AMERICA FIRST TAX EXEMPT INVESTORS, L.P.
FOR THE QUARTER ENDED SEPTEMBER 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 September 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.

INDEX

PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

Balance Sheets as of September 30, 2002 (Unaudited) and December 31, 2001

Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2002 and 2001 (Unaudited)

Statement of Partners' Capital for the nine months ended September 30, 2002 (Unaudited)

Statements of Cash Flows for the nine months ended September 30, 2002 and 2001 (Unaudited)

Notes to Financial Statements (Unaudited)

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 4 CONTROLS AND PROCEDURES

PART II OTHER INFORMATION

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

SIGNATURES

CERTIFICATIONS

Part I. Financial Information

Item 1. **Financial Statements**

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

	Sept. 30, 2002 (Unaudited)	Dec. 31, 2001
Assets		
Cash and cash equivalents	$ 7,196,562	$ 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	1,368,536	944,531
Other assets	7,984,192	6,273,224
	$ 138,793,290	$ 138,152,244
Liabilities and Partners' Capital		
Liabilities		
Accounts payable and accrued expenses	$ 488,959	$ 901,821
Distribution payable	1,345,371	1,341,536
Debt financing	59,700,000	59,755,000
	61,534,330	61,998,357
Partners' Capital		
General Partner	24,264	13,213
Beneficial Unit Certificate holders	77,234,696	76,140,674
($7.85 per BUC in 2002 and $7.74 in 2001)	77,258,960	76,153,887
	$ 138,793,290	$ 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 Sept. 30, 2002	For the Three Months Ended Sept. 30, 2001	For the Nine Months Ended Sept. 30, 2002	For the Nine Months Ended Sept. 30, 2001
Income				
Mortgage bond investment income	$ 2,090,820	$ 2,029,333	$ 6,435,698	$ 6,408,973
Other bond investment income	80,438	80,438	241,313	227,219
Other interest income	123,472	122,044	382,270	405,799
Contingent interest income	15,823	-	46,812	16,897
	2,310,553	2,231,815	7,106,093	7,058,888
Expenses				
Interest expense	372,989	409,860	1,058,485	1,539,270
Amortization expense	11,013	6,698	28,264	21,362
General and administrative expenses	292,549	183,609	878,317	576,912
	676,551	600,167	1,965,066	2,137,544
Net income	1,634,002	1,631,648	5,141,027	4,921,344
Other comprehensive income				
Unrealized gains on securities				
Unrealized holding (losses) arising during the period	-	(78,000)	-	(39,000)
	-	(78,000)	-	(39,000)
Net comprehensive income	$ 1,634,002	$ 1,553,648	$ 5,141,027	$ 4,882,344
Net income allocated to:				
General Partner	$ 20,137	$ 16,317	$ 62,645	$ 53,269
BUC holders	1,613,865	1,615,331	5,078,382	4,868,075
	$ 1,634,002	$ 1,631,648	$ 5,141,027	$ 4,921,344
Net income, basic and diluted, per BUC	$ 0.16	$ 0.16	$ 0.52	$ 0.49
Weighted average number of BUC's 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 NINE MONTHS ENDED SEPTEMBER 30, 2002
(UNAUDITED)

	General Partner	Beneficial Unit Certificate holders # of BUCs	Beneficial Unit Certificate holders Amount	Total
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	62,645	-	5,078,382	5,141,027
Cash distributions paid or accrued	(51,594)	-	(3,984,360)	(4,035,954)
Balance at September 30, 2002	24,264	9,837,928	73,601,696	73,625,960
Accumulated Other Comprehensive Income				
Balance at December 31, 2001	-	-	3,633,000	3,633,000
Other comprehensive income	-	-	-	-
Balance at September 30, 2002	-	-	3,633,000	3,633,000
Balance at September 30, 2002	$ 24,264	9,837,928	$ 77,234,696	$ 77,258,960

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 Nine Months Ended Sept. 30, 2002	For the Nine Months Ended Sept. 30, 2001
Cash flows from operating activities		
Net income	$ 5,141,027	$ 4,921,344
Adjustments to reconcile net income to net cash from operating activities		
Amortization expense	28,264	21,362
Interest rate cap expense	30,562	-
Increase in interest receivable	(424,005)	(387,392)
Increase in other assets	(37,895)	(16,506)
(Decrease) increase in accounts payable and accrued expenses	(412,862)	35,577
Net cash provided by operating activities	4,325,091	4,574,385
Cash flows from investing activities		
Debt financing and bond issuance costs paid	(50,037)	(1,365)
Acquisition of tax-exempt bonds	-	(900,000)
Increase in other assets	(1,192,862)	(968,659)
Principal payments received on tax-exempt mortgage bonds	100,000	45,000
Net cash used in investing activities	(1,142,899)	(1,825,024)
Cash flows from financing activities		
Payment for interest rate cap	(489,000)	-
Principal payments on debt financing	(55,000)	(45,000)
Distributions paid	(4,032,119)	(4,028,703)
Net cash used in financing activities	(4,576,119)	(4,073,703)
Net decrease in cash and cash equivalents	(1,393,927)	(1,324,342)
Cash and cash equivalents at beginning of period	8,590,489	5,858,216
Cash and cash equivalents at end of period	$ 7,196,562	$ 4,533,874
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 885,342	$ 1,435,302

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 September 30, 2002, and the results of operations for all periods presented have been made. The results of operations for the three and nine- -month periods ended September 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 plus remarketing, credit enhancement, liquidity and trustee fees, which averaged 2.30% and 3.43% for the three and nine months ended September 30, 2002 and 2001, respectively.

In the third quarter of 2002, the Partnership extended the stated maturity of $44,165,000 of its debt financing which previously matured in 2002 ($27,130,000) to 2024 and 2004 ($17,035,000) to 2023, respectively. The extensions of the stated maturities were completed to better correspond to the maturities of the securitized tax-exempt mortgage bonds.

3. Related Party Transactions

The General Partner is entitled to receive an administrative fee from the Partnership up 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 three and nine month periods ended September 30, 2002, the Partnerships' administrative fees to the General Partner were $4,388 and $13,163, respectively. For the three and nine month periods ended September 30, 2001, the Partnerships' administrative fees to the General Partner were $4,388 and $13,478, respectively. The Partnership may become obligated to pay additional administrative fees to the General Partner in the event the Partnership 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 the Partnership 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 $97,457 and $305,186, respectively for the three and nine month periods ended September 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, Clear Lake Colony Apartments, Bent Tree Apartments, Lake Forest Apartments (beginning in April 2001), and Fairmont Oaks Apartments (beginning in October 2002). The management fees paid to the affiliate of the General Partner amounted to $144,570 and $440,923 for the three and nine month periods ended September 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.

4. Interest Rate Cap Agreements

The Partnership has entered into two derivative agreements in order to mitigate its exposure to interest rates on its variable rate debt financing.

On July 1, 2002, the Partnership purchased an interest rate cap from Bear Stearns Financial Products, Inc. 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 variable rate debt financing.

On November 1, 2002, the Partnership purchased a convertible interest rate cap from Bank of America. The convertible interest rate cap was purchased at a $250,000 premium, has a cap on the floating rate index of 3%, has a notional amount of $10,000,000 and matures on November 1, 2007. It effectively caps the floating rate index at 3%, so the maximum interest rate to be paid on $10,000,000 of debt financing is 3% plus remarketing, credit enhancement, liquidity and trustee fees which aggregate to approximately 90 basis points. If the floating rate index declines to a level where Bank of America elects to exercise its option, the convertible cap is converted to a fixed rate swap and the Partnership's interest expense is converted to a fixed rate of 2.6% plus remarketing, credit enhancement, liquidity and trustee fees which aggregate to approximately 90 basis points for the remaining term of the agreement. The convertible interest rate cap is accounted for as a cash flow hedge

of the variable rate debt financing.

The Partnership accounts for its interest rate cap agreements in accordance with the Financial Accounting Standards Board Statement No. 133 "Accounting for Derivatives". At the inception, the Partnership designated the interest rate cap agreements as cash flow hedges of floating rate debt financing. The hedges are considered highly effective at inception as the critical terms of the caps 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 the strike rate of the caps (3%) and will exclude the effect of changes in the fair value of the cap. The fair value of the caps at inception are their cost , which is all attributable to its time value as the strike rates of the caps (3%) are greater than the current floating rate. Changes in the time value, or fair value, of the caps will be marked to market with the difference recognized in earnings over the term of the caps. Interest rate cap expense was $30,562 for the three and nine month periods ended September 30, 2002, and is included as a component of interest expense in the accompanying financial statements.

5. 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.

6. Commitment

In September 2002, the Partnership entered into a plan to acquire an interest in tax-exempt mortgage bonds secured by Fairmont Oaks Apartments in Gainsville, Florida which total $8,020,000. In connection with this acquisition, the Partnership pledged $5,950,000 of Primary Trust Certificates related to its Northwoods Lake Apartments tax-exempt mortgage bonds.

In addition, the Partnership has loaned $999,954 to the owners of Fairmont Oaks Apartments in the form of a taxable loan, bearing interest at 6.5%. The purpose of the taxable loan is to facilitate the Partnership's acquisition of the tax-exempt mortgage bonds secured by Fairmont Oaks Apartments. The owners of Fairmont Oaks Apartments are employees of the General Partner of the Partnership.

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 September 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	277	99%	93%
Ashley Point at Eagle Crest	Evansville, IN	150	147	98%	91%
Woodbridge Apts. of Louisville II	Louisville, KY	190	186	98%	91%
Northwoods Lake Apartments	Duluth, GA	492	437	89%	82%
Ashley Square	Des Moines, IA	144	139	97%	92%
Iona Lakes Apartments	Ft. Myers, FL	350	304	87%	79%
Clear Lake Colony Apartments	West Palm Beach, FL	316	301	95%	91%
Bent Tree Apartments	Columbia, SC	232	223	96%	84%
Lake Forest Apartments	Daytona Beach, FL	240	227	95%	86%
		2,394	2,241	94%	87%

[(1)] Economic occupancy is presented for the nine months ended September 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.

In September 2002, the Partnership entered into a plan to acquire an interest in tax-exempt mortgage bonds secured by Fairmont Oaks Apartments in Gainsville, Florida which total $8,020,000. In connection with this acquisition, the Partnership pledged $5,950,000 of Primary Trust Certificates related to its Northwoods Lake Apartments tax-exempt mortgage bonds .

In addition, the Partnership has loaned $999,954 to the owners of Fairmont Oaks Apartments in the form of a taxable loan, bearing interest at 6.5%. The purpose of the taxable loan is to facilitate the Partnership's acquisition of the tax-exempt mortgage bonds secured by Fairmont Oaks Apartments. The owners of Fairmont Oaks Apartments are employees of the General Partner of the Partnership.

Although current economic conditions in the multi-family housing markets are weak, the financial results of the Partnership have not been significantly impacted. Rather, the decreasing variable rates on the Partnership's floating rate debt financing have contributed positively to the net income growth of approximately 5% from the previous year to date period. At September 30, 2002, all of the Partnership's tax-exempt mortgage bonds are paying their full amount of base interest however a prolonged weakened economy and the resulting decline in net rental revenues from the Partnership's collateral of multi-family properties 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 Partnership remains aware of this potential and continues to monitor the performance of the multi-family properties collateralizing its tax-exempt mortgage bonds. The average economic occupancy of the multi-family properties was 87% for the nine months ended September 30, 2002 compared to 88% for the six months ended June 30, 2002, representing a decline of approximately 1%.

The following discussion provides a more detailed comparison of the quarter and year to date financial results of the Partnership.

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

Mortgage bond investment income increased $61,487 (3%) for the three months ended September 30, 2002 compared to the three months ended September 30, 2001, due to: (i) an increase of approximately $182,000 earned in 2002 on the Lake Forest Apartments tax-exempt mortgage bond which was acquired in December 2001 and (ii) a net 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 $40,000 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 third quarter of 2002 on all of its tax-exempt mortgage bonds held at September 30, 2002.

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

Other interest income represents income earned on the Partnership's taxable loan and on its cash and cash equivalents. The increase of $1,428 (1.2%) for the three months ended September 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 $15,823 (100%) for the three months ended September 30, 2002 compared to the three months ended

September 30, 2001. During the third quarter of 2002, the Partnership earned $15,823 of contingent interest income from its Woodbridge of Bloomington tax-exempt mortgage bond. The Partnership did not earn any contingent interest income during the third quarter of 2001. Contingent interest income, is only paid to the Partnership from the excess cash flow of the underlying properties, and is recognized by the Partnership as income when received.

Interest expense on the Partnership's debt financing decreased $36,871 (9%) for the three months ended September 30, 2002 compared to the same period in 2001, due to a decline in the variable short term tax-exempt interest rates. The Partnership's average effective interest rate on the debt financing was 2.3% for the three months ended September 30, 2002 compared to 2.7 % for the three months ended September 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, and an increase of $30,562 in interest rate cap expense that was purchased in July of 2002.

Amortization expense increased $4,315 for the third quarter of 2002 compared to the third 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 $108,940 (59.3%) for the three months ended September 30, 2002 compared to the same period in 2001, due primarily to increases in payroll expenses, agency and lender fees.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001

Mortgage bond investment income increased $26,725 (.5%) for the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001, due to: (i) an increase of approximately $538,000 earned in 2002 on the Lake Forest Apartments tax-exempt mortgage bond acquired in December 2001; (ii) a increase of $79,000 of past due base interest earned in 2002 on the formerly owned Shoal's Crossing tax-exempt bond which was sold in December 2001; (iii) a net increase of approximately $11,000 earned in 2002 on the Partnership's other investments, partially offset by; (iv) 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 and (v) a decrease of approximately $255,000 of past-due base interest earned in 2001 on the Northwoods Lake tax-exempt mortgage bond.

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

Other bond investment income represents income earned on the Partnership's investment in other tax-exempt bonds and increased $14,094 from the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001 due to the acquisition of additional other tax-exempt mortgage bonds in the first quarter of 2001.

Other interest income represents income earned on the Partnership's taxable loan and on its cash and cash equivalents. The decrease of $23,529 (5.8%) for the nine months ended September 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 partially offset by an increase in the principal balance of the taxable loan.

Contingent interest income increased $29,915 (177%) for the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001. During the nine months ended September 30, 2002, the Partnership earned $23,023 of contingent interest income from its Woodbridge of Bloomington tax-exempt mortgage bonds and $23,789 from Woodbridge of Louisville tax-exempt mortgage bonds. 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 $480,785 (31.2%) for the nine months ended September 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 nine months ended September 30, 2002 compared to 3.43% for the nine months ended September 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, and an increase of $30,562 in interest rate cap expense that was purchased in July of 2002.

Amortization expense increased $6,902 for the nine months ended September 30, 2002 compared to the nine months ended September 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 $301,405 (52.2%) for the nine months ended September 30, 2002 compared to the same period in 2001, due primarily to increases in payroll expenses, agency and lender fees.

Liquidity and Capital Resources

Cash provided by operating activities for the nine months ended September 30, 2002 decreased $249,294 compared to the same period a year earlier mainly due to timing differences in accounts payable and accrued expenses. Cash used in investing activities decreased $682,125 for the nine months ended September 30, 2002 compared to the same period in 2001 primarily due to a decrease in the acquisition of other tax-exempt bonds offset by increases in advances on the taxable loans. Cash used in financing activities increased $502,416 for the nine months ended September 30, 2002 compared to the same period in 2001 primarily due to the purchase of an interest rate cap from Bear Stearns in July 2002.

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, and may also enter into debt arrangements to finance the purchase of additional tax-exempt investments. The Partnership's principal uses of cash are the payment of interest on debt financing, operating expenses, distributions to BUC holders and the acquisition of additional tax-exempt investments. The following table sets forth information relating to cash distributions paid to BUC holders for the periods shown:

	For the Nine Months Ended Sept. 30, 2002	For the Nine Months Ended Sept. 30, 2001
Cash Distributions	$ 0.4050	$ 0.4050

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 finance 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.

At September 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 2.30%, including fees, for the nine months ended September 30, 2002.

In the third quarter of 2002, the Partnership extended the stated maturity of $44,165,000 of its debt financing which previously matured in 2002 ($27,130,000) and 2004 ($17,035,000). The extensions of the stated maturities were completed to better correspond to the maturities of the securitized tax-exempt mortgage bonds.

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

Stated Maturity	Amount
2009	$ 10,535,000
2011	5,000,000
2023	17,035,000
2024	27,130,000
	$ 59,700,000

The Partnership has entered into two derivative agreements in order to mitigate its exposure to interest rates on its variable rate debt financing.

On July 1, 2002, the Partnership purchased an interest rate cap from Bear Stearns Financial Products, Inc. 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 variable rate debt financing.

On November 1, 2002, the Partnership purchased a convertible interest rate cap from Bank of America. The convertible interest rate cap was purchased at a $250,000 premium, has a cap on the floating rate index of 3%, has a notional amount of $10,000,000 and matures on November 1, 2007. It effectively caps the floating rate index at 3%, so the maximum interest rate to be paid on $10,000,000 of debt financing is 3% plus remarketing, credit enhancement, liquidity and trustee fees which aggregate to approximately 90 basis points. If the floating rate index declines to a level where Bank of America elects to exercise its option, the convertible cap is converted to a fixed rate swap and the Partnership's interest expense is converted to a fixed rate of 2.6% plus remarketing, credit enhancement, liquidity and trustee fees which aggregate to approximately 90 basis points for the remaining term of the agreement. The convertible interest rate cap is accounted for as a cash flow hedge of the variable rate debt financing.

The Partnership accounts for its interest rate cap agreements in accordance with the Financial Accounting Standards Board Statement No. 133 "Accounting for Derivatives". At the inception, the Partnership designated the interest rate cap agreements as cash flow hedges of floating rate debt financing. The hedges are considered highly effective at inception as the critical terms of the caps 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 the strike rate of the caps (3%) and will exclude the effect of changes in the fair value of the cap. The fair value of the caps at inception are their cost , which is all attributable to its time value as the strike rates of the caps (3%) are greater than the current floating rate. Changes in the time value, or fair value, of the caps will be marked to market with the difference recognized in earnings over the term of the caps. Interest rate cap expense was $30,562 for the three and nine month periods ended September 30, 2002, and is included as a component of interest expense in the accompanying financial statements.

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 the Partnership's 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 to a level that significantly impacts the pricing of the P-floats , 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. In addition, the Partnership's $30,000,000 of interest rate cap agreements are with different counterparties to also mitigate this risk.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. The Company's Principal Executive Officer and Principal Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 240.13a-14(c) and 15d-14(c)) as of a date within ninety days before the filing date of this quarterly report (the "Evaluation Date"). Based on that evaluation, the Principal Executive Officer and the Principal Financial Officer have concluded that the Company's current disclosure controls and procedures are effective, providing them with material information relating to the Company as required to be disclosed in the reports the Company files or submits under the Exchange Act on a timely basis.

(b) Changes in internal controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the Evaluation Date.

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
Chief Financial Officer

(Principal Financial Officer)

Date: November 14, 2002

CERTIFICATION

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 quarterly 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; and

3. Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the Partnership as of, and for, the periods represented in this report.

4. The Partnership's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Partnership and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the Partnership, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the Partnership's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Partnership's other certifying officers and I have disclosed, based on our most recent evaluation, to the Partnership's auditors and the

audit committee of the Partnership's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Partnership's ability to record, process, summarize and report financial data and have identified for the Partnership's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Partnership's internal controls; and

6. The Partnership's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

By /s/ Lisa Y. Roskens
Lisa Y. Roskens
Chief Executive Officer

America First Companies, LLC, acting in its capacity as general partner of the General Partner of America First Tax Exempt Investors, L.P.

CERTIFICATION

I, Mark A. Hiatt, 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 quarterly 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; and

3. Based on my knowledge, the financial statements, and other financial information included in the 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 Partnership's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Partnership and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the Partnership, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the Partnership's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Partnership's other certifying officers and I have disclosed, based on our most recent evaluation, to the Partnership's auditors and the audit committee of the Partnership's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Partnership's ability to record, process, summarize and report financial data and have identified for the Partnership's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Partnership's internal controls; and

6. The Partnership's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in

internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

By /s/ Mark A. Hiatt
Mark A. Hiatt
Chief Financial Officer

America First Companies, LLC, acting in its capacity as general partner of the General Partner of America First Tax Exempt Investors, L.P.