contract involving the sale of a U.S. Treasury Note with a face amount of \$34,512,000 and an annual coupon rate of 6.0% borrowed from Bear Stearns. On November 1, 2000, the Company terminated the short sale in connection with its sale of the associated CMBS investment. Short sale positions were carried at estimated fair value, with changes in fair value included in earnings. The Company recognized losses on these positions totaling \$1,008,353 during the six months ended June 30, 2000 due to mark-to-market adjustments.

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

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

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

Effective February 15, 2000, the Company entered into a \$60 million FHA repurchase facility with Nomura Asset Capital Corporation (the "Nomura Repurchase Facility") with a term of 1 year. This agreement enables the Company to borrow up to 90% with a qualified hedge or 80% without a qualified hedge of the fair market value of FHA loans owned by the Company. The Nomura Repurchase Facility was renewed February 15, 2001 for \$40 million, with a one time option to increase to \$60 million, a one year term and interest at LIBOR plus 1.25%. As of June 30, 2001 and December 31, 2000, \$6,721,616 and \$7,138,940, respectively, were outstanding under The Nomura Repurchase Facility and interest rates were 5.00% and 7.87%, respectively. Deferred costs relating to the Nomura Repurchase Facility are being amortized using the straight-line method over 364 days, which is the term of the facility.

Effective February 15, 2000, the Company entered into a repurchase facility with Nomura Securities International Inc. (the "Nomura Securities Repurchase Facility"). This agreement enables the Company to borrow up to 95% of the fair market value of qualified mortgage securities owned by the Company. Borrowings bear interest at LIBOR plus 0.50%. As of June 30, 2001 and December 31, 2000, the amount outstanding under this facility was \$38,378,000 and \$5,517,000 and interest rates were 4.26% and 7.12%, respectively. Deferred costs of \$101,169 relating to the Nomura Securities Repurchase Facility are being amortized using the straight-line method over five years. As of June 30, 2001, all GNMA certificates owned by the Company were pledged as collateral.

### NOTE 6 - Related Party Transactions

The costs incurred to related parties for the three and six months ended June 30, 2001 and 2000 were as follows:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Expense reimbursement	\$110,935	\$ 73,327	\$171,935	\$188,973
Asset management fees	67,333	108,158	124,380	230,102
	\$178,268	\$181,485	\$296,315	\$419,075

### Note 7 - Earnings Per Share

Basic net income per share in the amount \$.37 and \$.16 and \$.67 and \$.29 for the three and six months ended June 30, 2001 and 2000, respectively, equals net income for the periods (\$1,424,029 and \$631,108 and \$2,555,177 and \$1,114,324, respectively), divided by the weighted average number of shares outstanding which was 3,838,630 for each period.

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

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

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

### Note 8 - Commitments and Contingencies

The Company completed a loan venture with Fannie Mae which has agreed to fully fund the origination of \$250 million of Delegated Underwriter and Servicer loans for apartment properties that qualify for low income housing tax credits under Section 42 of the Internal Revenue Code (see Note 9). Under the loan venture, the Company will originate and contract for individual loans of up to \$6 million dollars each over a two-year period and will work with American Property Financing, which will underwrite and service the loans for Fannie Mae. Each property in the transaction will benefit from 9% low income housing tax credits for no less than 90% of its units. The Company will guaranty a first loss position of up to 10% of the pool of \$250 million and will receive guaranty, loan origination and other fees. As of June 30, 2001, the Company had originated loans totaling approximately \$8.9 million under this program.

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

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

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

During January 2001, all of the voting common stock of AMAC/FM, previously owned by the Advisor, was purchased by the Company, the effect of which is to make AMAC/FM a wholly owned, consolidated subsidiary of the Company. This change was due to the REIT Modernization Act of 1999, allowing REITs to directly own taxable REIT subsidiaries, beginning after the year 2000.

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

(Unaudited)

Note 10 - Subsequent Events.

During July 2001, the Company repaid approximately \$6,500,000 of its borrowings under the Nomura Repurchase Facility. This repayment was made from funds received from increased borrowings under the Nomura Securities Repurchase Facility against the GNMA certificates, which were recently converted from FHA mortgage loans.

In August 2001, a distribution of \$1,391,503, which was declared in June 2001, was paid to the shareholder for the quarter ended June 30, 2001.

15

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

## LIQUIDITY AND CAPITAL RESOURCES

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

The Company's business plan as a publicly traded REIT focuses on three types of mortgage products: 1) origination of participating FHA insured multifamily mortgages, 2) origination of construction and permanent mortgage financing for affordable multifamily housing pursuant to a new venture with Federal National Mortgage Association ("Fannie Mae"), and 3) acquisition of direct and indirect subordinated interests in commercial mortgage-backed securities.

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

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

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

During the six months ended June 30, 2001, cash and cash equivalents increased approximately \$10,687,000 primarily due to cash provided by financing activities (\$29,618,000), principal repayments of GNMA certificates (\$166,000), and cash provided by operating activities (\$1,899,000), offset by investments in mortgage loans (\$19,622,000) and distributions to shareholders (\$2,783,000).

The yield on the GNMA Certificates will depend, in part, upon the rate and

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

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

The yield on the mortgage loans will depend, in part, on when, and if, the Company disposes of the mortgage loans prior to maturity or the obligor fully repays the outstanding debt. The mortgage loans have fixed interest rates, the base amount of which is insured by HUD, resulting in a minimal amount of interest rate risk. The effect of prepayments on yield is greater the

16

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

Effective February 15, 2000, the Company entered into a \$60 million FHA repurchase facility with the Nomura Asset Capital Corporation (the "Nomura Repurchase Facility"), with a term of one year. This agreement enables the Company to borrow up to 90% with a qualified hedge or 80% without a qualified hedge of the fair market value of FHA loans owned by the Company. The Nomura Repurchase Facility was renewed February 15, 2001, for \$40 million, with a one time option to increase to \$60 million, a one year term, and interest at LIBOR plus 1.25%. As of June 30, 2001 and December 31, 2000, \$6,721,616 and \$7,138,940, respectively, were outstanding under The Nomura Repurchase Facility. During July 2001, the Company repaid approximately \$6,500,000 using proceeds from additional borrowings under the Nomura Securities Repurchase Facility which became available upon the conversion of FHA mortgage loans to GNMA certificates discussed earlier.

Effective February 15, 2000, the Company entered into a repurchase facility with Nomura Securities International Inc. (the "Nomura Securities Repurchase Facility"). This agreement enables the Company to borrow up to 95% of the fair market value of qualified mortgage securities owned by the Company. Borrowings bear interest at LIBOR plus 0.50%. As of June 30, 2001 and December 31, 2000, the amount outstanding under this facility was \$38,378,000 and \$5,517,000 and interest rates were 4.26% and 7.12%, respectively.

In order to qualify as a REIT under the Code, the Company must, among other



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

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 venture with Fannie Mae which has agreed to fully fund the origination of \$250 million of Delegated Underwriter and Servicer loans for apartment properties that qualify for low income housing tax credits under Section 42 of the Internal Revenue Code. Under the transaction, the Company will originate and contract for individual loans of up to \$6 million dollars each over a two-year period and will work with American Property Financing, which will underwrite and service the loans for Fannie Mae. Each property in the transaction will benefit from 9% low income housing tax credits for no less than 90% of its units. The Company will guaranty a first loss position of up to 10% of the pool of \$250 million and will receive guaranty, loan origination and other fees. As of June 30, 2001, the Company has loans totaling approximately \$8.9 million under this program.

17

In August 2001, a distribution of \$1,391,503, which was declared in June 2001, was paid to the shareholders for the quarter ended June 30, 2001.

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

### RESULTS OF OPERATIONS

The net income for the three and six months ended June 30, 2001 and 2000 was \$1,424,029 and \$631,108 and \$2,555,177 and \$1,114,324, 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 six months ended June 30, 2001 and 2000.

Interest income from mortgage loans increased approximately \$662,000 and \$1,059,000 for the three and six months ended June 30, 2001 as compared to 2000 primarily due to interest earned on the additional principal advances to Elmhurst Village, Autumn Creek and The Hollows prior to their conversion to GNMA certificates, partially offset by the repayment of the Town and Country mortgage loan.

Interest income from GNMA certificates increased approximately \$260,000 and \$256,000 for the three and six months ended June 30, 2001, primarily due to the conversion of three mortgage loans to GNMA certificates.

Interest income from commercial mortgage-backed security-related investment in the amount of approximately \$956,000 and \$1,907,000 was recorded for the three and six months ended June 30, 2000; such investment was sold in October 2000.

Interest income from temporary investments decreased approximately \$665,000 and \$1,195,000 for the three and six months ended June 30, 2001 as compared to 2000 primarily due to the reduced balances of temporary investments and

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

termination of the deposits with brokers held as collateral for short sales.

Interest income from notes receivable in the amount of approximately \$62,000 and \$107,000 was recorded for the three and six months ended June 30, 2001; such investments were made since September 2000.

Equity in earnings of ARCap in the amount of \$592,000 and \$1,184,000 was recorded for the three and six months ended June 30, 2001. This investment was acquired in October 2000.

Other income in the amount of \$25,000 and \$31,000 was recorded for the three and six months ended June 30, 2001 due to the guaranty and loan origination fees earned on loans in the Fannie Mae venture.

Interest expense decreased approximately \$542,000 and \$1,176,000 for the three and six months ended June 30, 2001 as compared to 2000 due to the termination of the Bear Stearns Repurchase Facility and closing out of government securities sold short positions partially offset by higher interest expenses related to the Nomura Securities repurchase facilities due to higher outstanding balance.

18

General and administrative expenses decreased approximately \$76,000 for the six months ended June 30, 2001 as compared to 2000 primarily due to a decrease in asset management fees payable to the Advisor due to the sale of commercial mortgage-backed security-related investment and a decrease in the reimbursements of certain administrative and other costs incurred by the Advisor on behalf of the Company. There was no significant difference for the three months ended June 30, 2001.

Amortization decreased approximately \$30,000 and \$24,000 for the three and six months ended June 30, 2001 due to the deferred costs relating to the Nomura Repurchase Facility being fully amortized.

A gain on the repayment of mortgage loans in the amount of approximately \$22,000 was recorded for the six months ended June 30, 2000, relating to the repayment of the Town & Country additional loan and FHA insured mortgage loan on January 21, 2000. A gain of approximately \$59,000 was recognized during the six months ended June 30, 2000 from the repayment of a GNMA certificate. There were no similar repayments or gains during the six months ended June 30, 2001.

A net loss on the commercial mortgage-backed security-related investment and government securities sold short in the amount of approximately \$254,000 and \$711,000 was recorded for the three and six months ended June 30, 2000. These positions were liquidated in October of 2000.

### DISTRIBUTIONS

Of the total distributions of \$2,783,007 and \$2,783,008 for the six months ended June 30, 2001 and 2000, respectively, \$227,830 (\$.06 per share or 8.19%) and \$1,668,684, respectively, represented a return of capital determined in accordance with generally accepted accounting principles. As of June 30, 2001, the aggregate amount of the distributions made since the commencement of the initial public offering representing a return of capital, in accordance with generally accepted accounting principles, totaled \$14,345,557. 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.

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

### FORWARD-LOOKING STATEMENTS

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

19

### INFLATION

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

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The Company's borrowings under repurchase agreements bear interest at rates that fluctuate with LIBOR. Based on the \$45.1 million of borrowings outstanding under these facilities at June 30, 2001, a 1% change in LIBOR would impact the Company's net income by approximately \$451,000.

Cash flows and income from the Company's other financial instruments, consisting primarily of mortgage loans, a preferred equity interest, GNMA certificates, and cash and cash equivalents, would not be significantly affected by changes in interest rates, because most of these instruments bear interest at fixed rates, and are not subject to financing or hedged. Cash and cash equivalents and the mortgage loans are carried at amortized cost, and so their carrying values are not impacted by changes in interest rates. The GNMA investments are adjusted to market value through comprehensive income in the equity statement, but changes in their value have not historically been significant to shareholders' equity. The preferred equity interest is carried on the equity method; although changes in interest rates would not directly impact the carrying value of this asset, they might adversely affect the ability of the underlying entity to meet its preferred distribution requirements.

20

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

### PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

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

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

On or about February 8, 2001, a complaint was filed in the New York Supreme Court, County of New York, against the external advisor and property manager of Aegis Realty, Inc. ("Aegis") Aegis is a public company, which like the Company, is externally advised by affiliates of the Manager. Also named as defendants in the suit were certain affiliates of Aegis' advisor and Messrs. Boesky, Hirmes, Ross, Brenner, Allen and Fisch, each of whom (other than Mr. Ross) is a Director of the Company. Aegis was also named as a nominal defendant. The action is entitled PAUL v. THE RELATED COMPANIES, L.P., et al., Index No. 01-600669, and is purportedly a class and derivative action. On or about March 23, 2001 a second action, entitled SCHNIPPER v. AEGIS REALTY, INC., et al., Case No. 219736 - V, was filed in the Circuit Court for Montgomery County, Maryland against Aegis and each of Aegis' five directors (Messrs. Boesky, Brenner, Hirmes, Allen and Fisch). SCHNIPPER is purportedly brought as a class action. On or about April 4, 2001 a third action, entitled OPPORTUNITY PARTNERS, L.P. v. STUART J. BOESKY, et al., Civ. No. 24-C-01-001579, was filed in the Circuit Court for Baltimore City, Maryland against, among others, Aegis, each of its five directors, the Advisor and the Property Manager. OPPORTUNITY PARTNERS is purportedly a class and derivative action.

Each of these three actions challenges Aegis' proposed acquisition of a property portfolio and development business owned by a third party, which transaction also involves the termination by Aegis of its external advisory agreements and purchase by Aegis of various assets owned by these external advisor's. Each suit alleges that the defendants breached their fiduciary duties to the Aegis stockholders by, among other things, committing Aegis to pay unwarranted fees and other consideration to affiliates of the Aegis' manager. All three actions seek money damages, injunctive and declaratory relief and attorneys' fees. The transaction at issue in each suit, however, was approved by Aegis' independent directors (Messrs. Allen and Fisch), who first obtained legal advice and two fairness opinions from nationally recognized investment banking firms before approving those transactions. Additionally, the transaction at issue would not be consummated unless and until it was approved by Aegis' stockholders after proxy materials describing that transaction were disseminated to them. The defendants have advised the Company that they intend to defend all three actions vigorously. The defendants filed motions to dismiss the complaint in PAUL on or about April 16, 2001, in SCHNIPPER on or about July 17, 2001 and in OPPORTUNITY PARTNERS in or about July 23, 2001. The PAUL motion has been fully briefed and is awaiting a decision. Opposition papers have not yet been filed in either SCHNIPPER or OPPORTUNITY PARTNERS.

On August 7, 2001, Aegis announced that it had terminated, by mutual consent with the third party, the transaction that is at issue in each suit. No action has yet been taken by any of the plaintiffs in response to Aegis's announcement. Although the transaction at issue was terminated for reasons unrelated to the three lawsuits, management believes that a collateral consequence of that termination is that the claims asserted in each of the three lawsuits are now moot. If the plaintiff in each action does not voluntarily dismiss the action because it is now moot, the defendants intend to apply to the applicable court for such relief in addition to or as an

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

alternative to the pending motions to dismiss already filed by defendants.

21

Item 2. Changes in Securities - None.

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders

A proxy and proxy statement soliciting the vote of the Company's shareholders for the Company's annual meeting of shareholders was sent to shareholders on or about April 30, 2001. Such meeting was held on June 12, 2001. Stuart Boesky, Peter Allen and Arthur Fisch were reelected as trustees for one year terms.

Item 5. Other Information - None

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

22

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: August 14, 2001

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

Date: August 14, 2001

By: /s/ Michael I. Wirth  
-----  
Michael I. Wirth  
Chief Financial Officer