Table of Contents

UNITED STATES
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 quarterly period ended March 31, 2007

OR

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

For the transition period from to

Commission File Number: 000-24843

AMERICA FIRST TAX EXEMPT INVESTORS, L.P.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	47-0810385 (I.R.S. Employer Identification No.)
1004 Farnam Street, Suite 400 Omaha, Nebraska (Address of principal executive offices)	68102 (Zip Code)

(402) 444-1630
(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 (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 ☑ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non- accelerated filer ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ☐ NO ☑

INDEX

PART I — FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets as of March 31, 2007 and December 31, 2006	1
	Condensed Consolidated Statements of Operations for the three months ended March 31, 2007 and 2006	2
	Condensed Consolidated Statement of Partners' Capital and Comprehensive Income for the three months ended March 31, 2007	3
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2007 and 2006	4
	Notes to Consolidated Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	21
Item 4.	Controls and Procedures	21

PART II — OTHER INFORMATION

Item 1A.	Risk Factors	22
Item 6.	Exhibits	23

SIGNATURES 24

302 Certification of CEO
302 Certification of CFO
906 Certification of CEO
906 Certification of CFO

Forward-Looking Statements

This report (including, but not limited to, the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations") contains forward-looking statements that reflect management's current beliefs and estimates of future economic circumstances, industry conditions, the Company's performance and financial results. All statements, trend analysis and other information concerning possible or assumed future results of operations of the Company and the investments it has made constitute forward-looking statements. Beneficial Unit Certificate ("BUC") holders and others should understand that these forward-looking statements are subject to numerous risks and uncertainties and a number of factors could affect the future results of the Company and could cause those results to differ materially from those expressed in the forward-looking statements contained herein. These factors include general economic and business conditions such as the availability and credit worthiness of prospective tenants, lease rents, operating expenses, the terms and availability of financing for properties financed by the tax-exempt mortgage revenue bonds owned by the Partnership, adverse changes in the real estate markets from governmental or legislative forces, lack of availability and credit worthiness of counterparties to finance future acquisitions and interest rate fluctuations and other items discussed under "Risk Factors" in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and in Item 1A of Part II of this report.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

AMERICA FIRST TAX EXEMPT INVESTORS, L.P.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2007	December 31, 2006
Assets		
Cash and cash equivalents	$ 7,436,987	$ 8,476,928
Restricted cash	3,219,521	2,131,272
Interest receivable	460,057	264,160
Tax-exempt mortgage revenue bonds	27,128,129	27,103,398
Other tax-exempt bond	4,800,000	4,800,000
Real estate assets:		
Land	7,280,555	7,280,555
Buildings and improvements	77,606,261	77,311,306
Real estate assets before accumulated depreciation	84,886,816	84,591,861
Accumulated depreciation	(28,866,219)	(28,381,932)
Net real estate assets	56,020,597	56,209,929
Other assets	1,269,700	1,214,502
Total Assets	$ 100,334,991	$ 100,200,189
Liabilities and Partners’ Capital		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 6,822,138	$ 6,117,451
Distribution payable	1,362,021	1,566,378
Debt financing	45,770,000	45,770,000
Total Liabilities	53,954,159	53,453,829
Commitments and Contingencies		
Partners’ Capital:		
General Partner	1,525,510	1,526,062
Beneficial Unit Certificate (“BUC”) holders	90,667,692	90,722,467
Unallocated deficit of variable interest entities	(45,812,370)	(45,502,169)
Total Partners’ Capital	46,380,832	46,746,360
Total Liabilities and Partners’ Capital	$ 100,334,991	$ 100,200,189

The accompanying notes are an integral part of the condensed consolidated financial statements.

AMERICA FIRST TAX EXEMPT INVESTORS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended, March 31, 2007	March 31, 2006
Income:		
Property revenues	$ 3,576,250	$ 3,400,436
Mortgage revenue bond investment income	422,438	265,050
Other interest income	208,774	131,808
	4,207,462	3,797,294
Expenses:		
Real estate operating (exclusive of items shown below)	1,961,515	2,124,199
Depreciation and amortization	487,380	613,253
Interest	528,798	384,482
General and administrative	290,992	408,284
	3,268,685	3,530,218
Income from continuing operations	938,777	267,076
Income from discontinued operations	—	193,459
Net income	$ 938,777	$ 460,535
Net income allocated to:		
General Partner	$ 12,490	$ 11,300
BUC holders	1,236,488	1,118,747
Unallocated loss of variable interest entities	(310,201)	(669,512)
	$ 938,777	$ 460,535
BUC holders' interest in net income per unit (basic and diluted):		
Income from continuing operations	$ 0.13	$ 0.11
Income from discontinued operations	—	—
Net income, basic and diluted, per unit	$ 0.13	$ 0.11
Weighted average number of units outstanding, basic and diluted	9,837,928	9,837,928

The accompanying notes are an integral part of the condensed consolidated financial statements.

AMERICA FIRST TAX EXEMPT INVESTORS, L.P.
CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(UNAUDITED)

	General Partner	Beneficial Unit Certificate holders # of Units	Beneficial Unit Certificate holders Amount	Unallocated deficit of variable interest entities	Total	Accumulated Other Comprehensive Loss
Balance at January 1, 2007	$ 1,526,062	9,837,928	$ 90,722,467	$ (45,502,169)	$ 46,746,360	$ (722,435)
Comprehensive income:						
Net income	12,490		1,236,488	(310,201)	938,777	
Unrealized gain on securities	373		36,858	—	37,231	37,231
Total comprehensive income					$ 976,008	
Distributions paid or accrued	(13,415)		(1,328,121)	—	(1,341,536)	
Balance at March 31, 2007	$ 1,525,510	9,837,928	$ 90,667,692	$ (45,812,370)	$ 46,380,832	$ (685,204)

The accompanying notes are an integral part of the condensed consolidated financial statements.

AMERICA FIRST TAX EXEMPT INVESTORS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the three months ended March 31, 2007	March 31, 2006
Operating activities:		
Net income	$ 938,777	$ 460,535
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	487,380	748,089
(Increase) decrease in interest receivable	(195,897)	49,866
(Increase) decrease in other assets	(55,198)	287,218
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(504,663)	452,844
Net cash provided by operating activities	670,399	1,998,552
Investing activities:		
Acquisition of tax-exempt revenue bonds	—	(12,000,000)
Proceeds from the sale of other tax-exempt bonds	—	19,200,000
Increase in restricted cash	(1,088,249)	(455,026)
Capital expenditures	(176,947)	(152,539)
Principal payments received on tax-exempt revenue bonds	12,500	10,000
Net cash provided by (used in) investing activities	(1,252,696)	6,602,435
Financing activities:		
Distributions paid	(1,545,893)	(1,341,535)
Principal payments on debt financing and note payable	—	(75,000)
Increase in liabilities related to restricted cash	1,088,249	455,026
Net cash used in financing activities	(457,644)	(961,509)
Net (decrease) increase in cash and cash equivalents	(1,039,941)	7,639,478
Cash and cash equivalents at beginning of period	8,476,928	3,298,605
Cash and cash equivalents at end of period	$ 7,436,987	$ 10,938,083
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 108,544	$ 342,559
Distributions declared but not paid	$ 1,341,536	$ 1,341,535
Significant Non-Cash Activity:		
Capital expenditures financed through accounts payable	$ 121,101	$ —

The accompanying notes are an integral part of the consolidated consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(UNAUDITED)

1. Basis of Presentation

America First Tax Exempt Investors, L.P. (the “Partnership”) was formed on April 2, 1998 under the Delaware Revised Uniform Limited Partnership Act for the purpose of acquiring, holding, selling and otherwise dealing with a portfolio of federally tax-exempt mortgage revenue bonds which have been issued to provide construction and/or permanent financing of multifamily residential apartments. The Partnership will terminate on December 31, 2050 unless terminated earlier under the provisions of its Agreement of Limited Partnership. The general partner of the Partnership is America First Capital Associates Limited Partnership Two (the “General Partner” or “AFCA 2”).

The consolidated financial statements include the accounts of the Partnership and of the variable interest entities (“VIEs”) in which the Partnership has been determined to be the primary beneficiary. In this Form 10-Q, “the Partnership” refers to America First Tax Exempt Investors, L.P. as a stand-alone entity and “the Company” refers to the Partnership and the VIEs on a consolidated basis. All transactions and accounts between the Partnership and the VIEs have been eliminated in consolidation. The Partnership does not presently believe that the consolidation of VIEs for reporting under accounting principles generally accepted in the United States of America (“GAAP”) will impact the Partnership’s tax status, amounts reported to Beneficial Unit Certificate (“BUC”) holders on IRS Form K-1, the Partnership’s ability to distribute tax-exempt income to BUC holders, the current level of quarterly distributions or the tax-exempt status of the underlying mortgage revenue bonds.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying interim unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted according to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006. In the opinion of management, all normal and recurring adjustments necessary to present fairly the financial position as of March 31, 2007, and the results of operations for all periods presented have been made. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

2. Partnership Income, Expenses and Cash Distributions

The Agreement of Limited Partnership of the Partnership contains provisions for the distribution of Net Interest Income, Net Residual Proceeds and Liquidation Proceeds, for the allocation of income or loss from operations and for the allocation of income and loss arising from a repayment, sale or liquidation of investments. Income and losses will be allocated to each BUC holder on a periodic basis, as determined by the General Partner, based on the number of BUCs held by each BUC holder as of the last day of the period for which such allocation is to be made. Distributions of Net Interest Income and Net Residual Proceeds will be made to each BUC holder of record on the last day of each distribution period based on the number of BUCs held by each BUC holder as of such date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(UNAUDITED)

The unallocated deficit of the VIEs is primarily comprised of the accumulated historical net losses of the VIEs as of January 1, 2004 and the VIEs' net losses since the implementation of FIN 46R "Accounting for Variable Interest Entities" as of January 1, 2004. Such losses are not allocated to the General Partner and BUC holders as such activity is not contemplated by, or addressed in, the Agreement of Limited Partnership.

Cash distributions are currently made on a quarterly basis but may be made on a monthly or semiannual basis at the election of AFCA 2.

3. Investments in Tax-Exempt Bonds

The Company had the following investments in tax-exempt mortgage revenue bonds as of date shown:

Description of Tax-Exempt Mortgage Revenue Bonds	March 31, 2007 Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Chandler Creek Apartments	$ 11,500,000	$ —	$ (49,450)	$ 11,450,550
Clarkson College	6,123,333	—	(635,754)	5,487,579
Bella Vista	6,800,000	—	—	6,800,000
Deerfield Apartments	3,390,000	—	—	3,390,000
	$ 27,813,333	$ —	$ (685,204)	$ 27,128,129

Description of Tax-Exempt Mortgage Revenue Bonds	December 31, 2006 Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Chandler Creek Apartments	$ 11,500,000	$ —	$ (81,650)	$ 11,418,350
Clarkson College	6,135,833	—	(640,785)	5,495,048
Bella Vista	6,800,000	—	—	6,800,000
Deerfield Apartments	3,390,000	—	—	3,390,000
	$ 27,825,833	$ —	$ (722,435)	$ 27,103,398

Unrealized gains or losses on these tax-exempt bonds are recorded to reflect quarterly changes in their estimated fair values resulting from market conditions and fluctuations in the present value of the expected cash flows from the underlying properties. The Chandler Creek bonds are in technical default and interest is being paid on these bonds at a rate below the stated rate. In April 2006, the Company terminated a forbearance agreement with the borrower. The termination of the forbearance agreement allows the Company to seek additional remedies including the ultimate foreclosure of the property, if necessary. The Company does not currently intend to exercise its right to foreclose on the property as the property continues to pursue alternatives to ultimately satisfy its obligations to its creditors. The current unrealized losses on the bonds are not considered to be other-than-temporary because the Company has the intent and ability to hold these securities until their value recovers or until maturity, if necessary. The unrealized loss will continue to fluctuate each reporting period based on the market conditions and present value of the expected cash flow.

In April 2006, the Company acquired the Bella Vista bonds at par value of $6.8 million, which represented 100% of the bond issuance. The bonds earn interest at an annual rate of 6.15% with semi-annual interest payments and a stated maturity date of April 1, 2046. The bonds were issued in order to construct a 144 unit multi-family apartment complex in Gainesville, Texas. The apartment complex is currently under construction with an estimated completion date of May 2007. The Company has determined that the underlying entity that

Table of Contents

supports the bonds does not meet the definition of a VIE and will not be required to be consolidated into the Company's consolidated financial statements under FIN 46R. In October 2006, the Company acquired the Deerfield Series A and B bonds at a par value of $3.3 million and $90,000, respectively. The bonds earn interest at an annual rate of 6.25% on the Series A and 8.5% on the Series B. The bonds are secured by a 72 unit apartment complex in Blair, Nebraska. The Company has determined that the underlying entity, a 501(c)3 not for profit entity, that supports the bonds does not meet the definition of a VIE and will not be required to be consolidated into the Company's consolidated financial statements under FIN 46R.

4. Debt Financing

The Company's debt financing of $45.8 million bears interest at a weekly floating bond rate plus remarketing, credit enhancement, liquidity and trustee fees which averaged 4.3% and 4.1% in the aggregate for the three months ended March 31, 2007 and 2006, respectively.

5. Related Party Transactions

The General Partner is entitled to receive an administrative fee from the Company of up to 0.45% of the outstanding principal balance of any tax-exempt mortgage revenue bond or other mortgage investment, unless another third party is required to pay such administrative fee. For the three months ended March 31, 2007 and 2006, the Company's administrative fees to the General Partner were $120,000 and $78,000, respectively.

An affiliate of the General Partner provides property management services for many of the apartment communities financed by the Partnership's tax exempt bonds. As of March 31, 2007, this affiliate was providing property management services for Ashley Square, Ashley Pointe at Eagle Crest, Iona Lakes Apartments, Bent Tree Apartments, Lake Forest Apartments, Clarkson College, Chandler Creek Apartments, Deerfield Apartments, and Fairmont Oaks Apartments. The management fees paid by the property owners to the affiliate of the General Partner amounted to $119,000 and $166,000 for the three months ended March 31, 2007 and 2006, respectively. These property management fees are paid by the respective properties prior to the payment of any interest on the tax-exempt mortgage revenue bonds and taxable loans held by the Partnership on these properties.

6. Interest Rate Cap Agreements

The Company has three interest rate cap agreements with a combined notional amount of $35.0 million in order to mitigate its exposure to increases in interest rates on its variable-rate debt financing. The terms of the cap agreements are as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(UNAUDITED)

Date Purchased	Principal of Debt Financing	Effective Capped Rate	Maturity Date	Purchase Price	Counter party
July 7, 2006	$10,000,000	4.90%	July 1, 2011	$159,700	US Bank
November 1, 2002	$10,000,000	3.90% (1)	November 1, 2007	$250,000	Bank of America
February 1, 2003	$15,000,000	4.40% (2)	January 1, 2010	$608,000	Bank of America

(1) The counterparty has the right to convert the cap into a fixed rate swap with an effective fixed interest rate to the Partnership of 3.50%.

(2) The counterparty has the right to convert the cap into a fixed rate swap with an effective fixed interest rate to the Partnership of 3.85%.

These interest rate caps do not qualify for hedge accounting; accordingly, they are carried at fair value, with changes in fair value included in current period earnings within interest expense. The change in the fair value of derivative contracts resulted in an increase in interest expense of approximately $32,000 for the three months ended March 31, 2007, and a reduction in interest expense of approximately $65,000 for the three months ended March 31, 2006.

7. Segment Reporting

The Company has two reportable segments, the Partnership and the VIEs. In addition to the two reportable segments, the Company also separately reports its consolidating and eliminating entries since it does not allocate certain items to the segments.

The Partnership Segment

The Partnership operates for the purpose of acquiring, holding, selling and otherwise dealing with a portfolio of federally tax-exempt mortgage revenue bonds which have been issued to provide construction and/or permanent financing of multifamily residential apartments.

The VIE Segment

As a result of the effect of FIN 46R, management more closely monitors and evaluates the financial reporting associated with and the operations of the VIEs. Management performs such evaluation separately from the operations of the Partnership through interaction with the property management company which manages the VIEs' multifamily apartment properties. Management effectively manages the Partnership and the VIEs as separate and distinct businesses.

The VIEs' primary operating strategy focuses on multifamily apartment properties as long-term investments. The VIEs' operating goal is to generate increasing amounts of net rental income from these properties that will allow them to service debt. In order to achieve this goal, management of these multifamily apartment properties is focused on: (i) maintaining high economic occupancy and increasing rental rates through effective leasing, reduced turnover rates and providing quality maintenance and services to maximize resident satisfaction; (ii) managing operating expenses and achieving cost reductions through operating efficiencies and economies of scale generally inherent in the management of a portfolio of multiple properties; and (iii) emphasizing regular programs of repairs, maintenance and property improvements to enhance the competitive advantage and value of its properties in their respective market areas. As of March 31, 2007, the Company consolidated eight VIE multifamily apartment properties. The VIEs' multifamily apartment properties are located in the states of Iowa, Indiana, Florida, Kentucky and South Carolina.

The following table details certain key financial information for the Company's reportable segments for the periods ended March 31, 2007 and 2006:

	March 31, 2007	March 31, 2006
Total revenues		
Partnership	$ 2,081,109	$ 1,926,376
VIEs	3,576,250	3,400,436
Consolidation/eliminations	(1,449,897)	(1,529,518)
Total revenues	$ 4,207,462	$ 3,797,294
Net income (loss)		
Partnership	$ 1,254,661	$ 1,130,047
VIEs	(1,046,826)	(1,441,299)
Consolidation/eliminations	730,942	771,787
Net income	$ 938,777	$ 460,535

	March 31, 2007	December 31, 2006
Total assets		
Partnership	$ 134,002,317	$ 133,887,842
VIEs	60,941,932	58,969,966
Consolidation/eliminations	(94,609,258)	(92,657,619)
Total assets	$ 100,334,991	$ 100,200,189
Total partners' capital		
Partnership	85,577,458	$ 85,758,294
VIEs	(57,121,849)	(55,827,776)
Consolidation/eliminations	17,925,223	16,815,842
Total partners' capital	$ 46,380,832	$ 46,746,360

8. Discontinued Operations and Assets Held for Sale

During the first quarter of 2006, Northwoods Lake Apartments in Duluth, Georgia met the criteria as a discontinued operation under SFAS No. 144. For the three months ended March 31, 2006, Northwoods' net income of approximately $193,000 is included in the income or loss from discontinued operations.

There were no assets or liabilities of discontinued operations included in the balance sheet as of March 31, 2007 and December 31, 2006.

The following table presents the revenues and net income for the discontinued operations for the three months ended March 31, 2007 and 2006:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(UNAUDITED)

	Three Months Ended March 31, 2007		Three Months Ended March 31, 2006	
Rental Revenues	$	—	$	1,004,668
Expenses		—		811,209
Net Income	$	—	$	193,459

9. Subsequent Events

Equity offering

In April 2007, the Partnership sold, through an underwritten public offering, a total of 3,675,000 BUCs representing assigned limited partnership interests at $8.06 per BUC. Gross proceeds from the sale of the BUCs was approximately $29.6 million. The proceeds will be used to acquire additional tax-exempt revenue bonds and other investments meeting our investment criteria and for general working capital needs. The offering was made pursuant to a shelf registration statement filed with the Securities and Exchange Commission.

Additional debt

As described in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, the Company participates in the Merrill Lynch "P-Float" program in order to provide leverage to the Partnership. This leverage program is utilized to finance the purchase of additional investments. In April 2007, the Company placed its tax-exempt mortgage bonds secured by Ashley Square and Bella Vista into separate trusts under the P-Float program. The Company received the net proceeds generated by the trusts of approximately $13.3 million through this financing arrangement. Total debt outstanding after this transaction is approximately $59.0 million.

Investment acquisitions

In May 2007, the Partnership, together with an unaffiliated third party, entered into a Purchase and Sale Agreement to acquire the general and limited partnership interests of six separate limited partnerships which own six multi-family housing complexes in Ohio and Kentucky. The aggregate purchase price for the general and limited partnership interests will be $24.9 million. The Partnership will acquire the limited partnership interests while the unaffiliated third party will acquire the general partnership interests. Closing of the transaction is subject to a 60 day due diligence period. The Partnership entered into this transaction in anticipation of eventually acquiring tax exempt mortgage bonds on the multi-family housing complexes. Management is still evaluating whether or not these properties will be consolidated entities.

In May 2007, the Partnership acquired $4.9 million of multi-family housing revenue bonds issued for the construction of The Gardens of DeCordova Apartments in Granbury, Texas. Additionally, the Partnership acquired $4.7 million of multi-family housing revenue bonds for the construction of the Gardens of Weatherford Apartments in Weatherford, Texas. Each project will contain 76 units upon completion of construction. The new bonds earn an annual interest rate of 6.0%. Management is still evaluating whether or not these properties will be consolidated entities

Table of Contents

10. Recently Issued Accounting Pronouncements

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109.* The interpretation clarifies the accounting for uncertainty in tax positions. The interpretation, effective for the Company beginning in the first quarter of 2007, did not have a material effect on the Partnership.

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

In this Management's Discussion and Analysis, the "Partnership" refers to America First Tax Exempt Investors, L.P. as a stand-alone entity and the "Company" refers to the consolidated financial information of the Partnership and certain entities that own multifamily apartment projects financed with mortgage revenue bonds held by the Partnership that are treated as "variable interest entities" ("VIEs") because the Partnership has been determined to be the primary beneficiary.

Critical Accounting Policies

The Company's critical accounting policies are the same as those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Executive Summary

The Partnership operates for the purpose of acquiring, holding, selling and otherwise dealing with a portfolio of federally tax-exempt mortgage revenue bonds which have been issued to provide construction and/or permanent financing of multifamily residential apartments. The VIEs' primary operating strategy focuses on multifamily apartment properties as long-term investments. Each VIE owns one multifamily apartment property that has been financed by a tax-exempt mortgage revenue bond held by the Partnership.

As of March 31, 2007, the Company consolidated eight VIE multifamily apartment properties containing a total of 1,764 rental units. As of March 31, 2006, the Company consolidated nine VIE multifamily apartment properties containing a total of 2,256 rental units.

The consolidated financial statements include the accounts of the Partnership and VIEs. All significant transactions and accounts between the Partnership and the VIEs have been eliminated in consolidation. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Discussion of the Partnership Bond Holdings and the Related Apartment Properties as of March 31, 2007

The following discussion outlines the individual bond holdings of the Partnership, identifies those ownership entities which are consolidated VIEs of the Company and briefly discusses the overall operations and financial results of the underlying properties.

Property Name	Number of Units	Percentage of Occupied Units as of March 31, 2007	2006	Economic Occupancy(1) for the period ended March 31, 2007	2006
Consolidated Properties					
Ashley Pointe at Eagle Crest	150	92%	92%	94%	87%
Ashley Square	144	84%	90%	79%	84%
Bent Tree Apartments	232	90%	91%	82%	82%
Fairmont Oaks Apartments	178	99%	98%	85%	90%
Iona Lakes Apartments	350	84%	99%	84%	94%
Lake Forest Apartments	240	96%	100%	102%	95%
Woodbridge Apts. of Bloomington III	280	98%	95%	95%	93%
Woodbridge Apts. of Louisville II	190	94%	94%	94%	90%
	1,764	92%	95%	89%	87%
Non-Consolidated Properties					
Chandler Creek Apartments	216	96%	92%	74%	67%
Clarkson College	142	84%	72%	84%	72%
Deerfield Apartments(2)	72	67%	n/a	61%	n/a
Bella Vista Apartments(3)	144	n/a	n/a	n/a	n/a
	574				

(1) Economic occupancy is presented for the three months ended March 31, 2007 and 2006, and is defined as the net rental income received divided by the maximum amount of rental income to be derived from each property. This statistic is reflective of rental concessions, delinquent rents and non-revenue units such as model units and employee units.

(2) For Deerfield, previous period occupancy numbers are not available, as this is a new investment.

(3) Bella Vista was under initial construction as of March 31, 2007, and therefore has no occupancy data.

Ashley Pointe — Ashley Pointe at Eagle Crest is located in Evansville, Indiana and is a consolidated VIE. In the first quarter of 2007, Net Operating Income (calculated as property revenue less salaries, advertising, administration, utilities, repair and maintenance, insurance, taxes, and management fee expenses) was $142,000 as compared to $138,000 in 2006. This slight increase was the result of lower utility expenses.

Ashley Square — Ashley Square Apartments is located in Des Moines, Iowa and is a consolidated VIE. In the first quarter of 2007, Net Operating Income was $56,000 as compared to $82,000 in 2006. This decrease was the result of a decline in rental revenues due to a significant capital improvement project which resulted in varying numbers of rental units being unavailable for rent. The project was completed in the first quarter of 2007 and property management expects occupancy, and thereby rental revenues, to improve in the coming months.

Bella Vista — Bella Vista Apartments are currently under construction in Gainesville, Texas and will contain 144 units upon completion. Construction is scheduled to be complete in May 2007. Pre-leasing began in April 2007. Bella Vista is not a consolidated VIE.

Bent Tree — Bent Tree Apartments is located in Columbia, South Carolina and is a consolidated VIE. In the first quarter of 2007, Net Operating Income was $190,000 as compared to $135,000 in 2006. This increase was the result of both increased revenues and lower operating expenses. Specifically, total property revenue increased $36,000 while utility expenses and general office expenses declined $23,000.

Chandler Creek — Chandler Creek Apartments is located in Round Rock, Texas and contains 216 units. In the first quarter of 2007, the property recognized Net Operating Loss of $291,000 as compared to Net Operating

Income of $180,000 in 2006. The loss is directly attributable to real estate tax assessments which increased nearly $540,000. The majority of the assessment relates to prior tax years and is currently being appealed by the property. Partially offsetting the affects of this assessment were increases in occupancy and property revenues period over period. Chandler Creek is not a consolidated VIE, so its operating results are not reflected in the Company's financial statements. The Chandler Creek bonds are in technical default and interest is being paid on these bonds at a rate below the stated rate. Chandler Creek is current on these reduced rate interest payments.

Clarkson College — Clarkson College is a 142 bed student housing facility located in Omaha, Nebraska In the first quarter of 2007, Net Operating Income was $137,000 as compared to $118,000 in 2006. The increase is attributable to increases in occupancy resulting in increased property revenue. Clarkson College is not a consolidated VIE, so its operating results are not reflected in the Company's financial statements. Clarkson College is current on its base interest payments on the bond held by the Partnership on this property.

Deerfield — Deerfield Apartments is located in Blair, Nebraska and contains 72 units. In the first quarter of 2007, Net Operating Income was $32,000. Occupancy, and thereby rental revenues, at Deerfield is the property's most significant operating issue. Property management is working diligently on this issue. Deerfield is not a consolidated VIE, so its operating results are not reflected in the Company's financial statements. Deerfield is current on its base interest payments on the bond held by the Partnership on this property.

Fairmont Oaks — Fairmont Oaks Apartments is located in Gainesville, Florida and is a consolidated VIE. In the first quarter of 2007, Net Operating Income was $227,000 as compared to $191,000 in 2006. This increase was the result of increased revenues. With physical occupancy at very high levels, increased rental rates drove the increase in rental revenues.

Iona Lakes — Iona Lakes Apartments is located in Fort Meyers, Florida and is a consolidated VIE. In the first quarter of 2007, Net Operating Income was $395,000 as compared to $430,000 in 2006. This decline is directly attributable to a decline in occupancy. The decline in occupancy resulted from a number of month-to-month tenants returning to their hurricane damaged homes where repairs were recently completed.

Lake Forest — Lake Forest Apartments is located in Daytona Beach, Florida and is a consolidated VIE. In the first quarter of 2007, Net Operating Income was $315,000 as compared to $299,000 in 2006. This increase was attributable to increased economic occupancy which is the result of the property being able to lease units at rates slightly above market rates.

Woodbridge at Bloomington — Woodbridge Apartments at Bloomington is located in Bloomington, Indiana and is a consolidated VIE. In the first quarter of 2007, Net Operating Income was $310,000 as compared to $301,000 in 2006. The increase is due to increased revenues resulting from increased occupancy.

Woodbridge at Louisville — Woodbridge Apartments at Louisville is located in Louisville, Kentucky and is a consolidated VIE. In the first quarter of 2007, Net Operating Income was $252,000 as compared to $224,000 in 2006. The increase is due to increased revenues resulting from increased occupancy.

Results of Operations

Consolidated Results of Operations

The following discussion of the Company's results of operations for the three months ended March 31, 2007 and 2006 should be read in conjunction with the consolidated financial statements and notes thereto included in Item 1 of this report as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Three Months Ended March 31, 2007 compared to Three Months Ended March 31, 2006 (Consolidated)

Change in Results of Operations

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006	Dollar Change
Income			
Property revenues	$ 3,576,250	$ 3,400,436	$ 175,814
Mortgage revenue bond investment income	422,438	265,050	157,388
Other interest income	208,774	131,808	76,966
	4,207,462	3,797,294	410,168
Expenses			
Real estate operating (exclusive of items shown below)	1,961,515	2,124,199	(162,684)
Depreciation and amortization	487,380	613,253	(125,873)
Interest	528,798	384,482	144,316
General and administrative	290,992	408,284	(117,292)
	3,268,685	3,530,218	(261,533)
Income from continuing operations	938,777	267,076	671,701
Income from discontinued operations	—	193,459	(193,459)
Net income	$ 938,777	$ 460,535	$ 478,242

Property revenues. Property revenues increased due mainly to increased economic occupancy and increased rents per unit. Economic occupancy increased to 89% in 2007 from 87% in 2006. Average monthly rents per unit for the first quarter of 2007 were $658 as compared to $644 in 2006.

Mortgage revenue bond investment income. Mortgage revenue bond investment income increased during the first quarter of 2007 compared to the first quarter of 2006 due to the acquisition of $6.8 million of Bella Vista and $3.4 million of Deerfield tax-exempt mortgage revenue bonds. The Bella Vista bonds earn tax-exempt interest at a stated rate of 6.15%. The Deerfield bonds earn interest at an annual rate of 6.25% on the Series A and 8.5% on the Series B. All interest payments due on the mortgage revenue bonds were paid currently during the first quarter of 2007.

Other interest income. The increase in other interest income is attributable to an increase in temporary investments in liquid securities. The proceeds from the sale of Northwoods Lake during the third quarter of 2007 created additional cash that was invested in short term liquid securities while the Company explored longer term investment options.

Real estate operating expenses. Real estate operating expenses are comprised principally of real estate taxes, property insurance, utilities, property management fees, repairs and maintenance, and salaries and related employee expenses of on-site employees. A portion of real estate operating expenses are fixed in nature, thus a decrease in physical and economic occupancy would result in a reduction in operating margins. Conversely, as physical and economic occupancy increase, the fixed nature of these expenses will increase operating margins as these real estate operating expenses would not increase at the same rate as rental revenues. Real estate expenses decreased in the first quarter of 2007 compared to the same period of 2006. Specifically, general office expenses declined $105,000 and utility expenses declined $70,000.

Depreciation and amortization expense. Depreciation and amortization consist primarily of depreciation associated with the apartment properties of the consolidated VIEs. The decrease in depreciation expense is primarily attributable to certain assets becoming fully depreciated at Ashley Pointe during the second quarter of 2006.

Interest expense. Interest expense increased approximately $144,000 in the three month period ended March 31, 2007 compared to March 31, 2006. The increase in interest expense was due to a higher average interest rate on the Company's borrowings and the change in the fair value of the interest rate caps. The average interest rate on Company borrowings was 4.3% in 2007 as compared to 4.1% in 2006. The mark to market adjustment related to the fair value of interest rate caps increased interest expense by $32,000 in 2007 and decreased interest expense by $65,000 in 2006.

The Company manages its interest rate risk on its debt financing by entering into interest rate cap agreements that cap the amount of interest expense it pays on its floating rate debt financing. The Company's interest rate cap agreements do not qualify for hedge accounting, therefore, any changes in the fair value of the caps are recognized in current period earnings. The fair value adjustments are classified as interest expense in the consolidated statements of operations. The fair value adjustment through earnings can cause a significant fluctuation in reported net income although it has no impact on the Company's cash flows.

General and administrative expenses. General and administrative expenses declined due to lower salaries and benefits expense and professional fees. Salaries and benefits declined $36,000 and professional fees declined $72,000 primarily due to a decrease in legal expenses.

Discontinued Operations. During the period ended March 31, 2006, Northwoods Lake Apartments was considered a discontinued operation and accordingly, the results of operations for such period have been reported as discontinued operations and disclosed as a single line item on the statements of operations.

Partnership Only Results of Operations

The Partnership was formed for the primary purpose of acquiring, holding, selling and otherwise dealing with a portfolio of federally tax-exempt mortgage revenue bonds which have been issued to provide construction and/or permanent financing of multifamily residential apartments. The Partnership's business objectives are to: (i) preserve and protect its capital; (ii) provide regular cash distributions to BUC holders; and (iii) provide a potential for an enhanced federally tax-exempt yield as a result of a participation interest in the net cash flow and net capital appreciation of the underlying real estate properties financed by the tax-exempt mortgage revenue bonds.

The Partnership is pursuing a business strategy of acquiring additional tax-exempt mortgage revenue bonds on a leveraged basis in order to: (i) increase the amount of tax-exempt interest available for distribution to its BUC holders; (ii) reduce risk through asset diversification and interest rate hedging; and (iii) achieve economies of scale. The Partnership seeks to achieve its investment growth strategy by investing in additional tax-exempt mortgage revenue bonds and related investments, taking advantage of attractive financing structures available in the tax-exempt securities market and entering into interest rate risk management instruments. The Partnership's primary assets are its tax-exempt mortgage revenue bonds, which provide permanent financing for eleven multifamily housing properties and one student housing property.

The following discussion of the Partnership's results of operations for the three months ended March 31, 2007 and 2006 reflects the operations of the Partnership without the consolidation of the VIEs, which is required under FIN 46R. This information is used by management to analyze the Partnership's operations and is reflective of the segment data discussed in Note 7 to the consolidated financial statements.

Three Months Ended March 31, 2007 compared to Three Months Ended March 31, 2006 (Partnership Only)

Changes in Results of Operations

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006	Dollar Change
Income			
Mortgage revenue bond investment income	$ 1,847,413	$ 1,771,194	$ 76,219
Other interest income	233,696	155,182	78,514
	2,081,109	1,926,376	154,733
Expenses			
Interest expense	528,798	382,013	146,785
Amortization expense	6,658	6,033	625
General and administrative	290,992	408,283	(117,291)
	826,448	796,329	30,119
Income from continuing operations	$ 1,254,661	$ 1,130,047	$ 124,614

Mortgage revenue bond investment income. Mortgage revenue bond investment income increased in the first quarter of 2007 compared to 2006 due to the acquisition of $6.8 million of Bella Vista and $3.4 million of Deerfield tax-exempt mortgage revenue bonds offset by the sale of the Partnership's mortgage revenue bonds on the Northwoods Lake Apartments in August 2006. All interest payments due on the mortgage revenue bonds were paid currently during the first quarter of 2007.

Other interest income. Other interest income increased in the first quarter of 2007 compared to 2006 due to an increase in temporary investments in liquid securities. The proceeds from the sale of Northwoods Lake created additional cash that was invested in short term liquid securities while the Partnership explores longer term investment options.

Interest expense. Interest expense increased in the first quarter of 2007 compared to 2006 due to a higher average interest rate on the Partnership's borrowings and the change in the fair value of the interest rate caps. The average interest rate on Partnership borrowings was 4.3% in 2007 as compared to 4.1% in 2006. The mark to market adjustment related to the fair value of interest rate caps increased interest expense by $32,000 in 2007 and decreased interest expense by $65,000 in 2006.

General and administrative expenses. General and administrative expenses declined due to lower salaries and benefits expense and professional fees. Salaries and benefits declined $36,000 and professional fees declined $72,000 primarily due to a decrease in legal expenses.

Liquidity and Capital Resources

Tax-exempt interest earned on the mortgage revenue bonds represents the Partnership's principal source of cash flow. Tax-exempt interest is primarily comprised of base interest on certain of the mortgage revenue bonds. The Partnership will also receive from time to time contingent interest on the mortgage revenue bonds. Contingent interest is only paid when the underlying properties generate excess cash flow, therefore, cash in-flows are fairly fixed in nature and increase when the underlying properties have strong economic performances and when the Partnership acquires additional tax-exempt mortgage revenue bonds or other investments.

The Partnership's principal uses of cash are the payment of distributions to BUC holders, interest on debt financing and general and administrative expenses. The Partnership also uses cash to acquire additional investments. Distributions to BUC holders may increase or decrease at the determination of the General Partner. The Partnership is currently paying distributions at the rate of $0.54 per BUC per year. The General Partner determines the amount of the distributions based upon the projected future cash flows of the Partnership. Future distributions to BUC holders will depend upon the amount of base and contingent interest received on the tax-exempt mortgage revenue bonds and other investments, the effective interest rate on the Partnership's variable-rate debt financing, and the amount of the Partnership's undistributed cash.

The Partnership believes that cash provided by net interest income from its tax-exempt mortgage revenue bonds and other investments will be adequate to meet its projected long-term liquidity requirements, including the payment of expenses, interest and distributions to BUC holders. Recently, income from investments has not been sufficient to fund such expenditures without utilizing cash reserves to supplement the deficit. See discussion below regarding "Cash Available for Distribution."

The VIEs' primary source of cash is net rental revenues generated by their real estate investments. Net rental revenues from a multifamily apartment property depend on the rental and occupancy rates of the property and on the level of operating expenses. Occupancy rates and rents are directly affected by the supply of, and demand for, apartments in the market area in which a property is located. This, in turn, is affected by several factors such as local or national economic conditions, the amount of new apartment construction and the affordability of single-family homes. In addition, factors such as government regulation (such as zoning laws), inflation, real estate and other taxes, labor problems and natural disasters can affect the economic operations of an apartment property.

The VIEs' primary uses of cash are: (i) the payment of operating expenses; and (ii) the payment of debt service on the VIEs' bonds and mortgage notes payable which are held by the Partnership.

On a consolidated basis, cash provided by operating activities for the three months ended March 31, 2007 decreased $1,328,000 compared to the same period a year earlier mainly due to changes in accounts payable and accrued expenses net of changes in other liabilities. Cash from investing activities decreased $7,855,000, for the three months ended March 31, 2007 compared to the same period in 2006 primarily due to the sale of tax-exempt securities that generated net proceeds of $7,200,000 in 2006. There were no such sales in 2007. Cash used in financing activities decreased $504,000 for the three months ended March 31, 2007 compared to the same period in 2006 primarily due to the increase in liabilities associated with restricted cash. This increase was caused by a change in the collateral requirements for bond debt financing and was partially offset by lower principal debt payments in 2007 compared to 2006.

Cash Available for Distribution ("CAD")

Management utilizes a calculation of Cash Available for Distribution ("CAD") as a means to determine the Partnership's ability to make distributions to BUC holders. The general partner believes that CAD provides relevant information about its operations and is necessary along with net income for understanding its operating results. To calculate CAD, amortization expense related to debt financing costs and bond reissuance costs, Tier 2 income due to the general partner as defined in the Agreement of Limited Partnership, interest rate cap expense, provision for loan losses, impairments on bonds and losses related to VIEs including the cumulative effect of accounting change are added back to the Company's net income (loss) as computed in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Management evaluates two measures of CAD by further breaking down the calculation into Total CAD and CAD excluding contingent interest and realized gains. For the three months ended March 31, 2007 and 2006, there was no contingent interest or realized gains, thus there was no difference between Total CAD and CAD excluding contingent interest and realized gains. There is no generally accepted methodology for computing CAD, and the Company's computation of CAD may not be comparable to CAD reported by other companies. Although the Company considers CAD to be a useful measure of its operating performance, CAD should not be considered as an alternative to net income or net cash flows from operating activities which are calculated in accordance with GAAP.

The Partnership's regular annual distributions are currently equal to $0.54 per unit, or $0.135 per quarter per unit. In recent years, CAD excluding contingent interest and realized gains has not been sufficient to fund such distributions without utilizing cash reserves to supplement the deficit. The general partner believes that the Partnership has an opportunity to increase its CAD excluding contingent interest and realized gains to a level that equals or exceeds the current distribution rate by fully investing, on a leveraged basis, the cash and cash equivalents currently held by the Partnership in new investments. The general partner believes that current investment opportunities will allow the Partnership to become fully invested in the near future.

The following tables show the calculation of CAD and the break-down of Total CAD and CAD excluding contingent interest and realized gains for the three months ended March 31, 2007 and 2006.

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006
Net income	$ 938,777	$ 460,535
Net loss from VIEs	1,046,826	1,441,299
Eliminations due to VIE consolidation	(730,942)	(771,787)
Income before impact of VIE consolidation	1,254,661	1,130,047
Change in fair value of derivatives and interest rate cap amortization	31,953	(64,996)
Amortization expense (Partnership only)	6,658	6,033
Total CAD	$ 1,293,272	$ 1,071,084

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006
Total CAD	$ 1,293,272	$ 1,071,084
Weighted average number of units outstanding, basic and diluted	9,837,928	9,837,928
Net income, basic and diluted, per unit	$ 0.13	$ 0.11
Total CAD per unit	$ 0.13	$ 0.11

Contractual Obligations

There were no significant changes to the Company's contractual obligations as of March 31, 2007 from the December 31, 2006 information presented in the Company's Annual Report on Form 10-K.

Recently Issued Accounting Pronouncements

In June 2006, the FASB issued Interpretation No. 48,*Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109.*The interpretation clarifies the accounting for uncertainty in tax positions. The interpretation, effective for the Company beginning in the first quarter of 2007, did not have a material effect on the Partnership.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in market risk from the information provided under “Quantitative and Qualitative Disclosures about Market Risk” in Item 7A of the Company’s 2006 Annual Report on Form 10-K.

Item 4. Controls and Procedures.

(a) *Evaluation of disclosure controls and procedures.* The Partnership’s Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Partnership’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Partnership’s current disclosure controls and procedures are effective, providing them with material information relating to the Partnership as required to be disclosed in the reports the Partnership files or submits under the Exchange Act on a timely basis.

(b) *Changes in internal controls over financial reporting.* There were no changes in the Partnership’s internal control over financial reporting during the Partnership’s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Partnership’s internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1A. Risk Factors.

The risk factors affecting the Company are described in 1A "Risk Factors" of the Company's 2006 Annual Report on Form 10-K. Additional risks include the following:

If we acquire direct ownership of apartment properties we will be subject to all of the risks normally associated with the ownership of commercial real estate.

We may acquire ownership of apartment complexes financed by tax exempt bonds held by us in the event of a default on such bonds. We may also acquire ownership of apartment complexes on a temporary basis in order to facilitate the eventual acquisition by us of tax-exempt mortgage revenue bonds on the properties. In either case, during the time we own an apartment complex, we will generate taxable income or losses from the operations of such property rather than tax exempt interest. In addition, we will be subject to all of the risks normally associated with the operation of commercial real estate including declines in property value, occupancy and rental rates and increases in operating expenses. We may also be subject to government regulations, natural disasters and environmental issues, any of which could have an adverse affect on the Partnership's financial results and ability to make distributions to BUC holders.

There are a number of risks related to the construction of multifamily apartment properties that may affect the tax-exempt bonds issued to finance these properties.

One of the tax-exempt revenue bonds we currently hold is secured by a multifamily housing property which is still under construction. We may acquire additional tax-exempt revenue bonds issued to finance apartment properties in various stages of construction. Construction of such properties generally takes approximately 12 to 18 months. The principal risk associated with construction lending is the risk that construction of the property will be substantially delayed or never completed. This may occur for a number of reasons including (i) insufficient financing to complete the project due to underestimated construction costs or cost overruns; (ii) failure of contractors or subcontractors to perform under their agreements, (iii) inability to obtain governmental approvals; (iv) labor disputes, and (v) adverse weather and other unpredictable contingencies beyond the control of the developer. While we may be able to protect ourselves from some of these risks by obtaining construction completion guarantees from developers, agreements of construction lenders to purchase our bonds if construction is not completed on time, and/or payment and performance bonds from contractors, we may not be able to do so in all cases or such guarantees or bonds may not fully protect us in the event a property is not completed. In other cases, we may decide to forego certain types of available security if we determine that the security is not necessary or is too expensive to obtain in relation to the risks covered. If a property is not completed, or costs more to complete than anticipated, it may cause us to receive less than the full amount of interest owed to us on the tax-exempt bond financing such property or otherwise result in a default under the mortgage loan that secures our tax-exempt bond on the property. In such case, we may be forced to foreclose on the incomplete property and sell it in order to recover the principal and accrued interest on our tax-exempt bond and we may suffer a loss of capital as a result. Alternatively, we may decide to finance the remaining construction of the property, in which event we will need to invest additional funds into the property, either as equity or as a taxable loan. Any return on this additional investment would not be tax-exempt. Also, if we foreclose on a property, we will no longer receive tax-exempt interest on the bond issued to finance the property. In addition, the overall return to the Partnership from its investment in such property is likely to be less than if the construction had been completed on time or within budget.

There are a number of risks related to the lease-up of newly constructed or renovated properties that may affect the tax-exempt bonds issued to finance these properties.

One of the tax-exempt revenue bonds we currently invest in is secured by an affordable multifamily housing property which is still under construction. We may acquire additional tax-exempt revenue bonds issued to finance properties in various stages of construction or renovation. As construction or renovation is completed, these properties will move into the lease-up phase. The lease-up of these properties may not be completed on schedule or at anticipated rent levels, resulting in a greater risk that these investments may go into default than investments secured by mortgages on properties that are stabilized or fully leased-up. The underlying property may not achieve expected occupancy or debt service coverage levels. While we may require property developers to provide us with a guarantee covering operating deficits of the property during the lease-up phase, we may not be able to do so in all cases or such guarantees may not fully protect us in the event a property is not leased up to an adequate level of economic occupancy as anticipated.

Item 6. Exhibits.

The following exhibits are filed as required by Item 6 of this report. Exhibit numbers refer to the paragraph numbers under Item 601 of Regulation S-K:

3. Articles of Incorporation and Bylaws of America First Fiduciary Corporation Number Five (incorporated herein by reference to Registration Statement on Form S-11 (No. 2-99997) filed by America First Tax Exempt Mortgage Fund Limited Partnership on August 30, 1985).

4(a) Form of Certificate of Beneficial Unit Certificate (incorporated herein by reference to Exhibit 4.1 to Registration Statement on Form S-4 (No. 333-50513) filed by the Company on April 17, 1998).

4(b) Agreement of Limited Partnership of the Partnership (incorporated herein by reference to the Amended Annual Report on Form 10-K (No. 000-24843) filed by the Company on June 28, 1999).

4(c) Amended Agreement of Merger, dated June 12, 1998, between the Partnership and America First Tax Exempt Mortgage Fund Limited Partnership (incorporated herein by reference to Exhibit 4.3 to Amendment No. 3 to Registration Statement on Form S-4 (No. 333-50513) filed by the Company on September 14, 1998).

31.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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.

AMERICA FIRST TAX EXEMPT INVESTORS, L.P.

By America First Capital
Associates Limited
Partnership Two, General
Partner of the Partnership

By Burlington Capital Group LLC,
General Partner of
America First Capital
Associates Limited
Partnership Two

Date: May 14, 2007

/s/ Lisa Y. Roskens
Lisa Y. Roskens
Chief Executive Officer
Burlington Capital Group LLC, acting in its capacity as general partner of the General Partner of America First Tax Exempt Investors, L.P.

EXHIBIT 31.1

Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lisa Y. Roskens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of America First Tax Exempt Investors, L.P.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 represented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 14, 2007

/s/ Lisa Y. Roskens
Lisa Y. Roskens
Chief Executive Officer
Burlington Capital Group LLC, acting in its capacity as general partner of the General Partner of America First Tax Exempt Investors, L.P.

EXHIBIT 31.2

Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael J. Draper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of America First Tax Exempt Investors, L.P.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 represented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2007

/s/ Michael J. Draper
Michael J. Draper
Chief Financial Officer
Burlington Capital Group LLC, acting in its capacity as general partner of the General Partner of America First Tax Exempt Investors, L.P.

Exhibit 32.1

Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Lisa Y. Roskens, Chief Executive Officer of the general partner of the General Partner of America First Tax Exempt Investors, L.P. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Quarterly Report on Form 10-Q of the Company for the three months ended March 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2007

/s/ Lisa Y. Roskens
Lisa Y. Roskens
Chief Executive Officer
Burlington Capital Group LLC, acting in its capacity as general partner of the General Partner of America First Tax Exempt Investors, L.P.

A signed original of this written statement required by Section 906 has been provided to America First Tax Exempt Investors, L.P. and will be retained by America First Tax Exempt Investors, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Michael J. Draper, Chief Financial Officer of the general partner of the General Partner of America First Tax Exempt Investors, L.P. (the “Company”), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Quarterly Report on Form 10-Q of the Company for the three months ended March 31, 2007(the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2007

/s/ Michael J. Draper
Michael J. Draper
Chief Financial Officer
Burlington Capital Group LLC, acting in its capacity as general partner of the General Partner of America First Tax Exempt Investors, L.P.

A signed original of this written statement required by Section 906 has been provided to America First Tax Exempt Investors, L.P. and will be retained by America First Tax Exempt Investors, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.