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AMERICAN INSURED MORTGAGE INVESTORS

Form 10-Q

May 13, 2003

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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 March 31, 2003  
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Commission file number 1-11060  
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AMERICAN INSURED MORTGAGE INVESTORS  
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(Exact name of registrant as specified in charter)

California ----- (State or other jurisdiction of incorporation or organization)	13-3180848 ----- (I.R.S. Employer Identification No.)
11200 Rockville Pike, Rockville, Maryland ----- (Address of principal executive offices)	20852 ----- (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 March 31, 2003, 12,079,514 depository units of limited partnership interest were outstanding.

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AMERICAN INSURED MORTGAGE INVESTORS

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AMERICAN INSURED MORTGAGE INVESTORS

BALANCE SHEETS

March 31, 2003	December 31, 2002
-----	-----
(Unaudited)	

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ASSETS

Investment in FHA-Insured Loans, at amortized cost, net of unamortized discount:		
Acquired insured mortgages	\$ 2,717,855	\$ 7,507,672
Investment in FHA-Insured Certificates, at fair value	5,381,666	7,966,438
Investment in debenture, at fair value	6,125,943	-
Cash and cash equivalents	2,268,475	2,252,969
Receivables and other assets	562,577	680,850
Due from affiliate	920,903	-
Total assets	<u>\$ 17,977,419</u>	<u>\$ 18,407,929</u>

LIABILITIES AND PARTNERS' EQUITY

Distributions payable	\$ 1,647,806	\$ 1,853,782
Accounts payable and accrued expenses	101,936	62,286
Total liabilities	<u>1,749,742</u>	<u>1,916,068</u>
Partners' equity:		
Limited partners' equity, 10,000,125 Units authorized, issued and outstanding	20,860,398	20,710,971
General partner's deficit	(5,495,812)	(5,500,275)
Accumulated other comprehensive income	863,091	1,281,165
Total partners' equity	<u>16,227,677</u>	<u>16,491,861</u>
Total liabilities and partners' equity	<u>\$ 17,977,419</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 March 31,	
	2003	2002
	<u>-----</u>	<u>-----</u>
Income:		
Mortgage investment income	\$ 278,966	\$ 506,462
Interest and other income	62,431	4,134
	<u>-----</u>	<u>-----</u>

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	341,397	510,596
	-----	-----
Expenses:		
Asset management fee to related parties	30,245	54,084
General and administrative	50,780	60,239
	-----	-----
	81,025	114,323
	-----	-----
Net earnings before gains on mortgage dispositions	260,372	396,273
Gains on mortgage dispositions	1,541,324	-
	-----	-----
Net earnings	\$ 1,801,696	\$ 396,273
	=====	=====
Other comprehensive (loss) income - adjustment to unrealized gains on investments in insured mortgages	(418,074)	123,300
	-----	-----
Comprehensive income	\$ 1,383,622	\$ 519,573
	=====	=====
Net earnings allocated to:		
Limited partners - 97.1%	\$ 1,749,447	\$ 384,781
General Partner - 2.9%	52,249	11,492
	-----	-----
	\$ 1,801,696	\$ 396,273
	=====	=====
Net earnings per Unit of limited partnership interest - basic	\$ 0.17	\$ 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 three months ended March 31, 2003  
(Unaudited)

	General Partner	Limited Partners	Accumula Other Comprehen Income
	-----	-----	-----
Balance, December 31, 2002	\$ (5,500,275)	\$ 20,710,971	\$ 1,281,000
Net earnings	52,249	1,749,447	
Adjustment to unrealized gains on investments in insured mortgages	-	-	(418,074)
Distributions paid or accrued of \$0.16 per Unit, including return of capital of \$0.14 per Unit	(47,786)	(1,600,020)	

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	-----	-----	-----
Balance, March 31, 2003	\$ (5,495,812)	\$ 20,860,398	\$ 863
	=====	=====	=====
Limited Partnership Units outstanding - basic, as of March 31, 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)

	For
	2
	-----
Cash flows from operating activities:	
Net earnings	\$ 1,
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Gains on mortgage dispositions	(1,
Changes in assets and liabilities:	
Net decrease in due from affiliate and receivables and other assets	
Increase 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	(1,
	-----
Net increase in cash and cash equivalents	
Cash and cash equivalents, beginning of period	2,
	-----
Cash and cash equivalents, end of period	\$ 2,
	=====
Non cash investing activity:	
6.375% debenture received from HUD for the mortgage on Eastdale Apartments	\$ 6,
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 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 depositary 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 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

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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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### AMERICAN INSURED MORTGAGE INVESTORS

#### NOTES TO FINANCIAL STATEMENTS

(Unaudited)

As of May 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 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 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);

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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, 2002 was 6.375%; for the period July 1 through December 31, 2002 it was 6.625%; and for the period January 1 through June 30, 2003 it is 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 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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### AMERICAN INSURED MORTGAGE INVESTORS

#### NOTES TO FINANCIAL STATEMENTS

(Unaudited)

#### 2. BASIS OF PRESENTATION

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 March 31, 2003 and the results of its operations and its cash flows for the three months ended March 31, 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 generally accepted accounting principles ("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



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

	March 31, 2003 -----	December 31, 2002 -----
Number of Acquired Insured Mortgages (1)	2	3
Amortized Cost	\$ 2,717,855	\$ 7,507,672
Face Value	3,372,307	9,407,103
Fair Value	3,379,208	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.

The mortgages discussed below are included in the table above.

### Mortgages in the Section 221 HUD assignment process -----

The mortgages on North River Place and Town Park Apartments were put to HUD under the Section 221 Program by the servicers in June 2002 and March 2003, respectively. The aggregate face value of these mortgages was approximately \$3.4 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 May 1, 2003, and will continue to accrue interest on the mortgages until the debentures are transferred to the Partnership and the Partnership begins receiving the debenture interest. The amortized cost of these Insured Mortgages is included in Investment in FHA-Insured Loans on the Partnership's balance sheet as of March 31, 2003.

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## AMERICAN INSURED MORTGAGE INVESTORS

### NOTES TO FINANCIAL STATEMENTS

(Unaudited)

#### 4. INVESTMENT IN FHA-INSURED CERTIFICATES

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

	March 31, 2003 -----	December 31, 2002 -----
Number of mortgages (1) (2)	3	5
Amortized Cost	\$ 4,518,575	\$ 6,685,273
Face Value	5,371,831	7,936,376
Fair Value	5,381,666	7,966,438

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- (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 is approximately \$150,000 (representing 9% of the unpaid principal balance) and is and is included in Receivables and other assets on the Partnership's balance sheet as of March 31, 2003. The Partnership recognized a gain of approximately \$228,000 during the three months ended March 31, 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 Baypoint Shoreline Apartments. Since the mortgage on Baypoint Shoreline Apartments was 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.

The mortgages discussed below are included in the table above.

Mortgages in the Section 221 HUD assignment process  
-----

The mortgages on Brougham Estates and College Green Apartments were put to HUD under the Section 221 Program by the respective servicers in February 2003. The mortgage on Kaynorth Apartments was put to HUD under the Section 221 Program by the servicer in April 2003. The aggregate face value of these mortgages was approximately \$5.4 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 May 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 March 31, 2003.

### 5. INVESTMENT IN DEBENTURE

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. 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 \$6.1 million as of March 31, 2003, pays interest semi-annually on January 1 and July 1 with a maturity date of June 26, 2012. The debenture may be called by HUD prior to its maturity date. A distribution will be declared after the debenture proceeds are received. In February 2003, the Partnership received approximately \$201,000 in cash of accrued interest on this debenture. The Partnership recognized a gain of approximately \$1.2 million during the three months ended March 31,

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AMERICAN INSURED MORTGAGE INVESTORS

NOTES TO FINANCIAL STATEMENTS

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(Unaudited)

2003. The fair value of this debenture is included in Investment in debenture on the Partnership's balance sheet as of March 31, 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. The mortgage on Baypoint Shoreline Apartments was beneficially owned 50% by the Partnership and 50% by AIM 85. 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 March 31, 2003, pays interest semi-annually on January 1 and July 1 with a maturity date of June 27, 2012. The debenture may be called prior to its maturity date. A distribution will be declared after the debenture proceeds are received. Since the mortgage on Baypoint Shoreline Apartments was owned 50% by the Partnership and 50% by AIM 85, approximately \$906,000 of the debenture face is due to the Partnership. In February 2003, the Partnership received approximately \$29,000 in cash of accrued interest on this debenture from AIM 85. The Partnership recognized a gain of approximately \$131,000 during the three months ended March 31, 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 March 31, 2003.

## 7. DISTRIBUTIONS TO UNITHOLDERS

The distributions paid or accrued to Unitholders on a per Unit basis for the three months ended March 31, 2003 and 2002 are as follows:

Quarter Ended	2003	2002
March 31	\$ 0.16 (1)	\$ 0.16 (2)
	=====	=====

- (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 a debenture received from the assignment of the mortgage on Fox Run 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 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.

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## AMERICAN INSURED MORTGAGE INVESTORS

### NOTES TO FINANCIAL STATEMENTS

(Unaudited)

#### 8. TRANSACTIONS WITH RELATED PARTIES

The General Partner, CMSLP and certain affiliated entities have, during the three months ended March 31, 2003 and 2002, earned or received compensation or payments for services from the Partnership as follows:

#### COMPENSATION PAID OR ACCRUED TO RELATED PARTIES

Name of Recipient -----	Capacity in Which Served/Item -----	For th end 2003 -----
CRIIMI, Inc. (1)	General Partner/Distribution	\$ 47,786
AIM Acquisition Partners, L.P. (2)	Advisor/Asset Management Fee	30,245
CRIIMI MAE Management, Inc. (3)	Affiliate of General Partner/ Expense Reimbursement	14,544

- (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 \$8,914 and \$15,939 for the three months ended March 31, 2003 and 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.

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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 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 and (vii) sales of mortgage investments below fair market value. 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 March 31, 2003, the Partnership had invested in five Insured Mortgages and two debentures, one of which is due from an affiliate, with an aggregate amortized cost of approximately \$14.3 million, face value of approximately \$15.8 million and fair value of approximately \$15.8 million. As of May 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 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.

### Results of Operations

Net earnings increased by approximately \$1.4 million for the three months ended March 31, 2003, as compared to the corresponding period in 2002, primarily due to an increase in gains on mortgage dispositions, partially offset by a reduction in mortgage investment income.

Mortgage investment income decreased by approximately \$227,000 for the three months ended March 31, 2003, as compared to the corresponding period in 2002, primarily due a reduction in the mortgage base. The mortgage base decreased due to five mortgage dispositions with an aggregate principal balance of approximately \$15.4 million, representing an approximate 63% decrease in the aggregate principal balance of the mortgage portfolio since April 2002.

Interest and other income increased by approximately \$58,000 for the three months ended March 31, 2003, as compared to the corresponding period in 2002.

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This increase is primarily due to the interest earned on the debentures received from HUD in February 2003, as previously discussed.

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

Asset management fee to related parties decreased by approximately \$24,000 for the three months ended March 31, 2003, as compared to the corresponding period in 2002, primarily due to the reduction in the mortgage base, as previously discussed.

General and administrative expenses decreased by approximately \$9,000 for the three months ended March 31, 2003, as compared to the corresponding period in 2002, primarily due to a decrease in professional fees.

Gains on mortgage dispositions increased by approximately \$1.5 million for the three months ended March 31, 2003, as compared to the corresponding period in 2002. During the first quarter 2003, the Partnership recognized gains of approximately \$1.5 million from the assignment of three mortgages. No gains or losses were recognized during the first quarter of 2002.

### Liquidity and Capital Resources

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The Partnership's five remaining Insured Mortgages have been put to HUD, as previously discussed. As 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. Quarterly net cash flow distributions resumed in the first quarter of 2003. Proceeds from debenture redemptions, if any, are expected to be distributed to investors as usual in the quarter in which such proceeds are received.

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 three months ended March 31, 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.

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

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respective servicers, as discussed above. The Partnership expects to dispose of any debentures prior to the December 31, 2008 partnership termination date. Early prepayment by HUD of 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.

Net cash provided by operating activities increased by approximately \$94,000 for the three months ended March 31, 2003, as compared to the corresponding period in 2002, primarily due to the receipt of mortgage interest previously accrued on mortgages awaiting assignment from HUD under the Section 221 program, partially offset by a reduction in mortgage investment income, as previously discussed.

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

Net cash provided by investing activities increased by approximately \$47,000 for the three months ended March 31, 2003, as compared to the corresponding period in 2002, primarily due to an increase in proceeds from the mortgage dispositions, partially offset by decreases in the receipt of mortgage principal from scheduled payments and debenture proceeds received from affiliate in 2002.

Net cash used in financing activities increased by approximately \$1.3 million for the three months ended March 31, 2003, as compared to the corresponding period in 2002, primarily due to a decrease in the amount of distributions paid to partners in the first three 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 March 31, 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 -----
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 -----	
March 21, 2003	To report (i) a press release issued on March 20, 2003 announcing the Partnership's fourth quarter and year ended December 31, 2002 financial results and (ii) a press release issued on March 21, 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

May 13, 2003

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Date

/s/ Cynthia O. Azzara

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

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### CERTIFICATION

I, Barry S. Blattman, Chairman of the Board, Chief Executive Officer and President, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Insured Mortgage Investors;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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

Date: May 13, 2003  
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/s/ Barry S. Blattman  
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Barry S. Blattman  
Chairman of the Board,  
Chief Executive Officer and President

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CERTIFICATION

I, Cynthia O. Azzara, Senior Vice President, Chief Financial Officer and Treasurer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Insured Mortgage Investors;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant including, its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's

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ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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

Date: May 13, 2003  
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/s/ Cynthia O. Azzara  
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Cynthia O. Azzara  
Senior Vice President, Chief  
Financial Officer and Treasurer