

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 June 30, 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 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)

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 August 10, 2001, was 19,034,850.

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Part I. Financial Information
Item 1. Financial Statements
AMERICA FIRST MORTGAGE INVESTMENTS, INC.
BALANCE SHEETS
<TABLE>
<CAPTION>

June 30, 2001

	(Unaudited)	Dec. 31,
	-----	-----
2000		
--		
<S>	<C>	<C>
Assets		
Investment in mortgage securities (Note 3)	\$ 781,966,309	\$
470,575,671		
Investment in corporate debt securities (Note 4)	13,047,632	
15,665,727		
Investment in corporate equity securities (Note 5)	7,319,292	
9,010,538		
Cash and cash equivalents		
Unrestricted	63,220,273	
8,400,539		
Restricted	9,576,290	
498,875		
Accrued interest and dividends receivable	4,742,597	
3,433,256		
Other investments (Note 6)	9,854,673	
6,540,570		
Goodwill, net	7,288,396	
7,388,247		
Other assets		867,350
976,889		
	-----	-----
--		
522,490,312	\$ 897,882,812	\$
		=====
Liabilities		
Repurchase agreements (Note 7)	\$ 748,851,456	\$
448,583,432		
Accrued interest payable		3,018,545
2,038,887		
Accounts payable		803,939
550,209		
Dividends payable		3,419,474
1,406,288		

-----	756,093,414	
452,578,816		
-----		-----
Stockholders' Equity		
Common stock, \$.01 par value; 375,000,000 shares authorized		
19,034,850 and 8,692,825 issued and outstanding in 2001		
and 2000, respectively (Note 8)	190,348	
86,928		
Additional paid-in capital	141,459,589	
74,362,801		
Retained earnings (accumulated deficit)	915,393	
(440,084)		
Accumulated other comprehensive income	(775,932)	
(4,098,149)		
	-----	-----
--		
69,911,496	141,789,398	
	-----	-----
--		
522,490,312	\$ 897,882,812	\$
	=====	

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

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

	For the Three Months Ended June 30, 2001	For the Three Months Ended June 30, 2000	For the Six Months Ended June 30, 2001	For the Six Months Ended June 30, 2000
<S>	<C>	<C>	<C>	<C>
Mortgage securities income	\$ 8,155,306	\$ 8,434,999	\$ 16,175,928	\$ 16,612,151
Corporate debt securities income	433,043	255,986	900,398	496,360
Dividend income	189,233	255,019	440,076	459,050
Interest income on cash and cash equivalents	177,593	140,174	336,169	293,008
Total interest and dividend income	8,955,175	9,086,178	17,852,571	17,860,569
Interest expense on borrowed funds	5,814,162	7,626,956	12,349,898	14,593,351
Net interest and dividend income	3,141,013	1,459,222	5,502,673	3,267,218
Income (loss) from other investments	(9,061)	354,142	2,945,121	502,362
Net gain (loss) on investments	(170,747)	119,619	(250,919)	119,619
General and administrative expenses	738,389	512,495	1,905,762	973,960
Net income	\$ 2,222,816	\$ 1,420,488	\$ 6,291,113	\$ 2,915,239
Net income, basic, per share	\$.24	\$.16	\$.71	\$.33
Net income, fully diluted, per share	\$.24	\$.16	\$.70	\$.33
Weighted average number of shares outstanding, basic	9,150,323	8,877,434	8,922,845	8,906,186
Weighted average number of shares outstanding, fully diluted	9,248,396	8,892,407	9,005,596	8,917,468

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

AMERICA FIRST MORTGAGE INVESTMENTS, INC.
 STATEMENT OF STOCKHOLDERS' EQUITY
 FOR THE SIX MONTHS ENDED JUNE 30, 2001
 (UNAUDITED)

<TABLE>
 <CAPTION>

Comprehensive Total	Stockholders' Equity					
	Common Stock		Capital	Accumulated Other Retained		
	# of Shares	Amount		Paid-in Earnings	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	-	-	-	6,291,113	-	6,291,113
Net unrealized holding gains arising during the period	-	-	-	-	3,322,217	3,322,217
Comprehensive income	-	-	-	6,291,113	3,322,217	9,613,330
Dividends declared	-	-	-	(4,935,636)	-	(4,935,636)
Stock options revaluation adjustment	-	-	18,937	-	-	18,937
Issuance of common stock	6,811	68	49,935	-	-	50,003
Issuance of common stock, net of offering expenses	10,335,214	103,352	67,027,916	-	-	67,131,268
Balance at June 30, 2001	19,034,850	\$ 190,348	\$141,459,589	\$ 915,393	\$ (775,932)	\$141,789,398

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

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

	For the Six Months Ended June 30, 2001	For the Six Months Ended June 30, 2000
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities		
Net income	\$ 6,291,113	\$ 2,915,239
Adjustments to reconcile net income to net cash from operating activities:		
Net (gain) loss on investments	(2,506,605)	(119,619)
Amortization of premium	1,069,743	749,282
Amortization of goodwill	99,851	99,851
Other amortization	395,980	43,496
Changes in assets and liabilities:		
Increase in interest and dividends receivable	(1,309,341)	(610,905)
(Increase) decrease in other assets	(215,800)	157,797
Increase (decrease) in accounts payable	253,730	(177,784)
Increase (decrease) in accrued interest payable	979,658	(1,367,847)
	-----	-----
Net cash provided by operating activities	5,058,329	1,689,510
	-----	-----
Cash flows from investing activities		
Principal payments on mortgage securities	74,047,714	47,821,943
Proceeds from sale of mortgage securities	5,543,828	5,018,677
Proceeds from sale of corporate debt securities	1,960,875	372,500
Proceeds from sale of corporate equity securities	3,423,397	42,294
Purchases of mortgage securities	(389,682,506)	(67,095,668)
Purchases of corporate debt securities	-	(4,963,750)
Purchases of corporate equity securities	(392,053)	(6,480,808)
Increase in other investments	(537,577)	(41,136)
	-----	-----
Net cash used in investing activities	(305,636,322)	(25,325,948)
	-----	-----
Cash flows from financing activities		
Net borrowings from repurchase agreements	300,268,024	20,314,026
Net proceeds from stock offering	67,131,268	-
(Increase) decrease in restricted cash	(9,077,415)	2,781,882
Stock purchased for retirement	-	(558,452)
Dividends paid	(2,924,150)	(2,591,412)
	-----	-----
Net cash provided by financing activities	355,397,727	19,946,044
	-----	-----
Net increase (decrease) in unrestricted cash and cash equivalents	54,819,734	(3,690,394)
Unrestricted cash and cash equivalents at beginning of period	8,400,539	19,895,833
	-----	-----
Unrestricted cash and cash equivalents at end of period	\$ 63,220,273	\$ 16,205,439
	-----	-----
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 11,370,240	\$ 15,961,198

</TABLE>

During the six months ended June 30, 2001 and 2000, the Company issued 6,811 and 7,804 shares of common stock, respectively, to its non-employee directors in partial payment of the annual retainer paid by the Company to such directors. The aggregate value of such common stock issued during the six months ended June 30, 2001 and 2000 was \$50,003 and \$39,996, respectively.

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

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 June 30, 2001 and results of operations for all periods presented have been made. The results of operations for the six-month period ended June 30, 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 five 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.

Although the Company generally intends to hold most of its mortgage securities until maturity, it may, from time to time, sell any of its

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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; 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 that is rated below investment-grade will be limited to less than 5% of the Company's total assets. As of June 30, 2001, and December 31, 2000, approximately 79% 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 June 30, 2001, management determined no allowance for credit losses was necessary, except for the permanent impairment losses described in Notes 4 and 5.

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 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

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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 June 30, 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 is greater than the average stock price during the quarters ended June 30, 2001, and June 30, 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 June 30, 2001 (Unaudited)	For the Three Months Ended June 30, 2000 (Unaudited)	For the Six Months Ended June 30, 2001 (Unaudited)	For the Six Months Ended June 30, 2000 (Unaudited)
<S>	<C>	<C>	<C>	<C>
Weighted average shares outstanding for basic earnings per share	9,150,323	8,877,434	8,922,845	8,906,186
Add effect of assumed shares issued under treasury stock method for stock options	98,073	14,973	82,751	11,282
Weighted average shares outstanding for diluted earnings per share	9,248,396	8,892,407	9,005,596	8,917,468

</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 and six months ended June 30, 2001, and June 30, 2000 was as follows:

<TABLE>
<CAPTION>

	For the Three Months Ended June 30, 2001 (Unaudited)	For the Three Months Ended June 30, 2000 (Unaudited)	For the Six Months Ended June 30, 2001 (Unaudited)	For the Six Months Ended June 30, 2000 (Unaudited)
<S>	<C>	<C>	<C>	<C>
Net income	\$ 2,222,816	\$ 1,420,488	\$ 6,291,113	\$ 2,915,239
Change in net unrealized holding gains (losses)	13,113	218,697	3,322,217	(2,296,891)
Comprehensive income (loss)	\$ 2,235,929	\$ 1,639,185	\$ 9,613,330	\$ 618,348

</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 financial statements.

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

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June, 2000. These statements provide new accounting and reporting standards for the use of derivative instruments. 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) Reclassifications
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 June 30, 2001 and December 31, 2000.

<TABLE>
<CAPTION>

June 30, 2001 (Unaudited)	December 31, 2000
-----	-----

<S>	<C>	<C>	
FNMA Certificates	\$	611,984,228	\$ 377,668,990
GNMA Certificates		15,077,050	24,529,046
FHLMC Certificates	92,787,049	8,981,226	
Commercial mortgage-backed securities	11,714,604	17,135,031	
Non-agency AAA assets	50,403,378	42,261,378	
	-----	-----	
\$ 781,966,309	\$ 470,575,671	=====	=====

</TABLE>

At June 30, 2001, and December 31, 2000, mortgage securities consisted of pools of adjustable-rate mortgage securities with carrying values of \$769,355,081 and \$450,992,165, respectively, and fixed-rate mortgage securities with carrying values of \$12,611,228 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-backed securities are rated AA or A by Standard and Poor's.

The non-agency assets are generally rated AAA by Standard and Poor's.

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At June 30, 2001, and December 31, 2000, all 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 at June 30, 2001, and December 31, 2000, respectively:

<TABLE>			
<CAPTION>			
	As of	As of	
	June 30, 2001	Dec. 31, 2000	
	(Unaudited)		
	-----	-----	
<S>	<C>	<C>	
Amortized cost	\$ 783,546,747	\$ 474,638,436	
Gross unrealized gains	1,528,217	351,662	
Gross unrealized losses	(3,108,655)	(4,414,427)	
	-----	-----	
Fair value	\$ 781,966,309	\$ 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 June 30, 2001, and December 31, 2000:

<TABLE>
<CAPTION>

As of

	June 30, 2001 (Unaudited)	As of December 31, 2000
<S>	<C>	<C>
Amortized cost	\$ 13,047,632	\$ 15,665,727
Gross unrealized gains	-	24,900
Gross unrealized losses	(6,842,507)	(3,795,002)
Fair value	\$ 6,205,125	\$ 11,895,625

</TABLE>

The Company recognized a permanent impairment loss of \$273,890 during the three and six months ended June 30, 2001, on one of its investments in corporate debt securities. The amortized cost basis of such security was adjusted accordingly.

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 June 30, 2001, and December 31, 2000:

<TABLE>
<CAPTION>

	As of June 30, 2001 (Unaudited)	As of December 31, 2000
<S>	<C>	<C>
Cost	\$ 6,514,786	\$ 9,045,923
Gross unrealized gains	1,077,343	613,843
Gross unrealized losses	(272,837)	(649,228)
Fair value	\$ 7,319,292	\$ 9,010,538

</TABLE>

The Company recognized a permanent impairment loss of \$124,000 during the six months ended June 30, 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 June 30, 2001 and December 31, 2000:

<TABLE>
<CAPTION>

	As of June 30, 2001	As of
(Unaudited) Dec. 31, 2000		
<S>	<C>	<C>
Investment in Retirement Centers Corporation	\$ 5,446,197	\$ 2,540,180
Investment in and advances to real estate limited partnerships	4,408,476	4,000,390
Total	\$ 9,854,673	\$ 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 June 30, 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 six months ended June 30, 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 June 30, 2001, and December 31, 2000, the Company had investments in five (including the acquisition described below) 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 June 30, 2001, the Company had outstanding balances of \$748,851,456 under 72 repurchase agreements with a weighted average borrowing rate of 4.2% and a weighted average remaining maturity of 3.9 months. As of June 30, 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%.

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At June 30, 2001, the repurchase agreements had the following remaining maturities:

<TABLE>	
<CAPTION>	
<S>	<C>
Within 30 days	\$ 276,397,709
30 to 90 days	208,369,587
90 days to one year	264,084,160

	\$ 748,851,456
	=====

</TABLE>

The repurchase agreements are collateralized by the Company's mortgage securities and corporate debt securities with an aggregate current face value of approximately \$786.5 million and corporate equity securities with a current market value of approximately \$7.3 million. The repurchase agreements bear interest at rates that are LIBOR based.

8. Stockholders' Equity

Common Stock Offering

- -----
The Company filed a registration statement with respect to a public offering and sale of 9,000,000 shares of its common stock that became effective June 21, 2001. In addition, the Company granted the underwriters an option to purchase up to 1,335,214 additional shares to cover over-allotments which the underwriters exercised in full. The public offering closed on June 27, 2001. The shares were priced at \$7 per share with the Company receiving net proceeds of approximately \$67.1 million after deducting total offering costs of approximately \$5.2 million, including underwriting discounts.

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 1,400,000 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 June 30, 2001 and December 31, 2000, 525,000 ISOs were vested and exercisable. As of June 30, 2001 and December 31, 2000, 20,000 NQSOs were vested and exercisable. As of June 30, 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 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 and six months ended June 30, 2001, the Company recorded charges of \$87,500 and \$170,000, respectively, to stockholders' equity (included in dividends paid or accrued) associated with the DERs on ISOs and charges of \$875 and \$1,700, respectively, to earnings associated with DERs on NQSOs. For the three and six months ended June 30, 2000, the Company recorded charges of \$70,000 and \$105,00, respectively, to stockholders' equity (included in dividends paid or accrued) associated with DERs on ISOs and charges of \$700

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and \$2,100, 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 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 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 and six months ended June 30, 2001, as part of operations, the Company reflected earnings charges of \$10,500 and \$136,143, respectively, representing the value of ISOs/DERs granted over their vesting period. For the three and six months ended June 30, 2000, as part of operations, the Company reflected earnings charges of \$55,821 and \$152,675, respectively, representing the value of the 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.

The Company pays its non-employee directors a portion of their annual retainer in common stock of the Company. During the six months ended June 30, 2001, and 2000, the Company issued 6,811 and 7,804 shares of its common stock with an aggregate value of \$50,003 and \$39,996, respectively, to such directors (5,472 and 7,804 shares with an aggregate value of \$40,000 and \$39,996 during the three months ended June 30, 2001 and 2000, respectively).

Dividends
- -----

The Company declared the following dividends during 2001 and 2000:

<TABLE>
<CAPTION>

Declaration Date - -----	Record Date - -----	Payment Date - -----	Amount per Share -----
<S>	<C>	<C>	<C>
During 2001:			
February 12, 2001	April 16, 2001	April 30, 2001	\$.165
April 9, 2001	June 30, 2001	July 16, 2001	\$.175
During 2000:			
March 17, 2000	April 14, 2000	May 17, 2000	\$.140
June 14, 2000	June 30, 2000	August 17, 2000	\$.140
September 8, 2000	October 16, 2000	November 17, 2000	\$.155

</TABLE>

Stock Repurchase Plan

 During the fourth quarter of 1999, the Company implemented a 600,000 share repurchase program. Pursuant to this program, through June 30, 2001, the Company has purchased and retired 378,221 shares at an aggregate cost of \$1,923,821 (none during the quarter or six months ended June 20, 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

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\$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 and six months ended June 30, 2001, the Advisor earned a base management fee of \$271,046 and \$480,050, respectively, and incentive compensation of \$257,134 and \$1,009,923, respectively. For the three and six months ended June 30, 2000, the Advisor earned a base management fee of \$179,422 and \$362,347, respectively, and incentive compensation of \$53,969 and \$125,229, respectively. 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 and six months ended June 30, 2001, amounted to \$111,141 and \$219,576, respectively, and such fees paid for the three and six months ended June 30, 2000, amounted to \$97,017 and \$191,566, respectively.

10. Subsequent Events

Through August 10, 2001, the Company acquired ten FNMA whole-pool mortgage-backed certificates with an aggregate remaining principal balance of \$235.7 million (FNMA Certificates). The FNMA Certificates bear interest at rates ranging from 5.78% to 7.66% per annum. The total purchase price paid for the FNMA Certificates, including accrued interest, was approximately \$241.3 million. The Company also acquired two FHLMC whole-pool mortgage-backed certificates with an aggregate remaining principal balance of \$36.0 million (FHLMC Certificates). The FHLMC Certificates bear interest at rates of 6.12% and 6.75% per annum. The total purchase price paid for the FHLMC Certificates, including accrued interest, was approximately \$36.9 million. In addition, the Company acquired two non-agency AAA assets with an aggregate remaining principal balance of \$97.5 million. The non-agency AAA assets bear interest at rates of 5.93% and 6.00% per annum. The total purchase price paid for the non-agency AAA assets, including accrued interest, was approximately \$97.9 million. The acquisitions were financed with the proceeds of various LIBOR-based repurchase agreements aggregating \$333.8 million and cash of \$42.3 million.

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 June 30, 2001, the Company purchased mortgage securities with a face value at the time of purchase of approximately \$1.053 billion (mortgage securities with a face value of approximately \$384.0 million were purchased during the six months ended June 30, 2001).

The Company has elected to become subject to tax as a real estate investment trust ("REIT") for federal income tax purposes beginning with its 1998 taxable year and, as such, anticipates distributing annually at least 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. The Company declared the following dividends during 2001 and 2000:

<TABLE>
 <CAPTION>

Declaration Date	Record Date	Payment Date	Amount per Share
-----	-----	-----	-----
<S>	<C>	<C>	<C>
During 2001:			
February 12, 2001	April 16, 2001	April 30, 2001	\$.165
April 9, 2001	June 30, 2001	July 16, 2001	\$.175
During 2000:			
March 17, 2000	April 14, 2000	May 17, 2000	\$.140
June 14, 2000	June 30, 2000	August 17, 2000	\$.140
September 8, 2000	October 16, 2000	November 17, 2000	\$.155
December 14, 2000	January 15, 2001	January 30, 2001	\$.155

</TABLE>

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, cash provided by operations and public equity offerings. Principal uses of cash include the acquisition of investment securities, the

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payment of operating expenses and the payment of dividends to shareholders.

On June 27, 2001, the Company closed a public offering of 10,335,214 shares of its common stock. The offering included the full exercise of the underwriters' option to purchase up to 1,335,214 additional shares to cover over-allotments. The shares were priced at \$7 per share with the Company receiving net proceeds of approximately \$67.1 million net of offering expenses of \$5.2 million, including underwriting discounts. Proceeds of the offering are primarily being utilized to acquire additional adjustable-rate mortgage securities.

During the six months ended June 30, 2001, the Company acquired \$390.1 million of mortgage securities and corporate equity securities. Financing for these acquisitions was provided primarily through the utilization of repurchase agreements, supplemented by cash flow from operations and a portion of the proceeds of the aforementioned equity offering. Net borrowings under repurchase agreements totaled \$300.3 million during the six months ended June 30, 2001. The Company also received principal payments of \$74.0 million on its mortgage securities and proceeds of \$10.9 million from the sale of mortgage securities, corporate debt securities and corporate equity securities during the six months ended June 30, 2001. Other uses of funds during the six months ended June 30, 2001, included \$3.3 million primarily for the acquisition of an interest in a multifamily housing property and \$2.9 million for dividend payments.

The Company's borrowings under repurchase agreements totaled \$748.9 million at June 30, 2001, and had a weighted average borrowing rate of 4.2% as of such date. At June 30, 2001, the repurchase agreements had balances of between \$.2 million and \$65.0 million. These arrangements have original terms to 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.

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 June 30, 2001 Compared to 2000

During the three months ended June 30, 2001, total interest and dividend income decreased approximately \$131,000 (1.4%) compared to the same period in the prior year. Such decrease was the result of reductions in income from mortgage securities and dividend income which were partially offset by increases in income from corporate debt securities and income recognized on short-term investments in cash and cash equivalents. The decrease in income from mortgage securities was the result of a reduction in outstanding fixed-rate investments due to sales of such investments and increased repayments by the underlying borrowers as well as to a reduction in the annualized yield on adjustable-rate mortgage investments. Such decreases were partially offset by an increase in the average investment in adjustable-rate mortgage securities during the period.

The decrease in dividend income is primarily attributable to a reduction in the average amount invested in such securities as a result of sales of the underlying investments.

The increase in income from corporate debt securities and income on short-term investments in cash and cash equivalents was primarily the result of an increase in the average balances of such investments during the period.

The Company's interest expense decreased \$1.8 million (23.8%) for the three months ended June 30, 2001, compared to the comparable period in 2000. Such decrease is due primarily to a decrease in the Company's average interest cost from 6.38% to 4.66% for the three months ended June 30, 2000 and 2001, respectively. The decrease in average interest cost was partially offset by an increase in the Company's average outstanding borrowings for the three months ended June 30, 2001 which increased approximately \$22.9 million as compared to the same period in 2000.

As a result of the widening of the Company's interest rate margin, net

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interest and dividend income increased \$1.6 million (115.3%) from \$1.5 million to \$3.1 million for the three months ended June 30, 2000 and 2001,

respectively.

Income from other investments decreased \$0.4 million for the three months ended June 30, 2001, compared to the same period in 2000 as a result of a reduction in income generated by the Company's investments in unconsolidated real estate limited partnerships.

The Company recognized a net loss of approximately \$171,000 on its investments during the three months ended June 30, 2001. Such net loss resulted from a permanent impairment loss recognized on one of its investments in corporate debt securities of approximately \$274,000 (See Note 4) and losses on sales of certain corporate debt and equity securities of approximately \$601,000. Such losses were partially offset by gains on sales of certain corporate debt and equity securities of approximately \$704,000. This compares to a net gain of approximately \$120,000 recognized during the three months ended June 30, 2000, resulting from the sale of corporate debt and equity securities for a gain of \$199,000 which was partially offset by a loss of \$79,000 on the sale of numerous small pools of fixed-rate mortgage securities.

General and administrative expenses for the Company for the three months ended June 30, 2001, increased \$0.2 million as compared to the three months ended June 30, 2000. Such increase is primarily attributable to a higher incentive compensation fee earned by the Advisor due to an increase in income generated by the Company.

Six Month Period Ended June 30, 2001 Compared to 2000

During the six months ended June 30, 2001, total interest and dividend income approximated that of the same period in the prior year. This was the result of reductions in income from mortgage securities and dividend income which were substantially offset by increases in income from corporate debt securities and income recognized on short-term investments in cash and cash equivalents. The decrease in income from mortgage securities was the result of a reduction in outstanding fixed-rate investments due to sales of such investments and increased repayments by the underlying borrowers as well as a reduction in the annualized yield on adjustable-rate mortgage investments. Such decreases were partially offset by an increase in the average investment in adjustable-rate mortgage securities during the period.

The decrease in dividend income is primarily attributable to a reduction in the average amount invested in such securities as a result of sales of the underlying investments.

The increase in income from corporate debt securities and income on short-term investments in cash and cash equivalents was primarily the result of an increase in the average balances of such investments during the period.

The Company's interest expense decreased \$2.2 million (15.4%) for the six months ended June 30, 2001, compared to the comparable period in 2000. Such decrease is due primarily to a decrease in the Company's average interest cost from 6.31% to 5.14% for the six months ended June 30, 2000 and 2001, respectively. The decrease in average interest cost was partially offset by an increase in the Company's average outstanding borrowings for the six months ended June 30, 2001 which increased approximately \$18.4 million as compared to the same period in 2000.

As a result of the widening of the Company's interest rate margin, net interest and dividend income increased \$2.2 million (68%) from \$3.3 million to \$5.5 million for the six months ended June 30, 2000 and 2001, respectively.

Income from other investments increased \$2.4 million for the six months ended June 30, 2001, compared to the same period in 2000. Included in such income for the six months ended June 30, 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 decreased \$0.2 million as a result of a reduction in income generated by the Company's investments in unconsolidated real estate limited partnerships.

The Company recognized a net loss of approximately \$251,000 on its investments during the six months ended June 30, 2001. Such net loss resulted from

permanent impairment losses recognized on one of each of its investments in corporate debt and equity securities totaling approximately \$398,000. (See Notes 4 and 5). In addition, the Company recognized losses of approximately \$601,000 on sales of certain corporate debt and equity securities. Such losses were partially offset by a gains on sales of commercial mortgage-backed securities and corporate debt and equity securities totaling approximately \$748,000. This compares to a net gain of approximately \$120,000 recognized during the six months ended June 30, 2000, resulting from the sale of certain corporate debt and equity securities for a gain of \$199,000 which was partially offset by a loss of \$79,000 on the sale of numerous small pools of

fixed-rate mortgage securities.

General and administrative expenses for the Company for the six months ended June 30, 2001, increased \$0.9 million as compared to the six months ended June 30, 2000. Such increase is primarily 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 \$0.4 million resulted from an increase in income generated by the Company.

New Accounting Pronouncements

In July, 2001, the Financial Accounting Standards Board issued Financial Accounting Standards (FAS) No. 141, "Business Combinations" and FAS No. 142, "Goodwill and Other Intangible Assets" which provide guidance on how entities are to account for business combinations and for the goodwill and other intangible assets that arise from those combinations or are acquired otherwise. These standards are effective for the Company on January 1, 2002.

FAS 142 will require that goodwill no longer be amortized, but instead be tested for impairment at least annually. As of the date of adoption, the Company expects to have unamortized goodwill in the amount of approximately \$7,189,000. Amortization expense related to such goodwill was approximately \$100,000 for the six month period ended June 30, 2001 and is expected to be approximately \$200,000 for the year ended December 31, 2001. Management expects to adopt such statement effective January 1, 2002, as required but has not yet completed its evaluation as to the potential implications to the financial statements.

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 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 June 30, 2001, 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 2. Changes in Securities and Use of Proceeds.

On March 30, 2001 and May 31, 2001, the Company issued 1,339 and 5,472

shares of its common stock, respectively, to its non-employee directors in partial payment of the annual retainer paid by the Company to such directors. Each such director was entitled to payment of a number of shares determined by dividing \$10,000 by the closing sale price of the common stock on the dates of issuance which were \$7.47 on March 30, 2001 and \$7.31 on May 31, 2001. The issuance of these shares is exempt from registration under the Securities Act of 1933, as amended (the "Securities Act") under Section 4(2) thereof in that the transaction did not involve a public offering.

The Company filed a registration statement (Commission File No. 333-59800) with respect to a public offering and sale of 9,000,000 shares of its common stock that became effective June 21, 2001. In addition, the Company granted Friedman, Billings, Ramsey & Co., Inc. and Tucker Anthony Sutro Capital Markets, the managing underwriters, an option to purchase up to 1,335,214 additional shares to cover over-allotments which they exercised in full. The public offering closed on June 27, 2001. The shares were priced at \$7 per share. Gross proceeds from the offering were approximately \$72.3 million. Net proceeds were approximately \$67.1 million after deducting underwriting discounts and expenses of approximately \$4.7 million and other offering costs of approximately \$.5

million. Allotments paid from offering proceeds were paid to persons unaffiliated with the Company. As of June 30, 2001 approximately \$16 million of proceeds from the offering were utilized to acquire additional adjustable-rate mortgage securities. The remaining \$51.1 million of proceeds was invested in interest-bearing cash accounts and will be utilized primarily to acquire additional adjustable-rate mortgage securities.

Item 4. Submission of Matters to Vote of Securities Holders.

The Company held its Annual Meeting of Stockholders on May 24, 2001 for the purpose of: (i) electing three directors (ii) ratifying the appointment of its auditors (iii) voting on a proposal to amend the Company's 1997 Amended and Restated Stock Option Plan (the "Stock Option Plan") to increase the number of shares and (iv) to approve the issuance of up to 20,000,000 additional shares of the Company's common stock or securities convertible into or exercisable for such number of shares of common stock in one or more private placements. The following sets forth the results of the election of officers:

NAME OF NOMINEE -----	FOR	WITHHELD -----
Stewart Zimmerman	7,674,876 (99%)	67,894 (1%)
Alan Gosule	7,666,177 (99%)	76,593 (1%)
	W. David Scott	7,679,556 (99%) 63,214 (1%)

There was no solicitation in opposition to the nominees by the Stockholders.

The ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for the Company for the fiscal year ending December 31, 2001 was approved by the Stockholders with 7,607,130 votes FOR (98%), 46,796 votes AGAINST (1%), and 88,844 votes ABSTAINED OR BROKER NON-VOTES (1%).

The proposal to amend the Company's Stock Option Plan was approved by the Stockholders with 6,985,974 votes FOR (90%), 526,325 votes AGAINST (7%), and 230,471 votes ABSTAINED OR BROKER NON-VOTES (3%).

Further information regarding these matters is contained in the Company's Proxy Statement dated April 13, 2001.

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 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. 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 Second Amended and Restated 1997 Stock Option Plan of the

Company

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(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: August 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

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EXHIBIT 10.8
SECOND AMENDED AND RESTATED
1997 STOCK OPTION PLAN

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

SECOND AMENDED AND RESTATED
1997 STOCK OPTION PLAN

1. PURPOSE. The Plan is intended to provide incentive to key employees, officers, directors and others expected to provide significant services to the Company, including the employees, officers and directors of the Participating Companies, to encourage proprietary interest in the Company, to encourage such key employees to remain in the employ of the Company and the other Participating Companies, to attract new employees with outstanding qualifications, and to afford additional incentive to others to increase their efforts in providing significant services to the Company and the other Participating Companies. In furtherance thereof, the Plan permits awards of equity-based incentives to key employees, officers and directors of, and certain other providers of services to, the Participating Companies.

2. DEFINITIONS.

- a. "Act" shall mean the Securities Act of 1933, as amended.
- b. "Advisor" shall mean American First Mortgage Advisor Corporation, a Maryland Corporation.
- c. "Agreement" shall mean a written agreement entered into between the Company and the recipient of a Grant pursuant to section 7(b) (i) hereof.
- d. "Board" shall mean the Board of Directors of the Company.
- e. "Cause" shall mean, unless otherwise provided in the Optionee's Agreement, (i) engaging in (A) willful or gross misconduct or (B) willful or gross neglect, (ii) repeatedly failing to adhere to the directions of superiors or the Board or the written policies and practices of the Company, (iii) the commission of a felony or a crime of moral turpitude, or any crime involving the Company, (iv) fraud, misappropriation, embezzlement or material or repeated insubordination, (v) a material breach of the Optionee's employment agreement (if any) with the Company (other than a termination of employment by the Optionee), or (vi) any illegal act detrimental to the Company; all as determined by the Committee.
- f. "Code" shall mean the Internal Revenue Code of 1986, as amended.
- g. "Committee" shall mean the Compensation Committee of the Company as appointed by the Board in accordance with Section 4 of the Plan; provided that the Committee shall at all times consist solely of persons who, at the time of their appointment, each qualified as a "Non-Employee Director" under Rule 16b-3(b) (3) (i) promulgated under the Exchange Act and, to the extent that relief from the limitation of Section 162(m) of the Code is sought, as an "Outside Director" under Section 1.162-27(e) (3) (i) of the Treasury Regulations.
- h. "Common Stock" shall mean the Company's Common Stock, par value \$0.01, either currently existing or authorized hereafter.
- i. "Company" shall mean America First Mortgage Investments, Inc., a Maryland corporation.

j. "DER" shall mean a dividend equivalent right consisting of the right to receive, as specified by the Committee or the Board at the time of Grant, cash in an amount equal to the dividend distributions paid on a share of Common Stock subject to an option.

k. "Disability" shall mean the occurrence of an event which would entitle an employee of the Company to the payment of disability income under one of the Company's approved long-term disability income plans or a long-term disability as determined by the Committee in its absolute discretion pursuant to any other standard as may be adopted by the Committee.

l. "Eligible Persons" shall mean officers, directors and employees of the Participating Companies and other persons expected to provide significant services (of a type expressly approved by the Committee as covered services for these purposes) to the Company. For purposes of the Plan, a director, in his or her capacity as such, or a consultant, vendor, customer, or other provider of significant services to the Company shall be deemed to be an

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Eligible Person, but will be eligible to receive Non-qualified Stock Options, or DERs, only after a finding by the Committee or Board in its discretion that the value of the services rendered or to be rendered to the Participating Company is at least equal to the value of the Grants being awarded.

m. "Employee" shall mean an individual, including an officer of a Participating Company, who is employed (within the meaning of Code Section 3401 and the regulations thereunder) by the Participating Company.

n. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

o. "Exercise Price" shall mean the price per Share of Common Stock, determined by the Board or the Committee, at which an Option may be exercised.

p. "Fair Market Value" shall mean the value of one share of Common Stock, determined as follows:

i. If the Shares are then listed on a national stock exchange, the closing sales price per Share on the exchange for the last preceding date on which there was a sale of Shares on such exchange, as determined by the Committee.

ii. If the Shares are not then listed on a national stock exchange but are then traded on an over-the-counter market, the average of the closing bid and asked prices for the Shares in such over-the-counter market for the last preceding date on which there was a sale of such Shares in such market, as determined by the Committee.

iii. If neither (i) nor (ii) applies, such value as the Committee in its discretion may in good faith determine. Notwithstanding the foregoing, where the Shares are listed or traded, the Committee may make discretionary determinations in good faith where the Shares have not been traded for 10 trading days.

q. "Grant" shall mean the issuance of an Incentive Stock Option, Non-qualified Stock Option, DER or any combination thereof to an Eligible Person. The Committee will determine the eligibility of employees, officers, directors and others expected to provide significant services to the Participating Companies based on, among other factors, the position and responsibilities of such individuals, the nature and value to the Participating Company of such individuals accomplishments and potential contribution to the success of the Participating Company whether directly or through its subsidiaries.

r. "Incentive Stock Option" shall mean an Option of the type described in Section 422(b) of the Code issued to an Employee.

s. "Non-qualified Stock Option" shall mean an Option not described in Section 422(b) of the Code.

t. "Option" shall mean any option, whether an Incentive Stock Option or a Non-qualified Stock Option, to purchase, at a price and for the term fixed by the Committee in accordance with the Plan, and subject to such other limitations and restrictions in the Plan and the applicable Agreement, a number of Shares determined by the Committee.

u. "Optionee" shall mean any Eligible Person to whom an Option is granted, or the Successors of the Optionee, as the context so requires.

v. "Participating Companies" shall mean the Company, Advisor and any subsidiary of any of them which with the consent of the Board participates in the Plan.

w. "Plan" shall mean the Company's 1997 Stock Option Plan, as set forth herein, and as the same may from time to time be amended.

x. "Purchase Price" shall mean the Exercise Price times the number of Shares with respect to which an Option is exercised.

y. "Retirement" shall mean, unless otherwise provided by the Committee in the Optionee's Agreement,

(i) the Termination (other than for Cause) of Service of an Optionee

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on or after the Optionee's attainment of age 65;

(ii) on or after the Optionee's attainment of age 55 with five consecutive years of service with the Participating Companies or

(iii) as determined by the Committee in its absolute discretion pursuant to such other standard as may be adopted by the Committee.

z. "Shares" shall mean shares of Common Stock of the Company, adjusted in accordance with Section 10 of the Plan (if applicable).

aa. "Subsidiary" shall mean any corporation, partnership, or other entity at least 50% of the economic interest in the equity of which is owned by the Company or by another Subsidiary.

bb. "Successors of the Optionee" shall mean the legal representative of the estate of a deceased Optionee or the person or persons who shall acquire the right to exercise an Option by bequest or inheritance or by reason of the death of the Optionee.

cc. "Termination of Service" shall mean the time when the employee-employer relationship or directorship, or other service relationship (sufficient to constitute service as an Eligible Person) between the Optionee and the Participating Companies is terminated for any reason, with or without Cause, including but not limited to any termination by resignation, discharge, death or Retirement; provided, however, Termination of Service shall not include a termination where there is a simultaneous reemployment of the Optionee by a Participating Company or other continuation of service (sufficient to constitute service as an Eligible Person) for a Participating Company. The Committee, in its absolute discretion, shall determine the effects of all matters and questions relating to Termination of Service, including but not limited to the question of whether any Termination of Service was for Cause and all questions of whether particular leaves of absence constitute Terminations of Employment.

3. EFFECTIVE DATE. Unless already approved by shareholders, the Plan will be submitted to shareholders for their approval within twelve months after receipt of Board approval. Any Grants awarded before approval of the Plan by the Company's shareholders shall be accrued for the benefit of the participant until the Plan has been approved by the shareholders.

4. ADMINISTRATION.

a. Membership on Committee. The Plan shall be administered by the Committee appointed by the Board. If no Committee is designated by the Board to act for those purposes, the full Board shall have the rights and responsibilities of the Committee hereunder.

b. Committee Meetings. The acts of a majority of the members present at any meeting of the Committee at which a quorum is present, or acts approved in writing by a majority of the entire Committee, shall be the acts of the Committee for purposes of the Plan. If and to the extent applicable, no member of the Committee may act as to matters under the Plan specifically relating to such member.

c. Grant Awards.

(i) The Committee shall from time to time at its discretion select the Eligible Persons who are to be issued Grants, determine the number of Shares to be optioned or with respect to which the Grant is to be issued to each Eligible Person and designate any Options granted as Incentive Stock Options or Non-qualified Stock Options, or both, except that no Incentive Stock Options may be granted to an Eligible Person who is not an Employee of the Company. The Committee shall (A) determine the terms and conditions, not inconsistent with the terms of the Plan, of any Grants awarded hereunder, (including, but not limited to the performance goals and periods applicable to the award of Grants); (B) determine the time or times when and the manner and condition in which each Option shall be exercisable and the duration of the exercise period; and (C) determine or impose other conditions to the Grant or exercise of Options under the Plan as it may deem appropriate. The Committee shall cause each Option to be designated as an Incentive Stock Option or a Non-qualified Stock Option. The Optionee shall take whatever additional actions and execute whatever additional documents the Committee may in its

reasonable judgment deem necessary or advisable in order to carry or effect one or more of the obligations or restrictions imposed on the Optionee

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pursuant to the express provisions of the Plan and the Agreement. DERs will be exercisable separately or together with Options, and paid in cash or other consideration at such times and in accordance with such rules, as the Committee shall determine in its discretion. Unless expressly provided hereunder, the Committee, with respect to any Grant, may exercise its discretion hereunder at the time of the award or thereafter. The interpretation and construction by the Committee of any provision of the Plan or of any Option granted thereunder shall be final. Without limiting the generality of Section 18, no member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Grant hereunder.

(ii) Notwithstanding paragraph (i) of this Section 4(c), any award under the Plan to an Eligible Person who is a member of the Committee, shall be made by a majority of the directors of the Corporation who are not on the Committee.

5. PARTICIPATION.

a. Eligibility. Only Eligible Persons shall be eligible to receive Grants under the Plan.

b. Limitation of Ownership. No Options shall be granted under the Plan to any person who after such Grant would beneficially own more than 9.8% of the outstanding shares of Common Stock of the Company, unless expressly and specifically waived by action of the independent Directors of the Board.

c. Stock Ownership. For purposes of (b) above, in determining stock ownership an Optionee shall be considered as owning the stock owned, directly or indirectly, by or for his brothers, sisters, spouses, ancestors and lineal descendants. Stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by or for its shareholders, partners or beneficiaries. Stock with respect to which any person holds an Option shall be considered to be owned by such person.

d. Outstanding Stock. For purposes of (b) above, "outstanding shares" shall include all stock actually issued and outstanding immediately after the grant of the Option to the Optionee. With respect to the Stock Ownership of any Optionee, "outstanding shares" shall include shares authorized for issue under outstanding Options held by such Optionee, but not options held by any other person.

6. STOCK. Subject to adjustments pursuant to Section 10, Options with respect to an aggregate of no more than 1,400,000 Shares may be granted under the Plan. Notwithstanding the foregoing provisions of this Section 6, Shares as to which an Option is granted under the Plan that remains unexercised at the expiration, forfeiture or other termination of such Option may be the subject of the grant of further Options. Shares of Common Stock issued hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares. The certificates for Shares issued hereunder may include any legend which the Committee deems appropriate to reflect any restrictions on transfer hereunder or under the Agreement, or as the Committee may otherwise deem appropriate.

7. TERMS AND CONDITIONS OF OPTIONS.

a. Initial Awards to Compensation Committee Members. Each member of the Committee shall automatically be granted a Non-qualified Stock Option to purchase 5,000 shares of Common Stock and 1,250 DERs upon the date such person is initially appointed to the Committee. Each Option granted to a Committee member under this Section 7(a) shall become exercisable commencing one year after the date of Grant (unless otherwise provided in the applicable Agreement) and shall expire 10 years thereafter. Such Options shall be subject to adjustment as provided in Section 10 provided that such adjustment and any action by the Board or the Committee with respect to the Plan and such Options satisfies the requirements for exemption under Rule 16b-3 and does not cause any member of the Committee to be disqualified as a Non-Employee Director under such Rule. Notwithstanding the foregoing, the Board may prospectively, from time to time, discontinue, reduce or increase the amount of any or all of the Grants otherwise to be made under this Section 7(a).

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b. Awards.

(i) Agreements. Grants to Eligible Persons shall be evidenced by

written Agreements in such form as the Committee shall from time to time determine. Such Agreements shall comply with and be subject to the terms and conditions set forth below.

(ii) Number of Shares. Each Option or other Grant granted to an Eligible Person shall state the number of Shares to which it pertains and shall provide for the adjustment thereof in accordance with the provisions of Section 10 hereof.

(iii) Grants. Subject to the terms and conditions of the Plan and consistent with the Company's intention for the Committee to exercise the greatest permissible flexibility under Rule 16b-3 in awarding Grants, the Committee shall have the power:

(1) to determine from time to time the Grants to be granted to Eligible Persons under the Plan and to prescribe the terms and provisions (which need not be identical) of Grants granted under

the Plan to such persons;

(2) to construe and interpret the Plan and Grants thereunder and to establish, amend, and revoke rules and regulations for administration

Committee may correct any

of the Plan. In this connection, the

reconcile any inconsistency in the

defect or supply any omission, or

agreements, in the manner

Plan, in any Agreement, or in any related

expedient to make the

and to the extent it shall deem necessary or

determinations by the

Plan fully effective. All decisions and

be final and binding

Committee in the exercise of this power shall

Optionees and Grantees;

upon the Participating Companies and the

(3) to amend any outstanding Grant, subject to Section 12, and to

exercisability of any Grant and

accelerate or extend the vesting or

any Grants, to the extent it

to waive conditions or restrictions on

generally to exercise such powers and

shall deem appropriate; and (4)

expedient to promote

to perform such acts as are deemed necessary or

respect to the Plan.

the best interests of the Company with

c. Each Agreement with an Eligible Person shall state the Exercise Price. The Exercise Price for any Option shall not be less than the Fair Market Value on the date of Grant.

d. Medium and Time of Payment. Except as may otherwise be provided below, the Purchase Price for each Option granted to an Eligible Person shall be payable in full in United States dollars upon the exercise of the Option. In the event the Company determines that it is required to withhold taxes as a result of the exercise of an Option, as a condition to the exercise thereof, an Employee may be required to make arrangements satisfactory to the Company to enable it to satisfy such withholding requirements in accordance with Section 15. If the applicable Agreement so provides, and the Committee otherwise so permits, the Purchase Price may be paid in one or a combination of the following:

(i) by a certified or bank cashier's check;

(ii) by the surrender of Shares in good form for transfer, owned by the person exercising the Option and having a Fair Market Value on the date of exercise equal to the Purchase Price, or in any combination of cash and Shares, as long as the sum of the cash so paid and the Fair Market Value of the Shares so surrendered equals the Purchase Price;

(iii) by cancellation of indebtedness owed by the Company to the Optionee;

(iv) by a loan or extension of credit from the Company evidenced by a full recourse promissory note executed by the Optionee. The interest rate and other terms and conditions of such note shall be determined by the Committee (in which case the Committee may require that the Optionee pledge his or her Shares to the Company for the purpose of securing the payment of such note, and in no event shall the stock certificate(s) representing such Shares be released to the Optionee until such note shall have been paid in full); or

(v) by any combination of such methods of payment or any other method acceptable to the Committee in its discretion. Except in the case of Options exercised by certified or bank cashier's check, the Committee may impose limitations and prohibitions on the exercise of Options as it deems appropriate, including, without limitation, any limitation or prohibition designed to avoid accounting consequences which may result from the use of Common Stock as payment upon exercise of an Option. Any fractional Shares resulting from an Optionee's election that are accepted by the Company shall in the discretion of the Committee be paid in cash.

e. Term and Nontransferability of Grants and Options.

(i) Each Grant shall state the time or times which all or part thereof becomes exercisable, subject to the following restrictions.

(ii) No Grant shall be exercisable except by the Optionee or a transferee permitted hereunder.

(iii) No Option shall be assignable or transferable, except by will or the laws of descent and distribution of the state wherein the Optionee is domiciled at the time of his death; provided, however, that the Committee may (but need not) permit other transfers, where the Committee concludes that such transferability (i) does not result in accelerated taxation, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to be described in Section 422(b) of the Code and (iii) is otherwise appropriate and desirable.

(iv) No Option shall be exercisable until such time as set forth in the applicable Agreement (but in no event after the expiration of such Grant).

(v) Unless otherwise provided in the Agreement, no DERs shall be exercisable (i) until such time as set forth in the applicable agreement or (ii) the expiration of such Grant.

(vi) The Committee may not modify, extend or renew any Option granted to any Eligible Person unless such modification, extension or renewal shall satisfy any and all applicable requirements of Rule 16b-3. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair any rights or obligations under any Option previously granted.

f. Termination of Service, Except by Death, Retirement or Disability.

Unless otherwise provided in the applicable Agreement, upon any Termination of Service for any reason other than his or her death, Retirement or Disability, an Optionee shall have the right, subject to the restrictions of subsection (c) above, to exercise his or her Grant at any time within three months after Termination of Service, but only to the extent that, at the date of Termination of Service, the Optionee's right to exercise such Grant had accrued pursuant to the terms of the Agreement and had not previously been exercised; provided, however, that, unless otherwise provided in the Agreement, if there occurs a Termination of Service by a Participating Company for Cause or a termination of Service by the Optionee (other than on account of death, Retirement or Disability), any Grant not exercised in full prior to such termination shall be canceled. For this purpose, the service relationship shall be treated as continuing intact while the Optionee is on military leave, sick leave or other bona fide leave of absence (to be determined in the discretion of the Committee).

g. Death of Optionee. Unless otherwise provided in the applicable Agreement, if the Optionee dies while an Eligible Person or within three months after any Termination of Service other than for Cause or a termination of Service by the Optionee (other than on account of death, Retirement or Disability), and has not fully exercised the Grant, then the Grant may be exercised in full, subject to the restrictions of subsection (c) above, at anytime within 12 months after the Optionee's death, by the Successor of the Optionee, but only to the extent that, at the date of death, the Optionee's right to exercise such Grant had accrued and had not been forfeited pursuant to the terms of the Agreement and had not previously been exercised.

h. Disability or Retirement of Grant Recipient. Unless otherwise provided in the Agreement, upon Termination of Service for reason of Disability or Retirement, such Grant recipient shall have the right, subject to the

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restrictions of subsection (c) above, to exercise the Grant at any time within 24 months after Termination of Service, but only to the extent that, at the date of Termination of Service, the Grant recipient's right to exercise such Grant had accrued pursuant to the terms of the applicable Agreement and had not previously been exercised.

i. Rights as a Shareholder. An Optionee, a Successor of the Optionee,

or the holder of a DER shall have no rights as a shareholder with respect to any Shares covered by his or her Grant until, in the case of an Optionee, the date of the issuance of a stock certificate for such Shares. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property), distributions or other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Section 10.

j. Modification, Extension and Renewal of Option. Within the limitations of the Plan, and only with respect to Options granted to Eligible Persons, the Committee may modify, extend or renew outstanding Options or accept the cancellation of outstanding Options (to the extent not previously exercised) for the granting of new Options in substitution therefor. The Committee may modify, extend or renew any Option granted to any Eligible Person, unless such modification, extension or renewal would not satisfy any applicable requirements of Rule 16b-3. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair any rights or obligations under any Option previously granted.

k. Other Provisions. The Agreement authorized under the Plan may contain such other provisions not inconsistent with the terms of the Plan (including, without limitation, restrictions upon the exercise of the Option) as the Committee shall deem advisable.

8. SPECIAL RULES FOR INCENTIVE STOCK OPTIONS.

a. In the case of Incentive Stock Options granted hereunder, the aggregate Fair Market Value (determined as of the date of the Grant thereof) of the Shares with respect to which Incentive Stock Options become exercisable by any Optionee for the first time during any calendar year (under the Plan and all other plans maintained by the Participating Companies, their parent or Subsidiaries) shall not exceed \$100,000.

b. In the case of an individual described in Section 422(b)(6) of the Code (relating to certain 10% owners), the Exercise Price with respect to an Incentive Stock Option shall not be less than 110% of the Fair Market Value of a Share on the day the Option is granted and the term of an Incentive Stock Option shall be no more than five years from the date of grant.

c. If Shares acquired upon exercise of an Incentive Stock Option are disposed of in a disqualifying disposition within the meaning of Section 422 of the Code by an Optionee prior to the expiration of either two years from the date of grant of such Option or one year from the transfer of Shares to the Optionee pursuant to the exercise of such Option, or in any other disqualifying disposition within the meaning of Section 422 of the Code, such Optionee shall notify the Company in writing as soon as practicable thereafter of the date and terms of such disposition and, if the Company thereupon has a tax-withholding obligation, shall pay to the Company an amount equal to any withholding tax the Company is required to pay as a result of the disqualifying disposition.

9. TERM OF PLAN. Options may be granted pursuant to the Plan until the expiration of 10 years from the effective date of the Plan.

10. RECAPITALIZATION AND CHANGES OF CONTROL.

a. Subject to any required action by shareholders, if (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or a transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or other similar change in the capital structure of the Company, or any distribution to holders of Common Stock other than cash dividends, shall occur or (iii) any other event shall occur which in the judgment of the Committee necessitates action by way of adjusting the terms of the outstanding Options or rights under the Grant of a DER, then the Committee shall forthwith take any such action as in its judgment shall be

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necessary to preserve to the Optionees rights substantially proportionate to the rights existing prior to such event, and to maintain the continuing availability of Shares under Section 6 (if Shares are otherwise then available) in a manner consistent with the intent hereof, including, without limitation, adjustments in (x) the number and kind of shares subject to Options, (y) the Option Price, and (z) the number and kind of shares available under Section 6; provided that this provision shall not be effective to the extent that the Company or the Committee determines that the accelerated vesting of the Options upon the occurrence of a Change of Control as contemplated hereby would adversely affect the ability of the Company or acquiror (in the case of a Change of Control in connection with which the Company is not the surviving corporation) to use the pooling method of accounting in connection with a Change of Control transaction, if such method of accounting would otherwise be available and desired by the Company or acquiror. To the extent that such action shall include an increase or

decrease in the number of shares subject to outstanding Options, the number of shares available under Section 6 above shall be increased or decreased, as the case may be, proportionately.

b. Subject to any required action by shareholders, if the Company is the surviving corporation in any merger or consolidation, each outstanding Option and the rights under the Grant of a DER shall pertain and apply to the securities to which a holder of the number of Shares subject to the Option would have been entitled. In the event of a merger or consolidation in which the Company is not the surviving corporation, the date of exercisability of each outstanding Grant shall be accelerated to a date prior to such merger or consolidation, unless the agreement of merger or consolidation provides for the assumption of the Grant by the successor to the Company.

c. To the extent that the foregoing adjustment related to securities of the Company, such adjustments shall be made by the Committee, whose determination shall be conclusive and binding on all persons.

d. Except as expressly provided in this Section 10, the recipient of the Grant shall have no rights by reason of subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger or consolidation or spin-off of assets or stock of another corporation, and any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option.

e. Grants made pursuant to the Plan shall not affect in any way the right or power to the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business assets.

f. Upon the occurrence of a Change of Control:

(i) The Committee as constituted immediately before the Change of Control may make such adjustments as it, in its discretion, determines are necessary or appropriate in light of the Change of Control (including, without limitation, the substitution of stock other than stock of the Company as the stock optioned hereunder, and the acceleration of the exercisability of the Options), provided that the Committee determines that such adjustments do not have a substantial adverse economic impact on the Optionee as determined at the time of the adjustments.

(ii) All restrictions and conditions on each DER shall automatically lapse and all Grants under the Plan shall be deemed fully vested.

g. "Change of Control" shall mean the occurrence of any one of the following events:

(i) any "person," as such term is used in Sections 13(d) and 14(d) of the Act (other than the Company, any of its Affiliates or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its Affiliates) together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 30% or more of either (A) the combined

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voting power of the Company's then outstanding securities having the right to vote in an election of the Board of Directors ("voting securities") or (B) the then outstanding Shares (in either such case other than as a result of an acquisition of securities directly from the Company); or

(ii) persons who, as of the effective date of the Plan, constitute the Company's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a Director of the Company subsequent to the effective date whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors shall, for purposes of the Plan, be considered an Incumbent Director; or

(iii) there shall occur (A) any consolidation or merger of the Company or any Subsidiary where the shareholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, shares representing in the aggregate 50% or more of the voting securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or

substantially all of the assets of the Company or (C) any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred for purposes of the foregoing clause (i) solely as the result of an acquisition of securities by the Company which, by reducing the number of Shares or other voting securities outstanding, increases (x) the proportionate number of Shares beneficially owned by any person to 30% or more of the Shares then outstanding or (y) the proportionate voting power represented by the voting securities beneficially owned by any person to 30% or more of the combined voting power of all then outstanding voting securities; provided, however, that, if any person referred to in clause (x) or (y) of this sentence shall thereafter become the beneficial owner of any additional Shares or other voting securities (other than pursuant to a stock split, stock dividend, or similar transaction), then a "Change of Control" shall be deemed to have occurred for purposes of this subsection (g).

11. EFFECT OF CERTAIN TRANSACTIONS.

In the case of (i) the dissolution or liquidation of the Company, (ii) a merger, consolidation, reorganization or other business combination in which the Company is acquired by another entity or in which the Company is not the surviving entity, or (iii) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company, the Plan and the Grants issued hereunder shall terminate upon the effectiveness of any such transaction or event, unless provision is made in connection with such transaction for the assumption of Grants theretofore granted, or the substitution for such Grants of new Grants, by the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and the per share exercise prices, as provided in Section 10. In the event of such termination, all outstanding Options and Grants shall be exercisable in full for at least fifteen days prior to the date of such termination whether or not otherwise exercisable during such period.

12. SECURITIES LAW REQUIREMENTS.

a. Legality of Issuance. The issuance of any Shares upon the exercise of any Option and the grant of any Option shall be contingent upon the following:

(i) the obligation of the Company to sell Shares with respect to Options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee;

(ii) the Committee may make such changes to the Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority or to obtain tax benefits applicable to stock options; and

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(iii) each Option is subject to the requirement that, if at any time the Committee determines, in its discretion, that the listing, registration or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Option or the issuance of Shares, no Options shall be granted or payment made or Shares issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions in a manner acceptable to the Committee.

b. Restrictions on Transfer. Regardless of whether the offering and sale of Shares under the Plan has been registered under the Act or has been registered or qualified under the securities laws of any state, the Company may impose restrictions on the sale, pledge or other transfer of such Shares (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company and its counsel, such restrictions are necessary or desirable in order to achieve compliance with the provisions of the Act, the securities laws of any state or any other law. In the event that the sale of Shares under the Plan is not registered under the Act but an exemption is available which requires an investment representation or other representation, each Optionee shall be required to represent that such Shares are being acquired for investment, and not with a view to the sale or distribution thereof, and to make such other representations as are deemed necessary or appropriate by the Company and its counsel. Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 11 shall be conclusive and binding on all persons. Without limiting the generality of the last sentence of Section 6, stock certificates evidencing Shares acquired under the Plan pursuant to an unregistered transaction shall bear the following restrictive legend and such other restrictive legends as are required or deemed advisable under the provisions

of any applicable law. "THE SALE OF THE SECURITIES REPRESENTED HEREBY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT"). ANY TRANSFER OF SUCH SECURITIES WILL BE INVALID UNLESS A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER OR IN THE OPINION OF COUNSEL FOR THE ISSUER SUCH REGISTRATION IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE ACT."

c. Registration or Qualification of Securities. The Company may, but shall not be obligated to, register or qualify the issuance of Options and/or the sale of Shares under the Act or any other applicable law. The Company shall not be obligated to take any affirmative action in order to cause the issuance of Options or the sale of Shares under the Plan to comply with any law.

d. Exchange of Certificates. If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares sold under the Plan is no longer required, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but lacking such legend.

13. AMENDMENT OF THE PLAN.

The Board may from time to time, with respect to any Shares at the time not subject to Options, suspend or discontinue the Plan or revise or amend it in any respect whatsoever. The Board may amend the Plan as it shall deem advisable, except that no amendment may adversely affect an Optionee with respect to Options previously granted unless such amendments are in connection with compliance with applicable laws; provided that the Board may not make any amendment in the Plan that would, if such amendment were not approved by the holders of the Common Stock, cause the Plan to fail to comply with any requirement or applicable law or regulation, unless and until the approval of the holders of such Common Stock is obtained.

14. APPLICATION OF FUNDS.

The proceeds received by the Company from the sale of Common Stock pursuant to the exercise of an Option will be used for general corporate purposes.

15. TAX WITHHOLDING.

Each recipient of a Grant shall, no later than the date as of which the value of any Grant first becomes includable in the gross income of the recipient for federal income tax purposes, pay to the Company, or make arrangements

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satisfactory to the Company regarding payment of any federal, state or local taxes of any kind that are required by law to be withheld with respect to such income. An Optionee may elect to have such tax withholding satisfied, in whole or in part, by (i) authorizing the Company to withhold a number of Shares to be issued pursuant to a Grant equal to the Fair Market Value as of the date withholding is effected that would satisfy the withholding amount due, (ii) transferring to the Company Shares owned by the Optionee with a Fair Market Value equal to the amount of the required withholding tax, or (iii) in the case of an Optionee who is an Employee of the Company at the time such withholding is effected, by withholding from the Optionee's cash compensation. Notwithstanding anything contained in the Plan to the contrary, the Optionee's satisfaction of any tax-withholding requirements imposed by the Committee shall be a condition precedent to the Company's obligation as may otherwise be provided hereunder to provide Shares to the Optionee, and the failure of the Optionee to satisfy such requirements with respect to the exercise of an Option shall cause such Option to be forfeited.

16. NOTICES.

All notices under the Plan shall be in writing, and if to the Company, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Board; and if to the Optionee or recipient of a Grant, shall be delivered personally or mailed to the Optionee or recipient of a Grant at the address appearing in the records of the Participating Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 16.

17. RIGHTS TO EMPLOYMENT OR OTHER SERVICE.

Nothing in the Plan or in any Option or Grant granted pursuant to the Plan shall confer on any individual any right to continue in the employ or other service of the Company (if applicable) or interfere in any way with the right of the Company and its shareholders to terminate the individual's employment or other service at any time.

18. EXCULPATION AND INDEMNIFICATION.

To the maximum extent permitted by law, the Company shall indemnify and hold harmless the members of the Board and the members of the Committee from and

against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan, other than such liabilities, costs and expenses as may result from the gross negligence, bad faith, willful misconduct or criminal acts of such persons.

19. NO FUND CREATED.

Any and all payments hereunder to recipients of Grants hereunder shall be made from the general funds of the Company (or, if applicable, a Participating Company), and no special or separate fund shall be established or other segregation of assets made to assure such payments; provided that bookkeeping reserves may be established in connection with the satisfaction of payment obligations hereunder. The obligations of the Company under the Plan are unsecured and constitute a mere promise by the Company to make benefit payments in the future, and, to the extent that any person acquires a right to receive payments under the Plan from the Company (or, if applicable, a Participating Company), such right shall be no greater than the right of a general unsecured creditor of the Company (or, if applicable, a Participating Company).

20. CAPTIONS.

The use of captions in the Plan is for convenience. The captions are not intended to provide substantive rights.

21. GOVERNING LAW.

THE PLAN SHALL BE GOVERNED BY THE LAWS OF MARYLAND, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS.

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22. EXECUTION.

The Company has caused the Plan to be executed in the name and on behalf of the Company by an officer of the Company thereunto duly authorized as of this 8th day of March, 2001.

AMERICA FIRST MORTGAGE INVESTMENTS, INC.
a Maryland corporation

By: /s/ Stewart Zimmerman
Name: Stewart Zimmerman
Title: President and Chief Executive Officer

