AMERICA FIRST TAX EXEMPT INVESTORS, L.P.
FOR THE QUARTER ENDED JUNE 30, 2002
Printable Version

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the quarterly period ended June 30, 2002

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: 0-24843

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

Delaware 47-0810385
(State or other jurisdiction (IRS Employer
of incorporation or organization) Identification No.)

Suite 400, 1004 Farnam Street, Omaha, Nebraska 68102
(Address of principal executive offices) (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 X NO

AMERICA FIRST TAX EXEMPT INVESTORS, L.P.

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Part I. Financial Information

Item 1. **Financial Statements**

AMERICA FIRST TAX EXEMPT INVESTORS, L.P.
BALANCE SHEETS

	June 30, 2002 (Unaudited)	Dec. 31, 2001
Assets		
Cash and cash equivalents	$ 8,382,407	$ 8,590,489
Investment in tax-exempt mortgage bonds, at estimated fair value (Amortized cost of $114,711,000 and $114,811,000)	118,305,000	118,405,000
Investment in other tax-exempt bonds, at estimated fair value (Amortized cost of $3,900,000)	3,939,000	3,939,000
Interest receivable	974,915	944,531
Other assets	6,644,576	6,273,224
	$ 138,245,898	$ 138,152,244
Liabilities and Partners' Capital		
Liabilities		
Accounts payable and accrued expenses	$ 226,521	$ 901,821
Distribution payable	1,349,048	1,341,536
Debt financing	59,700,000	59,755,000
	61,275,569	61,998,357
Partners' Capital		
General Partner	21,378	13,213
Beneficial Unit Certificate holders	76,948,951	76,140,674
($7.82 per BUC in 2002 and $7.74 in 2001)	76,970,329	76,153,887
	$ 138,245,898	$ 138,152,244

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

AMERICA FIRST TAX EXEMPT INVESTORS, L.P.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	For the Three Months Ended June 30, 2002	For the Three Months Ended June 30, 2001	For the Six Months Ended June 30, 2002	For the Six Months Ended June 30, 2001
Income				
Mortgage bond investment income	$ 2,067,102	$ 2,020,317	$ 4,344,878	$ 4,379,640
Other bond investment income	80,438	84,906	160,875	146,781
Other interest income	129,260	122,688	258,798	283,755
Contingent interest income	30,989	6,897	30,989	16,897
	2,307,789	2,234,808	4,795,540	4,827,073
Expenses				
Interest expense	343,832	566,942	685,496	1,129,410
Amortization expense	11,008	7,690	17,251	14,664
General and administrative expenses	319,367	198,622	585,768	393,303
	674,207	773,254	1,288,515	1,537,377
Net income	1,633,582	1,461,554	3,507,025	3,289,696
Other comprehensive income				
Unrealized gains on securities				
Unrealized holding gains arising during the period	-	39,000	-	39,000
	-	39,000	-	39,000
Net comprehensive income	$ 1,633,582	$ 1,500,554	$ 3,507,025	$ 3,328,696
Net income allocated to:				
General Partner	$ 23,773	$ 16,271	$ 42,508	$ 36,952
BUC holders	1,609,809	1,445,283	3,464,517	3,252,744
	$ 1,633,582	$ 1,461,554	$ 3,507,025	$ 3,289,696
Net income, basic and diluted, per Unit	$ 0.16	$ 0.15	$ 0.35	$ 0.33
Weighted average number of Units outstanding, basic and diluted	9,837,928	9,837,928	9,837,928	9,837,928

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

AMERICA FIRST TAX EXEMPT INVESTORS, L.P.
STATEMENT OF PARTNERS' CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2002
(UNAUDITED)

	General Partner	Beneficial Unit Certificate holders		Total
		# of BUCs	Amount	
Partners' Capital (excluding accumulated other comprehensive income)				
Balance at December 31, 2001	$ 13,213	9,837,928	72,507,674	$ 72,520,887
Net income	42,508	-	3,464,517	3,507,025
Cash distributions paid or accrued	(34,343)	-	(2,656,240)	(2,690,583)
Balance at June 30, 2002	21,378	9,837,928	73,315,951	73,337,329
Accumulated Other Comprehensive Income				
Balance at December 31, 2001	-	-	3,633,000	3,633,000
Other comprehensive income	-	-	-	-
Balance at June 30, 2002	-	-	3,633,000	3,633,000
Balance at June 30, 2002	$ 21,378	9,837,928	$ 76,948,951	$ 76,970,329

The accompanying notes are an integral part of the financial statement.

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

	For the Six Months Ended June 30, 2002	For the Six Months Ended June 30, 2001
Cash flows from operating activities		
Net income	$ 3,507,025	$ 3,289,696
Adjustments to reconcile net income to net cash from operating activities		
Amortization expense	17,251	14,664
Increase in interest receivable	(30,384)	(80,689)
(Increase) decrease in other assets	(48,755)	144,566
Decrease in accounts payable and accrued expenses	(675,300)	(94,974)
Net cash provided by operating activities	2,769,837	3,273,263
Cash flows from investing activities		
Debt financing and bond issuance costs paid	(46,940)	(1,365)
Acquisition of tax-exempt bonds	-	(900,000)
Principal payments received on tax-exempt mortgage bonds	100,000	45,000
Increase in other assets	(292,908)	(968,659)
Net cash used in investing activities	(239,848)	(1,825,024)
Cash flows from financing activities		
Principal payments on debt financing	(55,000)	(45,000)
Distributions paid	(2,683,071)	(2,685,496)
Net cash used in financing activities	(2,738,071)	(2,730,496)
Net decrease in cash and cash equivalents	(208,082)	(1,282,257)
Cash and cash equivalents at beginning of period	8,590,489	5,858,216
Cash and cash equivalents at end of period	$ 8,382,407	$ 4,575,959
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 704,679	$ 1,159,598

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

1. Basis of Presentation

The accompanying interim unaudited 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 accounting principles generally accepted in the United States of America (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 financial statements should be read in conjunction with the financial statements and notes thereto included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2001. In the opinion of management, all normal and recurring adjustments necessary to present fairly the financial position at June 30, 2002, and the results of operations for all periods presented have been made. The results of operations for the three and six-month periods ended June 30, 2002 are not necessarily indicative of the results to be expected for the full year.

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.

2. Debt Financing

The Partnership's debt financing bears interest at a weekly floating bond rate which averaged 2.29% and 3.78% for the six months ended June 30, 2002 and 2001, respectively.

3. New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard (FAS) No. 141, "Business Combinations" and FAS No. 142, "Goodwill and Other Intangible Assets" which provide guidance on how entities are to account for business combinations and for the goodwill and other intangible assets that arise from those combinations or are acquired otherwise. The adoption of these standards on January 1, 2002 did not have an impact on the financial statements of the Partnership.

In October 2001, the FASB issued FAS No. 144, "Accounting for the Impairment of Long-Lived Assets", which provides guidance on the accounting of long-lived assets to be held and used or to be disposed of and the reporting of discontinued operations. The adoption of this standard on January 1, 2002, did not have an impact on the financial statements of the Partnership.

4. Related Party Transactions

The General Partner is entitled to receive an administrative fee from the Partnership equal to 0.45% of the outstanding principal balance of any tax-exempt mortgage bond or other mortgage investment, unless the owner of the property financed by such tax-exempt mortgage bond or other mortgage investment or another third party is required to pay such administrative fee. For the six and three month periods ended June 30, 2002, the Partnerships' administrative fees to the General Partner were $4,388 and $8,775, respectively. The Partnership may become obligated to pay additional administrative fees to General Partner in the event it acquires additional tax-exempt mortgage bonds or other mortgage investments and is not able to negotiate the payment of these fees by the property owners or in the event it acquires title to any of the properties securing its existing tax-exempt mortgage bonds by reason of foreclosure.

Under the terms of the Prior Partnership's partnership agreement and also as described above, the General Partner is entitled to an administrative fee equal to 0.45% of the original principal amount of the properties financed by the tax-exempt mortgage bonds, payable by the owners of such financed properties. The General Partner was also entitled to an administrative fee from the Partnership in the event the Partnership became the equity owner of a property by reason of foreclosure. The General Partner received administrative fees of $207,729 and $98,401, respectively for the six and three month periods ended June 30, 2002 from the owners of properties financed by the tax-exempt mortgage bonds held by the Partnership. Since these administrative fees are not Partnership expenses, they have not been reflected in the accompanying financial statements. However, such fees are payable by the property owners prior to the payment of any contingent interest on the tax-exempt mortgage bonds secured by these properties.

The General Partner remains entitled to receive approximately $359,000 in administrative fees from the Partnership for the year ended December 31, 1989. The payment of these fees, which has been deferred by the General Partner, is contingent upon, and will be paid only out of future profits realized by the Partnership from the disposition of any Partnership assets. These deferred fees will be recorded as an expense by the Partnership when it is probable that these fees will be paid.

An affiliate of the General Partner was retained to provide property management services for Ashley Square, Northwoods Lake Apartments, Ashley Pointe at Eagle Crest, Iona Lakes Apartments (beginning in April 2000), Clear Lake Colony Apartments (beginning in June 2000), Bent Tree Apartments (beginning in December 2000) and Lake Forest Apartments (beginning in April 2001). The management fees paid to the affiliate of the General Partner amounted to $296,353 and $149,889 for the six and three month periods ended June 30, 2002, respectively. These management fees are not Partnership expenses and, accordingly, have not been reflected in the accompanying financial statements. However, such fees are paid out of the revenues generated by these properties prior to the payment of any interest on the tax-exempt mortgage bonds and taxable loans held by the Partnership on these properties.

5. Subsequent Event

On July 1, 2002, the Partnership purchased an interest rate cap from Bear Stearns Financial Products, Inc. in an effort to mitigate its exposure to changes in short term interest rates and its counterparty credit risk exposure. The interest rate cap was purchased at a $489,000 premium, has a cap on the floating rate index of 3%, has a notional amount of $20,000,000 and matures on July 1, 2006. It effectively caps the floating rate index (the BMA Municipal Index) at 3%, so the maximum interest rate to be paid on $20,000,000 of debt financing is 3% plus remarketing, credit enhancement, liquidity and trustee fees which aggregate to approximately 90 basis points. The interest rate cap is accounted for as a cash flow hedge of the floating rate debt financing.

The Partnership accounts for its interest rate cap in accordance with the Financial Accounting Standards Board Statement No. 133 "Accounting for Derivatives". At the inception, the Partnership designated the interest rate cap as a cash flow hedge of $20 million of floating rate debt financing. The hedge is considered highly effective at inception as the critical terms of the cap and the floating rate debt financing are substantially the same. The calculation of effectiveness is made when the floating rate (the BMA Municipal Index) is greater than 3% and will exclude the effect of changes in the fair value of the cap. The fair value of the cap at inception is its cost ($489,000), which is all attributable to its time value as the strike rate of the cap (3%) is greater than the current floating rate. Changes in the time value, or fair value, of the cap will be marked to market with the difference recognized in earnings over the term of the cap.

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

General

The Partnership was formed for the purpose of acquiring, holding, operating, selling and otherwise dealing with a portfolio of federally tax-exempt mortgage bonds which have been issued to provide construction and/or permanent financing of multifamily residential apartments. The Partnership's business objectives are to: (i) preserve and protect its capital; (ii) provide regular cash distributions to BUC holders; and, (iii) provide a potential for an enhanced federally tax-exempt yield as a result of a participation interest in the net cash flow and net capital appreciation of the real estate financed by the tax-exempt mortgage bonds held by the Partnership. The Partnership is pursuing a business strategy to: (i) increase the amount of tax-exempt interest available for distribution to its BUC holders; (ii) reduce risk through asset diversification and (iii) achieve economies of scale. The Partnership seeks to achieve its objectives through the acquisition of additional tax-exempt mortgage bonds and taking advantage of attractive financing structures available in the tax-exempt securities market.

Results of Operations

The Partnership's primary assets are its tax-exempt mortgage bonds which provide permanent financing for nine multifamily housing properties. Each bond provides payment of interest at a base rate and the payment of contingent interest out of the net operating income of the underlying property. A description of the multifamily housing properties collateralizing the tax-exempt mortgage bonds owned by the Partnership at June 30, 2002 is as follows:

Property Name	Location	Number of Units	Number of Units Occupied	Percentage of Units Occupied	Economic Occupancy (1)
Woodbridge Apts. of Bloomington III	Bloomington, IN	280	274	98%	94%
Ashley Point at Eagle Crest	Evansville, IN	150	149	99%	90%
Woodbridge Apts. of Louisville II	Louisville, KY	190	186	98%	88%
Northwoods Lake Apartments	Duluth, GA	492	441	90%	85%
Ashley Square	Des Moines, IA	144	137	95%	92%
Iona Lakes Apartments	Ft. Myers, FL	350	312	89%	86%
Clear Lake Colony Apartments	West Palm Beach, FL	316	307	97%	93%
Bent Tree Apartments	Columbia, SC	232	217	94%	82%
Lake Forest Apartments	Daytona Beach, FL	240	202	84%	87%
		2,394	2,225	93%	88%

(1) Economic occupancy is presented for the six months ended June 30, 2002, and is defined as the net rental income earned during the period divided by the maximum amount of rental income to be derived from each property if 100% occupied at current lease rental rates. This statistic is reflective of vacancy losses, rental concessions, delinquent rents and non-revenue units such as model units and employee units.

The financial results of the Partnership have not been significantly impacted by the nation's current economic conditions. Year to date net income has increased 6.6% from the previous year to date period. Stabilized interest income and decreasing interest expense on the Partnership's floating rate financing contribute to the earnings growth. At June 30, 2002, all of the Partnership's tax-exempt mortgage bonds are paying their full amount of base interest, however a prolonged weakened economy may negatively impact future interest income. Furthermore, the collection of contingent interest payable from the excess cash flow of the underlying properties may decrease significantly in times of economic slowdown. The following discussion provides a more detailed comparison of the quarter and year to date financial results of the Partnership.

Three Months Ended June 30, 2002 Compared to Three Months Ended June 30, 2001

Mortgage bond investment income increased $46,785 (2%) for the three months ended June 30, 2002 compared to the three months ended June 30, 2001, due to: (i) an increase of approximately $173,000 earned in 2002 on the Lake Forest Apartments tax-exempt mortgage bond which was acquired in December 2001 and (ii) an increase of approximately $4,000 earned in 2002 on the Partnership's other investments, partially offset by; (iii) a decrease of $85,000 of past-due base interest earned in 2001 on the Northwoods Lake tax-exempt mortgage bond, and (iv) a decrease of $45,000 of past-due base interest earned in 2001 on the formerly owned Shoal's Crossing tax-exempt bond.

The Partnership earned all of its base interest due in the second quarter of 2002 on all of its tax-exempt mortgage bonds held at June 30, 2002.

Other bond investment income represents income earned on the Partnership's investment in other tax-exempt bonds and decreased $4,468 (5.3%) from the quarter ended June 30, 2002 compared to the quarter ended June 30, 2001.

Other interest income represents income earned on the Partnership's taxable loan and on its cash and cash equivalents. The increase of $6,572 (5.4%) for the three months ended June 30, 2002 compared to the same period in 2001 is primarily due to an increase in the principal balance of the taxable loan and an increase in the cash and cash equivalents balance partially offset by a decrease in the interest rates earned on its cash and cash equivalents.

Contingent interest income increased $24,092 (349.3%) for the three months ended June 30, 2002 compared to the three months ended June 30, 2001. During the second quarter of 2002, the Partnership earned $7,200 of contingent interest income from Woodbridge of Bloomington and $23,789 from Woodbridge of Louisville. During the second quarter of 2001, the Partnership earned $6,897 of contingent interest income from the Ashley Pointe at Eagle Crest tax-exempt mortgage bond. Contingent interest income which is only paid to the Partnership from the excess cash flow of the underlying properties, is recognized by the Partnership as income when received.

Interest expense on the Partnership's debt financing decreased $223,110 (39.3%) for the three months ended June 30, 2002 compared to the same period in 2001, due to a significant decline in the short term tax-exempt interest rates. The Partnership's average effective interest rate on the debt financing was 2.29% for the three months ended June 30, 2002 compared to 3.78 % for the three months ended June 30, 2001. This decrease is partially offset by a $10.6 million increase in the debt financing balance outstanding from the December 2001 Lake Forest tax-exempt mortgage bond acquisition.

Amortization expense increased $3,318 for the second quarter of 2002 compared to the second quarter of 2001, due to an increase in debt financing costs incurred to acquire the Lake Forest Apartments tax-exempt bond in December 2001.

General and administrative expenses increased $120,745 (60.8%) for the three months ended June 30, 2002 compared to the same period in 2001, due primarily to increases in agency and lender fees, salaries and related expenses as well as increases in printing and legal expenses.

Six Months Ended June 30, 2002 Compared to Six Months Ended June 30, 2001

Mortgage bond investment income decreased $34,762 (.8%) for the six months ended June 30, 2002 compared to the six months ended June 30, 2001, due to: (i) a decrease of approximately $346,000 of past-due base interest earned in 2001 on the Partnership's formerly owned Arama Apartments tax-exempt mortgage bond; (ii) a decrease of $170,000 of past-due base interest earned in 2001 on the Northwoods Lake tax-exempt mortgage bond; (iii) an increase of approximately $119,000 of past due base interest earned in 2002 on the formerly owned Shoal's Crossing tax-exempt bond which was sold in December 2001 and (iv) an increase of approximately $356,000 earned in 2002 on the Lake Forest Apartments tax-exempt mortgage bond acquired in December 2001.

The Partnership earned all of its base interest due in the first six months of 2002 on all of its tax-exempt mortgage bonds held at June 30, 2002.

Other bond investment income represents income earned on the Partnership's investment in other tax-exempt bonds and remained consistent from the six months ended June 30, 2002 compared to the six months ended June 30, 2001.

Other interest income represents income earned on the Partnership's taxable loan and on its cash and cash equivalents. The decrease of $24,957 (8.8%) for the six months ended June 30, 2002 compared to the same period in 2001 is primarily due to decreases in the interest rates earned on its cash and cash equivalents offset by an increase in the principal balance of the taxable loan.

Contingent interest income increased $14,092 (83.4%) for the six months ended June 30, 2002 compared to the six months ended June 30, 2001. During the six months ended June 30, 2002, the Partnership earned $7,200 of contingent interest income from Woodbridge of Bloomington and $23,789 from Woodbridge of Louisville. During the comparable period in 2001, the Partnership earned $6,897 of contingent interest income from Bent Tree Apartments tax-exempt mortgage bond and $10,000 from Ashley Pointe at Eagle Crest tax-exempt mortgage bond. Contingent interest income which is only paid to the Partnership from the excess cash flow of the underlying properties, is recognized by the Partnership as income when received.

Interest expense on the Partnership's debt financing decreased $443,914 (39.3%) for the six months ended June 30, 2002 compared to the same period in 2001, due to a significant decline in the short term tax-exempt interest rates. The Partnership's average effective interest rate on the debt financing was 2.29% for the six months ended June 30, 2002 compared to 3.78 % for the six months ended June 30, 2001. This decrease is partially offset by a $10.6 million increase in the debt financing balance outstanding from the December 2001 Lake Forest tax-exempt mortgage bond acquisition.

Amortization expense increased $2,587 for the six months ended June 30, 2002 compared to the six months ended June 30, 2001, due to an increase in debt financing costs incurred to acquire the Lake Forest Apartments tax-exempt bond in December 2001.

General and administrative expenses increased $192,465 (48.9%) for the six months ended June 30, 2002 compared to the same period in 2001, due primarily to increases in agency and lender fees, salaries and related expenses as well as increases in legal expenses and printing.

Liquidity and Capital Resources

Cash provided by operating activities for the six months ended June 30, 2002 decreased $503,426 compared to the same period a year earlier mainly due to timing decreases in accounts payable and accrued expenses. Cash used in investing activities decreased $1,585,176 for the six months ended June 30, 2002 compared to the same period in 2001 primarily due to a decrease in the acquisition of other tax-exempt bonds and decreases in advances on the taxable loan. Cash used in financing activities for the six months ended June 30, 2002 is consistent with the prior year and primarily consists of distributions to BUC holders.

Tax-exempt interest earned on the mortgage bonds represents the Partnership's principal source of cash flow. The Partnership also earns tax-exempt and taxable interest on certain other investments. The Partnership's principal uses of cash are the payment of interest on debt financing, operating expenses and distributions to BUC holders. The following table sets forth information relating to cash distributions paid to BUC holders for the periods shown:

	For the Six Months Ended June 30, 2002	For the Six Months Ended June 30, 2001
Cash Distributions	$ 0.2700	$ 0.2700

Future distributions to BUC holders will depend upon the amount of base and contingent interest received on the tax-exempt mortgage bonds and other investments, the effective interest rate on the Partnership's variable rate debt financing, the size of the reserve established by the Partnership and the extent to which withdrawals are made from the reserve.

The Partnership believes that cash provided by net interest income from its tax-exempt mortgage bonds and other investments will be adequate to meet its projected short-term and long-term liquidity requirements, including the payment of expenses and distributions to BUC holders.

Forward Looking Statements

This report contains forward looking statements that reflect management's current beliefs and estimates of future economic circumstances, industry conditions, the Partnership's performance and financial results. All statements, trend analysis and other information concerning possible or assumed future results of operations of the Partnership and the investments it has made (including, but not limited to, the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations"), constitute forward looking statements. 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 Partnership and could cause those results to differ materially from those expressed in the forward looking statements contained herein.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Partnership's primary market risk exposures are interest rate risk related primarily to its variable rate debt financing which it has used to securitize acquisitions of tax-exempt mortgage bonds and credit risk related to its investments in tax-exempt mortgage bonds. The Partnership may enter into derivative transactions to hedge or mitigate its interest rate risk and credit risk. The Partnership does not enter into derivative instrument transactions for speculative purposes.

Interest Rate Risk

Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations and other factors beyond the Partnership's control. The potential for significant volatility in the interest rate markets was especially displayed during 2001, when the Federal Reserve Board decreased the federal funds rate eleven times.

At June 30, 2002, the Partnership had total variable-rate debt financing with a principal amount of $59,700,000. The weighted average interest rate of the variable-rate financing was 2.29%, including fees, for the six months ended June 30, 2002.

The stated maturity dates of the Partnership's debt financing are as follows:

Stated Maturity	Amount
2002	$ 27,335,000
2003	220,000
2004	16,970,000
2005	135,000
2006 and thereafter	15,040,000
Total	$ 59,700,000

The Partnership is currently evaluating its future financing alternatives for the $27,335,000 of debt financing which matures in 2002.

On July 1, 2002, the Partnership purchased an interest rate cap from Bear Stearns Financial Products, Inc. in an effort to mitigate its exposure to changes in short interest rates and its counterparty credit risk exposure. The interest rate cap was purchased at a $489,000 premium, has a cap on the floating rate index of 3%, has a notional amount of $20,000,000 and matures on July 1, 2006. It effectively caps the floating rate index (the BMA Municipal Index) at 3%, so the maximum interest rate to be paid on $20,000,000 of debt financing is 3% plus remarketing, credit enhancement, liquidity and trustee fees which aggregate to approximately 90 basis points. The interest rate cap is accounted for as a cash flow hedge of the floating rate debt financing.

The Partnership accounts for its interest rate cap in accordance with the Financial Accounting Standards Board Statement No. 133 "Accounting for Derivatives". At the inception, the Partnership designated the interest rate cap as a cash flow hedge of $20 million of floating rate debt financing. The hedge is considered highly effective at inception as the critical terms of the cap and the floating rate debt financing are substantially the same. The calculation of effectiveness is made when the floating rate (the BMA Municipal Index) is greater than 3% and will exclude the effect of changes in the fair value of the cap. The fair value of the cap at inception is its cost of $489,000, which is all attributable to its time value as the strike rate of the cap (3%) is greater than the current market floating rate. Changes in the time value, or fair value, of the cap will be marked to market with the difference recognized in earnings over the term of the cap.

Credit Risk

The Partnership's primary credit risk is the risk of default on its portfolio of tax-exempt mortgage bonds and taxable loans collateralized by the multifamily properties. The tax-exempt mortgage bonds are not direct obligations of the governmental authorities that issued the bonds and are not guaranteed by such authorities or any insurer or other party. In addition, the mortgage bonds and the associated taxable loans are nonrecourse obligations of the property owner. As a result, the sole source of principal and interest payments (including both base and contingent interest) on the tax-exempt mortgage bonds and the taxable loans is the net rental revenues generated by these properties or the net proceeds from the sale of these properties. Additionally, some of our income may come from additional interest (contingent interest) on participating tax-exempt bonds. The collection of additional interest may decrease in times of economic slow down due to lower cash available from the properties.

If a property is unable to sustain net rental revenues at a level necessary to pay current debt service obligations on the Partnership's mortgage bond or taxable loan on such property, a default may occur. A property's ability to generate net rental income is subject to a wide variety of factors, including, rental and occupancy rates of the property and the level of operating expenses. Occupancy rates and rents are directly affected by the supply of, and demand for, apartments in the market areas 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 as an alternative to renting. 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.

Defaults on its tax-exempt mortgage bonds and taxable loans may reduce the amount of cash available for distribution to BUC holders. In addition, if a property's net rental income declines, it may affect the market value of the property. If the market value of a property deteriorates, the amount of net proceeds from the ultimate sale or refinancing of the property may be insufficient to repay the entire principal balance of the mortgage bond and taxable loan secured by the property.

The Partnership's primary method of managing the credit risks associated with its mortgage bonds and taxable loans is to perform a complete due diligence and underwriting process of the properties securing these mortgage bonds and loans and to carefully monitor the performance of each property on a continuous basis.

The Partnership is also exposed to a credit risk with respect to its debt financing. All of the Partnership's debt financing has been obtained using securitizations issued through the Merrill Lynch P-Float program. In this program, the senior interests sold are credit enhanced by Merrill Lynch or its affiliate. The liquidity and credit enhancement facilities are generally for one-year terms and are renewable annually by the credit enhancer. To the extent that the credit enhancer is downgraded below "AA", either an alternative credit enhancement provider would be substituted to reinstate the desired investment rating or the senior interests would be marketed to other accredited investors. In either case, it is anticipated that the net return on the residual interests would decrease, which would negatively impact the Partnerships income. If the credit enhancer does not renew the liquidity or credit enhancement facilities, the Partnership would be forced to find alternative liquidity or credit enhancement facilities, repurchase the underlying bonds or liquidate the underlying bond and its investment in the residual interests. The Partnership recognizes the concentration of financing with this institution and periodically monitors its ability to continue to perform.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following documents are filed as part 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 Form S-11 Registration Statement filed August 30, 1985, with the Securities and Exchange Commission by America First Tax Exempt Mortgage Fund Limited Partnership (Commission File No. 2-99997)).

4. Contract and Agreement dated July 1, 2002 between America First Tax Exempt Investors, L.P. and Bear Stearns Financial Products, Inc., to confirm the terms of the interest rate cap transaction between the parties.

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

4(b) Agreement of Limited Partnership of the Partnership (incorporated by reference to Form 10-K dated December 31, 1998 filed pursuant to Section 13 or 15(d) of the Securities Act of 1934 by America First Tax Exempt Investors, L.P. (Commission File No. 000-24843)).

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

(b) Reports on Form 8-K

The Partnership did not file any reports on Form 8-K during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Partnership 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 America First Companies L.L.C.,
General Partner of
America First Capital
Associates Limited
Partnership Two

By /s/ Mark A. Hiatt
Vice President, Secretary and Treasurer

(Principal Financial Officer)

Date: August 13, 2002

BEAR STEARNS

BEAR STEARNS FINANCIAL PRODUCTS INC
383 MADISON AVENUE SUITE 2700
NEW YORK, NEW YORK 10179
212-272-4009

DATE: June 26, 2002

TO: America First Tax Exempt Investors, L.P,

FROM: Derivatives Documentation

SUBJECT: Fixed Income Derivatives Confirmation and Agreement
REFERENCE NUMBER: FXNCC4S39

The purpose of this letter agreement ("Agreement") is to confirm the terms and conditions of the current Transaction entered into on the Trade Date specified below (the "Current Transaction") between Bear Steams Financial Products Inc. ("BSFP") and America First Tax Exempt Investors, L.P., a Delaware limited partnership, organized under the Jaws of Delaware("Counterparty"), This Agreement, which evidences a complete and binding agreement between you and us to enter into the Transaction on the terms set forth below, constitutes a "Confirmation" as referred to in the "ISDA Form Master Agreement" (as defined below), as well as a "Schedule" as referred to in the ISDA Form Master Agreement.

1. This Agreement is subject to the *2000 ISDA Definitions* (the " Definitions"), as published by the International Swaps and Derivatives Association, Inc, ("ISDA"). You and we have agreed to enter into this Agreement in lieu of negotiating a Schedule to the ISDA Master Agreement (Multicurrency Cross Border) form (the "ISDA Form Master Agreement") but, rather, an ISDA Form Master Agreement shall be deemed to have been executed by you and us on the date we entered into the Transaction. In the event of any inconsistency between the provisions of this Agreement and the Definitions or the ISDA Form Master Agreement, this Agreement shall prevail for purposes of the Transaction,

2. The terms of the particular Transaction to which this Confirmation relates are as follows:
Type of Transaction: Rate Cap
Notional Amount: USD 20,000,000
Trade Date: June 24, 2002
Effective Date: July 1,2002
Termination Date: July 1, 2006
Fixed Amount (Premium):

Fixed Rate Payer: Counterparty

Fixed Rate Payer Payment Date: July 1,2002

Fixed Amount: USD 489,000

Floating Rate Payer: BSFP

Cap Rate: 3.00000%

Floating Rate Payer Payment Dates:

The first calendar day of each month during the Term of this Transaction, commencing August 1, 2002 and ending on the Termination date, subject to adjustment in accordance with the Business Day Convention

Floating Rate Payer Period End Dates:

The first calendar day of each month during the Term of this Transaction, commencing August 1, 2002 and ending on the Termination Date, with No Adjustment.

Floating Rate for initial Reset Date:

To be determined as of the Thursday immediately preceding the Effective Date, and such rate shall be effective from and including the Effective Date to but excluding the next succeeding Reset Date.

Floating Rate Option:

BMA Municipal Swap Index™ (formerly, the PSA Municipal Swap Index™, as defined in the *ISDA 1992 Municipal Counterparties Definitions* (the "1992 Definitions")); provided however, that if the BMA Municipal Swap Index™ is no longer available, the Floating Rate Option shall be deemed to be the Kenny Index™ (as defined in the 1992 Definitions), and provided, further however, that if the Kenny Index™ is no longer available, the Calculation Agent, acting in good faith shall select or calculate a comparable index, which shall be deemed to be the Floating Rate Option.

Spread: None

Floating Rate Day Count Fraction: Actual/Actual

Reset Dates:

The Effective Date and each Thursday of each week during the Term of this Transaction, subject to adjustment in accordance with the Following Business Day Convention.

Compounding: Inapplicable
Method of Averaging: Weighted Average
Business Days: New York
Business Day Convention: Following
Calculation Agent: BSFP

3. Additional Provisions: 1) Each party hereto is hereby advised and acknowledges that

the other party has engaged in (or refrained from engaging in) substantial financial transactions and has taken (or refrained from talking) other material actions in reliance upon the entry by the parties into the Transaction being entered into on the terms and conditions set forth herein and in the Confirmation relating to such Transaction, as applicable. This paragraph (1) shall be deemed repeated on the trade date of each Transaction.

4. Provisions Deemed Incorporated in a Schedule to the Master Agreement:

1) The parties agree that subparagraph (ii) of Section 2(c) of the ISDA Form Master Agreement will apply to any Transaction.

2) *Termination Provisions.* For purposes of the Master Agreement:

(a) "Specified Entity" is not applicable to BSFP or Counterparty for any purpose.

(b) "Specified Transaction" is not applicable to BSFP or Counterparty for any purpose, and, accordingly, Section 5(a)(v) shall not apply to BSFP or Counterparty.

(c) No Events of Default or Termination Events under Section 5 will apply to the Counterparty after Counterparty makes its required Fixed Amount payment.

(d) The "Cross Default" provisions of Section 5(a)(vi) will apply to BSFP. To the extent such provision applies Threshold Amount means USD 10,000,000.

(e) The "Automatic Early Termination" provision of Section 6(a) will apply to BSFP.

f. Payments on Early Termination. For the purpose of Section 6(e) of this Agreement:
(i) Market Quotation will apply. (ii) The Second Method will apply.

(g) "Termination Currency" means United States Dollars,

3) Tax Representations, Not applicable

4) [Reserved]

5) *Documents to be Delivered.* For the purpose of Section 4(a): (1) Tax forms, documents, or certificates to be

delivered are:

Party required to deliver document

BSFP and
the Counterparty

Form/Document/ Certificate

Any document required or reasonably requested to allow the other party to make payments under this Agreement without any deduction or withholding for or on the account of any Tax or with such deduction or withholding at a reduced rate

Date by which to be delivered

Promptly after the earlier of (p reasonable demand by either party or (ii) learning that such form or document is required

(2) Other documents to be delivered are;

Party required

to deliver document

BSFP and

the Counterparty

Form/Document/ Certificate

Any documents required by the receiving party to evidence the authority of the delivering party or its Credit Support Provider, if any, for it to execute and deliver this Agreement, any Confirmation, and any Credit Support Documents to which it is a party, and to evidence the authority of the delivering party or its Credit Support Provider to perform its obligations under this Agreement, such Confirmation and/or Credit Support Document, as the case

Date by which to be delivered

Upon the execution and delivery of this Agreement and such Confirmation

Covered by Section 3(d) Representation

Yes

Party required to deliver document:

BSFP and the Counterparty

Form/Document/Certificate:

Maybe, A certificate of an authorized officer of the party, as to the incumbency and authority of the respective officers of the party signing this Agreement, any relevant Credit Support Document, or any Confirmation, as the case may be

Date by which to be delivered

Upon the execution and delivery of this Agreement and such Confirmation

Covered by Section 3(d) Representation

Yes

6) *Miscellaneous.* Miscellaneous

(a) Address for Notices:

(b) Process Agent, For the purpose of Section 13(c):
BSFP appoints as its

Process Agent: Not Applicable

The Counterparty appoints as its
Process Agent: Not Applicable

(c) Offices. The provisions of Section 10(a) will not apply to this Agreement; neither BSFP nor the Counterparty have any Offices other than as set forth in the Notices Section and BSFP agrees that, for purposes of Section 6(b) of this Agreement, it shall not in future have any Office other than one in the United States,

(d) Multibranch Party. For the purpose of Section 10(c) of this Agreement: BSFP is not a Multibranch Party. The Counterparty is not a Multibranch Party.

(e) Calculation Agent. The Calculation Agent is BSFP,
(f) Credit Support Document. Not applicable for either BSFP or the Counterparty.
(g) Credit Support Provider, BSFP; Not Applicable The Counterparty; Not Applicable
(h) Governing Law. The parties to this Agreement hereby agree that the law of the State of New York shall govern their rights and duties in whole.

(i) Severability. If any term, provision, covenant, or condition of this Agreement, or the application thereof to any party or circumstance, shall be held to be invalid or unenforceable (in whole or in part) for any reason, the remaining terms, provisions, covenants, and conditions hereof shall continue in full force and effect as if this Agreement had been executed with the invalid or unenforceable portion eliminated, so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of this Agreement and the deletion of such portion of this Agreement will not substantially impair the respective benefits or expectations of *the* parties.

The parties shall endeavor to engage in good faith negotiations to replace any invalid or unenforceable term, provision, covenant or condition with a valid or enforceable term, provision, covenant or condition, the economic effect of which comes as close as possible to that of the invalid or unenforceable term, provision, covenant or condition.

(j) Consent to Recording. Each party hereto consents to the monitoring or recording, at any time and from time to time, by the other party of any and all communications between officers or employees of the parties, waives any further notice of such monitoring or recording, and agrees to notify its officers and employees of such monitoring or recording.

(k) Waiver of Jury Trial. Each party waives any right it may have to a trial by jury in respect of any Proceedings relating to this Agreement or any Credit Support Document.

7) "Affiliate" will have the meaning specified in Section 14 of the ISDA Form Master Agreement, provided that BSFP shall not be deemed to have any Affiliates for purposes of this Agreement, including for purposes of Section 6(b)(ii).

8) Section 3 of the ISDA Form Master Agreement is hereby amended by adding at the end thereof the following subsection (g):

"(g) Relationship Between Parties.

Each party represents to the other party on each date when it enters into a Transaction that:--

(1) Nonreliance. It is not relying on any statement or representation of the other party regarding the Transaction (whether written or oral), other than the representations expressly made in this Agreement or the Confirmation in respect of that Transaction.

(2) Evaluation and Understanding.

(i) It has the capacity to evaluate (internally or through independent professional advice) the Transaction and has made its own decision to enter into the Transaction; and

(ii) It understands the terms, conditions and risks of the Transaction and is willing and able to accept those terms and conditions and to assume those risks, financially and otherwise.

(3) Purpose. It is entering into the Transaction for the purposes of managing its borrowings or investments, hedging its underlying assets or liabilities or in connection with a line of business.

Principal, It is entering into the Transaction as principal, and not as agent or in any other capacity, fiduciary or otherwise.

NEITHER THE BEAR STEARNS COMPANIES INC. NOR ANY SUBSIDIARY OR AFFILIATE OF THE BEAR STEARNS COMPANIES INC. OTHER THAN BSFP IS AN OBUGOR OR A CREDIT SUPPORT PROVIDER ON THIS AGREEMENT,

5. Account Details and Settlement Information;

This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Counterparty hereby agrees to check this Confirmation and to confirm that the foregoing correctly sets forth the terms of the Transaction by signing in the space provided below and returning to BSFP a facsimile of the fully-executed Confirmation..

We are very pleased to have executed this Transaction with you and we look forward to completing other transactions with you in the near nature.

Very truly yours,

BEAR STEARNS FINANCIAL PRODUCTS INC.

Counterparty, acting through its duly authorized signatory, hereby agrees to, accepts and confirms the terms of the foregoing as of the Trade Date.

AMERICA FIRST TAX EXEMPT INVESTORS, L.P., a Delaware limited partnership

By: AMERICA FIRST CAPITAL ASSOCIATES LIMITED PARTNERSHIP TWO, a Delaware limited partnership, its General Partner

By: AMERICA FIRST COMPANIES L.L.C,, a Delaware limited liability company, its General Partner