AMERICAN MORTGAGE ACCEPTANCE CO
Form 10-K
March 24, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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
(Formerly American Mortgage Investors Trust)
(Exact name of registrant as specified in its charter)

Massachusetts	13-6972380
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
625 Madison Avenue, New York, New York	10022
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:

Shares of Beneficial Interest, par value $.10 per share

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

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The approximate aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of June 28, 2002 was $83,580,115, based on a price of $13.40 per share, the closing sales price for the Registrant's shares of beneficial interest on the American Stock Exchange on that date.

As of March 14, 2003 there were 6,363,630 outstanding shares of the Registrant's shares of beneficial interest.

DOCUMENTS INCORPORATED BY REFERENCE

Part III: Those portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on June 11, 2003, which are incorporated into Items 10, 11, 12 and 13.

Index to exhibits may be found on page 42

CAUTIONARY STATEMENT FOR PURPOSES OF
THE "SAFE HARBOR" PROVISIONS OF
THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

WHEN USED IN THIS ANNUAL REPORT ON FORM 10-K, THE WORDS "BELIEVES", "ANTICIPATES", "EXPECTS" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. STATEMENTS LOOKING FORWARD IN TIME ARE INCLUDED IN THIS ANNUAL REPORT ON FORM 10-K PURSUANT TO THE "SAFE HARBOR" PROVISION OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY, INCLUDING, BUT NOT LIMITED TO, THOSE SET FORTH IN "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS". READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

PART I

Item 1. Business.

General

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

Effective April 26, 1999, upon authorization by the Company's 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 December 31, 2002, there were 6,363,630 Shares outstanding.

The Company's business plan focuses on originating and acquiring mortgages

secured by multi-family properties, which may take the form of government insured first mortgages and uninsured mezzanine loans, construction loans, and bridge loans. Additionally, the Company has indirectly invested in subordinate commercial mortgage-backed securities and may invest in other real estate assets, including non-multi-family mortgages, issues guarantees of construction and permanent financing, and makes standby and forward loan commitments.

The Company is governed by a board of trustees comprised of three independent trustees and two trustees who are affiliated with Related Capital Company ("Related"). The Company has engaged Related AMI Associates, Inc. (the "Advisor"), an affiliate of Related, to manage its day-to-day affairs. The Advisor has subcontracted with Related to provide the services contemplated. Through the Advisor, Related offers the Company a core group of experienced staff and executive management providing the Company with services on both a full and part-time basis. These services include, among other things, acquisition, financial, accounting, tax, capital markets, asset monitoring, portfolio management, investor relations and public relations services. The Company believes that it benefits significantly from its relationship with Related, since Related provides the Company with resources that are not generally available to smaller-capitalized, self-managed companies.

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

Investment Strategy

Since the Company's 1999 listing on the American Stock Exchange, the Company's goal has been to attempt to maximize the return on the Company's asset base by investing in higher yielding assets while managing risk by maintaining a portion of its investments in government agency guaranteed or insured assets and by maintaining a conservative capital structure.

The Company seeks asset diversification, capital appreciation and income for distribution to its shareholders primarily through the acquisition and origination of mortgages secured by multifamily properties. These investments may take the form of first mortgages, mezzanine loans, construction loans and bridge loans. The Company also indirectly invests in subordinate commercial mortgage-backed securities and may invest in other real estate assets.

The Company invests in the following types of assets:

Government Insured and Guaranteed Investments

Generally, the Company seeks to maintain a minimum of 40% of its mortgage investments in government insured or guaranteed investments, primarily through the acquisition or origination of mortgage loans on multi-family properties, the principal of which is insured by the Federal Housing Authority ("FHA"), and the acquisition of Government National Mortgage Association ("GNMA") mortgage-backed securities and pass-through certificates. The Company believes that government agency insured lending offers safety, liquidity and moderate yields, while also providing a strong asset base for collateralized borrowing on favorable terms.

Mezzanine Loans

Mezzanine loans are subordinate to senior mortgages and may include a participating component, such as a right to a portion of the cash flow and proceeds generated from the refinancing and sale of the underlying properties.

The Company seeks to capitalize on attractive yields available through the funding of mezzanine debt in combination with origination of government insured, multi-family first mortgages. The Company believes that it is one of the few lenders in the country who offer mezzanine loans in conjunction with agency-insured first mortgage loans.

The Company's mezzanine loans typically finance newly constructed or rehabilitated market-rate multi-family properties and generally have terms of 40 years with an option to call the loan on 12 months notice at any time after the tenth anniversary of the completion of the construction or rehabilitation. These loans are typically in a subordinated mortgage position, are also secured by equity interests in the borrower and have limited recourse to the borrower for the three years from the date of loan. The Company seeks properties in growing real estate markets with well capitalized developers or guarantors. The Company leverages the expertise of its Advisor and its affiliates in both the initial underwriting of the property, as well as in the ongoing monitoring of the property through construction, lease-up and stabilization.

Bridge Loans

The Company has two bridge loan programs. In the first, the Company's bridge loans are typically funded in connection with the development of multi-family properties which benefit from the Low Income Housing Tax Credit program under Section 42 of the Internal Revenue Code ("LIHTC program"). Due to the equity payment schedule typically associated with the LIHTC program, there can be periods in a construction cycle where a developer needs short-term capital. To capitalize on this demand, the Company will offer bridge loans to developers with typical terms of approximately 12 months and which are collateralized by the equity interests in the property owner. In the second program, the Company provides bridge loans for properties undergoing rehabilitation by new owners when the rehabilitation process will add significant value to the property and reduce the effective loan-to-value ratio and risk of loss. The Company's loans may finance the initial purchase and/or the subsequent rehabilitation of a property.

During October 2002, the Company entered into a mortgage warehouse line of credit (the "Fleet Warehouse Facility") with Fleet National Bank ("Fleet"), in the amount of $40 million. Advances under the Fleet Warehouse Facility, up to 83% of the total loan package, will be used to fund first mortgage loans, which the Company will make for the acquisition/refinancing and minor renovation of existing, lender-approved multi-family properties located in stable sub-markets. As of December 31, 2002, the Company had approximately $8.8 million in loans outstanding under this program.

Commercial Mortgage-Backed Securities ("CMBS")

The Company may invest in subordinated CMBS, which offer the advantage of significantly higher yields than government insured and guaranteed investments. The market values of subordinated interest in CMBS and other subordinated securities tend to be more sensitive to changes in economic conditions than senior, rated classes. As a result of these and other factors, subordinated interest generally are not actively traded and may not provide holders with liquidity of investment.

The Company currently invests indirectly in CMBS through a convertible preferred equity investment in ARCap Investors, LLC ("ARCap"). ARCap specializes in, and is a recognized industry leader in investing in, non-investment grade and unrated subordinated CMBS. The CMBS which comprise ARCap's portfolio are

collateralized by a diverse range of underlying properties including multi-family, retail, office and hotel.

Standby Loan Commitments

The Company issues standby bridge loan and permanent loan commitments for projects involved with the construction or rehabilitation of multi-family apartment complexes in various locations. In return, the Company receives a fee for issuing these commitments.

Construction Guarantees

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

Portfolio

At December 31, 2002, the Company had total assets of approximately $195.1 million of which approximately $22.4 million represented mortgage or mortgage-related investments. At December 31, 2002, the Company owned approximately $114 million in GNMA certificates and had invested approximately $8.3 million in a FHA insured first mortgage loan (repaid subsequent to year end) aggregating approximately $122.3 million, or approximately 62.7% of the Company's assets. The Company generally seeks to maintain at least 40% of its mortgage investments in government insured or guaranteed investments.

At December 31, 2002, the Company owned approximately $12.4 million in mezzanine loans and approximately $26 million in bridge loans funded in connection with the development of multi-family properties which benefit from the LIHTC program. The Company also owned an indirect investment in CMBS through the Company's $20.2 million preferred equity interest in ARCap.

GNMA Certificates

As of December 31, 2002, the Company's portfolio included twelve GNMA certificates.

GNMA is a wholly owned United States government corporation within the Department of Housing and Urban Development ("HUD") created to support a secondary market in government-insured and guaranteed mortgage loans. GNMA guarantees the timely payment of principal and interest on its securities, which are backed by pools of FHA and other government agency insured or guaranteed mortgages. GNMA certificates are backed by the full faith and credit of the United States government. GNMAs are widely held and traded mortgage-backed

securities and therefore provide a high degree of liquidity.

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 GNMAs tend to decrease. The effect of prepayments on yield is greater the earlier a prepayment of principal is received. Certain of the Company's GNMAs are collateralized by mortgage loans on multi-family properties.

Investments in GNMA Certificates - Available for Sale

Information relating to GNMA certificates owned by the Company as of December 31, 2002 is as follows:
(Dollars in thousands)

	Final Certificate Number	Date Purchased/ Payment Date	Stated Interest Rate	Principal at December 31,2002	Amortized Cost at December 31,2002
Western Manor (1)	0355540	7/27/94 3/15/29	7.125%	$ 2,460	$ 2,470
Copper Commons (1)	0382486	7/28/94 8/15/29	8.500%	2,088	2,158
SunCoast Capital Group, Ltd. (1)	G002412	6/23/97 4/20/27	7.000%	546	547
Hollows Apts. (2)	511909	5/29/01	--	--	--
Elmhurst Village (1)	549391	6/28/01 1/1/42	7.745%	21,677	21,677
Reserve at Autumn Creek (1)	448748	6/28/01 1/1/42	7.745%	16,023	16,023
Casitas at Montecito (1)(3)	519289	3/11/02 10/15/42	7.300%	5,787	6,178
Village at Marshfield (1)	519281	3/11/02 1/15/42	7.475%	19,869	21,493
Cantera Crossing (1)	532662	3/28/02 6/1/29	6.500%	5,555	5,489
Fillmore Park (1)	536739	3/28/02	6.700%	1,189	1,203

		10/15/42			
Northbrooke (1)	548972	5/24/02 8/1/43	7.080%	10,475	10,625
Ellington Plaza (1)	585494	7/26/02 6/1/44	6.835%	10,501	10,559
Burlington (1)	595515	11/1/02 4/15/31	5.900%	6,824	6,909
				--------	--------
Total				$102,994	$105,331
				========	========

(1) These GNMA certificates are partially or wholly pledged as collateral for borrowings under the repurchase facility - See Note 7.
(2) This GNMA certificate was sold March 25, 2002, resulting in a gain of approximately $614,000.
(3) This GNMA certificate was repaid in March 2003.

Bridge Loans

The portfolio of bridge loans as of December 31, 2002 is summarized in the table below:
(Dollars in thousands)

Property	Location	Number of Apartment Units	Outstanding Principal Balance	Unamortized Costs and Fees	Carrying Amount	Rema Comm Bal to
Alexandrine (3)	Detroit, MI	30	$ 214	$ --	$ 214	$
Concord at Palm (3)(6)	Houston, TX	360	3,850	18	3,832	
Parwood (3)	Long Beach, CA	528	3,022(1)	25	2,997	1,
Concord at Little York	Houston, TX	276	3,500	25	3,475	
Concord at Gulfgate	Houston, TX	288	3,500	47	3,453	
Reserve at Fox River	Yorkville, IL	132	1,350	11	1,339	
Del Mar Villas (4)	Dallas, TX	260	5,554	42	5,512	

Mountain Valley (4)	Dallas, TX	312	5,242	67	5,175	1,
Total		2,186	$26,232	$ 235	$25,997	$ 2,

(1) Funded on an as needed basis.
(2) To be funded for rehabilitation.
(3) These loans are to limited partnerships whose general partners are affiliates of the Advisor.
(4) Pledged as collateral in connection with warehouse facility with Fleet National Bank (see Note 8 of the accompanying consolidated financial statements).
(5) Consists of two notes that mature in November 2002. One note, in the approximate amount of $207,000, has been repaid January 2003. The remaining note, in the amount of $6,800, remains unpaid.
(6) The Concord of Palm bridge loan was repaid in full in March 2003.

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Investments in Mortgage Loans

Information relating to the Company's investments in mortgage loans as of December 31, 2002 is as follows:
(Dollars in thousands)

Property	Description	Final Maturity Date	Call Date(A)	Interest Rate
First Mortgage Loans				
Stony Brook II (E)(M)(P) East Haven, CT	125 Units	6/37	12/06	7.625%
Sunset Gardens Eagle Pass, TX	60 Units	9/03	N/A	11.50%
Northbrooke Harris County, TX	240 Units	8/43	N/A	7.45%
Alexandrine Detroit, MI	30 Units	12/03	N/A	11.00%
Subtotal First Mortgage Loans				
Mezzanine Loans (G):				
Stabilized Properties				
Stony Brook II (J)(N)(P)				

East Haven, CT	125 Units	6/37	12/06	15.33%
Plaza at San Jacinto (K)(N) Houston, TX	132 Units	1/43	6/11	11.40%
Subtotal Stabilized Mezzanine Loans				
Properties in Lease-Up				
The Hollows (K)(N) Greenville, NC	184 Units	1/42	1/12	10.00%
Elmhurst Village (J)(N) Oveido, FL	313 Units	1/42	3/19	10.00%
The Reserve at Autumn Creek (J)(N) Friendswood, TX	212 Units	1/42	9/14	10.00%
Subtotal Properties in Lease-Up				
Properties in Construction				
Club at Brazos (I)(N)(K) Rosenberg, TX	200 Units	5/43	TBD	10.00%
Northbrooke (J)(N) Harris County, TX	240 Units	8/43	TBD	11.50%
Del Mar Villas Dallas, TX	260 Units	4/04	N/A	LIBOR+4.625%
Mountain Valley Dallas, TX	312 Units	11/04	N/A	LIBOR+4.750%
Subtotal Properties in Construction				
Subtotal Mezzanine Loans				
Total Mortgage Loans				

Property	Share of Excess Sale or Refinancing Proceeds	Periodic Payment Terms	Prior Liens	Outstandin Face Amount o Mortgages(C

First Mortgage Loans:				
Stony Brook II (E)(M)(P)				
East Haven, CT	N/A	(F)	--	$ 8,285
Sunset Gardens				
Eagle Pass, TX	N/A	(H)	--	1,323
Northbrooke				
Harris County, TX	N/A	(L)	--	--
Alexandrine				
Detroit, MI	N/A	(H)	--	342
Subtotal First Mortgage Loans				9,950
Mezzanine Loans (G):				
Stabilized Properties				
Stony Brook II (J)(N)(P)				
East Haven, CT	35%	(H)	$ 8,285	764
Plaza at San Jacinto (K)(N)				
Houston, TX	50%	(H)	6,522	1,250
Subtotal Stabilized Mezzanine Loans				2,014
Properties in Lease-Up				
The Hollows (K)(N)				
Greenville, NC	25%	(H)	8,915	1,549
Elmhurst Village (J)(N)				
Oveido, FL	25%	(H)	21,677(L)	2,874
The Reserve at Autumn Creek (J)(N)				
Friendswood, TX	25%	(H)	16,023(L)	1,987
Subtotal Properties in Lease-Up				6,410
Properties in Construction				
Club at Brazos (I)(N)(K)				
Rosenberg, TX	25%	(H)	13,436	1,962
Northbrooke (J)(N)				
Harris County, TX	50%	(H)	10,475(L)	1,500
Del Mar Villas				
Dallas, TX	N/A	(H)	5,554	765
Mountain Valley				
Dallas, TX	N/A	(H)	5,242	776

Subtotal Properties in Construction	5,003
Subtotal Mezzanine Loans	13,427
Total Mortgage Loans	$ 23,377

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

(B) Interest on the mezzanine loans is based on a fixed percentage of the unpaid principal balance of the related first mortgage loan (prior liens). The amount shown is the approximate effective rate earned on the balance of the mezzanine loan. The mezzanine loans also provide for payments of additional interest based on a percentage of cash flow remaining after debt service and participation in sale or refinancing proceeds and certain provisions that cap the Company's total yield, including additional interest and participations, over the term of the loan.

(C) No principal amounts of mortgage loans are subject to delinquent interest as of December 31, 2002.

(D) Carrying amounts of the loans are net of unamortized origination costs and fees and loan discounts.

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

(F) Requires monthly payments of principal and interest based on a 40-year amortization period. Loan is subject to five-year lockout against prepayments, as well as a prepayment penalty structure during the second five-year term of the loan.

(G) The principal balance of the mezzanine loans is secured by the partnership interests of the entity that owns the underlying property and a third mortgage deed of trust. Interest payments on the mezzanine loans are secured by a second mortgage deed of trust and are guaranteed for the first 36 months after construction completion by an entity related to the general partner of the entity that owns the underlying property.

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

(I) The funding of this mezzanine loan is based on property level operational achievements.

(J) The Company has an interest in the first lien position relating to this mezzanine loan.

(K) The Company does not have an interest in the first lien position relating to this mezzanine loan.

(L) The first mortgage loans related to those properties were converted from participations in FHA loans to ownership of the GNMA certificates and are held by the Company.

(M) This first mortgage loan is pledged to secure the Company's obligation under a first loss protection agreement with Fannie Mae - see Note 14 in the accompanying consolidated financial statements.

(N) Lifetime interest cap represents the maximum annual return, including interest, fees and participations, that can be earned by the Company over the life of the mezzanine loan, computed as a percentage of the balance of the first mortgage loan plus the mezzanine loan.

(O) Interest cap on these loans is the maximum rate permitted by law.

(P) The Stony Brook II first mortgage loan and mezzanine loan were repaid in January 2003 - See Note 14 in the accompanying consolidated financial statements.

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 CMBS from a Chase Manhattan Bank-First Union National 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 Repurchase Facilities below). 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. ARCap invests primarily in subordinated CMBS.

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.

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, closed out its short sale position (see below), 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.

The Company owns 800,000 preferred equity units of ARCap, with a face amount of $25 per unit, representing a 7.27% ownership and voting interest. The preferred equity units are convertible, at the Company's option, into ARCap common units. If converted into common units, the conversion price is equivalent to $25 per unit, subject to certain adjustments. Also, if not already converted, for a

period of sixty days following the fifth anniversary of the first closing date, which will be August 4, 2005, the preferred equity units are convertible, at the Company's option, into a three-year note bearing interest at 12% that would be junior to all of ARCap's then existing indebtedness. The preferred equity units are also redeemable, at the option of ARCap, up until the fifth anniversary of the first closing date.

Through the Company's convertible preferred membership interests in ARCap, it has a substantial indirect investment in CMBS owned by ARCap. ARCap was formed in January 1999 by REMICap, an experienced CMBS investment manager, and Apollo Real Estate Investors, the real estate arm of one of the country's largest private equity investors. In conjunction with a preferred equity offering, REMICap and ARCap merged, making ARCap the only internally managed investment vehicle exclusively investing in subordinated CMBS. As of December 31, 2002, ARCap had $823 million in assets, including investments in $799 million of CMBS. Multi-family properties underlie approximately one-third of ARCap's CMBS.

The Company's equity in the earnings of ARCap will generally be equal to the preferred equity rate of 12% , unless ARCap does not have earnings and cash flows adequate to meet this distribution requirement. ARCap has met its distribution requirements to the Company to date. Yields on CMBS 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 interest in ARCap is illiquid and the Company would need to obtain the consent of the board of managers of ARCap before it could transfer its interest in ARCap to any party other than a current member. The carrying amount of the investment in ARCap is not necessarily representative of the amount the Company would receive upon a sale of the interest.

ARCap has informed its members that it intends to shift its focus to CMBS fund management, whereby ARCap will manage CMBS investment funds raised from third-party investors. ARCap will generally be a minority investor in these funds. ARCap thereby intends to diversify its revenue base by increasing its proportion of revenue derived from fees as opposed to interest income.

Loan Origination Program with Fannie Mae

The Company entered into a loan program with Fannie Mae, which agreed to fully fund the origination of $250 million of Delegated Underwriter and Servicer loans for apartment properties that qualify for tax credits under the LIHTC program. 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 December 31, 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 $4.0 million. The Company's maximum guaranty at December 31, 2002 was $7.3 million.

In order to conduct the program, the Company formed AMAC/FM Corporation, which, as of January 1, 2001, was a wholly owned Delaware corporation. From time to time, the Company expects to make capital contributions or loans to AMAC/FM in order to ensure that it has sufficient net worth to satisfy its obligations under the Fannie Mae program. On April 4, 2000, the Company transferred the Stony Brook Village II Apartments FHA first mortgage loan, with a principal balance at December 31, 2001 of $8.3 million, to AMAC/FM. As of January 1, 2001,

AMAC/FM is treated, for federal income tax purposes, as a taxable REIT subsidiary.

During August 2002, the Company purchased one first mortgage 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.

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 Fannie Mae loan program expenses in the Consolidated Statement of Income.

The Fannie Mae loan program has not had, and its discontinuance is not anticipated to have, a significant impact on the Company's financial condition or results of operations.

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

(Dollars in thousands)

Loans Originated

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

Forward Commitments

Property	Location	Number of Apartment Units	Loan Amount	Loss Sharing Fee (annual rate)
Cameron Creek Apartments	Dade Country, FL	148	$3,000	0.35%
Desert View Apartments	Coolidge, AZ	372	1,011	0.52%
Total		520	$4,011	

Competition

The Company competes with various financial institutions in each of its lines of business. The Company competes with banks and quasi-governmental agencies such as Fannie Mae, Freddie Mac and HUD, as well as their designated mortgagees, for multi-family loan product. For CMBS investments, competitors include major financial institutions that sponsor CMBS conduits, pension funds, REITs and finance companies that specialize in CMBS investment management.

The Company's business is also affected by competition to the extent that Underlying Properties from which it derives interest and, ultimately, principal payments may be subject to rental rates and relative levels of amenities from comparable neighboring properties.

Employees and Management

The Company does not directly employ anyone. All services are performed for the Company by the Advisor and its affiliates. The Advisor receives compensation in connection with such activities as set forth in Item 8, Financial Statements and Supplementary Data, Item 11, Executive Compensation and Item 13, Certain Relationships and Related Transactions. In addition, the Company reimburses the Advisor and certain of its affiliates for expenses incurred in connection with the performance by their employees of services for the Company in accordance with the Declaration of Trust.

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Item 2. Properties.

The Company does not own or lease any properties.

Item 3. Legal Proceedings.

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

Item 4. Submission of Matters to a Vote of Shareholders.

None.

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PART II

Item 5. Market for the Registrant's Common Equity and Related Shareholder Matters.

As of March 20, 2003, there were 243 registered shareholders owning 6,363,630 Shares. The Company's Shares have been listed on the American Stock Exchange since July 1, 1999, under the symbol "AMC". Prior to July 1, 1999, there was no established public trading market for the Company's Shares.

The high and low common share prices for each quarterly period in the past two fiscal years in which the Shares were traded is as follows:

	2002	2002	2001	2001
Quarter Ended	Low	High	Low	High

March 31	$ 12.60	$ 14.70	$ 7.50	$ 11.25
June 30	$ 12.70	$ 14.09	$ 9.60	$ 12.00
September 30	$ 10.05	$ 13.60	$ 10.93	$ 15.50
December 31	$ 11.50	$ 14.09	$ 12.60	$ 14.80

The last reported sale price of Shares on the American Stock Exchange on March 20, 2003 was $15.62.

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 underwriter's discount and expenses, were used to fund investments.

Incentive Share Option Plan

The Company adopted an incentive share option plan (the "Incentive Share Option Plan") to attract and retain qualified persons as trustees and officers and to provide incentive to and more closely align the financial interests of the Advisor and its employees and officers with the interests of the Company's shareholders by providing the Advisor with substantial financial interest in the Company's success. The compensation committee (the "Compensation Committee"), which is comprised of Messrs. Peter T. Allen and Arthur P. Fisch, administers the Incentive Share Option Plan. Pursuant to the Incentive Share Option Plan, if the Company's distributions per share in the immediately preceding calendar year exceed $1.45 per share, the Compensation Committee has the authority to issue options to purchase, in the aggregate, that number of shares which is equal to three percent of the shares outstanding as of December 31 of the immediately preceding calendar year (or in the initial year, as of December 31, 1999), provided that the Compensation Committee may only issue, in the aggregate, options to purchase a maximum number of shares over the life of the Incentive Share Option Plan equal to 383,863 shares (i.e. 10% of the shares outstanding on December 31, 2001). If the Compensation Committee does not grant the maximum number of options in any year, then the excess of the number of authorized options over the number of options granted in such year will be added to the number of authorized options in the succeeding year and will be available for grant by the Compensation Committee in such succeeding year. All options granted by the Compensation Committee will have an exercise price equal to or grater than the fair market value of the share on the date of the grant. The maximum option term is ten years from the date of grant. All share options granted pursuant to the Incentive Share Option Plan may vest immediately upon issuance or in accordance with the determination of the Compensation Committee. No options have been granted under this plan as of December 31, 2002.

Distribution Information

Cash distributions per share for the years ended December 31, 2002 and 2001 are as set forth in the following table:

(Dollars in thousands, except per share amounts)

Cash Distribution for Quarter Ended	Date Paid	Per Share	Total Amount Distributed

March 31, 2002	5/15/02	$ .3625	$ 2,308
June 30, 2002	8/14/02	.3750	2,386
September 30, 2002	11/14/02	.3750	2,386
December 31, 2002	2/14/03	.4000	2,545
Total for 2002		$ 1.5125	$ 9,625
March 31, 2001	5/15/01	$ .3625	$ 1,391
June 30, 2001	8/14/01	.3625	1,391
September 30, 2001	11/14/01	.3625	1,392
December 31, 2001	2/14/02	.3625	1,392
Total for 2001		$ 1.4500	$ 5,566

There are no material legal restrictions upon the Company's present or future ability to make distributions in accordance with the provisions of the Declaration of Trust. Future distributions paid by the Company will be at the

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discretion of the Trustees and will depend on the actual cash flow of the Company, its financial condition, capital requirements and such other factors as the Trustees deem relevant.

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

Of the total distributions of $9,624,992 and $5,566,015 for the years ended December 31, 2002 and 2001, respectively, the year ended December 31, 2002 had no return of capital and for 2001, $378,952 ($.10 per share or 6.81%) represented a return of capital determined in accordance with generally accepted accounting principles. As of December 31, 2002, 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 $14,462,307. The portion of the distributions which constituted a return of capital was made in order to maintain level distributions to shareholders.

Item 6. Selected Financial Data.

The information set forth below presents selected financial data of the Company. Additional financial information is set forth in the audited financial statements and footnotes thereto contained in Item 8, Financial Statements and Supplementary Data.

(Dollars in thousands except per share amounts)

	Year Ended December 31,			
OPERATIONS	2002	2001	2000	1999

Total revenues	$ 10,458	$ 5,698	$ 7,910	$ 5,507
Total expenses	3,812	2,660	4,766	2,301
Income before other gain	6,646	3,038	3,144	3,206
Total other gain	3,014	2,149	174	3,054
Net income	$ 9,660	$ 5,187	$ 3,318	$ 6,260
Net income per share (basic and diluted)	$ 1.61	$ 1.35	$ .86	$ 1.63
Weighted average shares outstanding (basic and diluted)	6,017,740	3,838,630	3,838,630	3,841,931

	December 31,			
FINANCIAL POSITION	2002	2001	2000	1999
Total assets	$ 195,063	$ 101,982	$ 70,438	$ 115,565
Repurchase facility payable	$ 87,880	$ 43,610	$ 12,656	$ 19,127
Warehouse facility payable	$ 8,788	--	--	--
Total liabilities	$ 100,725	$ 46,703	$ 15,362	$ 58,474
Total shareholders' equity	$ 94,338	$ 55,279	$ 55,076	$ 57,091
DISTRIBUTIONS				
Distributions to shareholders	$ 9,625	$ 5,566	$ 5,566	$ 5,544
Distribution per share	$ 1.513	$ 1.450	$ 1.450	$ 1.444

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Comparison of Years Ended December 31, 2002 and 2001

Interest income from mortgage loans decreased approximately $723,000 for the

year ended December 31, 2002 as compared to 2001 due to the sale of the Columbiana mortgage during 2001 offset by additional construction period interest received from the Club at Brazos and Northbrooke. The decrease can also be attributed to the conversion of the Hollows, Elmhurst Village and Autumn Creek mortgages to GNMA certificates; the interest income on these assets was included in interest income from mortgage loans prior to conversion and in interest income from GNMA certificates after the conversion. Conversely, interest income from GNMA certificates increased approximately $3.5 million for the year ended December 31, 2002 as compared to 2001 primarily due to the conversion of these three mortgage loans to GNMA certificates and the purchase of an additional six GNMA certificates in 2002 offset by the loss of interest income from the Hollows GNMA certificate which was sold in March of 2002. The increase in interest income from GNMA certificates and the decrease in interest income from mortgage loans were, in part, a result of the interest income earned by these loans converted to GNMA certificates subsequent to the conversion. No gains or losses resulted from the conversion.

Interest income from notes receivable increased approximately $1.8 million, for the year ended December 31, 2002 as compared to 2001, primarily due to the addition of nine notes receivable during 2001 and 2002 offset by the paydown of the Sunset Bay note.

Other income increased approximately $212,000, for the year ended December 31, 2002 as compared to 2001, primarily due to the collection of loan extension fees from Autumn Creek during 2002.

Interest expense decreased approximately $178,000, for the year ended December 31, 2002 as compared to 2001, primarily due to the net effect of lower interest rates on repurchase facility borrowings and increased leverage.

General and administrative expenses increased approximately $45,000, for the year ended December 31, 2002 as compared to 2001, primarily due to an increase in the write-off of deferred loan origination costs associated with the pursuit of investments that were not completed, higher accounting fees and legal expenses offset by a decrease in unused Nomura Asset Capital Corporation fees and amortization.

Fees to manager increased approximately $927,000, for the year ended December 31, 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. The Company also paid to the Advisor an incentive management fee of approximately $235,000 for 2002; no such fee was paid in 2001.

During the year ended December 31, 2002, the Company recognized approximately $358,000 in Fannie Mae loan program expenses associated with the write-off of the unamortized deferred costs related to this program, which is being discontinued. The Company has not recognized significant fee income from this program. Except for the write-off of the program costs, this program has not, and its discontinuance is not anticipated to have a significant impact on the Company's financial position or results of operation.

A gain on the sale or repayment of GNMAs and mortgage loans increased approximately $865,000, for the year ended December 31, 2002 as compared to 2001, primarily due to the sale of the Hollows GNMA in March of 2002 versus the loss on repayment of the Columbiana loans in 2001. Although the Company intends to hold its GNMA certificates until maturity, it elected "available for sale" designation under SFAS 115 to give it the flexibility to liquidate those asset if business conditions require. The Company decided to sell the Hollows GNMA when it received an unsolicited offer at an extremely favorable price.

Comparison of Years Ended December 31, 2001 and 2000

Interest income from mortgage loans increased approximately $1,208,000, for the year ended December 31, 2001 as compared to 2000, primarily due to the interest earned by Stonybrook while held by AMAC/FM (which was consolidated in 2001 but not in 2000) and the additional principal advances to the Hollows, Elmhurst Village and Autumn Creek prior to the conversion to GNMA certificates offset by the repayment of the Town and Country mortgage loan in March 2000.

Interest income from GNMA certificates increased approximately $1,822,000, for the year ended December 31, 2001 as compared to 2000, primarily due to the conversion of three mortgage loans to GNMA certificates. The increase was primarily a result of the interest income earned by these loans converted to GNMA certificates subsequent to the conversion. No gain or loss resulted from the conversion.

Interest income from CMBS-related investment in the amount of approximately $3,189,000 was recorded for the year ended December 31, 2000; such investment was sold October 2000.

Interest income from notes receivable decreased approximately $79,000, for the year ended December 31, 2001 as compared to 2000, primarily due to AMAC/FM becoming consolidated in 2001 partially offset by investments in additional notes in 2000 and 2001.

Interest income from temporary investments decreased approximately $2,012,000, for the year ended December 31, 2001 as compared to 2000, of which approximately $353,000 was due to the reduced balances of temporary investments and $1,659,000 was due to termination of the deposits with brokers held as collateral for short sales.

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Equity in earnings of ARCap increased approximately $1,999,000, for the year ended December 31, 2001 as compared to 2000, due to the investment being acquired in October 2000.

Other income increased approximately $38,000, for the year ended December 31, 2001 as compared to 2000, primarily due to the guaranty and extension fees on loans in the Fannie Mae program.

Interest expense decreased approximately $1,966,000, for the year ended December 31, 2001 as compared to 2000, primarily due to the termination of the repurchase facility used to finance the CMBS-related investment and closing out of government securities sold short positions partially offset by higher interest expense related to Nomura Securities repurchase facilities due to higher outstanding balance.

Fees to the manager decreased approximately $168,000, for the year ended December 31, 2001 as compared to 2000, primarily due to a decrease in asset management fees payable to the Advisor due to the sale of CMBS-related investment and a decrease in the expense reimbursement charged by the Advisor.

Amortization increased approximately $28,000 due to acceleration of the amortization of deferred costs relating to the Nomura Repurchase Facility, which was not renewed.

A gain on the repayment of mortgage loans in the amount of approximately $14,000 was recorded for the year ended December 31, 2000 relating to the repayment of the Town and Country mezzanine loan and FHA insured mortgage loan on January 21, 2000. A loss in the amount of approximately $251,000 was recognized during the year ended December 31, 2001 relating to the repayment of the Columbiana loans.

A net loss on the commercial mortgage-backed security-related investment and government securities sold short in the amount of approximately $300,000 was recorded for the year ended December 31, 2000. These positions were liquidated in October 2000.

Acquisitions

During the year ended December 31, 2002, the Company made the following investments:

Mezzanine Loans

On March 28, 2002, the Company funded an initial advance of $1.5 million on a total potential mezzanine loan of approximately $2.2 million secured by a 240-unit apartment complex project known as Northbrooke located in Houston, Texas. The loan is subordinate to a first mortgage loan of approximately $6.1 million. The interest on the mezzanine loan is based on a fixed percentage of unpaid principal balance of the first mortgage loan, which for this loan is an effective interest rate of 11.50%.

Bridge Loans

On January 28, 2002, the Company entered into a commitment to fund a maximum bridge loan of up to $4.6 million, secured by a 528-unit apartment complex located in Long Beach, California, known as Parwood. At December 31, 2002, the Company has funded approximately $3 million. The Company received a 1% fee for the bridge loan, which bears an interest rate of 11% and matures in January 2004.

On February 27, 2002, the Company fully funded a bridge loan of $3.5 million, secured by a 276-unit apartment complex located in Houston, Texas, known as Concord at Little York. The Company received a 1.25% fee for the bridge loan, which bears an interest rate of 12% and matures in February 2004.

On May 8, 2002, the Company fully funded a bridge loan of $3.5 million, secured by a 288-unit apartment complex located in Houston, Texas, known as Concord at Gulfgate. The Company received a 2% fee for the bridge loan, which bears an interest rate of 12% and matures in May 2004.

On October 31, 2002, the Company funded an acquisition bridge loan and mezzanine loan totaling approximately $6.3 million for Del Mar Villas, a 260-unit multi-family apartment complex located in Dallas, Texas. In connection with the funding of the bridge loan, the Company borrowed approximately $4.6 million from its warehouse facility with Fleet Bank. These loans, which mature April 2004, bear an interest rate of LIBOR + 462.5 basis points. Payments on these loans are interest only for the full 18-month term. The Company received a loan origination fee of 1.5%.

On November 20, 2002, the Company funded an acquisition bridge loan and mezzanine loan totaling approximately $6 million for Mountain Valley, a 312-unit multi-family apartment complex located in Dallas, Texas. The Company will fund an additional $1.1 million during the rehabilitation stage of this property. In connection with the funding of the bridge loan, the Company has borrowed approximately $4.2 million from its warehouse facility with Fleet Bank. These loans, which mature November 2004, bear an interest rate of LIBOR + 475 basis points. Payments on these loans are interest only for the full 24-month term. The Company received a loan origination fee of 1% of the amount of these loans.

On November 25, 2002, the Company fully funded a predevelopment bridge loan of approximately $1.4 million secured by an apartment complex development project

known as Reserve at Fox River Apartments. The Company received a 1% fee for the bridge loan, which bears interest at a rate of 12% and matures in May 2003.

Liquidity and Capital Resources

During the year ended December 31, 2002, cash and cash equivalents increased approximately $9.4 million primarily due to proceeds from repurchase and warehouse facilities payable, approximately $53.1 million, net proceeds from the common share offering, approximately $31 million, and cash provided by operating activities, approximately $8.3 million, offset by investments in GNMA Certificates, approximately $55.6 million, funding of notes receivable, approximately $22.3 million, and distributions to shareholders, approximately $8.5 million.

The net unrealized gains on GNMA investments included in shareholders' equity aggregated $8,702,929 at December 31, 2002 consisted of gross unrealized gains and losses of $8,730,076 and $27,147 respectively. This represents an increase of $8,142,542 from the unrealized gain of $560,387 at December 31, 2001.

The Company finances the acquisition of its assets primarily through borrowing at short-term rates using demand repurchase agreements and the mortgage warehouse line of credit (see below). Under the Company's declaration of trust, the Company may incur permanent indebtedness of up to 50% of total market value calculated at the time the debt is incurred. Permanent indebtedness and working capital indebtedness may not exceed 100% of the Company's total market value. On February 25, 2002, the Company completed a public offering of 2.5 million common shares at a price of $13.50 per share. The net proceeds of approximately $31 million, net of underwriter's discount and expenses, were used to fund investments. In October 2002, the Company filed a registration statement with the Securities and Exchange Commission with respect to its common and preferred shares. If market conditions warrant, the Company may seek to raise additional funds for investment through further common and/or preferred offerings in the future, although the timing and amount of such offerings cannot be determined at this time.

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. Up until May 2002, interest on borrowings were at LIBOR plus 0.50%. Subsequent to May 2002, interest on borrowings decreased to LIBOR plus 0.05%. As of December 31, 2002 and 2001, the amount outstanding under this facility was approximately $87.9 and $43.6 million, respectively, and interest rates were 1.47% 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 borrowings when due. If the Company were unable to renew such borrowings with Nomura, it would have to either find replacement financing or sell assets at prices which may be below market value.

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

Facility, which matures April 2006, bears an interest rate of LIBOR + 200 basis points (3.46% and 3.42% for Del Mar Villas and Mountain Valley loans, respectively, at December 31, 2002), payable monthly on advances. Principal is due upon the earlier of refinance or sale of the underlying project or upon maturity. The Company will pay a fee of 12.5 basis points, paid quarterly, on any unused portion of the Fleet Warehouse Facility. As of December 31, 2002, the Company had approximately $8.8 million in loans outstanding under this program.

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

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

Critical Accounting Policies

In preparing the consolidated financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Set forth below is a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements. The summary should be read in conjunction with the more complete discussion of the Company's accounting policies included in Note 2 to the consolidated financial statements in this annual report on Form 10-K.

The Company's portfolio of mortgage loans and notes is periodically evaluated for possible impairment to establish appropriate loan loss reserves, if necessary. The Company's Advisor has a credit review committee which meets each month. This committee reviews the status of each of the Company's loans and notes, and maintains a "watch list" of loans (including loans for which the Company has issued guarantees) for which the underlying property may be experiencing construction cost overruns, delays in construction completion, occupancy shortfalls, lower than expected debt service coverage ratios, or other matters which might cause the borrower to be unable to make the interest and principal payments as scheduled in the loan agreement. If a loan is experiencing difficulties, members of this credit committee work with the borrower to try to resolve the issues, which could include extending the loan term, making additional advances, or reducing required payments. If, in the judgment of Company management, it is determined that is probable that the Company will not receive all contractually required payments when they are due, the loan or note would be deemed impaired, and a loan loss reserve established. As of December 31, 2002, all mortgage loans and notes are current and management has determined that none of these assets are impaired and that no loan loss reserve is necessary.

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The Company's GNMA certificates are carried at estimated fair values. Changes in these valuations do not impact the Company's income or cash flows, but affect shareholders' equity. GNMA certificates are relatively liquid investments. The Company uses quoted market prices as its primary source of valuation information.

During 2001, the Company converted three of its first mortgage loans into investments in GNMA certificates. The conversion was made solely to improve the

leveragability of the debt instruments from 80% as an FHA mortgage to 95% as a GNMA certificate, and to reduce the interest rate on the associated borrowings from LIBOR + 125 bps to LIBOR + 5 bps. It is the Company's intention to hold its GNMA certificates to maturity, but the Company elected the "available for sale" designation under SFAS 115 to give it the flexibility to liquidate these assets if business conditions require. The first mortgage loans remaining in the portfolio will not be converted to GNMA certificates and, along with future originations of first mortgage loans, are intended to be held to maturity.

The Company's mezzanine investments of approximately $12.4 million at December 31, 2002 bear interest at fixed rates, but also include provisions that allow the Company to participate in a percentage of the underlying property's excess cash flows from operations and excess proceeds from a sale or refinancing. At the inception of each such investment, Company management must determine whether such investment should be accounted for as a loan, joint venture or as real estate, using the guidance contained in the Third Notice to Practitioners issued by the AICPA. Although the accounting methodology does not affect the Company's cash flows from these investments, this determination affects the balance sheet classification of the investments as well as the classification, timing and amounts of reported earnings.

Accounting for the investment as real estate is required if the Company expects that the amount of profit, whether called interest or another name, such as an equity kicker, that it expects to receive above a reasonable amount of interest and fees, is over 50 percent of the property's total expected residual profit. If a mezzanine investment were to be accounted for as an investment in real estate, the Company's balance sheet would show the underlying property and its related senior debt (if such debt were not also held by the Company), and the income statement would include the property's rental revenues, operating expenses and depreciation.

If the Company expects that it will receive less than 50 percent of the property's residual profit, then loan or joint venture accounting is applied. Loan accounting is appropriate if the borrower has a substantial equity investment in the property, if the Company has recourse to substantial assets of the borrower, if the property is generating sufficient cash flow to service normal loan amortization, or if certain other conditions are met. Under loan accounting, the Company recognizes interest income as earned and additional interest from participations as received. Joint venture accounting would require that the Company only record its share of the net income from the underlying property.

Company management must exercise judgment in making the required accounting determinations. For each mezzanine arrangement, the Company projects total cash flows over the loan's term and the Company's share in those cash flows, and considers the borrower's equity, the contractual cap, if any, on total yield to the Company over the term of the loan, market yields on comparable loans, borrower guarantees, and other factors in making its assessment of the proper accounting. To date, the Company has determined that all mezzanine investments are properly accounted for as loans.

Based on the Company's experience with similar arrangements, management has taken the position that the likelihood that any of the commitments, with the exception of a 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.

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.

Commitments and Contingencies

The Company entered into a loan program with Fannie Mae, which agreed to fully fund the origination of $250 million of Delegated Underwriter and Servicer loans for apartment properties that qualify for low income housing tax credits under Section 42 of the Internal Revenue Code. Under the loan program, the Company intended to originate and contract for individual loans of up to $6 million each over a two-year period in conjunction with American Property Financing, an unaffiliated third party, which would underwrite and service the loans for Fannie Mae. The Company guarantees a first loss position of up to $21.25 million, depending on the aggregate principal amount of the loans the Company originates under this program and would receive guaranty, loan origination and other fees. The Company also guarantees construction loans for which it has issued a forward commitment to originate a loan under the Fannie Mae program, with respect to which it guarantees repayment of 100% of such construction loans. As of December 31, 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 $4.0 million. The Company's maximum guaranty at December 31, 2002 was $7.3 million.

During August 2002, the Company purchased one first mortgage 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.

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 Fannie Mae loan program expenses in the Consolidated Statement of Income.

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

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

(Dollars in thousands)

Loans Originated

	Number of Apartment	Loss Sharing Fee

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

Forward Commitments

Property	Location	Number of Apartment Units	Loan Amount	Loss Sharing Fee (annual rate)
Cameron Creek Apartments	Dade Country, FL	148	$3,000	0.35%
Desert View Apartments	Coolidge, AZ	372	1,011	0.52%
Total		520	$4,011	

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Standby and Forward Loan and GNMA Commitments

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

(Dollars in thousands)

Standby and
Forward Bridge Loan Commitments

Issue Date	Project	Location	No. of Apt. Units	Less th
Jan-02	Parwood	Long Beach, CA	528	$
Jan-02	Valley View/Summertree (7)	Little Rock, AK	240	
May-02	McMullen Square	San Antonio, TX	100	
Jul-02	Clark's Crossing Apartments	Laredo, TX	160	
Nov-02	Mountain Valley	Dallas, TX	312	
Total Standby Bridge Loan Commitments			1,340	$

Standby and Forward Permanent Loan
Commitments

Issue Date	Project	Location	No. of Apt. Units	Less th
Mar-02	Sunset Gardens	Eagle Pass, TX	60	$
May-02	Highland Park	Topeka, TX	200	4,
Total Standby and Forward Permanent Loan Commitments			260	$ 4,

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Forward GNMA Commitments

Date Purchased	Project	Maximum A
		Less than 1 Year
Mar-02	Cantera Crossing	$ 973 (3)
Mar-02	Fillmore Park	235 (3)
Mar-02	Casitas at Montecito	708 (3)
May-02	Ellington Plaza	27,114 (3)
N/A	Northbrooke	3,415 (3)
Total Forward GNMA Commitments		$32,445
Total Standby and Forward Loan and GNMA Commitments		$37,672

(1) Funding not anticipated to occur.
(2) Initial funding in the amount of $550,000 has occurred during March 2003. Remaining fundings are on an as needed basis.
(3) Funding has already begun. Amount represents remaining commitment to be funded.
(4) The Company received a loan commitment fee of 2.50% for issuing the commitment.
(5) The Company received a loan commitment fee of 2.00% for issuing the commitment.
(6) The Company will receive a 1% loan origination fee if funding occurs.
(7) 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.
(8) Expired in February 2003.

Construction Loan Guarantees

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

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

(Dollars in thousands)

				Maximu Gu	
Date Closed	Project	Location	No. of Units	Less than 1 Year	1-3 Yea
Jul-02	Clark's Crossing	Laredo, TX	160	$ 4,790	$ -
Sept-02	Creekside Apts.	Colorado Springs, CO	144	7,500	-
Oct-02	Village at Meadowbend	Temple, TX	138	--	3,67
Nov-02	Mapleview Apartments (3)	Saginaw, MI	104	--	3,24
			546	$ 12,290	$ 6,91

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

For each of these guarantees, and for the guarantees issued under the FNMA

program discussed in the first paragraph of Note 13 in the accompanying consolidated financial statements, the Company monitors the status of the underlying properties and evaluates its exposure under the guarantees. To date, the Company has concluded that no accrual for probable losses is required under SFAS 5.

Distributions

Of the total distributions of $9,624,992 and $5,561,015 for the years ended December 31, 2002 and 2001, respectively, the year ended December 31, 2002 had no return of capital and for 2001, $378,952 ($.10 per share or 6.81%) represented a return of capital determined in accordance with generally accepted accounting principles. As of December 31, 2002, 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 $14,462,307. The portion of the distributions which constituted a return of capital was made in order to maintain level distributions to shareholders.

Recently Issued Accounting Standards

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 currently utilize derivatives, implementation of this statement did not have a material effect on the Company's financial statements.

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". SFAS No. 144 supercedes existing accounting literature dealing with impairment and disposal of long-lived assets, including discontinued operations. It addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. The Company 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.

In November 2002, the FASB issued Interpretation No. 45, Guarantors' Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. The Interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This Interpretation does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. The disclosure provisions of this interpretation are included in Note 13. The initial recognition and initial measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company currently receives a fee, in advance, for acting as guarantor of certain construction loans. This fee is deferred and amortized over the guarantee period. The Company believes that the fee received approximates the fair value of the obligation undertaken in issuing the guarantee; therefore, the Company's current accounting for these guarantees will not be affected by this Interpretation. The Company has ceased making new guarantees under its Fannie Mae DUS program and is in the process of transferring its rights and obligations under this program to a third party; therefore, this Interpretation will not have an impact on the accounting for these guarantees.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities. This Interpretation clarifies the application of existing accounting pronouncements to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of the Interpretation will be immediately effective for all variable interests in variable interest entities created after January 31, 2003, and the Company will need to apply its provisions to any existing variable interest in variable interest entities by no later than July 1, 2003. The Company is in the process of evaluating all of its mezzanine loans, which may be deemed variable interests in variable interest entities under the provision of FIN 46. The real estate entities whose ownership interests collateralize these loans have assets totaling approximately $110,000,000 at December 31, 2002. The Company's maximum exposure to loss represents its recorded investment in these loans, totaling

$12,448,000 at December 31, 2002. The Company believes that some, and possibly

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

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.

Inflation

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

Item 7 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 are 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.

Interest Rate risk

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

The Company's operating results will depend in large part on differences between the income from its assets (net of credit losses) and its borrowing costs. Most of the Company's assets, consisting primarily of mortgage loans, GNMA certificates, and notes receivable, generate fixed returns and will have terms in excess of five years. The Company funds the origination and acquisition of a significant portion of these assets with borrowings which have interest rates that reset relatively rapidly, such as monthly or quarterly. In most cases, the income from assets will respond more slowly to interest rate fluctuations than the cost of borrowings, creating a mismatch between asset yields and borrowing rates. Consequently, changes in interest rates, particularly short-term interest rates, may influence the Company's net income. The Company's borrowings under repurchase and warehouse agreements bear interest at rates that fluctuate with LIBOR. Based on the approximate $96.7 million of borrowings outstanding under these facilities at December 31, 2002, a 1% change in LIBOR would impact the

Company's annual net income and cash flows by approximately $967,000. Increases in these rates will decrease the net income and market value of the Company's net assets. Interest rate fluctuations that result in interest expense exceeding interest income would result in operating losses.

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

Real Estate Risk

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

potential proceeds available to a borrower to repay the Company's mortgage loans, which could also cause the Company to suffer losses.

Risk in Owning Subordinated Interests

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

investment in ARCap, the ability to transfer the membership interest in ARCap is further limited by the terms of ARCap's operating agreement.

Participating Interest

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

Repurchase Facility Collateral Risk

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

Item 8. Financial Statements and Supplementary Data.

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(a) 2.	Financial Statement Schedules	

All schedules have been omitted because they are not required or because the required information is contained in the financial statements or notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
And Shareholders of
American Mortgage Acceptance Company
New York, New York

We have audited the accompanying consolidated balance sheets of American Mortgage Acceptance Company and subsidiaries (the "Company") as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of American Mortgage Acceptance Company and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP
New York, New York

March 21, 2003

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND
SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

ASSETS

	December 31,	
	2002	2001

Investments in mortgage loans, net	$ 22,384	$ 17,799
Investments in GNMA certificates-available for sale	114,034	50,060
Investment in ARCap	20,240	20,246
Cash and cash equivalents	10,404	1,018
Notes receivable, net	25,997	11,373
Accrued interest receivable	1,170	570
Other assets	834	916
Total assets	$195,063	$101,982
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Repurchase facilities payable	$ 87,880	$ 43,610
Warehouse facility payable	8,788	--
Accounts payable and accrued expenses	822	1,370
Due to Advisor and affiliates	690	331
Distributions payable	2,545	1,392
Total liabilities	100,725	46,703
Commitments and contingencies		
Shareholders' equity:		
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	(14,471)	(14,505)
Accumulated other comprehensive income	8,703	560
Total shareholders' equity	94,338	55,279
Total liabilities and shareholders' equity	$195,063	$101,982

See accompanying notes to consolidated financial statements.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands except per share amounts)

	Years Ended December 31,		
	2002	2001	2000
Revenues:			
Interest income:			
Mortgage loans	$ 2,050	$ 2,773	$ 1,565
GNMA certificates	5,769	2,294	473
Commercial mortgage-backed security-related investment	--	--	3,190
Notes receivable	2,270	451	529
Temporary investments	50	73	2,084
Other income	319	107	69
Total revenues	10,458	5,698	7,910
Expenses:			
Interest	1,228	1,406	3,372
General and administrative	706	661	633
Fees to Advisor	1,520	593	761
FNMA loan program	358	--	--
Total expenses	3,812	2,660	4,766
Other gain (loss):			
Equity in earnings of ARCap	2,400	2,400	401
Net loss on commercial mortgage-backed security-related investment and government security sold short	--	--	(299)
Net gain (loss) on sale or repayment of mortgage loans and GNMA certificates	614	(251)	72
Total other gain	3,014	2,149	174
Net income	$ 9,660	$ 5,187	$ 3,318
Net income per share (basic and diluted)	$ 1.61	$ 1.35	$ .86
Weighted average shares outstanding (basic and diluted)	6,017,740	3,838,630	3,838,630

See accompanying notes to consolidated financial statements.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(Dollars in thousands)

	Shares of Beneficial Interest		Treasury Shares of Beneficial Interest		Additional Paid-in Capital	Distributi in Exces of Net Inc
	Shares	Amount	Shares	Amount		
Balance at January 2000	4,213,826	$ 421	(375,196)	$ (38)	$ 68,841	$ (11,878
Comprehensive income:						
Net income						3,318
Other comprehensive income:						
Net unrealized holding gain arising during the period						
Less: reclassification adjustment for gains included in net income						
Other comprehensive income						
Comprehensive income						
Distributions						(5,566
Balance at December 31, 2000	4,213,826	421	(375,196)	(38)	68,841	(14,126
Comprehensive income:						
Net income						5,187
Other comprehensive income:						
Net unrealized holding gain arising during the period						
Comprehensive income						
Distributions						