

MUNICIPAL MORTGAGE & EQUITY LLC

Form 8-K

October 21, 2002

MUNICIPAL MORTGAGE & EQUITY, LLC

SUPPLEMENTAL INFORMATION

QUARTER ENDED SEPTEMBER 30, 2002

TABLE OF CONTENTS

CAD Statement for the three and nine months ended September 30, 2002	Page	3
Variance Analysis for CAD	Page	4
Rolling Five Quarters - CAD	Page	5
GAAP Income Statement for the three and nine months ended September 30, 2002	Page	6
Variance Analysis for GAAP	Page	7
Rolling Five Quarters - GAAP	Page	8
Calculation of Diluted Earnings Per Share	Page	9
CAD to GAAP reconciliation for the three and nine months ended September 30, 2002	Page	10
Condensed Balance Sheets and Book Value Per Share	Page	12
Leverage at September 30, 2002	Page	13

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Summary of 3rd Quarter 2002 Investment Activity	Page	14
Participating Portfolio Property Net Operating Income Trends ...	Page	15
Units and Average Rents for Bond Portfolio	Page	16

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

	For the three months ended September 30,	
	2002	2001
SOURCES OF CASH:		
Interest on bonds, other bond related investments, other notes and loans	\$ 23,331	\$ 21,263
Interest on short-term investments	260	237
Loan servicing fees	1,544	1,659
Loan origination and brokerage fees	2,973	4,247
Other income	3,607	2,275
Net gain (loss) on sales	207	(187)
TOTAL SOURCES OF CASH	31,922	29,494
EXPENSES:		
Salaries and benefits	5,446	5,527
Professional fees	467	1,114
Other operating expenses	2,173	1,893
Interest expense	8,134	7,351
Income taxes	(173)	301
TOTAL EXPENSES	16,047	16,186
CASH AVAILABLE FOR DISTRIBUTION	15,875	13,308
LESS:		
Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company	2,994	2,962
CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES	\$ 12,881	\$ 10,346
CAD PER COMMON SHARE	\$ 0.51	\$ 0.48
CALCULATION OF CASH DISTRIBUTION:		
CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES	\$ 12,881	\$ 10,346

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ACTUAL AMOUNT PAID	\$ 11,154	\$ 9,296
	=====	=====
PAYOUT RATIO	86.6%	89.9%
	=====	=====
COMMON SHARES OUTSTANDING	25,349,585	21,618,144
	=====	=====
CASH DISTRIBUTION PER COMMON SHARE	\$ 0.4400	\$ 0.4300
	=====	=====

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 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

3rd Quarter 2002 Compared to 3rd Quarter 2001:

Total income for the third quarter of 2002 increased \$2.4 million over the same period last year due primarily to the following changes: (1) a \$2.1 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$1.3 million decrease in loan origination and brokerage fees due to a \$2.2 million decrease in syndication fees related to tax credit equity transactions (third quarter 2001 includes \$1.2 million in fees related to a tax credit re-syndication) offset by a \$0.9 million increase in origination fees; (3) a \$1.3 million increase in other income due to \$1.7 million in income on the CAPREIT investment offset by a \$0.4 million decrease in cancellation, late and other fees; and (4) a \$0.4 million increase in gain on sales.

Total expenses for the third quarter decreased \$0.1 million over the same period last year due primarily to the following changes: (1) a \$0.6 million decrease in professional fees due primarily to a \$0.4 million adjustment to reflect capitalization of legal expenses related to new securitization programs (these legal expenses had previously been expensed) and a \$0.2 million decrease in fees related to information systems initiatives, as compared with the prior-year period; (2) a \$0.3 million increase in other operating expenses due primarily to software hosting expenses that began in January 2002; (3) a \$0.8 million

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increase in interest expense primarily associated with an increase in financing costs associated with on-balance sheet securitizations; and (4) a \$0.5 million decrease in income tax expense due to tax benefits derived from tax losses and deductions generated by the CAPREIT investment.

Year-to-Date 2002 Compared to Year-to-Date 2001:

Total income for the nine months ended September 30, 2002 increased \$9.7 million over the same period last year due primarily to the following changes: (1) a \$6.4 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$0.5 million increase in loan origination and brokerage fees due to a \$3.3 million increase in origination fees offset by a \$2.8 million decrease in syndication fees related to tax credit equity transactions (year-to-date 2001 includes \$2.3 million in fees related to tax credit equity re-syndications); (3) a \$1.9 million increase in other income due to \$2.0 million in income from the CAPREIT investment, a \$0.7 million increase in asset management fees and advisory fees offset by a \$0.6 million decrease in cancellation, late and other fees; and (4) a \$0.5 million increase in gain on sales.

Total expenses for the nine months ended September 30, 2002 increased \$3.1 million over the same period last year due primarily to the following changes: (1) a \$1.2 million increase in salary and related benefits expense associated with 2001 new hires; (2) a \$0.6 million decrease in professional fees due primarily to a \$0.4 million adjustment to reflect capitalization of legal expenses related to new securitization programs (these legal expenses had previously been expensed) and a decrease in fees related to information systems initiatives, as compared with the prior-year period; (3) a \$1.0 million increase in other operating expenses primarily driven by deployment of accounting information systems and other upgrades in technology infrastructure; (4) a \$1.8 million increase in interest expense, primarily associated with an increase in financing costs associated with on-balance sheet securitizations; and (5) a \$0.2 million decrease in income tax expense due to tax benefits derived from tax losses and deductions generated by the CAPREIT investment.

CALCULATION OF CASH AVAILABLE FOR DISTRIBUTION (in thousands, except share and per share data) (unaudited)

	Qtr Ended 09/30/02	Qtr Ended 06/30/02	Qtr Ended 03/31/02
SOURCES OF CASH:			
Interest on bonds, other bond-related investments, other notes and loans	\$ 23,331	\$ 23,377	\$ 22,96
Interest on short-term investments	260	244	48
Loan servicing fees	1,544	1,660	1,90
Loan origination and brokerage fees	2,973	5,385	3,12
Other income	3,607	2,451	2,33
Net gain (loss) on sales	207	102	4
TOTAL SOURCES OF CASH	31,922	33,219	30,85

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EXPENSES:

Salaries and benefits	5,446	5,930	4,82
Professional fees	467	1,437	17
Other operating expenses	2,173	2,227	2,19
Interest expense	8,134	7,900	8,29
Income taxes	(173)	345	41

TOTAL EXPENSES	16,047	17,839	15,89
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CASH AVAILABLE FOR DISTRIBUTION	15,875	15,380	14,96
---------------------------------------	--------	--------	-------

LESS:

Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company	2,994	2,995	3,14
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CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES	\$ 12,881	\$ 12,385	\$ 11,81
--	-----------	-----------	----------

CAD PER COMMON SHARE	\$ 0.51	\$ 0.49	\$ 0.4
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CALCULATION OF CASH DISTRIBUTION:

CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES	\$ 12,881	\$ 12,385	\$ 11,81
--	-----------	-----------	----------

ACTUAL AMOUNT PAID	\$ 11,154	\$ 11,072	\$ 10,96
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PAYOUT RATIO	86.6%	89.4%	92.
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COMMON SHARES OUTSTANDING	25,349,585	25,308,022	25,213,48
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CASH DISTRIBUTION PER COMMON SHARE	\$ 0.4400	\$ 0.4375	\$ 0.435
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Note: Certain prior quarter amounts have been reclassified to conform to the 9/30/02 presentation.

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

For the three months
September 30,

2002	200
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INCOME:

Interest on bonds, other bond-related investments, other notes

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and loans	\$ 24,085	\$ 20
Interest on short-term investments	260	
Loan servicing fees	1,544	1
Loan origination and brokerage fees	2,781	2
Other income	381	1
Net gain on sales	657	4
	-----	-----
Total income	29,708	32
	-----	-----
EXPENSES:		
Salaries and benefits	5,446	5
Professional fees	467	1
Operating expenses	2,173	1
Amortization of intangible assets	334	
Interest expense	8,771	7
Other-than-temporary impairments related to investments in bonds and other bond-related investments	-	
	-----	-----
Total expenses	17,191	17
	-----	-----
Net holding losses on trading securities	(9,921)	(4)
Income tax benefit (expense)	635	
Income allocable to preferred shareholders in a subsidiary company	(2,994)	(2)
Cumulative effect on prior years of change in accounting for derivative financial instruments	-	
	-----	-----
Net income	\$ 237	\$ 7
	=====	=====
LESS:		
Net income allocable to preferred shares and term growth shares	-	
	-----	-----
Net income allocated to common shares	\$ 237	\$ 6
	=====	=====
OPERATING NET INCOME ALLOCATED TO COMMON SHARES (Note 1)	\$ 10,158	\$ 11
	=====	=====
NET INCOME PER COMMON SHARE:		
Basic net income per common share:		
Basic net income before cumulative effect of accounting change	\$ 0.01	\$
	=====	=====
Basic net income per common share	\$ 0.01	\$
	=====	=====
Weighted average common shares outstanding	25,329,103	21,590
Diluted net income per common share:		
Diluted net income before cumulative effect of accounting change	\$ 0.01	\$
	=====	=====
Diluted net income per common share	\$ 0.01	\$
	=====	=====
Weighted average common shares outstanding	25,916,151	22,397
	=====	=====
Operating net income per common share (Note 1)	\$ 0.40	\$
	=====	=====

Note 1 - Operating Net Income is Net Income before the change in market value of the Company's derivative financial instruments. Operating Net Income per share is calculated using basic weighted average common shares outstanding for the relevant period.

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VARIANCE ANALYSIS FOR GAAP

3rd Quarter 2002 compared to 3rd Quarter 2001:

Total income for the third quarter of 2002 decreased \$2.6 million over the same period last year due primarily to the following changes: (1) a \$3.5 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$0.2 million decrease in interest on short-term investments resulting from the use of equity offering proceeds to repurchase senior interests in certain securitization trusts and funding of other operations, as well as lower investment yields on larger average balances held in margin collateral accounts; (3) a \$1.5 million decrease in other income due primarily to a \$1.2 million increase in losses from the CAPREIT investment and a decrease in cancellation, late and other fees; and (4) a \$4.1 million decrease in gain on sales due primarily to a \$0.8 million decrease in gain related to capitalized mortgage servicing rights, a \$1.2 million gain on a tax credit equity re-syndication in the third quarter of 2001 and a \$2.2 million gain from the pay-off of the Newport-on-Seven bond in the third quarter of 2001.

Total expenses for the third quarter of 2002 increased \$0.1 million over the same period last year due primarily to the following changes: (1) a \$0.6 million decrease in professional fees due primarily to a \$0.4 million adjustment to reflect capitalization of legal expenses related to new securitization programs (these legal expenses had previously been expensed) and a \$0.2 million decrease in fees related to information systems initiatives, as compared with the prior-year period; (2) a \$0.3 million increase in operating expenses due primarily to software hosting expenses that began in January 2002; (3) a \$0.4 million decrease in amortization expense due to changes in accounting guidelines relating to amortization of goodwill; and (4) a \$0.9 million increase in interest expense primarily associated with an increase in financing costs associated with on-balance sheet securitizations.

The Company recorded net holding losses for the change in market value of the Company's derivative financial instruments of \$9.9 million for the third quarter of 2002. The Company's net operating income, which excludes this change in market value, was \$0.40 per common share.

Year-to-Date 2002 Compared to Year-to-Date 2001:

Total income for the nine months ended September 30, 2002 increased \$2.8 million over the same period last year due primarily to the following changes: (1) a \$10.1 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$1.2 million decrease in interest on short-term investments resulting from the use of equity offering proceeds to repurchase senior interests in current securitization trusts and funding of other operations, as well as lower investment yields on larger average balances held in margin collateral accounts; (3) a \$1.2 million increase in loan origination and brokerage fees due to a \$1.7 million increase in origination fees offset by a \$0.5 million decrease in syndication fees related to tax credit equity transactions; (4) a \$4.0 million decrease in other income primarily due to a \$4.3 million increase in losses from the CAPREIT investment and a \$0.4

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million decrease in cancellation, late and other fees offset by an increase of \$0.7 million in asset management and advisory fees; and (5) a \$3.4 million decrease in gain on sales due primarily to a \$2.3 million gain on tax credit equity re-syndications in 2001 and a \$2.2 million gain from the pay-off of the Newport-on-Seven bond in 2001 offset by a \$1.0 million gain in the first quarter of 2002 on the sale of an investment in RITES.

Total expenses for the nine months ended September 30, 2002 increased \$0.2 million over the same period last year due primarily to the following changes: (1) a \$1.2 million increase in salary and related benefits expense associated with 2001 new hires; (2) a \$0.6 million decrease in professional fees due primarily to a \$0.4 million adjustment to reflect capitalization of legal expenses related to new securitization programs (these legal expenses had previously been expensed) and a decrease in fees related to information systems initiatives, as compared with the prior-year period; (3) a \$1.0 million increase in other operating expenses driven primarily by deployment of accounting information systems and other upgrades in technology infrastructure; (4) a \$1.0 million decrease in amortization expense due to changes in accounting guidelines relating to amortization of goodwill; (5) a \$2.8 million increase in interest expense primarily associated with an increase in financing costs associated with on-balance sheet securitizations; and (6) a \$0.1 million impairment recorded 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).

The Company recorded net holding losses for the change in market value of the Company's derivative financial instruments of \$14.5 million for the nine months ended September 30, 2002. The Company's net operating income, which excludes this change in market value, was \$1.32 per common share.

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

	Qtr Ended 09/30/02	Qtr Ended 06/30/02	Qtr Ended 03/31/02
	-----	-----	-----
INCOME:			
Interest on tax-exempt bonds and other bond-related investments	\$ 15,409	\$ 15,399	\$ 15,162
Interest on loans	8,676	8,594	8,430
Interest on short-term investments	260	244	487
Loan servicing fees	1,544	1,660	1,908
Loan origination and brokerage fees	2,781	3,885	2,707
Other income	381	2,393	1,689
Net gain on sales	657	703	2,166
	-----	-----	-----
TOTAL INCOME	29,708	32,878	32,549
	-----	-----	-----
EXPENSES:			
Salaries and benefits	5,446	5,930	4,827
Professional fees	467	1,437	172

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Operating expenses	2,173	2,227	2,191
Goodwill and other intangible amortization	334	333	318
Interest expense	8,771	8,487	8,972
Other-than-temporary impairments	-	-	110
	-----	-----	-----
TOTAL EXPENSES	17,191	18,414	16,590
	-----	-----	-----
Net holding gains (losses) on trading securities.	(9,921)	(7,721)	3,112
Income tax benefit (expense)	635	(828)	(1,031)
Income allocable to preferred shareholders in a subsidiary company	(2,994)	(2,995)	(2,994)
	-----	-----	-----
Net income	\$ 237	\$ 2,920	\$ 15,046
	=====	=====	=====
LESS:			
Net income allocable to preferred shares and term growth shares	-	-	153
	-----	-----	-----
Net income allocated to common shares	\$ 237	\$ 2,920	\$ 14,893
	=====	=====	=====
OPERATING NET INCOME ALLOCATED TO COMMON SHARES	\$ 10,158	\$ 10,641	\$ 11,781
	=====	=====	=====
EARNINGS PER COMMON SHARE:			
Basic earnings before cumulative effect of accounting change	\$ 0.01	\$ 0.12	\$ 0.63
	=====	=====	=====
Basic net income per common share	\$ 0.01	\$ 0.12	\$ 0.63
	=====	=====	=====
Diluted earnings before cumulative effect of accounting change	\$ 0.01	\$ 0.11	\$ 0.62
	=====	=====	=====
Diluted net income per common share	\$ 0.01	\$ 0.11	\$ 0.62
	=====	=====	=====
Weighted average shares outstanding:			
Basic	25,329,103	25,252,124	23,584,635
	=====	=====	=====
Diluted	25,916,151	25,835,808	24,200,030
	=====	=====	=====
Operating net income per common share	\$ 0.40	\$ 0.42	\$ 0.50
	=====	=====	=====

Note: Certain prior quarter amounts have been reclassified to conform to the 9/30/02 presentation.

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

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	For the three months ended September 30, 2002			For the three
	Income	Shares	Per Share	Income
	(Numerator)	(Denominator)	Amount	(Numerator)
	-----	-----	-----	-----
(in thousands, except share and per share data)				
Basic EPS				
Income allocable to common shares	\$ 237	25,329,103	\$ 0.01	\$ 6,514
			=====	
Effect of Dilutive Securities				
Options and deferred shares	-	454,193		-
Convertible preferred shares to the extent dilutive	-	-		3
Earnings contingency	-	132,855		-
	-----	-----		-----
Diluted EPS				
Income allocable to common shares plus assumed conversions	\$ 237	25,916,151	\$ 0.01	\$ 6,517
	=====	=====	=====	=====

	For the nine months ended September 30, 2002			For the nine
	Income	Shares	Per Share	Income
	(Numerator)	(Denominator)	Amount	(Numerator)
	-----	-----	-----	-----
(in thousands, except share and per share data)				
Basic EPS				
Income allocable to common shares	\$ 18,050	24,728,414	\$ 0.73	\$ 9,263
			=====	
Effect of Dilutive Securities				
Options and deferred shares	-	462,520		-
Convertible preferred shares to the extent dilutive	-	-		3
Earnings contingency	-	132,855		-
	-----	-----		-----
Diluted EPS				
Income allocable to common shares plus assumed conversions	\$ 18,050	25,323,789	\$ 0.71	\$ 9,266
	=====	=====	=====	=====

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

For the three months ended
 September 30, 2002

INCOME:	
Interest on bonds, other bond-related investments, other notes and loans..	\$ 24,0
Interest on short-term investments	2
Loan servicing fees	1,5
Loan origination and brokerage fees	2,7
Other income	3
Net gain on sales	6
<hr/>	
Total income	29,7
<hr/>	
EXPENSES:	
Salaries and benefits	5,4
Professional fees	4
Operating expenses	2,1
Amortization	3
Interest expense	8,7
Other-than-temporary impairments related to investments in bonds and other bond-related investments	
<hr/>	
Total expenses	17,1
<hr/>	
Net holding losses on trading securities	(9,9
Income tax benefit (expense)	6
Income allocable to preferred shareholders in a subsidiary company	(2,9
<hr/>	
Net income	\$ 2
<hr/>	
LESS:	
Net income allocable to term growth shares	
<hr/>	
Net income allocated to common shares - GAAP Basis	\$ 2
<hr/>	
Conversion to Cash Available for Distribution:	
(1)Mark to market adjustments	\$ 9,9
(2)CAPREIT investments	3,2
(3)Net gain on sales	(4
(3)Amortization of capitalized mortgage servicing fees	3
(4)Origination fees and other income, net	
(5)Valuation allowances and other-than-temporary impairments	
(6)Deferred tax (benefit) expense	(4
<hr/>	
Cash Available for Distribution (CAD)	\$ 12,8
<hr/>	

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.

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- (2) For GAAP reporting, the Company accounts for its investment in the CAPREIT ventures on the equity accounting method. As a result, the Company reports its share of the income or losses from the underlying properties and assets in the CAPREIT ventures. The income from these ventures includes depreciation expense and changes in the fair value of investments in derivatives. For CAD reporting, the Company records the cash distributions it receives from the ventures as income.
- (3) For GAAP reporting, the Company recognizes non-cash gains and losses associated with the sale of assets or 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)

	(unaudited) September 30, 2002	December 31, 2001
	-----	-----
ASSETS:		
Cash, cash equivalents and interest receivable	\$ 53,935	\$ 113,232
Investment in bonds and other bond-related investments	792,216	629,755
Investment in derivative financial instruments	21,085	2,912
Loans receivable, net	433,963	440,031
Investment in partnerships	83,841	5,393
Other assets	81,547	68,948
Goodwill and other intangible assets	30,206	29,005
	-----	-----

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TOTAL	\$ 1,496,793	\$1,289,276
	=====	=====
LIABILITIES AND EQUITY:		
Current liabilities	\$ 28,992	\$ 31,974
Notes payable	404,589	420,063
Investment in other bond-related investments	943	7,979
Investment in derivative financial instruments	51,349	18,646
Short-term debt	219,945	78,560
Long-term debt	137,945	134,881
Preferred shareholders' equity in a subsidiary company	160,465	160,465
Shareholders' equity	492,565	436,708
	-----	-----
TOTAL	\$ 1,496,793	\$1,289,276
	=====	=====
BOOK VALUE PER COMMON SHARE	\$ 19.43	\$ 19.31
	=====	=====

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

	September 30, 2002	Adj
	-----	-----
Cash and cash equivalents	\$ 37,890	\$
Investment in bonds and loans, net	1,194,972	
Off balance sheet assets	-	
Other assets	211,639	
	-----	-----
Total net assets	\$ 1,444,501	\$
	=====	=====
Liabilities, including short-term debt	\$ 653,526	\$
Off balance sheet debt	-	
Long-term debt	137,945	
	-----	-----
Total liabilities	\$ 791,471	\$
	=====	=====

Leverage Ratio

(1) Adjustments to bonds and loans:		
Remove Midland loans from assets and liabilities	\$ 401,350	
Remove Oxford from assets and liabilities	5,420	
Adjustment to reflect CAD sale of pari passu taxable loans accounted for as borrowings	16,759	
Adjustment to reflect effect of highly leveraged obligations ..	121,326	

TOTAL	\$ 544,855	

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		=====
(2) Off balance sheet assets includes the following:		
FSA A Bonds	\$	67,400
Other A Bonds		20,978
Demand Notes		16,247
P-Floats		197,069

TOTAL	\$	301,694
		=====
(3) Remove goodwill	\$	30,206
		=====
(4) Adjustments to liabilities:		
Remove other liabilities and normal accruals	\$	28,991
Adjustment to reflect CAD sale of pari passu taxable loans accounted for as borrowings		16,501
Remove Oxford from assets and liabilities		5,410
Remove Midland loans from assets and liabilities		404,589

TOTAL	\$	455,491
		=====

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

BOND PRODUCTION:				QUARTER BOND AMOUNT	
			PERMANENT INTEREST	-----	-----
PROPERTY	CITY	STATE	RATE	CONSTRUCTION	PERMANENT
-----				-----	
Lockwood Plaza	Providence ..	RI ...	6.81% ..	4,050	4,050
Shady Oaks Manor	Fort Worth ..	TX ...	6.35% ..		3,900
Park at Landmark	Alexandria ..	VA ...	Various .		15,800
				-----	-----
TOTAL				\$ 4,050	\$ 23,700
				=====	=====

CONSTRUCTION/PERMANENT LENDING,
 SYNDICATION AND OTHER PRODUCTION:

	QUARTER VOLUME	-----	TOTAL F RECOGNI THIS QUA FOR CA

Tax Credit Equity Syndications			

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(Equity Raised)	\$	21,027	\$	76
Tax Credit Lending Production	\$	23,043	\$	
Conventional Equity Production	\$	16,171	\$	58
Taxable Construction Loan Production (generating a weighted average spread of 1.04%)	\$	97,253	\$	31
Taxable Permanent Loan Production	\$	114,692	\$	1,40
Working Capital and Bridge Loans	\$	15,914	\$	22
Equity Investment in CAPREIT Three M Venture	\$	-	\$	
OTHER INFORMATION:				
Balance as of 9/30/02 of Midland Servicing Portfolio under Management	\$	1,031,582	\$	98
Balance as of 9/30/02 of Midland Equity Syndication Portfolio under Management	\$	769,900	\$	75

MUNICIPAL MORTGAGE & EQUITY, LLC
PARTICIPATING BOND PORTFOLIO
NET OPERATING INCOME - TREND
As of September 30, 2002

Property -----	Q3 2001 Actual -----	Q2 2002 Actual -----	Q3 20 Act -----
Alban	242,953	277,851	260
(1) Arlington	0	0	
Barkley Place	379,015	264,048	346
(1) Barrington at Beach Street	0	0	
Cobblestone	179,580	179,912	167
(1) Cool Springs	0	0	
Creekside	264,353	271,875	287
Crossings	192,690	179,332	175
Gilman Meadows	178,290	167,729	180
Hamilton Grove	208,703	231,641	241
Jefferson Commons	429,576	484,620	347
Lakeview	162,227	187,987	192
Mallard I	58,433	30,358	40
Mallard II	133,411	102,851	107
Montclair	305,474	306,323	374
Newport Village	318,144	257,432	302
Nicollet Ridge	394,316	379,089	458
North Pointe	540,006	661,019	567

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Palisades Park	264,106	245,556	256
Riverset I	408,873	316,555	322
Riverset II	170,854	139,242	135
Steeplechase Falls	370,708	403,373	378
Meadows	171,553	136,952	167
Timber Ridge	154,997	137,432	143
Villas at LaRiviera	249,233	193,778	189
Whispering Lake	302,653	344,172	397
Winter Oaks	184,575	282,800	246
<hr/>			
Total	6,264,723	6,181,926	6,291
Same Store Growth	6,264,723	6,181,926	6,291

(1) Under construction

(2) Q3 2002 represents two months actual, one month budget

Real Estate Table

Apartment Community	Month/Year Acquired	Apartment Units	Month Ended September 30, 2002	Month Ended June 30, 2002
Participating Mortgage Bonds:				
Alban Place	Sep-86	194	94.8%	94.
Cobblestone	Aug-99	184	93.5%	95.
Creekside Village	Nov-87	296	100.0%	99.
Crossings	Jan-97	200	94.0%	95.
Jefferson Commons	Dec-00	173	83.0%	91.
Lakeview	Sep-87	180	98.3%	96.
North Pointe	Sep-86	540	95.0%	92.
Timber Ridge	Dec-00	168	98.8%	97.
Villas at LaRiviera	Jun-99	199	98.0%	81.
Subtotal Participating Mortgage Bonds		2,134		
Mortgage Bonds:				
Applewood (a.k.a. Paola)	Jul-99	48	91.7%	91.
Buchanan Bay	Mar-01	228	82.5%	82.
Charter House (2)	Dec-96	-	N/A	N
Cielo Vista	Aug-99	378	93.7%	95.
Country Club	Jul-99	101	85.1%	90.
Delta Village	Jun-99	80	96.3%	100.
Elmbrooke	Aug-00	54	100.0%	100.
Florida A&M	Feb-00	96	92.0%	69.
Gannon (Broward)	Feb-98	315	98.1%	96.
Gannon (Dade) (3)	Feb-98	1,252	97.7%	95.

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Gannon (St. Louis)	Feb-98	336	89.6%	92.
Gannon A Bond	Feb-98	-	N/A	N
Hidden Valley	Dec-96	82	92.7%	92.
Honey Creek	Mar-99	656	89.8%	95.
Hunter's Glen	Mar-01	383	82.5%	86.
Lake Piedmont	Apr-98	648	90.7%	95.
Monroe (Oakmont, Towne Oak)	Dec-98	364	97.0%	98.
Mountain View (Willowgreen)	Nov-86	241	95.9%	98.
Northridge Park II	Aug-87	128	88.3%	96.
Oakbrook	Dec-96	170	92.4%	95.
Orangevale	Apr-98	64	100.0%	98.
Parkwood	Jun-99	180	97.2%	97.
Riverset II (1)	Jan-96	-	N/A	N
Riverview	Jun-00	224	96.9%	75.
Sahuarita	Jun-99	52	88.5%	100.
Santa Fe Springs	Jun-00	310	89.7%	91.
Shadowbrook	Jun-99	193	97.4%	97.
Silver Springs	Dec-99	250	84.4%	70.
Southwind	Aug-00	88	98.6%	100.
Torries Chase	Dec-96	99	92.9%	92.
Villa Hialeah	Nov-87	245	99.2%	98.
Village Apartments	May-00	210	93.8%	96.
Village at Stone Mountain	Oct-97	722	90.6%	91.
Village Green	Feb-00	200	85.2%	86.
Weatherstone	Sep-00	100	96.0%	91.
Western Hills	Dec-98	80	83.8%	91.
Willow Key	Mar-99	384	97.0%	99.
Woodglen	Dec-99	250	87.2%	90.
Woodmark	Jun-99	173	99.4%	98.
Subtotal Mortgage Bonds		9,384		
Participating Subordinate Mortgage Bonds:				
Barkley Place	May-87	156	92.9%	89.
Gilman Meadows	Mar-87	125	97.6%	90.
Hamilton Chase	Feb-87	300	92.7%	93.
Mallard Cove I & II	Feb-87	198	92.4%	90.
Meadows	Jan-88	200	96.5%	94.
Montclair	Oct-86	159	91.2%	97.
Newport Village	Dec-86	220	90.0%	94.
Nicollet Ridge	Dec-87	339	95.3%	92.
Riverset II	Jan-96	148	94.0%	86.
Steeplechase	Oct-88	450	95.3%	92.
Whispering Lake	Oct-87	384	90.6%	93.
Subtotal Participating Subordinate Mortgage Bonds		2,679		

Apartment Community	Month/Year Acquired	Apartment Units	Per Apartment	
			Month Ended August 31, 2002	Month Ended June 30, 2002

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 Participating Mortgage Bonds:

Alban Place	Sep-86	194	933	924
Cobblestone	Aug-99	184	575	572
Creekside Village	Nov-87	296	570	559
Crossings	Jan-97	200	748	749
Jefferson Commons	Dec-00	173	1,357	1,361
Lakeview	Sep-87	180	697	695
North Pointe	Sep-86	540	687	682
Timber Ridge	Dec-00	168	497	464
Villas at LaRiviera	Jun-99	199	693	682

Subtotal Participating Mortgage Bonds 2,134

Mortgage Bonds:

Applewood (a.k.a. Paola)	Jul-99	48	503	502
Buchanan Bay	Mar-01	228	716	716
Charter House (2)	Dec-96	-	N/A	N/A
Cielo Vista	Aug-99	378	423	424
Country Club	Jul-99	101	438	438
Delta Village	Jun-99	80	579	578
Elmbrooke	Aug-00	54	1,021	1,021
Florida A&M	Feb-00	96	1,382	1,385
Gannon (Broward)	Feb-98	315	671	665
Gannon (Dade) (3)	Feb-98	1,252	757	743
Gannon (St. Louis)	Feb-98	336	576	573
Gannon A Bond	Feb-98	-	N/A	N/A
Hidden Valley	Dec-96	82	547	552
Honey Creek	Mar-99	656	550	560
Hunter's Glen	Mar-01	383	578	584
Lake Piedmont	Apr-98	648	478	476
Monroe (Oakmont, Towne Oak)	Dec-98	364	483	481
Mountain View (Willowgreen)	Nov-86	241	631	628
Northridge Park II	Aug-87	128	1,044	1,053
Oakbrook	Dec-96	170	437	430
Orangevale	Apr-98	64	977	958
Parkwood	Jun-99	180	467	464
Riverset II (1)	Jan-96	-	N/A	N/A
Riverview	Jun-00	224	656	658
Sahuarita	Jun-99	52	529	529
Santa Fe Springs	Jun-00	310	590	592
Shadowbrook	Jun-99	193	482	484
Silver Springs	Dec-99	250	809	809
Southwind	Aug-00	88	713	711
Torries Chase	Dec-96	99	504	498
Villa Hialeah	Nov-87	245	718	720
Village Apartments	May-00	210	568	568
Village at Stone Mountain	Oct-97	722	743	733
Village Green	Feb-00	200	634	638
Weatherstone	Sep-00	100	812	812
Western Hills	Dec-98	80	502	502
Willow Key	Mar-99	384	655	655
Woodglen	Dec-99	250	641	641
Woodmark	Jun-99	173	680	680

Subtotal Mortgage Bonds 9,384

 Participating Subordinate Mortgage Bonds:

Barkley Place	May-87	156	2,048	2,068
Gilman Meadows	Mar-87	125	1,014	1,020
Hamilton Chase	Feb-87	300	614	613

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Mallard Cove I & II	Feb-87	198	217	218
Meadows	Jan-88	200	605	611
Montclair	Oct-86	159	1,829	1,820
Newport Village	Dec-86	220	839	839
Nicollet Ridge	Dec-87	339	942	942
Riverset II	Jan-96	148	705	706
Steeplechase	Oct-88	450	604	590
Whispering Lake	Oct-87	384	642	639
Subtotal Participating Subordinate Mortgage Bonds		2,679		

Apartment Community	Month/Year Acquired	Apartment Units	Month Ended September 30, 2002	Month End June 30, 2002
Subordinate Mortgage Bonds:				
CAPREIT	Sep-99	-	N/A	N/A
Cinnamon Ridge	Jan-99	-	N/A	N/A
Farmington Meadows	Aug-99	69	98.6%	100.0%
Independence Ridge	Aug-96	336	75.3%	83.6%
Locarno	Aug-96	110	90.0%	93.6%
Olde English Manor	Nov-99	-	N/A	N/A
Peaks of Conyer	Sep-01	260	89.2%	89.2%
Rillito Village	Jul-00	-	N/A	N/A
Winter Oaks	Nov-99	460	93.7%	92.0%
Subtotal Subordinate Mortgage Bonds		1,235		
Other Bond-Related Investments:				
Briarwood	Dec-98	600	97.5%	97.5%
Cinnamon Ridge	Dec-97	264	97.0%	98.1%
Golfside Villas (f.k.a. Club West)	Mar-99	194	99.5%	100.0%
Park Center	Oct-01	325	93.5%	94.2%
Park at Landmark	Sep-00	396	95.0%	95.0%
Poplar Glen	Jun-97	191	95.3%	95.8%
rites - Charter House	Dec-96	280	95.7%	98.2%
rites - Indian Lakes	Jul-97	296	94.9%	86.1%
rites - LaPaloma	Apr-99	120	98.3%	98.3%
rites - LeMirador (Coleman Senior)	Apr-98	141	85.8%	92.9%
rites - Museum Towers	Apr-01	286	N/A	87.8%
rites - Oklahoma City (4)	Aug-98	772	94.3%	86.8%
rites - Olde English Manor	Jun-98	264	89.0%	90.5%
rites - Palisades Park	Feb-98	304	95.7%	97.4%
rites - Pavillion	Apr-99	132	100.0%	100.0%
rites - Queen Anne IV	Jul-98	110	93.6%	96.4%
rites - Rancho/Villas	May-00	417	90.2%	92.1%
rites - Rillito Village	Aug-98	272	91.9%	91.2%
rites - Riverset (1)	Aug-88	352	94.0%	86.8%
rites - Riverset II (1)	Jan-96	-	N/A	N/A
rites - Sienna (a.k.a. Italian Gardens)	Apr-98	140	82.9%	83.6%

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rites - Sonterra	May-98	156	100.0%	94.2%
rites - Southgate Crossings	Jun-97	215	97.2%	97.2%
rites - Southwood	Nov-97	1,286	84.4%	85.6%

Subtotal Other Bond-Related Investments ..		7,513		

Total Units/Weighted Average Investments..		22,945	92.7%	92.4%
		=====		
Total/Same Stores (5) 2000		19,464	93.2%	93.3%
Total/Same Stores (5) 2001		22,461	91.6%	92.6%
Construction/Substantial Rehab Properties Other Investments				
Arlington	Dec-00	176	9.7%	N/A
Barrington at Beach Street	Oct-00	398	44.0%	39.2%
Bedford Park	Oct-00	312	67.9%	75.6%
CAPREIT (6)	Mar-01	2,942	93.3%	93.3%
CAPREIT Joint Venture (7)	Jun-02	5,185	N/A	N/A
Chancellor	Nov-01	101	N/A	N/A
Chancellor II	Mar-02	46	N/A	N/A
Cool Springs	Aug-00	124	44.4%	28.2%
Coronel Village	Apr-02	48	N/A	N/A
Fort Branch	Dec-00	250	37.2%	19.6%
Hidden Brooks	Sep-01	201	86.1%	80.6%
Las Trojas	Mar-02	49	N/A	N/A
Lincoln Corner	Dec-01	134	N/A	N/A
Meridian at Bridgewater	Nov-99	90	83.3%	71.1%
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
Penn Valley	Dec-01	42	N/A	N/A
Sycamore Senior Village	Jun-02	300	N/A	N/A
Village at Sun Valley	May-00	276	67.8%	60.1%
Walnut Tree	Mar-02	64	N/A	N/A

Subtotal Construction/Rehab Properties ...		11,283		

Total Units		34,228		
		=====		

Apartment Community	Month/Year Acquired	Apartment Units	Per	
			Month Ended August 31, 2002	Month Ended June 30, 2002
Subordinate Mortgage Bonds:				
CAPREIT	Sep-99	-	N/A	N/A
Cinnamon Ridge	Jan-99	-	N/A	N/A
Farmington Meadows	Aug-99	69	810	814
Independence Ridge	Aug-96	336	552	551
Locarno	Aug-96	110	881	877
Olde English Manor	Nov-99	-	N/A	N/A
Peaks of Conyer	Sep-01	260	738	738

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Rillito Village	Jul-00	-	N/A	N/A
Winter Oaks	Nov-99	460	555	554

Subtotal Subordinate Mortgage Bonds		1,235		

Other Bond-Related Investments:				
Briarwood	Dec-98	600	611	603
Cinnamon Ridge	Dec-97	264	921	917
Golfside Villas (f.k.a. Club West)	Mar-99	194	618	618
Park Center	Oct-01	325	1,473	1,470
Park at Landmark	Sep-00	396	1,079	1,079
Poplar Glen	Jun-97	191	951	938
RITES - Charter House	Dec-96	280	620	619
RITES - Indian Lakes	Jul-97	296	776	785
RITES - LaPaloma	Apr-99	120	628	619
RITES - LeMirador (Coleman Senior)	Apr-98	141	890	871
RITES - Museum Towers	Apr-01	286	1,372	1,367
RITES - Oklahoma City (4)	Aug-98	772	482	478
RITES - Olde English Manor	Jun-98	264	485	479
RITES - Palisades Park	Feb-98	304	546	545
RITES - Pavillion	Apr-99	132	669	669
RITES - Queen Anne IV	Jul-98	110	1,096	1,094
RITES - Rancho/Villas	May-00	417	547	543
RITES - Rillito Village	Aug-98	272	442	444
RITES - Riverset (1)	Aug-88	352	704	714
RITES - Riverset II (1)	Jan-96	-	N/A	N/A
RITES - Sienna (a.k.a. Italian Gardens)	Apr-98	140	854	857
RITES - Sonterra	May-98	156	856	847
RITES - Southgate Crossings	Jun-97	215	975	981
RITES - Southwood	Nov-97	1,286	485	492

Subtotal Other Bond-Related Investments ...		7,513		

Total Units/Weighted Average Investments ..		22,945	702	691
		=====		
Total/Same Stores (5) 2000		19,464	645	644
Total/Same Stores (5) 2001		22,461	693	668
Construction/Substantial Rehab Properties and Other Investments				
Arlington	Dec-00	176	N/A	N/A
Barrington at Beach Street	Oct-00	398	847	847
Bedford Park	Oct-00	312	547	513
CAPREIT (6)	Mar-01	2,942	623	623
CAPREIT Joint Venture (7)	Jun-02	5,185	N/A	N/A
Chancellor	Nov-01	101	N/A	N/A
Chancellor II	Mar-02	46	N/A	N/A
Cool Springs	Aug-00	124	1,947	1,947
Coronel Village	Apr-02	48	N/A	N/A
Fort Branch	Dec-00	250	829	830
Hidden Brooks	Sep-01	201	1,045	1,057
Las Trojas	Mar-02	49	N/A	N/A
Lincoln Corner	Dec-01	134	N/A	N/A
Meridian at Bridgewater	Nov-99	90	2,702	2,453
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
Penn Valley	Dec-01	42	N/A	N/A
Sycamore Senior Village	Jun-02	300	N/A	N/A
Village at Sun Valley	May-00	276	681	681
Walnut Tree	Mar-02	64	N/A	N/A

Subtotal Construction/Rehab Properties		11,283		

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Total Units

34,228
=====

- (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) The CAPREIT Portfolio represents eleven properties.
- (7) CAPREIT Joint Venture represents seventeen properties (not included previously in CAPREIT Portfolio).