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AMERICAN INSURED MORTGAGE INVESTORS

Form 10-Q

November 14, 2003

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the quarter ended September 30, 2003

Commission file number 1-11060

AMERICAN INSURED MORTGAGE INVESTORS

(Exact name of registrant as specified in charter)

| | |
|---|--|
| <u>California</u> | <u>13-3180848</u> |
| (State or other jurisdiction of incorporation or organization) | (I.R.S Employer Identification No.) |

| | |
|--|--------------|
| <u>11200 Rockville Pike, Rockville, Maryland</u> | <u>20852</u> |
| (Address of principal executive offices) | (Zip Code) |

(301) 816-2300

(Registrant's telephone number, including area code)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicated by check mark whether the Registrant is an accelerated filer (as

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defined in Rule 12b-2 of the Exchange Act). Yes [] No [X]

As of September 30, 2003, 10,000,125 depositary units of limited partnership interest were outstanding.

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FOR THE QUARTER ENDED SEPTEMBER 30, 2003

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AMERICAN INSURED MORTGAGE INVESTORS

BALANCE SHEETS

| | September 30, 2003 ----- | December 31, 2002 ----- |
|---|--------------------------------|-------------------------------|
| | (Unaudited) | |
| ASSETS | | |
| Investment in debentures, at fair value | \$ 8,989,212 | \$ - |
| Investment in FHA-Insured Certificates, at fair value | 1,714,975 | 7,966,438 |
| Investment in FHA-Insured Loans, at amortized cost, net of unamortized discount: Acquired insured mortgages | - | 7,507,672 |
| Due from affiliate | 5,409,105 | - |
| Cash and cash equivalents | 783,598 | 2,252,969 |
| Receivables and other assets | 212,981 ----- | 680,850 ----- |
| Total assets | \$17,109,871 ===== | \$18,407,929 ===== |
| LIABILITIES AND PARTNERS' EQUITY | | |
| Distributions payable | \$ 205,976 | \$ 1,853,782 |
| Accounts payable and accrued expenses | 64,892 ----- | 62,286 ----- |
| Total liabilities | 270,868 ----- | 1,916,068 ----- |
| Partners' equity: | | |
| Limited partners' equity, 10,000,125 Units authorized, issued and outstanding | 22,027,810 | 20,710,971 |
| General partner's deficit | (5,460,946) | (5,500,275) |
| Accumulated other comprehensive income | 272,139 ----- | 1,281,165 ----- |
| Total partners' equity | 16,839,003 ----- | 16,491,861 ----- |
| Total liabilities and partners' equity | \$17,109,871 ===== | \$18,407,929 ===== |

The accompanying notes are an integral part

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of these financial statements.

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AMERICAN INSURED MORTGAGE INVESTORS
 STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 (Unaudited)

| | For the three months ended September 30, | | For |
|--|---|------------|-------|
| | 2003 | 2002 | 20 |
| | ----- | ----- | ----- |
| Income: | | | |
| Mortgage investment income | \$ 64,515 | \$ 410,377 | \$ |
| Interest and other income | 204,605 | 22,702 | |
| | ----- | ----- | ----- |
| | 269,120 | 433,079 | |
| | ----- | ----- | ----- |
| Expenses: | | | |
| Asset management fee to related parties | 9,494 | 45,736 | |
| General and administrative | 44,461 | 54,277 | |
| | ----- | ----- | ----- |
| | 53,955 | 100,013 | |
| | ----- | ----- | ----- |
| Net earnings before gains on mortgage dispositions | 215,165 | 333,066 | |
| Gains on mortgage dispositions | 627,469 | 95,540 | 2, |
| | ----- | ----- | ----- |
| Net earnings | \$ 842,634 | \$ 428,606 | \$ 3, |
| | ===== | ===== | ===== |
| Other comprehensive (loss) income - adjustment to unrealized gains and losses on investments in insured mortgages | (579,917) | (51,512) | (1, |
| | ----- | ----- | ----- |
| Comprehensive income | \$ 262,717 | \$ 377,094 | \$ 2, |
| | ===== | ===== | ===== |
| Net earnings allocated to: | | | |
| Limited partners - 97.1% | \$ 818,198 | \$ 416,176 | \$ 3, |
| General Partner - 2.9% | 24,436 | 12,430 | |
| | ----- | ----- | ----- |
| | \$ 842,634 | \$ 428,606 | \$ 3, |
| | ===== | ===== | ===== |
| Net earnings per Unit of limited partnership interest - basic | \$ 0.08 | \$ 0.04 | \$ |
| | ===== | ===== | ===== |

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The accompanying notes are an integral part of these financial statements.

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AMERICAN INSURED MORTGAGE INVESTORS
 STATEMENT OF CHANGES IN PARTNERS' EQUITY
 For the nine months ended September 30, 2003
 (Unaudited)

| | General Partner ----- | Limited Partners ----- | Accumulate Other Comprehens Income ----- |
|---|-----------------------------|------------------------------|--|
| Balance, December 31, 2002 | \$ (5,500,275) | \$ 20,710,971 | \$ 1,281,16 |
| Net earnings | 99,062 | 3,316,864 | |
| Adjustment to unrealized gains and losses on investments in insured mortgages | - | - | (1,009,02 |
| Distributions paid or accrued of \$0.20 per Unit, including return of capital of \$0.14 per Unit | (59,733) | (2,000,025) | |
| Balance, September 30, 2003 | \$ (5,460,946) ===== | \$ 22,027,810 ===== | \$ 272,13 ===== |
| Limited Partnership Units outstanding - basic, as of September 30, 2003 | | 10,000,125 ===== | |

The accompanying notes are an integral part of these financial statements.

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AMERICAN INSURED MORTGAGE INVESTORS
 STATEMENTS OF CASH FLOWS
 (Unaudited)

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| | For |
|--|---------|
| | 20 |
| | ----- |
| Cash flows from operating activities: | |
| Net earnings | \$ 3,41 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | |
| Gains on mortgage dispositions | (2,70 |
| Changes in assets and liabilities: | |
| Net decrease (increase) in due from affiliate and receivables and other assets | 20 |
| Increase (decrease) in accounts payable and accrued expenses | |
| | ----- |
| Net cash provided by operating activities | 92 |
| | ----- |
| Cash flows provided by investing activities: | |
| Debenture proceeds received from affiliate | |
| Proceeds from disposition of mortgage | 1,27 |
| Receipt of mortgage principal from scheduled payments | 3 |
| | ----- |
| Net cash provided by investing activities | 1,31 |
| | ----- |
| Cash flows used in financing activities: | |
| Distributions paid to partners | (3,70 |
| | ----- |
| Net (decrease) increase in cash and cash equivalents | (1,46 |
| Cash and cash equivalents, beginning of period | 2,25 |
| | ----- |
| Cash and cash equivalents, end of period | \$ 78 |
| | ===== |
| Non cash investing activity: | |
| Debentures received from HUD in exchange for assigned mortgages | \$ 8,98 |
| 50% share of debentures received from HUD in exchange for assigned mortgages (debentures are held by AIM 85) | 5,16 |
| 9% of proceeds due from HUD, through AIM 85, for the mortgage on Westbrook Apartments | 14 |

The accompanying notes are an integral part of these financial statements.

AMERICAN INSURED MORTGAGE INVESTORS

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. ORGANIZATION

American Insured Mortgage Investors (the "Partnership") was formed pursuant to a limited partnership agreement ("Partnership Agreement") under the Uniform Limited Partnership Act of California on July 12, 1983. During the period from March 1, 1984 (the initial closing date of the Partnership's public offering) through December 31, 1984, the Partnership, pursuant to its public offering of 10,000,000 depository units of limited partnership interest ("Units"), raised a total of \$200,000,000 in gross proceeds. In addition, the initial limited partner contributed \$2,500 to the capital of the Partnership in exchange for 125 Units of limited partnership interest.

CRIIMI, Inc., a wholly-owned subsidiary of CRIIMI MAE Inc. ("CRIIMI MAE"), acts as the General Partner (the "General Partner") for the Partnership and holds a partnership interest of 2.9%. The General Partner provides management and administrative services on behalf of the Partnership. AIM Acquisition Partners L.P. serves as the advisor (the "Advisor") to the Partnership. The general partner of the Advisor is AIM Acquisition Corporation ("AIM Acquisition") and the limited partners include, but are not limited to, The Goldman Sachs Group, L.P., Sun America Investments, Inc. (successor to Broad, Inc.) and CRI/AIM Investment, L.P., a subsidiary of CRIIMI MAE, over which CRIIMI MAE exercises 100% voting control. AIM Acquisition is a Delaware corporation that is primarily owned by Sun America Investments, Inc. and The Goldman Sachs Group, L.P.

Pursuant to the terms of certain origination and acquisition services, management services and disposition services agreements between the Advisor and the Partnership (collectively the "Advisory Agreements"), the Advisor renders services to the Partnership, including but not limited to, the management of the Partnership's portfolio of mortgages and the disposition of the Partnership's mortgages and debentures. Such services are subject to the review and ultimate authority of the General Partner. However, the General Partner is required to receive the consent of the Advisor prior to taking certain significant actions, including but not limited to the disposition of mortgages, any transaction or agreement with the General Partner or its affiliates, or any material change as to policies regarding distributions or reserves of the Partnership (collectively the "Consent Rights"). The Advisor is permitted and has delegated the performance of services to CRIIMI MAE Services Limited Partnership ("CMSLP"), a subsidiary of CRIIMI MAE, pursuant to a sub-management agreement (the "Sub-Advisory Agreement"). The general partner and limited partner of CMSLP are wholly-owned subsidiaries of CRIIMI MAE. The delegation of such services by the Advisor to CMSLP does not relieve the Advisor of its obligation to perform such services. Furthermore the Advisor has retained its Consent Rights.

The General Partner also serves as the General Partner for American Insured Mortgage Investors -Series 85, L.P. ("AIM 85"), American Insured Mortgage Investors L.P. - Series 86 ("AIM 86") and American Insured Mortgage Investors L.P. - Series 88 ("AIM 88") and owns general partner interests of 3.9%, 4.9% and 4.9%, respectively. The Partnership, AIM 85, AIM 86 and AIM 88 are collectively referred to as the "AIM Limited Partnerships."

Prior to November 1988, the Partnership was engaged in the business of

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originating government insured mortgage loans ("Originated Insured Mortgages") and acquiring government insured mortgage loans ("Acquired Insured Mortgages" and, together with Originated Insured Mortgages, referred to herein as "Insured Mortgages"). In accordance with the terms of the Partnership Agreement, the Partnership is no longer authorized to originate or acquire Insured Mortgages and, consequently, its primary objective has been to manage its portfolio of mortgage investments, all of which were insured under Section 221(d) (4) or Section 231 of the National Housing Act of 1937, as amended (the "National Housing Act"). The Partnership Agreement states that the Partnership will terminate on December 31, 2008 unless terminated earlier under the provisions thereof. The Partnership is required, pursuant to the Partnership Agreement, to dispose of its assets prior to this date.

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As of November 1, 2003, the one remaining Insured Mortgage held by the Partnership had been assigned to HUD pursuant to Section 221(g) (4) of the National Housing Act (the "Section 221 Program"). Under the Section 221 Program, a mortgagee has the right to assign a mortgage ("put") to the United States Department of Housing and Urban Development ("HUD") at the expiration of 20 years from the date of final endorsement ("Anniversary Date") if the mortgage is not in default at such time. The mortgagee may exercise its option to put the mortgage to HUD during the one year period subsequent to the Anniversary Date. This assignment procedure is applicable to an Insured Mortgage, which had a firm or conditional commitment for HUD insurance benefits on or before November 30, 1983. Any mortgagee electing to assign an Insured Mortgage to HUD receives, in exchange therefor, HUD debentures having a total face value equal to (i) the then outstanding principal balance of the Insured Mortgage (ii) plus accrued interest on the mortgage to the date of assignment ("Debenture Issuance Date"). These HUD debentures generally mature 10 years from the date of assignment and bear interest at a rate announced semi-annually by HUD in the Federal Register ("going Federal rate") at such date. Generally, the Partnership is not the named mortgagee for the FHA-Insured Certificates. AIM 85 is the named mortgagee for the Partnership's FHA-Insured Certificates. AIM 85 is responsible for transferring the related HUD insurance claim proceeds to the Partnership. Debenture interest is expected to be paid to the Partnership in the month it is received by AIM 85. Debenture proceeds are expected to be paid to the Partnership in the month the debenture is redeemed by HUD or sold by AIM 85. Based on the recommendation of CMSLP, the sub-advisor, and the consent of the Advisor, the General Partner may elect to put Insured Mortgages to HUD, based upon, in general, but not limited to, (i) the interest rates on mortgages, (ii) the interest rates on debentures issued by HUD and (iii) the costs and risks associated with continuing to hold the Insured Mortgages.

Once the servicer of an Insured Mortgage has filed an application for insurance benefits ("HUD put date") under the Section 221 program on behalf of the Partnership, the Partnership no longer receives the monthly principal and interest on the applicable mortgage, and instead, HUD receives the monthly principal and interest. HUD issues debentures at the time the mortgage is assigned to HUD (approximately 30 days after the HUD put date); however, the debentures are not transferred to the mortgagee until HUD completes its assignment process of the Insured Mortgage. Based on the General Partner's experience, HUD's assignment process is generally six to eighteen months. After HUD completes its assignment process for the Insured Mortgage, HUD transfers to the mortgagee (i) HUD debentures, as discussed above, (ii) plus cash for accrued interest on the debentures at the going Federal rate, from the Debenture Issuance Date to the most current interest payment date. Thereafter, the mortgagee receives interest on the debentures on the semi-annual payment dates of January 1 and July 1. The going Federal rate for HUD debentures issued under the Section 221 Program for the period January 1 through June 30, 2003 was 5.75%. The Partnership will recognize a gain on a mortgage assignment at the

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time it receives notification that the assignment has been approved. HUD assignment approval generally occurs when HUD transfers the debentures to the mortgagee and/or when the Partnership receives cash for the accrued interest on the debentures. The Partnership recognizes a loss on a mortgage assignment when it becomes probable that a loss will be incurred. The gain or loss recognized is generally equal to proceeds received from HUD, as discussed above, less the amortized cost of the Insured Mortgage.

The Partnership's two debentures, with an aggregate face value of approximately \$9.0 million, and the four debentures held of record by AIM 85, with an aggregate face value due to the Partnership of approximately \$5.2 million, have been called for redemption by HUD on January 1, 2004. After the redemption of these debentures in January 2004, the Partnership's only remaining mortgage related asset will be a debenture claim for the mortgage on Kaynorth Apartments with a face value of approximately \$1.7 million. The Partnership expects to receive a 5.75% debenture for this mortgage claim within the next six months. Since this debenture is not expected to provide adequate cash flow to fund the Partnership's operating expenses, the Partnership, subject to the consent of the Advisor, plans to sell the debenture. Once the Partnership receives the proceeds from the sale of this last debenture, the Partnership expects to dissolve and terminate. Dissolution and termination of the Partnership could occur as early as the first quarter of 2004.

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2. BASIS OF PRESENTATION

The Partnership's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make 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 period. Actual results could differ from those estimates.

In the opinion of the General Partner, the accompanying unaudited financial statements contain all adjustments of a normal recurring nature necessary to present fairly the financial position of the Partnership as of September 30, 2003, the results of its operations for the three and nine months ended September 30, 2003 and 2002 and its cash flows for the nine months ended September 30, 2003 and 2002.

These unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted. While the General Partner believes that the disclosures presented are adequate to make the information not misleading, these financial statements should be read in conjunction with the financial statements and the notes to the financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2002.

3. INVESTMENT IN FHA-INSURED LOANS

Listed below is the Partnership's aggregate investment in FHA-Insured Loans as of September 30, 2003 and December 31, 2002:

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| | September 30, 2003 ----- | December 31, 2002 ----- |
|--|--------------------------------|-------------------------------|
| Number of Acquired Insured Mortgages (1) (2) (3) | - | 3 |
| Amortized Cost | \$ - | \$ 7,507,672 |
| Face Value | - | 9,407,103 |
| Fair Value | - | 9,419,737 |

- (1) In February 2003, HUD transferred assignment proceeds to the Partnership in the form of a 6.375% debenture in exchange for the mortgage on Eastdale Apartments, as discussed further in Note 5.
- (2) In May 2003, HUD transferred assignment proceeds to the Partnership in the form of a 6.375% debenture in exchange for the mortgage on North River Place, as discussed further in Note 5.
- (3) In August 2003, HUD transferred assignment proceeds to AIM 85 in the form of a 5.75% debenture in exchange for the mortgage on Town Park Apartments. Since the mortgage on Town Park Apartments was beneficially owned 50% by the Partnership and 50% by AIM 85, approximately \$589,000 of the debenture face is due to the Partnership, as discussed further in Note 6.

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4. INVESTMENT IN FHA-INSURED CERTIFICATES

Listed below is the Partnership's aggregate investment in FHA-Insured Certificates as of September 30, 2003 and December 31, 2002:

| | September 30, 2003 ----- | December 31, 2002 ----- |
|---|--------------------------------|-------------------------------|
| Number of mortgages (1) (2) (3) (4) (5) | 1 | 5 |
| Amortized Cost | \$ 1,442,836 | \$ 6,685,273 |
| Face Value | 1,711,751 | 7,936,376 |
| Fair Value | 1,714,975 | 7,966,438 |

- (1) In January 2003, the Partnership received assignment proceeds from HUD for the mortgage on Westbrook Apartments. The servicer of this mortgage filed a Notice of Election to Assign in November 2002 due to its default status. The Partnership received net proceeds of approximately \$1.5 million, which included 90% of the unpaid principal balance of this mortgage, plus interest at the debenture rate of 9.875% from September 2002 through January 2003. In October 2003, the Partnership received the final payment of approximately \$165,000 (representing 9% of the unpaid principal balance, plus accrued interest.) This amount was included in Due from affiliate on the Partnership's balance sheet as of September 30, 2003. The Partnership recognized a gain of approximately \$228,000 during the nine months

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ended September 30, 2003. The Partnership declared a distribution of approximately \$0.14 per Unit related to this assignment in March 2003 and was paid to Unitholders in May 2003.

- (2) In February 2003, HUD transferred assignment proceeds to AIM 85 in the form of a 6.375% debenture in exchange for the mortgage on Baypoint Shoreline Apartments. Since the mortgage on Baypoint Shoreline Apartments was beneficially owned 50% by the Partnership and 50% by AIM 85, approximately \$906,000 of the debenture face is due to the Partnership, as discussed further in Note 6.
- (3) In July 2003, HUD transferred assignment proceeds to AIM 85 in the form of a 5.75% debenture in exchange for the mortgage on College Green Apartments. Since the mortgage on College Green Apartments was beneficially owned 50% by the Partnership and 50% by AIM 85, approximately \$1.3 million of the debenture face is due to the Partnership, as discussed further in Note 6.
- (4) In July 2003, HUD transferred assignment proceeds to AIM 85 in the form of a 5.75% debenture in exchange for the mortgage on Brougham Estates II. Since the mortgage on Brougham Estates II was beneficially owned 50% by the Partnership and 50% by AIM 85, approximately \$2.4 million of the debenture face is due to the Partnership, as discussed further in Note 6.
- (5) In April 2003, the servicer of the mortgage on Kaynorth Apartments filed an application to put this mortgage to HUD under the Section 221 Program. The face value of this mortgage was approximately \$1.7 million as of the application date. The Partnership no longer receives monthly principal and interest from a mortgage that is put to HUD under the Section 221 Program. HUD receives the monthly principal and interest and the Partnership earns semi-annual interest on a debenture issued by HUD, as discussed above. The Partnership has not received approval for this assignment as of November 1, 2003, and will continue to accrue interest on the mortgage until the debenture is transferred to the Partnership and it begins receiving the debenture interest. As discussed in Note 1 above, the Partnership expects to receive a 5.75% debenture for this mortgage claim within the next six months. Since this debenture will be the Partnership's only remaining asset after January 1, 2004 and is not expected to provide adequate cash flow to fund the Partnership's operating expenses, the General Partner, subject to the consent of the Advisor, intends to sell the debenture. The fair value of this mortgage is included in Investment in FHA-Insured Certificates on the Partnership's balance sheet as of September 30, 2003.

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5. INVESTMENT IN DEBENTURES

Listed below is the Partnership's aggregate investment in debentures as of September 30, 2003. The debentures were received from HUD in exchange for mortgages put to HUD under the section 221 program. The servicer of the respective mortgages filed the claims on the "Application date" listed below. The debenture and accrued interest were received on the "Date received from HUD" as listed below.

(Dollars in thousands)

| Redemption | Debenture Interest | Face | Application | Date received |
|------------|--------------------|------|-------------|---------------|
|------------|--------------------|------|-------------|---------------|

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| Property Name ----- | Date ---- | Rate ---- | Value ----- | Date ----- | from HUD ----- |
|------------------------|--------------|--------------|----------------|---------------|-------------------|
| Eastdale Apartments | 01/01/2004 | 6.375% | \$ 6,126 | Jun 2002 | Feb 2003 |
| North River Place | 01/01/2004 | 6.375% | 2,863 | Jun 2002 | May 2003 |
| Total | | | \$ 8,989 | | |
| | | | ===== | | |

The debentures pay interest semi-annually on January 1 and July 1. These debentures have been called by HUD for redemption on January 1, 2004, at face amount plus accrued interest. A distribution will be declared after the debenture proceeds are received by the Partnership. The fair value of the debentures is included in Investment in debentures on the Partnership's balance sheet as of September 30, 2003.

6. DUE FROM AFFILIATE

Listed below are assignment proceeds due from AIM 85. The proceeds were transferred from HUD to AIM 85 in the form of debentures. The debentures were issued to AIM 85 by HUD in exchange for mortgages put to HUD under the Section 221 program. Since the mortgages assigned were beneficially owned 50% by the Partnership and 50% by AIM 85, approximately \$5.2 million of the aggregate debenture face amount plus accrued interest is due to the Partnership. As indicated in the table below, the debentures have been called by HUD for redemption on January 1, 2004, at face amount plus accrued interest. The Partnership expects to receive its' portion of the face value, plus accrued interest soon after the redemption date. The application date is the date the servicer of the respective mortgage filed an application for insurance benefits under the Section 221 Program. The receipt date is the date AIM 85 received the debenture and the Partnership reported a gain related to the assignment of the respective mortgage. The debentures pay interest semi-annually on January 1 and July 1. The fair value of the Partnership's portion of the debentures is included in Due from affiliate on the Partnership's balance sheet at September 30, 2003.

(Dollars in thousands)

| Debenture for mortgage on: ----- | Redemption Date ----- | Debenture Interest Rate ----- | Due from Affiliate ----- | Application Date ----- | Receipt Date ----- | Gain in 2003 ----- |
|-------------------------------------|-----------------------------|--|--------------------------------|------------------------------|--------------------------|--------------------------|
| Baypoint Shoreline Apartments | 01/01/2004 | 6.375% | \$ 906 | Jun-02 | Feb-03 | \$ 131 |
| College Green Apartments | 01/01/2004 | 5.750% | 1,286 | Feb-03 | Jul-03 | 192 |
| Brougham Estates II | 01/01/2004 | 5.750% | 2,387 | Feb-03 | Aug-03 | 349 |
| Town Park Apartments | 01/01/2004 | 5.750% | 589 | Feb-03 | Aug-03 | 87 |
| Total debentures | | | \$ 5,168 | | | \$ 759 |
| | | | ===== | | | ===== |

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7. DISTRIBUTIONS TO UNITHOLDERS

The distributions paid or accrued to Unitholders on a per Unit basis for

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the nine months ended September 30, 2003 and 2002 are as follows:

| Quarter Ended | 2003 | 2002 |
|---------------|-------------|-------------|
| March 31 | \$ 0.16 (1) | \$ 0.16 (2) |
| June 30 | 0.02 | 0.05 |
| September 30 | 0.02 | 0.47 (3) |
| | \$ 0.20 | \$ 0.68 |
| | ===== | ===== |

- (1) This amount includes approximately \$0.14 per Unit related to the proceeds received from the assignment of the mortgage on Westbrook Apartments.
- (2) This amount includes approximately \$0.11 per Unit due to the redemption of the HUD debenture received from the assignment to HUD of the Fox Run Apartments mortgage.
- (3) This amount includes approximately \$0.47 per unit representing net proceeds from the prepayment of the mortgage on Creekside Village Apartments.

The basis for paying distributions to Unitholders is net proceeds from mortgage and/or debenture dispositions, if any, and cash flow from operations, which includes regular interest income and principal from Insured Mortgages and interest on debentures. Although the debentures have a fixed semi-annual interest payment and Insured Mortgages pay a fixed monthly mortgage payment, the cash distributions paid to the Unitholders will vary during each quarter due to (1) the fluctuating yields in the short-term money market where the debenture interest and monthly mortgage payments are temporarily invested prior to the payment of quarterly distributions, (2) the reduction in the mortgage base and monthly mortgage payments resulting from mortgage assignments, (3) the reduction in debenture interest resulting from debenture dispositions, and (4) variations in the Partnership's operating expenses. As the Partnership continues to liquidate its mortgage investments, debentures are redeemed by HUD and Unitholders receive distributions of return of capital and taxable gains, Unitholders should expect a reduction in earnings and distributions due to the decreasing asset base. As discussed in Note 1 above, the Partnership expects to dissolve and terminate in early 2004. In connection with the expected disposition of the last remaining debenture and the expected termination and dissolution of the Partnership, the final distribution to Unitholders will be made in accordance with the terms of the Partnership Agreement, as amended. This final distribution will be based on the Partnership's remaining net assets, and such distribution to Unitholders is likely to be substantially less than the amount referenced in limited partners' equity in the Partnership's financial statements.

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8. TRANSACTIONS WITH RELATED PARTIES

The General Partner, CMSLP and certain affiliated entities have, during the three and nine months ended September 30, 2003 and 2002, earned or received compensation or payments for services from the Partnership as follows:

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COMPENSATION PAID OR ACCRUED TO RELATED PARTIES

| Name of Recipient ----- | Capacity in Which Served/Item ----- | For the three months ended September 30, | | For end 200 |
|---------------------------------------|--|---|---------------|-------------------|
| | | 2003 ----- | 2002 ----- | |
| CRIMMI, Inc. (1) | General Partner/Distribution | \$5,973 | \$140,372 | \$59, |
| AIM Acquisition Partners, L.P. (2) | Advisor/Asset Management Fee | 9,494 | 45,736 | 57, |
| CRIIMI MAE Management, Inc. (3) | Affiliate of General Partner/ Expense Reimbursement | 13,399 | 12,620 | 37, |

- (1) The General Partner, pursuant to the Partnership Agreement, is entitled to receive 2.9% of the Partnership's income, loss, capital and distributions, including, without limitation, the Partnership's adjusted cash from operations and proceeds of mortgage prepayments, sales or insurance (as defined in the Partnership Agreement).
- (2) The Advisor, pursuant to the Partnership Agreement, is entitled to an Asset Management Fee equal to 0.95% of Total Invested Assets (as defined in the Partnership Agreement), which excludes debentures. CMSLP, pursuant to the Sub-Advisory Agreement, is entitled to a fee equal to 0.28% of Total Invested Assets from the Advisor's Asset Management Fee. Of the amounts paid to the Advisor, CMSLP earned a fee equal to \$2,798 and \$16,867 for the three and nine months ended September 30, 2003, respectively, and \$16,867 and \$45,357 for the three and nine months ended September 30, 2002, respectively. The general partner and limited partner of CMSLP are wholly owned subsidiaries of CRIIMI MAE.
- (3) CRIIMI MAE Management, Inc., an affiliate of the General Partner, is reimbursed for personnel and administrative services on an actual cost basis.

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PART I. FINANCIAL INFORMATION
 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
 AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS. When used in this Quarterly Report on Form 10-Q, the words "believe," "anticipate," "expect," "contemplate," "may," "will," and similar expressions are intended to identify forward-looking statements. Statements looking forward in time are included in this Quarterly Report on Form 10-Q 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. Accordingly, the following information contains or may contain forward-looking statements: (1) information included or incorporated by reference in this Quarterly Report on Form 10-Q, including, without limitation, statements made under Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, (2) information included or incorporated by reference in prior and future filings by the Partnership with the Securities and Exchange Commission ("SEC") including, without limitation, statements with respect to

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growth, projected revenues, earnings, returns and yields on its portfolio of mortgage assets, the impact of interest rates, costs and business strategies and plans and (3) information contained in written material, releases and oral statements issued by or on behalf of, the Partnership, including, without limitation, statements with respect to growth, projected revenues, earnings, returns and yields on its portfolio of mortgage assets, the impact of interest rates, costs and business strategies and plans, the timing and amount of distributions to Unitholders, and the estimated timing of the dissolution and termination of the Partnership. Factors which may cause actual results to differ materially from those contained in the forward-looking statements identified above include, but are not limited to (i) regulatory and litigation matters, (ii) interest rates, (iii) trends in the economy, (iv) assignment of mortgages, and the timing of the issuance of debentures by HUD, (v) defaulted mortgages, (vi) errors in servicing defaulted mortgages, (vii) the timing and ability to sell debentures (if at all) on acceptable terms and the amount of proceeds from the sales thereof, (viii) the timing and amount of any final distributions to Unitholders and the timing of dissolution and termination of the Partnership, and (ix) variations in professional fees. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only of the date hereof. The Partnership undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

Mortgage Investments

As of September 30, 2003, the Partnership had invested in one Insured Mortgage and six debentures, four of which are due from an affiliate, with an aggregate amortized cost of approximately \$15.6 million, face value of approximately \$15.9 million and fair value of approximately \$15.9 million.

The Partnership's two debentures, with an aggregate face value of approximately \$9.0 million, and the four debentures held of record by AIM 85, with an aggregate face value due to the Partnership of approximately \$5.2 million, have been called for redemption by HUD on January 1, 2004. After the redemption of these debentures in January 2004, the Partnership's only remaining mortgage related asset will be a debenture claim for the mortgage on Kaynorth Apartments with a face value of approximately \$1.7 million. The Partnership expects to receive a 5.75% debenture for this mortgage claim within the next six months. Since this debenture is not expected to provide adequate cash flow to fund the Partnership's operating expenses, the Partnership, subject to the consent of the Advisor, plans to sell the debenture. Once the Partnership receives the proceeds from the sale of this last debenture, the Partnership expects to dissolve and terminate. Dissolution and termination of the Partnership could occur as early as the first quarter of 2004.

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Results of Operations

Net earnings increased by approximately \$414,000 and \$2.2 million for the three and nine months ended September 30, 2003, respectively, as compared to the corresponding periods in 2002, primarily due to increases in gains on mortgage dispositions and interest and other income, partially offset by a reduction in mortgage investment income.

Mortgage investment income decreased by approximately \$346,000 and \$924,000 for the three and nine months ended September 30, 2003, respectively, as

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compared to the corresponding periods in 2002, primarily due a reduction in the mortgage base. The mortgage base has decreased due to the prepayment of one mortgage and the assignment of seven mortgages since September 2002.

Interest and other income increased by approximately \$182,000 and \$392,000 for the three and nine months ended September 30, 2003, respectively, as compared to the corresponding periods in 2002. This increase is primarily due to the interest earned on the debentures received from HUD.

Asset management fee to related parties decreased by approximately \$36,000 and \$97,000 for the three and nine months ended September 30, 2003, respectively, as compared to the corresponding periods in 2002, primarily due to the reduction in the mortgage base, as discussed above.

General and administrative expenses decreased by approximately \$10,000 and \$14,000 for the three and nine months ended September 30, 2003, primarily due to a reduction in service fees and other administrative expenses as a result of the reduction in the mortgage base, as previously discussed.

Gains on mortgage dispositions increased by approximately \$532,000 and \$2.6 million for the three and nine months ended September 30, 2003, respectively, as compared to the corresponding periods in 2002. During the third quarter of 2003, the Partnership recognized gains of approximately \$627,000 from the assignment of three mortgages. During the third quarter of 2002, the Partnership recognized a gain of approximately \$95,000 from the prepayment of one mortgage. During the first six months of 2003, the Partnership recognized gains of approximately \$2.1 million from the assignment of four mortgages. No gains or losses were recognized during the first six months of 2002.

Liquidity and Capital Resources

The Partnership's operating cash receipts, derived from interest on debentures, payments of principal and interest on Insured Mortgages, and cash receipts from interest on short-term investments, were sufficient during the nine months ended September 30, 2003 to meet operating requirements. The basis for paying distributions to Unitholders is net proceeds from mortgage and/or debenture dispositions, if any, and cash flow from operations, which includes regular interest income and principal from Insured Mortgages and interest on debentures. Although the debentures have a fixed semi-annual interest payment and Insured Mortgages pay a fixed monthly mortgage payment the cash distributions paid to the Unitholders will vary during each quarter due to (1) the fluctuating yields in the short-term money market where the debenture interest and monthly mortgage payments are temporarily invested prior to the payment of quarterly distributions, (2) the reduction in the mortgage base and monthly mortgage payments resulting from mortgage assignments, (3) the reduction in debenture interest resulting from debenture dispositions, and (4) variations in the Partnership's operating expenses. In connection with the Partnership's expected sale of debentures and redemption of debentures by HUD, and the related distributions to Unitholders of return of capital and taxable gains, Unitholders should expect a reduction in earnings and distributions due to the decreasing asset base. As discussed in "Mortgage Investments," the Partnership expects to dissolve and terminate in the next six months and possibly as early as the first quarter of 2004. In connection with the expected disposition of the last remaining debenture and the expected termination and dissolution of the Partnership, the final distribution to Unitholders will be made in accordance with the terms of the Partnership Agreement, as amended. This final distribution will be based on the Partnership's remaining net assets, and such distribution to Unitholders is likely to be substantially less than the amount referenced in limited partners' equity in the Partnership's financial statements.

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Net cash provided by operating activities decreased by approximately \$31,000 for the nine months ended September 30, 2003, as compared to the corresponding period in 2002, primarily due a reduction in mortgage investment income, partially offset by an increase in interest and other income, decreased expenses and the receipt of interest in 2003 which was accrued in 2002 for mortgages awaiting assignment to HUD.

Net cash provided by investing activities decreased by approximately \$5.0 million for the nine months ended September 30, 2003, as compared to the corresponding period in 2002, primarily due to decreases in proceeds received from the disposition of mortgages and debenture proceeds received from affiliate in 2002.

Net cash used in financing activities increased by approximately \$1.0 million for the nine months ended September 30, 2003, as compared to the corresponding period in 2002, primarily due to an increase in the amount of distributions paid to partners in the first nine months of 2003 compared to the same period in 2002.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The General Partner has determined that there has not been a material change as of September 30, 2003, in market risk from December 31, 2002 as reported in the Partnership's Annual Report on Form 10-K as of December 31, 2002.

ITEM 4. CONTROLS AND PROCEDURES

Within 90 days prior to the date of filing the Quarterly Report on Form 10-Q, the General Partner carried out an evaluation, under the supervision and with the participation of the General Partner's management, including the General Partner's Chairman of the Board and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based on that evaluation, the General Partner's CEO and CFO concluded that its disclosure controls and procedures are effective and timely in alerting them to material information relating to the Partnership required to be included in the Partnership's periodic SEC filings. There were no significant changes in the General Partner's internal controls or in other factors that could significantly affect these internal controls subsequent to the date of its most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

| Exhibit No. ----- | Purpose ----- |
|----------------------|---|
| 31.1 | Certification pursuant to the Exchange Act Rule 13a-14(a) from Barry S. Blattman, Chairman of |

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the Board and Chief Executive Officer of the General Partner (Filed herewith).

- 31.2 Certification pursuant to the Exchange Act Rule 13a-14(a) from Cynthia O.Azzara, Executive Vice President, Chief Financial Officer and Treasurer of the General Partner (Filed herewith).
- 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from Barry S. Blattman, Chairman of the Board and Chief Executive Officer of the General Partner (Filed herewith).
- 32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from Cynthia O. Azzara, Executive Vice President, Chief Financial Officer and Treasurer of the General Partner (Filed herewith).

(b) Reports on Form 8-K

Date

August 14, 2003

To report a press release issued on August 13, 2003 announcing the Partnership's second quarter financial results.

September 24, 2003

To report a press release issued on September 19, 2003 announcing the quarterly distribution to the Partnership's Unitholders.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN INSURED
MORTGAGE INVESTORS
(Registrant)
By: CRIIMI, Inc.
General Partner

November 13, 2003

Date

/s/ Cynthia O. Azzara

Cynthia O. Azzara
Executive Vice President,
Chief Financial Officer and
Treasurer (Principal
Accounting Officer)

