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With a Very Attractive Yield through a Recurring Quarterly Distribution and Certain Tax Advantages, America First Tax Exempt Investors, L.P. (ATAX) is Addressing Two Important Investment Criteria

Financial
Mortgage Investment
(ATAX-NASDAQ)

America First Tax Exempt Investors LP

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Timothy Francis
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Position: ATAX Fund Analyst

Executive Bio:
Timothy Francis
Chief Financial Officer

Timothy Francis is Chief Financial Officer of America First Tax Exempt Investors, L.P. ("Company"), as well as the Burlington Capital Group LLC, which wholly-owns the general partner of the Company. In this role, he is responsible for internal and external (investor and SEC) financial reporting, strategic budgeting, and certain treasury functions. Mr. Francis joined the Company in January 2012. Mr. Francis previously spent eleven years in public accounting with the firm of Deloitte & Touche LLP, where he focused on audits of SEC registrants. Mr. Francis holds a Masters of Professional Accountancy degree from the University of Nebraska.

Company Profile:

America First Tax Exempt Investors, L.P. was formed in 1998 for the primary purpose of acquiring a portfolio of federally tax-exempt mortgage revenue bonds that are issued by state and local housing authorities to provide construction and/or permanent financing of multifamily residential properties that provide affordable housing in their market areas. Interest paid on these bonds is excludable from gross income for federal income tax purposes. As a result, most of the income earned by the Partnership is exempt from federal income taxes. The Company trades under the NASDAQ ticker symbol ATAX and maintains a website at www.ataxfund.com, where certain information about the Company is available.

America First Tax Exempt Investors, L.P. is part of the Burlington Capital Group LLC family of companies and is managed by America First Real Estate Group, LLC. The Burlington Capital Group LLC, headquartered in Omaha, Nebraska, is an employee owned international investment management organization committed to successfully developing unique business opportunities for institutional, private, and public fund investors.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: Mr. Francis, would you tell us about the focus at American First Tax Exempt Investors?

Mr. Francis: The investment thesis of American First Tax Exempt Investors LP is capital preservation while providing a steady stream of quarterly distributions to our investors. The core investments, which are tax-exempt mortgage revenue bonds secured by multifamily residential properties, provide an income stream that is exempt from federal income taxes. We are currently paying out an annual distribution rate of $0.50 per share, and we have been paying out a distribution, if you include our predecessor fund, for 105 consecutive quarters.

CEOCFO: What are you looking at today in terms of tax-exempt income, and how has that changed over the last few years?

Mr. Francis: We continue to identify and purchase tax-exempt mortgage revenue bonds. We just completed a successful follow-on equity raise and have identified two new investment classes in the real estate sector that also provide income exempt from federal taxation. In addition, these new investment classes will improve the credit profile of the Company, as they will have an investment grade rating by one of the nationally recognized securities ratings agencies. We are in the process of completing our diligence on these two new tax-exempt investment classes, which includes ensuring they have the appropriate investment grade rating and securing the appropriate financing arrangements to leverage these assets, among other things. We are optimistic we can close on these two new investment classes and grow the asset base of the Company.

CEOCFO: In general, how do you decide where to look at new opportunities or what would be your criteria when you are looking at a new opportunity?

Mr. Francis: One of the interesting things about ATAX is the vertical integration of the real estate segment of the General Partner of the Company.

The Burlington Capital Group, LLC wholly owns its own property management company and its own construction management company. One of the steps executed when assessing the acquisition of a new mortgage revenue bond is to send an experienced team from the property management company to perform due diligence on the property. That team will walk apartment units and conduct in-market research on rents and vacancies for competing properties. The Company wants to make sure that we are satisfied with the collateral for the bond.

Mr. Grier: To expand on what Tim said, we are looking for a strong property that will support the stated yield of the bond in a comfortable fashion for the benefit of our investors. At the end of the day, since we are a yield-oriented investment Company, we look for attractive yields that are a little bit higher, certainly compared to general market investments such as treasuries and other tax-free municipal bonds, but an attractive yield supported by a strong asset.

CEOCFO: What are some of the things that your team might unearth about a property that maybe others might overlook, and which would influence your decision?

Mr. Francis: We have a tremendous amount of experience in the Burlington Capital Group, LLC's property management company. That allows us to do things like benchmark the fixed property costs against similar properties we manage to ensure they are reasonable. The Company also gets an assessment of the management of the property by doing such things as blind shopping the property for comparative analysis with other properties in the local market. From time to time, we will buy a property that may need a renovation due to where it is in its life cycle. Through the Burlington Capital Group, LLC's construction management company, we can estimate what that rehabilitation would cost. We can then use all of this information to help build a model and estimate the value of that bond. If our market research identifies potential issues for that property or we cannot purchase the mortgage revenue bond for a price we believe is fair, we will no longer pursue that acquisition.

CEOCFO: Is there a particular geographic area that you favor is it really opportunistic, property by property?

Mr. Francis: We typically focus in the Midwest, Southeast, and Texas, as those regions are where we have had a great deal of experience and success.

Mr. Grier: Ultimately, we focus on identifying quality investments, and just by nature of that overriding strategy, those regions mentioned by Tim are where we have found ourselves focused. We don't limit ourselves to those region. The Company could purchase mortgage revenue bonds anywhere in the United States although we are currently avoiding certain markets like Las Vegas, Phoenix, and parts of California due to current real estate market conditions.

CEOCFO: Given the current economic environment, do you see it an area of opportunity or a time to be more cautious?

Mr. Francis: We believe tax-exempt mortgage revenue bonds support an important initiative right now, which is affordable housing. With the current unemployment and under employment rates, we believe that state and local authorities will continue to issue new bonds to support affordable housing, and that is going to create opportunities for the fund.

CEOCFO: What is the financial picture like for America First Tax Exempt Investors, and how is business?

Mr. Francis: We had a good first quarter for fiscal 2012. Our portfolio of tax- exempt mortgage revenue bonds is performing as expected. You will see that the Company also purchases multifamily ("MF") properties. Those are multifamily apartment complexes, senior living, or student housing facilities that are in the same regions we described earlier. The MF properties position the Company for future investments in tax-exempt mortgage revenue bonds issued to finance those properties. We saw an increase overall in our economic occupancy rates of the underlying properties serving as collateral to our tax-exempt mortgage revenue bonds as well as the MF properties in the first quarter of 2012.

CEOCFO: Why should investors be interested in this class of investment in general and America First Tax Exempt Investors specifically?

Mr. Francis: We feel like we are a unique investment opportunity in today's market. Some of our competitors are no longer in this market as they did not manage leverage appropriately through the credit crisis or changed their investment thesis. The Company purposely reduced its leverage ratios during that time period and has been strategically increasing it since 2010. Our operating policy is to use securitizations and mortgages on MF properties and maintain a level of debt financing between 40% and 60% of the total asset base.

Another item of interest for our Company is that over 90% of our income was federally tax-exempt for both 2011 and 2010. As a Partnership, all of our profits and losses are allocated to our partners, included the holders of the Company's shares, under the terms of our Partnership Agreement. If you use a $5.38 stock price (which was the Company's closing stock price on June 20, 2012), use the $0.50 annual distribution rate, the annual distribution yield is over 9% and the majority of that yield is exempt from federal taxation. Our Company addresses two important investment criteria in that we have a very attractive yield, and the majority of quarterly distributions of income are exempt from federal taxation. Those two facts alone and our relative stability suggest that we are appealing to investors that are looking for yield and tax advantages.

Mr. Grier: I would say in terms of the class, what Tim alluded to was there were other larger participants in our market that disclosed difficulties coming out of the credit crisis. We believe our fund, in terms of its investment class, is one of the survivors.

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CEOCFO: Do you do much investor outreach?

Mr. Francis: Historically, our investor base has grown through word of mouth and the website. We were excited about the demand seen through our most recent equity raise and we continue to see new retail brokerage interest, especially when they have clients seeking a tax-advantageous yield.

Mr. Grier: If you go back approximately six years, ATAX was a rather small fund. Starting in 2007, we have executed follow on offerings and grown the fund to the point where more members of the investment community are following us. Whether it is coincidental or not due to our most recent equity raise, we are hearing from folks such as CEO/CFO magazine and other third-party research groups. We are building a network to improve our visibility to the investment community and may seek having our stock covered by selected analysts going forward. As we continue to grow, we think our avenues to tell our story are going to improve, and we are looking to be a bit more public in that regard.

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