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AMERICAN INSURED MORTGAGE INVESTORS

Form 10-Q

August 13, 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 June 30, 2003

Commission file number 1-11060

AMERICAN INSURED MORTGAGE INVESTORS

(Exact name of registrant as specified in charter)

California 13-3180848

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

11200 Rockville Pike, Rockville, Maryland 20852

(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 defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2003, 10,000,125 depository units of limited partnership interest were outstanding.

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AMERICAN INSURED MORTGAGE INVESTORS

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FOR THE QUARTER ENDED JUNE 30, 2003

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AMERICAN INSURED MORTGAGE INVESTORS

BALANCE SHEETS

| | June 30, 2003 | December 31, 2002 |
|-------------|------------------|----------------------|
| | ----- | ----- |
| (Unaudited) | | |

ASSETS

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| | | |
|---|----------------------|----------------------|
| Investment in FHA-Insured Loans, at amortized cost, net of unamortized discount: | | |
| Acquired insured mortgages | \$ 486,853 | \$ 7,507,672 |
| Investment in FHA-Insured Certificates, at fair value | 5,351,978 | 7,966,438 |
| Investment in debentures, at fair value | 8,989,212 | - |
| Cash and cash equivalents | 642,305 | 2,252,969 |
| Receivables and other assets | 485,697 | 680,850 |
| Due from affiliate | 1,097,224 | - |
| Total assets | <u>\$ 17,053,269</u> | <u>\$ 18,407,929</u> |
| LIABILITIES AND PARTNERS' EQUITY | | |
| Distributions payable | \$ 205,976 | \$ 1,853,782 |
| Accounts payable and accrued expenses | 65,031 | 62,286 |
| Total liabilities | <u>271,007</u> | <u>1,916,068</u> |
| Partners' equity: | | |
| Limited partners' equity, 10,000,125 Units authorized, issued and outstanding | 21,409,616 | 20,710,971 |
| General partner's deficit | (5,479,410) | (5,500,275) |
| Accumulated other comprehensive income | 852,056 | 1,281,165 |
| Total partners' equity | <u>16,782,262</u> | <u>16,491,861</u> |
| Total liabilities and partners' equity | <u>\$ 17,053,269</u> | <u>\$ 18,407,929</u> |

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

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

For the three months ended
June 30,
2003 2002

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| | | | |
|--|------------|------------|----|
| Income: | | | |
| Mortgage investment income | \$ 153,607 | \$ 504,602 | \$ |
| Interest and other income | 154,110 | 2,449 | |
| | ----- | ----- | |
| | 307,717 | 507,051 | |
| | ----- | ----- | |
| Expenses: | | | |
| Asset management fee to related parties | 17,491 | 54,084 | |
| General and administrative | 50,492 | 45,419 | |
| | ----- | ----- | |
| | 67,983 | 99,503 | |
| | ----- | ----- | |
| Net earnings before gains on mortgage dispositions | 239,734 | 407,548 | |
| Gains on mortgage dispositions | 531,862 | - | |
| | ----- | ----- | |
| Net earnings | \$ 771,596 | \$ 407,548 | \$ |
| | ===== | ===== | |
| Other comprehensive (loss) income - adjustment to unrealized gains on investments in insured mortgages | (11,035) | 190,102 | |
| | ----- | ----- | |
| Comprehensive income | \$ 760,561 | \$ 597,650 | \$ |
| | ===== | ===== | |
| Net earnings allocated to: | | | |
| Limited partners - 97.1% | \$ 749,220 | \$ 395,729 | \$ |
| General Partner - 2.9% | 22,376 | 11,819 | |
| | ----- | ----- | |
| | \$ 771,596 | \$ 407,548 | \$ |
| | ===== | ===== | |
| Net earnings per Unit of limited partnership interest - basic | \$ 0.07 | \$ 0.04 | \$ |
| | ===== | ===== | |

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 six months ended June 30, 2003

(Unaudited)

| | | | |
|--|--------------------|---------------------|--|
| | General Partner | Limited Partners | |
| | ----- | ----- | |

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| | | | |
|--|----------------|---------------|----|
| Balance, December 31, 2002 | \$ (5,500,275) | \$ 20,710,971 | \$ |
| Net earnings | 74,625 | 2,498,667 | |
| Adjustment to unrealized gains on investments in insured mortgages | - | - | |
| Distributions paid or accrued of \$0.18 per Unit, including return of capital of \$0.14 per Unit | (53,760) | (1,800,022) | |
| | ----- | ----- | |
| Balance, June 30, 2003 | \$ (5,479,410) | \$ 21,409,616 | \$ |
| | ===== | ===== | |
| Limited Partnership Units outstanding - basic, as of June 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)

| | |
|---|-------|
| Cash flows from operating activities: | |
| Net earnings | \$ 2, |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | |
| Gains on mortgage dispositions | (2, |
| Changes in assets and liabilities: | |
| Net decrease in due from affiliate and receivables and other assets | |
| Increase (decrease) in accounts payable and accrued expenses | |
| | ----- |
| Net cash provided by operating activities | ----- |
| Cash flows provided by investing activities: | |
| Debenture proceeds received from affiliate | |
| Proceeds from disposition of mortgage | 1, |
| Receipt of mortgage principal from scheduled payments | |
| | ----- |
| Net cash provided by investing activities | 1, |
| | ----- |
| Cash flows used in financing activities: | |
| Distributions paid to partners | (3, |
| | ----- |

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| | |
|--|-------------|
| Net (decrease) increase in cash and cash equivalents | (1, |
| Cash and cash equivalents, beginning of period | 2, ----- |
| Cash and cash equivalents, end of period | \$ ===== |
| Non-cash investing activity: | |
| 6.375% debenture received from HUD for the mortgage on Eastdale Apartments | \$ 6, |
| 6.375% debenture received from HUD for the mortgage on North River Place | 2, |
| 50% share of 6.375% debenture received from HUD in exchange for the mortgage on Baypoint Shoreline Apartments (debenture is held by AIM 85) | |
| 9% of proceeds due from HUD, through AIM 85, for the mortgage on Westbrook Apartments | |

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

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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. Such services are subject to the review and ultimate authority of the

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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 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 is to manage its portfolio of mortgage investments, all of which are 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 August 1, 2003, all of the Insured Mortgages held by the Partnership have 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)

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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 will no longer receive the monthly principal and interest on the applicable mortgage, and instead, HUD will begin receiving 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 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.

Pursuant to the terms of the Partnership Agreement, the Partnership must terminate and dissolve after disposition of all Insured Mortgages and HUD debentures held in its portfolio, but no later than December 31, 2008. All of the Insured Mortgages held by the Partnership have been put to HUD by the respective servicers, as discussed below. The Partnership expects to dispose of any debentures prior to the December 31, 2008 partnership termination date. Early prepayment by HUD of some or all HUD debentures held by the Partnership may effect an early termination and dissolution of the Partnership before the stated termination date of December 31, 2008. As a result, Unitholders' yield to maturity on their respective investments in the Partnership may be adversely affected by such early termination of the Partnership.

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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 June 30, 2003, the results of its operations for the three and six months ended June 30, 2003 and 2002 and its cash flows for the six months ended June 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

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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 June 30, 2003 and December 31, 2002:

| | June 30, 2003 | December 31, 2002 |
|--|------------------|----------------------|
| | ----- | ----- |
| Number of Acquired Insured Mortgages (1) (2) | 1 | 3 |
| Amortized Cost | \$ 486,853 | \$ 7,507,672 |
| Face Value | 576,783 | 9,407,103 |
| Fair Value | 577,901 | 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.

The mortgage discussed below is included in the table above.

Mortgage in the Section 221 HUD assignment process

The mortgage on Town Park Apartments was put to HUD under the Section 221 Program by the servicer in March 2003. The aggregate face value of this mortgage was approximately \$583,000 as of the HUD put date. The Partnership no longer receives monthly principal and interest from mortgages that are 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 previously. The Partnership has not received approval for this assignment as of August 1, 2003, and will continue to accrue interest on the mortgage until a debenture is transferred to the Partnership and the Partnership begins receiving the debenture interest. The amortized cost of this Insured Mortgage is included in Investment in FHA-Insured Loans on the Partnership's balance sheet as of June 30, 2003.

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4. INVESTMENT IN FHA-INSURED CERTIFICATES

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

| | June 30, 2003 | December 31, 2002 |
|---------------------------------|------------------|----------------------|
| | ----- | ----- |
| Number of mortgages (1) (2) (3) | 3 | 5 |
| Amortized Cost | \$ 4,499,922 | \$ 6,685,273 |

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| | | |
|------------|-----------|-----------|
| Face Value | 5,341,959 | 7,936,376 |
| Fair Value | 5,351,978 | 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. The remaining amount due from HUD, through AIM 85, is approximately \$150,000 (representing 9% of the unpaid principal balance) and is included in Due from affiliate on the Partnership's balance sheet as of June 30, 2003. The Partnership recognized a gain of approximately \$228,000 during the six months ended June 30, 2003. The Partnership declared a distribution of approximately \$0.14 per Unit related to this assignment in March 2003 and 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.

The mortgages discussed below are included in the table above.

Mortgages in the Section 221 HUD assignment process

The mortgages on Brougham Estates and Kaynorth Apartments were put to HUD under the Section 221 Program by the respective servicers in February 2003 and April 2003, respectively. The aggregate face value of these mortgages was approximately \$4.1 million as of the HUD put dates. The Partnership no longer receives monthly principal and interest from mortgages that are put to HUD under the Section 221 Program. HUD receives the monthly principal and interest and the Partnership earns semi-annual interest on debentures issued by HUD, as discussed previously. The Partnership has not received approval for these assignments as of August 1, 2003, and will continue to accrue interest on these mortgages until the debentures are transferred to the mortgagee and the Partnership begins receiving the debenture interest. The fair value of these mortgages is included in Investment in FHA-Insured Certificates on the Partnership's balance sheet as of June 30, 2003.

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5. INVESTMENT IN DEBENTURES

Listed below is the Partnership's aggregate Investment in debentures as of June 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)

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| Property Name | Debenture Interest Rate | Face Value | Application Date | Date received from HUD | Gain in 2003 |
|---------------------|-------------------------|------------|------------------|------------------------|--------------|
| Eastdale Apartments | 6.375% | \$ 6,126 | Jun 2002 | Feb 2003 | \$ 1,182 |
| North River Place | 6.375% | 2,863 | Jun 2002 | May 2003 | 532 |
| Total | | \$ 8,989 | | | \$ 1,714 |

The debentures, with a face value and a fair value of approximately \$9.0 million as of June 30, 2003, pay interest semi-annually on January 1 and July 1. The debentures may be called by HUD prior to the respective maturity date. A distribution is expected to be declared after the debenture proceeds are received. The fair value of the debentures is included in Investment in debentures on the Partnership's balance sheet as of June 30, 2003.

6. DUE FROM AFFILIATE

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. The servicer of this mortgage filed an application for insurance benefits under the Section 221 Program in June 2002. The debenture, with a face value and a fair value of approximately \$1.8 million as of June 30, 2003, pays interest semi-annually on January 1 and July 1 and matures on June 27, 2012. The debenture may be called prior to its maturity date. A distribution is expected to be declared after the debenture proceeds are received. The Partnership recognized a gain of approximately \$131,000 during the six months ended June 30, 2003. The fair value of the Partnership's portion of this debenture is included in Due from affiliate on the Partnership's balance sheet as of June 30, 2003.

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. The servicer of this mortgage filed an application for insurance benefits under the Section 221 Program in February 2003. The debenture pays interest semi-annually on January 1 and July 1 and matures on February 25, 2013. The debenture may be called by HUD prior to its maturity date. A distribution is expected to be declared after the debenture proceeds are received. The Partnership expects to recognize a gain of approximately \$192,000 during the third quarter of 2003. The amortized cost of the Partnership's portion of the mortgage on College Green Apartments is included in Investment in FHA-Insured Certificates on the Partnerships' balance sheet as of June 30, 2003.

As discussed in Note 4, the Partnership has a receivable of approximately \$150,000 for the remaining amount due from HUD, through AIM 85, related to the Westbrook Apartments assignment.

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7. DISTRIBUTIONS TO UNITHOLDERS

The distributions paid or accrued to Unitholders on a per Unit basis for the six months ended June 30, 2003 and 2002 are as follows:

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| Quarter Ended | 2003 | 2002 |
|---------------|-------------|-------------|
| March 31 | \$ 0.16 (1) | \$ 0.16 (2) |
| June 30 | \$ 0.02 | \$ 0.05 |
| | \$ 0.18 | \$ 0.21 |
| | ===== | ===== |

- (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. This amount was received from AIM 85. The debenture was issued to AIM 85 as the record owner of the Fox Run Apartments mortgage. The Partnership was a 50% beneficial owner of the Fox Run Apartments mortgage.

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 Insured Mortgages pay a fixed monthly mortgage payment and the debentures have a fixed semi-annual interest 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 monthly mortgage payments and debenture interest are temporarily invested prior to the payment of quarterly distributions, (2) the reduction in the asset base and monthly mortgage payments resulting from monthly mortgage payments received or mortgage and debenture dispositions, (3) variations in the cash flow attributable to the delinquency or default of Insured Mortgages and professional fees and foreclosure costs incurred in connection with those Insured Mortgages and (4) variations in the Partnership's operating expenses. As the Partnership continues to liquidate its mortgage investments and Unitholders receive distributions of return of capital and taxable gains, Unitholders should expect a reduction in earnings and distributions due to the decreasing mortgage base. Early prepayment by HUD of some or all of the debentures, or a sale of some or all of the debentures by the Partnership (subject to Advisor and Unitholder approval, if required), may effect an early termination and dissolution of the Partnership before the stated termination date of December 31, 2008. Accordingly, Unitholders' yield to maturity on their respective investments in the Partnership may be adversely affected by such early termination of the Partnership. Upon the termination and liquidation of the Partnership, distributions to Unitholders will be made in accordance with the terms of the Partnership Agreement, as amended, which is not based on GAAP. As a result, it is likely that the amounts that Unitholders receive upon termination and liquidation of the Partnership will be substantially lower than the amounts reflected 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 six months ended June 30, 2003 and 2002, earned or received compensation or payments for services from the Partnership as follows:

COMPENSATION PAID OR ACCRUED TO RELATED PARTIES

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| Name of Recipient ----- | Capacity in Which Served/Item ----- | For the three months ended June 30, | | For the |
|---------------------------------------|--|--|-----------|------------------------|
| | | 2003 | 2002 | ended 2003 ----- |
| CRIIMI, Inc. (1) | General Partner/Distribution | \$ 5,974 | \$ 14,934 | \$ 53,760 |
| AIM Acquisition Partners, L.P. (2) | Advisor/Asset Management Fee | 17,491 | 54,084 | 47,736 |
| CRIIMI MAE Management, Inc. (3) | Affiliate of General Partner/ Expense Reimbursement | 9,830 | 12,387 | 24,374 |

- (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 \$5,155 and \$14,069 for the three and six months ended June 30, 2003, respectively, and \$15,939 and \$31,878 for the three and six months ended June 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 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. Factors which may cause actual

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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) prepayment of mortgages, (v) defaulted mortgages, (vi) errors in servicing defaulted mortgages, (vii) sales of mortgage investments below fair market value and (viii) 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 June 30, 2003, the Partnership had invested in four Insured Mortgages and three debentures, one of which is due from an affiliate, with an aggregate amortized cost of approximately \$14.9 million, face value of approximately \$15.8 million and fair value of approximately \$15.8 million. As of August 1, 2003, all of the Partnership's Insured Mortgages are in the Section 221 HUD assignment process as discussed in the Notes to Financial Statements.

In May 2003, the Partnership received a debenture from HUD in exchange for the Section 221 assignment of the mortgage on North River Place. In February 2003, the Partnership received two debentures from HUD in exchange for the Section 221 assignments of the mortgages on Baypoint Shoreline Apartments and Eastdale Apartments. In January 2003, the Partnership received cash in exchange for the assignment of the mortgage on Westbrook Apartments. These assignments are discussed further in the Notes to Financial Statements.

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. The servicer of this mortgage filed an application for insurance benefits under the Section 221 Program in February 2003. The debenture pays interest semi-annually on January 1 and July 1 and matures on February 25, 2013. The debenture may be called by HUD prior to its maturity date. A distribution is expected to be declared after the debenture proceeds are received. The Partnership expects to recognize a gain of approximately \$192,000 during the third quarter 2003.

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Results of Operations

Net earnings increased by approximately \$364,000 and \$1.8 million for the three and six months ended June 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 \$351,000 and \$578,000 for the three and six months ended June 30, 2003, respectively, as compared to the corresponding periods in 2002, primarily due a reduction in the mortgage base. The mortgage base decreased due to six mortgage dispositions with an aggregate principal balance of approximately \$18.2 million, representing an approximate 75% decrease in the aggregate principal balance of the mortgage portfolio since June 2002.

Interest and other income increased by approximately \$152,000 and \$210,000 for the three and six months ended June 30, 2003, respectively, as compared to

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the corresponding periods in 2002. This increase is primarily due to the interest earned on the debentures received from HUD, as previously discussed.

Asset management fee to related parties decreased by approximately \$37,000 and \$60,000 for the three and six months ended June 30, 2003, respectively, as compared to the corresponding periods in 2002, primarily due to the reduction in the mortgage base, as previously discussed.

General and administrative expenses increased by approximately \$5,000 for the three months ended June 30, 2003 primarily due to an increase in professional fees. General and administrative expenses decreased by approximately \$4,000 for the six months ended June 30, 2003, as compared to the corresponding period in 2002 primarily due to an overall decrease in professional fees.

Gains on mortgage dispositions increased by approximately \$532,000 and \$2.1 million for the three and six months ended June 30, 2003, respectively, as compared to the corresponding periods in 2002. During the first quarter of 2003, the Partnership recognized gains of approximately \$1.5 million from the assignment of three mortgages and in the second quarter of 2003 the Partnership recognized a gain of approximately \$532,000 from the assignment of one mortgage. No gains or losses were recognized during the first six months of 2002.

Liquidity and Capital Resources

The Partnership's remaining Insured Mortgages have been put to HUD, as previously discussed. After these mortgages are put to HUD, the Partnership's net cash flows are reduced for several months until a debenture is issued in exchange for the mortgage.

The Partnership's operating cash receipts, derived from payments of principal and interest on Insured Mortgages, interest on debentures and cash receipts from interest on short-term investments, were sufficient for the six months ended June 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 Insured Mortgages pay a fixed monthly mortgage payment and the debentures have a fixed semi-annual interest 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 monthly mortgage payments and debenture interest are temporarily invested prior to the payment of quarterly distributions, (2) the reduction in the asset base and monthly mortgage payments resulting from monthly mortgage payments received or mortgage and debenture dispositions, (3) variations in the cash flow attributable to the delinquency or default of Insured Mortgages and professional fees and foreclosure costs incurred in connection with those Insured Mortgages and (4) variations in the Partnership's operating expenses. As the Partnership continues to liquidate its mortgage investments and Unitholders receive distributions of return of capital and taxable gains, Unitholders should expect a reduction in earnings and distributions due to the decreasing mortgage base. Early prepayment by HUD of some or all of the debentures, or a sale of some or all of the debentures by the Partnership (subject to Advisor and Unitholder approval, if required), may effect an early termination and dissolution of the Partnership before the stated termination date of December 31, 2008. Accordingly, Unitholders' yield to maturity on their respective investments in the Partnership may be adversely affected by such early termination of the Partnership. Upon the termination and liquidation of the Partnership, distributions to Unitholders will be made in accordance with the terms of the Partnership Agreement, as amended, which is not based on GAAP. As a result, it is likely that the amounts that Unitholders receive upon termination and liquidation of the Partnership will be

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substantially lower than the amounts reflected in the Partnership's financial statements.

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Net cash provided by operating activities decreased by approximately \$257,000 for the six months ended June 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 and decreased expenses, as previously discussed.

Net cash provided by investing activities decreased by approximately \$28,000 for the six months ended June 30, 2003, as compared to the corresponding period in 2002, primarily due to decreases in the receipt of mortgage principal from scheduled payments and debenture proceeds received from affiliate in 2002, partially offset by an increase in proceeds received from mortgage dispositions.

Net cash used in financing activities increased by approximately \$1.3 million for the six months ended June 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 six 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 June 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 the Board, Chief Executive Officer and President of the General Partner (Filed herewith). |

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

(b) Reports on Form 8-K

Date

May 8, 2003 To report a press release issued on May 6, 2003 announcing the Partnership's first quarter financial results.

June 20, 2003 To report a press release issued on June 20, 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

August 13, 2003

Date

/s/ Cynthia O. Azzara

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