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 September 30, 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 47-0810385 (State or other jurisdiction of incorporation or organization)	(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 September 30, 2007 and December 31, 2006 — 1
- Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2007 and 2006 — 2
- Condensed Consolidated Statements of Partners' Capital and Comprehensive Income for the nine months ended September 30, 2007 and 2006 — 3
- Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2007 and 2006 — 4
- Notes to Condensed Consolidated Financial Statements — 5

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — 16
Item 3. Quantitative and Qualitative Disclosures About Market Risk — 34
Item 4. Controls and Procedures — 34

PART II — OTHER INFORMATION

Item 1. Legal Proceedings — 35
Item 1A. Risk Factors — 35
Item 4. Submission of Matters to a Vote of Security Holders — 36
Item 6. Exhibits — 36

SIGNATURES — 38
Certification of CEO
Certification of CFO
Section 906 Certification of CEO
Section 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)

	September 30, 2007	December 31, 2006
Assets		
Cash and cash equivalents	$ 14,468,861	$ 8,476,928
Restricted cash	4,104,798	2,131,272
Interest receivable	1,026,812	264,160
Tax-exempt mortgage revenue bonds	57,726,394	27,103,398
Other tax-exempt bond	—	4,800,000
Real estate assets:		
Land	10,357,004	7,280,555
Buildings and improvements	98,741,595	77,311,306
Real estate assets before accumulated depreciation	109,098,599	84,591,861
Accumulated depreciation	(30,211,958)	(28,381,932)
Net real estate assets	78,886,641	56,209,929
Other assets, net	2,761,855	1,214,502
Total Assets	$ 158,975,361	$ 100,200,189
Liabilities and Partners’ Capital		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 7,652,816	$ 6,117,451
Distribution payable	2,432,510	1,566,378
Mortgage payable	19,920,000	—
Debt financing	58,940,000	45,770,000
Total Liabilities	88,945,326	53,453,829
Commitments and Contingencies		
Minority Interest	56,554	—
Partners’ Capital:		
General Partner	975,504	1,526,062
Beneficial Unit Certificate (“BUC”) holders	116,559,688	90,722,467
Unallocated deficit of variable interest entities	(47,561,711)	(45,502,169)
Total Partners’ Capital	69,973,481	46,746,360
Total Liabilities and Partners’ Capital	$ 158,975,361	$ 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,		For the Nine Months Ended,	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Income:				
Property revenues	$ 4,438,001	$ 3,419,475	$ 11,522,407	$ 10,277,627
Mortgage revenue bond investment income	1,143,354	369,300	2,197,647	995,668
Other interest income	128,957	51,803	646,832	269,067
	5,710,312	3,840,578	14,366,886	11,542,362
Expenses:				
Real estate operating (exclusive of items shown below)	2,828,252	2,212,319	6,979,224	6,534,454
Depreciation and amortization	1,279,426	582,319	2,336,309	1,761,225
Interest	1,119,930	710,078	2,174,827	1,491,020
General and administrative	374,623	386,869	1,067,730	1,106,495
	5,602,231	3,891,585	12,558,090	10,893,194
Minority interest in net loss of consolidated subsidiary	5,232	—	5,232	—
Income (loss) from continuing operations	113,313	(51,007)	1,814,028	649,168
Income from discontinued operations (Including gain on sale of $11,667,246 in 2006)	—	11,783,237	—	12,188,431
Net income	$ 113,313	$ 11,732,230	$ 1,814,028	$ 12,837,599
Net income allocated to:				
General Partner	$ 9,817	$ 50,815	$ 94,252	$ 75,029
BUC holders	971,954	5,030,653	3,779,318	7,427,875
Unallocated gain of variable interest entities	(868,458)	6,650,762	(2,059,542)	5,334,695
	$ 113,313	$ 11,732,230	$ 1,814,028	$ 12,837,599
BUC holders' interest in net income per unit (basic and diluted):				
Income from continuing operations	$ 0.07	$ 0.51	$ 0.31	$ 0.76
Income from discontinued operations	—	—	—	—
Net income, basic and diluted, per unit	$ 0.07	$ 0.51	$ 0.31	$ 0.76
Weighted average number of units outstanding, basic and diluted	13,512,928	9,837,928	12,147,269	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 STATEMENTS OF PARTNERS' CAPITAL AND COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(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)
Sale of Beneficial Unit Certificates		3,675,000	27,518,131		27,518,131	
Comprehensive income:						
Net income	94,252	—	3,779,318	(2,059,542)	1,814,028	—
Unrealized loss on securities	(4,886)	—	(483,617)	—	(488,503)	(488,503)
Total comprehensive income					$ 1,325,525	
Distributions paid or accrued	(639,924)	—	(4,976,611)	—	(5,616,535)	—
Balance at September 30, 2007	$ 975,504	13,512,928	$ 116,559,688	$ (47,561,711)	$ 69,973,481	$ (1,210,938)

	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, 2006	$ 178,058	9,837,928	$ 88,827,327	$ (49,365,395)	$ 39,639,990	$ (642,703)
Comprehensive income:						
Net income	75,029	—	7,427,875	5,334,695	12,837,599	
Unrealized loss on securities	(1,295)	—	(128,253)	—	(129,548)	(129,548)
Total comprehensive income					$ 12,708,051	
Distributions paid or accrued	(40,246)	—	(3,984,359)	—	(4,024,605)	
Balance at September 30, 2006	$ 211,546	9,837,928	$ 92,142,590	$ (44,030,700)	$ 48,323,436	$ (772,251)

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 nine months ended	
	September 30, 2007	September 30, 2006
Operating activities:		
Net income	$ 1,814,028	$ 12,837,599
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,336,309	1,896,061
Gain on sale of assets	—	(11,667,246)
Minority interest in income	(5,232)	—
(Increase) in interest receivable	(762,652)	(175,818)
Decrease in other assets	209,269	769,149
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(1,006,344)	538,072
Net cash flows from operating activities	2,585,378	4,197,817
Investing activities:		
Acquisition of tax-exempt revenue bonds	(55,148,998)	(18,800,000)
Proceeds from the sale of other tax-exempt bonds	28,800,000	19,200,000
Proceeds from the sale of assets	—	10,443,223
Increase in restricted cash	(1,973,526)	(535,068)
Capital expenditures	(452,248)	(338,109)
Acquisition of partnerships	(9,220,390)	—
Principal payments received on tax-exempt revenue bonds	37,500	30,000
Net cash flows from investing activities	(37,957,662)	10,000,046
Financing activities:		
Distributions paid	(4,750,403)	(4,024,605)
Proceeds from mortgage financing	19,920,000	—
Debt financing costs paid	(1,271,266)	—
Repayment of mortgage financing assumed	(15,112,771)	—
Proceeds from debt financing	13,300,000	—
Principal payments on debt financing and note payable	(130,000)	(215,000)
Acquisition of interest rate cap agreements	(83,000)	—
Increase in deposits and escrowed funds	1,973,526	535,068
Sale of additional Beneficial Unit Certificates	27,518,131	—
Net cash flows from financing activities	41,364,217	(3,704,537)
Net change in cash and cash equivalents	5,991,933	10,493,326
Cash and cash equivalents at beginning of period	8,476,928	3,298,605
Cash and cash equivalents at end of period	$ 14,468,861	$ 13,791,931
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 1,513,304	$ 1,609,988
Distributions declared but not paid	$ 2,432,510	$ 1,341,535
Supplemental disclosure of non-cash financing and investing activities:		
Liabilities assumed in the acquisition of partnerships	$ 15,742,740	—

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 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, its wholly-owned subsidiary, and of the variable interest entities ("VIEs") of 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. and its subsidiary as a consolidated entity and "the Company" refers to the Partnership and the VIEs on a consolidated basis. In the Company's consolidated financial statements, 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 condensed 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 condensed 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 September 30, 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. For purposes of the Agreement of Limited Partnership, cash distributions, if any, received by the Partnership from the Investment in Multifamily Apartment Properties (see Note 4, below) will

be included in the Partnership's Interest Income and cash distributions received by the Partnership from the sale of such properties will be included in the Partnership's Residual Proceeds.

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 adoption of FIN 46R, *Consolidation of 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. In accordance with the Agreement of Limited Partnership, the General Partner has determined that the current quarterly distribution is a distribution of Tier 2 Income. As such, 75% of the total distribution is paid to the BUC holders and 25% is paid to the General Partner.

3. Investments in Tax-Exempt Bonds

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

	September 30, 2007			
Description of Tax-Exempt Mortgage Revenue Bonds	Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Chandler Creek Apartments	$ 11,500,000	$ —	$ (565,146)	$ 10,934,854
Clarkson College	6,098,332	—	(400,020)	5,698,312
Bella Vista	6,800,000	—	(242,873)	6,557,127
Deerfield Apartments	3,390,000	—	(2,899)	3,387,101
Woodland Park	15,715,000	—	—	15,715,000
Prairiebrook Village	5,862,000	—	—	5,862,000
Gardens of DeCordova	4,870,000	—	—	4,870,000
Gardens of Weatherford	4,702,000	—	—	4,702,000
	$ 58,937,332	$ —	$ (1,210,938)	$ 57,726,394

	December 31, 2006			
Description of Tax-Exempt Mortgage Revenue Bonds	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 in accumulated other comprehensive income (loss) 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 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 gain or loss will continue to fluctuate each reporting period based on the market conditions and present value of the expected cash flow.

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 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.

In May 2007, the Company acquired the Woodland Park bonds at par value of $15.1 million Series A and $0.6 million Series B, which together represented 100% of the bond issuance. The bonds earn interest at an annual rate of 6.0% for Series A and 8.0% for Series B with semi-annual interest payments and a stated maturity date of November 1, 2047. The bonds were issued in order to construct a 236 unit multifamily apartment complex in Topeka, Kansas. The apartment complex is currently under construction with an estimated completion date of March 2009. The Company has determined that the underlying entity that owns the apartment complex financed by the bonds does not meet the definition of a VIE and accordingly, its financial statements will not be required to be consolidated into the Company’s consolidated financial statements under FIN 46R.

In May 2007, the Company acquired the Gardens of DeCordova bonds at par value of $4.9 million, which represented 100% of the bond issuance. The bonds earn interest at an annual rate of 6.0% with semi-annual interest payments and a stated maturity date of May 1, 2047. The bonds were issued in order to construct a 76 unit multifamily apartment complex in Granbury, Texas. The apartment complex is currently under construction with an estimated completion date of September 2008. The Company has determined that the underlying entity that owns the apartment complex financed by the bonds does not meet the definition of a VIE and accordingly, its financial statements will not be required to be consolidated into the Company’s consolidated financial statements under FIN 46R.

In May 2007, the Company acquired the Gardens of Weatherford bonds at par value of $4.7 million, which represented 100% of the bond issuance. The bonds earn interest at an annual rate of 6.0% with semi-annual interest payments and a stated maturity date of May 1, 2047. The bonds were issued in order to construct a 76 unit multifamily apartment complex in Weatherford, Texas. The apartment complex is currently under construction with an estimated completion date of December 2008. The Company has determined that the underlying entity that owns the apartment complex financed by the bonds does not meet the definition of a VIE and accordingly, its financial statements will not be required to be consolidated into the Company’s consolidated financial statements under FIN 46R.

In June 2007, the Company acquired the Prairiebrook Village bonds at par value of $5.5 million Series A and $0.4 million Series B, which together represented 100% of the bond issuance. The bonds earn interest at an annual rate of 6.0% for the Series A and 8.0% for the Series B with semi-annual interest payments and a stated maturity date of June 1, 2047. The bonds were issued in order to construct a 72 unit multifamily apartment complex in Gardner, Kansas. The apartment complex is currently under construction with an estimated completion date of January 2009. The Company has determined that the underlying entity that owns the apartment complex financed by the bonds does not meet the definition of a VIE and accordingly, its financial statements will not be required to be consolidated into the Company’s consolidated financial statements under FIN 46R.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(UNAUDITED)

4. Investment in Multifamily Apartment Properties

To facilitate its investment strategy of acquiring additional tax-exempt mortgage bonds secured by multifamily apartment properties ("MF Properties"), the Partnership may acquire ownership positions in the MF Properties. The Partnership expects to ultimately restructure the property ownership through a sale of the MF Properties and a syndication of low income housing tax credits ("LIHTCs"). The Partnership expects to provide the tax-exempt mortgage revenue bonds to the new property owners as part of the restructuring. Such restructurings will generally be expected to be initiated within 36 months of the initial investment in MF Properties and will often coincide with the expiration of the compliance period relating to LIHTCs previously issued with respect to the MF Property. The Partnership will not acquire LIHTCs in connection with these transactions.

On June 29, 2007, America First LP Holding Corp. ("Holding Corp."), a wholly-owned subsidiary of the Partnership, acquired the 99% limited partner interests in six Ohio limited partnerships (the "Property Partnerships") for a cash purchase price of approximately $9.2 million plus assumed debt and other liabilities of approximately $15.7 million. Each Property Partnership owns a multifamily apartment property, of which four are located in Ohio and two are located in Kentucky. The cash portion of the purchase price was funded by cash on hand. In connection with the acquisition, the Property Partnerships refinanced their existing debt with an aggregate loan of approximately $19.9 million from JP Morgan Chase Bank, N.A. The interest rate on this mortgage is variable and is calculated as one month LIBOR plus 1.55%. As of the transaction date, LIBOR was 5.32% and the interest on the mortgage was 6.87%. The mortgage matures in July 2009. The Company has guaranteed the payment of certain exceptions from the nonrecourse provisions and certain environmental obligations, should they arise, in connection the JP Morgan loan. The 1% general partner interests in the six Property Partnerships were acquired by Atlantic Development GP Holding Corp., a party unaffiliated with the Partnership, with the proceeds of an approximately $62,000 loan from Holding Corp. This 1% ownership interest is reflected in the Company's consolidated financial statements as minority interest.

SFAS No. 141, *Business Combinations*, requires that the total purchase price paid for MF Properties be allocated to the Property Partnerships' net tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The allocation of the purchase price is preliminary pending the completion of certain analysis.

The Company had the following investments in MF Properties as of September 30, 2007:

Partnership Owned Properties

Property Name	Location	Number of Units	Land	Buildings and Improvements	Carrying Value at September 30, 2007
Eagle Ridge	Erlanger, KY	64	$ 290,763	$ 2,362,445	$ 2,653,208
Meadowview	Highland Heights, KY	118	703,936	4,837,044	5,540,980
Crescent Village	Cincinnati, OH	90	353,117	4,274,568	4,627,685
Willow Bend	Hilliard, OH	92	580,130	2,975,236	3,555,366
Postwoods I	Reynoldsburg, OH	92	572,066	3,221,174	3,793,240
Postwoods II	Reynoldsburg, OH	88	576,438	3,245,788	3,822,226
					23,992,705
Less accumulated depreciation					(227,860)
Balance at September 30, 2007					$ 23,764,845

In addition to the assets shown above, a portion of the purchase price of the MF Properties of approximately $909,000 was allocated to the value of the existing tenant leases. Of this in-place lease asset, approximately

$341,000 was amortized in the third quarter of 2007. The estimated valuation of these in-place leases was calculated by applying a risk-adjusted discount rate to the projected cash flow deficit at each property during the lease-up of these properties. This allocated cost is amortized over the average remaining term of the leases (approximately six to twelve months) and is included in the Statement of Operations under depreciation and amortization expense.

The table below shows the unaudited pro forma condensed consolidated results of operations of the Company as if the Property Partnerships' had been acquired at the beginning of the period presented:

	For the Nine Months Ended, September 30, 2007	For the Nine Months Ended, September 30, 2006
Revenues	$ 16,478,522	$ 14,559,459
Net income	1,116,009	12,147,298
Net income allocated to BUC holders	3,081,299	6,737,574
BUC holders' interest in net income per unit (basic and diluted):		
Net income, basic and diluted, per unit	$ 0.25	$ 0.68

The pro forma financial information represents the historical operating results of the combined Company with adjustments for purchase accounting and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period presented.

5. Debt Financing

The Company's long-term debt is provided by securitization of existing tax-exempt mortgage revenue bonds through the Merrill Lynch P-Float program which are accounted for as secured borrowings and, in effect, provide variable-rate financing for the acquisition tax-exempt mortgage revenue bonds and other investments meeting the Company's investment criteria. The Company's debt financing of $58.9 million bears interest at a weekly floating bond rate, including associated remarketing, credit enhancement, liquidity and trustee fees, that averaged 4.4% per annum and 4.0% per annum during the nine months ended September 30, 2007 and 2006, respectively and 4.5% per annum and 4.1% per annum during the three months ended September 30, 2007 and 2006, respectively. Maturity dates for the Company's debt financing range from 2008 through 2038.

6. Issuance of Additional Beneficial Unit Certificates

In April 2007, the Company issued, through an underwritten public offering, a total of 3,675,000 BUCs at a public offering price of $8.06 per BUC. Net proceeds realized by the Company from the issuance of the additional BUCs were approximately $27.5 million, after payment of an underwriter's discount and other offering costs of approximately $2.1 million. The proceeds were used to acquire additional tax-exempt revenue bonds and other investments meeting the Partnership's investment criteria as described in Notes 3 and 4, and for

general working capital needs. The offering was made pursuant to a $100,000,000 shelf registration statement filed with the Securities and Exchange Commission.

7. 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 and nine months ended September 30, 2007, the Company's administrative fees to the General Partner were $154,000 and $377,000 respectively. For the three and nine months ended September 30, 2006, the Company's administrative fees to the General Partner were $538,000 and $734,000, respectively. Included in the amounts for the three and nine months ended September 30, 2006 was approximately $432,000 of past due administrative fees that were paid from the proceeds of the Northwoods Lake Apartments transaction (See Note 10).

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 September 30, 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 $136,000 for the three months ended September 30, 2007, and $116,000 for the three months ended September 30, 2006. The management fees paid by the property owners to the affiliate of the General Partner amounted to $413,000 for the nine months ended September 30, 2007, and $479,000 for the nine months ended September 30, 2006. 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.

The property management affiliate of the General Partner also assumed the management of the six MF Properties described in Note 4 on June 29, 2007. The management fees paid to the affiliate of the General Partner amounted to $42,000 for the three months ended September 30, 2007.

8. Interest Rate Cap Agreements

The Company has four interest rate cap agreements with a combined notional amount of $45.0 million in order to mitigate its exposure to increases in interest rates on its variable-rate debt financing. The Property Partnerships described in Note 4 also entered into an interest rate cap with a notional amount of $19.9 million in conjunction with the variable rate mortgage loan acquired by the Property Partnerships to finance the six MF Properties described in Note 4. The terms of the cap agreements are as follows:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(UNAUDITED)

Date Purchased	Principal of Debt Financing	Effective Capped Rate	Maturity Date	Purchase Price	Counter party
July 7, 2006	$10,000,000	4.75%	July 1, 2011	$159,700	US Bank
November 1, 2002	$10,000,000	3.75%(1)	November 1, 2007	$250,000	Bank of America
February 1, 2003	$15,000,000	4.25%(2)	January 1, 2010	$608,000	Bank of America
May 1, 2007	$10,000,000	4.75%	May 1, 2012	$65,500	US Bank
June 29, 2007	$19,920,000	8.30%	July 1, 2009	$17,500	JP Morgan

(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 the interest rate caps resulted in an increase in interest expense of approximately $116,000 and reduction of interest expense of approximately $2,000 for the three and nine months ended September 30, 2007, respectively, and in an increase of interest expense of approximately $240,000 and $116,000 for the three and nine months ended September 30, 2006, respectively.

9. Segment Reporting

For financial reporting purposes, effective June 29, 2007 with the acquisition of the MF Properties described in Note 4, the Company now has three reportable segments: Tax-Exempt Bond Investments, MF Properties, and the VIEs. In addition to the three reportable segments, the Company also separately reports its consolidating and eliminating entries since it does not allocate certain items to the segments.

Tax-Exempt Bond Investments

The Tax-Exempt Bond Investments segment consists of the Company's portfolio of federally tax-exempt mortgage revenue bonds which have been issued to provide construction and/or permanent financing of multifamily residential apartments. Such tax exempt bonds are held as long-term investments. As of September 30, 2007, the Company held eight tax-exempt bonds not associated with VIEs and eight tax-exempt bonds associated with VIEs. The multifamily apartment properties financed by these tax exempt bonds contain a total of 2,798 rental units.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(UNAUDITED)

MF Properties Segment

The MF Properties segment consists of indirect equity interests in multifamily apartment properties which are not currently financed by tax-exempt bonds held by the Partnership but which the Partnership eventually intends to finance by such bonds through a restructuring. In connection with any such restructuring, the Partnership will be required to dispose of any equity interest held in such MF Properties. The Partnership's interests in its current MF Properties are not currently classified as Assets Held for Sale because the Partnership is not actively marketing their sale, there is no definitive purchase agreement in existence and, therefore, no sale is expected in the next twelve months. During the time the Partnership holds an interest in a MF Property, any net rental income generated by the MF Properties in excess of debt service will be available for distribution to the Partnership in accordance with its interest in the MF Property. Any such cash distribution will contribute to the Partnership's Cash Available for Distribution ("CAD"). As of September 30, 2007, the Company held interest in six MF Properties containing a total of 544 rental units.

The VIE Segment

The VIE segment consists of multifamily apartment properties which are financed with tax-exempt bonds held by the Partnership, the assets, liabilities and operating results of which are consolidated with those of the Partnership as a result of its adoption of FIN 46R. The tax-exempt bonds on these VIE properties are eliminated from the Company's financial statements as a result of such consolidation, however, such bonds are held as long-term investments by the Partnership which continues to be entitled to receive principal and interest payments on such bonds. The Company does not actually own an equity position in the VIEs or their underlying properties. As of September 30, 2007, the Company consolidated eight VIE multifamily apartment properties containing a total of 1,764 rental units.

Management closely monitors and evaluates the financial reporting associated with and the operations of the VIEs and the MF Properties and performs such evaluation separately from the operations of the Partnership through interaction with the property management company which manages the multifamily apartment properties held by the VIEs and the MF Properties.

Management's goals with respect to the properties constituting each of the Company's operating segments is to generate increasing amounts of net rental income from these properties that will allow them to (i) make all payments of base interest, and possibly pay contingent interest, on the properties included in the Tax-Exempt Bond Investments segment and the VIE segment, and (ii) distribute net rental income to the Partnership from the MF Properties segment until such properties can be refinanced with additional tax-exempt mortgage bonds meeting the Partnership's investment criteria. In order to achieve these goals, 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.

The following table details certain key financial information for the Company's reportable segments for the periods ended September 30, 2007 and 2006:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(UNAUDITED)

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Total revenues				
Tax-Exempt Bond Financing	$ 2,710,978	$ 6,181,979	$ 7,364,096	$ 10,111,111
MF Properties	1,038,815	—	1,038,815	—
VIEs	3,399,186	3,419,475	10,483,592	10,277,627
Consolidation/eliminations	(1,438,667)	(5,760,876)	(4,519,617)	(8,846,376)
Total revenues	$ 5,710,312	$ 3,840,578	$ 14,366,886	$ 11,542,362
Income (loss) from continuing operations				
Tax-Exempt Bond Financing	$ 1,573,566	$ 5,081,468	$ 4,465,365	$ 7,502,904
MF Properties	(591,794)	—	(591,794)	—
VIEs	(1,686,503)	(1,782,402)	(4,190,076)	(5,049,701)
Consolidation/eliminations	818,044	(3,350,073)	2,130,533	(1,804,035)
Income (loss) from continuing operations	$ 113,313	$ (51,007)	$ 1,814,028	$ 649,168
Net income (loss)				
Tax-Exempt Bond Financing	$ 1,573,566	$ 5,081,468	$ 4,465,365	$ 7,502,904
MF Properties	(591,794)	—	(591,794)	—
VIEs	(1,686,503)	10,000,835	(4,190,076)	7,138,730
Consolidation/eliminations	818,044	(3,350,073)	2,130,533	(1,804,035)
Net income (loss)	$ 113,313	$ 11,732,230	$ 1,814,028	$ 12,837,599

	September 30, 2007	December 31, 2006
Total assets		
Tax Exempt Bond Financing	$ 174,175,035	$ 133,887,842
MF Properties	26,330,302	—
VIEs	60,058,379	58,969,966
Consolidation/eliminations	(101,588,355)	(92,657,619)
Total assets	$ 158,975,361	$ 100,200,189
Total partners' capital		
Tax Exempt Bond Financing	$ 110,987,736	$ 85,758,294
MF Properties	5,768,966	—
VIEs	(60,270,860)	(55,827,776)
Consolidation/eliminations	13,487,639	16,815,842
Total partners' capital	$ 69,973,481	$ 46,746,360

10. Discontinued Operations and Assets Held for Sale

During the quarter and nine months ended September 30, 2006, Northwoods Lake Apartments, a VIE, was considered a discontinued operation and, accordingly, its results of operations for such periods were reported as discontinued operations and disclosed as a single line item on the Company's consolidated statements of operations. The sale of Northwoods Lake Apartments was completed in August of 2006. There were no assets or liabilities of discontinued operations included in the balance sheet as of September 30, 2007 or December 31, 2006.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(UNAUDITED)

The following table presents the revenues and net income for the discontinued operations for the three and nine months ended September 30, 2007 and 2006:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Rental Revenues	$ —	$ 562,717	$ —	$ 2,581,146
Expenses	—	446,726	—	2,059,961
Net Income	$ —	$ 115,991	$ —	$ 521,185

11. Subsequent Events

Additional debt

As described in Note 5, the Company participates in the Merrill Lynch P-Float program in order to provide long-term financing to the Partnership. This leverage program is utilized to finance the purchase of additional investments. In October 2007, the Company placed its tax-exempt mortgage bonds secured by Woodbridge at Bloomington into a separate trust under the P-Float program. The Company received the net proceeds generated by the trust of approximately $12.6 million through this financing arrangement. Total debt financing outstanding after this transaction is approximately $71.5 million.

Investment acquisitions

In October 2007, the Partnership acquired $10.8 million of multi-family housing revenue bonds issued for the acquisition and rehabilitation of Runnymede Apartments. Runnymede Apartments consists of 252 units and is located in Austin, Texas. The new bonds earn an annual interest rate of 6.0%. Management does not expect this property will be a consolidated entity under the provisions of FIN 46R.

12. 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's consolidated financial statements.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("SFAS No. 157"). This statement does not require new fair value measurements, however, it provides guidance on applying fair value and expands required disclosures. SFAS No. 157 is effective for us beginning in the first quarter of 2008. The Company is currently assessing the impact SFAS No. 157 may have on the consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB No. 115* ("SFAS No. 159"). This statement permits, but does not require, entities to choose to measure many financial instruments and certain other items as fair value. SFAS No. 159 is effective for us beginning in the first quarter of 2008. The Company is currently assessing the impact SFAS No. 159 may have on the consolidated financial statements.

In June 2007, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) 07-1,*Clarification of the Scope of the Audit and Accounting Guide* Investment Companies *and Accounting for Parent Companies and Equity Method Investors for Investments in Investment Companies.*This SOP provides guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide *Investment Companies* (the "Guide"). Entities that are within the scope of the Guide are required, among other things, to carry their investments at fair value, with changes in fair value included in earnings. In October 2007, the effective date of this SOP was deferred indefinitely. The Company is currently evaluating this new guidance and has not determined whether it will be required to apply the provisions of the Guide in presenting its financial statements.

13. Commitments and Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are frequently covered by insurance. If it has been determined that a loss is probable to occur, the estimated amount of the loss is accrued in the consolidated financial statements. While the resolution of these matters cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on the Company's financial statements.

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. and its subsidiary on a consolidated basis 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 of these entities although it does not hold an equity position in them.

Critical Accounting Policies

Pursuant to SFAS No. 141, Business Combinations, the Company allocates a portion of the total acquisition cost of a property acquired to leases in existence as of the date of acquisition. The estimated valuation of in-place leases is calculated by applying a risk-adjusted discount rate to the projected cash flow deficit at each property during the lease-up of these properties. This allocated cost is amortized over the average remaining term of the leases (approximately six to twelve months) and is included in the Statement of Operations under depreciation and amortization expense.

Other than the amortization expense related to in-place lease intangibles, 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's purpose is to acquire and hold as long-term investments a portfolio of federally tax-exempt mortgage revenue bonds which have been issued to provide construction and/or permanent financing of multifamily residential apartments. At September 30, 2007, the Partnership held 16 tax exempt mortgage bonds, eight of which are secured by properties held by VIEs and, therefore, eliminated in consolidation on the Company's financial statements. The properties underlying the eight non-consolidated tax-exempt mortgage bonds contain a total of 1,034 rental units. At September 30, 2006, the Partnership held four non-consolidated tax-exempt mortgage bonds secured by apartment properties containing a total of 574 rental units.

To facilitate its investment strategy of acquiring additional tax exempt mortgage bonds secured by multifamily apartment properties, the Partnership may acquire ownership positions in apartment properties ("MF Properties"). The Partnership expects to ultimately restructure the property ownership through a sale of the MF Properties and a syndication of low income housing tax credits ("LIHTCs"). The Partnership expects to provide the tax-exempt mortgage revenue bonds to the new property owners as part of the restructuring. Such restructurings will generally be expected to be initiated within 36 months of the initial investment in MF Properties and will often coincide with the expiration of the compliance period relating to LIHTCs previously issued with respect to the MF Property. The Partnership will not acquire LIHTCs in connection with these transactions. As of September 30, 2007, the Partnership's wholly-owned subsidiary, America First LP Holding Corp., held limited partnership interests in six entities that own MF Properties containing a total of 544 rental units.

Although the consequences of the credit issues experienced recently by the single-family subprime mortgage industry are not fully known, we do not anticipate that our existing assets or ability to pursue our plan to grow through investments in additional tax-exempt bonds secured by first mortgages on affordable multifamily housing projects will be adversely affected by these events. The Company does not make mortgage loans secured by mortgages on single-family residential properties. In addition, we believe that additional demand for

affordable rental housing may be created if there are continued defaults on subprime single family mortgages and a general contraction of credit available for single family mortgage loans. Additional demand for rental housing may have a positive economic effect on apartment properties financed by the tax-exempt bonds held by the Company. We believe the current tightening of credit may also create opportunities for additional investments consistent with the Company's investment strategy because we believe there may be fewer parties competing to acquire tax-exempt bonds issued to finance affordable housing.

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 September 30, 2007 and 2006, the Company consolidated eight VIE multifamily apartment properties containing a total of 1,764 rental units.

The consolidated financial statements of the Company include the accounts of the Partnership and the 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.

Information Regarding Apartment Properties

The following table outlines certain information regarding the apartment properties on which the Partnership holds tax-exempt mortgage bonds (separately identifying those treated as VIEs) and the MF Properties owned by the Partnership. The narrative discussion that follows provides a brief operating analysis of each property during the first nine months of 2007.

Property Name	Location	Number of Units	Number of Units Occupied	Percentage of Occupied Units as of September 30, 2007	2006	Economic Occupancy (1) for the period ended September 30, 2007	2006
Non-Consolidated Properties							
Chandler Creek Apartments	Round Rock, TX	216	196	91%	98%	71%	65%
Clarkson College	Omaha, NE	142	130	92%	89%	72%	65%
Deerfield Apartments	Blair, NE	72	54	75%	96%	66%	88%
Bella Vista Apartments (2)	Gainesville, TX	144	133	92%	n/a	66%	n/a
Woodland Park (3)	Topeka, KS	236	n/a	n/a	n/a	n/a	n/a
Prairiebrook Village (3)	Gardner, KS	72	n/a	n/a	n/a	n/a	n/a
Gardens of DeCordova (3)	Granbury, TX	76	n/a	n/a	n/a	n/a	n/a
Gardens of Weatherford (3)	Weatherford, TX	76	n/a	n/a	n/a	n/a	n/a
		1,034	513	89%	82%	70%	87%
VIEs							
Ashley Pointe at Eagle Crest	Evansville, IN	150	141	94%	97%	91%	88%
Ashley Square	Des Moines, IA	144	110	76%	85%	80%	83%
Bent Tree Apartments	Columbia, SC	232	189	81%	90%	82%	83%
Fairmont Oaks Apartments	Gainsville, FL	178	173	97%	95%	96%	88%
Iona Lakes Apartments	Ft. Myers, FL	350	251	72%	91%	74%	92%
Lake Forest Apartments	Daytona Beach, FL	240	208	87%	99%	88%	95%
Woodbridge Apts. of Bloomington III	Bloomington, IN	280	280	100%	98%	93%	91%
Woodbridge Apts. of Louisville II	Louisville, KY	190	184	97%	94%	91%	91%
		1,764	1,536	87%	94%	86%	90%
MF Properties							
Eagle Ridge (4)	Erlanger, KY	64	54	84%	n/a	86%	n/a
Meadowview (4)	Highland Heights, KY	118	100	85%	n/a	88%	n/a
Crescent Village (4)	Cincinnati, OH	90	83	92%	n/a	94%	n/a
Willow Bend (4)	Columbus (Hilliard), OH	92	87	95%	n/a	95%	n/a
Postwoods I (4)	Reynoldsburg, OH	92	83	90%	n/a	91%	n/a
Postwoods II (4)	Reynoldsburg, OH	88	80	91%	n/a	90%	n/a
		544	487	90%	n/a	91%	n/a

(1) Economic occupancy is presented for the nine months ended September 30, 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. Actual occupancy is a point in time measure while Economic occupancy is a measurement over the period presented, therefore, Economic occupancy for a period may exceed the Actual occupancy at any point in time.

(2) Bella Vista was under initial construction as of September 30, 2006, and therefore has no occupancy data for that period.

(3) These properties were under initial construction as of September 30, 2007, and therefore have no occupancy data.

(4) Previous period occupancy numbers are not available, as this is a new investment.

Ashley Pointe — Ashley Pointe at Eagle Crest is located in Evansville, Indiana. In the first nine months of 2007, Net Operating Income (calculated as property revenue less salaries, advertising, administration, utilities, repair and maintenance, insurance, taxes, and management fee expenses) was $464,000 as compared to $378,000 in 2006. The gain is primarily attributable to lower real estate tax expenses of approximately $71,000 and approximately $9,000 lower utilities costs for the period.

Ashley Square — Ashley Square Apartments is located in Des Moines, Iowa. In the first nine months of 2007, Net Operating Income was $174,000 as compared to $176,000 in 2006. This slight decrease was the result of increased costs associated with preparing apartments for residents moving in.

Bella Vista — Bella Vista Apartments is located in Gainesville, Texas. June 2007 was the first full month of operations at Bella Vista. Net Operating Income for the third quarter of 2007 was approximately $127,000. Leasing activity has been high, with physical occupancy reaching 92% as of September 30, 2007.

Bent Tree — Bent Tree Apartments is located in Columbia, South Carolina. In the first nine months of 2007, Net Operating Income was $549,000 as compared to $489,000 in 2006. This increase was the result of both increased revenues and lower real estate tax expenses. Specifically, total property revenue increased approximately $20,000 while real estate taxes declined $52,000 offset by $20,000 of increased salary expenses.

Chandler Creek — Chandler Creek Apartments is located in Round Rock, Texas. In the first nine months of 2007, the property recognized Net Operating Income of $723,000 as compared to Net Operating Income of $501,000 in 2006. The gain is attributable to increased revenue of approximately $99,000 and decreased professional fees of $160,000. Partially offsetting the effects of these items were increases in administrative and insurance costs for the period.

Clarkson College — Clarkson College is a 142 bed student housing facility located in Omaha, Nebraska. In the first nine months of 2007, Net Operating Income was $342,000 as compared to $282,000 in 2006. The increase is attributable to increases in occupancy resulting in increased property revenue.

Crescent Village — Crescent Village Townhomes is located in Cincinnati, Ohio. Crescent Village had approximately $111,000 in Net Operating Income since its acquisition on June 29, 2007.

Deerfield — Deerfield Apartments is located in Blair, Nebraska. In the first nine months of 2007, Net Operating Income was $57,000. 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 current on its base interest payments on the bonds held by the Partnership on this property.

Eagle Ridge — Eagle Ridge Townhomes is located in Erlanger, Kentucky. Eagle Ridge had approximately $57,000 in Net Operating Income since its acquisition on June 29, 2007.

Fairmont Oaks — Fairmont Oaks Apartments is located in Gainesville, Florida. In the first nine months of 2007, Net Operating Income was $630,000 as compared to $502,000 in 2006. This increase was the result of increased rental revenues resulting from increased rental rates.

Gardens of DeCordova — The Gardens of DeCordova Apartments is currently under construction in Granbury, Texas and will contain 76 units upon completion. Construction is currently behind schedule and is now expected to be complete one month after the originally scheduled August 2008 completion date. The developer and principals have guaranteed completion and stabilization of the project. The general contractor has a guaranteed maximum price contract and payment and performance bonds are in place. The project has an additional five months of capitalized interest reserve sufficient to fund debt service beyond the expected date of completion.

Gardens of Weatherford — The Gardens of Weatherford Apartments is currently under construction in Weatherford, Texas and will contain 76 units upon completion. Construction is currently behind schedule and is now expected to be complete four months after the originally scheduled August 2008 completion date. The

developer and principals have guaranteed completion and stabilization of the project. The general contractor has a guaranteed maximum price contract and payment and performance bonds are in place. The project has an additional two months of capitalized interest reserve sufficient to fund debt service beyond the expected date of completion.

Iona Lakes — Iona Lakes Apartments is located in Fort Myers, Florida. In the first nine months of 2007, Net Operating Income was $925,000 as compared to $1,246,000 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. In the first nine months of 2007, Net Operating Income was $834,000 as compared to $911,000 in 2006. This decrease was attributable to increased real estate taxes and property and liability insurance costs of approximately $36,000 and decreased revenue of approximately $33,000.

Meadowview — Meadowview Apartments is located in Highland Heights, Kentucky. Meadowview had approximately $116,000 in Net Operating Income since its acquisition on June 29, 2007.

Prairiebrook Village — Prairiebrook Village Apartments is currently under construction in Gardner, Kansas and will contain 72 units upon completion. Construction is currently behind schedule and is now expected to be complete four months after the originally scheduled September 2008 completion date. The developer and principals have guaranteed completion and stabilization of the project. The general contractor has a guaranteed maximum price contract and payment and performance bonds are in place. The project has an additional two months of capitalized interest reserve sufficient to fund debt service beyond the expected date of completion.

Postwoods I — Postwoods Townhomes is located in Reynoldsburg, Ohio. Postwoods I had approximately $77,000 in Net Operating Income since its acquisition on June 29, 2007.

Postwoods II — Postwoods Townhomes is located in Reynoldsburg, Ohio. Postwoods II had approximately $56,000 in Net Operating Income since its acquisition on June 29, 2007.

Willow Bend — Willow Bend Townhomes is located in Columbus (Hilliard), Ohio. Willow Bend had approximately $96,000 in Net Operating Income since its acquisition on June 29, 2007.

Woodbridge at Bloomington — Woodbridge Apartments at Bloomington is located in Bloomington, Indiana. In the first nine months of 2007, Net Operating Income was $840,000 as compared to $773,000 in 2006. The increase is due to decreased real estate tax expenses as a result of a successful appeal.

Woodbridge at Louisville — Woodbridge Apartments at Louisville is located in Louisville, Kentucky. In the first nine months of 2007, Net Operating Income was $555,000 as compared to $601,000 in 2006. The decrease is the result of increased repair and maintenance costs of approximately $66,000 and administrative costs of $21,000. This decrease was partially offset by increased rental revenues resulting from increased occupancy.

Woodland Park — Woodland Park Apartments is currently under construction in Topeka, Kansas and will contain 236 units upon completion. Construction is currently behind schedule and is now expected to be complete two months after the originally scheduled January 2009 completion date. The developer and principals have guaranteed completion and stabilization of the project. The general contractor has a guaranteed maximum price contract and payment and performance bonds are in place. The project has an additional four months of capitalized interest reserve sufficient to fund debt service beyond the expected date of completion.

Results of Operations

Consolidated Results of Operations

The following discussion of the Company's results of operations for the three and nine months ended September 30, 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 September 30, 2007 compared to Three Months Ended September 30, 2006 (Consolidated)

Change in Results of Operations

	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006	Dollar Change
Income			
Property revenues	$ 4,438,001	$ 3,419,475	$ 1,018,526
Mortgage revenue bond investment income	1,143,354	369,300	774,054
Other interest income	128,957	51,803	77,154
	5,710,312	3,840,578	1,869,734
Expenses			
Real estate operating (exclusive of items shown below)	2,828,252	2,212,319	615,933
Depreciation and amortization	1,279,426	582,319	697,107
Interest	1,119,930	710,078	409,852
General and administrative	374,623	386,869	(12,246)
	5,602,231	3,891,585	1,710,646
Minority interest in net loss of consolidated subsidiary	5,232	—	5,232
Income (loss) from continuing operations	113,313	(51,007)	164,320
Income from discontinued operations	—	11,783,237	(11,783,237)
Net income	$ 113,313	$ 11,732,230	$ (11,618,917)

Property revenues. Property revenues increased as a direct result of revenue generated by the MF Properties, which added approximately $1.0 million and averaged $624 per unit in monthly rent with economic occupancy at 91% during the period. Rental revenue associated with the apartment properties of the consolidated VIEs decreased slightly but was offset by higher levels of other property income such as fees, charges, and interest income. VIE economic occupancy was 83% in the third quarter of 2007 and 90% in the third quarter of 2006. For the VIEs, average monthly rents per unit for the third quarter of 2007 were $612 as compared to $632 in 2006.

Mortgage revenue bond investment income. Mortgage revenue bond investment income increased in the third quarter of 2007 compared to the same period in 2006 due largely to the acquisition of $31.1 million of additional tax-exempt mortgage revenue bonds in the second quarter of 2007 and the acquisition of the Deerfield tax-exempt bond in October 2006. All base interest payments due on the mortgage revenue bonds were paid currently during the second quarter of 2007.

Other interest income. The increase in other interest income from the quarter ended September 30, 2007 is attributable to an increase in temporary investments in liquid securities. The proceeds from the sale of Northwoods Lake during the third quarter of 2006, the additional $13.3 million of P-Float borrowings in April 2007, and the issuance of additional Beneficial Unit Certificates ("BUCs") in April of 2007 generated 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 associated with the MF Properties and the consolidated VIEs 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 increased as a direct result of the expenses incurred by the MF Properties, which were approximately $592,000 in the third quarter of 2007. Real estate expenses related to the VIEs increased slightly compared to the third quarter of 2006, primarily due to increased salary and repair costs, offset by lower real estate tax, supply, utilities, and administrative costs.

Depreciation and amortization expense. Depreciation and amortization consist primarily of depreciation associated with the apartment properties of the consolidated VIEs and MF Properties. The Company incurred additional depreciation expense of approximately $285,000 and approximately $341,000 of in-place lease amortization and $150,000 of other amortization in the third quarter of 2007 due to the acquisition of the six MF Properties in the second quarter of 2007 and capital improvements at Ashley Square and Iona Lakes which were completed in the first quarter of 2007. This increase was offset, however, by a reduction in depreciation expenses related to the two Woodbridge properties of approximately $89,000 as certain assets became fully depreciated.

Interest expense. Interest expense increased approximately $410,000 in the three month period ended September 30, 2007 compared to September 30, 2006. The increase in interest expense was due to a higher average interest rate on the Company's borrowings and higher levels of borrowing. The average interest rate on Company's borrowings was 5.2% per annum during the third quarter of 2007 as compared to 4.1% per annum in third quarter 2006 and accounted for approximately $48,000 of the increase. The higher levels of borrowing during the third quarter of 2007 was due to the additional $13.3 million of P-Float debt incurred in April 2007 and the consolidation of the $19.9 million mortgage debt placed on the MF Properties in June 2007, and resulted in additional interest expense of approximately $488,000.

Offsetting this increase in interest expense were the effects of the interest rate cap agreements which increased interest expense by approximately $120,000 less in the third quarter of 2007 than the third quarter of 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, and, therefore, any changes in the fair value of the caps are recognized in current period earnings. Fair value changes are classified as adjustments to interest expense in the

consolidated statements of operations. These fair value adjustments through earnings can cause a significant fluctuation in reported net income, although they have no impact on the Company's cash flow.

General and administrative expenses. General and administrative expenses decreased in the third quarter of 2007 compared to the third quarter of 2006 this is primarily due to a decrease in legal fees.

Discontinued Operations. Northwoods Lake Apartments, a VIE, was designated a discontinued operation during the quarter ended June 30, 2006, and accordingly, its results of operations for were reported as discontinued operations and disclosed as a single line item on the Company's consolidated statements of operations. The sale of Northwoods Lake Apartments was completed in August of 2006. No operations were classified as discontinued operations during the third quarter of 2007.

Nine Months Ended September 30, 2007 compared to Nine Months Ended September 30, 2006 (Consolidated)

Change in Results of Operations

	For the Nine Months Ended September 30, 2007	For the Nine Months Ended September 30, 2006	Dollar Change
Income			
Property revenues	$ 11,522,407	$ 10,277,627	$ 1,244,780
Mortgage revenue bond investment income	2,197,647	995,668	1,201,979
Other interest income	646,832	269,067	377,765
	14,366,886	11,542,362	2,824,524
Expenses			
Real estate operating (exclusive of items shown below)	6,979,224	6,534,454	444,770
Depreciation and amortization	2,336,309	1,761,225	575,084
Interest	2,174,827	1,491,020	683,807
General and administrative	1,067,730	1,106,495	(38,765)
	12,558,090	10,893,194	1,664,896
Minority interest in net loss of consolidated subsidiary	5,232	—	5,232
Income from continuing operations	1,814,028	649,168	1,164,860
Income from discontinued operations	—	12,188,431	(12,188,431)
Net income	$ 1,814,028	$ 12,837,599	$ (11,023,571)

Property revenues. Property revenues increased as a direct result of revenue generated by the MF Properties, which added approximately $1.0 million and averaged $624 per unit in monthly rent with economic occupancy at 91% during the period. Property revenue associated with the apartment properties of the consolidated VIEs

increased slightly due to higher levels of other income such as fees, charges, and interest income. This was offset by a small decline in rental revenue. VIE economic occupancy decreased to 86% in the first nine months of 2007 versus 90% in the same period of 2006. For the VIEs, average monthly rents per unit for the first nine months of 2007 were $629 as compared to $641 in 2006.

Mortgage revenue bond investment income. Mortgage revenue bond investment income increased in the first nine months of 2007 compared to the same period in 2006 due largely to the acquisition of $31.1 million of additional tax-exempt mortgage revenue bonds in the second quarter of 2007, the acquisition of the Deerfield tax-exempt bond in October 2006, and the acquisition of the Bella Vista tax-exempt bond in April 2006. All base interest payments due on the mortgage revenue bonds were paid currently during the first nine months of 2007.

Other interest income. The increase in other interest income for the nine months ended September 30, 2007 is attributable to an increase in temporary investments in liquid securities. The proceeds from the sale of Northwoods Lake during the third quarter of 2006, the additional $13.3 million of P-Float borrowings in April 2007, and the issuance of additional BUCs in April of 2007 generated 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 associated with the apartment properties of the consolidated VIEs and MF Properties 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 increased as a direct result of the expenses incurred by the MF Properties, which were approximately $592,000 in the third quarter of 2007. Real estate expenses related to the VIEs decreased in the first nine months of 2007 compared to the same period of 2006. Specifically, successful real estate tax appeals resulted in a $151,000 decline in real estate tax expenses. Salaries increased by approximately $87,000, while utilities costs decreased approximately $80,000.

Depreciation and amortization expense. Depreciation and amortization consist primarily of depreciation associated with the apartment properties of the consolidated VIEs and MF Properties. The Company incurred additional depreciation expense of approximately $332,000 and approximately $341,000 of in-place lease amortization and $150,000 of other amortization in the first nine months of 2007 due to the acquisition of the six MF Properties in the second quarter of 2007 and capital improvements at Ashley Square and Iona Lakes which were completed in the first quarter of 2007. This increase was offset, however, by a reduction in depreciation expenses related to the two Woodbridge properties of approximately $266,000 as certain assets became fully depreciated.

Interest expense. Interest expense increased approximately $684,000 in the nine month period ended September 30, 2007 compared to September 30, 2006. The increase in interest expense was due to a higher average interest rate on the Company's borrowings and higher levels of borrowing. The average interest rate on the Company's borrowings was 5.0% per annum during the first nine months of 2007 as compared to 4.0% per annum in the first nine months of 2006 and accounted for approximately $167,000 of the increase. The higher levels of borrowing during the first nine months of 2007 was due to the additional $13.3 million of P-Float debt incurred in April 2007 and the consolidation of the $19.9 million mortgage debt placed on the MF Properties in June 2007, and resulted in additional interest expense of approximately $635,000.

Offsetting this increase in interest expense were the effects of the interest rate cap agreements which decreased interest expense by approximately $118,000 more in the first nine months of 2007 than the first nine months of 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, and, therefore, any changes in the fair value of the caps are recognized in current period earnings. Fair value changes are classified as adjustments to interest expense in the consolidated statements of operations. These fair value adjustments through earnings can cause a significant fluctuation in reported net income, although they have no impact on the Company's cash flow.

General and administrative expenses. General and administrative expenses were lower in the first nine months of 2007 compared to the first nine months of 2006 due to a decrease in legal fees. This decrease was partially offset in the first nine months of 2007 by increased printing, travel, and other costs associated with the acquisition of new investments made during the period.

Discontinued Operations. Northwoods Lake Apartments, a VIE, was designated a discontinued operation during the quarter ended June 30, 2006, and accordingly, its results of operations for such period were reported as discontinued operations and disclosed as a single line item on the Company's consolidated statements of operations. The sale of Northwoods Lake Apartments was completed in August of 2006. No operations were classified as discontinued operations during the first nine months of 2007.

Partnership Only Results of Operations

The following discussion of the Partnership's results of operations for the three and nine months ended September 30, 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 9 to the consolidated financial statements.

Three Months Ended September 30, 2007 compared to Three Months Ended September 30, 2006 (Partnership Only)

Changes in Results of Operations

	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006	Dollar Change
Income			
Mortgage revenue bond investment income	$ 2,580,443	$ 1,856,040	$ 724,403
Property revenues	1,038,814	—	1,038,814
Other interest income	130,535	4,325,939	(4,195,404)
	3,749,792	6,181,979	(2,432,187)
Expenses			
Real estate operating (exclusive of items shown below)	546,745	—	546,745
Interest expense	1,119,930	707,610	412,320
Depreciation and amortization expense	731,956	6,032	725,924
General and administrative	374,623	386,869	(12,246)
	2,773,254	1,100,511	1,672,743
Minority interest in net loss of consolidated subsidiary	5,232	—	5,232
Income from continuing operations	$ 981,770	$ 5,081,468	$ (4,099,698)

Mortgage revenue bond investment income. Mortgage revenue bond investment income increased in the third quarter of 2007 compared to the same period in 2006 due largely to the acquisition of $31.1 million of additional tax-exempt mortgage revenue bonds in the second quarter of 2007 and the acquisition of the Deerfield tax-exempt bond in October 2006. These increases were partially offset by the disposition of the tax-exempt bonds on Northwoods Lake in the third quarter of 2006. All base interest payments due on the mortgage revenue bonds were paid currently during the second quarter of 2007.

Property revenues. Property revenues are a result of revenue generated by the MF Properties acquired on June 29, 2007. The six MF Properties averaged $624 per unit in monthly rent with economic occupancy at 91% during the period.

Other interest income. The decrease in other interest income is attributable to approximately $4.3 million of contingent interest received upon the sale of the Northwoods Lake Apartments bonds in 2006. Partially offsetting this was an increase in temporary investments in liquid securities. The proceeds from the sale of Northwoods Lake during the third quarter of 2006, the additional $13.3 million of P-Float borrowing in April 2007, and the issuance of additional BUCs in April of 2007 generated additional cash that was invested in short term liquid securities while the Partnership explored longer term investment options.

Interest expense. Interest expense increased approximately $412,000 in the three month period ended September 30, 2007 compared to September 30, 2006. The increase in interest expense was due to a higher average interest rate on the Partnership's borrowings and higher levels of borrowing. The average interest rate on the Partnership's borrowings was 5.2% per annum during the third quarter of 2007 as compared to 4.1% per

annum in third quarter 2006 and accounted for approximately $48,000 of the increase. The higher levels of borrowing during the third quarter of 2007 was due to the additional $13.3 million of P-Float debt incurred in April 2007 and the consolidation of the $19.9 million mortgage debt placed on the MF Properties in June 2007, and resulted in additional interest expense of approximately $488,000.

Offsetting this increase in interest expense were the effects of the interest rate cap agreements which increased interest expense by approximately $120,000 less in the third quarter of 2007 than the third quarter of 2006. The Partnership 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 Partnership's interest rate cap agreements do not qualify for hedge accounting, and, therefore, any changes in the fair value of the caps are recognized in current period earnings. Fair value changes are classified as adjustments to interest expense in the consolidated statements of operations. These fair value adjustments through earnings can cause a significant fluctuation in reported net income, although they have no impact on the Partnership's CAD.

Depreciation and amortization expense. Depreciation and amortization consist primarily of depreciation associated with the MF Properties. The Company incurred additional depreciation expense of approximately $228,000 and approximately $341,000 of in-place lease amortization and $150,000 of other amortization in the third quarter of 2007 due to the acquisition of the six MF Properties in the second quarter of 2007.

General and administrative expenses. General and administrative expenses decreased in the third quarter of 2007 compared to the third quarter of 2006 primarily due to a decrease in legal fees.

Nine Months Ended September 30, 2007 compared to Nine Months Ended September 30, 2006 (Partnership Only)

Changes in Results of Operations

	For the Nine Months Ended September 30, 2007	For the Nine Months Ended September 30, 2006	Dollar Change
Income			
Mortgage revenue bond investment income	$ 6,490,050	$ 5,520,782	$ 969,268
Property revenues	1,038,814	—	1,038,814
Other interest income	874,046	4,590,329	(3,716,283)
	8,402,910	10,111,111	(1,708,201)
Expenses			
Real estate operating (exclusive of items shown below)	546,745	—	546,745
Interest expense	2,174,827	1,483,614	691,213
Depreciation and amortization expense	745,271	18,098	727,173
General and administrative	1,067,730	1,106,495	(38,765)
	4,534,573	2,608,207	1,926,366
Minority interest in net loss of consolidated subsidiary	5,232	—	5,232
Income from continuing operations	$ 3,873,569	$ 7,502,904	$ (3,629,335)

Mortgage revenue bond investment income. Mortgage revenue bond investment income increased in the first nine months of 2007 compared to the same period in 2006 due largely to the acquisition of $31.1 million of

additional tax-exempt mortgage revenue bonds in the second quarter of 2007 and the acquisition of the Deerfield tax exempt bond in October 2006. These increases were partially offset by the disposition of the tax exempt bonds on Northwoods Lake in the third quarter of 2006. All base interest payments due on the mortgage revenue bonds were paid currently during the first nine months of 2007.

Property revenues. Property revenues are a result of revenue generated by the MF Properties acquired on June 29, 2007. The six MF Properties averaged $624 per unit in monthly rent with economic occupancy at 91% during the period.

Other interest income. The decrease in other interest income is attributable to approximately $4.3 million of contingent interest received upon the sale of the Northwoods Lake Apartments bonds in 2006. Partially offsetting this was an increase of approximately $231,000 of contingent interest earned in 2007 and an increase in temporary investments in liquid securities. The proceeds from the sale of Northwoods Lake during the third quarter of 2006, the additional $13.3 million of P-Float debt incurred in April 2007, and the issuance of additional BUCs in April of 2007 generated additional cash that was invested in short term liquid securities while the Partnership explored longer term investment options.

Interest expense. Interest expense increased approximately $691,000 in the nine month period ended September 30, 2007 compared to September 30, 2006. The increase in interest expense was due to a higher average interest rate on the Partnership's borrowings and higher levels of borrowing. The average interest rate on the Partnership's borrowings was 5.0% per annum during the first nine months of 2007 as compared to 4.0% per annum in the first nine months of 2006 and accounted for approximately $167,000 of the increase. The higher levels of borrowing during the first nine months of 2007 was due to the additional $13.3 million of P-Float debt incurred in April 2007 and the consolidation of the $19.9 million mortgage debt placed on the MF Properties in June 2007, and resulted in additional interest expense of approximately $642,000.

Offsetting this increase in interest expense were the effects of the interest rate cap agreements which decreased interest expense by approximately $118,000 more in the first nine months of 2007 than the first nine months of 2006. The Partnership 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 Partnership's interest rate cap agreements do not qualify for hedge accounting, and, therefore, any changes in the fair value of the caps are recognized in current period earnings. Fair value changes are classified as adjustments to interest expense in the consolidated statements of operations. These fair value adjustments through earnings can cause a significant fluctuation in reported net income, although they have no impact on the Partnership's CAD.

Depreciation and amortization expense. Depreciation and amortization consist primarily of depreciation associated with the MF Properties. The Company incurred additional depreciation expense of approximately $228,000 and approximately $341,000 of in-place lease amortization and $150,000 of other amortization in the first nine months of 2007 due to the acquisition of the six MF Properties in the second quarter of 2007.

General and administrative expenses. General and administrative expenses were lower in the first nine months of 2007 compared to the first nine months of 2006 due to a decrease in legal fees incurred. This decrease was partially offset in the first nine months of 2007 by increased printing, travel, and other costs associated with the new investments made during the period.

Liquidity and Capital Resources

Partnership Liquidity

Tax-exempt interest earned on the mortgage revenue bonds, including those financing properties held by VIEs, represents the Partnership's principal source of cash flow. The Partnership may also receive cash distributions from equity interests held in MF Properties. Tax-exempt interest is primarily comprised of base interest payments received on the Partnership's tax-exempt mortgage revenue bonds. Certain of the tax-exempt mortgage revenue bonds may also generate payments of contingent interest to the Partnership from time to time when the underlying apartment properties generate excess cash flow. Since base interest on each of the Partnership's mortgage revenue bonds is fixed, the Partnership's cash receipts tend to be fairly constant period to period unless the Partnership acquires or disposes of its investments in tax-exempt bonds. Changes in the economic performance of the properties financed by tax-exempt bonds with a contingent interest provision will affect the amount of contingent interest, if any, paid to the Partnership. Similarly, the economic performance of MF Properties will affect the amount of cash distributions, if any, received by the Partnership from its ownership of these properties. The economic performance of a multifamily apartment property depends 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 primary uses of cash by apartment properties are: (i) the payment of operating expenses; and (ii) the payment of debt service. Other sources of cash include debt financing and the sale of additional BUCs.

The Partnership's principal uses of cash are the payment of distributions to BUC holders, interest and principal 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 its tax-exempt mortgage revenue bonds and cash received from other investments (including MF Properties), the amount of its borrowings and the effective interest rate these borrowings, and the amount of the Partnership's undistributed cash.

The Partnership believes that cash provided by 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."

VIE Liquidity

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.

Consolidated Liquidity

On a consolidated basis, cash provided by operating activities for the nine months ended September 30, 2007 decreased approximately $1.6 million compared to the same period a year earlier mainly due to changes in working capital components. Cash from investing activities decreased approximately $48.0 million, for the nine months ended September 30, 2007 compared to the same period in 2006 primarily due to the purchase of the MF Properties and the acquisition of additional tax-exempt revenue bonds in 2007. Cash from financing activities increased approximately $45.1 million for the nine months ended September 30, 2007 compared to the same period in 2006. This is the result of the receipt of proceeds from the mortgage of the MF Properties, additional issuances of debt in the P-Float program, and the sale of additional Beneficial Unit Certificates offset by the payment of liabilities assumed.

In connection with the acquisition of the Property Partnerships an aggregate loan of approximately $19.9 million from JP Morgan Chase Bank, N.A. was utilized to refinance the existing mortgages acquired in the transaction. The interest rate on this mortgage is variable and is calculated as one month LIBOR plus 1.55%. As of the transaction date, one month LIBOR was 5.32% and the interest on the mortgage was 6.87%. The mortgage matures in July 2009. In addition, the Company entered into two new P-Float securitization transactions for a total of $13.3 million of new debt. Such securitization transactions through the Merrill Lynch P-Float program are accounted for as secured borrowings and, in effect, provide variable-rate financing for the acquisition of new, or the securitization of existing, tax-exempt mortgage revenue bonds. This debt financing bears interest at a weekly floating bond rate, including associated remarketing, credit enhancement, liquidity and trustee fees. The average interest rates for all debt in the P-Float program was 5.0% per annum and 4.7% per annum during the nine months ended September 30, 2007 and 2006, respectively. Maturity dates for the Company's debt financing range from 2008 through 2038.

Recently announced credit losses and credit rating downgrades at Merrill Lynch, our primary debt financing provider, are currently being evaluated to determine if there may be a negative impact on Merrill Lynch's P-Float program, our primary leverage vehicle. We are currently evaluating alternative financing vehicles should existing P-Float borrowings or our ability to borrow additional amounts through the Merrill Lynch P-Float program be negatively impacted. At this time, we anticipate that we will continue to have access to debt financing through the Merrill Lynch P-Float program or similar securitization vehicles which will allow us to finance tax-exempt mortgage bonds on reasonable terms, but there can be no assurances that this will continue to be the case.

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 or income, provision for loan losses, impairments on bonds, losses related to VIEs including the cumulative effect of accounting change and depreciation expense 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. 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 BUC, or $0.135 per quarter per BUC. 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. As of September 30, 2007, the Partnership is not fully invested, on a leveraged basis. The General Partner believes that current investment opportunities will allow the Partnership to become fully invested in the near future. CAD generated in the quarter ended September 30, 2007 was substantially equal to the distribution amount to the BUC holders. The General Partner currently estimates that the impact on CAD of investments held and new investments expected to be closed in the near term will be sufficient to increase CAD to a level that exceeds the current quarterly distribution to BUC holders.

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 and nine months ended September 30, 2007 and 2006.

	For the three months ended September 30, 2007	For the three months ended September 30, 2006	For the nine months ended September 30, 2007	For the nine months ended September 30, 2006
Net income (loss)	$ 113,313	$ 11,732,230	$ 1,814,028	$ 12,837,599
Net (income) loss from VIEs	1,686,503	(10,000,835)	4,190,076	(7,138,730)
Eliminations due to VIE consolidation	(818,044)	3,350,073	(2,130,533)	1,804,035
Income before impact of VIE consolidation	981,772	5,081,468	3,873,571	7,502,904
Change in fair value of derivatives and interest rate cap amortization	207,967	239,568	58,128	116,432
Tier 2 Income (25% to GP) (1)	—	(1,062,500)	(57,830)	(1,062,500)
Depreciation and amortization expense (Partnership only)	731,956	6,032	745,271	18,098
Total CAD	1,921,695	4,264,568	4,619,140	6,574,934
Contingent interest and realized gains				
Contingent interest	—	3,187,500	173,489	3,187,500
CAD from contingent interest and realized gains	—	3,187,500	173,489	3,187,500
CAD excluding contingent interest and realized gains	$ 1,921,695	$ 1,077,068	$ 4,445,651	$ 3,387,434
Weighted average number of units outstanding, basic and diluted	13,512,928	9,837,928	12,147,269	9,837,928
Total CAD per unit	$ 0.14	$ 0.43	$ 0.38	$ 0.67
CAD from contingent interest and realized gains, per unit	$ —	$ 0.32	$ 0.01	$ 0.32
CAD excluding contingent interest and realized gains, per unit	$ 0.14	$ 0.11	$ 0.37	$ 0.34

Contractual Obligations Table

The Partnership had the following contractual obligations as of September 30, 2007.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt financing	$58,940,000	$7,915,000	$10,535,000	$27,190,000	$13,300,000
Mortgage payable	19,920,000	—	19,920,000	—	—
Coupon rate(s)(1)		4.52%	5.97%	4.39%	4.12%
Interest (2)	$18,261,623	$1,950,557	$ 6,515,360	$ 2,495,234	$ 7,300,472

(1) Effective interest rates differ as described in *Item 5 Debt Financing,* interest rates shown are the average effective rate, including fees, for the nine months ended September 30, 2007

(2) Interest shown is estimated based upon current effective interest rates through maturity

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.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurement* ("SFAS No. 157"). This statement does not require new fair value measurements, however, it provides guidance on applying fair value and expands required disclosures. SFAS No. 157 is effective beginning in the first quarter of 2008. The Company is currently assessing the impact SFAS No. 157 may have on the consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities– Including an amendment of FASB No. 115* ("SFAS No. 159"). This statement permits, but does not require, entities to choose to measure many financial instruments and certain other items as fair value. SFAS No. 159 is effective for us beginning in the first quarter of 2008. The Company is currently assessing the impact of SFAS No. 159 may have on the consolidated financial statements.

In June 2007, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) 07-1, *Clarification of the Scope of the Audit and Accounting Guide* Investment Companies *and Accounting for Parent Companies and Equity Method Investors for Investments in Investment Companies.* This SOP provides guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide *Investment Companies* (the "Guide"). Entities that are within the scope of the Guide are required, among other things, to carry their investments at fair value, with changes in fair value included in earnings. In October 2007, the effective date of this SOP was deferred indefinitely. The Company is currently evaluating this new guidance and has not determined whether it will be required to apply the provisions of the Guide in presenting its financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Other than the additional interest rate caps the Partnership purchased in May and June of 2007 as detailed in Note 8 to the condensed consolidated financial statements, 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.

(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 1. Legal Proceedings.

There are no material pending legal proceedings to which the Registrant is subject.

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 the Partnership acquires direct ownership of apartment properties it will be subject to all of the risks normally associated with the ownership of commercial real estate.

The Partnership may acquire ownership of apartment complexes financed by tax-exempt bonds held by it in the event of a default on such bonds. The Partnership may also acquire ownership of apartment complexes on a temporary basis in order to facilitate the eventual acquisition of tax-exempt mortgage revenue bonds on the properties. In either case, during the time the Partnership owns an apartment complex, it will generate taxable income or losses from the operations of such property rather than tax exempt interest. In addition, the Partnership 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. The Partnership 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.

Four of the tax-exempt revenue bonds the Partnership currently holds are secured by multifamily apartment properties which are still under construction. The Partnership 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 the Partnership may be able to protect itself from some of these risks by obtaining construction completion guarantees from developers, agreements of construction lenders to purchase its bonds if construction is not completed on time, and/or payment and performance bonds from contractors, the Partnership may not be able to do so in all cases or such guarantees or bonds may not fully protect it in the event a property is not completed. In other cases, the Partnership may decide to forego certain types of available security if it determines 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 the Partnership to receive less than the full amount of interest owed to it on the tax-exempt bond financing such property or otherwise result in a default under the mortgage loan that secures its tax-exempt bond on the property. In such case, the Partnership may be forced to foreclose on the incomplete property and sell it in order to recover the principal and accrued interest on its tax-exempt bond and it may suffer a loss of capital as a result. Alternatively, the Partnership may decide to finance the remaining construction of the property, in which event it 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 the Partnership forecloses on a property, it 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.

Four of the tax-exempt revenue bonds the Partnership currently invests in are secured by affordable multifamily apartment properties which are still under construction. The Partnership 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 the Partnership may require property developers to provide it with a guarantee covering operating deficits of the property during the lease-up phase, it may not be able to do so in all cases or such guarantees may not fully protect the Partnership in the event a property is not leased up to an adequate level of economic occupancy as anticipated.

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

Not Applicable

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: November 12, 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: November 12, 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: November 12, 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 and nine months ended September 30, 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: November 12, 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 and nine months ended September 30, 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: November 12, 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.