

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the year ended December 31, 2000 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: 1-13991

AMERICA FIRST MORTGAGE INVESTMENTS, INC.  
(Exact name of registrant as specified in its charter)

Maryland	13-3974868
(State or other jurisdiction	(IRS Employer
of incorporation or organization)	Identification No.)

399 Park Avenue, 36th Floor, New York, New York	10022
(Address of principal executive offices)	(Zip Code)

(212) 935-8760  
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on which Registered
-----	-----
Common Stock, \$.01 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐



Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of the chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the common stock held by non-affiliates of the Registrant on March 19, 2001, based on the final sales price per share as reported in The Wall Street Journal on March 20, 2001, was \$59,135,629. The number of shares of the Registrant's common stock outstanding on March 19, 2001, was 8,692,825.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive proxy statement relating to the Company's 2001 Annual Meeting of Stockholders to be filed hereafter (incorporated into Part III hereof).

- ii -

TABLE OF CONTENTS

	Page
PART I	
Item 1. Business. . . . .	1
Item 2. Properties. . . . .	10
Item 3. Legal Proceedings . . . . .	10
Item 4. Submission of Matters to a Vote of Security Holders . . . . .	10

PART II

Item 5. Market for Registrant's Common Equity and	
---	--



	Related Stockholder Matters . . . . .	12
Item 6.	Selected Financial Data . . . . .	12
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations . . . . .	14
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk. . . . .	17
Item 8.	Financial Statements and Supplementary Data . . . . .	21
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure. . . . .	40

#### PART III

Item 10.	Directors and Executive Officers of the Registrant . . . . .	40
Item 11.	Executive Compensation . . . . .	40
Item 12.	Security Ownership of Certain Beneficial Owners and Management . .	40
Item 13.	Certain Relationships and Related Transactions . . . . .	40

#### PART IV

Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K. .	40
SIGNATURES . . . . .		44

- iii -

#### PART I

Item 1.	Business.
---------	-----------

#### THE COMPANY

America First Mortgage Investments, Inc. (the "Company") is primarily engaged in the business of investing in high-grade adjustable rate mortgage-backed securities. The Company's investment strategy also provides for the acquisition of multifamily housing properties, REIT securities and high-yield corporate securities. Its principle business objective is to generate net income for distribution to its stockholders resulting from the spread between the interest income it earns on its investments and its cost of financing. The Company's business and investment strategy is discussed in more detail below.

The Company has elected to be taxed as a real estate investment trust (a "REIT"). One of the requirements of maintaining its status as a REIT is that the Company distribute at least 95% (90% effective January 1, 2001) of its annual taxable net income to its stockholders, subject to certain adjustments. For additional information, one should refer to the information under "Certain Federal Income Tax Considerations," below.



The Company was incorporated in Maryland on July 24, 1997, and began business operations on April 10, 1998, when the Company consummated a merger transaction (the "Merger") with America First Participating/Preferred Equity Mortgage Fund Limited Partnership ("PREP Fund 1" or the "Predecessor"), America First PREP Fund 2 Limited Partnership ("PREP Fund 2") and America First PREP Fund 2 Pension Series Limited Partnership ("Pension Fund") (collectively referred to as the "PREP Funds"). As a result of the Merger, PREP Fund 1 and PREP Fund 2 were merged into the Company and Pension Fund became a partnership subsidiary of the Company. Pension Fund was liquidated and dissolved in December, 1999, and, as a result, the Company acquired approximately 99% of the assets of Pension Fund. The remaining assets, consisting solely of cash, were distributed to the remaining holders of Pension Fund BUCs. The Company issued a total of 9,035,084 shares of its common stock to former partners of PREP Fund 1, PREP Fund 2 and Pension Fund. Upon completion of the Merger, the Company began implementing the investment strategy described below. The Company's investment strategy differs from that of the PREP Funds.

The Company is an externally managed REIT. As such it has no employees of its own. The Company has entered into an Advisory Agreement with America First Mortgage Advisory Corporation (the "Advisor"), which is a subsidiary of America First Companies L.L.C. ("America First"). Under the Advisory Agreement, the Advisor provides day-to-day management of the Company's operations. The executive officers of the Company are employees of America First and are officers of the Advisor. More information relating to the Company's management is discussed under "Executive Officers of the Company" in Item 4 below and in the Company's Proxy Statement relating to its 2001 Annual Meeting of Stockholders.

#### BUSINESS AND INVESTMENT STRATEGY

The Company is primarily engaged in the business of investing in high-grade adjustable rate mortgage-backed securities. The Company's investment strategy also provides for the acquisition of multifamily housing properties, REIT securities and high-yield corporate securities. The Company is not in the business of originating mortgage loans or providing other types of financing to the owners of real estate. During the period from the consummation of the Merger through December 31, 2000, the Company purchased mortgage securities with a face value at the time of purchase of approximately \$669.2 million (mortgage securities with a face value of approximately \$98.0 million were purchased during the year ended December 31, 2000).

The Company's investment policy requires that at least 50% of its investment portfolio consist of mortgage securities or mortgage loans that are either (i) insured or guaranteed as to principal and interest by an agency of the U.S. government, such as the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC") or (ii) rated in one of the two highest rating categories by either Standard & Poor's or Moody's. The remainder of the Company's assets may be either: (i) direct investment (mezzanine or equity) in multifamily apartment properties; (ii) investments in limited partnerships or

- 1 -

real estate investment trusts or (iii) other fixed-income instruments (corporate debt or equity securities or mortgage-backed securities) that provide increased call protection relative to the Company's mortgage assets. At December 31, 2000, approximately 79% of the Company's assets consisted of mortgage-backed securities insured or guaranteed by GNMA, FNMA or FHLMC ("Agency Certificates") backed by single-family mortgage loans. Remaining assets at that date consisted of corporate debt and equity securities, investments in limited partnerships owning real estate, and non-voting preferred stock of a corporation owning interests in real estate limited partnerships.

The Company intends that at least 50% of its assets be adjustable-rate mortgage-backed securities ("ARMs") or mortgages. Included within the Company's ARMs portfolio are hybrid ARMs which have an interest rate that is fixed for an initial period of time, generally three to five years, which then converts to an adjustable rate for the balance of the term of the loan. Most ARMs are indexed to the one-year constant maturity treasury ("CMT") rate with interest rates that are reset annually. Other ARMs are indexed to the London Interbank Offered Rate ("LIBOR"), the six-month certificate of deposit rate, the six-month CMT rate or the 11th District Cost of Funds Index. ARMs that are indexed to the CMT are generally subject to a limitation on the amount of the annual interest rate change. This limit is usually 1% or 2% per year. Generally, all ARMs have lifetime limits on interest rate increases over the initial interest rate. In general, such lifetime interest rate caps do not exceed 600 basis points over the initial interest rate.

#### FINANCING STRATEGY

The Company intends to finance the acquisition of additional adjustable rate mortgage-backed securities and other assets by borrowing against its portfolio



of assets and investing the proceeds of the borrowings and/or equity in additional assets. When fully invested, the Company plans to maintain an assets-to-equity ratio of less than 11 to 1. The assets-to-equity ratio was approximately 7.47 to 1 as of December 31, 2000.

The Company's borrowings for mortgage and corporate securities are financed primarily at short-term borrowing rates through the utilization of repurchase agreements. A repurchase agreement, although structured as a sale and repurchase obligation, operates as a financing under which the Company effectively pledges its mortgage and corporate debt securities as collateral to secure a short-term loan which is equal in value to a specified percentage of the market value of the pledged collateral. Repurchase agreements take the form of a sale of the pledged collateral to a lender at an agreed upon price in return for such lender's simultaneous agreement to resell the same securities back to the borrower at a future date (the maturity of the borrowing) at a higher price. The price difference is the cost of borrowing under these agreements. The Company will retain beneficial ownership of the pledged collateral, including the right to distributions. At the maturity of a repurchase agreement, the Company will be required to repay the loan and concurrently will receive back its pledged collateral from the lender or will rollover such agreement at the then prevailing financing rate. The repurchase agreements may require the Company to pledge additional assets to the lender in the event the market value of any existing pledged collateral declines. To date, the Company has not had any significant margin calls on its repurchase agreements that were related to a decrease in the market value of its collateral.

Repurchase agreements tend to be short-term in nature. Should the providers of the repurchase agreements decide not to renew, the Company must either refinance these obligations prior to maturity or be in a position to retire the obligations. If, during the term of a repurchase agreement, a lender should file for bankruptcy, the Company might experience difficulty recovering its pledged assets and may have an unsecured claim against the lender's assets.

To reduce its exposure, the Company enters into repurchase agreements only with financially sound institutions whose holding or parent company's long-term debt rating is single A or better as determined by both Standard and Poor's and Moody's, where applicable. If this minimum criterion is not met, then the Company will not enter into repurchase agreements with such counterparty without the specific approval of its Board of Directors. In the event an existing counterparty is downgraded below single A, the Company will seek Board approval before entering into additional repurchase agreements with

- 2 -

such counterparty. In addition, once the Company is fully invested, it intends to enter into repurchase agreements with at least four lenders with a maximum exposure to each lender of three times the Company's shareholders' equity. As of December 31, 2000, the Company had repurchase agreements with 11 lenders with a maximum exposure to any one lender of not more than 1.4 times the Company's shareholders' equity.

The Company finances its investments in publicly traded limited partnerships and corporate equity securities through margin borrowing with an asset to equity ratio of as much as two to one. The Company anticipates that borrowings to finance acquisitions of multifamily apartment properties will typically be non-recourse mortgage instruments.

#### RISK FACTORS

The results of the Company's operations are affected by various factors, many of which are beyond the control of the Company. The results of the Company's operations depend on, among other things, the level of net interest income generated by the Company's mortgage assets, the market value of its assets and the supply of and demand for such assets. The Company's net interest income varies primarily as a result of changes in short-term interest rates, borrowing costs and prepayment rates, the behavior of which involves various risks and uncertainties as set forth below. Prepayment rates, interest rates and borrowing costs depend on the specific type of asset, conditions in financial markets, competition and other factors, none of which can be predicted with any certainty. Since changes in interest rates may significantly affect the Company's activities, the operating results of the Company depend, in large part, upon the ability of the Company to effectively manage its interest rate and prepayment risks while maintaining its status as a REIT.

#### INTEREST RATE RISKS

The Company has financed the acquisition of additional mortgage assets through borrowings under numerous repurchase agreements. As a result, the Company is exposed to the following principal interest rate risks:

The cost of the Company's borrowings under its repurchase agreements is



based on the prevailing short-term market rates that adjust over periods of one to 12 months. However, a substantial majority of the Company's mortgage assets have either fixed interest rates or interest rates that reset only every 12 months. At December 31, 2000, the repricing gap between the Company's assets and obligations was approximately eight months.

There is no limitation on the interest rate that the Company could have to pay in order to borrow money to finance its mortgage assets. However, the ability to raise interest rates on its assets is limited, either because such rates are fixed for the life of the asset or, in the case of ARMs, the ability to raise interest rates is limited on both an annual basis and over the term of the ARM. Generally, interest rates on ARMs can change a maximum of 100 or 200 basis points per annum and only up to 600 basis points from the initial interest rate over the term of the ARM.

The cost of the Company's borrowings is generally based on LIBOR while interest rates on its ARM portfolio are primarily based on one-year CMT rates. Therefore, any increase in the LIBOR relative to the CMT rates will result in an increase in the Company's borrowing cost that is not matched by a corresponding increase in the interest earnings on its ARM portfolio.

In any of these cases, increasing short-term interest rates may cause the Company's financing costs to increase faster than it is able to increase interest rates on its ARMs. As a result, the net interest margin earned by the Company will be reduced or eliminated during such periods. Accordingly, in a period of increasing interest rates, the Company could experience a decrease in net interest income or a net loss because the interest rates on borrowings could adjust faster than the interest rates on the Company's ARMs. Such a decrease in the Company's net interest income could negatively impact the level of dividend distributions made by the Company and reduce the market price of its common stock.

In order to mitigate its interest rate risks, the Company intends to have a substantial majority of its mortgage assets consist of ARMs rather than fixed

- 3 -

rate mortgages. This allows the Company to increase its interest income during periods of rising interest rates. While the lag in its ability to reset interest rates on its ARMs portfolio relative to changes in the interest rates it pays on its liabilities and the annual and lifetime limitations on adjustments to interest rates on ARMs can negatively affect earnings over the short term, the ability to make interest rate adjustments on the ARMs does help mitigate this risk over a longer time period.

The Company's policy is to maintain an asset/borrowings repricing gap (as measured by the average time period to assets repricing, less the average time period to liability repricing) at less than 18 months. At December 31, 2000, the Company's leverage ratio equaled 6.88 to 1 and the repricing gap stood at approximately eight months. For purposes of this analysis, equity assets, corporate equity securities and mortgage securities acquired from the PREP funds held as a hedge against prepayments are excluded from the calculation.

As discussed above, the relationship between LIBOR and the CMT can change over time. At December 31, 2000, the one-year LIBOR was 6.00% and the one-year CMT was 5.36%. However, as of December 31, 2000, the average interest rate on the Company's CMT based ARMs was 196 basis points over the CMT. Therefore, the LIBOR index would have to increase by approximately 74 basis points relative to the CMT in order to eliminate the positive spread between the yield on these ARMs and the Company's cost of borrowing. During 2000, the largest differential between the one-year LIBOR and one-year CMT was 134 basis points and the average differential was 77 basis points.

Lifetime interest rate caps on ARMs could impact the earnings on the Company's assets. However, based on the assets available in the current market, such an impact should only occur if the one-month LIBOR rate increased to approximately 10%. This rate was 6.57% at December 31, 2000. Periodic caps could also have an impact on the earnings of the Company's assets. At December 31, 2000, approximately 58% of the Company's adjustable rate mortgages and 50% of the total assets had a 1% periodic cap. The impact of periodic caps, if any, would be slight since the weighted average coupon of these assets equals 7.97% (261 basis points greater than the one-year CMT.) The Company may attempt to partially offset the potential negative effect of lifetime and periodic maximum interest rates on its ARMs through the purchase of interest rate caps on its liabilities. An interest rate cap agreement is a contractual agreement whereby the Company pays a fee in exchange for the right to receive payments equal to the difference between a contractually specified interest rate and a periodically determined future interest rate times a specified principal, or notional amount. Such interest rate cap agreements are subject to the risk that the other party to the agreement will not be able to perform its obligations. Although the Company would seek to enter interest rate agreements only with financially sound institutions and to monitor the financial strength of such institutions on a periodic basis, no assurance can



be given that the Company can avoid such third party risks. As of December 31, 2000 the Company had not utilized this hedging strategy.

As a part of its hedging strategy, the Company may engage in limited amounts of the buying and selling of mortgage derivative securities or other derivative products including interest rate swap agreements, financial futures contracts and options. Although the Company and its Predecessor have not historically used such instruments, it is not precluded from doing so. In the future, management anticipates using such instruments only as hedges to manage interest rate risk. Management does not anticipate entering into derivatives for speculative or trading purposes. Any such strategies will be selected by the Advisor and approved by the Company's investment committee. While the Company may hedge certain risks associated with interest rate increases, no hedging strategy can insulate the Company completely from interest rate risks. In addition, there can be no assurance that any such hedging activities will have the desired impact on the Company's results of operations or financial condition. Hedging typically involves costs, including transaction costs, which increase dramatically as the period covered by the hedge increases and which also increase during periods of rising or volatile interest rates. Such hedging costs may cause the Company to conclude that a particular hedging transaction is not appropriate for the Company, thereby affecting the Company's ability to mitigate interest rate risk. As of December 31, 2000, the Company had not entered into any interest rate hedging agreements.

#### PREPAYMENT RISKS

In general, the borrower under a mortgage loan may prepay the loan at any time

- 4 -

without penalty or premium. Prepayments result when a homeowner sells his home or decides to either retire or refinance his existing mortgage loan. In addition, defaults and foreclosures have the same effect as a prepayment in that no future interest payments are earned on the mortgage. Prepayments usually can be expected to increase when mortgage interest rates decrease significantly and decrease when mortgage interest rates increase, although such effects are not entirely predictable. Prepayment experience also may be affected by the conditions in the housing and financial markets, general economic conditions and the relative interest rates on fixed-rate and adjustable-rate mortgage loans. During 2000, prepayments generally slowed due to an increase in mortgage interest rates and a widening of the short-term and long-term interest rate spread.

Prepayments are the primary feature of mortgage-backed securities that distinguishes them from other types of bonds. While a certain percentage of the pool of mortgage loans underlying a mortgage-backed security are expected to prepay during a given period of time, the actual rate of prepayment can, and often does, vary significantly from the anticipated rate of prepayment. Accordingly, the Company incurs a risk that its mortgage assets will prepay at a more rapid pace than anticipated. The potential negative impact on the Company of prepayments is twofold. In the first instance, prepayments reduce the amount of the Company's interest earning assets. In addition, if the Company has paid more than par for a mortgage-backed security, the premium is amortized against earnings over the life of the security. Higher than expected prepayments lead to an increase in premium amortization, which reduces the Company's earnings.

One way the Company seeks to reduce its exposure to prepayment risk is to purchase mortgage assets trading closer to par and thus reduce the Company's earnings exposure resulting from accelerated amortization of premiums. In the current marketplace, ARM securities are trading at 96% to 104% of par depending on seasoning and the interest rate. The Company's current policy is to maintain the average purchase price of the Company's mortgage portfolio at less than 102.5% of par. The Company's weighted average purchase price for the mortgage assets it acquired in 2000 and 1999 were approximately 102.0% and 101.7% of par, respectively. Another way the Company seeks to address this risk is to use less leverage in less advantageous market environments. While this strategy may not maximize earnings potential in the short term, it should lead to more predictable earnings with less potential risk to capital.

The Company seeks to minimize prepayment risk through a number of other means, including structuring a diversified portfolio with a variety of prepayment characteristics. An additional hedge to prepayment risk is for the Company to own interests in entities which own multifamily properties. These assets do not face prepayment risk and should increase in value in a declining interest rate environment where prepayments would have the largest negative impact. Another hedge for the Company is to hold high-yielding corporate securities with more call protection than ARMs which should gain in value when interest rates decline. As of December 31, 2000 the Company had invested in corporate debt and equity securities with a fair value of \$20,906,163 as of that date. No strategy, however, can completely insulate the Company from prepayment risks arising from the effects of interest rate changes.

#### RISKS ASSOCIATED WITH LEVERAGE



The Company's financing strategy is designed to increase the size of its mortgage investment portfolio by borrowing a substantial portion of the market value of its mortgage assets. If the interest income on the mortgage assets purchased with borrowed funds fails to cover the cost of the borrowings, the Company will experience net interest losses and may experience net losses. Such losses could be increased substantially as a result of the Company's substantial leverage.

The ability of the Company to achieve its investment objectives depends on its ability to borrow money in sufficient amounts and on favorable terms. Currently, all of the Company's borrowings are collateralized borrowings in the form of repurchase agreements. The ability of the Company to enter into repurchase agreements in the future will depend on the market value of the mortgage assets pledged to secure the specific borrowings, the availability of financing, and other conditions then applicable in the lending market. The Company may effect additional borrowings through the use of other types of collateralized borrowings, loan agreements, lines of credit, dollar-roll agreements and other credit facilities with institutional lenders or through the issuance of debt securities. The cost of borrowings under repurchase

- 5 -

agreements generally corresponds to LIBOR plus or minus a margin, although such agreements may not expressly incorporate a LIBOR index. The cost of borrowings under other sources of funding which the Company may use may refer or correspond to other short-term indices, plus or minus a margin. Through increases in haircuts (i.e., the over-collateralization amount required by a lender), decreases in the market value of the Company's mortgage assets, increases in interest rate volatility, and changes in the availability of financing in the market, the Company may not be able to achieve the degree of leverage it believes to be optimal. As a result, the Company may be less profitable than it would be otherwise.

#### RISKS OF DECLINE IN MARKET VALUE

The value of interest-bearing obligations such as mortgages and mortgage-backed securities may move inversely with interest rates. Accordingly, in a rising interest rate environment, the value of such instruments may decline. Because the interest earned on ARMs may increase as interest rates increase subject to a delay until each such security's next reset date, the values of these assets are generally less sensitive to changes in interest rates than are fixed-rate instruments. Therefore, in order to mitigate this risk, the Company intends to maintain a substantial majority of its mortgage assets as ARMs. At December 31, 2000, ARMs constituted approximately 96% of the Company's total mortgage assets.

A decline in the market value of the Company's mortgage assets may limit the Company's ability to borrow or result in lenders initiating margin calls (i.e., requiring a pledge of cash or additional mortgage assets to re-establish the ratio of the amount of the borrowing to the value of the collateral). The Company could be required to sell mortgage assets under adverse market conditions in order to maintain liquidity. If these sales were made at prices lower than the amortized cost of the mortgage assets, the Company would experience losses. A default by the Company under its collateralized borrowings could also result in a liquidation of the collateral, and a resulting loss of the difference between the value of the collateral and the amount borrowed.

Additionally, in the event of a bankruptcy of the Company, certain repurchase agreements may qualify for special treatment under the Bankruptcy Code, the effect of which is, among other things, to allow the creditors under such agreements to avoid the automatic stay provisions of the Bankruptcy Code and to liquidate the collateral under such agreements without delay. To the extent the Company is compelled to liquidate mortgage assets qualifying as Qualified REIT Real Estate Assets to repay borrowings, the Company may be unable to comply with the REIT provisions of the Internal Revenue Code regarding assets and sources of income requirements, ultimately jeopardizing the Company's status as a REIT.

The value of the Company's other investments, such as corporate debt and equity securities, is also subject to fluctuation due to changes in interest rates and many other factors.

#### CREDIT RISKS ASSOCIATED WITH INVESTMENTS

The holder of a mortgage or mortgage-backed security assumes a risk that the borrowers may default on their obligations to make full and timely payments of principal and interest. The Company seeks to mitigate this risk of credit loss by requiring that at least 50% of its investment portfolio consist of mortgage loans or mortgage securities that are either (i) insured or guaranteed as to principal and interest by an agency of the U.S. government, such as GNMA, FNMA or FHLMC, or (ii) rated in one of the two highest rating categories by either Standard and Poor's or Moody's. The remainder of the Company's assets may be either (i) direct investment (mezzanine or equity) in



multifamily apartment properties; (ii) investments in limited partnerships or real estate investment trusts; or (iii) other fixed-income instruments (corporate debt or equity securities or mortgage-backed securities) that provide increased call protection relative to the Company's mortgage assets through diversification. Currently, other fixed-income instruments in which the Company has invested are below investment grade in quality. These other below investment grade fixed-income instruments constituted 3% of the Company's total assets as of December 31, 2000. As of December 31, 2000, approximately 79% of the Company's assets consisted of mortgage-backed securities insured or guaranteed by the U.S. government or an agency thereof.

- 6 -

#### RISKS OF ASSET CONCENTRATION

Although the Company seeks geographic diversification of the properties underlying its mortgage assets, it does not set specific limitations on the aggregate percentage of underlying properties which may be located in any one area. Consequently, properties underlying such mortgage assets may be located in the same or a limited number of geographical regions. Adverse changes in the economic conditions of the geographic regions in which the properties securing mortgage assets are concentrated likely would have an adverse effect on real estate values, interest rates and prepayment rates and increase the risk of default by the obligors on the underlying mortgage loans. Accordingly, the Company's results of operations could be adversely affected. The Company is not aware of any such geographic concentrations which could adversely affect the Company's results of operations.

#### INVESTMENT COMPANY ACT

The Company at all times intends to conduct its business so as to not become regulated as an investment company under the Investment Company Act of 1940. If the Company were to become regulated as an investment company, then, among other things, the Company's ability to use leverage would be substantially reduced. The Investment Company Act exempts entities that are "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate" (i.e. "Qualifying Interests"). Under the current interpretation of the staff of the SEC, in order to qualify for this exemption, the Company must maintain at least 55% of its assets directly in Qualifying Interests. In addition, unless certain mortgage securities represent an undivided interest in the entire pool backing such mortgage securities (i.e. "whole pool" mortgage securities), such mortgage securities may be treated as securities separate from the underlying mortgage loan, thus, may not be considered Qualifying Interests for purposes of the 55% exemption requirement. Accordingly, the Company monitors its compliance with this requirement in order to maintain its exempt status. As of December 31, 2000, the Company determined that it is in and has maintained compliance with this requirement.

#### CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain federal income tax considerations to the Company and its stockholders. This discussion is based on existing federal income tax law, which is subject to change, possibly retroactively. This discussion does not address all aspects of federal income taxation that may be relevant to a particular stockholder in light of its personal investment circumstances or to certain types of investors subject to special treatment under the federal income tax laws (including financial institutions, insurance companies, broker-dealers and, except to the extent discussed below, tax-exempt entities and foreign taxpayers) and it does not discuss any aspects of state, local or foreign tax law. This discussion assumes that stockholders will hold their common stock as a "capital asset" (generally, property held for investment) under the Internal Revenue Code of 1986, as amended (the "Code"). Stockholders are advised to consult their tax advisors as to the specific tax consequences to them of purchasing, holding and disposing of the common stock, including the application and effect of federal, state, local and foreign income and other tax laws.

#### GENERAL

The Company has elected to become subject to tax as a REIT, for federal income tax purposes, commencing with the taxable year ending December 31, 1998. Management currently expects that the Company will continue to operate in a manner that will permit the Company to maintain its qualifications as a REIT. This treatment will permit the Company to deduct dividend distributions to its stockholders for federal income tax purposes, thus effectively eliminating the "double taxation" that generally results when a corporation earns income and distributes that income to its stockholders. There can be no assurance that the Company will continue to qualify as a REIT in any particular taxable year, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations and the possibility of future changes in the circumstances of the Company. If the Company failed to qualify as a REIT in any particular year, it would be subject to federal income tax as a



regular, domestic corporation, and its stockholders would be subject to tax in the same manner as stockholders of such corporation. In this event, the Company could be subject to potentially substantial income tax liability in respect of each taxable year that it fails to qualify as a REIT, and the

- 7 -

amount of earnings and cash available for distribution to its stockholders could be significantly reduced or eliminated. The following is a brief summary of certain technical requirements that the Company must meet on an ongoing basis in order to qualify, and remain qualified, as a REIT under the Code.

#### STOCK OWNERSHIP TESTS

The capital stock of the Company must be held by at least 100 persons and no more than 50% of the value of such capital stock may be owned, directly or indirectly, by five or fewer individuals at all times during the last half of the taxable year. Under the Code, most tax-exempt entities including employee benefit trusts and charitable trusts (but excluding trusts described in 401(a) and exempt under 501(a)) are generally treated as individuals for these purposes. These stock ownership requirements must be satisfied by the Company each taxable year. The Company must solicit information from certain of its shareholders to verify ownership levels and its Articles of Incorporation provide restrictions regarding the transfer of the Company's shares in order to aid in meeting the stock ownership requirements. If the Company were to fail either of the stock ownership tests, it would generally be disqualified from REIT status, unless, in the case of the "five or fewer" requirement, the recently enacted "good faith" exemption is available.

#### ASSET TESTS

The Company must generally meet the following asset tests (the "REIT Asset Tests") at the close of each quarter of each taxable year: (a) at least 75% of the value of the Company's total assets must consist of Qualified REIT Real Estate Assets, government securities, cash, and cash items (the "75% Asset Test"); and (b) the value of securities held by the Company, but not taken into account for purposes of the 75% Asset Test, must not exceed (i) 5% of the value of the Company's total assets in the case of securities of any one non-government issuer, and (ii) 10% of the outstanding voting securities of any such issuer.

The Company does not expect that the value of any non-qualifying security of any one entity would ever exceed 5% of the Company's total assets, and the Company does not expect to own more than 10% of any one issuer's voting securities. The Company intends to monitor closely the purchase, holding and disposition of its assets in order to comply with the REIT Asset Tests. In particular, the Company intends to limit and diversify its ownership of any assets not qualifying as Qualified REIT Real Estate Assets to less than 25% of the value of the Company's assets and to less than 5%, by value, of any single issuer. If it is anticipated that these limits would be exceeded, the Company intends to take appropriate measures, including the disposition of non-qualifying assets, to avoid exceeding such limits.

#### GROSS INCOME TESTS

The Company must generally meet the following gross income tests (the "REIT Gross Income Tests") for each taxable year: (a) at least 75% of the Company's gross income must be derived from certain specified real estate sources including interest income and gain from the disposition of Qualified REIT Real Estate Assets or "qualified temporary investment income" (i.e., income derived from "new capital" within one year of the receipt of such capital) (the "75% Gross Income Test") and; (b) at least 95% of the Company's gross income for each taxable year must be derived from sources of income qualifying for the 75% Gross Income Test, or from dividends, interest, and gains from the sale of stock or other securities (including certain interest rate swap and cap agreements, options, futures and forward contracts entered into to hedge variable rate debt incurred to acquire Qualified REIT Real Estate Assets) not held for sale in the ordinary course of business (the "95% Gross Income Test").

The Company intends to maintain its REIT status by carefully monitoring its income, including income from liability hedging transactions and sales of mortgage assets, to comply with the REIT Gross Income Tests. In particular, the Company will treat income generated by its interest rate caps and other liability hedging instruments, if any, as non-qualifying income for purposes of the 95% Gross Income Tests unless it receives advice from counsel that such income constitutes qualifying income for purposes of such test. Under certain circumstances, for example, (i) the sale of a substantial amount of mortgage assets to repay borrowings in the event that other credit is unavailable or (ii) unanticipated decrease in the qualifying income of the Company which may result in the non-qualifying income exceeding 5% of gross income, the Company

- 8 -

may be unable to comply with certain of the REIT Gross Income Tests. See



"Taxation of the Company" below for a discussion of the tax consequences of failure to comply with the REIT Provisions of the Code.

#### DISTRIBUTION REQUIREMENT

The Company must generally distribute to its stockholders an amount equal to at least a certain percentage of the Company's REIT taxable income before deductions of dividends paid and excluding net capital gain. Such percentage was 95% through December 31, 2000. As a result of the REIT Modification Act which was effective January 1, 2001, the distribution requirement was changed from 95% to 90%.

#### TAXATION OF THE COMPANY

In any year in which the Company qualifies as a REIT, the Company will generally not be subject to federal income tax on that portion of its REIT taxable income or capital gain which is distributed to its stockholders. The Company will, however, be subject to federal income tax at normal corporate income tax rates upon any undistributed taxable income or capital gain. Notwithstanding its qualification as a REIT, the Company may also be subject to tax in certain other circumstances. If the Company fails to satisfy either the 75% or the 95% Gross Income Test, but nonetheless maintains its qualification as a REIT because certain other requirements are met, it will generally be subject to a 100% tax on the greater of the amount by which the Company fails either the 75% or the 95% Gross Income Test multiplied by net income and divided by gross income. The Company will also be subject to a tax of 100% on net income derived from any "prohibited transaction," and if the Company has (i) net income from the sale or other disposition of "foreclosure property" which is held primarily for sale to customers in the ordinary course of business or (ii) other non-qualifying income from foreclosure property, it will be subject to federal income tax on such income at the highest corporate income tax rate. In addition, if the Company fails to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year and (ii) 95% of its REIT capital gain net income for such year, the Company would be subject to a 4% federal excise tax on the excess of such required distribution over the amounts actually distributed during the taxable year, plus any undistributed amount of ordinary and capital gain net income from the preceding taxable year. The Company may also be subject to the corporate alternative minimum tax, as well as other taxes in certain situations not presently contemplated. If the Company fails to qualify as a REIT in any taxable year, and certain relief provisions of the Code do not apply, the Company would be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at the regular corporate income tax rates. Distributions to stockholders in any year in which the Company fails to qualify as a REIT would not be deductible by the Company, nor would they generally be required to be made under the Code. Further, unless entitled to relief under certain other provisions of the Code, the Company would also be disqualified from re-electing REIT status for the four taxable years following the year in which it became disqualified.

The Company intends to monitor on an ongoing basis its compliance with the REIT requirements described above. In order to maintain its REIT status, the Company will be required to limit the types of assets that the Company might otherwise acquire, or hold certain assets at times when the Company might otherwise have determined that the sale or other disposition of such assets would have been more prudent.

#### TAXATION OF STOCKHOLDERS

Distributions (including constructive distributions) made to holders of common stock other than tax-exempt entities (and not designated as capital gain dividends) will generally be subject to tax as ordinary income to the extent of the Company's current and accumulated earnings and profits as determined for federal income tax purposes. If the amount distributed exceeds a stockholder's allocable share of such earnings and profits, the excess will be treated as a return of capital to the extent of the stockholder's adjusted basis in the common stock, which will not be subject to tax, and thereafter as a taxable gain from the sale or exchange of a capital asset.

Distributions designated by the Company as capital gain dividends will generally be subject to tax as long-term capital gain to stockholders, to the extent that the distribution does not exceed the Company's actual net capital gain for the taxable year. Distributions by the Company, whether

- 9 -

characterized as ordinary income or as capital gain, are not eligible for the corporate dividends received deduction. In the event that the Company realizes a loss for the taxable year, stockholders will not be permitted to deduct any share of that loss.

#### STATE AND LOCAL TAXES

The Company and its stockholders may be subject to state or local taxation in various jurisdictions, including those in which it or they transact business



or reside. The state and local tax treatment of the Company and its stockholders may not conform to the federal income tax consequences discussed above. Consequently, prospective stockholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in the common stock.

COMPETITION

The Company believes that its principal competitors in the business of acquiring and holding mortgage assets of the type in which it invests are financial institutions such as banks and savings and loans, life insurance companies, institutional investors such as mutual funds and pension funds, and certain mortgage REITs. Such investors may not be subject to similar regulatory constraints (i.e., REIT tax compliance or maintaining 1940 Act exemption). In addition, many of the other entities purchasing mortgages and mortgage-backed securities have greater financial resources and better access to capital than the Company. The existence of these competitive entities, as well as the possibility of additional entities forming in the future, may increase the competition for the acquisition of mortgages and mortgage-backed securities resulting in higher prices and lower yields on such assets.

Item 2. Properties. The Company does not directly own or lease any physical properties.

Item 3. Legal Proceedings. There are no material pending legal proceedings to which the Company or any of its assets are subject.

Item 4. Submission of Matters to a Vote of Security Holders. No matter was submitted during the fourth quarter of the fiscal year ending December 31, 2000, to a vote of the Company's security holders.

- 10 -

Executive Officers of the Company.  
The Company's executive officers on December 31, 2000 were as follows:

<TABLE>  
<CAPTION>

Name	Position Held	Position Held Since
<S>	<C>	<C>
Stewart Zimmerman	President and Chief Executive Officer	1998
Gary Thompson		Chief
Financial Officer		
1998		
	and Treasurer	
William S. Gorin		Executive Vice President
1998		



&lt;/TABLE&gt;

Stewart Zimmerman, 56, serves as president and chief executive officer of the Company. He served as executive vice president of America First Companies L.L.C. since January 1989, during which time he has served in a number of positions: president and chief operating officer of America First REIT, Inc.; president of several America First Mortgage funds including America First Participating/Preferred Equity Mortgage Fund, America First PREP Fund 2 Limited Partnership, America First PREP Fund 2 Pension Series Limited Partnership, Capital Source L.P., Capital Source II L.P.-A, America First Tax Exempt Mortgage Fund Limited Partnership and America First Tax Exempt Fund 2 Limited Partnership. From September 1986 to September 1988, he served as a managing director and director of Security Pacific Merchant Bank responsible for Mortgage Trading and Finance. Prior to that time, he served as first vice president of E.F. Hutton & Company, Inc., where he was responsible for mortgage-backed securities trading and sales distribution, and vice president of Lehman Brothers, where he was responsible for the distribution of mortgage products. From 1968 to 1972, Mr. Zimmerman was vice president of Zenith Mortgage Company and Zenith East Inc., a national mortgage banking and brokerage company specializing in the structuring and sales of mortgage assets to the institutional financial community.

Gary Thompson, 58, serves as chief financial officer and treasurer of the Company. He serves as financial vice president of America First Companies L.L.C. and is responsible for financial accounting and tax reporting for all America First funds. Prior to 1989, Mr. Thompson was an audit partner at KPMG Peat Marwick. He is a certified public accountant.

William S. Gorin, 42, serves as executive vice president and secretary of the Company. From 1989 to 1997, Mr. Gorin held various positions with PaineWebber Incorporated/Kidder, Peabody & Co. Incorporated, New York, New York, most recently serving as a first vice president in the Research Department. Prior to that position, Mr. Gorin was senior vice president in the Special Products Group. From 1982 to 1988, Mr. Gorin was employed by Shearson Lehman Hutton, Inc./E.F. Hutton & Company, Inc., New York, New York, in various positions in corporate finance and direct investments.

Ronald A. Freyberg, 40, serves as senior vice president of the Company. From 1995 to 1997, Mr. Freyberg served as a vice president of Pentalpha Capital, in Greenwich, Connecticut, where he was a fixed-income quantitative analysis and structuring specialist. In that capacity he designed a variety of interactive pricing and forecasting models, including a customized subordinate residential and commercial mortgage-backed analytical program and an ARM REIT five-year forecasting model. In addition, he worked with various financial institutions on the acquisition and sale of residential, commercial and asset-backed securities. From 1988 to 1995, Mr. Freyberg held various positions with J.P. Morgan & Co. in New York, New York. From 1994 to 1995, he was with the Global Markets Group. In that position he was involved in all aspects of commercial mortgage-backed securitization and sale of distressed commercial real estate, including structuring, due diligence and marketing. From 1985 to 1988, Mr. Freyberg was employed by Citicorp in New York, New York.

- 11 -

## PART II

## Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

(a) Market Information. The Company's common stock began trading on the New York Stock Exchange on April 10, 1998, under the symbol "MFA." The following table sets forth the high and low sale prices for the Company's shares of common stock for the twelve months ending December 31, 2000 and 1999.

&lt;TABLE&gt;

&lt;CAPTION&gt;

<S>	2000		1999	
	Sale Prices		Sale Prices	
	<C> High	<C> Low	<C> High	<C> Low
1st Quarter	\$ 5-13/16	\$ 4-1/2	\$ 5-26/32	\$ 4-1/4
2nd Quarter	\$ 5-5/8	\$ 4-1/2	\$ 5-3/8	\$ 4
3rd Quarter	\$ 5-15/16	\$ 4-15/16	\$ 5-1/8	\$ 4-10/32
4th Quarter	\$ 5-3/4	\$ 4-3/4	\$ 5-3/8	\$ 4-1/4



</TABLE>

(b) Investors. The approximate number of common stockholders as of March 26, 2001, was 5,700.

(c) Dividends. The Company currently pays cash dividends on a quarterly basis. Total cash dividends declared by the Company to common stockholders during the fiscal years ended December 31, 2000 and 1999, were \$5,428,230 (\$0.59 per share) and \$6,174,870 (\$0.67 per share), respectively. For tax purposes, a portion of the dividend declared on December 14, 2000, and paid on January 30, 2001, will be treated as a 2001 dividend for shareholders. Similarly, for tax purposes, the dividend declared on December 16, 1999, and paid on February 18, 2000, was treated in its entirety as a 2000 dividend for shareholders. As part of the Merger transaction, the Company made quarterly distributions of \$.265 per common share (\$1.06 per common share per year) in the first year following the Merger (i.e. through the first quarter of 1999.) A portion of the distributions received by shareholders in 1999 and 1998 consisted in part of a dividend and in part of a cash merger payment. There is no commitment by the Company to distribute amounts in excess of taxable income beyond the first year of operations. The Company intends to continue to distribute to its shareholders an amount equal to at least 90% of the Company's taxable income before deductions of dividends paid and excluding net capital gains in order to maintain its REIT status.

See Item 7, Management's Discussion and Analysis of Financial Conditions and Results of Operations, for information regarding the sources of funds used for dividends and for a discussion of factors, if any, which may adversely affect the Company's ability to pay dividends at the same levels in 2001 and thereafter.

#### Item 6. Selected Financial Data.

Set forth below is selected financial data for the Company (for periods after April 9, 1998) and the Predecessor (for periods up to April 9, 1998). The information set forth below should be read in conjunction with the consolidated and combined financial statements and notes to the consolidated and combined financial statements filed in response to Item 8 hereof.

For financial accounting purposes, PREP Fund 1 was considered the sole predecessor to the Company and, accordingly, the historical operating results presented in this report as those of the "Predecessor" are those of PREP Fund 1. Under generally accepted accounting principles, the Merger was accounted for as a purchase by PREP Fund 1 of 100% of the assigned limited partnership interests (known as "BUCs") of PREP Fund 2 and approximately 99% of the BUCs of Pension Fund. As a result of this treatment, the Company, as the successor to PREP Fund 1, recorded all of the assets and liabilities of PREP Fund 1 at their book value, but was required to record the assets of PREP Fund 2 and Pension Fund at their fair value as of the date of the Merger. The amount by which the fair value of the Company's stock issued to the BUC holders of PREP Fund 2 and Pension Fund exceeded the fair value of the total net assets of PREP Fund 2 and Pension Fund was recorded as goodwill by the Company.

- 12 -

<TABLE>					
<CAPTION>					
1998	Company	Company	Company and Predecessor As of or for the Year Ended December 31,		
---	-----				
	As of or for the Year Ended Dec. 31, 2000	As of or for the Year Ended Dec. 31, 1999	Company From April 10 to December 31, 1998	Company and Predecessor Through April 9, 1998	
Total	-----	-----	-----	-----	-----
----					
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA:					
Mortgage securities income	\$ 33,390,494	\$ 24,302,401	\$ 7,626,742	\$ 613,793	\$
8,240,535					
Corporate debt securities income	1,335,974	674,747	164,738	-	
164,738					
Dividend income	928,310	331,233	-	-	
-					
Interest income on temporary cash					
investments	645,013	365,897	439,889	148,799	
588,688					
Income from other investments	3,670,199 (1)	3,012,688 (3)	581,716	145,167	
726,883					
Net gain on sale of investments	456,398	54,994	414,951	-	



414,951						
General and administrative expenses (2,095,407)	(2,457,196)	(2)	(2,672,333)	(4)	(1,674,114)	(421,293)
Interest expense on borrowed funds (4,619,500)	(30,103,076)		(18,465,529)		(4,619,500)	-
Minority interest (3,353)	-		(4,218)		(3,353)	-
	-----		-----		-----	-----
Net income 3,417,535	\$ 7,866,116	\$	7,599,880	\$	2,931,069	\$ 486,466
	=====		=====		=====	=====
Net income, basic, per share	\$ .89	\$	.84	\$	0.32	\$ N/A
	=====		=====		=====	=====
Net income, fully diluted, per share	\$ .89	\$	.84	\$	0.32	\$ N/A
	=====		=====		=====	=====
Net income, basic, per exchangeable unit	\$ N/A	\$	N/A	\$	N/A	\$ 0.08
	=====		=====		=====	=====
Net income, fully diluted, per exchangeable unit	\$ N/A	\$	N/A	\$	N/A	\$ 0.08
	=====		=====		=====	=====
Dividends declared per common share or cash distributions paid or accrued per exchangeable unit 1.0599	\$ .5900	\$	0.6700	\$	0.7950	\$ 0.2649
	=====		=====		=====	=====

#### BALANCE SHEET DATA:

Investment in mortgage securities	\$ 470,575,671	\$ 475,719,711	\$ 241,895,462
Investment in corporate debt securities	\$ 15,665,727	\$ 8,020,026	\$ 4,673,127
Investment in corporate equity securities	\$ 9,010,538	\$ 3,130,823	\$ 1,153,800
Total assets - Company	\$ 522,490,312	\$ 524,384,473	\$ 264,668,902
Repurchase agreements	\$ 448,583,432	\$ 452,101,803	\$ 190,250,084
Total stockholders' equity	\$ 69,911,496	\$ 67,614,613	\$ 70,932,757

#### Explanatory Notes:

- (1) Includes income of approximately \$2,600,000 resulting from the sale of the underlying real estate of an unconsolidated real estate limited partnership as described in Note 6 to the consolidated and combined financial statements.
- (2) Includes an incentive fee of approximately \$519,000 earned by the Advisor in connection with the sale described in (1) above.
- (3) Includes income of approximately \$2,163,000 resulting from the sale of undivided interests in the net assets of four assisted living centers as described in Note 6 to the consolidated and combined financial statements.
- (4) Includes an incentive fee of approximately \$433,000 earned by the Advisor in connection with the sale described in (3) above.

</TABLE>

- 13 -

<TABLE>  
<CAPTION>

	Company and Predecessor	Predecessor
	As of or for the Year Ended Dec. 31, 1997	As of or for the Year Ended Dec. 31, 1996
	-----	-----
<S>	<C>	<C>
Mortgage securities income	\$ 2,654,975	\$ 3,011,347
Interest income on temporary cash investments and U.S. government securities	569,624	442,931
Income from other investments	606,582	504,611
General and administrative expenses	(1,405,514)	(895,961)
	-----	-----
Net income	\$ 2,425,667	\$ 3,062,928
	=====	=====
Net income, basic, per exchangeable unit	\$ 0.42	\$ 0.52



Net income, fully diluted, per exchangeable unit	\$ 0.42	\$ 0.52
Net income per passthrough certificate	\$ -	\$ 1,201.57
Cash distributions paid or accrued per exchangeable unit	\$ 1.0596	\$ 1.0596
Cash distributions paid or accrued per passthrough certificate	\$ -	\$ 2,428.25
Investment in mortgage securities	\$ 33,506,388	\$ 37,322,028
Total assets - Company	\$ 1,000	-
Total assets - Predecessor	\$ 54,439,993	\$ 60,144,705
Total stockholders' equity	\$ 1,000	-
Total partners' capital	\$ 46,252,826	\$ 49,702,829

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

The Company was incorporated in Maryland on July 24, 1997, and began operations on April 10, 1998.

On April 10, 1998, the Company and three partnerships: America First Participating/Preferred Equity Mortgage Fund Limited Partnership ("Prep Fund 1"), America First Prep Fund 2 Limited Partnership ("Prep Fund 2"), America First Prep Fund 2 Pension Series Limited Partnership ("Pension Fund"), consummated a merger transaction whereby their pre-existing net assets and operations or majority interest in the pre-existing partnership were contributed to the Company in exchange for 9,035,084 shares of the Company's common stock. For financial accounting purposes, Prep Fund 1, the largest of the three Partnerships, was considered the Predecessor entity (the "Predecessor") and its historical operating results are presented in the financial statements contained herein. The Merger was accounted for using the purchase method of accounting in accordance with generally accepted accounting principles. Prep Fund 1 was deemed to be the acquirer of the other Partnerships under the purchase method. Accordingly, the Merger resulted, for financial accounting purposes, in the effective purchase by Prep Fund 1 of all the Beneficial Unit Certificates ("BUCs") of Prep Fund 2 and approximately 99% of the BUCs of Pension Fund. (Pension Fund was liquidated and dissolved during December, 1999.) As the surviving entity for financial accounting purposes, the assets and liabilities of Prep Fund 1 were recorded by the Company at their historical cost and the assets and liabilities of Prep Fund 2 and Pension Fund were adjusted to fair value. The excess of the fair value of stock issued over the fair value of net assets acquired has been recorded as goodwill in the accompanying balance sheet of the Company.

- 14 -

Concurrent with the Merger, the Company entered into an Advisory Agreement with America First Mortgage Advisory Corporation (the "Advisor") and adopted an investment policy which significantly differed from that pursued by the predecessor partnerships. This strategy includes leveraged investing in adjustable rate mortgage securities and mortgage loans. The Company began implementing this investment strategy in the second quarter of 1998. During the period from the consummation of the Merger through December 31, 2000, the Company purchased mortgage securities with a face value at the time of purchase of approximately \$669.2 million (mortgage securities with a face value of approximately \$98.0 million were purchased during the year ended December 31, 2000).

The Company has elected to become subject to tax as a real estate investment trust ("REIT") under the Code beginning with its 1998 taxable year and, as such, anticipates distributing annually at least 95% (90% effective January 1, 2001) of its taxable income, subject to certain adjustments. Generally, cash for such distributions is expected to be largely generated from the Company's operations, although the Company may borrow funds to make distributions. Since the Merger, the Company has made dividend and distribution payments of \$0.59, \$0.67 and \$0.795 per share for 2000, 1999 and 1998, respectively. Such amounts include \$1.06 per share distributed through the first year of operations (i.e. through the first quarter of 1999) which the Company committed to distribute to shareholders as part of the Merger transaction. A portion of distributions received by shareholders in 1999 and 1998 consisted in part of a dividend and in part of a cash merger payment. There is no commitment by the Company to distribute amounts in excess of taxable income beyond the first year of operations. For tax purposes, a portion of the



dividend declared on December 14, 2000, and paid on January 30, 2001, will be treated as a 2001 tax event for shareholders. Similarly, for tax purposes, the dividend declared on December 16, 1999, and paid on February 18, 2000, was treated in its entirety as a 2000 tax event for shareholders.

The Company's operations for any period may be affected by a number of factors including the investment assets held, general economic conditions affecting underlying borrowers and, most significantly, factors which affect the interest rate market. 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 control of the Company.

The Merger, other related transactions and on-going implementation of the change in investment strategy will materially impact the Company's future operations as compared to those of the Predecessor. Accordingly, the currently reported financial information is not necessarily indicative of the Company's future operating results or financial condition.

#### Liquidity and Capital Resources

The Company's principal sources of capital consist of borrowings under repurchase agreements, principal payments received on its portfolio of mortgage securities and cash provided by operations. Principal uses of cash include the acquisition of investment securities, the payment of operating expenses and the payment of dividends to shareholders.

During the year ended December 31, 2000, the Company acquired mortgage securities, corporate debt securities and corporate equity securities for \$121.0 million. Financing for these acquisitions was provided primarily through the utilization of repurchase agreements, supplemented by cash flow from operations of \$9.0 million. The Company also received principal payments of \$106 million on its mortgage securities during 2000 and had proceeds of \$6.6 million from the sale of mortgage securities, corporate equity securities and corporate debt securities. In addition, the Company received proceeds of \$2.6 million from the sale of the underlying real estate of an unconsolidated real estate limited partnership. Such proceeds were reinvested in the real estate limited partnership and utilized to acquire another multifamily housing property. Other uses of funds in 2000 consisted of dividend payments of \$5.3 million and \$1.5 million for the acquisition of 283,621 shares of its own common stock pursuant to a stock repurchase program as described below.

The Company's borrowings under repurchase agreements totaled \$448.6 million at December 31, 2000, and had a weighted average borrowing rate of 6.60% as of such date. At December 31, 2000, the repurchase agreements had balances of between \$0.3 million and \$55.9 million. These arrangements have original terms to maturity ranging from one month to twelve months and annual interest

- 15 -

rates based on LIBOR. To date, the Company has not had any significant margin calls on its repurchase agreements that were related to a decrease in the value of its collateral.

In connection with the Company's 400,000 share repurchase program, the Company purchased and retired 293,621 shares during the year ended December 31, 2000, at an aggregate cost of \$1,511,613. Since implementing the stock repurchase program during the fourth quarter of 1999, through December 31, 2000, the Company has purchased and retired 378,221 shares at an aggregate cost of \$1,923,821.

The Company may raise additional equity dependent upon market conditions and other factors.

The Company believes it has adequate financial resources to meet its obligations as they come due and fund dividends as well as to actively pursue its investment policy and share repurchase program.

#### Results of Operations

##### Year Ended December 31, 2000, Compared to 1999

During the year ended December 31, 2000, total interest income earned by the Company increased \$10.6 million (41%) compared to total interest income earned in 1999. This increase is primarily attributable to a 33% growth in the Company's average interest earning assets from \$382 million to \$507 million for the years ended December 31, 1999 and 2000, respectively. Also contributing to the increase was a 6.4% growth in the yield on the Company's interest earning assets from 6.72% per annum in 1999 to 7.15% per annum in 2000.

The Company's interest expense increased \$11.6 million (63%) for the year ended December 31, 2000 compared to 1999 due to a 40% increase in the average repurchase agreement balance from \$321 million in 1999 to \$450 million in 2000, as well as an increase in the average interest cost from 5.75% per annum



in 1999 to 6.68% per annum in 2000. The Company had outstanding borrowings of \$449 million at December 31, 2000 compared to \$452 million at December 31, 1999.

The Company's interest rate margin was 1.22% for the year ended December 31, 2000 compared to 1.89% for the year ended December 31, 1999. As a result of the narrowing of such margin, net interest and dividend income decreased \$1.0 million (14%) from \$7.2 million to \$6.2 million for the years ended December 31, 1999 and 2000, respectively.

Income from other investments increased from \$3.0 million to \$3.7 million for the years ended December 31, 2000 and 1999, respectively. Included in such income for the year ended December 31, 2000 is a gain of approximately \$2.6 million which resulted from the sale of the underlying real estate of an unconsolidated real estate limited partnership. Included in such income for the year ended December 31, 1999 is approximately \$2.2 million attributable to a gain recognized by a non-consolidated subsidiary's sale of its undivided interests in the net assets of four assisted living centers. Excluding such sales, income from other investments increased \$0.3 million due to higher income generated by the Company's investments in unconsolidated real estate limited partnerships.

During the year ended December 31, 2000, the Company realized a net gain of \$0.5 million on the sale of investments compared to a net gain of \$0.1 million during the year ended December 31, 1999. Such gains resulted from the sale of corporate debt and equity securities and the sale and/or payoff of several pools of fixed-rate mortgage securities.

General and administrative expenses of the Company decreased \$0.2 million (8%) for the year ended December 31, 2000, compared to the same period of 1999. Approximately \$0.1 million of such decrease is due to expenses incurred in 1999 by a consolidated subsidiary which was liquidated in December 1999. The remaining \$0.1 million decrease is primarily attributable to net decreases in various general and administrative expenses, including various servicing fees, filing fees and printing costs.

Year Ended December 31, 1999, Compared to 1998

During the year ended December 31, 1999, total interest income earned by the

- 16 -

Company increased \$16.7 million compared to total interest income earned by the Company and its Predecessor in 1998. This increase is attributable to the growth in the Company's interest-earning assets pursuant to its investment strategy. In addition, the yield on the Company's interest earning assets increased 11.3% from 6.04% per annum in 1998 to 6.72% per annum in 1999.

The Company's interest expense increased \$13.8 million for the year ended December 31, 1999 compared to 1998 primarily due to an increase in funds borrowed to finance the Company's asset growth. The Company had outstanding borrowings of \$452 million at December 31, 1999 compared to \$190 million at December 31, 1998. The Company's interest cost averaged 5.75% per annum in 1999 compared to 4.86% per annum in 1998.

The Company's interest rate margin was 1.89% for the year ended December 31, 1999 compared to 2.33% for the year ended December 31, 1998.

Income from other investments increased \$2.3 million during the year ended December 31, 1999, compared to the year ended December 31, 1998. Approximately \$2.2 million of such increase is attributable to the sale by a non-consolidated subsidiary of its undivided interests in the net assets of four assisted living centers. The remaining decrease of approximately \$0.1 million is due to a reduction in the amount of income generated on the Company's investments in real estate limited partnerships. During the year ended December 31, 1999, the Company realized a gain of \$0.1 million on the sale of investments whereas the Company realized a gain of \$0.4 million during the comparable period in 1998. The majority of the gain realized in 1998 was due to the payoff of a participating loan acquired by the Company in the Merger.

General and administrative expenses of the Company in 1999 increased \$0.6 million as compared to that of the Company and the Predecessor in 1998. Approximately \$0.4 million of such increase is attributable to non-recurring incentive compensation earned by the Company's Advisor as a result of the sale by a non-consolidated subsidiary of its undivided interests in the net assets of four assisted living centers as described in Note 6 to the Company's consolidated and combined financial statements. The remaining increase of approximately \$0.2 million was due to: (i) an increase of \$0.3 million in incentive compensation earned by the Advisor due to the improved financial results of the Company, and (ii) an increase of \$0.2 million in base management fees earned by the Advisor primarily due to the Company operating a full year in 1999 compared to operating approximately nine months in 1998 offset by (iii) a decrease of \$0.3 million in other general and administrative expenses primarily attributable to the difference in scope of the Company's



operations in 1999 compared to that of the Company and Predecessor in 1998.

#### Forward Looking Statements

When used in this Form 10-K, in future SEC filings or in press releases or other written or oral communications, the words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project" or similar expressions are intended to identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions that such forward looking statements speak only as of the date made and that various factors including regional and national economic conditions, changes in levels of market interest rates, credit and other risks of lending and investment activities, and competitive and regulatory factors could affect the Company's financial performance and could cause actual results for future periods to differ materially from those anticipated or projected.

The Company does not undertake and specifically disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

#### Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company seeks to manage the interest rate, market value, liquidity, prepayment and credit risks inherent in all financial institutions in a prudent manner designed to insure the longevity of the Company while, at the same time, seeking to provide an opportunity to shareholders to realize attractive total rates of return through stock ownership of the Company. While the Company does not seek to avoid risk, it does seek, to the best of its ability, to assume risk that can be quantified from historical experience, to actively manage such risk, to earn sufficient compensation to justify the

- 17 -

taking of such risks and to maintain capital levels consistent with the risks it does undertake.

#### Interest Rate Risk

The Company primarily invests in fixed-rate, hybrid and adjustable-rate mortgage investments. The hybrid investments represent fixed-rate coupons for a given period and variable rate coupons thereafter. The Company's debt obligations are generally repurchase agreements of limited duration which are periodically refinanced at new market rates.

Most of the Company's adjustable-rate assets are dependent on the one-year CMT rate and debt obligations are generally dependent on LIBOR. These indexes generally move in parallel, but there can be no assurance that this will continue to occur.

The Company's adjustable-rate investment assets and debt obligations reset at various different dates for the specific asset or obligation. In general, the repricing of the Company's debt obligations occurs more quickly than on the Company's assets. Therefore, on average, the Company's cost of funds may rise or fall more quickly than does its earnings rate on the assets. Further, the Company's net income may vary somewhat as the yield curve between one-month interest rates and six and twelve month interest rates varies.

As of December 31, 2000, the Company's investment assets and debt obligations will prospectively reprice based on the following time frames:

<TABLE>  
<CAPTION>

Assets	Debt Obligations			
	Amount	Percent of Total Investments	Amount	Percent of Total Investments
<S>	<C>	<C>	<C>	<C>
Investment type/rate reset dates				
Fixed-Rate Investments	\$ 44.3	9%	\$ -	-
Adjustable Rate Investments/Obligations:				
Less than 3 months	73.4	15%	448.6	100%
Greater than 3 months and less than 1 year	324.7	65%	-	-
Greater than 1 year and less than 2 years	-	-	-	-
Greater than 2 years and less than 3 years	52.9	11%	-	-
Greater than 3 years and less than 4 years	-	-	-	-
Greater than 4 years and less than 5 years	-	-	-	-
	-----	-----	-----	-----
	451.0	91%	448.6	100%



	-----	-----	-----	-----
Total	\$ 495.3	100%	\$ 448.6	100%
	=====	=====	=====	=====
Weighted average roll date of adjustable-rate investments/obligations		9 months		1 month
</TABLE>				

#### Market Value Risk

Substantially all of the Company's investments are "available-for-sale" assets. As such, they are reflected at fair value (i.e. market value) with the adjustment to fair value reflected as part of accumulated other comprehensive income which is included in the equity section of the Company's balance sheet. (See Note 2 to the Company's consolidated financial statements.) The market value of the Company's assets can fluctuate due to changes in interest rates and other factors.

#### Liquidity Risk

The primary liquidity risk of the Company arises from financing long-maturity mortgage assets with short-term debt. The Company had no long-term debt at

- 18 -

December 31, 2000. Although the interest rate adjustments of these assets and liabilities are matched within the Company's operating policies, maturities are not matched.

The Company's assets which are pledged to secure short-term borrowings are high-quality, liquid assets. As a result, the Company has not had difficulty rolling over its short-term debt as it matures. Still, the Company cannot give assurances that it will always be able to roll over its short-term debt.

At December 31, 2000, the Company had unrestricted cash of \$8.4 million available to meet margin calls on short-term debt that could be caused by asset value declines or changes in lender over-collateralization requirements. Such unrestricted cash is approximately 2% of short-term debt.

#### Prepayment Risk

As the Company receives repayments of mortgage principal, it amortizes into income its mortgage premium balances as a reduction to income and its mortgage discount balances as an increase to income. Mortgage premium balances arise when the Company acquires mortgage assets at a price in excess of the principal value of the mortgages, or when an asset appreciates and is marked-to-market at a price above par. Mortgage discount balances arise when the Company acquires mortgage assets at a price below the principal value of the mortgages, or when an asset depreciates and is marked-to-market at a price below par. For financial accounting purposes, the premium is amortized based on the effective yield of the asset at each financial reporting date. For tax accounting purposes, the premium is amortized based on the asset yield at the purchase date. Therefore, if prepayments are higher than anticipated, it is anticipated that the yield for financial accounting purposes will decline and there will be greater premium amortization under tax accounting requirements than for financial accounting purposes. At December 31, 2000, unamortized mortgage premium balances of adjustable rate assets for financial accounting purposes was \$7.2 million (1.4% of total assets) and \$9.7 million for federal tax purposes (1.8% of total assets).

In general, the Company believes it will be able to reinvest prepayments at acceptable yields; however, no assurances can be given that, should significant prepayments occur, market conditions would be such that acceptable investments could be identified and the proceeds reinvested.

#### Tabular Presentation

The information presented in the table below, projects the impact of changes in interest rates on 2001 projected net income and net assets as more fully discussed below based on investments in place on December 31, 2000, and includes all the Company's interest-rate sensitive assets and liabilities. The Company acquires interest-rate sensitive assets and funds them with interest-rate sensitive liabilities. The Company generally plans to retain such assets and the associated interest rate risk to maturity.

The table below includes information about the possible future repayments and interest rates of the Company's assets and liabilities and constitutes a "forward-looking statement." There are many assumptions used to generate this information and there can be no assurance that assumed events will occur as assumed or that other events will occur that would affect the outcomes. Furthermore, future sales, acquisitions, calls, and restructuring could materially change the Company's interest rate risk profile. The table quantifies the potential changes in net income should interest rates go up or



down (shocked) by 100 and 200 basis points, assuming the yield curves of the rate shocks will be parallel to each other. The cash flows associated with the adjustable rate securities for each rate shock are calculated based on a variety of assumptions, including prepayment vectors, repurchase rates, repurchase haircuts, yield on reinvestment of prepayment, and growth in the portfolio.

When interest rates are shocked, these prepayment assumptions are further adjusted based on management's best estimate of the effects of changes on interest rates or prepayment speeds. For example, under current market conditions, a 100 basis point decline in interest rates is estimated to result in a 275% increase in the prepayment rate of the ARM portfolio. The base interest rate scenario assumes interest rates at December 31, 2000. Actual results could differ significantly from those estimated in the table.

- 19 -

As of December 31, 2000, all interest-rate sensitive liabilities were scheduled to mature in 2001.

<TABLE>

<CAPTION>

Interest Rates	in Net Income	Change in in Net Assets	Percentage Change	Percentage Change
-----	-----	-----		
<C>	<C>	<C>		
-2%		+56.5%	+2.6%	
-1%		+28.6%	+0.5%	
0	0.0			
1%		-11.7%	-0.8%	
2%		-22.5%	-1.7%	

</TABLE>



Item 8. Financial Statements and Supplementary Data.

Index to Financial Statements

Financial Statements:

Page

Report of Independent Accountants.....	22
Consolidated Balance Sheets of the Company as of December 31, 2000, and December 31, 1999.....	23
Consolidated Statements of Income of the Company for the years ended December 31, 2000 and 1999 and for the period from April 10, 1998 through December 31, 1998, and Combined Statements of Income of the Predecessor from January 1, 1998 through April 9, 1998.....	24
Consolidated Statements of Stockholders' Equity of the Company for the years ended December 31, 2000, 1999 and 1998, and Combined Statements of Partners' Capital of the Predecessor from January 1, 1998 through April 9, 1998.....	25
Consolidated Statements of Cash Flows of the Company for the years ended December 31, 2000 and 1999, and for the period from April 10, 1998 through December 31, 1998, and Combined Statements of Cash Flows of the Predecessor from January 1, 1998 through April 9, 1998 .....	27
Notes to Consolidated and Combined Financial Statements of Company and the Predecessor.....	29
All other schedules are omitted because they are not applicable or the required information is shown in the consolidated or combined statements or notes thereto.	

Financial statements of one 95%-owned company, two real estate limited partnerships in which the Company owns 99% limited partnership interests and two real estate limited partnerships in which the Company owns 50% limited partnership interests have been omitted because the Company's proportionate share of the income from continuing operations before income taxes is less than 20% of the respective consolidated amount, and the investment in, and advances to, each entity is less than 20% of consolidated total assets.



Report of Independent Accountants

To the Board of Directors of  
America First Mortgage Investments, Inc.

In our opinion, the accompanying consolidated balance sheets and the related statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of America First Mortgage Investments, Inc. and its subsidiaries (the "Company") at December 31, 2000 and 1999, and the results of their operations and their cash flows for the year ended December 31, 2000 and 1999 and for the period from April 10, 1998 to December 31, 1998, and the results of operations and cash flows of America First Participating/Preferred Equity Mortgage Fund Limited Partnership and America First Participating/Preferred Equity Mortgage Fund (the "Fund") for the period from January 1, 1998 to April 9, 1998 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
New York, New York  
January 26, 2001



As of	As of	Dec. 31, 2000	Dec.
31, 1999		-----	-----
<S>		<C>	<C>
Assets			
Investment in mortgage securities (Note 3)		\$ 470,575,671	\$
475,719,711			
Investment in corporate debt securities (Note 4)		15,665,727	
8,020,026			
Investment in corporate equity securities (Note 5)		9,010,538	
3,130,823			
Cash and cash equivalents			
Unrestricted		8,400,539	
19,895,833			
Restricted		498,875	
3,709,577			
Accrued interest receivable		3,433,256	
2,855,321			
Other investments (Note 6)		6,540,570	
3,220,346			
Goodwill, net		7,388,247	
7,587,948			
Other assets			976,889
244,888			
-----		-----	-----
		\$ 522,490,312	\$
524,384,473			
=====	=====		
Liabilities			
Repurchase agreements (Note 7)		\$ 448,583,432	\$
452,101,803			
Accrued interest payable			2,038,887
2,778,842			
Accounts payable			550,209
595,805			
Dividends or distributions payable			1,406,288
1,293,410			
-----		-----	-----
		452,578,816	
456,769,860		-----	-
-----			
Stockholders' Equity			
Common stock, \$.01 par value; 375,000,000 shares authorized			
8,692,825 and 8,978,642 issued and outstanding in 2000 and 1999, respectively		86,928	
89,786			
Additional paid-in capital		74,362,801	
75,831,560			
Accumulated deficit		(440,084)	
(2,877,971)			
Accumulated other comprehensive income		(4,098,149)	
(5,428,762)			
-----		-----	-----
		69,911,496	
67,614,613		-----	-----
-----			
		\$ 522,490,312	\$
524,384,473		=====	
=====			

The accompanying notes are an integral part of the consolidated and combined financial statements.  
</TABLE>



AMERICA FIRST MORTGAGE INVESTMENTS, INC.  
CONSOLIDATED AND COMBINED STATEMENTS OF INCOME  
<TABLE>  
<CAPTION>

	For the Year Ended December				
31, 1998					
	Company For the Year Ended Dec. 31, 2000	Company For the Year Ended Dec. 31, 1999	Company From April 10 to Dec. 31, 1998	Company and Predecessor Through April 9, 1998	
Total					
<S>		<C>	<C>	<C>	<C>
Mortgage securities income	\$ 33,390,494	\$ 24,302,401	\$ 7,626,742	\$ 613,793	\$
8,240,535					
Corporate debt securities income	1,335,974	674,747	164,738	-	
164,738					
Dividend income	928,310	331,233	-	-	
-					
Interest income on temporary cash investments	645,013	365,897	439,889	148,799	
588,688					
Total interest and dividend income	36,299,791	25,674,278	8,231,369	762,592	
8,993,961					
Interest expense on borrowed funds	30,103,076	18,465,529	4,619,500	-	
4,619,500					
Net interest and dividend income	6,196,715	7,208,749	3,611,869	762,592	
4,374,461					
Income from other investments	3,670,199	3,012,688	581,716	145,167	
726,883					
Net gain on sale of investments	456,398	54,994	414,951	-	
414,951					
	4,126,597	3,067,682	996,667	145,167	
1,141,834					
General and administrative expenses	2,457,196	2,672,333	1,674,114	421,293	
2,095,407					
Minority interest in consolidated partnership (Note 1)	-	4,218	3,353	-	
3,353					
	2,457,196	2,676,551	1,677,467	421,293	
2,098,760					
Net income	\$ 7,866,116	\$ 7,599,880	\$ 2,931,069	\$ 486,466	\$
3,417,535					
Net income, basic, per share	\$ .89	\$ .84	\$ 0.32	N/A	
Net income, fully diluted, per share	\$ .89	\$ .84	\$ 0.32	N/A	



=====				
Net income, basic, per unit			N/A	\$ 0.08
=====				
Net income, fully diluted, per unit			N/A	\$ 0.08
=====				
Net income allocated to:				
General Partner				
\$ 3,931				
BUC Holders				
482,535				

-----  
\$ 486,466

=====				
Weighted average number of shares outstanding, basic	8,869,456	9,046,467	9,043,172	N/A
Weighted average number of shares outstanding, fully diluted	8,852,245	9,046,467	9,043,172	
Weighted average number of units outstanding, basic and fully diluted	N/A	N/A	N/A	5,775,797

The accompanying notes are an integral part of the consolidated and combined financial statements.  
</TABLE>

- 24 -

AMERICA FIRST MORTGAGE INVESTMENTS, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>  
<CAPTION>

Stockholders' Equity - Company						
		Common Stock		Treasury	Paid-in	Accumulated Other
Accumulated	Comprehensive	# of Shares	Amount	Capital	At Cost	Stock
Income	Total					Deficit
-----						
<S>		<C>	<C>	<C>	<C>	<C>
<C>						
Balance at November 11, 1997 (date of capitalization) and December 31, 1997						
- \$ 1,000		90,621	\$ 906	\$ 94	\$ -	\$ -
Effects of Merger:						
Issuance of stock of the Company in exchange for Units of the Predecessor		5,775,797	57,758	45,126,359	-	-
45,184,117						
Issuance of stock of the Company in exchange for Units of Prep Fund 2 and Pension Fund		3,168,666	31,687	29,949,413	-	-
29,981,100						
Issuance of stock options		-	-	942,390	-	-
942,390						
Comprehensive income:						
Net income		-	-	-	2,931,069	-
2,931,069						
Other comprehensive income:						
Change in classification of mortgage securities from held-to-maturity to available-for-sale		-	-	-	-	-



(704,828)	(704,828)					
Net unrealized holding losses						
arising during the period	-	-	-	-	-	(352,994)
(352,994)						
-----	-----	-----	-----	-----	-----	-----
Comprehensive income	-	-	-	-	2,931,069	(1,057,822)
1,873,247						
Dividends paid or accrued	-	-	-	-	(7,234,050)	-
(7,234,050)						
Common stock issued	20,058	200	184,753	-	-	-
184,953						
-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1998	9,055,142		90,551	76,203,009	-	(4,302,981)
(1,057,822) 70,932,757						
Comprehensive income:						
Net income	-	-	-	-	7,599,880	-
7,599,880						
Other comprehensive income:						
Net unrealized holding losses						
arising during the period	-	-	-	-	-	(4,370,940)
(4,370,940)						
-----	-----	-----	-----	-----	-----	-----
Comprehensive income	-	-	-	-	7,599,880	(4,370,940)
3,228,940						
Dividends paid or accrued	-	-	-	-	(6,174,870)	-
(6,174,870)						
Common stock issued	8,100	81	39,913	-	-	-
39,994						
Purchase of shares for treasury	-	-	-	(412,208)	-	-
(412,208)						
Retirement of treasury stock	(84,600)	(846)	(411,362)	412,208	-	-
-						
-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1999	8,978,642	89,786	75,831,560	-	(2,877,971)	(5,428,762)
67,614,613						
Comprehensive income:						
Net income	-	-	-	-	7,866,116	-
7,866,116						
Other comprehensive income:						
Net unrealized holding losses						
arising during the period	-	-	-	-	-	1,330,613
1,330,613						
-----	-----	-----	-----	-----	-----	-----
Comprehensive income	-	-	-	-	7,866,116	1,330,613
9,196,729						
Dividends paid or accrued	-	-	-	-	(5,428,229)	-
(5,428,229)						
Common stock issued	7,804	78	39,918	-	-	-
39,996						
Purchase of shares for treasury	-	-	-	(1,511,613)	-	-
(1,511,613)						
Retirement of treasury stock	(293,621)	(2,936)	(1,508,677)	1,511,613	-	-
-						
-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 2000	8,692,825	\$ 86,928	\$74,362,801	\$ -	\$ (440,084)	
\$ (4,098,149) \$69,911,496						
=====	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of the consolidated and combined financial statements.  
</TABLE>

- 25 -

AMERICA FIRST MORTGAGE INVESTMENTS, INC.  
COMBINED STATEMENTS OF PARTNERS' CAPITAL

<TABLE>  
<CAPTION>

Partners' Capital - Predecessor

Exchangeable Unit  
Holders



	General Partner	# of Units	Amount	Total
<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1997	\$ 100	5,775,797	\$ 45,682,774	\$ 45,682,874
Net income	3,931	-	482,535	486,466
Cash distributions paid or accrued	(3,931)	-	(1,530,009)	(1,533,940)
	-----	-----	-----	-----
Balance at April 10, 1998	100	5,775,797	44,635,300	44,635,400
	-----	-----	-----	-----
Accumulated other comprehensive income				
Balance at December 31, 1997	-	-	569,952	569,952
Other comprehensive income	-	-	(21,235)	(21,235)
	-----	-----	-----	-----
Balance at April 10, 1998	-	-	548,717	548,717
	-----	-----	-----	-----
Issuance of stock of the Company in exchange for Units of the Predecessor	(100)	(5,775,797)	(45,184,017)	(45,184,117)
	-----	-----	-----	-----
Total Partners' Capital-Predecessor at April 10, 1998	\$ -	-	\$ -	\$ -
	=====	=====	=====	=====

</TABLE>

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

- 26 -

AMERICA FIRST MORTGAGE INVESTMENTS, INC.  
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS  
<TABLE>  
<CAPTION>

	For the Year Ended December 31,			
1998				
	-----	-----	-----	-----
	Company	Company	Company	Company and Predecessor
	For the Year Ended Dec. 31, 2000	For the Year Ended Dec. 31, 1999	From April 10 to Dec. 31, 1998	Through April 9, 1998
Total	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities				
Net income	\$ 7,866,116	\$ 7,599,880	\$ 2,931,069	\$ 486,466
				\$



3,417,535					
Adjustments to reconcile net income to net cash provided by operating activities:					
Net gain on sale of investments	(3,021,831)	(54,994)	(414,951)	-	
(414,951)					
Minority interest in consolidated partnership	-	4,218	3,353	-	
3,353					
Other	-	44,701	-	-	
-					
Amortization of premium (discount)	1,484,917	1,004,430	161,800	(1,959)	
159,841					
Amortization of goodwill	199,701	187,005	146,584	-	
146,584					
Other amortization	207,616	233,200	-	-	
-					
Changes in assets and liabilities:					
Decrease (increase) in interest receivable	(577,935)	(1,301,925)	(1,134,069)	8,302	
(1,125,767)					
Decrease (increase) in other assets	(451,393)	329,448	(252,473)	6,241	
(246,232)					
Increase (decrease) in accounts payable	(45,596)	233,719	(1,860,513)	565,608	
(1,294,905)					
Increase (decrease) in accrued interest payable	(739,955)	1,983,057	795,785	-	
795,785					
-----	-----	-----	-----	-----	---
Net cash provided by operating activities	4,921,640	10,262,739	376,585	1,064,658	
1,441,243					
-----	-----	-----	-----	-----	---
Cash flows from investing activities					
Principal payments on mortgage securities	105,990,927	113,346,110	46,682,908	867,630	
47,550,538					
Proceeds from sale of corporate equity securities	1,168,761	1,127,500	-	-	
-					
Proceeds from sale of corporate debt securities	372,500	-	-	-	
-					
Proceeds from sale of mortgage securities	5,018,677	-	-	-	
-					
Proceeds from sale of other investments	2,565,433	-	1,290,000	-	
1,290,000					
Net cash from Merger	-	-	4,820,481	-	
4,820,481					
Purchases of mortgage securities	(106,413,464)	(352,732,908)	(236,107,915)	-	
(236,107,915)					
Purchases of corporate debt securities	(7,718,750)	(3,307,750)	(4,662,500)	-	
(4,662,500)					
Purchases of corporate equity securities	(6,942,511)	(3,091,997)	(1,081,773)	-	
(1,081,773)					
Decrease (increase) in other investments	(3,320,224)	(2,149,060)	(58,567)	42,869	
(15,698)					
Merger transaction costs paid	-	-	-	(729,509)	
(729,509)					
-----	-----	-----	-----	-----	---
Net cash provided by (used in) investing activities	(9,278,651)	(246,808,105)	(189,117,366)	180,990	
(188,936,376)					
-----	-----	-----	-----	-----	---
Cash flows from financing activities					
Net borrowings from (payments on) repurchase agreements	(3,518,371)	261,851,719	190,250,084	-	
190,250,084					
Decrease (increase) in restricted cash	3,210,702	(3,709,577)	-	-	
-					
Stock purchased for retirement	(1,511,613)	(412,208)	-	-	
-					
Dividends and distributions paid	(5,319,001)	(7,334,691)	(5,600,169)	(1,535,007)	
(7,135,176)					
-----	-----	-----	-----	-----	---
Net cash provided by (used in) financing activities	(7,138,283)	250,395,243	184,649,915	(1,535,007)	
183,114,908					
-----	-----	-----	-----	-----	---
Net increase (decrease) in unrestricted cash and cash equivalents	(11,495,294)	13,849,877	(4,090,866)	(289,359)	
(4,380,225)					
Unrestricted cash and cash equivalents at beginning of period	19,895,833	6,045,956	10,136,822	10,426,181	
10,426,181					
-----	-----	-----	-----	-----	---
-----					



Unrestricted cash and cash equivalents at at end of period 6,045,956	\$ 8,400,539	\$ 19,895,833	\$ 6,045,956	\$ 10,136,822	\$
--	--------------	---------------	--------------	---------------	----

Supplemental disclosure of cash flow information:

Cash paid during the period for interest 3,823,715	\$ 30,843,031	\$ 16,482,472	\$ 3,823,715	\$ -	\$
---	---------------	---------------	--------------	------	----

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

</TABLE>

- 27 -

Supplemental disclosure on non-cash investing activities:

The following assets and liabilities were assumed by the Company in conjunction with the Merger and issuance of common stock (see Note 1):

<TABLE>

	From April 10 to Dec. 31, 1998	Through April 9, 1998	Total
<S>			
<C>			
Mortgage securities			
\$ 20,420,336	\$ -	\$ 20,420,336	
Accrued interest receivable			
142,545	-	142,545	
Other investments			
175,369	-	175,369	
Accounts payable			
712,888	-	712,888	
Distributions payable			
265,545	-	265,545	

</TABLE>

The Company recorded goodwill of \$7,507,902 in 1998 as a result of the Merger. The Company recorded \$413,615 of additional goodwill in 1999 due to the resolution of contingencies associated with the Merger.

During 2000, 1999 and 1998, the Company issued 7,804, 8,100 and 7,440 shares, respectively, of common stock to its non-employee directors in partial payment of the annual retainer paid by the Company to such directors for the respective year. The Company also issued 12,618 shares of common stock in 1998 to unit holders of Pension Fund who exchanged their units of Pension Fund for shares of the Company subsequent to April 10, 1998. The aggregate value of such common stock issued was \$39,918 in 2000, \$39,994 in 1999 and \$184,953 in 1998.



AMERICA FIRST MORTGAGE INVESTMENTS, INC.  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2000

1. Organization

America First Mortgage Investments, Inc. (the Company) was incorporated in Maryland on July 24, 1997, and began operations on April 10, 1998.

On April 10, 1998, (the Merger Date) the Company and three partnerships: America First Participating/Preferred Equity Mortgage Fund Limited Partnership (Prep Fund 1), America First Prep Fund 2 Limited Partnership (Prep Fund 2), America First Prep Fund 2 Pension Series Limited Partnership (Pension Fund), consummated a merger transaction whereby their pre-existing net assets and operations or majority interest in the pre-existing partnership were contributed to the Company in exchange for 9,035,084 shares of the Company's common stock. For financial accounting purposes, Prep Fund 1, the largest of the three partnerships, was considered the Predecessor entity (the Predecessor) and its historical operating results are presented in the financial statements contained herein. The Merger was accounted for using the purchase method of accounting in accordance with generally accepted accounting principles. Prep Fund 1 was deemed to be the acquirer of the other partnerships under the purchase method. Accordingly, the Merger resulted, for financial accounting purposes, in the effective purchase by Prep Fund 1 of all the Beneficial Unit Certificates (BUCs) of Prep Fund 2 and approximately 99% of the BUCs of Pension Fund. Pension Fund was liquidated and dissolved during December, 1999, and, as a result, the Company acquired approximately 99% of the assets of Pension Fund. The remaining assets, consisting solely of cash, were distributed to the remaining holders of Pension Fund BUCs. As the surviving entity for financial accounting purposes, the assets and liabilities of Prep Fund 1 were recorded by the Company at their historical cost and the assets and liabilities of Prep Fund 2 and Pension Fund were adjusted to fair value. The excess of the fair value of stock issued over the fair value of net assets acquired has been recorded as goodwill in the accompanying balance sheet.

The Company has entered into an advisory agreement with America First Mortgage Advisory Corporation (the Advisor) which provides advisor services in connection with the conduct of the Company's business activities.

2. Summary of Significant Accounting Policies

A) Method of Accounting

The accompanying 2000 consolidated and combined financial statements include the consolidated accounts of the Company from April 10, 1998 through December 31, 2000, and the combined accounts of the Company, Prep Fund 1 and America First Participating/Preferred Equity Mortgage Fund (the managing general partner of Prep Fund 1) (together referred to as the Predecessor) for periods prior to the Merger. The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles utilized in the United States.

The consolidated financial statements through December 31, 1999, include the accounts of the Company and its subsidiaries, Pension Fund and Pension Fund's general partner, America First Capital Associates Limited Partnership Six (AFCA 6). Pension Fund and AFCA 6 were liquidated and dissolved under the terms of their respective partnership agreements during December, 1999. All significant intercompany transactions and accounts have been eliminated in consolidation. As more fully discussed in Note 7, the Company also has an investment in a corporation and investments in four real estate limited partnerships, none of which are controlled by the Company. These investments are accounted for under the equity method. Neither the corporation nor the real estate limited partnerships are consolidated for income tax purposes.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

- 29 -

B) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of three months or less. The carrying amount of cash equivalents approximates their fair value.

Restricted cash represents amounts held with certain lending institutions with which the Company has repurchase agreements. Such amounts may be used to make principal and interest payments on the related repurchase agreements.

C) Mortgage Securities, Corporate Debt Securities and Corporate Equity Securities

Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115), requires the Company to classify its investments in mortgage securities, corporate debt securities and corporate equity securities (collectively referred to as investment securities) as either held-to-maturity, available-for-sale or trading.

Although the Company generally intends to hold most of its mortgage securities until maturity, it may, from time to time, sell any of its mortgage securities as part of its overall management of its business. In order to be prepared to respond to potential future opportunities in the market, to sell mortgage securities in order to optimize the portfolio's total return and to retain its ability to respond to economic conditions that require the Company to sell assets in order to maintain an appropriate level of liquidity, the Company has classified all its mortgage securities as available-for-sale. Likewise, the Company has classified all its corporate equity securities investments as available-for-sale.

Mortgage securities and corporate equity securities classified as available-for-sale are reported at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Corporate debt securities are classified as held-to-maturity and are carried at amortized cost.

Unrealized losses on investment securities that are considered other-than-temporary, as measured by the amount of decline in fair value attributable to factors other than temporary, are recognized in income and the cost basis of the investment security is adjusted.

Other-than-temporary unrealized losses are based on management's assessment of various factors affecting the expected cash flow from the investment securities, including an other-than-temporary deterioration of the credit quality of the underlying mortgages and/or the credit protection available to the related mortgage pool.

Gains or losses on the sale of investment securities are based on the specific identification method.

Interest income is accrued based on the outstanding principal amount of the investment securities and their contractual terms. Premiums and discounts associated with the purchase of the investment securities are amortized into interest income over the lives of the securities using the effective yield method based on, among other things, anticipated estimated prepayments. Such calculations are periodically adjusted for actual prepayment activity.

D) Credit Risk

The Company limits its exposure to credit losses on its investment portfolio by requiring that at least 66% (through December 31, 2000) of its investment portfolio consist of mortgage securities or mortgage loans that are either (i) insured or guaranteed as to principal and interest by an agency of the U.S. government, such as the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), or the Federal Home Loan Mortgage Corporation (FHLMC) or (ii) rated in one of the two highest rating categories by either Standard & Poor's or Moody's. The remainder of the Company's assets may be either: (i) direct investment (mezzanine or equity) in multifamily apartment properties; (ii) investments in limited partnerships or real estate investment trusts, or (iii) other fixed-income instruments (corporate debt or equity securities or mortgage backed securities) that provide increased call protection relative to the Company's mortgage assets. Corporate debt and equity securities of any single below-investment-grade issuer will be limited to no more than 4% of the Company's total assets. As of December 31, 2000 and 1999, approximately 78% and 79%, respectively, of the Company's assets



consisted of mortgage securities insured or guaranteed by the U.S. government or an agency thereof. Management determined no allowance for credit losses was necessary at December 31, 2000 or 1999.

E) Other Investments

Other investments consist of certain non-consolidated investments accounted for under the equity method, including: (i) non-voting preferred stock of a corporation owning interests in real estate limited partnerships, and (ii) investments in limited partnerships owning real estate.

F) Repurchase Agreements

Borrowings under repurchase agreements (see Note 7) are carried at their unpaid principal balances, net of unamortized discount or premium. Any discount or premium is recognized as an adjustment to interest expense utilizing the interest method over the expected term of the related borrowings.

G) Net Income per Share

Net income per share is based on the weighted average number of common shares and common equivalent shares (e.g., stock options), if dilutive, outstanding during the period. Basic net income per share is computed by dividing net income available to shareholders by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing the diluted net income available to common shareholders by the weighted average number of common shares and common equivalent shares outstanding during the period. The common equivalent shares are calculated using the treasury stock method which assumes that all dilutive common stock equivalents are exercised and the funds generated by the exercise are used to buy back outstanding common stock at the average market price during the reported period.

As more fully discussed in Note 8, options to purchase 520,000 and 300,000 shares of common stock were granted on April 6, 1998, and August 13, 1999, respectively. During the year ended December 31, 2000, the average price of the Company's stock was greater than the exercise price of the options granted on August 13, 1999. As such, exercise of such options under the treasury stock method is dilutive. Accordingly, these dilutive securities were considered in fully diluted earnings per share. For the year ended December 31, 1999, the average price of the Company's stock was less than the exercise price; therefore exercise of such options under the treasury stock method would be anti-dilutive. Accordingly, for the year ended December 31, 1999, these potentially dilutive securities were not considered in fully diluted earnings per share. With regard to the options granted on April 6, 1998, the exercise price is greater than the average stock price during the years ended December 31, 2000, 1999 and for the period from April 10, 1998 through December 31, 1998; therefore, exercise of such options under the treasury stock method would be anti-dilutive. Accordingly, these potentially dilutive securities were not considered in fully diluted earnings per share.

The following table sets forth the reconciliation of the weighted average shares outstanding for the calculation of basic earnings per share to the weighted average shares outstanding for the calculation of fully diluted earnings per share for each period presented:

<TABLE>  
<CAPTION>

	For the Year Ended Dec. 31, 2000	For the Year Ended Dec. 31, 1999	For the Year Ended Dec. 31, 1998
<S>	<C>	<C>	<C>
Weighted average shares outstanding for basic earnings per share	8,869,456	9,046,467	9,043,172
Add effect of assumed shares issued under treasury stock method for stock options	(17,211)	-	-
Weighted average shares outstanding for fully diluted earnings per share	8,852,245	9,046,467	9,043,172

</TABLE>

H) Comprehensive Income

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" requires the Company and the Predecessor to display and report comprehensive income, which includes all changes in Stockholders' Equity or Partners' Capital with the exception of additional investments by or dividends to shareholders of the Company or additional investments by or distributions to partners of the Predecessor. Comprehensive income for the Company and the Predecessor includes net income and the change in net unrealized holding gains (losses) on



investments. Comprehensive income for the years ended December 31, 2000, 1999 and 1998 was as follows:

<TABLE>  
<CAPTION>

For the Year Ended December 31,					
1998					
-----					
Company and Predecessor	Company for the Year Ended Dec. 31, 2000	Company for the Year Ended Dec. 31, 1999	Company for the Year Ended Dec. 31, 1998	Company From April 10 to through April 9, 1998	
Total	-----	-----	-----	-----	-----
-----					
<S>	<C>	<C>	<C>	<C>	<C>
Net income	\$ 7,866,116	\$ 7,599,880	\$ 2,931,069	\$ 486,466	\$
3,417,535					
Change in classification of mortgage securities from held-to-maturity to available-for-sale	-	-	(704,828)	-	-
(704,828)					
Other comprehensive income (loss)					
Unrealized holding gains (losses)					
Net unrealized holding gains (losses) arising during the period	1,330,613	(4,370,940)	(352,994)	(21,235)	
(374,229)					
-----					
Comprehensive income	\$ 9,196,729	\$ 3,228,940	\$ 1,873,247	\$ 465,231	\$
2,338,478					
=====					

</TABLE>

#### I) Federal Income Taxes

The Company has elected to be taxed as a real estate investment trust (REIT) under the provisions of the Internal Revenue Code and the corresponding provisions of state law. As such, no provision for income taxes has been made in the accompanying consolidated financial statements.

Since the Predecessor was a partnership and generally not subject to taxes directly, it did not make a provision for income taxes. The Predecessor's Beneficial Unit Certificate (BUC) holders were required to report their share of the Predecessor's income for federal and state income tax purposes.

#### J) New Accounting Pronouncements

In June, 1998, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). Certain provisions of FAS 133 were amended by Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (FAS 138) in June, 2000. These statements provide new accounting and reporting standards for the use of derivative instruments. Adoption of these statements is required by the Company effective January 1, 2001. Management intends to adopt these statements as required in fiscal 2001. Although the Company and its Predecessor have not historically used such instruments, it is not precluded from doing so. In the future, management anticipates using such derivative instruments only as hedges to manage interest rate risk. Management does not anticipate entering into derivatives for speculative or trading purposes. As of January 1, 2001, the Company had no outstanding derivative hedging instruments nor any imbedded derivatives requiring bifurcation and separate accounting under FAS 133. Accordingly, there was no cumulative effect upon adoption of FAS 133 on January 1, 2001.

In March, 2000, the FASB issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation." The Company was required to adopt FIN 44 effective July 1, 2000, with respect to certain provisions applicable to new awards, exchanges of awards in a business combination, modifications to outstanding awards, and changes in grantee status that occur on or after that date. FIN 44 addresses practice

issues related to the application of Accounting Practice Bulletin Opinion No. 25, "Accounting for Stock Issued to Employees." The initial adoption of FIN 44 by the Company did not have a material impact on its consolidated financial position or results of operations.



### 3. Mortgage Securities

The following table presents the Company's mortgage securities as of December 31, 2000 and 1999.

<TABLE>

<CAPTION>

	As of December 31, 2000	As of December 31, 1999
<S>	<C>	<C>
FNMA Certificates	\$ 377,668,990	\$ 359,891,164
GNMA Certificates	24,529,046	43,678,897
FHLMC Certificates	8,981,226	13,220,884
Commercial mortgage-backed securities	17,135,031	16,650,544
Private label CMOs	42,261,378	42,278,222
	-----	-----
	\$ 470,575,671	\$ 475,719,711
	=====	=====

</TABLE>

At December 31, 2000, and 1999 mortgage securities consisted of pools of adjustable-rate mortgage securities with carrying values of \$450,992,165 and \$444,140,267, respectively and fixed-rate mortgage securities with carrying values of \$19,583,506 and \$31,579,444, respectively.

The Federal National Mortgage Association (FNMA) Certificates are backed by first mortgage loans on pools of single-family properties. The FNMA Certificates are debt securities issued by FNMA and are guaranteed by FNMA as to the full and timely payment of principal and interest on the underlying loans.

The Government National Mortgage Association (GNMA) Certificates are backed by first mortgage loans on multifamily residential properties and pools of single-family properties. The GNMA Certificates are debt securities issued by a private mortgage lender and are guaranteed by GNMA as to the full and timely payment of principal and interest on the underlying loans.

Federal Home Loan Mortgage Corporation (FHLMC) Certificates are backed by first mortgage loans on pools of single-family properties. The FHLMC Certificates are debt securities issued by FHLMC and are guaranteed by FHLMC as to the full and timely payment of principal and interest on the underlying loans.

The commercial mortgage-backed securities are rated AA or A by Standard and Poor's.

The private label CMOs (collateralized mortgage obligations) are rated AAA by Standard and Poor's.

As of December 31, 2000 and 1999, all the mortgage securities were classified as available-for-sale and as such are carried at their fair value.

The following table presents the amortized cost, gross unrealized gains, gross unrealized losses and fair value of mortgage securities as of December 31, 2000 and 1999:

<TABLE>

<CAPTION>

	As of December 31, 2000	As of December 31, 1999
<S>	<C>	<C>
Amortized cost	\$ 474,638,436	\$ 481,176,498
Gross unrealized gains	351,662	461,675
Gross unrealized losses	(4,414,427)	(5,918,462)
	-----	-----
Fair value	\$ 470,575,671	\$ 475,719,711
	=====	=====

</TABLE>

### 4. Corporate Debt Securities

Corporate debt securities are classified as held-to-maturity. The following table presents the amortized cost, gross unrealized gains, gross unrealized losses and fair value of the corporate debt securities as of December 31, 2000 and 1999:

<TABLE>

<CAPTION>

	As of December 31, 2000	As of December 31, 1999
--	----------------------------	----------------------------



<S>	<C>	<C>
Amortized cost	\$ 15,665,727	\$ 8,020,026
Gross unrealized gains	24,900	92,211
Gross unrealized losses	(3,795,002)	(174,487)
Fair value	\$ 11,895,625	\$ 7,937,750

</TABLE>

#### 5. Corporate Equity Securities

Corporate equity securities are classified as available-for-sale. The following table presents the cost, gross unrealized gains, gross unrealized losses and fair value of the corporate equity securities as of December 31, 2000 and 1999:

<TABLE>  
<CAPTION>

	As of December 31, 2000	As of December 31, 1999
<S>	<C>	<C>
Cost	\$ 9,045,923	\$ 3,102,798
Gross unrealized gains	613,843	224,865
Gross unrealized losses	(649,228)	(196,840)
Fair value	\$ 9,010,538	\$ 3,130,823

</TABLE>

#### 6. Other Investments

Other investments consisted of the following as of December 31, 2000 and 1999:

<TABLE>  
<CAPTION>

December 31, 2000	December 31, 1999	As of	As of
<S>	<C>	<C>	<C>
Investment in Retirement Centers Corporation	\$ 2,540,180	\$ 2,389,980	
Investment in and advances to real estate limited partnerships	4,000,390	830,366	
Total	\$ 6,540,570	\$ 3,220,346	

</TABLE>

The Company's investment in Retirement Centers Corporation (RCC) represents a 95% ownership interest in such corporation. The Company owns 100% of the non-voting preferred stock of RCC and a third party owns 100% of the common stock. The Company accounts for its investment in RCC on the equity method. As of December 31, 2000, RCC owned (i) a limited partnership interest in a real estate limited partnership which operates an assisted living center located in Salt Lake City, Utah, and (ii) a 128-unit apartment property located in Omaha, Nebraska, which was acquired on January 12, 2000. As of December 31, 1999, RCC's investments consisted of (i) its interest in the real estate limited partnership referenced above and (ii) cash which was utilized to acquire the apartment property on January 12, 2000.

RCC previously owned limited partnership interests in five real estate limited partnerships which operated assisted living centers. However, during 1999, four of the real estate limited partnerships were liquidated with RCC

- 34 -

receiving an undivided interest in the net assets of each such limited partnership. RCC then sold its undivided interests in the net assets of each such assisted living center. On a consolidated basis, such sale contributed approximately \$1,730,000 (\$2,163,000 less an incentive fee of approximately \$433,000 (see Note 9), to the Company's net income for 1999. Also see Note 12 - Subsequent Events.

Investments in and advances to unconsolidated real estate limited partnerships consist of investments in or advances made to limited partnerships which own properties. These investments are not insured or guaranteed but rather are collateralized by the underlying value of the real estate owned by such limited partnerships. They are accounted for under the equity method of accounting. Certain of the investments have a zero carrying value and, as such, earnings are recorded only to the extent distributions are received. Such investments have not been reduced below zero through recognition of allocated investment losses since the Company has no legal obligation to provide additional cash support to the underlying property partnerships as it is not the general partner, nor has it indicated any commitment to provide this support. At December 31, 2000 and 1999, the Company had investments in



four such limited partnerships. On September 26, 2000, one of the partnerships sold its interest in the underlying real estate. Such sale contributed approximately \$2,100,000 (\$2,600,000 gain less an incentive fee of approximately \$519,000 (see Note 9)), to the Company's net income for the year ended December 31, 2000. The proceeds of such sale were reinvested in the limited partnership and utilized to acquire another multifamily housing property in November 2000.

## 7. Repurchase Agreements

The Company finances the acquisition of its mortgage-backed securities at short-term borrowing rates through the use of repurchase agreements. Under a repurchase agreement, the Company sells securities to a lender and agrees to repurchase those securities in the future for a price that is higher than the original sales price. The difference between the sale price the Company receives and the repurchase price the Company pays represents interest paid to the lender. Although structured as a sale and repurchase obligation, a repurchase agreement operates as a financing under which the Company effectively pledges its securities as collateral to secure a short-term loan which is equal in value to a specified percentage of the market value of the pledged collateral. The Company retains beneficial ownership of the pledged collateral, including the right to distributions. At the maturity of a repurchase agreement, the Company is required to repay the loan and concurrently receives back its pledged collateral from the lender or, with the consent of the lender, the Company renews such agreement at the then prevailing financing rate. The repurchase agreements may require the Company to pledge additional assets to the lender in the event the market value of the existing pledged collateral declines. Through December 31, 2000, the Company has not had margin calls on its repurchase agreements that it was not able to satisfy with either cash or additional pledged collateral.

The Company's repurchase agreements generally range from one month to one year in duration. Should the providers of the repurchase agreements decide not to renew them at maturity, the Company must either refinance these obligations or be in a position to satisfy the obligations. If, during the term of a repurchase agreement, a lender should file for bankruptcy, the Company might experience difficulty recovering its pledged assets and may have an unsecured claim against the lender's assets. To reduce its exposure, the Company enters into repurchase agreements only with financially sound institutions whose holding or parent company's long-term debt rating is "A" or better as determined by both Standard and Poor's Corporation and Moody's Investors Services, where applicable. If this minimum criterion is not met, then the Company will not enter into repurchase agreements with that lender without the specific approval of its board of directors. In the event an existing lender is downgraded below "A," the Company will seek board approval before entering into additional repurchase agreements with that lender. The Company generally seeks to diversify its exposure by entering into repurchase agreements with at least four lenders with a maximum exposure to any lender of no more than three times the Company's stockholders' equity. As of December 31, 2000, the Company had repurchase agreements with 11 lenders with a maximum exposure to any one lender of not more than 1.4 times its stockholders' equity.

As of December 31, 2000, the Company had outstanding balances of \$448,583,432 under 55 repurchase agreements with a weighted average borrowing rate of 6.60% and a weighted average remaining maturity of approximately one month. As of

- 35 -

December 31, 2000, all of the Company's borrowings were fixed-rate term repurchase agreements with original maturities that range from one to twelve months. As of December 31, 1999, the Company had outstanding balances of \$452,101,803 under 38 repurchase agreements with a weighted average borrowing rate of 5.72% and a weighted average maturity of approximately one month.

As of December 31, 2000 and 1999, the repurchase agreements had the following remaining maturities:

<TABLE>  
<CAPTION>

	As of December 31, 2000	As of December 31, 1999
<S>	<C>	<C>
Within 30 days	\$ 278,497,916	\$ 287,416,803
30 to 90 days	170,085,516	164,685,000
	-----	-----
	\$ 448,583,432	\$ 452,101,803
	=====	=====

</TABLE>

The repurchase agreements are collateralized by the Company's mortgage securities with a principal balance of \$466,981,306 at December 31, 2000, and bear interest at rates that are LIBOR-based.

## 8. Stockholders' Equity



## 1997 Stock Option Plan

The Company has a 1997 Stock Option Plan (the Plan) which authorizes the granting of options to purchase an aggregate of up to 1,000,000 shares of the Company's common stock, but not more than 10% of the total outstanding shares of the Company's common stock. The Plan authorizes the Board of Directors, or a committee of the Board of Directors, to grant Incentive Stock Options (ISOs) as defined under section 422 of the Internal Revenue Code, Non-Qualified Stock Options (NQSOs) and Dividend Equivalent Rights (DERs) to eligible persons, other than non-employee directors. Non-employee directors are eligible to receive grants of NQSOs with DERs pursuant to the provisions of the Plan. The exercise price for any options granted to eligible persons under the Plan shall not be less than the fair market value of the common stock on the day of the grant. The options expire if not exercised ten years after the date granted.

On April 6, 1998, 500,000 ISOs were granted to buy common shares at an exercise price of \$9.375 per share (the 1998 Grant). In addition, 20,000 NQSOs were issued at an exercise price of \$9.375 per share. On August 13, 1999, 300,000 ISOs were granted to buy common shares at an exercise price of \$4.875 per share (the 1999 Grant). Prior to the 1998 Grant, no other options were outstanding. As of December 31, 2000 and 1999, respectively, 525,000 and 325,000 ISOs were vested and exercisable. As of December 31, 2000 and 1999, 20,000 NQSOs were vested and exercisable. As of December 31, 2000, no options had been exercised.

In addition to the options granted on April 6, 1998, 500,000 and 5,000 DERs were also granted on the ISOs and NQSOs, respectively, based on the provisions of the Plan. No DERs were granted on the ISOs granted on August 13, 1999. DERs on the ISOs vest on the same basis as the options. DERs on NQSOs became fully vested in April, 1999. Payments are made on vested DERs only. Vested DERs are paid only to the extent of ordinary income and not on returns of capital. Dividends paid on ISOs are charged to stockholders' equity when declared and dividends paid on NQSOs are charged to earnings when declared. For the years ended December 31, 2000, 1999 and 1998, the Company recorded charges of \$221,250, \$117,500 and \$42,500, respectively, to stockholders' equity (included in dividends paid or accrued) associated with the DERs on ISOs and charges of \$3,650, \$4,700 and \$1,700, respectively, to earnings associated with DERs on NQSOs.

The options and related DERs issued were accounted for under the provisions of SFAS 123, "Accounting for Stock Based Compensation". Because the ISOs were not issued to officers who are direct employees of the Company, ISOs granted were accounted for under the option value method as variable plan grants and a periodic charge is recognized based on the vesting schedule. The charge for options which vested immediately with the 1998 Grant was included as

- 36 -

capitalized transaction costs in connection with the Merger. Until fixed and determinable, management estimates the value of the ISOs granted as of each balance sheet date using a Black-Scholes valuation model, as adjusted for the discounted value of dividends not to be received under the unvested DERs. In the absence of comparable historical market information for the Company, management originally utilized assumptions consistent with activity of a comparable peer group of companies including an estimated option life, a volatility rate, a risk-free rate and a current dividend yield (or 0% if the related DERs are issued). For the years ended December 31, 2000, 1999 and 1998, as part of operations, the Company reflected earnings charges of \$113,115, \$42,707 and \$170,154, respectively, representing the value of ISOs/DERs granted over their vesting period. NQSOs granted were accounted for using the intrinsic method and, accordingly, no earnings charge was reflected since the exercise price was equal to the fair market value of the common stock at the date of the grant.

## Dividends/Distributions

The Company declared the following distributions during 2000, 1999 and 1998:

<TABLE>

<CAPTION>

Declaration Date	Record Date	Payment Date	Amount per Share
-----	-----	-----	-----
<S>	<C>	<C>	<C>

During 2000:

March 17, 2000	April 14, 2000	May 17, 2000	\$ .140
June 14, 2000	June 30, 2000	August 17, 2000	\$ .140
September 18, 2000	October 16, 2000	November 17, 2000	\$ .155
December 14, 2000	January 15, 2001	January 30, 2001	\$ .155

During 1999:

March 24, 1999	April 5, 1999	May 17, 1999	\$ .265 (1)
June 14, 1999	June 30, 1999	August 17, 1999	\$ .125



September 21, 1999	September 30, 1999	November 17, 1999	\$	.140
December 16, 1999	January 3, 2000	February 18, 2000	\$	.140

During 1998:

June 18, 1998	June 30, 1998	August 14, 1998	\$	.265 (1)
September 9, 1998	September 30, 1998	November 16, 1998	\$	.265 (1)
December 15, 1998	December 31, 1998	February 19, 1999	\$	.265 (1)

(1) As part of the Merger transaction, the Company made quarterly distributions of \$.265 per common share (\$1.06 per common share per year) in the first year following the Merger (i.e. through the first quarter of 1999.) Accordingly, cash distributions paid by the Company in the first quarter of 1999 and in 1998 consisted in part of a dividend and in part of a cash merger payment.

</TABLE>

Cash distributions paid or accrued by the Predecessor were \$.2649 pr Unit prior to the Merger in 1998.

For tax purposes, a portion of the dividend declared on December 14, 2000, and paid on January 30, 2001, will be treated as a 2001 dividend for shareholders. Similarly, the dividend declared on December 16, 1999, and paid February 18, 2000, was treated in its entirety as a 2000 dividend for shareholders and the dividend declared on December 15, 1998, and paid February 19, 1999, was treated as a 1999 dividend for shareholders.

In general, consistent with the Company's underlying operational strategy, the Company's dividends will for the most part be characterized as ordinary income to the shareholder for federal tax purposes. However, a portion of the Company's dividends may be characterized as capital gains or return of capital. Approximately \$0.02 of the Company's dividends for the year ended December 31, 2000 were characterized as capital gains. Approximately \$0.43 of the Company's dividends for the period from April 10, 1998 to December 31, 1998 were characterized as return of capital. All other dividend amounts for the years ended December 31, 2000 and 1999 and the period from April 10, 1998 to December 31, 1998 were characterized as ordinary income.

- 37 -

#### Stock Repurchase Plan

-----

In connection with the Company's 400,000 share repurchase program, the Company purchased and retired 293,621 shares during the year ended December 31, 2000, at an aggregate cost of \$1,511,613. During the year ended December 31, 1999, the Company purchased and retired 84,600 share at an aggregate cost of \$412,208. Since implementing the stock repurchase program during the fourth quarter of 1999, through December 31, 2000, the Company has purchased and retired 378,221 shares at an aggregate cost of \$1,923,821. See Note 12 - Subsequent Events.

#### 9. Related Party Transactions

The Advisor manages the operations and investments of the Company and performs administrative services for the Company. In turn, the Advisor receives a management fee payable monthly in arrears in an amount equal to 1.10% per annum of the first \$300 million of Stockholders' Equity of the Company, plus .80% per annum of the portion of Stockholders' Equity of the Company above \$300 million. The Company also pays the Advisor, as incentive compensation for each fiscal quarter, an amount equal to 20% of the dollar amount by which the annualized Return on Equity for such fiscal quarter exceeds the amount necessary to provide an annualized Return on Equity equal to the Ten-Year U.S. Treasury Rate plus 1%. For the years ended December 31, 2000, 1999 and the period from April 10, 1998 (Merger Date) to December 31, 1998, the Advisor earned a base management fee of \$740,437, \$761,646 and \$590,875, respectively and incentive compensation of \$797,054, \$741,233 and \$2,807, respectively. Approximately \$519,000 of the incentive fee earned in 2000 was attributable to the sale described in Note 6. Approximately \$433,000 of the incentive fee earned in 1999 was attributable to the sale described in Note 6.

America First Properties Management Company L.L.C., (the Manager), provides property management services for certain of the multifamily properties in which the Company has an interest. The Manager also provided property management services to certain properties previously associated with the Predecessor which were acquired in the Merger. The Manager receives a management fee equal to a stated percentage of the gross revenues generated by the properties under management, ranging from 3.5% to 4% of gross revenues. Such fees paid by the Company for the years ended December 31, 2000, 1999 and the period from April 10, 1998 through December 31, 1998, amounted to \$374,923, \$325,213 and \$250,912, respectively. Such fees paid by the three Partnerships which merged amounted to \$83,017 (including \$45,527 paid by the Predecessor) for the period in 1998 prior to the Merger Date.



Prior to the Merger Date, the general partner of the Predecessor (AFCA 3) was entitled to an administrative fee of .35% per annum of the outstanding amount of investments of the Predecessor to be paid by the Predecessor to the extent such amount is not paid by property owners. AFCA 3 earned administrative fees of \$53,617 in 1998 of which \$38,659 was paid by the Predecessor and the remainder was paid by owners of real properties financed by the Predecessor.

Prior to the Merger Date, substantially all of Predecessor's general and administrative expenses and certain costs capitalized by the Predecessor were paid by AFCA 3 or an affiliate and reimbursed by the Predecessor. The amounts of such expenses reimbursed to AFCA 3 or an affiliate were \$165,439 in 1998. The capitalized costs consist of transaction costs incurred in conjunction with the merger described in Note 1.

- 38 -

#### 10. Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Investments in mortgage securities, corporate debt securities and corporate equity securities: Fair values are based on broker quotes or amounts obtained from independent pricing sources.

Cash and cash equivalents: Fair value approximates the carrying value of such assets.

Repurchase agreements: Fair value approximates the carrying value of such liabilities.

<TABLE>  
<CAPTION>

As of December 31, 2000

As of December 31, 1999

	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Investment in mortgage securities	\$ 470,575,671	\$ 470,575,671	\$ 475,719,711	\$ 475,719,711
Investment in corporate debt securities	15,665,727	11,895,625	8,020,026	7,937,750
Investment in corporate equity securities	9,010,538	9,010,538	3,130,823	3,130,823
Cash and cash equivalents				
Unrestricted	8,400,539	8,400,539	19,895,833	19,895,833
Restricted	498,875	498,875	3,709,577	3,709,577
Repurchase agreements	448,583,432	448,583,432	452,101,803	452,101,803

</TABLE>

#### 11. Summary of Quarterly Results of Operations (Unaudited)

<TABLE>  
<CAPTION>

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	From January 1, 2000, to December 31, 2000			
<S>	<C>	<C>	<C>	<C>
Total income	\$ 1,956,216	\$ 1,932,983	\$ 4,292,650	\$ 2,141,463
Total expenses	(461,465)	(512,495)	(994,723) (1)	(488,513)
Net income	\$ 1,494,751	\$ 1,420,488	\$ 3,297,927 (1)	\$



1,652,950

=====

Net income, basic and diluted,  
per share  
0.19

=====

\$ 0.17

=====

=====

\$ 0.16

=====

=====

\$ 0.37 (1) \$

=====

</TABLE>

<TABLE>

<CAPTION>

Fourth  
From January 1, 1999, to December 31, 1999  
Quarter

First

Quarter

Second

Quarter

Third

Quarter

-----

<S>

Total income  
2,037,399

Total expenses  
(374,885)

Minority interest  
175

<C>

\$ 1,869,081

(616,193)

(490)

<C>

\$ 2,146,590

(628,400)

(4,230)

<C>

\$ 4,223,361

(1,052,855) (2)

327

<C>

\$

Net income  
1,662,689

\$ 1,252,398

=====

\$ 1,513,960

=====

\$ 3,170,833 (2) \$

=====

=====

Net income, basic and diluted,  
per share  
0.18

\$ 0.14

=====

\$ 0.17

=====

\$ 0.35 (2) \$

=====

Explanatory Notes:

(1) Includes income of approximately \$2.1 million (net of the incentive fee of \$519,000) or approximately \$0.24 per share related to the sale described in Note 6.

(2) Includes income of approximately \$1.7 million (net of the incentive fee of \$433,000) or approximately \$0.19 per share related to the sale described in Note 6.

</TABLE>

- 39 -

## 12. Subsequent Events

On January 12, 2001, the Company's Board of Directors approved the repurchase of up to an additional 200,000 shares of its common stock.

On January 2, 2001, the limited partnership which owned an assisted living center located in Salt Lake City, Utah, was liquidated with Retirement Centers Corporation (RCC) receiving an undivided interest in the net assets of such partnership. RCC then sold its undivided interest in the net assets of such assisted living center resulting in a gain to RCC of approximately \$2.9 million.

On January 18, 2001, RCC acquired an 88.3% undivided interest and the Company acquired an 11.7% undivided interest in Lealand Place Apartments, a 192-unit multifamily housing property located in Lawrenceville, Georgia, for approximately \$13.3 million. The acquisition was financed with the proceeds of a \$10.3 million mortgage loan and cash of \$3.0 million.



Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure. There were no disagreements with the Company's or its Predecessor's independent accountants on accounting principles and practices or financial disclosure during the fiscal years ended December 31, 2000 and 1999.

### PART III

Item 10. Directors and Executive Officers of Registrant. The information about directors required to be furnished pursuant to this Item 10 is incorporated by reference to the Company's definitive proxy statement for its 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after December 31, 2000 (the "Proxy Statement") under the heading "Election of Directors." Information about the executive officers of the Company is shown under Item 4 of this filing.

Section 16(a) Beneficial Ownership Reporting Compliance. Section 16(a) of the Securities and Exchange Act of 1934 requires the Company's directors and executive officers, and certain persons who own more than ten percent of the Company's common stock, to file with the Securities and Exchange Commission (the "SEC") reports of their ownership of Company common stock. Officers, directors and greater-than-ten-percent beneficial owners are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file. Based solely upon review of the copies of such reports received by the Company and written representations from each such person who did not file an annual report with the SEC (Form 5) that no other reports were required, the Company believes that there was compliance for the year ended December 31, 2000, with all Section 16(a) filing requirements applicable to the Company's officers, directors and greater-than-ten-percent beneficial owners.

Item 11. Executive Compensation. The information required to be furnished pursuant to this Item 11 is incorporated by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management. The information required to be furnished pursuant to this Item 12 is incorporated by reference to the Proxy Statement under the heading "Voting Securities and Beneficial Ownership Thereof by Principal Stockholders, Directors and Officers" and "Long-Term Incentive Plans and Other Matters."

Item 13. Certain Relationships and Related Transactions. The information required to be furnished pursuant to this Item 13 is incorporated by reference to the Proxy Statement under the heading "Certain Relationships and Related Transactions."



PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) The following documents are filed as part of this report:

1. Consolidated and Combined Financial Statements. The consolidated and combined financial statements of the Company and the Predecessor, together with the Independent Accountants' Report thereon, are set forth on pages 22 through 39 of this Form 10-K and are incorporated herein by reference.

2. Financial Statement Schedules. The information required to be set forth in the financial statement schedules is included in the Consolidated and Combined Financial Statements and/or in the Notes to Consolidated and Combined Financial Statements filed in response to Item 8 hereof.

3. Exhibits.

2.1 Agreement and Plan of Merger by and among the Registrant, America First Participating/Preferred Equity Mortgage Fund Limited Partnership, America First Prep Fund 2 Limited Partnership, America First Prep Fund 2 Pension Series Limited Partnership and certain other parties, dated as of July 29, 1997 (incorporated herein by reference to Exhibit 2.1 of the Registration Statement on Form S-4 dated February 12, 1998, filed by the Registrant pursuant to the Securities Act of 1933 (Commission File No. 333-46179)).

- 41 -

3.1 Amended and Restated Articles of Incorporation of the Registrant (incorporated herein by reference to Form 8-K dated April 10, 1998, filed by the Registrant pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

3.2 Amended and Restated Bylaws of the Registrant (incorporated herein by reference to Form 8-K dated April 10, 1998, filed by the Registrant pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

4.1 Specimen of Common Stock Certificate of the Company. (incorporated herein by reference to Exhibit 4.1 of the Registration Statement on Form S-4 dated February 12, 1998, filed by the Registrant pursuant to the Securities Act of 1933 (Commission File No. 333-46179)).

10.1 Advisory Agreement, dated April 9, 1998, by and between the Company and the Advisor (incorporated herein by reference to Form 8-K dated April 10, 1998 filed by the Company pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

10.2

Employment Agreement of Stewart Zimmerman (incorporated herein by reference to Exhibit 10.2 of the Registration Statement on Form S-4 dated February 12, 1998, filed by the Company pursuant to the Securities Act of 1933 (Commission File No. 333-46179)).

10.3 Employment Agreement of William S. Gorin (incorporated herein by reference to Exhibit 10.3 of the Registration Statement on Form S-4 dated February 12, 1998, filed by the Company pursuant to the Securities Act of 1933 (Commission File No. 333-46179)).

10.4 Employment Agreement of Ronald A. Freydborg (incorporated herein by reference to Exhibit 10.4 of the Registration Statement on Form S-4 dated February 12, 1998, filed by the Company pursuant to the Securities Act of 1933 (Commission File No. 333-46179)).

10.5 Addendum to Employment Agreement of Stewart Zimmerman (incorporated herein by reference to Form 10-Q dated

March 31, 2000, filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).



10.6 Addendum to Employment Agreement of William S. Gorin  
(incorporated herein by reference to Form 10-Q dated

March 31, 2000, filed with the Securities and Exchange  
Commission pursuant to the Securities Exchange Act of 1934  
(Commission File No. 1-13991)).

10.7 Addendum to Employment Agreement of Ronald A. Freyberg  
(incorporated herein by reference to Form 10-Q dated

March 31, 2000, filed with the Securities and Exchange  
Commission pursuant to the Securities Exchange Act of 1934  
(Commission File No. 1-13991)).

10.8 Amended and Restated 1997 Stock Option Plan of the Company

(incorporated herein by reference to Form 10-K dated

December 31, 1999, filed with the Securities and Exchange  
Commission pursuant to the Securities Exchange Act of 1934  
(Commission File No. 1-13991)).

10.9 Form of Dividend Reinvestment Plan (incorporated herein by  
reference to Appendix C of the Registration Statement on  
Form S-4 dated February 12, 1998, filed by the Registrant  
pursuant to the Securities Act of 1933 (Commission File No.  
333-46179)).

- 42 -

Attorney (incorporated herein by reference to Form  
10-K dated December 31, 2000, filed with the Securities and  
Exchange Commission pursuant to the Securities Exchange Act  
of 1934 (Commission File No. 1-13991)).

(b) Reports on Form 8-K

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

24. Power of

fourth



- 43 -

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: October 26, 2001

America First Mortgage Investments, Inc.

By /s/ Stewart Zimmerman  
Stewart Zimmerman

Chief Executive Officer



- 44 -

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Date:	October 26, 2001	Michael B. Yanney	By /s/ Michael B. Yanney*
Chairman of the Board			
Date:	October 26, 2001	Stewart Zimmerman	By /s/ Stewart Zimmerman
Chief Executive Officer and Director			
Date:	October 26, 2001	William S. Gorin	By /s/ William S. Gorin
Chief Financial Officer			
Date:	October 26, 2001	Michael L. Dahir	By /s/ Michael L. Dahir*
Director			
Date:	October 26, 2001	Alan L. Gosule Director	By
Date:	October 26, 2001	George H. Krauss	By /s/ George H. Krauss*
Director			
Date:	October 26, 2001	Gregor Medinger	By /s/ Gregor Medinger*
Director			
Date:	October 26, 2001	W. David Scott	By /s/ W. David Scott*
Director			

\* By Stewart Zimmerman, Attorney-in-fact

/s/ Stewart Zimmerman  
Stewart Zimmerman



