

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended June 30, 1996

Commission File Number: 0-19989

FM Properties Inc.

Incorporated in Delaware

72-1211572
(IRS Employer
Identification No.)

1615 Poydras Street, New Orleans, Louisiana 70112

Registrant's telephone number, including area code: (504) 582-4000

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

On June 30, 1996, there were issued and outstanding 14,285,770 shares of the registrant's Common Stock, par value \$0.01 per share.

FM PROPERTIES INC.
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FM PROPERTIES INC.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

FM PROPERTIES INC.
CONDENSED BALANCE SHEETS
(Unaudited)

	June 30, 1996	December 31, 1995
	-----	-----
	(In Thousands)	
ASSETS		
Current assets:		
Cash and short-term investments	\$ 1,811	\$ 2,282
Accounts receivable and other	4,732	4,616
Income tax receivable	2,740	2,693
	-----	-----
Total current assets	9,283	9,591
Real estate and facilities	152,302	180,040
Other assets	7,372	5,172
	-----	-----
Total assets	\$ 168,957	\$ 194,803
	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,543	\$ 8,100
Current portion of long-term debt	99,093	-
	-----	-----
Total current liabilities	103,636	8,100
Long-term debt, less current portion	-	121,294
Other liabilities	6,192	5,886
Stockholders' equity	59,129	59,523
	-----	-----
Total liabilities and stockholders' equity	\$ 168,957	\$ 194,803
	=====	=====

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

FM PROPERTIES INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	-----	-----	-----	-----
	1996	1995	1996	1995
	-----	-----	-----	-----
	(In Thousands, Except Per Share Amounts)			
Revenues	\$ 23,764	\$ 12,003	\$ 37,593	\$ 16,385
Costs and expenses:				
Cost of sales, including depreciation and amortization	21,445	11,172	34,758	17,043
General and administrative expenses	675	1,629	1,311	2,808
	-----	-----	-----	-----
Total costs and expenses	22,120	12,801	36,069	19,851
	-----	-----	-----	-----
Operating income (loss)	1,644	(798)	1,524	(3,466)

Interest expense, net	(1,158)	(83)	(1,892)	(266)
Other income, net	14	(7)	(26)	4
	-----	-----	-----	-----
Income (loss) before income taxes	500	(888)	(394)	(3,728)
Income taxes	-	-	-	-
	-----	-----	-----	-----
Net income (loss)	\$ 500	\$ (888)	\$ (394)	\$ (3,728)
	=====	=====	=====	=====
Net income (loss) per share	\$.03	\$ (.06)	\$ (.03)	\$ (.26)
	=====	=====	=====	=====
Average shares outstanding	14,394	14,286	14,368	14,286
	=====	=====	=====	=====

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

FM PROPERTIES INC.
STATEMENTS OF CASH FLOW
(Unaudited)

	Six Months Ended June 30,	
	----- 1996	----- 1995
	----- (In Thousands)	
Cash flow from operating activities:		
Net loss	\$ (394)	\$ (3,728)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,248	1,210
Cost of real estate sales	31,035	12,435
(Increase) decrease in working capital:		
Accounts receivable and other	(107)	769
Accounts payable and accrued liabilities	(3,613)	(2,793)
Other	(2,264)	3,423
	-----	-----
Net cash provided by operating activities	25,905	11,316
	-----	-----
Cash flow from investing activities:		
Real estate and facilities	(4,175)	(12,611)
	-----	-----
Net cash used in investing activities	(4,175)	(12,611)
	-----	-----
Cash flow from financing activities:		
Proceeds from (repayment of) debt, net	(22,201)	1,187
	-----	-----
Net cash provided by (used in) financing activities	(22,201)	1,187
	-----	-----
Net decrease in cash and short-term investments	(471)	(108)
Cash and short-term investments at beginning of year	2,282	1,200
	-----	-----
Cash and short-term investments at end of period	\$ 1,811	\$ 1,092
	=====	=====

The accompanying notes are an integral part of these financial

statements.

FM PROPERTIES INC.
NOTES TO FINANCIAL STATEMENTS

1. INTEREST COSTS

Interest expense excludes capitalized interest of \$0.7 million and \$3.0 million in the second quarter of 1996 and 1995, respectively, and \$2.3 million and \$6.2 million for the first six months of 1996 and 1995, respectively.

Remarks

The information furnished herein should be read in conjunction with FM Properties Inc. financial statements contained in its 1995 Annual Report to stockholders included in its Annual Report on Form 10-K.

The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the period. All such adjustments are, in the opinion of management, of a normal recurring nature.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

FM Properties Inc. (FMPO) operates through its 99.8 percent ownership of FM Properties Operating Co. (the Partnership), with 0.2 percent owned by Freeport-McMoRan Inc. (FTX) which serves as the managing general partner.

During the second quarter of 1996, FMPO continued to capitalize on the enhanced sales opportunities at its Austin, Texas property holdings brought about by the positive legislative and judicial developments which occurred during 1995 (discussed in FMPO's 1995 Annual Report to Stockholders). FMPO's second-quarter 1996 revenues from its Austin area properties totaled \$10.6 million, including the sale of an 80 acre undeveloped tract within the Barton Creek Development for \$2.9 million, its second sale under the Water Quality Protection Zone legislation enacted in late 1995. FMPO's Austin area activity also included a \$3.7 million sale of the remaining inventory of developed and undeveloped real estate within the Lakeside development, which included a marina, 77 developed lots and 239 acres of undeveloped property. Additional tracts within the Barton Creek Development are currently under contract and are scheduled to close during the second half of 1996. The sale of undeveloped tracts to sub-developers is an integral part of FMPO's business strategy for the Barton Creek Development. These transactions provide funds to reduce debt, lower future carrying and development costs and establish values for FMPO's remaining properties within Barton Creek.

The State Court of Appeals in Austin recently overturned the favorable District Court ruling which invalidated the "SOS" ordinance in Austin; however, the appeals court did uphold the lower court's favorable holding with respect to the interpretation of certain grandfather rights for platted land. This decision is not expected to adversely affect any of FMPO's property holdings since the city of Austin's regulatory authority was superseded for FMPO's properties by legislation passed in the state legislature during 1995. A decision will be made in the near future with respect to an appeal on the case.

The Partnership's intensified marketing efforts at its Dallas, Houston and San Antonio properties resulted in higher second-quarter 1996 sales from these areas compared to the 1995 period. Second-

quarter 1996 revenues include the sale of three separate 19 acre tracts, located in the Dallas area, for a total of \$6.9 million. In addition to increasing sales over the 1995 period, the marketing efforts have generated sales contracts which are scheduled to close throughout the remainder of 1996.

Additionally, opportunities for significant transactions involving the Partnership's properties may arise. In the past, permitting and development uncertainties caused valuation assessment obstacles that kept FMPO from successfully completing negotiations involving significant transactions. However, as the Partnership experiences success in establishing values for its properties, FMPO can expect opportunities to consider significant transactions involving its properties.

RESULTS OF OPERATIONS

	Second Quarter		Six Months	
	-----	-----	-----	-----
	1996	1995	1996	1995
	----	----	----	----
	(In Millions, Except Per Share Amounts)			
Revenues:				
Developed properties	\$8.0	\$7.6	\$12.3	\$11.4
Undeveloped properties and other	15.8	4.4	25.3	5.0
	----	----	----	----
Total revenues	23.8	12.0	37.6	16.4
	----	----	----	----
Operating income (loss)	1.6	(0.8)	1.5	(3.5)
Net income (loss)	0.5	(0.9)	(0.4)	(3.7)
Net income (loss) per share	.03	(.06)	(.03)	(.26)

Revenues from developed properties represented the sale of 206 and 282 single-family homesites during the second-quarter and six-month periods of 1996, respectively, compared with the sale of 152 and 242 single-family homesites during the 1995 periods. Revenues from undeveloped properties for the second-quarter and six-month periods of 1996 represented the sale of 447 and 603 undeveloped acres, respectively, compared with the sale of 196 and 202 undeveloped acres for the year-ago periods.

General and administrative expenses were reduced to \$0.7 million and \$1.3 million for the second-quarter and six-month periods of 1996, respectively, compared with \$1.6 million and \$2.8 million for the 1995 periods, continuing to reflect the benefit of steps taken in the third quarter of 1995 to reduce costs.

Interest expense for the second-quarter and six-month 1996 periods increased because of reduced capitalized interest resulting from FMPO's success in selling tracts without incurring further development costs, partially offset by lower average debt levels and interest rates.

CAPITAL RESOURCES AND LIQUIDITY

During the first six months of 1996, FMPO generated operating cash flow of \$25.9 million which, after funding capital expenditures, enabled FMPO to reduce its debt from the beginning of the year by \$22.2 million to \$99.1 million. The Partnership has the potential to achieve further significant debt reductions prior to its 1997 principal payment requirements (\$29.1 million due February 1997 and \$70.0 million due June 1997). These reductions are dependent on the future cash flow from the Partnership's assets and the ability to negotiate significant sales of assets, which are subject to numerous economic and other factors, including factors beyond FMPO's control. There can be no assurance that the Partnership will generate cash flow

or obtain funds sufficient to make required interest and principal payments.

FMPO continues to seek a permanent financial restructuring, which may include issuing new debt or equity investments, and believes that the ongoing reduction of its debt will significantly improve its alternatives. An objective in arranging new financing for FMPO will be to eliminate the guarantees of its debt by FTX and Freeport-McMoRan Copper & Gold Inc. These debt guarantees were extended in connection with the extension of the Partnership's debt maturities achieved during late 1995. While FMPO believes any new financing will be beneficial to the long-term interests of its shareholders, an elimination of the guarantees would be expected to increase financing costs significantly. The extent of any refinancing, including any need to sell properties in connection therewith, will determine the future net cash flow available to FMPO to recover its investment in real estate assets.

The results of operations reported and summarized above are not necessarily indicative of future operating results.

PART II--OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The Annual Meeting of Stockholders of the registrant was held on May 2, 1996 (the Annual Meeting). Proxies for the Annual Meeting were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

(b) At the Annual Meeting Michael D. Madden was elected to serve until the 1999 annual meeting of stockholders. In addition to the director elected at the Annual Meeting, the terms of the following directors continued after the Annual Meeting: Richard C. Adkerson and Ernest E. Howard, III.

(c) At the Annual Meeting the stockholders voted to elect one director. Holders of 13,448,746 shares voted for Mr. Madden and holders of 120,334 shares withheld their votes for him. There were no abstentions or broker non-votes with respect to the election of the director.

At the Annual Meeting the stockholders also voted on and approved a proposal to ratify the appointment of Arthur Andersen LLP as the independent auditors to audit the financial statements of the registrant and its subsidiaries for the year 1996. Holders of 13,501,733 shares voted for, holders of 50,976 shares voted against and holders of 16,371 shares abstained from voting on, such proposal. There were no broker non-votes with respect to such proposal.

Item 6. Exhibits and Reports on Form 8-K.

(a) The exhibits to this report are listed in the Exhibit Index appearing on page E-1 hereof.

(b) No reports on Form 8-K have been filed during the quarter for which this report is filed.

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.

FM PROPERTIES INC.

By: /s/ William J. Blackwell

William J. Blackwell
Controller
(authorized signatory and
Principal Accounting Officer)

Date: August 13, 1996

FM PROPERTIES INC.
EXHIBIT INDEX

Number	Description	Sequentially Numbered Page
- - - - -	- - - - -	- - - - -
27.1	Financial Data Schedule	

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