MUNICIPAL MORTGAGE & EQUITY LLC
Form 10-Q
August 13, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended: June 30, 2002

MUNICIPAL MORTGAGE & EQUITY, LLC
(Exact Name of Registrant as Specified in Its Charter)

Delaware	52-1449733
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

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

Yes [x] No [ ]

The Registrant had 25,312,150 common shares outstanding as of August 7, 2002.

MUNICIPAL MORTGAGE & EQUITY, LLC
INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MUNICIPAL MORTGAGE & EQUITY, LLC
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	(unaudit June 30,
ASSETS	
Cash and cash equivalents	$ 3
Interest receivable	1
Investment in tax-exempt bonds, net (Note 2)	65
Investment in other bond-related investments (Notes 3 and 4)	1
Investment in derivative financial instruments (Note 5)	
Loans receivable, net (Note 6)	40
Restricted assets	2
Investment in partnerships (Note 7)	8
Other assets	4
Mortgage servicing rights, net	1
Property and equipment	

Goodwill	2
Total assets	$ 1,31
LIABILITIES AND SHAREHOLDERS' EQUITY	
Notes payable (Note 8)	$ 37
Accounts payable, accrued expenses and other liabilities	2
Investment in other bond-related investments (Notes 3 and 4)	
Investment in derivative financial instruments (Note 5)	2
Distributions payable	
Short-term debt (Note 8)	8
Long-term debt (Note 8)	13
Total liabilities	66
Commitments and contingencies	
Preferred shareholders' equity in a subsidiary company (Note 9)	16
Shareholders' equity:	
Preferred shares:	
Series I (0 and 10,995 shares issued and outstanding, respectively)	
Series II (0 and 3,176 shares issued and outstanding, respectively)	
Preferred capital distribution shares:	
Series I (0 and 5,742 shares issued and outstanding, respectively)	
Series II (0 and 1,391 shares issued and outstanding, respectively)	
Term growth shares (0 and 2,000 shares issued and outstanding, respectively)	
Common shares, par value $0 (28,944,597 shares authorized, 25,341,212 shares issued and outstanding, and 26,110 deferred shares at June 30, 2002 and 24,594,597 authorized, 21,857,312 shares issued and outstanding, and 22,254 deferred shares at December 31, 2001)	47
Less common shares held in treasury at cost (59,330 shares)	
Less unearned compensation (deferred shares)	(
Accumulated other comprehensive income	2
Total shareholders' equity	49
Total liabilities and shareholders' equity	$ 1,31

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

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

	For the three months ended June 30,	
	2002	2001

INCOME:		
Interest on tax-exempt bonds and other bond-related investments	$ 15,723	$ 12,209
Interest on loans	8,270	8,768
Loan origination and brokerage fees	1,213	852
Syndication fees	2,672	2,511
Loan servicing fees	1,660	1,729
Interest on short-term investments	244	693
Other income	2,393	1,643
Net gain on sales	703	1,969
Total income	32,878	30,374
EXPENSES:		
Salaries and benefits	5,930	5,030
Professional fees	1,437	913
Operating expenses	2,227	2,150
Amortization of intangible assets	333	628
Interest expense	8,487	7,769
Other-than-temporary impairments related to investments in tax-exempt bonds and other bond-related investments	-	-
Total expenses	18,414	16,490
Net holding gains (losses) on trading securities	(7,721)	1,272
Net income before income taxes, income allocated to preferred shareholders in a subsidiary company, and cumulative effect of accounting change	6,743	15,156
Income tax expense	828	224
Net income before income allocated to preferred shareholders in a subsidiary company and cumulative effect of accounting change	5,915	14,932
Income allocable to preferred shareholders in a subsidiary company	2,995	2,606
Net income before cumulative effect of accounting change	2,920	12,326
Cumulative effect on prior years of change in accounting for derivative financial instruments	-	-
Net income	$ 2,920	$ 12,326

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

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

	For the three months ended June 30,	
	2002	2001

Net income allocated to:		
Preferred shares:		
Series I	$ -	$ 180
Series II	-	49
Preferred capital distribution shares:		
Series I	$ -	$ 66
Series II	-	2
Term growth shares	$ -	$ 216
Common shares	$ 2,920	$ 11,813
Basic net income per share:		
Preferred shares:		
Series I	$ -	$ 13.21
Series II	-	8.34
Preferred capital distribution shares:		
Series I	$ -	$ 9.27
Series II	-	0.82
Common shares:		
Income before cumulative effect of accounting change	$ 0.12	$ 0.55
Cumulative effect on prior years of change in accounting for derivative financial instruments	-	-
Basic net income per common share	$ 0.12	$ 0.55
Weighted average common shares outstanding	25,252,124	21,524,016
Diluted net income per share:		
Common shares:		
Income before cumulative effect of accounting change	$ 0.11	$ 0.54
Cumulative effect on prior years of change in accounting for derivative financial instruments	-	-
Diluted net income per common share	$ 0.11	$ 0.54
Weighted average common shares outstanding	25,835,808	22,014,990

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

MUNICIPAL MORTGAGE & EQUITY, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	For the three months ended June 30, 2002	2001
Net income	$ 2,920	$ 12,326
Other comprehensive income (loss):		
Unrealized gains (losses) on investments:		
Unrealized holding gains (losses) arising during the period	2,928	1,364
Reclassification adjustment for (gains) losses included in net income	-	-
Other comprehensive income (loss)	2,928	1,364
Comprehensive income	$ 5,848	$ 13,690

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

MUNICIPAL MORTGAGE & EQUITY, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:
Net income
Adjustments to reconcile net income to net cash provided by operating activities:
Income allocated to preferred shareholders in a subsidiary company
Cumulative effect of accounting change
Net holding losses on trading securities
Other-than-temporary impairments related to investments in tax-exempt bonds
Decrease in valuation allowance on parity working capital loans
Net gain on sales
(Income) loss from investment in partnerships
Net amortization of premiums, discounts and fees on investments
Depreciation and amortization
Tax benefit from deferred share benefit
Deferred share compensation expense
Common and deferred shares issued under the Non-Employee Directors' Share Plans
Increase in interest receivable
Increase in other assets
Increase (decrease) in accounts payable, accrued expenses and other liabilities

Net cash provided by operating activities

CASH FLOWS FROM INVESTING ACTIVITIES:
Purchases of tax-exempt bonds and other bond-related investments
Loan originations
Principal payments received
Purchases of property and equipment
Investment in partnerships
Return of capital invested in partnerships
Net proceeds from sales of investments
Net reduction in restricted assets

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES:
Borrowings from credit facilities
Repayment of credit facilities
Proceeds from short-term debt
Repayment of short-term debt
Proceeds from long-term debt
Repayment of long-term debt
Issuance of common shares
Redemption of preferred shares
Proceeds from stock options exercised
Distributions on common shares
Distributions to preferred shares in a subsidiary company

Net cash (used in) provided by financing activities

Net (decrease) increase in cash and cash equivalents
Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
Interest paid

Income taxes paid

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

MUNICIPAL MORTGAGE & EQUITY, LLC
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

Preferred Shares		Preferred Capital Distribution Shares		Term Growth Shares	Common Shares	Treasury Shares	U Com
Series I	Series II	Series I	Series II				

Balance, January 1, 2002	$ 6,914	$ 2,326	$ 2,552	$ 411	$ 229	$ 406,733	$ (912)
Net income	-	-	-	-	153	17,813	-
Unrealized losses on investments, net of reclassifications	-	-	-	-	-	-	-
Distributions	(115)	(15)	(49)	(1)	(382)	(20,414)	-
Redemption of preferred shares	(6,799)	(2,311)	(2,503)	(410)	-	(7,275)	-
Options exercised	-	-	-	-	-	2,255	-
Issuance of common shares	-	-	-	-	-	77,555	-
Deferred shares issued under the Non-Employee Directors' Share Plans	-	-	-	-	-	96	-
Deferred share grants	-	-	-	-	-	830	-
Amortization of deferred compensation	-	-	-	-	-	-	-
Tax benefit from exercise of options and vesting of deferred shares	-	-	-	-	-	400	-
Balance, June 30, 2002	$ -	$ -	$ -	$ -	$ -	$ 477,993	$ (912)

SHARE ACTIVITY:	Preferred Shares Series I	Preferred Shares Series II	Preferred Capital Distribution Shares Series I	Preferred Capital Distribution Shares Series II	Term Growth Shares	Common Shares	Treasury Shares
Balance, January 1, 2002	10,995	3,176	5,742	1,391	2,000	21,820,236	59,330
Redemption of preferred shares	(10,995)	(3,176)	(5,742)	(1,391)	(2,000)	-	-
Options exercised	-	-	-	-	-	123,731	-
Issuance of common shares	-	-	-	-	-	3,300,707	-
Issuance of common shares under employee share incentive plans	-	-	-	-	-	59,462	-
Deferred shares issued under the Non-Employee Directors' Share Plans	-	-	-	-	-	3,856	-
Balance, June 30, 2002	-	-	-	-	-	25,307,992	59,330

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

MUNICIPAL MORTGAGE & EQUITY, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - BASIS OF PRESENTATION

Municipal Mortgage & Equity, LLC ("MuniMae") and its subsidiaries (together with MuniMae, the "Company") are principally engaged in originating, investing in and servicing investments related to multifamily housing and other real estate financings. The Company's operations are structured into two business segments, an investing segment and an operating segment. The Company's investing segment consists primarily of investments in tax-exempt bonds, or interests in bonds, issued by state and local governments or their agencies or authorities to finance multifamily housing developments. Interest income derived from the majority of these investments is exempt income for federal income tax purposes. Multifamily housing developments, as well as the rents paid by the tenants, secure these investments.

The Company's operating segment specializes in originating, investing in and servicing investments in the affordable housing industry, both for its own account and on behalf of third parties. These investments generate taxable, not tax-exempt, income.

The Company also invests in (1) other housing-related debt and equity investments, including tax-exempt bonds, or interests in bonds, secured by student housing or assisted living developments, and equity investments in real estate operating partnerships and (2) tax-exempt community development bonds, typically secured by special taxes imposed on single-family or other community development districts or by assessments imposed on the residents or other lot owners of those developments. These investments may be held in the investing segment or the operating segment, depending on the tax and other characteristics of the individual investment.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and in the opinion of management contain all adjustments (consisting of only normal recurring accruals) necessary to present a fair statement of the results for the periods presented. These results have been determined on the basis of accounting principles and policies discussed in Note 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (the "Company's 2001 Form 10-K"). Certain information and footnote disclosures normally included in financial statements presented in accordance with generally accepted accounting principles have been condensed or omitted. The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2001 Form 10-K. Certain 2001 amounts have been reclassified to conform to the 2002 presentation.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board approved Statements of Financial Accounting Standards No. 141 "Business Combinations" ("FAS 141") and No. 142 "Goodwill and Other Intangible Assets," ("FAS 142") which were effective July 1, 2001 and January 1, 2002, respectively, for the Company. FAS 141 requires that the purchase method of accounting be used for all business combinations consummated after June 30, 2001. FAS 141 did not have an impact on the Company for the year ended December 31, 2001. The Company adopted FAS 142 on January 1, 2002. Upon adoption of FAS 142, amortization of goodwill and indefinitely lived intangible assets, including goodwill and indefinitely lived intangible assets recorded in past business combinations, was discontinued. For the year ended December 31, 2001, the Company recorded amortization expense of

$1.6 million. Application of the nonamortization provision is expected to result in additional net income of $1.6 million for the year ended December 31, 2002. All goodwill was tested for impairment in accordance with the provisions of the FAS 142 and the Company found no instances of impairment. The Company determined that none of the intangible assets recorded by the Company were indefinitely lived, therefore, amortization of these intangible assets was not ceased.

The Company's goodwill at June 30, 2002 and December 31, 2001 represents the excess of cost over market value of the net assets acquired from the acquisition of businesses in the Company's operating segment. For the three months and six months ended June 30, 2002, there was no change in the carrying value of the Company's goodwill. The following table shows the effect of goodwill amortization on net income and net income per share for the periods presented:

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Reported net income to common shares	$ 2,920	$ 11,813	$ 17,813	$ 2,749
Add back: goodwill amortization	-	357	-	843
Adjusted net income to common shares	$ 2,920	$ 12,170	$ 17,813	$ 3,592
Basic net income per share:				
Reported net income per share	$ 0.12	$ 0.55	$ 0.73	$ 0.13
Goodwill amortization	-	0.02	-	0.04
Adjusted net income per share	$ 0.12	$ 0.57	$ 0.73	$ 0.17
Diluted net income per share:				
Reported net income per share	$ 0.11	$ 0.54	$ 0.71	$ 0.13
Goodwill amortization	-	0.02	-	0.04
Adjusted net income per share	$ 0.11	$ 0.56	$ 0.71	$ 0.17

NOTE 2 - INVESTMENT IN TAX-EXEMPT BONDS

The Company holds a portfolio of tax-exempt bonds and certificates of participation in grantor trusts holding tax-exempt bonds ("COPs"). The tax-exempt bonds are issued by state and local government authorities to finance multifamily housing developments or other real estate financings. The bonds are typically secured by non-recourse mortgage loans on the underlying properties. The COPs represent a pro rata interest in a trust that holds a tax-exempt bond. The Company's rights and the specific terms of the bonds and COPs are defined by the various loan and trust documents, which were negotiated at the time of settlement. See further discussion of the general mortgage loan terms in Note 4 to the Company's 2001 Form 10-K.

During the second quarter of 2002, the Company funded $17.8 million in tax-exempt bonds collateralized by six multifamily apartment communities. Of this amount, $153,000 was an investment in non-participating bonds; the approximately $44.0 million balance of these bonds is expected to be funded by the Company in the third and fourth quarters of 2002. These investments have a weighted average interest rate of 6.99% per annum and maturities ranging from July 2034 to August 2045. All of these investments relate to to-be-built communities. The remaining $17.6 million in funding was attributable to investments in non-participating bonds: investments in a $4.4 million tax-exempt bond, a $2.6 million tax-exempt bond and a $1.0 million tax-exempt bond, all collateralized by two properties known as Lakeside and Golf Villas; and a $9.6 million tax-exempt bond collateralized by a property known as Park Center. The $8.0 million investment in the Lakeside and Golf Villas bonds were sold later in the second quarter for $8.0 million.

In order to facilitate the securitization (see Note 3) of certain assets at higher leverage ratios than otherwise available to the Company without the posting of additional collateral, the Company has pledged additional bonds to a pool that acts as collateral for senior interests in certain securitization trusts. At June 30, 2002 and December 31, 2001, the total carrying amount of the tax-exempt bonds pledged as collateral was $410.8 million and $358.4 million, respectively.

The table on pages 11 and 12 provides certain information with respect to the bonds held by the Company at June 30, 2002 and December 31, 2001.

Investment in Tax-Exempt Bonds		Year Acquired	Base Interest Rate (12)	Maturity Date	Face Amount (000s)	Amorti Cos (000
Participating Bonds (1):						
Arlington	(9)	2000	8.100	Jan. 2031	$12,625	$12
Cobblestone	(9)	1999	7.125	Aug. 2039	6,800	6
Cool Springs	(4),(10)	2000	7.750	Aug. 2030	14,472	14
Crossings	(4),(19)	1997	8.000	Jul. 2007	6,794	6
Jefferson Commons	(15)	2000	8.200	Jan. 2031	19,822	19
Palisades Park	(9)	2001	7.125	Aug. 2028	8,470	8
Timber Ridge	(4),(10)	2000	7.950	Jan. 2036	5,215	5
Villas at LaRiveria	(4),(10)	1999	7.125	Jun. 2034	8,836	8
Subtotal participating bonds					83,034	82
Non-Participating Bonds:						
Alban Place	(2),(4),(5)	1986	8.150	Oct. 2008	10,065	10
Baytown	(4),(10)	2000	7.750	Jun. 2030	4,987	4
Bedford Park	(9)	2000	8.000	Nov. 2032	9,325	9
Buchanan Bay	(9)	2001	5.830	Dec. 2031	10,725	9
Canterberry Crossing A		2001	6.700	Dec. 2031	10,430	10
Canterberry Crossing B		2001	6.700	Dec. 2021	2,000	1
Chancellor	(4),(10)	2001	7.200	Jul. 2043	5,610	5
Chancellor II	(10)	2002	(21)	(21)	51	
Charter House		1996	7.450	Jul. 2026	25	
Cielo Vista	(4),(10)	1999	7.125	Sep. 2034	9,436	9

Club West	(9)	2001	6.580	(17)	7,960	7
Coronel Village	(10)	2002	7.350	Jul. 2034	51	
Country Club	(10)	1999	7.250	Aug. 2029	2,465	2
Creekside Village	(2),(4),(6),(8)	1987	7.750	Nov. 2009	11,760	7
Delta Village	(10)	1999	7.125	Jun. 2035	2,011	1
Elmbrook-Golden	(4),(10)	2000	7.800	May 2035	2,789	2
Gannon - Cedar Run	(4),(10)	1998	7.125	Dec. 2025	13,200	13
Gannon - Dade	(4),(10)	1998	7.125	Dec. 2029	54,797	55
Gannon - Whispering Palms	(4),(10)	1998	7.125	Dec. 2029	12,437	12
Gannon Bond	(4),(10)	1998	7.125	Dec. 2029	3,500	3
Harmony Hills Series 2000		2001	6.750	May 2003	100	
Harmony Hills Series 2001		2001	7.250	May 2032	17,700	17
Hidden Valley	(4),(10)	1996	8.250	Jan. 2026	1,620	1
Honey Creek	(9)	2000	7.625	Jul. 2035	20,485	20
Hunter's Glen	(9)	2001	6.350	Dec. 2029	10,740	9
La Paloma	(9)	2001	6.710	May 2030	4,378	4
Lakeview Garden	(2),(4),(6),(8)	1987	7.750	Aug. 2007	9,003	4
Lake Piedmont	(4),(6),(10)	1998	7.725	Apr. 2034	19,118	18
Las Trojas	(10)	2002	(21)	(21)	51	
Mountain View (Willowgreen)	(2),(9)	2000	8.000	Dec. 2010	9,275	6
Mountainview Village	(10)	2002	(16)	(16)	51	
North Pointe	(2),(4),(6)	1986	7.300	Aug. 2006	25,185	12
Northridge Park	(2),(4),(5)	1987	7.500	Jun. 2012	8,815	8
Oakbrook	(9)	1996	8.200	Jul. 2026	3,045	3
Oakgrove	(4),(10),(22)	2001	7.000	Dec. 2041	7,000	6
Oaklahoma	(4)	2001	7.125	Jul. 2028	19,500	19
Oakmont/Towne Oaks	(9)	1998	7.200	Jan. 2034	11,208	11
Orangevale	(4),(10)	1998	7.000	Oct. 2013	2,192	2
Paola	(10)	1999	7.250	Aug. 2029	1,039	1
Park Center	(4),(10)	2002	6.375	Apr. 2034	9,600	9
Parkwood	(9)	1999	7.125	Jun. 2035	3,910	3
Pavilion	(9)	2001	6.710	May 2030	5,100	5
Penn Valley	(10)	2001	(13)	(13)	2,360	2
Queen Anne	(9)	2001	7.088	Aug. 2013	6,168	6
Rancho Mirage	(4),(10)	2000	8.500	Jun. 2040	12,780	12
Riverset Phase II	(4)	1999	9.500	Oct. 2019	7,610	7
Sahuarita	(4),(10)	1999	7.125	Jun. 2029	2,108	2
Santa Fe Springs	(4)	2000	(14)	Jun. 2025	11,700	11
Shadowbrook	(4),(10)	1999	6.850	Jun. 2029	5,780	5
Silver Spring	(9)	2001	7.375	Dec. 2029	10,270	10
Sonterra	(4),(10)	1998	7.000	Jun. 2035	10,074	10
Southwinds	(4),(10)	2000	8.000	Sept.2030	4,333	4
Stone Mountain	(4),(10)	1997	7.875	Oct. 2027	33,900	34
Sycamore Senior Village	(10)	2002	(20)	(20)	51	
Torries Chase	(9)	1996	8.150	Jan. 2026	1,970	1
University Courtyard	(9)	2000	7.250	Mar. 2040	9,850	9
Villa Hialeah	(2),(4),(10)	1999	6.000	Aug. 2019	10,250	8
Village Green	(9)	2001	7.625	Feb. 2035	6,420	6
Walnut Tree	(10)	2002	(21)	(21)	51	
Western Hills	(4),(10)	1998	7.000	Dec. 2029	3,014	3
Willow Key	(9)	2001	6.717	(18)	17,440	17
Woodmark	(4),(10)	1999	7.125	Jun. 2039	10,200	10
Subtotal non-participating bonds					529,068	497

						D
Investment in Tax-Exempt Bonds		Year Acquired	Base Interest Rate (12)	Maturity Date	Face Amount (000s)	Amort Co (00
Participating Bonds (1):						
Arlington	(9)	2000	8.100	Jan. 2031	$ 12,625	$1
Cobblestone	(9)	1999	7.125	Aug. 2039	6,800	
Cool Springs	(4),(10)	2000	7.750	Aug. 2030	14,472	1
Crossings	(4),(19)	1997	8.000	Jul. 2007	6,795	
Jefferson Commons	(15)	2000	8.200	Jan. 2031	19,857	1
Palisades Park	(9)	2001	7.125	Aug. 2028	8,470	
Timber Ridge	(4),(10)	2000	7.950	Jan. 2036	5,215	
Villas at LaRiveria	(4),(10)	1999	7.125	Jun. 2034	8,844	
Subtotal participating bonds					83,078	8
Non-Participating Bonds:						
Alban Place	(2),(4),(5)	1986	8.150	Oct. 2008	10,065	1
Baytown	(4),(10)	2000	7.750	Jun. 2030	5,000	
Bedford Park	(9)	2000	8.000	Nov. 2032	9,325	
Buchanan Bay	(9)	2001	5.830	Dec. 2031	10,725	
Canterberry Crossing A		2001	6.700	Dec. 2031	10,430	1
Canterberry Crossing B		2001	6.700	Dec. 2021	2,000	
Chancellor	(4),(10)	2001	7.200	Jul. 2043	5,610	
Chancellor II	(10)	2002	(21)	(21)	-	
Charter House		1996	7.450	Jul. 2026	25	
Cielo Vista	(4),(10)	1999	7.125	Sep. 2034	9,458	
Club West	(9)	2001	6.580	(17)	7,960	
Coronel Village	(10)	2002	7.350	Jul. 2034	-	
Country Club	(10)	1999	7.250	Aug. 2029	2,472	
Creekside Village	(2),(4),(6),(8)	1987	7.750	Nov. 2009	11,760	
Delta Village	(10)	1999	7.125	Jun. 2035	2,011	
Elmbrook-Golden	(4),(10)	2000	7.800	May 2035	2,794	
Gannon - Cedar Run	(4),(10)	1998	7.125	Dec. 2025	13,200	1
Gannon - Dade	(4),(10)	1998	7.125	Dec. 2029	54,883	5
Gannon - Whispering Palms	(4),(10)	1998	7.125	Dec. 2029	12,473	1
Gannon Bond	(4),(10)	1998	7.125	Dec. 2029	3,500	
Harmony Hills Series 2000		2001	6.750	May 2003	100	
Harmony Hills Series 2001		2001	7.250	May 2032	17,700	1
Hidden Valley	(4),(10)	1996	8.250	Jan. 2026	1,620	
Honey Creek	(9)	2000	7.625	Jul. 2035	20,485	2
Hunter's Glen	(9)	2001	6.350	Dec. 2029	10,740	
La Paloma	(9)	2001	6.710	May 2030	4,378	
Lakeview Garden	(2),(4),(6),(8)	1987	7.750	Aug. 2007	9,003	
Lake Piedmont	(4),(6),(10)	1998	7.725	Apr. 2034	19,118	1
Las Trojas	(10)	2002	(21)	(21)	-	
Mountain View (Willowgreen)	(2),(9)	2000	8.000	Dec. 2010	9,275	
Mountainview Village	(10)	2002	(16)	(16)	-	
North Pointe	(2),(4),(6)	1986	7.300	Aug. 2006	25,185	1
Northridge Park	(2),(4),(5)	1987	7.500	Jun. 2012	8,815	
Oakbrook	(9)	1996	8.200	Jul. 2026	3,065	
Oakgrove	(4),(10),(22)	2001	7.000	Dec. 2041	7,000	
Oaklahoma	(4)	2001	7.125	Jul. 2028	19,500	1
Oakmont/Towne Oaks	(9)	1998	7.200	Jan. 2034	11,208	1
Orangevale	(4),(10)	1998	7.000	Oct. 2013	2,213	
Paola	(10)	1999	7.250	Aug. 2029	1,042	
Park Center	(4),(10)	2002	6.375	Apr. 2034	-	
Parkwood	(9)	1999	7.125	Jun. 2035	3,910	
Pavilion	(9)	2001	6.710	May 2030	5,100	

Penn Valley	(10)	2001	(13)	(13)	2,360	
Queen Anne	(9)	2001	7.088	Aug. 2013	6,168	
Rancho Mirage	(4),(10)	2000	8.500	Jun. 2040	-	
Riverset Phase II	(4)	1999	9.500	Oct. 2019	110	
Sahuarita	(4),(10)	1999	7.125	Jun. 2029	2,114	
Santa Fe Springs	(4)	2000	(14)	Jun. 2025	11,700	1
Shadowbrook	(4),(10)	1999	6.850	Jun. 2029	5,780	
Silver Spring	(9)	2001	7.375	Dec. 2029	10,270	1
Sonterra	(4),(10)	1998	7.000	Jun. 2035	-	
Southwinds	(4),(10)	2000	8.000	Sept.2030	4,344	
Stone Mountain	(4),(10)	1997	7.875	Oct. 2027	33,900	3
Sycamore Senior Village	(10)	2002	(20)	(20)	-	
Torries Chase	(9)	1996	8.150	Jan. 2026	1,985	
University Courtyard	(9)	2000	7.250	Mar. 2040	9,850	
Villa Hialeah	(2),(4),(10)	1999	6.000	Aug. 2019	10,250	
Village Green	(9)	2001	7.625	Feb. 2035	6,441	
Walnut Tree	(10)	2002	(21)	(21)	-	
Western Hills	(4),(10)	1998	7.000	Dec. 2029	3,021	
Willow Key	(9)	2001	6.717	(18)	17,440	1
Woodmark	(4),(10)	1999	7.125	Jun. 2039	10,200	1
Subtotal non-participating bonds					489,081	45

		Year Acquired	Base Interest Rate (12)	Maturity Date	Face Amount (000s)	Amorti Cos (000
Participating Subordinate Bonds (1):						
Barkley Place	(3),(4),(6),(10)	1995	16.000	Jan. 2030	3,480	2
Gilman Meadows	(3),(4),(6),(10)	1995	3.000	Jan. 2030	2,875	2
Hamilton Chase	(3),(4),(6),(8)	1995	3.000	Jan. 2030	6,250	4
Mallard Cove I	(3),(4),(6),(10)	1995	3.000	Jan. 2030	1,670	
Mallard Cove II	(3),(4),(6),(10)	1995	3.000	Jan. 2030	3,750	2
Meadows	(3),(4),(6),(10)	1995	16.000	Jan. 2030	3,635	3
Montclair	(3),(4),(6),(10)	1995	3.000	Jan. 2030	6,840	1
Newport Village	(3),(4),(6),(10)	1995	3.000	Jan. 2030	4,175	2
Nicollet Ridge	(3),(4),(6),(10)	1995	3.000	Jan. 2030	12,415	6
Riverset Phase II	(6)	1996	10.000	Oct. 2019	1,489	
Steeplechase	(3),(4),(6),(10)	1995	16.000	Jan. 2030	5,300	4
Whispering Lake	(3),(4),(6),(10)	1995	3.000	Jan. 2030	8,500	4
Subtotal participating subordinate bonds					60,379	35
Non-Participating Subordinate Bonds:						
Cinnamon Ridge		1999	5.000	Jan. 2015	1,832	1
Farmington Meadows	(10)	1999	8.000	Aug. 2039	1,979	1
Independence Ridge	(10)	1996	12.500	Dec. 2015	1,045	1
Locarno	(10)	1996	12.500	Dec. 2015	675	
Oakmont/Towne Oaks	(10)	2002	7.200	Jan. 2034	653	
Olde English Manor	(6),(11)	1998	10.570	Nov. 2033	1,273	1
Oxford C Bond		2001	9.125	Nov. 2039	5,420	5

Penn Valley B Bond		2001	8.200	Apr. 2003	800	
Rillito B Series	(6),(7)	2000	13.000	Dec. 2033	1,054	1
Winter Oaks B Bond	(6),(10)	1999	7.500	Jul. 2022	2,184	2
Winter Oaks C Bond	(6),(10)	1999	10.000	Jul. 2022	2,141	1
Subtotal non-participating subordinate bonds					19,056	17
Total investment in tax-exempt bonds					$691,537	$633

					De	
		Year Acquired	Base Interest Rate (12)	Maturity Date	Face Amount (000s)	Amort Co (00
Participating Subordinate Bonds (1):						
Barkley Place	(3),(4),(6),(10)	1995	16.000	Jan. 2030	3,480	
Gilman Meadows	(3),(4),(6),(10)	1995	3.000	Jan. 2030	2,875	
Hamilton Chase	(3),(4),(6),(8)	1995	3.000	Jan. 2030	6,250	
Mallard Cove I	(3),(4),(6),(10)	1995	3.000	Jan. 2030	1,670	
Mallard Cove II	(3),(4),(6),(10)	1995	3.000	Jan. 2030	3,750	
Meadows	(3),(4),(6),(10)	1995	16.000	Jan. 2030	3,635	
Montclair	(3),(4),(6),(10)	1995	3.000	Jan. 2030	6,840	
Newport Village	(3),(4),(6),(10)	1995	3.000	Jan. 2030	4,175	
Nicollet Ridge	(3),(4),(6),(10)	1995	3.000	Jan. 2030	12,415	
Riverset Phase II	(6)	1996	10.000	Oct. 2019	1,489	
Steeplechase	(3),(4),(6),(10)	1995	16.000	Jan. 2030	5,300	
Whispering Lake	(3),(4),(6),(10)	1995	3.000	Jan. 2030	8,500	
Subtotal participating subordinate bonds					60,379	3
Non-Participating Subordinate Bonds:						
Cinnamon Ridge		1999	5.000	Jan. 2015	1,832	
Farmington Meadows	(10)	1999	8.000	Aug. 2039	1,983	
Independence Ridge	(10)	1996	12.500	Dec. 2015	1,045	
Locarno	(10)	1996	12.500	Dec. 2015	675	
Oakmont/Towne Oaks	(10)	2002	7.200	Jan. 2034	-	
Olde English Manor	(6),(11)	1998	10.570	Nov. 2033	1,273	
Oxford C Bond		2001	9.125	Nov. 2039	5,420	
Penn Valley B Bond		2001	8.200	Apr. 2003	800	
Rillito B Series	(6),(7)	2000	13.000	Dec. 2033	1,054	
Winter Oaks B Bond	(6),(10)	1999	7.500	Jul. 2022	2,184	
Winter Oaks C Bond	(6),(10)	1999	10.000	Jul. 2022	2,141	
Subtotal non-participating subordinate bonds					18,407	1
Total investment in tax-exempt bonds					$ 650,945	$59

Notes:

(1) These bonds also contain additional interest features contingent on available cash flow.

(2) One of the original 22 bonds.

(3) Series B Bonds derived from original 22 bonds.

(4) These assets were pledged as collateral as of June 30, 2002.

(5) TE Bond Sub or its subsidiaries own an 87% interest in these investments.

(6) At June 30, 2002 these bonds were on non-accrual status.

(7) The underlying bonds are held in a trust; TE Bond Sub owns an 18% subordinate interest in the trust.

(8) TE Bond Sub or its subsidiaries own an 66% interest in Creekside Village, 54% interest in Lakeview Garden and a 67% interest in Hamilton Chase.

(9) The underlying bonds are held in a trust; TE Bond Sub owns a certificate in the trust which represents the residual cash flows generated on the underlying bonds.

(10) Investments held by TE Bond Sub or its subsidiaries.

(11) The underlying bonds are held in a trust; TE Bond Sub owns an 81% senior interest in the trust.

(12) The base interest rate represents the permanent base interest rate on the investment.

(13) This investment is comprised of two bonds. The Series 2001 FF-1 bond has a face amount of $1,888,000 with an interest rate of 6.816% and matures on August 1, 2033. The Series 2001 FF-2 bond has a face amount of $472,000 with an interest rate of 8.537% and matures on August 1, 2043.

(14) The interest rate on the Santa Fe bond resets annually. As of June 30, 2002 the intrest rate was 6.53%.

(15) The underlying bonds are held in a trust; TE Bond Sub owns a certificate in the trust which represents the residual cash flows generated on 81% of underlying bond. TE Bond Sub also owns the 19% certificate which is pledged as collateral at June 30, 2002.

(16) This investment is comprised of two bonds. The Series 2002 T-1 bond has a face amount of $40,800 with an interest rate of 6.555% and matures on April 1, 2035. The Series 2002 T-2 bond has a face amount of $10,200 with an interest rate of 7.852% and matures on April 1, 2045.

(17) This investment is comprised of two bonds. The Series A-1 bond has a face amount of $725,000 and a maturity date of July 2009. The Series A-2 bond has a face amount of $7,235,000 and a maturity date of July 2033.

(18) This investment is comprised of two bonds. The 1998 Series I-1 bond has a face amount of $1,565,000 and a maturity date of June 11, 2009. The 1998 Series I-2 bond has a face amount of $15,875,000 and a maturity date of June 11, 2033.

(19) The underlying bond is held in a trust; TE Bond Sub owns the principal and base interest trust certificate.

(20) This investment is comprised of two bonds. The Series 2002 S-1 bond has a face amount of $40,800 with an interest rate of 6.555% and matures on August 1, 2035. The Series 2002 S-2 bond has a face amount of $10,200 with an interest rate of 7.852% and matures on August 1, 2045.

(21) This investment is comprised of two bonds. The Series 2002-1 bond has a face amount of $41,000 with an interest rate of 6.973% and matures on July 1, 2034. The Series 2002-2 bond has a face amount of $10,000 with an interest rate of 8.232% and matures on July 1, 2044.

(22) This investment is comprised of two bonds. The Series 2001 A-1 bond has a face amount of $5,600,000 with an interest rate of 7.000% and matures on December 1, 2041. The Series 2001 A-2 bond has a face amount of $1,400,000 with an interest rate of 7.000% and matures on December 1, 2041.

NOTE 3 - SECURITIZATION TRANSACTIONS

Through securitizations, the Company seeks to enhance its overall return on its investments and to generate proceeds that, along with equity offering proceeds and borrowings, facilitate the acquisition of additional investments. The Company uses various programs to facilitate the securitization and credit enhancement of its bond investments. See further discussion of the Company's various credit enhancement and securitization investment vehicles in Note 5 to the Company's 2001 Form 10-K.

In order to facilitate the securitization of certain assets, the Company has pledged additional bonds and taxable loans to a pool that acts as collateral for senior interests in certain securitization trusts and credit enhancement facilities. At June 30, 2002 and December 31, 2001, the total carrying amount of the bonds and taxable loans pledged as collateral was $414.7 million and $361.8 million, respectively.

In the second quarter of 2002, the Company sold three bonds with a face amount of $30.1 million to Merrill Lynch Pierce Fenner & Smith Incorporated ("Merrill Lynch") in anticipation of placing the bonds in the Merrill Lynch Puttable Floating Option Tax-Exempt Receipts ("P-FLOATssm") program in the third quarter. This transaction was accounted for as a secured borrowing. Accordingly, the Company recorded $28.6 million as short-term debt and the related bonds (Canterberry Crossing and Harmony Hills) remained in investments in tax-exempt bonds.

NOTE 4 - OTHER BOND-RELATED INVESTMENTS

At June 30, 2002 and December 31, 2001, the Company's other bond-related investments are investments in Residual Interest Tax-Exempt Securities Receipts ("RITESsm"), a security offered by Merrill Lynch through its P-FLOATssm Program. A detailed listing of the other bond-related investments owned by the Company at June 30, 2002 and December 31, 2001 appears in a table on page 15.

RITESsm Valuation Analysis

The fair value of a RITESsm investment is derived from the quote on the underlying bond reduced by the outstanding corresponding P-FLOATssm face amount. The Company bases the fair value of the underlying bond, which has a limited market, on quotes from external sources, such as brokers, for these or similar bonds. The RITESsm investments are not subject to prepayment risk as the term of the securitization trusts is only for a period during which the underlying bond cannot contractually be prepaid. Based on historical information, credit losses were estimated to be zero.

At June 30, 2002 and December 31, 2001, a 10% and 20% adverse change in key assumptions used to estimate the fair value of the Company's RITESsm would have the following impact:

(in thousands)	June 30, 2002	December 31, 2001
Fair value of retained interests	$3,379	$5,316
Residual cash flows discount rate (annual rate)	4.2% - 10.3%	4.5% - 12.9%
Impact on fair value of 10% adverse change	($17,234)	($22,821)
Impact on fair value of 20% adverse change	($33,010)	($43,783)

The sensitivity analysis presented above is hypothetical in nature and presented for information purposes only. The analysis shows the effect on fair value of a variation in one assumption and is calculated without considering the effect of changes in any other assumption. In reality, changes in one assumption may affect the others, which may magnify or offset the sensitivities.

			June 3		
Other Bond-Related Investments:		Year Acquired	Face Amount (000s)	Amortized Cost (000s)	Unreal Gain ((00
Investment in RITES:					
Barrington	(1)	2000	$ 5	$ 5	$
Briarwood	(1)	1999	135	105	
Charter House	(1)	1996	80	176	
Cinnamon Ridge	(1)	2000	5	326	1,
Fort Branch	(1)	2000	8	8	
Hidden Brooks	(1)	2001	5	63	(2,
Indian Lakes	(1)	2002	5	1,045	(
LeMirador (Coleman Senior)	(1)	1999	165	2	
Lincoln Corner	(1)	2001	10	39	(
Meridian at Bridgewater	(1)	1999	5	35	(
Museum Towers		2001	5	5	
North White Road	(1)	2001	5	42	(
Olde English Manor	(1)	1999	76	94	(
Park at Landmark	(1)	2000	5	8	
Park Center	(1)	2001	1,270	134	
Rancho Mirage/Castle Hills	(1)	2000	-	-	
Rillito Village	(1)	1999	65	62	(
Riverset Phase I	(1)	2000	5	1,066	1,
Riverset Phase II	(1)	1996	-	-	
Riverview	(1)	2000	5	5	
Sienna (Italian Gardens)	(1)	1999	160	(1)	
Sonterra	(1)	1998	-	-	
Southgate Crossings	(1)	1997	64	395	1,
Southwood	(1)	1997	415	325	(3,
Village at Sun Valley	(1)	2000	5	5	
Woodglen	(1)	1999	5	32	(
Total other bond-related investments			$ 2,508	$ 3,976	$ (

Other Bond-Related Investments:		Year Acquired	Decmbe Face Amount (000s)	Amortized Cost (000s)	Unrea Gain (00
Investment in RITES:					
Barrington	(1)	2000	$ 5	$ 5	$
Briarwood	(1)	1999	135	104	
Charter House	(1)	1996	80	199	
Cinnamon Ridge	(1)	2000	5	327	1
Fort Branch	(1)	2000	8	8	
Hidden Brooks	(1)	2001	5	65	(1
Indian Lakes	(1)	2002	3,170	3,254	
LeMirador (Coleman Senior)	(1)	1999	165	3	
Lincoln Corner	(1)	2001	10	32	
Meridian at Bridgewater	(1)	1999	5	37	
Museum Towers		2001	5	5	
North White Road	(1)	2001	5	44	
Olde English Manor	(1)	1999	76	95	
Park at Landmark	(1)	2000	5	12	
Park Center	(1)	2001	1,270	74	
Rancho Mirage/Castle Hills	(1)	2000	5	5	
Rillito Village	(1)	1999	65	63	
Riverset Phase I	(1)	2000	5	1,069	1
Riverset Phase II	(1)	1996	5	120	
Riverview	(1)	2000	5	5	
Sienna (Italian Gardens)	(1)	1999	160	(1)	
Sonterra	(1)	1998	5	32	(3
Southgate Crossings	(1)	1997	71	432	1
Southwood	(1)	1997	420	321	(2
Village at Sun Valley	(1)	2000	5	5	
Woodglen	(1)	1999	5	32	
Total other bond-related investments			$ 5,700	$ 6,347	$ (1

(1) Investment held by TE Bond Sub or its subsidiaries at June 30, 2002.
(2) The aggregate negative fair value of the investments is included in liabilities for financial reporting purposes. The negative fair value of these investments is considered temporary and is not indicative of the future earnings on these investments.

NOTE 5 - INVESTMENT IN DERIVATIVE FINANCIAL INSTRUMENTS

At June 30, 2002 and December 31, 2001, the Company's investments in derivative financial instruments consisted of interest rate swaps and put option contracts. See further discussion of the Company's investment in derivatives in Note 7 to the Company's 2001 Form 10-K. The following table provides certain information with respect to the derivative financial instruments held by the Company at June 30, 2002 and December 31, 2001:

	June 30, 2002			
	Notional Amount (3) (000s)	Fair Value Assets (000s)	Fair Value Liabilities(2) (000s)	Notional Amount (3) (000s)
Interest rate agreements (1)	$ 419,230	$ 9,254	$ (29,596)	$ 422,230
Put option agreements	107,275	-	-	107,275
Total investment in derivative financial instruments		$ 9,254	$ (29,596)	

(1) The Company enters into interest rate swap contracts to offset against interest rate exposure on the Company's investment in RITESsm. The amounts disclosed represent the net fair values of all the Company's swaps at the reporting date.

(2) The aggregate negative fair value of the investments is included in liabilities for financial reporting purposes. The negative fair value of these investments is considered temporary and is not indicative of the future earnings on these investments.

(3) For the interest rate agreements, notional amount represents total amount of the Company's interest rate swap contracts ($680,335 and $650,335 as of June 30, 2002 and December 31, 2001, respectively) less the total amount of the Company's reverse interest rate swap contracts ($261,105 and $228,105 as of June 30, 2002 and December 31, 2001, respectively). For put option agreements, the notional amount represents the Company's aggregate obligation under the put option agreements.

NOTE 6 - LOANS RECEIVABLE

The Company's loans receivable primarily consist of construction loans, permanent loans, taxable loans and other loans. The general terms of the loans owned by the Company are discussed in Note 8 to the Company's 2001 Form 10-K. The following table summarizes loans receivable by loan type at June 30, 2002 and December 31, 2001:

(in thousands)	June 30, 2002	December 31, 2001
Loan Type:		
Taxable construction loans	$ 268,147	$ 271,383
Taxable permanent loans	41,330	86,182
Taxable loans	31,214	30,959
Other loans	61,654	52,282
	402,345	440,806
Allowance for loan losses	(775)	(775)
Total	$ 401,570	$ 440,031

NOTE 7 - INVESTMENT IN PARTNERSHIPS

At June 30, 2002 and December 31, 2001, the Company's investment in partnerships consisted of equity interests in real estate operating partnerships. The Company's investments in partnerships are accounted for using the equity method. The Company uses the equity method of accounting when the Company owns an interest in a partnership and can exert significant influence over the partnership's operations but cannot control the partnership's operations. Under the equity method, the Company's ownership interest in the partnership's capital is reported as an investment on the consolidated balance sheets and the Company's allocable share of the income or loss from the partnership is reported in other income in the consolidated statements of income. For the three and six months ended June 30, 2002, the Company recorded $93,600 in equity income and $229,000 in an equity loss, respectively.

During the second quarter of 2002, the Company made a $64.8 million investment for a 35% interest in 18 operating partnerships and four swap partnerships as part of an investment venture with CAPREIT, Inc., a national real estate investment firm, and its affiliates. The Company expects to receive a preferred return of 10.25% on its investment. The Company has committed to invest an additional $11 million in similar investments to be made by CAPREIT over the next six to twelve months.

NOTE 8 - NOTES PAYABLE AND DEBT

The Company's notes payable primarily consist of notes payable and advances under line of credit arrangements. The notes payable are borrowings used to finance construction lending and working capital needs. The general terms of the Company's notes payable are discussed in Note 11 to the Company's 2001 Form 10-K. The following table summarizes notes payable at June 30, 2002 and December 31, 2001:

(in thousands)	June 30, 2002	December 31, 2001
Notes payable	$ 197,967	$ 235,420
Group Trust warehouse facility and lines of credit	58,546	65,318
Residential Funding warehouse facility	87,201	98,033
Bank lines of credit	13,756	13,521
Midland Multifamily Equity REIT Credit Line	21,893	7,459
Other	-	312
Total	$ 379,363	$ 420,063

The Company's short- and long-term debt of $220.3 million and $213.4 million at June 30, 2002 and December 31, 2001, respectively, relates to securitization transactions that the Company has recorded as secured borrowings (see Notes 1 and 5 to the Company's 2001 Form 10-K).

NOTE 9 - PREFERRED SHAREHOLDERS' EQUITY IN A SUBSIDIARY COMPANY

The Company's preferred shareholders' equity in a subsidiary represents four classes of preferred shares issued by MuniMae TE Bond Subsidiary, LLC and its subsidiaries (collectively, "TE Bond Sub"), Series A, A-1, B and B-1 Preferred Shares (collectively, the "TE Bond Preferred Shares"). The income allocable to the TE Bond Preferred Shares is senior to the Company's ownership interest in TE Bond Sub. Therefore, only income from TE Bond Sub available after payment of the cumulative distributions of the TE Bond Preferred Shares is allocated to the Company. The following table provides a summary of certain terms of the TE Bond Preferred Shares.

	Series A Preferred Shares	Series A-1 Preferred Shares	Series B Preferred Shares
Issue date	May 27, 1999	October 9, 2001	June 2, 2000
Number of shares	42	8	30
Par amount per share	$2,000,000	$2,000,000	$2,000,000
Dividend rate	6.875%	6.30%	7.75%
First remarketing date	June 30, 2009	June 30, 2009	November 1, 2010
Mandatory tender date	June 30, 2009	June 30, 2009	November 1, 2010
Redemption date	June 30, 2049	June 30, 2049	June 30, 2050

The following table reflects the composition of the TE Bond Preferred Shareholders' equity in TE Bond Sub.

(in thousands)	Series A	Series A-1	Series B	Series B-1
Balance, January 1, 2002	$ 80,060	$ 15,206	$ 57,595	$ 7,60
Income allocable to preferred shares	2,888	504	2,325	27
Distributions	(2,888)	(504)	(2,325)	(27
Balance, June 30, 2002	$ 80,060	$ 15,206	$ 57,595	$ 7,60

The assets of TE Bond Sub and its subsidiaries, while indirectly controlled by MuniMae and thus included in the consolidated financial statements of the Company, are legally owned by TE Bond Sub and are not available to the creditors of the Company. The assets owned by TE Bond Sub and its subsidiaries are identified in footnotes to the Investment in Tax-exempt Bonds table in Note 2 and in footnotes to the Other Bond-Related Investments table in Note 4. The fair value of such assets aggregated $542.6 million and $501.4 million at June 30, 2002 and December 31, 2001, respectively. The equity interest in TE Bond Sub held by MuniMae is subject to the claims of creditors of MuniMae and in certain circumstances could be foreclosed upon.

NOTE 10 - EARNINGS PER SHARE

The following table reconciles the numerators and denominators in the basic and diluted EPS calculations for common shares for the three and six months ended June 30, 2002 and 2001.

(in thousands, except share and per share data)	For the three months ended June 30, 2002 Income (Numerator)	Shares (Denominator)	Per Share Amount	For the thre Income (Numerator)
Basic EPS				
Income allocable to common shares	$ 2,920	25,252,124	$ 0.12	$ 11,813
Effect of Dilutive Securities				
Options and deferred shares	-	450,829		-
Earnings contingency	-	132,855		-
Diluted EPS				
Income allocable to common shares plus assumed conversions	$ 2,920	25,835,808	$ 0.11	$ 11,813

(in thousands, except share and per share data)	For the six months ended June 30, 2002 Income (Numerator)	Shares (Denominator)	Per Share Amount	For the si Income (Numerator
Basic EPS				
Income allocable to common shares	$ 17,813	24,423,091	$ 0.73	$ 2,749
Effect of Dilutive Securities				
Options and deferred shares	-	466,685		-
Earnings contingency	-	132,855		-
Diluted EPS				
Income allocable to common shares plus assumed conversions	$ 17,813	25,022,631	$ 0.71	$ 2,749

For the three and six months ended June 30, 2002 and 2001, the effect of all potentially dilutive securities was included in the calculation.

NOTE 11 - DISTRIBUTIONS

On July 18, 2002 the Board of Directors declared a distribution of $0.4375 for the three months ended June 30, 2002 to common shareholders of record on July 29, 2002. The payment date was August 9, 2002.

NOTE 12 - BUSINESS SEGMENT REPORTING

The Company has two reportable business segments: (1) an operating segment consisting of subsidiaries that primarily generate taxable fee income by providing loan servicing, loan origination and other related services, and holding investments producing taxable interest income and (2) an investing segment consisting primarily of subsidiaries holding investments producing tax-exempt interest income. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. A complete description of the Company's reporting segments is described in Note 21 to the Company's 2001 Form 10-K.

The following table reflects the results of the Company's business segments for the three and six months ended June 30, 2002 and 2001.

Municipal Mortgage & Equity,
Segment Reporting
(in thousands) (unaudited)

	For the three months ended June 30, 2002				For the
	Investing Segment	Operating Segment	Adjustments	Total Consolidated	Investing Segment
INCOME:					
Interest on tax-exempt bonds and other bond-related investments	$14,594	$ 1,129	$ -	$ 15,723	$ 28,702
Interest on loans	832	7,438	-	8,270	1,680
Loan origination and brokerage fees	750	1,963	(1,500)(1)	1,213	750
Syndication fees	-	2,672	-	2,672	-
Loan servicing fees	-	1,660	-	1,660	-
Interest on short-term investments	194	50	-	244	635
Other income	112	2,281	-	2,393	469
Net gain (loss) on sales	(2,691)	3,394	-	703	(1,735)
Total income	13,791	20,587	(1,500)	32,878	30,501
EXPENSES:					
Salaries and benefits	510	5,420	-	5,930	1,618
Professional Fees	231	1,206	-	1,437	331

Operating expenses	341	1,886	-	2,227	754
Amortization of intangible assets	-	333	-	333	-
Interest expense	2,125	6,362	-	8,487	4,514
Other-than-temporary impairments related to investments in tax-exempt bonds and other bond-related investments	-	-	-	-	110
Total expenses	3,207	15,207	-	18,414	7,327
Net holding losses on trading securities	(7,721)	-	-	(7,721)	(4,609)
Net income(loss) before income taxes, income allocated to preferred shareholders in a subsidiary company, and cumulative effect of accounting change	2,863	5,380	(1,500)	6,743	18,565
Income tax expense	-	828	-	828	-
Net income (loss) before income allocated to preferred shareholders in a subsidiary company and cumulative effect of accounting change	2,863	4,552	(1,500)	5,915	18,565
Income allocable to preferred shareholders in a subsidiary company	2,995	-	-	2,995	5,989
Net income (loss) before cumulative effect of accounting change	(132)	4,552	(1,500)	2,920	12,576
Cumulative effect on prior year changes in accounting for derivative financial instruments	-	-	-	-	-
Net income (loss)	$ (132)	$ 4,552	$ (1,500)	$ 2,920	$ 12,576

Notes:
(1) Adjustments represent origination fees on purchased investments which are deferred and amortized into income over the life of the investment.

	For the three months ended June 30, 2001				For the si	
	Investing Segment	Operating Segment	Adjustments	Total Consolidated	Investing Segment	O
INCOME:						
Interest on tax-exempt bonds and other bond-related investments	$11,400	$ 809	$ -	$ 12,209	$ 22,742	
Interest on loans	645	8,123	-	8,768	1,126	
Loan origination and brokerage fee	-	972	(120)(1)	852	-	
Syndication fees	-	2,511	-	2,511	-	
Loan servicing fees	-	1,729	-	1,729	-	
Interest on short-term investments	513	180	-	693	1,254	

Other income	-	1,643	-	1,643	-
Net gain (loss) on sales	-	1,969	-	1,969	-
Total income	12,558	17,936	(120)	30,374	25,122
EXPENSES:					
Salaries and benefits	419	4,611	-	5,030	762
Professional Fees	281	632	-	913	498
Operating expenses	256	1,894	-	2,150	462
Amortization of intangible assets	-	628	-	628	-
Interest expense	1,463	6,306	-	7,769	3,087
Other-than-temporary impairments related to investments in tax-exempt bonds and other bond-related investments	-	-	-	-	-
Total expenses	2,419	14,071	-	16,490	4,809
Net holding gains (losses) on trading securities	1,272	-	-	1,272	(3,593)
Net income (loss) before income taxes, income allocated to preferred shareholders in a subsidiary company and cumulative effect of accounting change	11,411	3,865	(120)	15,156	16,720
Income tax expense	-	224	-	224	-
Net income (loss) before income allocated to preferred shareholders in a subsidiary company and cumulative effect of accounting change	11,411	3,641	(120)	14,932	16,720
Income allocable to preferred shareholders in a subsidiary company	2,606	-	-	2,606	5,212
Net income (loss) before cumulative effect of accounting change	8,805	3,641	(120)	12,326	11,508
Cumulative effect on prior year changes in accounting for derivative financial instruments	-	-	-	-	(12,277)
Net income (loss)	$ 8,805	$ 3,641	$ (120)	$ 12,326	$ (769)

Notes:
(1) Adjustments represent origination fees on purchased investments which are deferred and amortized into income over the life of the investment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General Business

The Company is principally engaged in originating, investing in and servicing investments related to multifamily housing and other real estate financings.

Results of Operations

Quarterly Results Analysis

Total income for the second quarter of 2002 increased $2.5 million over the same period last year due primarily to the following changes: (1) a $3.0 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a $0.4 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 a decrease in interest collected on margin call collateral accounts; (3) a $0.4 million increase in loan origination and brokerage fees due primarily to an increase in origination fees on taxable permanent lending; (4) a $0.8 million increase in other income due to an increase in asset management fees, advisory fees and cancellation fees; and (5) a $1.3 million decrease in gain on sales as a result of a one-time gain of $1.1 million on a tax credit equity re-syndication in the second quarter of 2001.

Total expenses for the second quarter of 2002 increased $1.9 million over the same period last year due primarily to the following changes: (1) a $0.9 million increase in salary and related benefits expense associated with 2001 new hires; (2) a $0.5 million increase in professional fees due to an increase in consulting and legal expenses related to new information system initiatives and other corporate initiatives; (3) a $0.3 million decrease in amortization expense due to changes in accounting guidelines relating to discontinued amortization of goodwill; and (4) a $0.7 million increase in interest expense primarily associated with increased construction lending production and 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 $7.7 million for the second quarter of 2002.

Income tax expense increased $0.6 million for the second quarter of 2002 over the same period last year due to a decrease in the amount of deferred tax benefit related to tax credits at the Company's subsidiaries.

Year-to-Date Analysis

Total income for the six months ended June 30, 2002 increased $5.4 million over the same period last year due primarily to the following changes: (1) a $6.7 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a $1.0 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 a decrease in interest collected on margin call collateral accounts; (3) a $2.4 million decrease in other income primarily due to other income associated with income earned on the assumption of a purchase obligation with respect to the Hunter's Glen and Buchanan Bay bonds in the first quarter of 2001; (4) a $0.9 million increase in syndication fees due primarily to an increase in the volume of tax credit and conventional equity transactions; and (5) a $0.7 million increase in gain on sales associated with the sale of loans.

Total expenses for the six months ended June 30, 2002 increased $0.1 million over the same period last year due primarily to the following changes: (1) a $1.3 million increase in salary and related benefits expense associated with 2001 new hires; (2) a $0.7 million increase in other operating expenses driven primarily by deployment of accounting information systems and other upgrades in technology infrastructure; (3) a $0.7 million decrease in amortization expense due to changes in accounting guidelines relating to amortization of goodwill; (4) a $1.9 million increase in interest expense primarily associated with increased construction lending production and an increase in financing costs associated with on-balance sheet securitizations; and (5) 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 $4.6 million for the six months ended June 30, 2002.

Income tax expense increased $1.6 million for the six months ended June 30, 2002 over the same period last year due primarily to an increase in taxable income earned by the Company's subsidiaries of $0.8 million and a $0.5 million decrease in the deferred tax benefit relating to tax credits.

Critical Accounting Policies

Since December 31, 2001 there has been no material change to the Company's critical accounting policies, except as noted below.

New Accounting Pronouncement

In June 2001, the Financial Accounting Standards Board approved Statements of Financial Accounting Standards No. 141 "Business Combinations" ("FAS 141") and No. 142 "Goodwill and Other Intangible Assets," ("FAS 142") which were effective as of July 1, 2001 and January 1, 2002, respectively, for the Company. FAS 141 requires that the purchase method of accounting be used for all business combinations consummated after June 30, 2001. FAS 141 did not have an impact on the Company for the year ended December 31, 2001. The Company adopted FAS 142 on January 1, 2002. Upon adoption of FAS 142, amortization of goodwill, including goodwill recorded in past business combinations, was discontinued. For the year ended December 31, 2001, the Company recorded amortization expense of $1.6 million. All goodwill and intangible assets were tested for impairment in accordance with the provision of FAS 142 and the Company found no instances of impairment.

Liquidity and Capital Resources

The Company's primary objective is to maximize shareholder value through increases in Cash Available for Distribution ("CAD") per common share and appreciation in the value of its common shares. The Company seeks to achieve its growth objectives by growing its investing and operating business segments. The Company grows its investing segment by acquiring, servicing and managing diversified portfolios of tax-exempt bonds and other bond-related investments. Growth in the operating segment is derived from increasing levels of fees generated by affordable housing equity syndications, loan servicing and origination and brokerage services. The Company's business plan includes structuring $1.4 billion to $1.6 billion in investment transactions in 2002. The Company expects to finance its acquisitions through a financing strategy that (1) takes advantage of attractive financing available in the tax-exempt securities markets, (2) minimizes exposure to fluctuations of interest rates, and (3) maintains adequate flexibility to manage the Company's short-term cash needs. To date, the Company has primarily used two sources, securitizations and equity offerings, to finance its acquisitions. Through the Company's management of capital for others, including Fannie Mae, the Company has expanded its access to capital.

During the second quarter of 2002, the Company funded $17.8 million in tax-exempt bonds collateralized by six multifamily apartment communities. Of this amount, $153,000 was an investment in non-participating bonds; the approximately $44.0 million balance of these bonds is expected to be funded by the Company in the third and fourth quarters of 2002. The remaining $17.6 million in funding was attributable to investments in non-participating bonds: investments in a $4.4 million tax-exempt bond, a $2.6 million tax-exempt bond, and a $1.0 million tax-exempt bond, all collateralized by two properties known as Lakeside and Golf Villas; and a $9.6 million tax-exempt bond collateralized by a property known as Park Center. Of that amount, the $8.0 million investment in the Lakeside and Golf Villas bonds were sold later in the second quarter for $8.0 million. Including the construction and permanent components of the Company's bond investments, the Company's total bond investments held at June 30, 2002 for the second quarter aggregated $103.6 million.

In addition, MuniMae originated $76.9 million of construction loans and working capital loans which, as the loans are funded over the construction period, will be reflected on the Company's consolidated balance sheet. The Company originated $81.7 million of taxable permanent loans, the majority of which will, the Company expects, be placed with third party investors. The Company earns origination fees on the taxable permanent loans. The Company structured equity investments totaling $131.7 million, where the Company earns syndication fees or origination fees on the placement of equity investments into tax credit funds or with third party investors.

Securitizations

Through securitizations, the Company seeks to enhance its overall return on its investments and to generate proceeds that, along with equity offering proceeds, facilitate the acquisition of additional investments. The Company uses various programs to facilitate the securitization and credit enhancement of its bond investments.

To date, the Company has reported its leverage ratio based upon management's assessment of the actual economic risk to the Company of its financial assets and liabilities. The Company calculates this "economic leverage" by dividing on-balance sheet debt plus the total amount of third party owned senior interests in its investments, which it considers the equivalent of off-balance sheet financing, by the sum of total assets owned by the Company plus senior interests owned by others adjusted for reserves equal to the net assets of the operating segment. The Company employs economic leverage as an internal management tool and attempts to maintain, through the use of securitizations, overall economic leverage ratios in the 50% to 65% range, with certain assets at significantly higher ratios, up to approximately 99%, and other assets not leveraged at all.

The Company's economic leverage ratio was approximately 53% both at June 30, 2002 and at December 31, 2001. By comparison, the Company's leverage ratio as calculated based on the Company's on-balance sheet debt ("GAAP based leverage") was 45% and 49% at June 30, 2002 and December 31, 2001, respectively. This GAAP leverage ratio is based on total debt (notes payable, short- and long-term debt) divided by the Company's total assets.

In order to facilitate the securitization of certain assets at higher leverage ratios than otherwise available to the Company without the posting of additional collateral, the Company has pledged additional bonds to a pool that acts as collateral for senior interests in certain securitization trusts and credit enhancement facilities. At June 30, 2002 and December 31, 2001, the total carrying amount of the tax-exempt bonds and taxable loans pledged as collateral was $414.7 million and $361.8 million, respectively.

The Company's 2001 Form 10-K contains a complete description of the

Company's various credit enhancement and securitization investment vehicles. Since December 31, 2001 there has been no material change to the information relating to these vehicles included in the Company's 2001 Form 10-K.

Factors That Could Affect Future Results

The Company's 2001 Form 10-K contains a complete description of the Company's factors that could affect the Company's future results. Since December 31, 2001 there has been no material change to the information related to factors that could affect future results included in the Company's 2001 Form 10-K.

Cash Flow

At June 30, 2002 the Company had cash and cash equivalents of approximately $33.2 million.

Cash flow from operating activities was $20.1 million and $24.1 million for the three months ended June 30, 2002 and 2001, respectively. The decrease in cash flow for 2002 versus 2001 is due primarily to a decrease in accounts payable and accrued expenses due to timing of payments.

The Company uses CAD as the primary measure of its ability to pay distributions. CAD differs from net income because of slight variations between generally accepted accounting principles ("GAAP") income and actual cash received. There are three primary differences between CAD and GAAP income. The first is the treatment of loan origination fees, which for CAD purposes are recognized as income when received but for GAAP purposes are amortized into income over the life of the associated investment. The second difference is the non-cash gain and loss recognized for GAAP associated with valuations, sales of investments and capitalization of mortgage servicing rights net of deferred taxes, which are not included in the calculation of CAD. The third difference is the treatment of certain intangibles, which are amortized into expense for GAAP, but not included in the calculation of CAD.

Until the redemption of the Company's preferred shares in 2002, the Company was required to distribute to the holders of its preferred shares the cash flow attributable to such shares (pursuant to the Company's Amended and Restated Certificate of Formation and Operating Agreement). The Company was also required to distribute 2.0% of the Company's net cash flow to the holders of term growth shares until they were redeemed in March 2002. The balance of the Company's net cash flow is available for distribution to the common shares and the Company's current policy is to distribute to common shareholders at least 80% of the annual CAD to common shares. For the three months ended June 30, 2002 and 2001, cash available for distribution to common shares was $12.4 million and $10.3 million, respectively. The Company's distribution per common share for the three months ended June 30, 2002 of $0.4375 represents a payout ratio of 89% of CAD. The Company's common share distribution for the three months ended June 30, 2001 of $0.4275 represents a payout ratio of 90% of CAD.

Regular cash distributions to shareholders, for the three months ended June 30, 2002 and 2001, were $11.1 million and $9.2 million, respectively.

The Company expects to meet its cash needs in the short term, which consist primarily of funding new investments, operating expenses and dividends on the common shares and other equity, from cash on hand, operating cash flow, equity proceeds and securitization proceeds.

Related Party Transactions

The Company's 2001 Form 10-K contains a complete description of the Company's related party transactions. Since December 31, 2001 there has been no material change to the related party transaction information included in the

Company's 2001 Form 10-K.

Income Tax Considerations

MuniMae is organized as a limited liability company. This structure allows MuniMae to combine the limited liability, governance and management characteristics of a corporation with the pass-through income features of a partnership. MuniMae does not pay tax at the corporate level. Instead, the distributive share of MuniMae's income, deductions and credits is included in each shareholder's income tax return. In addition, the tax-exempt income derived from certain investments remains tax-exempt when it is passed through to the shareholders. The Company records cash dividends received from subsidiaries organized as corporations as dividend income for tax purposes. Approximately 100%, 93% and 83% of MuniMae's tax basis net income for the years ended December 31, 2001, 2000 and 1999, respectively, was tax-exempt for federal income tax purposes.

The Company's operating segment consists primarily of entities subject to income taxes. The Company provides for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"). FAS 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities.

The Company has elected under Section 754 of the Internal Revenue Code to adjust the basis of the Company's property on the transfer of shares to reflect the price each shareholder paid for their shares. While the bulk of the Company's recurring income is tax-exempt, from time to time the Company may sell or securitize various assets, which may result in capital gains and losses for tax purposes. Since the Company is taxed as a partnership, these capital gains and losses are passed through to shareholders and are reported on each shareholder's Schedule K-1. The capital gain and loss allocated from the Company may be different for each shareholder due to the Company's 754 election and is a function of, among other things, the timing of the shareholder's purchase of shares and the timing of transactions, which generate gains or losses for the Company. This means that for assets purchased by the Company prior to a shareholder's purchase of shares, the shareholder's basis in the assets may be significantly different than the Company's basis in those same assets. Although the procedure for allocating the basis adjustment is complex, the result of the election is that each share is homogeneous, while each shareholder's basis in the assets of the Company may be different. Consequently, the capital gains and losses allocated to shareholders may be significantly different than the capital gains and losses recorded by the Company.

A portion of the Company's interest income is derived from private activity bonds that for income tax purposes are considered tax preference items for purposes of alternative minimum tax ("AMT"). AMT is a mechanism within the Internal Revenue Code to ensure that all taxpayers pay at least a minimum amount of taxes. All taxpayers are subject to the AMT calculation requirements although the vast majority of taxpayers will not actually pay AMT. As a result of AMT, the percentage of the Company's income that is exempt from federal income tax may be different for each shareholder depending on that shareholder's individual tax situation.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Since December 31, 2001 there has been no material change to the information included in Item 7A of the Company's 2001 Form 10-K.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of the Company's shareholders held on May 9, 2002, the shareholders voted on one proposal in addition to the election of the Company's directors. The shareholders elected the following directors: Mark K. Joseph (23,013,348 in favor and 213,179 abstaining), Charles C. Baum (23,084,997 in favor and 141,530 abstaining) and Robert J. Banks (23,020,776 in favor and 205,751 abstaining). At this meeting, the shareholders also voted to approve the adoption of the Company's Second Amended and Restated Certificate of Formation and Operating Agreement in order to eliminate provisions that relate to classes of shares that have been fully redeemed. The votes cast on this proposal were as follows: 22,935,197 in favor, 120,184 opposed, 171,146 abstaining and no broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

3.1 Second Amended and Restated Certificate of Formation and Operating Agreement of the Company

3.2 By-laws of the Company (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K, filed with the Commission on May 29, 1998 and incorporated by reference herein)

99 Officers' Certificate

(b) Reports on Form 8-K:

On July 12, 2002, the Company filed a Form 8-K containing the supplemental information reported to security analysts for the three months ended March 31, 2002.

On August 12, 2002, the Company filed a Form 8-K containing the supplemental information reported to security analysts for the three months ended June 30, 2002.

On August 12, 2002, the Company filed a Form 8-K containing the Second Amended and Restated Certificate of Formation and Operating Agreement of the Company.

SIGNATURES

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

MUNICIPAL MORTGAGE & EQUITY, LLC
(Registrant)

By: /s/ Mark K. Joseph

Mark K. Joseph
Chairman of the Board, Chief Executive Officer
(Principal Executive Officer), and
Director

By: /s/William S. Harrison

William S. Harrison
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

DATED: August 9, 2002

EXHIBIT 99

OFFICERS' CERTIFICATE

The undersigned officers of Municipal Mortgage & Equity, LLC, a Delaware limited liability company (the "Company"), hereby certify that (i) the Company's Form 10-Q for the quarter ended June 30, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and (ii) the information contained in the Company's Form 10-Q for the quarter ended June 30, 2002 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2002

/s/ Mark K. Joseph

Name: Mark K. Joseph
Title: Chief Executive Officer

/s/William S. Harrison

Name: William S. Harrison
Title: Chief Financial Officer