

PRESS RELEASE

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CONTACT: Chad Daffer 402-444-1630
Michael Draper 402-444-1630

NASDAQ: ATAXZ

America First Tax Exempt Investors, L.P. Update on Investment Portfolio

OMAHA, Neb., September 6, 2006 - America First Tax Exempt Investors, L.P. (the "Partnership") (NASDAQ: ATAXZ) continued the repositioning of its investment portfolio with the sale of its Northwood Lake Apartments Multifamily Housing Revenue Refunding Bonds, Series 2004B on August 24, 2006. The Bonds were sold to an unaffiliated purchaser at par value plus accrued base interest resulting in total sale proceeds to the Partnership of approximately \$6.1 million. The sale of the Northwood Lake Bonds was carried out in conjunction with the sale of Northwoods Lake Apartments in Duluth, Georgia by the property owner, Northwood Lake Apartments L.P. The sale of the property also allowed the owner to pay to the Partnership approximately \$4.3 million in earned but unpaid contingent interest on the Bonds. The sale of the Bonds plus the realization of earned but unpaid contingent interest on the Bonds has resulted in total proceeds to the Partnership of approximately \$10.4 million. The Partnership expects to redeploy the cash proceeds from this transaction into other tax-exempt bonds consistent with its investment criteria.

This is the latest transaction undertaken by the Partnership to improve the overall quality of, and earnings from, the Partnership's investment portfolio. An additional goal of the Partnership's portfolio restructuring initiative is to redeploy funds into bond investments that do not cause underlying real estate operations to be consolidated into the Partnership's financial statements under Financial Interpretation Number 46R ("FIN46R"). This transaction eliminated one of the Partnership's bond investments that was structured in a manner that resulted in the consolidation for financial reporting purposes of the assets, liabilities and operations of financed apartment complex under FIN46R.

Michael Draper, Chief Financial Officer of the Partnership's general partner said "This transaction and the anticipated reinvestment of the proceeds will allow us to accomplish each of the objectives of our portfolio repositioning initiative. These include (1) improving the quality of our investment portfolio by selling subordinated bonds and reinvesting in senior bonds, (2) improving returns to the Partnership by reinvesting both bond sale proceeds and contingent interest payments at a coupon rate that is expected to be higher than the 5% per annum coupon rate on the Northwood Lake bonds and (3) improving the clarity of the Partnership's financial statements by eliminating the assets, liabilities and operating results of Northwood Lake Apartments from our financial

statements.” The improved return could be further enhanced through the use of leverage which was not previously available for subordinated bond. We continue to evaluate transactions as a part of this on-going effort to reposition the Partnership’s investment portfolio and intend to opportunistically execute transactions that accomplish the stated objectives of the repositioning effort.”

America First Tax Exempt Investors, L.P. was formed for the primary purpose of acquiring, holding, selling and otherwise dealing with a portfolio of federally tax-exempt mortgage revenue bonds which have been issued to provide construction and/or permanent financing of multifamily residential apartments. The Partnership is pursuing a business strategy of acquiring additional tax-exempt mortgage revenue bonds on a leveraged basis in order to: (i) increase the amount of tax-exempt interest available for distribution to its BUC holders; (ii) reduce risk through asset diversification and interest rate hedging; and (iii) achieve economies of scale. The Partnership seeks to achieve its investment growth strategy by investing in additional tax-exempt mortgage revenue bonds and related investments, taking advantage of attractive financing structures available in the tax-exempt securities market and entering into interest rate risk management instruments. America First Tax Exempt Investors, L.P. press releases are available on the World Wide Web at www.ataxz.com

Information contained in this Press Release contains “forward-looking statements” relating to, without limitation, future performance, plans and objectives of management for future operations and projections of revenue and other financial items, which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “estimate” or “continue” or the negative thereof or other variations thereon or comparable terminology. Several factors with respect to such forward-looking statements, including certain risks and uncertainties, could cause actual results to differ materially from those in such forward-looking statements. Reference is hereby made to the filings of America First Tax Exempt Investors, L.P., with the Securities and Exchange Commission, including quarterly reports on Form 10-Q, reports on Form 8-K and its annual report on Form 10-K.