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MUNICIPAL MORTGAGE & EQUITY LLC

Form 8-K

February 28, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

February 28, 2003
(Date of Report (Date of Earliest Event Reported))

Municipal Mortgage & Equity, LLC
(Exact Name of Registrant as Specified in Its Charter)

| | | |
|---|--|---|
| Delaware (State or Other Jurisdiction of Incorporation) | 011-11981 (Commission File Number) | 52-1449733 (IRS Employer Identification Number) |
|---|--|---|

| | |
|--|---------------------|
| 218 North Charles Street, Suite 500 Baltimore, Maryland (Address of Principal Executive Offices) | 21201 (Zip Code) |
|--|---------------------|

(443) 263-2900
(Registrant's Telephone Number, Including Area Code)

ITEM 5. OTHER EVENTS.

On February 28, 2003, Municipal Mortgage & Equity, LLC (the "Registrant"), distributed an earnings package to Analysts. Attached is a copy of the package, dated year end December 31, 2002, annexed hereto as Exhibit 99.1.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

| | | |
|-----|-------------|--|
| (c) | Exhibits. | |
| | Exhibit No. | Description of Document |
| | 99.1 | Supplemental Information, dated year end December 31, 2002 |

Exhibit 99.1

MUNICIPAL MORTGAGE & EQUITY, LLC

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SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2002

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MUNICIPAL MORTGAGE & EQUITY, LLC
CALCULATION OF CASH AVAILABLE FOR DISTRIBUTION
(in thousands, except share and per share data)
(unaudited)

For the three months ended
December 31,

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| | 2002 | 2001 |
|--|------------|------------|
| SOURCES OF CASH: | | |
| Interest on bonds, other bond related investments, other notes and loans | \$ 22,596 | \$ 22,708 |
| Interest on short-term investments | 264 | 539 |
| Loan servicing fees | 1,711 | 1,962 |
| Origination and syndication fees | 5,463 | 4,131 |
| Other income | 4,155 | 1,345 |
| Net gain on sales | 1,637 | 381 |
| TOTAL SOURCES OF CASH | 35,826 | 31,066 |
| EXPENSES: | | |
| Salaries and benefits | 6,475 | 6,379 |
| Professional fees | 1,472 | 1,549 |
| Other operating expenses | 1,880 | 1,720 |
| Interest expense | 9,899 | 7,101 |
| Income taxes | (443) | (61) |
| TOTAL EXPENSES | 19,283 | 16,688 |
| CASH AVAILABLE FOR DISTRIBUTION | 16,543 | 14,378 |
| LESS: | | |
| Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company | 2,994 | 3,376 |
| CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES | \$ 13,549 | \$ 11,002 |
| CAD PER COMMON SHARE | \$ 0.53 | \$ 0.50 |
| CALCULATION OF CASH DISTRIBUTION: | | |
| CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES | \$ 13,549 | \$ 11,002 |
| ACTUAL AMOUNT PAID | \$ 11,304 | \$ 9,438 |
| PAYOUT RATIO | 83.4% | 85.8% |
| COMMON SHARES OUTSTANDING | 25,546,010 | 21,820,266 |
| CASH DISTRIBUTION PER COMMON SHARE | \$ 0.4425 | \$ 0.4325 |

The primary differences between Net Income as calculated under generally accepted accounting principles ("GAAP") and Cash Available For Distribution ("CAD") result from the timing of income and expense recognition and non-cash

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events. These differences between CAD and GAAP income include the treatment of loan origination fees, which for CAD purposes are recognized when received but for GAAP purposes are amortized over the life of the associated loan. In addition, there are differences related to non-cash gains and losses associated with bond valuations and sales, non-cash gains and losses associated with changes in market value of derivative financial instruments, amortization of goodwill and intangibles and capitalization of mortgage servicing rights, net of deferred taxes for GAAP purposes, which are not included in the calculation of CAD.

The common shares outstanding reported for Cash Available for Distribution are the actual shares outstanding at the end of the quarter. For GAAP, the weighted average shares outstanding during the period are reported for the basic net income per share calculation. The weighted average shares outstanding for diluted net income per share include the potential dilutive effect from the exercise of options, vesting of restricted shares, conversion of the preferred shares and provision for shares to be awarded under the Midland acquisition earn out provision.

VARIANCE ANALYSIS FOR CAD

4th Quarter 2002 Compared to 4th Quarter 2001:

Total income for the fourth quarter of 2002 increased \$4.8 million over the same period last year due primarily to the following changes: (1) a \$2.8 million increase in other income due primarily to a \$1.4 million increase in income on the CAPREIT investments, a \$0.5 million guarantee fee earned in the fourth quarter of 2002, and a \$0.6 million increase in cancellation, late and other fees; (2) a \$1.3 million increase in origination and syndication fees due primarily to a \$2.2 million increase in syndication fees related to an increase in the volume of syndications closed, partially offset by a \$0.9 million decrease in origination fees; (3) a \$1.3 million increase in gain on sales due primarily to a \$1.5 million gain on the sale of the Park Center bond and RITESM in the fourth quarter of 2002 versus a \$2.5 million gain on the payoff of the Emerald Hills bond, which was largely offset by losses from swap terminations, in 2001; and (4) a \$0.3 million decrease in interest on short-term investments resulting from funding of operations as well as lower investment yields.

Total expenses for the fourth quarter increased \$2.6 million over the same period last year due primarily to the following changes: (1) a \$2.8 million increase in interest expense associated with an increase in financing costs related to on-balance-sheet securitizations and larger average notes payable balances outstanding during the quarter; (2) a \$0.1 million increase in other operating expenses and professional fees due primarily to software hosting and other information system expenses that began in January 2002; and (3) a \$0.4 million decrease in income tax expense due to a \$1.2 million decrease in taxable income earned at the Company's subsidiaries organized as corporations.

Fiscal Year 2002 Compared to Fiscal Year 2001:

Total income for the year ended December 31, 2002 increased \$14.4 million over the same period last year due primarily to the following changes: (1) a \$6.3 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$5.4 million increase in other income due to a \$3.3 million increase in income from the CAPREIT investments, a \$1.0 million increase in asset management fees and advisory fees, a \$0.5 million guarantee fee earned in 2002 and a \$0.5 million increase in cancellation, late and other fees; (3) a \$1.8 million increase in gain on sales due primarily to a \$1.5 million gain on the sale of the Park Center bond and RITESM and a \$0.2 million gain on the sale of US Treasuries in 2002 versus a \$2.5 million gain on the payoff of the Emerald Hills bond, which was largely offset by losses from

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swap terminations, in 2001; and (4) a \$1.2 million increase in origination and syndication fees due to an increase in origination fees, partially offset by a \$0.6 million decrease in syndication fees.

Total expenses for the year ended December 31, 2002 increased \$5.7 million over the same period last year due primarily to the following changes: (1) a \$1.3 million increase in salaries and benefits due to a \$2.0 million increase in salaries and other compensation, offset by a \$0.7 million decrease in bonuses; (2) a \$0.5 million increase in other operating expenses and professional fees due primarily to software hosting and other information system expenses; (3) a \$4.6 million increase in interest expense, primarily associated with an increase in financing costs associated with on-balance sheet securitizations; and (4) a \$0.6 million decrease in income tax expense due to a \$2.8 million decrease in taxable income earned at the Company's subsidiaries organized as corporations.

MUNICIPAL MORTGAGE & EQUITY, LLC CALCULATION OF CASH AVAILABLE FOR DISTRIBUTION (in thousands, except share and per share data) (unaudited)

| | Qtr Ended 12/31/02 | Qtr Ended 09/30/02 | Qtr Ended 06/30/02 |
|---|-----------------------|-----------------------|-----------------------|
| | ----- | ----- | ----- |
| SOURCES OF CASH: | | | |
| Interest on bonds, other bond-related investments, other notes and loans | \$ 22,596 | \$ 23,331 | \$ 23,331 |
| Interest on short-term investments | 264 | 260 | 260 |
| Loan servicing fees | 1,711 | 1,544 | 1,544 |
| Origination and syndication fees | 5,463 | 2,973 | 5,463 |
| Other income | 4,155 | 3,607 | 4,155 |
| Net gain (loss) on sales | 1,637 | 207 | 1,637 |
| | ----- | ----- | ----- |
| TOTAL SOURCES OF CASH | 35,826 | 31,922 | 33,826 |
| | ----- | ----- | ----- |
| EXPENSES: | | | |
| Salaries and benefits | 6,475 | 5,446 | 5,446 |
| Professional fees | 1,472 | 884 | 1,472 |
| Other operating expenses | 1,880 | 1,756 | 1,880 |
| Interest expense | 9,899 | 8,134 | 9,899 |
| Income taxes | (443) | (173) | (443) |
| | ----- | ----- | ----- |
| TOTAL EXPENSES | 19,283 | 16,047 | 17,645 |
| | ----- | ----- | ----- |
| CASH AVAILABLE FOR DISTRIBUTION | 16,543 | 15,875 | 16,181 |
| LESS: | | | |
| Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company | 2,994 | 2,994 | 2,994 |
| | ----- | ----- | ----- |
| CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES | \$ 13,549 | \$ 12,881 | \$ 13,187 |
| | ===== | ===== | ===== |
| CAD PER COMMON SHARE | \$ 0.53 | \$ 0.51 | \$ 0.53 |
| | ===== | ===== | ===== |

CALCULATION OF CASH DISTRIBUTION:

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| | | | | | | |
|---|----|------------|----|------------|----|---------|
| CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES | \$ | 13,549 | \$ | 12,881 | \$ | 12, |
| | | | | | | |
| ACTUAL AMOUNT PAID | \$ | 11,304 | \$ | 11,154 | \$ | 11, |
| | | | | | | |
| PAYOUT RATIO | | 83.4% | | 86.6% | | 89 |
| | | | | | | |
| COMMON SHARES OUTSTANDING | | 25,546,010 | | 25,349,585 | | 25,308, |
| | | | | | | |
| CASH DISTRIBUTION PER COMMON SHARE | \$ | 0.4425 | \$ | 0.4400 | \$ | 0.4 |
| | | | | | | |

Note: Certain prior quarter amounts have been reclassified to conform to the 12/31/02 presentation.

MUNICIPAL MORTGAGE & EQUITY, LLC CONDENSED CONSOLIDATED STATEMENTS OF INCOME (in thousands, except share and per share data)

| | For the three months end December 31, | |
|---|--|----------|
| | 2002 | 2001 |
| INCOME: | | |
| Interest income | | |
| Interest on bonds and residual interest in bond securitizations | \$ 13,953 | \$ 17,31 |
| Interest on loans | 9,195 | 7,93 |
| Interest on short-term investments | 264 | 89 |
| Total interest income | 23,412 | 26,1 |
| Fee income | | |
| Syndication fees | 2,456 | 22 |
| Origination fees | 2,023 | 3,54 |
| Loan servicing fees | 1,711 | 1,96 |
| Other income | 2,143 | 1,31 |
| Total fee income | 8,333 | 7,04 |
| Net gain on sales | 5,032 | 1,32 |
| Total income | 36,777 | 34,51 |
| EXPENSES: | | |
| Interest expense | 10,366 | 7,22 |
| Salaries and benefits | 6,475 | 6,37 |
| General and administrative | 1,841 | 2,19 |
| Professional fees | 1,472 | 1,54 |
| Amortization of goodwill and mortgage servicing rights | 329 | 49 |
| Total expenses | 20,483 | 17,84 |

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| | | |
|--|------------|-----------|
| Net holding losses on derivatives | (333) | 2,69 |
| Impairments and valuation allowances related to investments | (620) | |
| Net losses from equity investments in partnerships | (1,341) | (1,03 |
| Income tax expense | (260) | (35 |
| Income allocable to preferred shareholders in a subsidiary company | (2,994) | (2,96 |
| Cumulative effect on prior years of change in accounting for derivatives | - | |
| | ----- | ----- |
| Net income | \$ 10,746 | \$ 15,00 |
| | ===== | ===== |
| LESS: | | |
| Net income allocable to preferred shares and term growth shares | - | 41 |
| | ----- | ----- |
| Net income allocated to common shares | \$ 10,746 | \$ 14,58 |
| | ===== | ===== |
| EARNINGS PER COMMON SHARE: | | |
| Basic earnings per common share: | | |
| Basic earnings before cumulative effect of accounting change | \$ 0.42 | \$ 0.6 |
| | ===== | ===== |
| Basic earnings per common share | \$ 0.42 | \$ 0.6 |
| | ===== | ===== |
| Weighted average common shares outstanding | 25,426,254 | 21,708,19 |
| Diluted earnings per common share: | | |
| Diluted earnings before cumulative effect of accounting change | \$ 0.41 | \$ 0.6 |
| | ===== | ===== |
| Diluted earnings per common share | \$ 0.41 | \$ 0.6 |
| | ===== | ===== |
| Weighted average common shares outstanding | 25,917,641 | 22,349,64 |

VARIANCE ANALYSIS FOR GAAP

4th Quarter 2002 compared to 4th Quarter 2001:

Total income for the fourth quarter of 2002 increased \$2.3 million over the same period last year due primarily to the following changes: (1) a \$3.7 million increase in gain on sales due primarily to a \$1.4 million gain on the sale of the Park Center bond and RITESSM and a \$2.2 million gain on the payoff of the Villa Hialeah bond; (2) a \$2.7 million decrease in total interest income primarily due to a \$2.1 million decrease in collections of interest on bonds, residual interests in bond securitizations, loans, and other notes, which was largely a result of a one time contingent interest payment of \$2.5 million related to the payoff of the Emerald Hills bond in the fourth quarter of 2001, and a decrease in interest on short-term investments resulting from funding of operations as well as lower investment yields; (3) a \$2.2 million increase in syndication fees due to an increase in the volume of syndications closed; (4) a \$1.5 million decrease in origination fees due to a \$0.7 million decrease in conventional equity production and a \$0.8 million decrease in permanent loan production; and (5) a \$0.8 million increase in other income due primarily to a \$0.2 million increase in asset management and advisory fees and a \$0.4 million increase in cancellation, late and other fees.

Total expenses for the fourth quarter of 2002 increased \$2.6 million over the same period last year due primarily to the following changes: (1) a \$3.1 million increase in interest expense associated with an increase in financing costs related to on-balance-sheet securitizations and larger average notes payable balances outstanding during the quarter; and (2) a \$0.4 million decrease in general and administrative expenses and professional fees related to a one time

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charitable contribution made in the fourth quarter of 2001.

The Company also recorded: net holding losses for the change in market value of the Company's derivative financial instruments of \$0.3 million; \$0.6 million of impairments and valuation allowance expense; and \$1.3 million of losses from equity investments in partnerships in the fourth quarter of 2002.

Fiscal Year 2002 Compared to Fiscal Year 2001:

Total income for the year ended December 31, 2002 increased \$6.6 million over the same period last year due primarily to the following changes: (1) a \$6.2 million increase in total interest income due to a \$8.0 million increase in collections of interest on bonds, residual interests in bond securitizations, other notes and loans, offset by a decrease in interest on short-term investments resulting from funding of operations as well as lower investment yields; (3) a \$1.7 million increase in syndication fees due to an increase in the volume of syndications closed; and (4) a \$1.7 million decrease in other income primarily due to \$3.3 million of income in 2001 associated with the Dynex transaction, offset in part by an increase of \$1.0 million in asset management and advisory fees and a \$0.2 million increase in commission fees in 2002.

Total expenses for the year ended December 31, 2002 increased \$6.0 million over the same period last year due primarily to the following changes: (1) a \$5.9 million increase in interest expense associated with an increase in financing costs related to on-balance sheet securitizations and larger average notes payable balances outstanding during the year; (2) a \$1.3 million increase in salaries and benefits due to a \$2.0 million increase in salaries and other compensation, offset by a \$0.7 million decrease in bonuses; and (3) a \$1.2 million decrease in amortization expense due to changes in accounting guidelines relating to amortization of goodwill.

The Company also recorded: net holding losses for the change in market value of the Company's derivative financial instruments of \$14.9 million for the year ended December 31, 2002; \$0.7 million of impairment in 2002 associated with a subordinate bond investment compared to a \$3.3 million impairment recorded in 2001 on two investments (Hunter's Glen and Buchanan Bay); and \$3.1 million of losses from equity investments in partnerships in 2002 versus \$1.3 million of similar losses recorded in 2001.

MUNICIPAL MORTGAGE & EQUITY, LLC CONDENSED CONSOLIDATED STATEMENTS OF INCOME (in thousands, except share and per share data)

| | Qtr Ended 12/31/02 | Qtr Ended 09/30/02 | Qtr 06/ |
|--|-----------------------|-----------------------|------------|
| | ----- | ----- | ----- |
| INCOME: | | | |
| Interest income | | | |
| Interest on bonds and residual interest in bond securitizations | \$ 13,953 | \$ 15,409 | \$ |
| Interest on loans | 9,195 | 8,676 | |
| Interest on short-term investments | 264 | 260 | |
| | ----- | ----- | ----- |
| Total interest income | 23,412 | 24,345 | |
| | ----- | ----- | ----- |
| Fee income | | | |

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| | | | |
|--|------------|------------|-------|
| Syndication fees | 2,456 | 767 | |
| Origination fees | 2,023 | 2,014 | |
| Loan servicing fees | 1,711 | 1,544 | |
| Other income | 2,143 | 1,868 | |
| | ----- | ----- | |
| Total fee income | 8,333 | 6,193 | |
| | ----- | ----- | |
| Net gain on sales | 5,032 | 657 | |
| | ----- | ----- | |
| Total income | 36,777 | 31,195 | |
| | ----- | ----- | |
| EXPENSES: | | | |
| Interest expense | 10,366 | 8,771 | |
| Salaries and benefits | 6,475 | 5,446 | |
| General and administrative | 1,841 | 1,756 | |
| Professional fees | 1,472 | 884 | |
| Amortization of goodwill and mortgage servicing rights | 329 | 334 | |
| | ----- | ----- | |
| Total expenses | 20,483 | 17,191 | |
| | ----- | ----- | |
| Net holding gains (losses) on derivatives | (333) | (9,921) | |
| Impairments and valuation allowances related to investments | (620) | - | |
| Net gains (losses) from equity investments in partnerships | (1,341) | (1,487) | |
| Income tax benefit (expense) | (260) | 635 | |
| Income allocable to preferred shareholders in a subsidiary company | (2,994) | (2,994) | |
| | ----- | ----- | |
| Net income | \$ 10,746 | \$ 237 | \$ |
| | ===== | ===== | ===== |
| LESS: | | | |
| Net income allocable to preferred shares and term growth shares | - | - | |
| | ----- | ----- | |
| Net income allocated to common shares | \$ 10,746 | \$ 237 | \$ |
| | ===== | ===== | ===== |
| EARNINGS PER COMMON SHARE: | | | |
| Basic earnings per common share: | | | |
| Basic earnings before cumulative effect of accounting change | \$ 0.42 | \$ 0.01 | |
| | ===== | ===== | |
| Basic earnings per common share | \$ 0.42 | \$ 0.01 | \$ |
| | ===== | ===== | ===== |
| Weighted average common shares outstanding | 25,426,254 | 25,329,103 | 25,2 |
| Diluted earnings per common share: | | | |
| Diluted earnings before cumulative effect of accounting change | \$ 0.41 | \$ 0.01 | \$ |
| | ----- | ----- | |
| Diluted earnings per common share | \$ 0.41 | \$ 0.01 | \$ |
| | ===== | ===== | ===== |
| Weighted average common shares outstanding | 25,917,641 | 25,916,151 | 25,8 |

Note: Certain prior quarter amounts have been reclassified to conform to the 12/31/02 presentation.

Municipal Mortgage & Equity, LLC
Reconciliation of Basic and Diluted EPS

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| | For the three months ended December 31, 2002 | | | For the three months ended December 31, 2001 | |
|--|--|-------------------------|--------------------------------------|--|-------------------------|
| | Income (Numerator) | Shares (Denominator) | Per Share Amount | Income (Numerator) | Shares (Denominator) |
| (in thousands, except share and per share data) | | | | | |
| Basic EPS | | | | | |
| Income allocable to common shares | \$ 10,746 | 25,426,254 | \$ 0.42 | \$ 14,584 | 35,426,254 |
| Effect of Dilutive Securities | | | | | |
| Options and deferred shares | - | 402,817 | | - | |
| Earnings contingency | - | 88,570 | | - | |
| Diluted EPS | | | | | |
| Income allocable to common shares plus assumed conversions | \$ 10,746 | 25,917,641 | \$ 0.41 | \$ 14,584 | 35,426,254 |
| | | | For the year ended December 31, 2002 | | |
| | Income (Numerator) | Shares (Denominator) | Per Share Amount | Income (Numerator) | Shares (Denominator) |

| | | | | | |
|--|-----------|------------|---------|-----------|------------|
| (in thousands, except share and per share data) | | | | | |
| Basic EPS | | | | | |
| Income allocable to common shares | \$ 28,796 | 24,904,437 | \$ 1.16 | \$ 23,847 | 20,426,254 |
| Effect of Dilutive Securities | | | | | |
| Options and deferred shares | - | 447,594 | | - | |
| Convertible preferred shares to the extent dilutive | - | - | | 3 | |
| Earnings contingency | - | 121,784 | | - | |
| Diluted EPS | | | | | |
| Income allocable to common shares plus assumed conversions | \$ 28,796 | 25,473,815 | \$ 1.13 | \$ 23,850 | 20,426,254 |

MUNICIPAL MORTGAGE & EQUITY, LLC
RECONCILIATION OF GAAP INCOME TO CASH AVAILABLE FOR DISTRIBUTION
(in thousands)
(unaudited)

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| | For the three months ended December 31, 2002 | For the December |
|--|--|---------------------|
| | ----- | ----- |
| INCOME: | | |
| Interest income | | |
| Interest on bonds and residual interest in bond securitization | \$ 13,953 | \$ |
| Interest on loans | 9,195 | |
| Interest on short-term investments | 264 | |
| | ----- | ----- |
| Total interest income | 23,412 | |
| | ----- | ----- |
| Fee income | | |
| Syndication fees | 2,456 | |
| Origination fees | 2,023 | |
| Loan servicing fees | 1,711 | |
| Other income | 2,143 | |
| | ----- | ----- |
| Total fee income | 8,333 | |
| | ----- | ----- |
| Net gain on sales | 5,032 | |
| | ----- | ----- |
| Total income | 36,777 | |
| | ----- | ----- |
| EXPENSES: | | |
| Interest expense | 10,366 | |
| Salaries and benefits | 6,475 | |
| General and administrative | 1,841 | |
| Professional fees | 1,472 | |
| Amortization of goodwill and mortgage servicing rights | 329 | |
| | ----- | ----- |
| Total expenses | 20,483 | |
| | ----- | ----- |
| Net holding losses on derivatives | (333) | |
| Impairments and valuation allowances related to investments | (620) | |
| Net losses from equity investments in partnerships | (1,341) | |
| Income tax expense | (260) | |
| Income allocable to preferred shareholders in a subsidiary company | (2,994) | |
| | ----- | ----- |
| Net income | \$ 10,746 | \$ |
| | ===== | ===== |
| LESS: | | |
| Net income allocable to term growth shares | - | |
| | ----- | ----- |
| Net income allocated to common shares - GAAP Basis | \$ 10,746 | \$ |
| | ===== | ===== |
| Conversion to Cash Available for Distribution: | | |
| (1)Mark to market adjustments | \$ 333 | \$ |
| (2)Equity investments | 2,836 | |
| (3)Net gain on sales | (3,395) | |
| (3)Amortization of capitalized mortgage servicing fees | 329 | |
| (4)Origination fees and other income, net | 1,377 | |
| (5)Valuation allowances and other-than-temporary impairments | 620 | |
| (6)Deferred tax expense | 703 | |
| | ----- | ----- |
| Cash Available for Distribution (CAD) | \$ 13,549 | \$ |
| | ===== | ===== |

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Notes

(1) For GAAP reporting, the Company records the non-cash change in fair value of its investment in interest rate swaps and other derivative financial instruments through net income. These non-cash gains and losses are not included in the Company's calculation of CAD.

(2) For GAAP reporting, the Company accounts for various investments in partnerships using the equity method of accounting. As a result, the Company's allocable share of the net income or loss from the partnerships is reported in income (losses) from equity investments in partnerships. The income from these partnerships includes depreciation expense and changes in the fair value of investments in derivatives. For GAAP reporting, distributions are treated as a return of capital. For CAD reporting, the Company records the cash distributions it receives from the partnerships as other income.

(3) For GAAP reporting, the Company recognizes non-cash gains and losses associated with the sale of assets and the capitalization of mortgage servicing rights. The capitalized mortgage servicing rights are amortized into expense over the estimated life of the serviced loans. The non-cash gains and the associated amortization expense are not included in CAD.

(4) Origination fees and certain other income amounts are recognized as income when received for CAD purposes, but for GAAP reporting these items are deferred and amortized into income over the life of the associated investment. This adjustment represents the net difference, for the relevant period, between fees taken into income when received for CAD and the amortization of fees recorded for GAAP.

(5) For GAAP reporting, the Company records valuation allowances and other-than-temporary impairments on its investments in loans, bonds and other bond-related investments. Such non-cash charges do not affect the cash flow generated from the operation of the underlying properties, distributions to shareholders, or the tax-exempt status of the income of the financial obligation under the bonds. Therefore, these items are not included in the calculation of CAD.

(6) For GAAP reporting, the Company's income tax expense contains both a current and a deferred component. Only the Company's current income tax expense is reflected in CAD.

MUNICIPAL MORTGAGE & EQUITY, LLC CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands)

| | December 31, 2002 | December 31, 2001 |
|---|----------------------|----------------------|
| | ----- | ----- |
| ASSETS: | | |
| Investment in tax-exempt bonds and residual interest in bond securitizations | \$ 781,384 | \$ 629,755 |
| Loans receivable, net | 461,448 | 440,031 |
| Investment in partnerships | 99,966 | 5,393 |
| Investment in derivative financial instruments | 18,762 | 2,912 |
| Cash, cash equivalents and interest receivable | 59,902 | 113,232 |
| Other assets | 97,919 | 68,948 |
| Goodwill | 33,537 | 29,005 |
| | ----- | ----- |
| TOTAL | \$ 1,552,918 | \$ 1,289,276 |
| | ===== | ===== |
| LIABILITIES AND EQUITY: | | |
| Notes payable | \$ 450,924 | \$ 420,063 |
| Short-term debt | 219,945 | 78,560 |

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| | | |
|--|--------------|--------------|
| Long-term debt | 147,357 | 134,881 |
| Residual interest in bond securitizations | 1,447 | 7,979 |
| Investment in derivative financial instruments | 49,359 | 18,646 |
| Current liabilities | 36,357 | 31,974 |
| Preferred shareholders' equity in a subsidiary company | 160,465 | 160,465 |
| Shareholders' equity | 487,064 | 436,708 |
| | ----- | ----- |
| TOTAL | \$ 1,552,918 | \$ 1,289,276 |
| | ===== | ===== |
| | | |
| BOOK VALUE PER COMMON SHARE | \$ 19.07 | \$ 19.31 |
| | ===== | ===== |

MUNICIPAL MORTGAGE & EQUITY, LLC ADJUSTED BALANCE SHEET (in thousands) (unaudited)

| | December 31, 2002 | Adju |
|---|-------------------|-------|
| | ----- | ----- |
| Cash and cash equivalents | \$ 43,745 | \$ |
| Investment in bonds and loans, net | 1,210,787 | (|
| Off balance sheet assets | - | |
| Other assets | 247,580 | |
| | ----- | ----- |
| Total net assets | \$ 1,502,112 | \$ (|
| | ===== | ===== |
| | | |
| Liabilities, including short-term debt | \$ 707,227 | \$ (|
| Off balance sheet debt | - | |
| Long-term debt | 147,357 | |
| | ----- | ----- |
| Total liabilities | \$ 854,584 | \$ (|
| | ===== | ===== |
| | | |
| Leverage Ratio | | |
| | | |
| (1) Adjustments to bonds and loans: | | |
| Remove Midland loans from assets and liabilities | \$ 428,045 | |
| Remove Oxford from assets and liabilities | 5,420 | |
| Adjustment to reflect CAD sale of pari passu taxable loans accounted for as borrowings | 16,646 | |
| Adjustment to reflect effect of highly leveraged obligations | 128,716 | |
| | ----- | |
| TOTAL | \$ 578,827 | |
| | ===== | |
| | | |
| (2) Off balance sheet assets includes the following: | | |
| FSA A Bonds | \$ 67,400 | |
| Other A Bonds | 20,978 | |
| Demand Notes | 16,247 | |
| P-Floats | 177,812 | |
| | ----- | |
| TOTAL | \$ 282,437 | |
| | ===== | |

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| | | |
|---|----|---------|
| (3) Remove goodwill | \$ | 33,537 |
| ===== | | |
| (4) Adjustments to liabilities: | | |
| Remove other liabilities and normal accruals | \$ | 36,357 |
| Adjustment to reflect CAD sale of pari passu taxable loans accounted for as borrowings | | 16,324 |
| Remove Oxford from assets and liabilities | | 5,410 |
| Remove Midland loans from assets and liabilities | | 442,348 |
| ----- | | |
| TOTAL | \$ | 500,439 |
| ===== | | |

MUNICIPAL MORTGAGE & EQUITY, LLC
2002 INVESTMENTS
FOURTH QUARTER
(In thousands)

BOND PRODUCTION:

| PROPERTY | CITY | STATE | PERMANENT INTEREST RATE | QUARTER BOND AMOUNT | |
|------------------------------------|-------------|-------|-------------------------------|------------------------|-----------|
| | | | | CONSTRUCTION | PERMANENT |
| City Views at Rosa Burney Park (1) | Atlanta | GA | 6.950% | 6,300 | 7,512 |
| Jefferson at Town Lake (2) | Austin | TX | 7.875% | 25,150 | 25,150 |
| Olathe Senior Apartments (3) | Olathe | KS | 7.050% | 8,150 | 8,150 |
| Osborne Manor Apartments (3) | Los Angeles | CA | 7.000% | 5,680 | 5,680 |
| Orchard Springs (4) | Atlanta | GA | 6.600% | 13,500 | 13,500 |
| Sanger Trails (5) | Sanger | TX | 7.050% | 9,750 | 9,750 |
| TOTAL | | | | \$ 68,530 | \$ 69,742 |
| | | | | ===== | ===== |

- (1) The Company's initial investment in these bonds was \$1.3 million. The Company earned a 1.25% origination fee on this deal.
- (2) The Company's initial investment in these bonds was \$5.9 million. The Company earned a 1.25% origination fee on this deal.
- (3) The Company's initial investment in these bonds was \$51,000 per bond. The Company earned a 1.25% origination fee on these deals.
- (4) The Company earned a 2.00% origination fee on this deal.
- (5) The Company earned a 1.25% origination fee on this deal.

CONSTRUCTION/PERMANENT LENDING, SYNDICATION AND OTHER PRODUCTION:

| | QUARTER VOLUME | TOTAL FEES RECOGNIZED THIS QUARTER FOR CAD |
|--|-------------------|---|
| Tax Credit Equity Syndications (Equity Raised) | \$ 51,201 | \$ 2,455 |
| Tax Credit Lending Production | \$ 83,158 | \$ - |
| Conventional Equity Production | \$ 14,657 | \$ 513 |

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| | | | | |
|--|----|-----------|----|-------|
| Taxable Construction Loan Production (generating a weighted average spread of 1.21%) | \$ | 111,513 | \$ | 353 |
| Taxable Permanent Loan Production | \$ | 86,470 | \$ | 1,216 |
| Working Capital and Bridge Loans | \$ | 28,722 | \$ | 339 |
| Equity Investment in CAPREIT Three M Venture | \$ | - | \$ | - |
| OTHER INFORMATION: | | | | |
| Balance as of 12/31/02 of Midland Servicing Portfolio under Management | \$ | 1,090,200 | \$ | 1,230 |
| Balance as of 12/31/02 of Midland Equity Syndication Portfolio under Management | \$ | 833,425 | \$ | 796 |

MUNICIPAL MORTGAGE & EQUITY, LLC
PARTICIPATING BOND PORTFOLIO
NET OPERATING INCOME - TREND
As of December 31, 2002

| Property | Q4 2001 Actual | Q3 2002 Actual | Q4 2002 Actual |
|----------------------------|-------------------|-------------------|-------------------|
| Alban | 242,953 | 251,232 | 239,695 |
| Arlington | 0 | 0 | 0 |
| Barkley Place | 379,015 | 283,592 | 175,222 |
| Barrington at Beach Street | 0 | 0 | 0 |
| Cobblestone | 179,580 | 166,461 | 165,532 |
| Cool Springs | 0 | 0 | 0 |
| Creekside | 264,353 | 293,487 | 292,194 |
| Crossings | 192,690 | 165,207 | 153,686 |
| Gilman Meadows | 178,290 | 170,899 | 165,822 |
| Hamilton Grove | 208,703 | 258,127 | 197,781 |
| Jefferson Commons | 429,576 | 274,546 | 284,837 |
| Lakeview | 162,227 | 194,191 | 188,801 |
| Mallard I | 58,433 | 36,671 | 38,464 |
| Mallard II | 133,411 | 89,399 | 118,246 |
| Montclair | 305,474 | 341,419 | 276,820 |
| Newport Village | 318,144 | 244,467 | 231,337 |
| Nicollet Ridge | 394,316 | 406,483 | 374,248 |
| North Pointe | 540,006 | 609,179 | 558,835 |
| Palisades Park | 264,106 | 249,431 | 247,662 |
| Riverset I | 408,873 | 323,286 | 383,727 |
| Riverset II | 170,854 | 142,037 | 182,374 |
| Steeplechase Falls Meadows | 370,708 | 412,236 | 353,705 |
| Timber Ridge | 171,553 | 155,713 | 145,208 |
| Timber Ridge | 154,997 | 140,917 | 145,324 |
| Villas at LaRiviera | 249,233 | 198,345 | 252,264 |
| Whispering Lake | 302,653 | 315,957 | 350,786 |
| Winter Oaks | 184,575 | 288,197 | 307,789 |
| Total | 6,264,723 | 6,011,479 | 5,830,360 |

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Same Store Growth 6,264,723 6,011,479 5,830,360

| Apartment Community | Month/Year Acquired | Apartment Units | Month Ended | Month Ended |
|---------------------------------------|---------------------|-----------------|-------------------|--------------------|
| | | | December 31, 2002 | September 30, 2002 |
| Participating Mortgage Bonds: | | | | |
| Alban Place | Sep-86 | 194 | 93.3% | 95.4% |
| Cobblestone | Aug-99 | 184 | 92.4% | 93.5% |
| Creekside Village | Nov-87 | 296 | 99.7% | 99.7% |
| Crossings | Jan-97 | 200 | 87.0% | 94.0% |
| Jefferson Commons | Dec-00 | 173 | 84.8% | 82.7% |
| Lakeview | Sep-87 | 180 | 91.7% | 98.3% |
| North Pointe | Sep-86 | 540 | 94.3% | 95.0% |
| Timber Ridge | Dec-00 | 168 | 94.0% | 98.8% |
| Villas at LaRiviera | Jun-99 | 199 | 97.5% | 98.0% |
| | | 2,134 | | |
| Subtotal Participating Mortgage Bonds | | | | |
| Mortgage Bonds | | | | |
| Applewood (a.k.a. Paola) | Jul-99 | 48 | 85.4% | 95.8% |
| Buchanan Bay | Mar-01 | 228 | 89.5% | 86.4% |
| Charter House (2) | Dec-96 | ---- | N/A | N/ |
| Cielo Vista | Aug-99 | 378 | 90.5% | 93.7% |
| Country Club | Jul-99 | 101 | 86.1% | 85.1% |
| Delta Village | Jun-99 | 80 | 97.5% | 96.3% |
| Elmbrooke | Aug-00 | 54 | 100.0% | 100.0% |
| Florida A&M | Feb-00 | 96 | 90.1% | 90.6% |
| Gannon (Broward) | Feb-98 | 315 | 96.8% | 98.1% |
| Gannon (Dade) (3) | Feb-98 | 1,252 | 97.0% | 97.7% |
| Gannon (St. Louis) | Feb-98 | 336 | 87.5% | 89.6% |
| Gannon A Bond | Feb-98 | ---- | N/A | N/ |
| Hidden Valley | Dec-96 | 82 | 89.0% | 92.7% |
| Honey Creek | Mar-99 | 656 | 91.8% | 89.8% |
| Hunter's Glen | Mar-01 | 383 | 74.4% | 81.7% |
| Lake Piedmont | Apr-98 | 648 | 88.6% | 90.7% |
| Monroe (Oakmont, Towne Oak) | Dec-98 | 364 | 97.3% | 97.0% |
| Mountain View (Willowgreen) | Nov-86 | 241 | 92.3% | 95.9% |
| Northridge Park II | Aug-87 | 128 | 84.4% | 88.3% |
| Oakbrook | Dec-96 | 170 | 98.2% | 92.4% |
| Oklahoma City (4) | Aug-98 | 772 | 91.6% | 94.0% |
| Orangevale | Apr-98 | 64 | 98.4% | 100.0% |
| Parkwood | Jun-99 | 180 | 95.6% | 97.2% |
| Riverset II (1) | Jan-96 | ---- | N/A | N/ |
| Riverview | Jun-00 | 228 | 97.8% | 96.9% |
| Sahuarita | Jun-99 | 52 | 90.4% | 100.0% |
| Santa Fe Springs | Jun-00 | 310 | 84.5% | 89.7% |
| Shadowbrook | Jun-99 | 193 | 97.9% | 96.9% |
| Silver Springs | Dec-99 | 250 | 92.4% | 84.4% |
| Southwind | Aug-00 | 88 | 100.0% | 98.6% |
| Torries Chase | Dec-96 | 99 | 91.9% | 92.9% |
| Village Apartments | May-00 | 210 | 96.2% | 93.8% |
| Village at Stone Mountain | Oct-97 | 722 | 86.1% | 90.6% |
| Village Green | Feb-00 | 200 | 89.5% | 90.5% |
| Weatherstone | Sep-00 | 100 | 87.0% | 96.0% |

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| | | | | |
|---------------|--------|-----|-------|------|
| Western Hills | Dec-98 | 80 | 80.0% | 83.8 |
| Willow Key | Mar-99 | 384 | 96.1% | 97.7 |
| Woodglen | Dec-99 | 250 | 86.0% | 87.2 |
| Woodmark | Jun-99 | 173 | 96.5% | 99.4 |

Subtotal Mortgage Bonds 9,915

Participating Subordinate Mortgage Bonds:

| | | | | |
|---------------------|--------|-----|-------|------|
| Barkley Place | May-87 | 156 | 94.2% | 92.9 |
| Gilman Meadows | Mar-87 | 125 | 93.6% | 97.6 |
| Hamilton Chase | Feb-87 | 300 | 91.7% | 92.7 |
| Mallard Cove I & II | Feb-87 | 198 | 96.5% | 92.4 |
| Meadows | Jan-88 | 200 | 95.0% | 96.5 |
| Montclair | Oct-86 | 159 | 93.1% | 91.2 |
| Newport Village | Dec-86 | 220 | 88.2% | 90.0 |
| Nicollet Ridge | Dec-87 | 339 | 94.4% | 95.3 |
| Riverset II | Jan-96 | 148 | 92.2% | 94.0 |
| Steeplechase | Oct-88 | 450 | 93.8% | 95.3 |
| Whispering Lake | Oct-87 | 384 | 88.5% | 90.6 |

Subtotal Participating Subordinate Mortgage Bonds 2,679

| Apartment Community | Month/Year Acquired | Apartment Units | Avg. Per Ap | |
|---------------------|---------------------|-----------------|-------------------------------|--------------------------------|
| | | | Month Ended December 31, 2002 | Month Ended September 30, 2002 |

Participating Mortgage Bonds:

| | | | | |
|---------------------|--------|-----|-------|----|
| Alban Place | Sep-86 | 194 | 955 | |
| Cobblestone | Aug-99 | 184 | 573 | |
| Creekside Village | Nov-87 | 296 | 582 | |
| Crossings | Jan-97 | 200 | 749 | |
| Jefferson Commons | Dec-00 | 173 | 1,261 | 1, |
| Lakeview | Sep-87 | 180 | 703 | |
| North Pointe | Sep-86 | 540 | 701 | |
| Timber Ridge | Dec-00 | 168 | 497 | |
| Villas at LaRiviera | Jun-99 | 199 | 708 | |

Subtotal Participating Mortgage Bonds 2,134

Mortgage Bonds

| | | | | |
|--------------------------|--------|-------|-------|----|
| Applewood (a.k.a. Paola) | Jul-99 | 48 | 517 | |
| Buchanan Bay | Mar-01 | 228 | 716 | |
| Charter House (2) | Dec-96 | ---- | N/A | |
| Cielo Vista | Aug-99 | 378 | 402 | |
| Country Club | Jul-99 | 101 | 440 | |
| Delta Village | Jun-99 | 80 | 581 | |
| Elmbrooke | Aug-00 | 54 | 1,021 | 1, |
| Florida A&M | Feb-00 | 96 | 1,377 | 1, |
| Gannon (Broward) | Feb-98 | 315 | 678 | |
| Gannon (Dade) (3) | Feb-98 | 1,252 | 755 | |
| Gannon (St. Louis) | Feb-98 | 336 | 581 | |
| Gannon A Bond | Feb-98 | ---- | N/A | |

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| | | | | |
|-----------------------------|--------|------|-------|----|
| Hidden Valley | Dec-96 | 82 | 601 | |
| Honey Creek | Mar-99 | 656 | 550 | |
| Hunter's Glen | Mar-01 | 383 | 580 | |
| Lake Piedmont | Apr-98 | 648 | 483 | |
| Monroe (Oakmont, Towne Oak) | Dec-98 | 364 | 487 | |
| Mountain View (Willowgreen) | Nov-86 | 241 | 640 | |
| Northridge Park II | Aug-87 | 128 | 1,023 | 1, |
| Oakbrook | Dec-96 | 170 | 449 | |
| Oklahoma City (4) | Aug-98 | 772 | 485 | |
| Orangevale | Apr-98 | 64 | 973 | |
| Parkwood | Jun-99 | 180 | 473 | |
| Riverset II (1) | Jan-96 | ---- | N/A | |
| Riverview | Jun-00 | 228 | 657 | |
| Sahuarita | Jun-99 | 52 | 552 | |
| Santa Fe Springs | Jun-00 | 310 | 595 | |
| Shadowbrook | Jun-99 | 193 | 483 | |
| Silver Springs | Dec-99 | 250 | 790 | |
| Southwind | Aug-00 | 88 | 713 | |
| Torries Chase | Dec-96 | 99 | 511 | |
| Village Apartments | May-00 | 210 | 568 | |
| Village at Stone Mountain | Oct-97 | 722 | 759 | |
| Village Green | Feb-00 | 200 | 635 | |
| Weatherstone | Sep-00 | 100 | 804 | |
| Western Hills | Dec-98 | 80 | 507 | |
| Willow Key | Mar-99 | 384 | 684 | |
| Woodglen | Dec-99 | 250 | 652 | |
| Woodmark | Jun-99 | 173 | 680 | |

Subtotal Mortgage Bonds

9,915

Participating Subordinate Mortgage Bonds:

| | | | | |
|---------------------|--------|-----|-------|----|
| Barkley Place | May-87 | 156 | 2,056 | 2, |
| Gilman Meadows | Mar-87 | 125 | 1,016 | 1, |
| Hamilton Chase | Feb-87 | 300 | 622 | |
| Mallard Cove I & II | Feb-87 | 198 | 717 | |
| Meadows | Jan-88 | 200 | 605 | |
| Montclair | Oct-86 | 159 | 1,844 | 1, |
| Newport Village | Dec-86 | 220 | 839 | |
| Nicollet Ridge | Dec-87 | 339 | 937 | |
| Riverset II | Jan-96 | 148 | 708 | |
| Steeplechase | Oct-88 | 450 | 606 | |
| Whispering Lake | Oct-87 | 384 | 648 | |

Subtotal Participating Subordinate Mortgage Bonds

2,679

| Apartment Community | Month/Year Acquired | Apartment Units | Month Ended December 31, 2002 | Month Ended September 30, 2002 |
|-----------------------------|---------------------|-----------------|-------------------------------|--------------------------------|
| Subordinate Mortgage Bonds: | | | | |
| CAPREIT | Sep-99 | ---- | N/A | N/ |
| Cinnamon Ridge | Jan-99 | ---- | N/A | N/ |
| Farmington Meadows | Aug-99 | 69 | 100.0% | 98.6 |
| Independence Ridge | Aug-96 | 336 | 75.3% | 75.3 |
| Locarno | Aug-96 | 110 | 90.0% | 90.0 |

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| | | | | |
|---|--------|--------|--------|-------|
| Olde English Manor | Nov-99 | ---- | N/A | N/A |
| Peaks of Conyer | Sep-01 | 260 | 87.7% | 88.8 |
| Rillito Village | Jul-00 | ---- | N/A | N/A |
| Winter Oaks | Nov-99 | 460 | 94.3% | 93.7 |
| | | ----- | | |
| Subtotal Subordinate Mortgage Bonds | | 1,235 | | |
| | | ----- | | |
| Other Bond Related Investments: | | | | |
| Briarwood | Dec-98 | 600 | 95.0% | 97.5 |
| Cinnamon Ridge | Dec-97 | 264 | 92.4% | 97.0 |
| Golfside Villas (f.k.a. Club West) | Mar-99 | 194 | 99.5% | 99.5 |
| Park at Landmark | Sep-00 | 396 | 97.0% | 99.0 |
| Poplar Glen | Jun-97 | 191 | 96.3% | 95.3 |
| rites - Charter House | Dec-96 | 280 | 91.4% | 92.9 |
| rites - Indian Lakes | Jul-97 | 296 | 79.4% | 86.8 |
| rites - LaPaloma | Apr-99 | 120 | 98.3% | 98.3 |
| rites - LeMirador (Coleman Senior) | Apr-98 | 141 | 90.1% | 85.8 |
| rites - Museum Towers | Apr-01 | 286 | 94.1% | 94.1 |
| rites - Olde English Manor | Jun-98 | 264 | 93.9% | 86.4 |
| rites - Palisades Park | Feb-98 | 304 | 92.8% | 95.7 |
| rites - Pavillion | Apr-99 | 132 | 100.0% | 100.0 |
| rites - Queen Anne IV | Jul-98 | 110 | 90.0% | 93.6 |
| rites - Rancho/Villas | May-00 | 417 | 89.8% | 90.2 |
| rites - Rillito Village | Aug-98 | 272 | 89.0% | 92.6 |
| rites - Riverset (1) | Aug-88 | 352 | 92.2% | 94.0 |
| rites - Riverset II (1) | Jan-96 | ---- | N/A | N/A |
| rites - Sienna (a.k.a. Italian Gardens) | Apr-98 | 140 | 87.9% | 82.9 |
| rites - Sonterra | May-98 | 156 | 92.3% | 91.0 |
| rites - Southgate Crossings | Jun-97 | 215 | 94.0% | 97.2 |
| rites - Southwood | Nov-97 | 1,286 | 79.4% | 84.4 |
| | | ----- | | |
| Subtotal Other Bond Related Investments | | 6,416 | | |
| | | ----- | | |
| Total Units/Weighted Average Investments | | 22,379 | 91.1% | 92.6 |
| | | ===== | | |
| Total/Same Stores (5) 2000 | | 20,053 | 91.5% | 93.0 |
| Total/Same Stores (5) 2001 | | 22,119 | 91.2% | 92.6 |
| Construction/Substantial Rehab Properties and Other Investments | | | | |
| Arlington | Dec-00 | 176 | 24.4% | 9.7 |
| Barrington at Beach Street | Oct-00 | 398 | 53.0% | 44.5 |
| Bedford Park | Oct-00 | 312 | 64.1% | 67.9 |
| CAPREIT Joint Venture (6) | Jun-02 | 6,279 | 93.5% | 95.1 |
| CAPREIT TERA (7) | Mar-01 | 2,942 | 93.0% | 92.9 |
| Chancellor | Nov-01 | 101 | N/A | N/A |
| Chancellor II | Mar-02 | 46 | N/A | N/A |
| City Views at Rosa Burney Park | Dec-02 | 180 | N/A | N/A |
| Cool Springs | Aug-00 | 124 | 51.6% | 44.4 |
| Coronel Village | Apr-02 | 48 | N/A | N/A |
| Fort Branch | Dec-00 | 250 | 60.8% | 36.8 |
| Hidden Brooks | Sep-01 | 201 | 85.6% | 86.1 |
| Jefferson at Town Lake | Dec-02 | 216 | N/A | N/A |
| Las Trojas | Mar-02 | 49 | N/A | N/A |
| Lincoln Corner | Dec-01 | 134 | N/A | N/A |
| Meridian at Bridgewater | Nov-99 | 90 | 86.7% | 83.3 |
| Mountain View Village | Jun-02 | 220 | N/A | N/A |
| North White Road | Nov-01 | 157 | N/A | N/A |
| Oak Grove Commons | Dec-01 | 168 | N/A | N/A |
| Olathe Senior Residences | Dec-02 | 144 | N/A | N/A |

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| | | | | |
|--|--------|--------|-------|------|
| Osborne Place Manor | Dec-02 | 50 | N/A | N/A |
| Penn Valley | Dec-01 | 42 | N/A | N/A |
| Sanger Trails | Dec-02 | 208 | N/A | N/A |
| Sycamore Senior Village | Jun-02 | 300 | N/A | N/A |
| Village at Sun Valley | May-00 | 276 | 70.7% | 67.4 |
| Walnut Tree | Mar-02 | 64 | N/A | N/A |
| | | ----- | | |
| Subtotal Construction/Rehab Properties | | 13,175 | | |
| | | ----- | | |
| Total Units | | 35,554 | | |
| | | ===== | | |

| Apartment Community | Month/Year Acquired | Apartment Units | Avg. Per Ap | |
|---|---------------------|-----------------|-------------------------------|--------------------------------|
| | | | Month Ended December 31, 2002 | Month Ended September 30, 2002 |
| Subordinate Mortgage Bonds: | | | | |
| CAPREIT | Sep-99 | ---- | N/A | |
| Cinnamon Ridge | Jan-99 | ---- | N/A | |
| Farmington Meadows | Aug-99 | 69 | 814 | |
| Independence Ridge | Aug-96 | 336 | 553 | |
| Locarno | Aug-96 | 110 | 882 | |
| Olde English Manor | Nov-99 | ---- | N/A | |
| Peaks of Conyer | Sep-01 | 260 | 735 | |
| Rillito Village | Jul-00 | ---- | N/A | |
| Winter Oaks | Nov-99 | 460 | 558 | |
| | | ----- | | |
| Subtotal Subordinate Mortgage Bonds | | 1,235 | | |
| | | ----- | | |
| Other Bond Related Investments: | | | | |
| Briarwood | Dec-98 | 600 | 623 | |
| Cinnamon Ridge | Dec-97 | 264 | 932 | |
| Golfside Villas (f.k.a. Club West) | Mar-99 | 194 | 615 | |
| Park at Landmark | Sep-00 | 396 | 1,084 | 1, |
| Poplar Glen | Jun-97 | 191 | 971 | |
| RITES - Charter House | Dec-96 | 280 | 624 | |
| RITES - Indian Lakes | Jul-97 | 296 | 800 | |
| RITES - LaPaloma | Apr-99 | 120 | 629 | |
| RITES - LeMirador (Coleman Senior) | Apr-98 | 141 | 834 | |
| RITES - Museum Towers | Apr-01 | 286 | 1,363 | 1, |
| RITES - Olde English Manor | Jun-98 | 264 | 488 | |
| RITES - Palisades Park | Feb-98 | 304 | 551 | |
| RITES - Pavillion | Apr-99 | 132 | 652 | |
| RITES - Queen Anne IV | Jul-98 | 110 | 1,102 | 1, |
| RITES - Rancho/Villas | May-00 | 417 | 492 | |
| RITES - Rillito Village | Aug-98 | 272 | 453 | |
| RITES - Riverset (1) | Aug-88 | 352 | 697 | |
| RITES - Riverset II (1) | Jan-96 | ---- | N/A | |
| RITES - Sienna (a.k.a. Italian Gardens) | Apr-98 | 140 | 810 | |
| RITES - Sonterra | May-98 | 156 | 857 | |
| RITES - Southgate Crossings | Jun-97 | 215 | 987 | |

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| | | | |
|---|--------|--------|-------|
| RITES - Southwood | Nov-97 | 1,286 | 500 |
| | | ----- | |
| Subtotal Other Bond Related Investments | | 6,416 | |
| | | ----- | |
| Total Units/Weighted Average Investments | | 22,379 | 688 |
| | | ===== | |
| Total/Same Stores (5) 2000 | | 20,053 | 675 |
| Total/Same Stores (5) 2001 | | 22,119 | 696 |
| Construction/Substantial Rehab Properties and Other Investments | | | |
| Arlington | Dec-00 | 176 | 1,388 |
| Barrington at Beach Street | Oct-00 | 398 | 805 |
| Bedford Park | Oct-00 | 312 | 530 |
| CAPREIT Joint Venture (6) | Jun-02 | 6,279 | 755 |
| CAPREIT TERA (7) | Mar-01 | 2,942 | 618 |
| Chancellor | Nov-01 | 101 | N/A |
| Chancellor II | Mar-02 | 46 | N/A |
| City Views at Rosa Burney Park | Dec-02 | 180 | N/A |
| Cool Springs | Aug-00 | 124 | 1,932 |
| Coronel Village | Apr-02 | 48 | N/A |
| Fort Branch | Dec-00 | 250 | 806 |
| Hidden Brooks | Sep-01 | 201 | 1,024 |
| Jefferson at Town Lake | Dec-02 | 216 | N/A |
| Las Trojas | Mar-02 | 49 | N/A |
| Lincoln Corner | Dec-01 | 134 | N/A |
| Meridian at Bridgewater | Nov-99 | 90 | 3,496 |
| Mountain View Village | Jun-02 | 220 | N/A |
| North White Road | Nov-01 | 157 | N/A |
| Oak Grove Commons | Dec-01 | 168 | N/A |
| Olathe Senior Residences | Dec-02 | 144 | N/A |
| Osborne Place Manor | Dec-02 | 50 | N/A |
| Penn Valley | Dec-01 | 42 | N/A |
| Sanger Trails | Dec-02 | 208 | N/A |
| Sycamore Senior Village | Jun-02 | 300 | N/A |
| Village at Sun Valley | May-00 | 276 | 683 |
| Walnut Tree | Mar-02 | 64 | N/A |
| | | ----- | |
| Subtotal Construction/Rehab Properties | | 13,175 | |
| | | ----- | |
| Total Units | | 35,554 | |
| | | ===== | |

- (1) The Company owns a participating bond, a participating subordinate bond and a RITES interest collateralized by the Riverset property.
- (2) The Company owns a non-participating bond and a RITES interest collateralized by the Charter House property.
- (3) The Dade Gannon Portfolio represents eight properties.
- (4) The Oklahoma City Portfolio represents three properties.
- (5) Same Store includes only properties reporting for all three quarters.
- (6) CAPREIT Joint Venture represents twenty properties (not included previously in CAPREIT Portfolio).
- (7) The CAPREIT TERA Portfolio represents eleven properties.

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.

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MUNICIPAL MORTGAGE & EQUITY, LLC

Date: February 28, 2003

By: /s/ William S. Harrison____
William S. Harrison
SVP and Chief Financial Officer