

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

For the quarterly period ended March 31, 2001 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  
(State or other jurisdiction  
of incorporation or organization)

13-3974868  
(IRS Employer  
Identification No.)

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

10022  
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

The number of shares of the Registrant's common stock outstanding on May 9, 2001, was 8,694,164.

March 31, 2001

	(Unaudited)	Dec. 31,
	-----	-----
2000		
--		
<S>	<C>	<C>
Assets		
Investment in mortgage securities (Note 3)	\$ 498,998,160	\$
470,575,671		
Investment in corporate debt securities (Note 4)	15,742,926	
15,665,727		
Investment in corporate equity securities (Note 5)	9,936,566	
9,010,538		
Cash and cash equivalents		
Unrestricted	14,899,522	
8,400,539		
Restricted	1,207,428	
498,875		
Accrued interest and dividends receivable	3,845,071	
3,433,256		
Other investments (Note 6)	9,932,146	
6,540,570		
Goodwill, net	7,338,322	
7,388,247		
Other assets		772,201
976,889		
	-----	-----
--		
522,490,312	\$ 562,672,342	\$
		=====
Liabilities		
Repurchase agreements (Note 7)	\$ 482,148,607	\$
448,583,432		
Accrued interest payable		2,133,455
2,038,887		
Accounts payable		1,082,118
550,209		
Dividends payable		1,517,862
1,406,288		
		-----
452,578,816	486,882,042	
	-----	-----
Stockholders' Equity		
Common stock, \$.01 par value; 375,000,000 shares authorized		
8,694,164 and 8,692,825 issued and outstanding in 2001 and 2000, respectively	86,941	
86,928		
Additional paid-in capital	74,381,228	
74,362,801		
Retained earnings (accumulated deficit)	2,111,176	
(440,084)		
Accumulated other comprehensive income	(789,045)	
(4,098,149)		
	-----	-----
--		
69,911,496	75,790,300	
	-----	-----
--		
522,490,312	\$ 562,672,342	\$
		=====

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

</TABLE>

AMERICA FIRST MORTGAGE INVESTMENTS, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)  
<TABLE>  
<CAPTION>

	For the Three Months Ended March 31, 2001	For the Three Months Ended March 31, 2000	
<S>	<C>	<C>	
Mortgage securities income	\$ 8,020,622	\$ 8,177,152	
Corporate debt securities income	467,355	240,374	
Dividend income	250,843	204,031	
Interest income on cash and cash equivalents	158,576	152,834	
	-----	-----	
Total interest and dividend income	8,897,396	8,774,391	
Interest expense on borrowed funds	6,535,736	6,966,395	
	-----	-----	
Net interest and dividend income	2,361,660	1,807,996	
		-----	-----
Income from other investments	2,954,182	148,220	
Net loss on investments	(80,172)	-	
	-----	-----	
	2,874,010	148,220	
	-----	-----	
General and administrative expenses	1,167,373	461,465	
	-----	-----	
Net income	\$ 4,068,297	\$ 1,494,751	=====
			=====
Net income, basic, per share	\$ 0.47	\$ 0.17	=====
			=====
Net income, fully diluted, per share	\$ 0.46	\$ 0.17	=====
	=====	=====	
Weighted average number of shares outstanding, basic	8,692,840	9,003,083	
Weighted average number of shares outstanding, fully diluted	8,757,435	9,010,290	

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

AMERICA FIRST MORTGAGE INVESTMENTS, INC.  
 STATEMENT OF STOCKHOLDERS' EQUITY  
 FOR THE THREE MONTHS ENDED MARCH 31, 2001  
 (UNAUDITED)

<TABLE>  
 <CAPTION>

Comprehensive Total	Common Stock		Stockholders' Equity			
	# of Shares	Amount	Capital	Paid-in Earnings	Accumulated Other Retained Income	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2000	8,692,825	\$ 86,928	\$ 74,362,801	\$ (440,084)	\$ (4,098,149)	\$ 69,911,496
Comprehensive income:						
Net income	-	-	-	4,068,297	-	4,068,297
Net unrealized holding gains arising during the period	-	-	-	-	3,309,104	3,309,104
Comprehensive income	-	-	-	4,068,297	3,309,104	7,377,401
Dividends declared	-	-	-	(1,517,037)	-	(1,517,037)
Stock options revaluation adjustment	-	-	8,437	-	-	8,437
Issuance of common stock	1,339	13	9,990	-	-	10,003
Balance at March 31, 2001	8,694,164	\$ 86,941	\$ 74,381,228	\$ 2,111,176	\$ (789,045)	\$ 75,790,300

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

AMERICA FIRST MORTGAGE INVESTMENTS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
<TABLE>  
<CAPTION>

	For the Three Months Ended March 31, 2001	For the Three Months Ended March 31, 2000
<S>	<C>	<C>
Cash flows from operating activities		
Net income	\$ 4,068,297	\$ 1,494,751
Adjustments to reconcile net income to net cash from operating activities:		
Net loss on investments	80,172	-
Amortization of premium	461,303	352,312
Amortization of goodwill	49,925	49,926
Other amortization	342,394	-
Changes in assets and liabilities:		
Increase in interest and dividends receivable	(411,815)	(617,354)
(Increase) decrease in other assets	(118,441)	97,926
Increase (decrease) in accounts payable	531,909	(100,019)
Increase (decrease) in accrued interest payable	94,568	(1,886,824)
	-----	-----
Net cash provided by (used in) operating activities	5,098,312	(609,282)
	-----	-----
Cash flows from investing activities		
Principal payments on mortgage securities	34,865,556	21,497,100
Proceeds from sale of mortgage securities	5,543,828	-
Purchases of mortgage securities	(67,067,471)	(59,419,766)
Purchases of corporate debt securities	-	(978,750)
Purchases of corporate equity securities	-	(4,639,591)
Increase in other investments	(3,391,576)	(123,260)
	-----	-----
Net cash used in investing activities	(30,049,663)	(43,664,267)
	-----	-----
Cash flows from financing activities		
Net borrowings from repurchase agreements	33,565,175	32,491,450
(Increase) decrease in restricted cash	(708,553)	3,118,270
Stock purchased for retirement	-	(392,170)
Dividends paid	(1,406,288)	(1,293,410)
	-----	-----
Net cash provided by financing activities	31,450,334	33,924,140
	-----	-----
Net increase (decrease) in unrestricted cash and cash equivalents	6,498,983	(10,349,409)
Unrestricted cash and cash equivalents at beginning of period	8,400,539	19,895,833
	-----	-----
Unrestricted cash and cash equivalents at end of period	\$ 14,899,522	\$ 9,546,424
	-----	-----
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 6,441,168	\$ 8,853,219

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

During the quarter ended March 31, 2001, the Company issued 1,339 shares of common stock with a value of \$10,003 to a non-employee director.

## 1. Organization

America First Mortgage Investments, Inc. (the Company) was incorporated in Maryland on July 24, 1997. The Company began operations on April 10, 1998 when it merged with three partnerships: America First Participating/Preferred Equity Mortgage Fund Limited Partnership (Prep Fund 1), America First Prep Fund 2 Limited Partnership (Prep Fund 2) and America First Prep Fund 2 Pension Series Limited Partnership (Pension Fund).

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

## 2. Summary of Significant Accounting Policies

### A) Basis of Presentation

The accompanying interim unaudited financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted according to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000. In the opinion of management, all normal and recurring adjustments necessary to present fairly the financial position at March 31, 2001 and results of operations for all periods presented have been made. The results of operations for the three-month period ended March 31, 2001 are not necessarily indicative of the results to be expected for the full year.

As more fully discussed in Note 6, the Company 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.

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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.

### 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.

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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 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. Such calculations are adjusted for actual prepayment activity.

Dividend income is recognized based on the ex-dividend date.

#### D) Credit Risk

The Company limits its exposure to credit losses on its investment portfolio by requiring that at least 50% of its investment portfolio consist of adjustable rate mortgage securities that are 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). The remainder of the Company's assets may be either: (i) investments in multifamily apartment properties; (ii) investments in limited partnerships, real estate investment trusts or closed-end funds owning a portfolio of mortgage assets; (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 that is rated below investment-grade will be limited to less than 5% of the Company's total assets. As of March 31, 2001, and December 31, 2000, approximately 77% and 75%, respectively, of the Company's total assets consisted of adjustable rate mortgage securities insured or guaranteed by the U.S. government or an agency thereof. At March 31, 2001, management determined no allowance for credit losses was necessary.

#### 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) 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

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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 quarters ended March 31, 2001 and 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. With regard to the options granted on April 6, 1998, the exercise price was greater than the average stock price during the quarters ended March 31, 2001, and March 31, 2000; 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 Three Months Ended March 31, 2001	For the Three Months Ended March 31, 2000
	-----	-----
<S>	<C>	<C>
Weighted average shares outstanding for basic earnings per share	8,692,840	9,003,083
Add effect of assumed shares issued under treasury stock method for stock options	64,595	7,207
Weighted average shares outstanding for diluted earnings per share	----- 8,757,435 =====	----- 9,010,290 =====

</TABLE>

- G) Comprehensive Income  
Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" requires the Company to display and report comprehensive income, which includes all changes in Stockholders' Equity with the exception of additional investments by or dividends to shareholders. Comprehensive income for the Company includes net income and the change in net unrealized holding gains (losses) on investments. Comprehensive income for the three months ended March 31, 2001, and March 31, 2000 was as follows:

<TABLE>  
<CAPTION>

	For the Three Months Ended March 31, 2001 (Unaudited)	For the Three Months Ended March 31, 2000 (Unaudited)
	-----	-----
<S>	<C>	<C>
Net income	\$ 4,068,297	\$ 1,494,751
Change in net unrealized holding gains (losses)	3,309,104	(2,515,588)
Comprehensive income	----- \$ 7,377,401 =====	----- \$ (1,020,837) =====

</TABLE>

- H) 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.

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- I) New Accounting Pronouncement  
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 has 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, as amended. Accordingly, there was no cumulative effect upon adoption of FAS 133, as amended, on January 1, 2001.

- J) Certain prior period amounts have been reclassified to conform with the current period presentation.

### 3. Mortgage Securities

The following table presents the Company's mortgage securities as of March 31, 2001 and December 31, 2000.

<TABLE>



<CAPTION>

	As of March 31, 2001 (Unaudited)	As of December 31, 2000	
<S>	<C>	<C>	
FNMA Certificates	\$	420,073,485	\$ 377,668,990
GNMA Certificates		16,787,093	24,529,046
FHLMC Certificates	8,280,470	8,981,226	
Commercial mortgage-backed securities	11,696,424	17,135,031	
Private label CMOs	42,160,688	42,261,378	
	-----	-----	
\$ 498,998,160	\$ 470,575,671		
	=====	=====	

</TABLE>

At March 31, 2001, and December 31, 2000, mortgage securities consisted of pools of adjustable-rate mortgage securities with carrying values of \$486,018,154 and \$450,992,165, respectively, and fixed-rate mortgage securities with carrying values of \$12,980,006 and \$19,583,506, 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.

The 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 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.

At March 31, 2001, and December 31, 2000, all mortgage securities were

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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 March 31, 2001, and December 31, 2000, respectively:

<TABLE>  
<CAPTION>

	As of March 31, 2001 (Unaudited)	As of Dec. 31, 2000	
<S>	<C>	<C>	
Amortized cost	\$ 500,801,848	\$ 474,638,436	
Gross unrealized gains	841,921	351,662	
Gross unrealized losses	(2,645,609)	(4,414,427)	
	-----	-----	
Fair value			\$ 498,998,160
470,575,671			\$
			=====

</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 March 31, 2001, and December 31, 2000:

<TABLE>  
<CAPTION>

	As of March 31, 2001 (Unaudited)	As of December 31, 2000
<S>	<C>	<C>
	-----	-----

Amortized cost	\$ 15,742,926	\$ 15,665,727
Gross unrealized gains	44,689	24,900
Gross unrealized losses	(6,009,365)	(3,795,002)
	-----	-----
Fair value	\$ 9,778,250	\$ 11,895,625
	=====	=====

</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 March 31, 2001 and December 31, 2000:

<TABLE>  
<CAPTION>

	As of March 31, 2001 (Unaudited)	As of December 31, 2000
	-----	-----
<S>	<C>	<C>
Cost	\$ 8,921,923	\$ 9,045,923
Gross unrealized gains	1,269,770	613,843
Gross unrealized losses	(255,127)	(649,228)
	-----	-----
Fair value	\$ 9,936,566	\$ 9,010,538
	=====	=====

</TABLE>

The Company recognized a permanent impairment loss of \$124,000 for the three months ended March 31, 2001, on one of its investments in corporate equity securities. The cost basis of such security was adjusted accordingly.

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#### 6. Other Investments

Other investments consisted of the following as of March 31, 2001 and December 31, 2000:

<TABLE>  
<CAPTION>

	As of March 31, 2001 (Unaudited)	As of Dec. 31, 2000
	-----	-----
<S>	<C>	<C>
Investment in Retirement Centers Corporation	\$ 5,421,429	\$ 2,540,180
Investment in and advances to real estate limited partnerships	4,510,717	4,000,390
	-----	-----
Total	\$ 9,932,146	\$ 6,540,570
	=====	=====

</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 March 31, 2001, RCC owned (i) a 128-unit apartment property located in Omaha, Nebraska, which was acquired on January 12, 2000 and (ii) an 88.3% undivided interest in a 192-unit apartment property located in Lawrenceville, Georgia, which was acquired on January 18, 2001.

At December 31, 2000, RCC owned (i) the 128-unit apartment property referenced above and (ii) a limited partnership interest in a real estate limited partnership which operates an assisted living center located in Salt Lake City, Utah. On January 2, 2001, the limited partnership which owned the assisted living center was liquidated with RCC receiving an undivided interest in the net assets of such partnership. RCC then sold its undivided interest in the net assets of the assisted living center. Such sale contributed approximately \$2,100,000 (\$2,600,000 less an incentive fee of approximately \$511,000) (see Note 9) to the Company's net income for the quarter ended March 31, 2001. The proceeds of such sale were utilized to acquire the 192-unit apartment property on January 18, 2001 as discussed above.

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 by any government agency or third party. The value of these investments is a function of 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. As of March 31, 2001, and December 31, 2000, the Company had investments in four such limited partnerships. On January 18, 2001, the Company and one of its real estate limited partnerships acquired the remaining 11.7% undivided interest in the 192-unit apartment property discussed above.

#### 7. Repurchase Agreements

As of March 31, 2001, the Company had outstanding balances of \$482,148,607 under 62 repurchase agreements with a weighted average borrowing rate of 5.38% and a weighted average remaining maturity of 2.6 months. As of March 31, 2001, 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, 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 maturity of approximately one month.

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At March 31, 2001, the repurchase agreements had the following remaining maturities:

<TABLE>	
<CAPTION>	
<S>	<C>
Within 30 days	\$ 311,618,478
30 to 90 days	64,540,969
90 days to one year	105,989,160
	-----
	\$ 482,148,607
	=====

</TABLE>

The repurchase agreements are collateralized by the Company's mortgage securities and corporate debt securities with an aggregate current face value of approximately \$509.1 million and corporate equity securities with a current market value of approximately \$9.9 million. The repurchase agreements 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 Company has adopted an amendment to the Plan that would increase the total number of options for shares available for issuance to 1,400,000, subject to shareholder approval at its 2001 annual meeting. 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 March 31, 2001 and December 31, 2000, 525,000 ISOs were vested and exercisable. As of March 31, 2001 and December 31, 2000, 20,000 NQSOs were vested and exercisable. As of March 31, 2001, 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 three months ended March 31, 2001, and March 31, 2000, the Company recorded charges of \$82,500 and \$35,000, respectively, to stockholders' equity (included in dividends paid or accrued) associated with the DERs on ISOs and charges of \$825 and \$1,400, 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 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

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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 three months ended March 31, 2001, and March 31, 2000, as part of operations, the Company reflected earnings charges of \$125,643 and \$96,854, 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

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On February 12, 2001, the Company's board of directors declared a dividend of \$.165 per share for the quarter ended March 31, 2001, payable on April 30, 2001, to shareholders of record as of April 16, 2001.

#### Stock Repurchase Plan

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In connection with the Company's 600,000 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 March 31, 2001, the Company has purchased and retired 378,221 shares at an aggregate cost of \$1,923,821 (none during the quarter ended March 31, 2001).

#### 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, on a quarterly basis, an incentive compensation fee of 20% of the amount by which its Return on Equity for each quarter exceeds a return based on the Ten-Year U.S. Treasury Rate plus 1%. For the three months ended March 31, 2001, and March 31, 2000, the Advisor earned a base management fee of \$209,004 and \$182,925, respectively, and incentive compensation of \$752,789 and \$71,260, respectively. Approximately \$511,000 of the incentive fee earned in 2001 was attributable to the sale described in Note 6.

America First Properties Management Company L.L.C., (the Manager), provides property management services for multifamily properties in which the Company has an interest. 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 entities which own the multifamily properties in which the Company has an interest for the three months ended March 31, 2001 and March 31, 2000, amounted to \$108,435 and \$94,549, respectively.

## 10. Subsequent Events

On April 30, 2001, the Company filed a Registration Statement on Form S-2 with the Securities and Exchange Commission offering 7,500,000 shares of its common stock. The Registration Statement also covers an additional 1,125,000 shares that may be issued to cover the underwriter's over allotment option. Net proceeds from the proposed offering of common stock will be utilized to acquire additional mortgage-backed securities, interests in multifamily apartment properties and other investments consistent with the Company's investment criteria.

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### Item 2.

#### AMERICA FIRST MORTGAGE INVESTMENTS, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with all of the financial statements and notes included in Item 1 of this report as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

#### General

The Company was incorporated in Maryland on July 24, 1997. The Company began operations on April 10, 1998 when it merged with three partnerships: America First Participating/Preferred Equity Mortgage Fund Limited Partnership ("Prep Fund 1"), America First Prep Fund 2 Limited Partnership ("Prep Fund 2") and America First Prep Fund 2 Pension Series Limited Partnership ("Pension Fund").

America First Mortgage Advisory Corporation (the "Advisor") provides advisory services to the Company in connection with the conduct of the Company's business activities. The Company's principal investment strategy includes leveraged investing in adjustable rate mortgage securities. The Company's investment strategy also provides for the acquisition of multifamily housing properties, REIT securities and high-yield corporate securities. Since commencing operations and through March 31, 2001, the Company purchased adjustable-rate mortgage securities with a face value at the time of purchase of approximately \$735.3 million (mortgage securities with a face value of approximately \$66.1 million were purchased during the three months ended March 31, 2001).

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 90% (95% prior to 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. On February 12, 2001, the Company's board of directors declared a dividend of \$0.165 per share for the quarter ended March 31, 2001, payable on April 30, 2001, to shareholders of record as of April 16, 2001. On April 9, 2001, the Company's board of directors declared a dividend of \$0.175 per share for the quarter ended June 30, 2001, payable on July 16, 2001, to shareholders of record as of June 30, 2001.

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.

#### 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 three months ended March 31, 2001, the Company acquired \$67.1 million of mortgage securities. Financing for these acquisitions was provided primarily through the utilization of repurchase agreements, supplemented by cash flow from operations of \$2.6 million. Net borrowings under such repurchase agreements totaled \$33.6 million during the three months ended March 31, 2001. The Company also received principal payments of \$34.9 million on its mortgage securities and \$5.5 million from the sale of mortgage

securities during the three months ended March 31, 2001. Other uses of funds during the three months ended March 31, 2001, included \$3.4 million primarily for the acquisition of an interest in a multifamily housing property and a \$1.4 million dividend payment.

The Company's borrowings under repurchase agreements totaled \$482.1 million at March 31, 2001, and had a weighted average borrowing rate of 5.38% as of such date. At March 31, 2001, the repurchase agreements had balances of between \$0.3 million and \$51.7 million. These arrangements have original terms to

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maturity ranging from one month to twelve months and annual interest rates based on LIBOR. To date, 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.

On April 30, 2001, the Company filed a Registration Statement on Form S-2 with the Securities and Exchange Commission offering 7,500,000 shares of its common stock. The Registration Statement also covers an additional 1,125,000 shares that may be issued to cover the underwriter's over allotment option. Net proceeds from the proposed offering of common stock will be utilized to acquire additional mortgage-backed securities, interests in multifamily apartment properties and other investments consistent with the Company's investment criteria.

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

#### Results of Operations

##### Three Month Period Ended March 31, 2001 Compared to 2000

During the three months ended March 31, 2001, total interest and dividend income for the Company increased \$0.1 million (1.4%) as compared to total interest and dividend income for the three months ended March 31, 2000. This increase is primarily the result of an increase in the annualized yield on the Company's interest earning assets to 6.81% for the three months ended March 31, 2001, up from 6.70% for the comparable period in 2000. The Company's average interest-earning assets for the three months ended March 31, 2001 approximated those of the same period in 2000.

The Company's interest expense decreased \$0.4 million (6.2%) for the three months ended March 31, 2001, compared to the comparable period in 2000. Such decrease is due primarily to a decrease in the Company's average interest cost from 5.95% to 5.62% for the three months ended March 31, 2000 and 2001, respectively. The Company's average outstanding borrowings for the three months ended March 31, 2001 approximated those of the same period in 2000.

The Company's interest rate margin (calculated by dividing annualized net interest and dividend income by the average interest earning assets) was 1.81% for the three months ended March 31, 2001, compared to 1.38% for the same period in 2000. As a result of the widening of such margin, net interest and dividend income increased \$0.6 million (31%) from \$1.8 million to \$2.4 million for the three months ended March 31, 2000 and 2001, respectively.

Income from other investments increased \$2.8 million for the three months ended March 31, 2001, compared to the same period in 2000. Included in such income for the three months ended March 31, 2001, is a gain of approximately \$2.6 million which resulted from the sale by a non-consolidated subsidiary of its undivided interest in the net assets of an assisted living center. Excluding such gain, income from other investments increased \$0.2 million due to higher income generated by the Company's investments in unconsolidated real estate limited partnerships.

The Company recognized a net loss of \$80,172 on its investments during the three months ended March 31, 2001, resulting from a permanent impairment loss recognized on one of its investments in corporate equity securities. (See Note 5). Such loss was partially offset by a gain on the sale of commercial mortgage-backed securities. The Company recognized no such gains or losses during the comparable period in 2000.

General and administrative expenses for the Company for the three months ended March 31, 2001, increased \$0.7 million as compared to the three months ended March 31, 2000. Such increase is attributable to a higher incentive compensation fee earned by the Advisor of which \$0.5 million resulted from the sale described in Note 6 and \$0.2 million resulted from an increase in income generated by the Company.

#### Other Matters

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

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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 March 31, 2000, the Company determined that it is in and has maintained compliance with this requirement.

#### Forward Looking Statements

When used in this Form 10-Q, 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 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in the Company's market risk since December 31, 2000.

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## PART II. OTHER INFORMATION

### Item 6. Exhibits and Reports on Form 8-K

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

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)).

10.2

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. Freyberg (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 (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)).

(b) Reports on Form 8-K

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the  
Registrant has duly caused this report to be signed on its behalf by the  
undersigned, thereunto duly authorized.

Dated: May 10, 2001

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

By /s/ Stewart Zimmerman  
Stewart Zimmerman

President and Chief Executive Officer

By /s/ Gary Thompson  
Gary Thompson  
Authorized Officer and Chief Financial Officer