FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
SEC Accession No. 0000784014-01-500004

(HTML Version on secdatabase.com)

FILER

AMERICAN INSURED MORTGAGE INVESTORS L P SERIES 86

CIK:**784014**| IRS No.: **132943272** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-15615** | Film No.: **1697092**
SIC: **6799** Investors, nec

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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 June 30, 2001

Commission file number 1-12704

AMERICAN INSURED MORTGAGE INVESTORS L.P. - SERIES 86
(Exact name of registrant as specified in charter)

Delaware	13-2943272
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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 [X] No [ ]

As of June 30, 2001, 9,576,290 Depositary Units of Limited Partnership Interest were outstanding.

AMERICAN INSURED MORTGAGE INVESTORS L.P. - SERIES 86

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FOR THE QUARTER ENDED JUNE 30, 2001

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

AMERICAN INSURED MORTGAGE INVESTORS L.P. - SERIES 86

BALANCE SHEETS

<TABLE>
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	June 30, 2001 (Unaudited)	December 31, 2000
ASSETS		
Investment in FHA-Insured Certificates and GNMA Mortgage-Backed Securities, at fair value		
Acquired insured mortgages	$ 31,403,124	$ 31,903,173
Investment in FHA-Insured Loans, at amortized cost, net of unamortized discount and premium:		
Originated insured mortgages	4,180,639	4,202,201
Acquired insured mortgage	953,575	958,273
	5,134,214	5,160,474
Cash and cash equivalents	1,249,439	15,872,119
Investment in FHA debenture	230,670	783,981
Receivables and other assets	281,410	2,065,477
Total assets	$ 38,298,857	$ 55,785,224
LIABILITIES AND PARTNERS' EQUITY		
Distributions payable	$ 1,057,319	$ 11,127,025
Note payable and due to affiliate	-	24,948
Accounts payable and accrued expenses	85,404	103,905
Total liabilities	1,142,723	11,255,878
Partners' equity:		
Limited partners' equity, 15,000,000 Units authorized, 9,576,290 Units issued and outstanding	45,516,739	52,252,446
General partners' deficit	(7,540,080)	(7,193,025)
Accumulated other comprehensive income	(820,525)	(530,075)
Total Partners' equity	37,156,134	44,529,346
Total liabilities and partners' equity	$ 38,298,857	$ 55,785,224

</TABLE>

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

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

AMERICAN INSURED MORTGAGE INVESTORS L.P. - SERIES 86

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)

<TABLE>
<CAPTION>

	For the three months ended June 30, 2001	For the three months ended June 30, 2000	For the six months ended June 30, 2001	For the six months ended June 30, 2000
<S>	<C>	<C>	<C>	<C>
Income:				
Mortgage investment income	$ 722,743	$ 701,968	$ 1,418,481	$ 1,422,779
Interest and other income	62,453	18,675	215,204	133,150
	785,196	720,643	1,633,685	1,555,929
Expenses:				
Asset management fee to related parties	74,676	100,197	150,930	188,193
General and administrative	66,620	66,372	131,221	125,729
Interest expense to affiliate	-	11,062	-	22,997
	141,296	177,631	282,151	336,919
Net earnings before gain on mortgage disposition	643,900	543,012	1,351,534	1,219,010
Gain on mortgage disposition	-	-	678,802	-
Net earnings	$ 643,900	$ 543,012	$ 2,030,336	$ 1,219,010
Other comprehensive income (loss)	(451,240)	(203,059)	(290,450)	(178,392)
Comprehensive income	$ 192,660	$ 339,953	$ 1,739,886	$ 1,040,618
Net earnings allocated to:				
Limited partners - 95.1%	$ 612,349	$ 516,404	$ 1,930,850	$ 1,159,279
General Partner - 4.9%	31,551	26,608	99,486	59,731
	$ 643,900	$ 543,012	$ 2,030,336	$ 1,219,010
Net earnings per Unit of limited partnership interest - basic	$ 0.06	$ 0.05	$ 0.20	$ 0.12

</TABLE>

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN INSURED MORTGAGE INVESTORS L.P. - SERIES 86

STATEMENT OF CHANGES IN PARTNERS' EQUITY

For the six months ended June 30, 2001

(Unaudited)

<TABLE>
<CAPTION>

	General Partner	Limited Partner	Accumulated Other Comprehensive Loss	Total
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 2000	$ (7,193,025)	$ 52,252,446	$ (530,075)	$ 44,529,346
Net earnings	99,486	1,930,850	-	2,030,336
Adjustment to unrealized gains (losses) on investments in insured mortgages	-	-	(290,450)	(290,450)
Distributions paid or accrued of $0.905 per Unit, including return of capital of $0.705 per Unit	(446,541)	(8,666,557)	-	(9,113,098)
Balance, June 30, 2001	$ (7,540,080)	$ 45,516,739	$ (820,525)	$ 37,156,134

Limited Partnership Units outstanding - basic, as of June 30, 2001	9,576,290
	=========

</TABLE>

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN INSURED MORTGAGE INVESTORS L.P. - SERIES 86

STATEMENTS OF CASH FLOWS

(Unaudited)

<TABLE>
<CAPTION>

	For the six months ended June 30,	
	2001	2000
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	$ 2,030,336	$ 1,219,010
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Gain on mortgage disposition	(678,802)	-
Changes in assets and liabilities:		
Decrease in note payable and due to affiliate	(24,948)	-
Decrease in accounts payable and accrued expenses	(18,501)	(4,694)
Decrease in receivables and other assets	398,860	280,542
Decrease in investment in affiliate	-	8,966
Net cash provided by operating activities	1,706,945	1,503,824
Cash flows from investing activities:		
Receipt of mortgage principal from scheduled payments	235,859	218,600
Proceeds received from redemption of debenture	783,981	-
Proceeds received from Patrician	1,833,339	-
Proceeds received from mortgage dispositions	-	92,085
Net cash provided by investing activities	2,853,179	310,685
Cash flows used in financing activities:		
Distributions paid to partners	(19,182,804)	(20,743,593)
Net decrease in cash and cash equivalents	(14,622,680)	(18,929,084)
Cash and cash equivalents, beginning of period	15,872,119	20,199,791
Cash and cash equivalents, end of period	$ 1,249,439	$ 1,270,707
	===========	===========
Non-cash investing activity:		
9.125% debenture received from HUD as an additional claim related to the Springlake Village coinsurance claim	$ 230,670	$ -
9.125% debenture received from HUD in exchange for the initial Springlake Village coinsurance claim	-	783,981

</TABLE>

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

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AMERICAN INSURED MORTGAGE INVESTORS L.P. - SERIES 86

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. ORGANIZATION

American Insured Mortgage Investors L.P. - Series 86 (the Partnership) was formed under the Uniform Limited Partnership Act of the state of Delaware on October 31, 1985. The Partnership Agreement ("Partnership Agreement") states that the Partnership will terminate on December 31, 2020, unless previously terminated under the provisions of the Partnership Agreement.

CRIIMI, Inc. (the "General Partner") holds a partnership interest of 4.9% and is a wholly owned subsidiary of CRIIMI MAE Inc. ("CRIIMI MAE"). AIM Acquisition Partners L.P. (the "Advisor") serves as 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, AIM Acquisition, The Goldman Sachs Group, L.P., Sun America Investments, Inc. (successor to Broad, Inc.) and CRI/AIM Investment, L.P., an affiliate of CRIIMI MAE. AIM Acquisition is a Delaware corporation that is primarily owned by Sun America Investments, Inc. and The Goldman Sachs Group, L.P.

Under the Advisory Agreement, the Advisor will render 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 will be 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. The Advisor is permitted to delegate the performance of services pursuant to a sub-advisory agreement (the "Sub-Advisory Agreement"). The delegation of such services will not relieve the Advisor of its obligation to perform such services. CRIIMI MAE Services Limited Partnership ("CMSLP"), an affiliate of CRIIMI MAE, manages the Partnership's portfolio, pursuant to the Sub-Advisory Agreement. The general partner of CMSLP is CMSLP Management Company, Inc., an affiliate of CRIIMI MAE.

The Partnership's investment in mortgages includes participation certificates evidencing a 100% undivided beneficial interest in government insured multifamily mortgages issued or sold pursuant to Federal Housing Administration (FHA) programs (FHA-Insured Certificates), mortgage-backed securities guaranteed by the Government National Mortgage Association (GNMA) (GNMA Mortgage-Backed Securities) and FHA-insured mortgage loans (FHA-Insured Loans and together with FHA-Insured Certificates and GNMA Mortgage-Backed Securities referred to herein as Insured Mortgages). The mortgages underlying the FHA-Insured Certificates, GNMA Mortgage-Backed Securities and FHA-Insured Loans, insured in whole by the federal government, are non-recourse first liens on multifamily residential developments or retirement homes.

On October 5, 1998, CRIIMI MAE, the parent of the General Partner, and CRIIMI MAE Management, Inc., an affiliate of CRIIMI MAE and provider of personnel and administrative services to the Partnership, filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). On November 22, 2000, the United States Bankruptcy Court for the District of Maryland, in Greenbelt, Maryland (the "Bankruptcy Court") confirmed CRIIMI MAE's and CRIIMI MAE Management, Inc.'s Third Amended Joint Plan of Reorganization (as amended and supplemented by praecipes filed with the Bankruptcy Court on July 13, 14 and 21, and November 22, 2000). On April 17, 2001, CRIIMI MAE and CRIIMI MAE Management, Inc. announced the completion of their confirmed joint plan of reorganization and emerged from bankruptcy. This marks the conclusion of CRIIMI MAE's and CRIIMI MAE Management, Inc.'s financial reorganization.

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 June 30, 2001 and December 31, 2000 and the results of its operations for the three and six months ended June 30, 2001 and 2000 and its cash flows for the six months ended June 30, 2001 and 2000.

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 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 filed on Form 10-K for the year ended December 31, 2000.

Comprehensive Income

Comprehensive income is the change in Partners' equity during a period from transactions from nonowner sources. This includes net income as currently reported by the Partnership adjusted for unrealized gains and losses related to the Partnership's mortgages accounted for as available for sale. Unrealized gains and losses are reported in the equity section of the Balance Sheet as Accumulated Other Comprehensive Income.

3. INVESTMENT IN INSURED MORTGAGES

The following is a discussion of the Partnership's investment in FHA-Insured Loans, FHA-Insured Certificates and GNMA Mortgage-Backed Securities as of June 30, 2001 and December 31, 2000:

Fully Insured Originated Insured Mortgages and Acquired Insured Mortgages

Listed below is the Partnership's aggregate investment in fully Insured Mortgages as of June 30, 2001 and December 31, 2000:

	June 30, 2001	December 31, 2000
Fully Insured Originated Insured:		
Number of Mortgages	1	1
Amortized Cost	$ 4,180,639	$ 4,202,201
Face Value	4,033,080	4,052,423
Fair Value	4,004,851	4,049,248
Fully Insured Acquired Insured:		
Number of		
GNMA Mortgage-Backed Securities	9	9
FHA-Insured Certificates	2	2
FHA-Insured Loan	1	1
Amortized Cost	$ 33,177,225	$ 33,391,521
Face Value	33,112,564	33,325,178
Fair Value	32,353,015	32,863,745

As of August 1, 2001 all of the Partnership's fully Insured Mortgage investments are current with respect to the payment of principal and interest.

In addition to base interest payments from Fully Insured Originated Insured Mortgages, the Partnership is entitled to additional interest based on a percentage of the net cash flow from the underlying development and of the net proceeds from the refinancing, sale or other disposition of the underlying development (referred to as Participations). During the three and six months ended June 30, 2001, the Partnership received additional interest of $29,162 and $29,162, respectively, from the fully insured Participations. During the three and six months ended June 30, 2000, the Partnership received additional interest of $0 and $16,844, respectively, from the fully insured Participations. These amounts, if any, are included in mortgage investment income on the accompanying Statements of Income and Comprehensive Income.

Asset Held for Sale under Coinsurance Program

The Partnership had previously invested in one Asset Held for Sale under Coinsurance Program ("AHFS"), Spring Lake Village. Spring Lake Village is a 141-unit garden apartment complex located in St. Petersburg, Florida. In July 1997, the General Partner instructed the servicer to file a Notice of Default with HUD. In January 1998, the Partnership discontinued the accrual of interest income. In March 1998, Integrated Funding, Inc. ("IFI"), an affiliate of the Partnership and coinsurance lender, completed foreclosure proceedings and obtained title to this property. A claim was filed with HUD on April 1, 1999. Proceeds related to the disposition of this property are listed below:

Date received	Type of proceeds	Amount of proceeds	Distribution per Unit	Date declared	Date of distribution
Apr 2000	Claim proceeds, interest earned on $784,000, 9.125%				

	debenture from date of default of mortgage until Jan 2000	$ 178,000	$0.02	Apr 2000	Aug 2000
Dec 2000	Net proceeds from sale of property	4,479,000	0.44	Jan 2001	May 2001
Jan 2001	Claim proceeds, redemption of $784,000, 9.125% debenture	784,000	0.08	Jan 2001	May 2001
Jan 2001	Claim proceeds, interest earned on $231,000, 9.125% debenture from date of default of mortgage until Jan 2001 (a)	74,000	0.01	Jan 2001	May 2001
Apr 2001	Escrow balance from servicer, CMSLP	303,000	0.03	May 2001	Aug 2001
`	Total	$5,818,000	$0.58		

</TABLE>

(a) In January 2001, the Partnership received additional assignment proceeds in the form of a 9.125% debenture. The debenture, with a face value and fair value of approximately $231,000, will earn interest semi-annually on January 1 and July 1. The Partnership plans to hold the debenture until it is called or date of maturity, on July 1, 2017, whichever comes first. At that time, debenture proceeds will be distributed to Unitholders.

Coinsured by third party

On October 14, 1993, an unaffiliated third party coinsurance lender, The Patrician Mortgage Company ("Patrician"), filed a foreclosure action on the property underlying the coinsured mortgage on The Villas. On November 2, 1993, the mortgagor filed for protection under chapter 11 of the U. S. Bankruptcy Code. The property was acquired and vested with Patrician in November 1998 and subsequently sold on September 30, 1999. In October 1999, the Partnership received sales proceeds of approximately $11.7 million. A distribution of approximately $1.16 per Unit related to the sale was declared in October 1999 and was paid to Unitholders in February 2000. Patrician filed a coinsurance claim for insurance benefits with HUD in October 1999, for remaining amounts due, including past due interest. In October 2000, the Partnership received proceeds from Patrician of approximately $10.3 million and recognized a gain of approximately $3.4 million for the year ended December 31, 2000. A distribution of approximately $1.02 per Unit related to the disposition of this mortgage was declared in October 2000 and was paid to Unitholders in February 2001. The remaining balance due, including accrued interest, is approximately $189,000 as of June 30, 2001. This amount is not included on the Partnership's balance sheet, however the servicer of this mortgage is actively pursuing payment for the remaining balance.

On October 14, 1993, Patrician filed a foreclosure action on the property underlying the coinsured mortgage on St. Charles Place-Phase II. On November 2, 1993, the mortgagor filed for protection under chapter 11 of the U. S. Bankruptcy Code. The property was acquired and vested with Patrician in November 1998 and subsequently sold on October 12, 1999. Patrician filed a coinsurance claim for insurance benefits with HUD in October 1999, for remaining amounts due, including past due interest. In November 1999, the Partnership received sales proceeds of approximately $2.5 million. A distribution of approximately $0.24 per Unit related to the sale was declared in November 1999 and was paid to Unitholders in February 2000. In February 2001, the Partnership received claim proceeds from Patrician of approximately $1.8 million and recognized a gain of approximately $679,000 for the three months ended March 31, 2001. The claim proceeds represent the remaining balance due on the mortgage, including interest from November 1, 1995 through the date of receipt. A distribution of approximately $0.18 per Unit related to the disposition of this mortgage was declared in March 2001 and was paid in May 2001. The amount of the Partnership's investment in this mortgage represented the Partnership's approximate 45% ownership interest in the mortgage. The remaining 55% ownership interest was held by American Insured Mortgages Investors L.P. - Series 88 ("AIM 88"), an affiliate of the Partnership.

4. INVESTMENT IN AFFILIATE, NOTE PAYABLE AND DUE TO AFFILIATE

The Partnership, along with AIM 88 and American Insured Mortgages Investors - Series 85, L.P. ("AIM 85"), affiliates of the General Partner, equally own AIM Mortgage, Inc. In turn, AIM Mortgage, Inc. owns all of the outstanding preferred stock and common stock of IFI. In order to capitalize IFI with sufficient net worth under HUD regulations, in April 1994, AIM 88, an affiliate of the Partnership, transferred a GNMA mortgage-backed security in the amount of approximately $2.0 million to IFI.

As part of AIM 88's transfer of the GNMA to IFI, the Partnership and AIM 85 each issued a demand note payable to AIM 88 and recorded an investment in IFI through AIM Mortgage, Inc. in proportion to each entity's coinsured mortgages for which IFI was mortgagee of record as of April 1, 1994. Interest expense on the note payable is based on an interest rate of 7.25% per annum. In April 1997, the GNMA mortgage-backed security, with a balance of $1.9 million, was reallocated between the Partnership and AIM 88, since AIM 85 no longer holds coinsured mortgages. In December 2000, the Investment in affiliate and related demand note payable from the Partnership were cancelled as it no longer holds mortgages coinsured by IFI.

In connection with these transfers, IFI had entered into an expense reimbursement agreement with the Partnership, AIM 85 and AIM 88 (collectively the "AIM Funds") whereby IFI reimburses the AIM Funds for general and administrative expenses incurred on behalf of IFI. The expense reimbursement is allocated to the AIM Funds based on an amount proportionate to each entity's IFI coinsured mortgages. The expense reimbursement and the Partnership's equity interest in IFI's net income or loss, substantially equals the interest the Partnership pays on the note. In April 1997, this agreement was first amended to exclude AIM 85 which no longer holds coinsured mortgages. In December 2000, this agreement was amended to exclude AIM 86, which no longer holds coinsured mortgages.

5. DISTRIBUTIONS TO UNITHOLDERS

The distributions paid or accrued to Unitholders on a per Unit basis for the six months ended June 30, 2001 and 2000 are as follows:

	2001	2000
Quarter ended March 31,	$ 0.800(1)	$ 0.070
Quarter ended June 30,	0.105(2)	0.095(3)
	$ 0.905	$ 0.165

(1) This amount includes approximately $0.725 per Unit representing return of capital and gain from the following: (a) approximately $0.44 per Unit related to the sale of Spring Lake Village; (b) approximately $0.09 per Unit received from HUD for the Spring Lake Village coinsurance claim; (c) approximately $0.18 per Unit received from the coinsurer of the mortgage on St. Charles Place-Phase II, as result of its coinsurance claim filed with HUD; and (d) approximately $0.015 per Unit of cash held in reserve for anticipated legal costs related to the mortgages on St. Charles Place-Phase II and The Villas.
(2) This amount includes approximately $0.03 per Unit related to the receipt of an escrow balance from the servicer of Spring Lake Village.
(3) This amount includes approximately $0.02 per Unit representing interest from receipt of HUD debenture in exchange for the Spring Lake Village HUD coinsurance claim.

The basis for paying distributions to Unitholders is net proceeds from mortgage dispositions, if any, and cash flow from operations, which includes regular interest income and principal from Insured Mortgages. Although Insured Mortgages yield a fixed monthly mortgage payment once purchased, 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 payment receipts are temporarily invested prior to the payment of quarterly distributions, (2) the reduction in the asset base resulting from monthly mortgage payments received or mortgage 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 investors receive distributions of return of capital and taxable gains, investors should expect a reduction in earnings and distributions due to the decreasing mortgage base.

6. TRANSACTIONS WITH RELATED PARTIES

The General Partner and certain affiliated entities, during the three and six months ended June 30, 2001 and 2000, earned or received compensation or payments for services from the Partnership as follows:

COMPENSATION PAID OR ACCRUED TO RELATED PARTIES

<TABLE>
<CAPTION>

		For the three months ended June 30,		For the six months ended June 30,	
Name of Recipient	Capacity in Which Served/item	2001	2000	2001	2000

CRIIMI, Inc.(1)	General Partner/Distribution	$ 51,809	$ 46,874	$446,541	$ 81,414
AIM Acquisition Partners, L.P.(2)	Advisor/Asset Management Fee	74,676	100,197	150,930	188,193
CRIIMI MAE Management, Inc.	Affiliate of General Partner/ Expense Reimbursement	11,405	14,716	22,899	26,161

</TABLE>

(1) The General Partner, pursuant to amendments to the Partnership Agreement, is entitled to receive 4.9% 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 (both as defined in the Partnership Agreement).

(2) The Advisor, pursuant to the Partnership Agreement, is entitled to an Asset Management Fee equal to 0.75% of Total Invested Assets (as defined in the Partnership Agreement). CMSLP, the sub-advisor to the Partnership is entitled to a fee of 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 $27,876 and $56,340 for the three and six months ended June 30, 2001 and $37,401 and $71,086 for the three and six months ended June 30, 2000, respectively. The limited partner of CMSLP is a wholly-owned subsidiary of CRIIMI MAE Inc.

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

FORWARD-LOOKING STATEMENTS. When used in this Quarterly Report on Form 10-Q, the words "believes," "anticipates," "expects," "contemplates," 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 future filings by the Partnership with the Securities and Exchange Commission 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 and (v) defaulted mortgages. 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.

General

As of June 30, 2001, the Partnership had invested in 13 insured mortgages, with an aggregate amortized cost of approximately $37 million, an aggregate face value of approximately $37 million and an aggregate fair value of approximately $36 million, as discussed below.

As August 1, 2001 all of the Partnership's fully Insured Mortgage investments are current with respect to the payment of principal and interest.

Results of Operations

Net earnings increased for the three and six months ended June 30, 2001, as compared to the corresponding periods in 2000. The increase for the three month period is primarily the result of an increase in interest and other income, a decrease in asset management fee to related parties and a decrease in interest expense to affiliate, as discussed below. The increase for the six month period is primarily due to an increase in gain on mortgage disposition, as discussed below.

Mortgage investment income increased slightly for the three months ended June 30, 2001, as compared to the corresponding period in 2000, primarily due to an increase in additional interest received from Participations.

Interest and other income increased for the three and six months ended June 30, 2001, as compared to the corresponding periods in 2000, primarily due to the timing of temporary investment of mortgage disposition proceeds prior to distribution to Unitholders.

Asset management fee to related parties decreased for the three and six months ended June 30, 2001, as compared to the corresponding periods in 2000, due to the disposition of the coinsured mortgages in the fourth quarter of 2000 and the first quarter of 2001.

General and administrative expense increased for the six months ended June 30, 2001 as compared to the corresponding period in 2000, primarily due to a decrease in the IFI expense reimbursement. This decrease is a result of the amendment to the IFI reimbursement agreement, which was revised to exclude the Partnership, as of December 31, 2000.

Interest expense to affiliate decreased for the three and six months ended June 30, 2001, as compared to the corresponding periods in 2000. This decrease was due to the cancellation of the note payable to affiliate as of December 31, 2000.

Gain on mortgage disposition increased for the six months ended June 30, 2001, as compared to the corresponding period in 2000. During the six months ended June 30, 2001, the Partnership recognized a gain of approximately $679,000 from the disposition of St. Charles Place-Phase II, a delinquent mortgage coinsured by a third party, Patrician. During the six months ended June 30, 2000, the Partnership recognized no gains or losses.

Liquidity and Capital Resources

The Partnership's operating cash receipts, derived from payments of principal and interest on Insured Mortgages, plus cash receipts from interest on short-term investments, were sufficient during the first six months of 2001 to meet operating requirements. The basis for paying distributions to Unitholders is net proceeds from mortgage dispositions, if any, and cash flow from operations, which includes regular interest income and principal from Insured Mortgages. Although Insured Mortgages yield a fixed monthly mortgage payment once purchased, 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 payment receipts are temporarily invested prior to the payment of quarterly distributions, (2) the reduction in the asset base resulting from monthly mortgage payments received or mortgage 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 investors receive distributions of return of capital and taxable gains, investors should expect a reduction in earnings and distributions due to the decreasing mortgage base.

Net cash provided by operating activities increased for the six months ended June 30, 2001, as compared to the corresponding period in 2000. This increase is primarily the result of an increase in earnings before gain on mortgage disposition, as previously discussed, and an increase in the change in receivables and other assets. The change in receivables and other assets is due to the timing of proceeds received on delinquent mortgages.

Net cash provided by investing activities increased for the six months ended June 30, 2001, as compared to the corresponding period in 2000, primarily due to an increase in proceeds received from Patrician, as previously discussed, and from the redemption of a debenture related to Spring Lake Village.

Net cash used in financing activities decreased for the six months ended June 30, 2001, as compared to the corresponding period in 2000, due to a decrease in the amount of distributions paid to partners in the first six months of 2001 versus the same period in 2000.

PART I. FINANCIAL INFORMATION

ITEM 2A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The Partnership's principal market risk is exposure to changes in interest rates in the U.S. Treasury market. The Partnership will experience fluctuations in the market value of its assets related to changes in the interest rates of

U.S. Treasury bonds as well as increases in the spread between U.S. Treasury bonds and the Partnership's Insured Mortgages. As of June 30, 2001, the average treasury rate used to price the Partnership's Insured Mortgages had increased by approximately 30 basis points compared to December 31, 2000.

Management has determined that there has not been a material change as of June 30, 2001, in market risk from December 31, 2000 as reported in the Partnership's Annual Report on Form 10-K as of December 31, 2000.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended June 30, 2001.

SIGNATURE

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

AMERICAN INSURED MORTGAGE
INVESTORS L.P. - SERIES 86
(Registrant)

By: CRIIMI, Inc.
General Partner

August , 2001	/s/ Cynthia O. Azzara
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DATE	Cynthia O. Azzara Senior Vice President, Chief Financial Officer and Treasurer