

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

AMERICAN INSURED MORTGAGE INVESTORS SERIES 85 L P

CIK: **753281** | IRS No.: **133257662** | State of Incorpor.: **CA** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-11059** | Film No.: **04970702**
SIC: **6799** Investors, nec

Business Address
11200 ROCKVILLE PIKE
ROCKVILLE MD 20852
3014689200

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: (Date of Earliest Event Reported):
August 12, 2004 (August 11, 2004)

AMERICAN INSURED MORTGAGE INVESTORS - SERIES 85, L.P.
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction
of incorporation)

1-11059
(Commission
File Number)

13-3257662
(I.R.S. Employer
Identification No.)

11200 Rockville Pike
Rockville, Maryland 20852
(Address of principal executive offices, including zip code, of Registrant)

(301) 816-2300
(Registrant's telephone number, including area code)

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Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits. The following exhibit is filed with this report:

Item 12. Results of Operations and Financial Condition.

On August 11, 2004, the General Parter issued a press release reporting the Partnership's financial results for the three months and six months ended June 30, 2004. A copy of this press release is attached hereto as Exhibit 99.1.

The information in this Form 8-K and the Exhibit 99.1 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

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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 hereunto duly authorized.

AMERICAN INSURED MORTGAGE
INVESTORS - SERIES 85, L.P.

By: CRIIMI, Inc.
General Partner

Dated: August 12, 2004

By: /s/Mark A. Libera

Mark A. Libera
Vice President
Senior Corporate Counsel

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EXHIBIT INDEX

Exhibit No.	Description

* 99.1 Press Release dated August 11, 2004.

* Filed herewith.

Contact: Susan B. Railey
 (301) 468-3120
 Sharon Bramell
 (301) 231-0351

FOR IMMEDIATE RELEASE

AIM 85 REPORTS SECOND QUARTER NET EARNINGS
 OF 11 CENTS PER UNIT

ROCKVILLE, MD, August 11, 2004--(AMEX/AII) -- American Insured Mortgage Investors-Series 85, L.P. (AIM 85), a liquidating partnership that holds investments in government insured multifamily mortgages, reported net earnings for the three months ended June 30, 2004 of approximately \$1.4 million (11 cents per unit) compared to approximately \$1.3 million (11 cents per unit) for the three months ended June 30, 2003. Net earnings increased by approximately \$45,000 for the three months ended June 30, 2004, as compared to the corresponding period in 2003, primarily due to an increase in gains on mortgage dispositions largely offset by a significant decrease in mortgage investment income.

For the six months ended June 30, 2004, AIM 85 reported net earnings of approximately \$2.7 million (21 cents per unit) compared to \$2.8 million (23 cents per unit) for the first six months of 2003. Net earnings decreased by approximately \$176,000 for the six months ended June 30, 2004, as compared to the corresponding period in 2003, primarily due to a decrease in mortgage investment income partially offset by a significant increase in gains on mortgage dispositions.

Mortgage investment income decreased for the three and six months ended June 30, 2004 due to the disposition of 13 mortgages with an aggregate principal balance of approximately \$35.5 million, representing an approximate 59% decrease in the aggregate principal balance of the total mortgage portfolio since June 2003.

Gains on mortgage dispositions increased for the three and six months ended June 30, 2004 compared to the corresponding periods in 2003. During the second quarter of 2004, AIM 85 recognized gains of approximately \$851,000 from the prepayment of three mortgages compared to gains recognized of approximately \$293,000 from the prepayment of three mortgages and the assignment of one mortgage during the second quarter of 2003. For the six months ended June 30, 2004, AIM 85 recognized gains of approximately \$1.5 million from three mortgage prepayments, one assignment and the sale of two mortgages. This compares to gains recognized of approximately \$746,000 from four mortgage prepayments and three mortgage assignments for the six months ended June 30, 2003.

As of June 30, 2004, AIM 85 was invested in nine insured mortgages and one

debenture with an aggregate amortized cost of approximately \$26.0 million, an aggregate face value of approximately \$26.2 million and an aggregate fair value of approximately \$26.7 million.

In July 2004, AIM 85, with the consent of the Partnership's Advisor, sold the GNMA security secured by the mortgage on Oak Forest Apartments II. The Partnership received net proceeds of approximately \$10.6 million and declared a distribution of 84 cents per unit, payable in November 2004, related to the sale of this GNMA security.

AIM 85 distributes net proceeds, if any, from mortgage dispositions and debenture redemptions to its investors, in addition to distributions of regular cash flow. As AIM 85 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. Based upon the current level of interest rates, the recent trend in mortgage prepayments is expected to continue. Such mortgage prepayments, if continued at the recent trend, will likely result in a termination and liquidation of the Partnership significantly earlier than the December 2009 stated termination date. Upon the termination and liquidation of

the Partnership, on or before December 31, 2009, distributions to investors will be made in accordance with the terms of the Partnership Agreement. A final distribution to unitholders will be based on the Partnership's remaining net assets after deducting and setting aside amounts required to satisfy and discharge any existing Partnership obligations and expenses, and such distribution to unitholders is likely to be substantially less than the amount referenced in limited partners' equity in the Partnership's financial statements.

-table follows-

AMERICAN INSURED MORTGAGE INVESTORS - SERIES 85, L.P.

STATEMENTS OF INCOME

(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2004	2003	2004	2003
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Income:				
Insured mortgage investment income	\$ 610,346	\$ 1,262,635	\$ 1,414,857	\$ 2,583,860
Interest and other income	54,721	39,858	119,503	63,882
	-----	-----	-----	-----
	665,067	1,302,493	1,534,360	2,647,742
	-----	-----	-----	-----
Expenses:				
Asset management fee to related parties	80,813	157,123	187,442	320,574
General and administrative	67,862	115,950	156,151	223,041
	-----	-----	-----	-----
	148,675	273,073	343,593	543,615
	-----	-----	-----	-----
Net earnings before gains on insured mortgage dispositions	516,392	1,029,420	1,190,767	2,104,127
Net gains on insured mortgage dispositions	851,069	293,044	1,483,396	745,870
	-----	-----	-----	-----
Net earnings	\$ 1,367,461	\$ 1,322,464	\$ 2,674,163	\$ 2,849,997
	=====	=====	=====	=====
Net earnings allocated to:				
Limited partners - 96.1%	\$ 1,314,130	\$ 1,270,888	\$ 2,569,871	\$ 2,738,847
General Partner - 3.9%	53,331	51,576	104,292	111,150
	-----	-----	-----	-----
	\$ 1,367,461	\$ 1,322,464	\$ 2,674,163	\$ 2,849,997
	=====	=====	=====	=====
Net earnings per unit of limited partnership interest - basic	\$ 0.11	\$ 0.11	\$ 0.21	\$ 0.23
	=====	=====	=====	=====
Limited partnership units outstanding - basic	12,079,514	12,079,514	12,079,514	12,079,514
	=====	=====	=====	=====

</TABLE>

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Balance Sheet Data:

	June 30, 2004	December 31, 2003
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<S>	<C>	<C>
Investment in insured mortgages	\$24,977,429	\$ 45,775,507
Investment in debentures	1,741,873	10,335,670
Total assets	39,008,379	69,048,427

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