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MUNICIPAL MORTGAGE & EQUITY LLC

Form 8-K

July 18, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

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

July 17, 2003  
(Date of Report (Date of Earliest Event Reported))

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

|  |                                       |   |
|--|---------------------------------------|---|
| Delaware<br>(State or other jurisdiction<br>of incorporation or<br>organization) | 011-11981<br>(Commission File Number) | 52-1449733<br>(I.R.S. Employer<br>Identification No.) |
|--|---------------------------------------|---|

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

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

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

| Exhibit No. | Description of Document   |
|-------------|---|
| 99.1        | Earnings Package, dated June 30, 2003                                   |
| 99.2        | Earnings Press Release and Financial<br>Statements, dated June 30, 2003 |
| 99.3        | Production Press Release,<br>dated June 30, 2003                        |

Item 12. Results of Operations and Financial Condition.

On July 17, 2003, Municipal Mortgage & Equity, LLC (the "Company"),

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distributed an earnings package to Analysts relating to the Company's financial performance for the quarter ended June 30, 2003. A copy of the package, dated June 30, 2003, is attached hereto as Exhibit 99.1.

On July 17, 2003, the Company distributed an earnings press release and financial statements relating to the Company's financial performance for the quarter ended June 30, 2003. A copy of the press release and financial statements, dated June 30, 2003, is attached hereto as Exhibit 99.2.

On July 17, 2003, the Company distributed a production press release relating to the Company's production volume for the quarter ended June 30, 2003. A copy of the press release, dated June 30, 2003, is attached hereto as Exhibit 99.3.

Exhibit 99.1  
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### MUNICIPAL MORTGAGE AND EQUITY, LLC

#### EARNINGS PACKAGE

QUARTER ENDED JUNE 30, 2003

#### TABLE OF CONTENTS

|  |         |
|--|---------|
| GAAP Income Statement for the three and six months ended June 30, 2003 | Page 5  |
| Variance Analysis for GAAP   | Page 6  |
| Rolling Five Quarters - GAAP   | Page 8  |
| Calculation of Diluted Earnings Per Share                              | Page 9  |
| GAAP Net Income to CAD reconciliation for the Rolling Five Quarters    | Page 10 |
| CAD Statement for the three and six months ended June 30, 2003         | Page 12 |
| Variance Analysis for CAD  | Page 13 |

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|   |         |
|---|---------|
| Rolling Five Quarters - CAD                                     | Page 15 |
| Condensed Balance Sheets and Book Value Per Share               | Page 16 |
| Summary of 2nd Quarter 2003 Investment Activity                 | Page 17 |
| Participating Portfolio Property Net Operating<br>Income Trends | Page 18 |
| Units and Average Rents for Bond Portfolio                      | Page 19 |
| Conference Call Script - Combined Tax Credit Equity Business    | Page 25 |

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

|  | For the three months end<br>June 30, |         |
|--|--------------------------------------|---------|
|  | 2003                                 | 2002    |
| <b>INCOME:</b>   |                                      |         |
| Interest income  |                                      |         |
| Interest on bonds and residual interests in bond securitizations | \$ 13,929                            | \$ 15,3 |
| Interest on loans  | 7,563                                | 8,5     |
| Interest on short-term investments                               | 332                                  | 2       |
| Total interest income  | 21,824                               | 24,2    |
| Fee income   |                                      |         |
| Syndication fees   | 1,825                                | 2,3     |
| Origination fees   | 2,219                                | 1,5     |
| Loan servicing fees  | 1,838                                | 1,6     |
| Asset management and advisory fees                               | 1,198                                | 1,0     |
| Other income   | 3,309                                | 1,2     |
| Total fee income   | 10,389                               | 7,8     |
| Net gain on sales  | 1,453                                | 7       |
| Total income   | 33,666                               | 32,7    |
| <b>EXPENSES:</b>   |                                      |         |
| Interest expense   | 8,724                                | 8,4     |
| Salaries and benefits  | 8,671                                | 5,9     |
| General and administrative                                       | 2,113                                | 1,6     |
| Professional fees  | 877                                  | 1,9     |
| Amortization of mortgage servicing rights and other intangibles  | 414                                  | 3       |
| Total expenses   | 20,799                               | 18,4    |
| Net holding gains (losses) on derivatives                        | (2,449)                              | (7,7    |
| Impairments and valuation allowances related to investments      | (1,144)                              |         |
| Net gains (losses) from equity investments in partnerships       | (2,157)                              |         |

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|   |            |          |
|---|------------|----------|
| Income tax benefit (expense)  | 540        | (8       |
| Income allocable to preferred shareholders and minority interests in subsidiary companies | (2,854)    | (2,9     |
|   | -----      | -----    |
| Net income from continuing operations   | 4,803      | 2,9      |
| Discontinued operations   | 25,748     |          |
|   | -----      | -----    |
| Net Income  | \$ 30,551  | \$ 2,9   |
|   | =====      | =====    |
| LESS:   |            |          |
| Net income allocable to term growth shares  | -          |          |
|   | -----      | -----    |
| Net income allocated to common shares   | \$ 30,551  | \$ 2,9   |
|   | =====      | =====    |
| <br>EARNINGS PER COMMON SHARE:  |            |          |
| Basic earnings per common share:  |            |          |
| Net income from continuing operations   | \$ 0.17    | \$ 0.    |
| Discontinued operations   | 0.89       |          |
|   | -----      | -----    |
| Basic earnings per common share   | \$ 1.06    | \$ 0.    |
|   | =====      | =====    |
| Weighted average common shares outstanding  | 28,857,305 | 25,252,1 |
| Diluted earnings per common share:  |            |          |
| Net income from continuing operations   | \$ 0.16    | \$ 0.    |
| Discontinued operations   | 0.89       |          |
|   | -----      | -----    |
| Diluted earnings per common share   | \$ 1.05    | \$ 0.    |
|   | =====      | =====    |
| Weighted average common shares outstanding  | 29,213,062 | 25,835,8 |

### VARIANCE ANALYSIS FOR GAAP

#### 2nd Quarter 2003 Compared to 2nd Quarter 2002:

Total income for the second quarter of 2003 increased \$0.9 million over the same period last year due primarily to the following changes: (1) a \$2.1 million increase in other income due primarily to: (i) a \$1.0 million fee collected on a conventional equity deal; (ii) \$0.8 million collected as the result of a collateral release after the sale of a property; (iii) \$0.8 million in prepayment fees collected from the early payment of tax-exempt bond investments; and (iv) a \$0.5 million decrease in commission income; (2) a \$0.8 million increase in net gain on sales due to the termination of interest rate swaps; (3) a \$0.7 million increase in origination fees due to increased volume; and (4) a \$2.5 million decrease in accrual of interest on bonds, residual interests in bond securitizations and loans.

Total expenses for the second quarter increased \$2.4 million over the same period last year due primarily to the following changes: (1) a \$2.7 million increase in salaries and benefits resulting from a \$0.8 million increase in salaries and other compensation and a \$2.0 million increase in bonus expense; (2) a \$0.4 million increase in general and administrative expenses due primarily to: (i) increases totaling \$0.3 million due to telephone, bank fees, memberships and dues and costs related to the integration of HCI; and (ii) a \$0.1 million increase in travel and entertainment; (3) a \$0.2 million increase in interest expense associated with an increase in financing costs related to on-balance-sheet securitizations and larger average notes payable balances outstanding during the quarter; and (4) a \$1.1 million decrease in professional fees due primarily to: (i) a \$0.5 million decrease in commission expense; and (ii) a \$0.4 million decrease in legal fees due to information systems and other

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corporate initiatives in the prior year. Commission expense is no longer incurred by the Company because the pass-through of commission income and expense has been transferred to the syndicated tax credit equity funds.

The Company recorded net holding losses of \$2.4 million for the change in market value of the Company's derivative financial instruments, which is a \$5.3 million decrease from the same period of 2002 due primarily to the termination of interest rate swaps. The Company recorded impairments totaling \$1.1 million on one bond and three taxable loans. Losses from equity investments totaled \$2.2 million, which is a \$2.3 million increase from the same period of 2002 due to losses from the CAPREIT Tera investment and warehoused tax credit equity properties. The Company also recorded \$0.5 million in income tax benefit. Income tax expense decreased \$1.4 million from the same period in 2002 primarily as a result of taxable losses generated by the CAPREIT investments.

The Company also recorded \$25.7 million in discontinued operations resulting from the sale of a property that was previously held by the Company.

### Year-to-Date 2003 Compared to Year-to-Date 2002:

Total income for the six months ended June 30, 2003 increased \$2.3 million over the same period last year due primarily to the following changes: (1) a \$3.1 million increase in other income due primarily to: (i) \$1.6 million in fees collected on a conventional equity deal; (ii) \$1.7 million in prepayment fees collected from the early payment of tax-exempt bond investments; (iii) \$0.8 million collected as the result of a collateral release after the sale of a property; and (iv) a \$1.0 million decrease in commission income; and (2) a \$0.8 million decrease in syndication fees due to a decrease in the volume of syndications closed combined with taking \$0.5 million in organizational and offering cost reimbursements related to closed syndicated tax credit equity funds into income during the first quarter of 2002, whereas no such fees were recognized during 2003.

Total expenses for the six months ended June 30, 2003 increased \$5.4 million over the same period last year due primarily to the following changes: (1) a \$3.9 million increase in salaries and benefits resulting from a \$1.0 million increase in salaries and other compensation and a \$2.9 million increase in bonus expense; (2) a \$1.6 million increase in interest expense associated with an increase in financing costs related to on-balance-sheet securitizations and larger average notes payable balances outstanding during the quarter; (3) a \$0.5 million increase in general and administrative expenses due primarily to: (i) increases totaling \$0.4 million due to telephone, bank fees, letter of credit fees, memberships and dues and costs related to the integration of HCI; and (ii) a \$0.1 million increase in investment acquisition expenses; and (4) a \$0.7 million decrease in professional fees due primarily to: (i) a \$1.0 million decrease in commission expense and (ii) a \$0.3 million increase in consulting fees due to an internal controls project and research related to the HCI acquisition.

The Company recorded net holding losses of \$0.4 million for the change in market value of the Company's derivative financial instruments, which is a \$5.0 million decrease from the \$4.6 million of losses recorded in 2002 due primarily to the termination of interest rate swaps. The Company recorded impairments totaling \$1.1 million on one bond and three taxable loans. Losses from equity investments totaled \$2.9 million, which is a \$2.7 million increase from the same period of 2002 due to losses from the CAPREIT Tera investment and warehoused tax credit equity properties. The Company also recorded \$0.5 million in income tax benefit. Income tax expense decreased \$2.3 million from 2002 primarily as a result of taxable losses generated by the CAPREIT investments.

The Company also recorded \$25.7 million in discontinued operations resulting

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from the sale of a property that was previously held by the Company.

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

| INCOME:  | Qtr Ended<br>06/30/03 | Qtr Ended<br>03/31/03 | Qtr Ended<br>12/31/02 |
|--|-----------------------|-----------------------|-----------------------|
|  | -----                 | -----                 | -----                 |
| Interest income  |                       |                       |                       |
| Interest on bonds and residual interests in<br>bond securitizations                          | \$ 13,929             | \$ 15,985             | \$ 13,9               |
| Interest on loans  | 7,563                 | 9,503                 | 9,1                   |
| Interest on short-term investments   | 332                   | 192                   | 2                     |
|  | -----                 | -----                 | -----                 |
| Total interest income  | 21,824                | 25,680                | 23,4                  |
|  | -----                 | -----                 | -----                 |
| Fee income   |                       |                       |                       |
| Syndication fees   | 1,825                 | 1,411                 | 2,4                   |
| Origination fees   | 2,219                 | 698                   | 2,0                   |
| Loan servicing fees  | 1,838                 | 1,909                 | 1,7                   |
| Asset management and advisory fees   | 1,198                 | 1,076                 | 1,0                   |
| Other income   | 3,309                 | 2,197                 | 1,1                   |
|  | -----                 | -----                 | -----                 |
| Total fee income   | 10,389                | 7,291                 | 8,3                   |
|  | -----                 | -----                 | -----                 |
| Net gain on sales  | 1,453                 | 1,278                 | 5,0                   |
|  | -----                 | -----                 | -----                 |
| Total income   | 33,666                | 34,249                | 36,7                  |
|  | -----                 | -----                 | -----                 |
| EXPENSES:  |                       |                       |                       |
| Interest expense   | 8,724                 | 10,368                | 10,3                  |
| Salaries and benefits  | 8,671                 | 5,966                 | 6,4                   |
| General and administrative   | 2,113                 | 1,825                 | 1,8                   |
| Professional fees  | 877                   | 989                   | 1,4                   |
| Amortization of mortgage servicing rights and<br>other intangibles                           | 414                   | 389                   | 3                     |
|  | -----                 | -----                 | -----                 |
| Total expenses   | 20,799                | 19,537                | 20,5                  |
|  | -----                 | -----                 | -----                 |
| Net holding gains (losses) on derivatives  | (2,449)               | 2,873                 | (3                    |
| Impairments and valuation allowances related to<br>investments                               | (1,144)               | -                     | (6                    |
| Net gains (losses) from equity investments in<br>partnerships                                | (2,157)               | (747)                 | (1,3                  |
| Income tax benefit (expense)   | 540                   | (68)                  | (2                    |
| Income allocable to preferred shareholders and<br>minority interests in subsidiary companies | (2,854)               | (2,825)               | (2,9                  |
|  | -----                 | -----                 | -----                 |
| Net income from continuing operations  | 4,803                 | 13,945                | 10,7                  |
| Discontinued operations  | 25,748                | -                     | -                     |
|  | -----                 | -----                 | -----                 |
| Net income allocated to common shares  | \$ 30,551             | \$ 13,945             | \$ 10,7               |
|  | =====                 | =====                 | =====                 |
| EARNINGS PER COMMON SHARE:   |                       |                       |                       |
| Basic earnings per common share:   |                       |                       |                       |
| Net income from continuing operations  | \$ 0.17               | \$ 0.51               | \$ 0.                 |

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|  |            |            |            |
|--|------------|------------|------------|
| Discontinued operations                    | 0.89       | -          |            |
| Basic earnings per common share            | \$ 1.06    | \$ 0.51    | \$ 0.00    |
| Weighted average common shares outstanding | 28,857,305 | 27,342,870 | 25,426,200 |
| Diluted earnings per common share:         |            |            |            |
| Net income from continuing operations      | \$ 0.16    | \$ 0.50    | \$ 0.00    |
| Discontinued operations                    | 0.89       | -          |            |
| Diluted earnings per common share          | \$ 1.05    | \$ 0.50    | \$ 0.00    |
| Weighted average common shares outstanding | 29,213,062 | 27,681,511 | 25,917,600 |

Note: Certain prior quarter amounts have been reclassified to conform to the 06/30/03 presentation

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

|   | For the three months ended June 30, 2003 |                         |                     | For the t             |
|---|--|-------------------------|---------------------|-----------------------|
|   | Income<br>(Numerator)                    | Shares<br>(Denominator) | Per Share<br>Amount | Income<br>(Numerator) |
| (in thousands, except share and per share data)               |  |                         |                     |                       |
| Basic EPS   |  |                         |                     |                       |
| Net income from continuing operations                         | \$ 4,803                                 |                         | \$ 0.17             | \$ 2,900              |
| Discontinued operations                                       | 25,748                                   |                         | 0.89                |                       |
| Income allocable to common shares                             | \$ 30,551                                | 28,857,305              | \$ 1.06             | \$ 2,900              |
| Effect of Dilutive Securities                                 |  |                         |                     |                       |
| Options and deferred shares                                   |  | 355,757                 |                     |                       |
| Earnings contingency  |  | -                       |                     |                       |
| Diluted EPS   |  |                         |                     |                       |
| Net income from continuing operations                         | \$ 4,803                                 |                         | \$ 0.16             | \$ 2,900              |
| Discontinued operations                                       | 25,748                                   |                         | 0.89                |                       |
| Income allocable to common shares<br>plus assumed conversions | \$ 30,551                                | 29,213,062              | \$ 1.05             | \$ 2,900              |
|   | For the six months ended June 30, 2003   |                         |                     | For the               |
|   | Income<br>(Numerator)                    | Shares<br>(Denominator) | Per Share<br>Amount | Income<br>(Numerator) |

(in thousands, except share and per share data)

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### Basic EPS

|   |           |            |         |         |
|---|-----------|------------|---------|---------|
| Net income from continuing operations                         | \$ 18,748 |            | \$ 0.67 | \$ 17,8 |
| Discontinued operations                                       | 25,748    |            | 0.91    |         |
|   | -----     |            | -----   | -----   |
| Income allocable to common shares                             | \$ 44,496 | 28,104,281 | \$ 1.58 | \$ 17,8 |
|   | -----     |            | -----   | -----   |
| <b>Effect of Dilutive Securities</b>                          |           |            |         |         |
| Options and deferred shares                                   |           | 347,199    |         |         |
| Earnings contingency  |           | -----      | -----   |         |
|   |           | -----      |         |         |
| <b>Diluted EPS</b>  |           |            |         |         |
| Net income from continuing operations                         | \$ 18,748 |            | \$ 0.66 | \$ 2,9  |
| Discontinued operations                                       | 25,748    |            | 0.90    |         |
|   | -----     |            | -----   | -----   |
| Income allocable to common shares<br>plus assumed conversions | \$ 44,496 | 28,451,480 | \$ 1.56 | \$ 17,8 |
|   | -----     | -----      | -----   | -----   |

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

| INCOME:   | Qtr Ended<br>06/30/03 | Qtr Ended<br>03/31/03 | Qtr Ended<br>12/31/02 |
|---|-----------------------|-----------------------|-----------------------|
|   | -----                 | -----                 | -----                 |
| <b>Interest income</b>  |                       |                       |                       |
| Interest on bonds and residual<br>interests in bond securitizations | \$ 13,929             | \$ 15,985             | \$ 13,95              |
| Interest on loans   | 7,563                 | 9,503                 | 9,19                  |
| Interest on short-term investments                                  | 332                   | 192                   | 26                    |
|   | -----                 | -----                 | -----                 |
| Total interest income   | 21,824                | 25,680                | 23,41                 |
|   | -----                 | -----                 | -----                 |
| <b>Fee income</b>   |                       |                       |                       |
| Syndication fees  | 1,825                 | 1,411                 | 2,45                  |
| Origination fees  | 2,219                 | 698                   | 2,02                  |
| Loan servicing fees   | 1,838                 | 1,909                 | 1,71                  |
| Asset management and advisory fees                                  | 1,198                 | 1,076                 | 1,01                  |
| Other income  | 3,309                 | 2,197                 | 1,13                  |
|   | -----                 | -----                 | -----                 |
| Total fee income  | 10,389                | 7,291                 | 8,33                  |
|   | -----                 | -----                 | -----                 |
| Net gain on sales   | 1,453                 | 1,278                 | 5,03                  |
|   | -----                 | -----                 | -----                 |
| Total income  | 33,666                | 34,249                | 36,77                 |
|   | -----                 | -----                 | -----                 |
| <b>EXPENSES:</b>  |                       |                       |                       |
| Interest expense  | 8,724                 | 10,368                | 10,36                 |
| Salaries and benefits   | 8,671                 | 5,966                 | 6,47                  |
| General and administrative  | 2,113                 | 1,825                 | 1,88                  |
| Professional fees   | 877                   | 989                   | 1,47                  |
| Amortization of mortgage servicing rights                           |                       |                       |                       |



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|   |           |            |          |
|---|-----------|------------|----------|
| and other intangibles   | 414       | 389        | 32       |
| <hr style="border-top: 1px dashed black;"/>   |           |            |          |
| Total expenses  | 20,799    | 19,537     | 20,52    |
| <hr style="border-top: 1px dashed black;"/>   |           |            |          |
| Net holding gains (losses) on derivatives   | (2,449)   | 2,873      | (33)     |
| Impairments and valuation allowances related to investments                               | (1,144)   | -          | (62)     |
| Net gains (losses) from equity investments in partnerships                                | (2,157)   | (747)      | (1,34)   |
| Income tax benefit (expense)  | 540       | (68)       | (26)     |
| Income allocable to preferred shareholders and minority interests in subsidiary companies | (2,854)   | (2,825)    | (2,95)   |
| <hr style="border-top: 1px dashed black;"/>   |           |            |          |
| Net income from continuing operations   | 4,803     | 13,945     | 10,74    |
| Discontinued operations   | 25,748    | -          |          |
| <hr style="border-top: 1px dashed black;"/>   |           |            |          |
| Net income allocated to common shares   | \$ 30,551 | \$ 13,945  | \$ 10,74 |
| <hr style="border-top: 1px dashed black;"/>   |           |            |          |
| Conversion to Cash Available for Distribution:  |           |            |          |
| (1)Mark to market adjustments   | \$ 2,449  | \$ (2,873) | \$ 33    |
| (2)Equity investments   | 3,732     | 2,409      | 2,83     |
| (3)Net gain on sales  | (10,486)  | (327)      | (3,39)   |
| (3)Amortization of capitalized mortgage servicing fees                                    | 414       | 352        | 32       |
| (4)Origination fees and other income, net   | 1,335     | 282        | 1,37     |
| (5)Valuation allowances and other-than-temporary impairments                              | 1,097     | -          | 62       |
| (6)Deferred tax expense   | 984       | 628        | 70       |
| (7)Discontinued operations  | (25,748)  | -          |          |
| (7)Interest income  | 10,793    | -          |          |
| <hr style="border-top: 1px dashed black;"/>   |           |            |          |
| Cash Available for Distribution (CAD)   | \$ 15,121 | \$ 14,416  | \$ 13,54 |
| <hr style="border-top: 1px dashed black;"/>   |           |            |          |

### Notes

- (1) For GAAP reporting, the Company records the non-cash change in fair value of its investment in interest rate swaps and other derivative financial instruments through net income. These non-cash gains and losses are not included in the Company's calculation of CAD.
- (2) For GAAP reporting, the Company accounts for various investments in partnerships using the equity accounting method. As a result, the Company's allocable share of the income or loss from the partnerships is reported in income (losses) from equity investments in partnerships. The income from these partnerships includes depreciation expense and changes in the fair value of investments in derivatives. For GAAP reporting, distributions are treated as a return of capital. For CAD reporting, the Company records the cash distributions it receives from the partnerships as other income. In addition, a portion of the income or loss from partnerships is reduced by a minority interest for both GAAP and CAD.
- (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

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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.
- (7) For GAAP reporting, the Company recognized a gain upon the sale of a property. This gain was required to be classified as discontinued operations because the Company owned the property prior to the sale. For CAD reporting, the gain was significantly less due to recording a portion of the proceeds as interest income. In addition, the carrying value of the tax-exempt bond associated with the property was significantly more for CAD due to an impairment previously recognized for GAAP.

### MUNICIPAL MORTGAGE & EQUITY, LLC CALCULATION OF CASH AVAILABLE FOR DISTRIBUTION (Unaudited)

(In thousands, except share and per share data)

|  | For the three months ended<br>June 30, |               |
|--|--|---------------|
|  | 2003                                   | 2002          |
| <b>SOURCES OF CASH:</b>  |  |               |
| Interest on bonds, residual interests in bond securitizations and loans  | \$ 31,597                              | \$ 23,300     |
| Interest on short-term investments   | 332                                    | 2,300         |
| Syndication fees   | 1,825                                  | 2,300         |
| Origination fees   | 2,711                                  | 3,000         |
| Loan servicing fees  | 1,835                                  | 1,600         |
| Asset management and advisory fees   | 1,198                                  | 1,000         |
| Distributions from equity investments in partnerships  | 1,716                                  | 1,000         |
| Other income   | 4,221                                  | 1,200         |
| Net gain (loss) on sales   | (9,033)                                | 1,000         |
|  | 36,402                                 | 33,200        |
| <b>EXPENSES:</b>   |  |               |
| Interest expense   | 8,102                                  | 7,900         |
| Salaries and benefits  | 8,671                                  | 5,900         |
| Professional fees  | 877                                    | 1,900         |
| General and administrative   | 2,113                                  | 1,600         |
| Loan loss expense  | 47                                     | 0             |
| Income tax expense (benefit)   | (1,524)                                | 300           |
|  | 18,286                                 | 17,800        |
| <b>CASH AVAILABLE FOR DISTRIBUTION</b>   | <b>18,116</b>                          | <b>15,300</b> |
| <b>LESS:</b>   |  |               |
| Cash allocable to preferred shareholders and term growth shares,<br>including preferred shareholders in a subsidiary company | 2,995                                  | 2,900         |

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|  |            |          |
|--|------------|----------|
| CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES | \$ 15,121  | \$ 12,3  |
|  | =====      | =====    |
| CAD PER COMMON SHARE                             | \$ 0.52    | \$ 0.    |
|  | =====      | =====    |
| CALCULATION OF CASH DISTRIBUTION:                |            |          |
| CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES | \$ 15,121  | \$ 12,3  |
|  | =====      | =====    |
| ACTUAL AMOUNT PAID                               | \$ 12,903  | \$ 11,0  |
|  | =====      | =====    |
| PAYOUT RATIO                                     | 85.3%      | 89       |
|  | =====      | =====    |
| COMMON SHARES OUTSTANDING                        | 28,832,443 | 25,308,0 |
|  | =====      | =====    |
| CASH DISTRIBUTION PER COMMON SHARE               | \$ 0.4475  | \$ 0.43  |
|  | =====      | =====    |

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

#### 2nd Quarter 2003 Compared to 2nd Quarter 2002:

Total income for the second quarter of 2003 increased \$3.2 million over the same period last year due primarily to the following changes: (1) an \$8.2 million increase in interest on bonds, residual interests in bond securitizations and loans due primarily to: (i) \$10.8 million of deferred base interest and yield maintenance collected upon the sale of a property; offset by (ii) \$1.0 million of interest that was reclassified to other income due to the Company holding the property prior to sale to a third party; and (iii) a \$1.6 million decrease in collections of interest on bonds, residual interests in bond securitizations and loans; (2) a \$3.0 million increase in other income due primarily to: (i) a \$1.0

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million fee collected on a conventional equity deal; (ii) \$1.0 million of interest collected from a property that was held by the Company prior to sale to a third party; (iii) \$0.8 million collected as the result of a collateral release after the sale of a property; (iv) \$0.8 million in prepayment fees collected from the early payment of tax-exempt bond investments; and (v) a \$0.5 million decrease in commission income; (3) a \$1.5 million increase in distributions from equity investments in partnerships due primarily to an increase in income from the CAPREIT investments; (4) a \$9.1 million decrease in net gain (loss) on sales due primarily to a \$10.8 million loss on the termination of interest rate swaps offset in part by a \$1.5 million gain recorded on the payoff of the tax-exempt bond and taxable loan on a property that was sold during the quarter; and (5) a \$0.6 million decrease in syndication fees due to a decrease in the volume of syndications closed.

Total expenses for the second quarter increased \$0.4 million over the same period last year due primarily to the following changes: (1) a \$2.7 million increase in salaries and benefits resulting from a \$0.8 million increase in salaries and other compensation and a \$2.0 million increase in bonus expense; (2) a \$0.4 million increase in general and administrative expenses due primarily to: (i) increases totaling \$0.3 million due to telephone, bank fees, memberships and dues and costs related to the integration of HCI; and (ii) a \$0.1 million increase in travel and entertainment; (3) a \$0.2 million increase in interest expense associated with an increase in financing costs related to on-balance-sheet securitizations and larger average notes payable balances outstanding during the quarter; (4) a \$1.9 million decrease in income tax expense primarily as a result of taxable losses generated by the CAPREIT investments; and (5) a \$1.1 million decrease in professional fees due primarily to: (i) a \$0.5 million decrease in commission expense; and (ii) a \$0.4 million decrease in legal fees due to information systems and other corporate initiatives in the prior year. Commission expense is no longer incurred by the Company because the pass-through of commission income and expense has been transferred to the syndicated tax credit equity funds.

### Year-to-Date 2003 Compared to Year-to-Date 2002:

Total income for the six months ended June 30, 2003 increased \$7.8 million over the same period last year due primarily to the following changes: (1) a \$10.1 million increase in interest on bonds, residual interests in bond securitizations and loans due primarily to: (i) \$10.8 million of deferred base interest and yield maintenance collected upon the sale of a property; partially offset by (ii) \$1.0 million of interest that was reclassified to other income due to the Company holding the property prior to sale to a third party; (2) a \$3.7 million increase in other income due primarily to: (i) \$1.7 million in prepayment fees collected from the early payment of tax-exempt bond investments; (ii) \$1.6 million in fees collected on a conventional equity deal; (iii) \$1.0 million of interest collected from a property that was held by the Company prior to sale to a third party; (iv) \$0.8 million collected as the result of a collateral release after the sale of a property; (v) a \$1.0 million decrease in commission income; and (vi) a \$0.3 million decrease in the collection of loan related fees such as cancellation, application and extension fees; (3) a \$3.3 million increase in distributions from equity investments in partnerships due primarily to an increase in income from the CAPREIT investments; (4) an \$8.2 million decrease in net gain (loss) on sales due primarily to: (i) a \$10.8 million loss on the termination of interest rate swaps; (ii) a \$1.5 million gain recorded on the payoff of the tax-exempt bond and taxable loan on a property that was sold; and (iii) a \$1.1 million increase in gain on sales related to an increase in premiums on the delivery of loans to HUD and gain on sale on delivery of loans to a new conduit lender; (5) a \$0.8 million decrease in syndication fees due to a decrease in the volume of syndications closed combined with taking \$0.5 million in organizational and offering cost reimbursements related to closed syndicated tax credit equity funds into income during the

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first quarter of 2002, whereas no such fees were recognized during 2003; and (6) a \$0.6 million decrease in origination fees due primarily to an origination fee recognized on the CAPREIT transaction in 2002.

Total expenses for the six months ended June 30, 2003 increased \$2.6 million over the same period last year due primarily to the following changes: (1) a \$3.9 million increase in salaries and benefits resulting from a \$1.0 million increase in salaries and other compensation and a \$2.9 million increase in bonus expense; (2) a \$1.8 million increase in interest expense associated with an increase in financing costs related to on-balance-sheet securitizations and larger average notes payable balances outstanding during the quarter; (3) a \$0.5 million increase in general and administrative expenses due primarily to: (i) increases totaling \$0.4 million due to telephone, bank fees, letter of credit fees, memberships and dues and costs related to the integration of HCI; and (ii) a \$0.1 million increase in investment acquisition expenses; (4) a \$2.8 million decrease in income tax expense primarily as a result of tax losses generated by the CAPREIT investments; and (5) a \$0.7 million decrease in professional fees due primarily to: (i) a \$1.0 million decrease in commission expense; and (ii) a \$0.3 million increase in consulting fees due to an internal controls project and the HCI acquisition.

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

|   | Qtr Ended<br>06/30/03 | Qtr Ended<br>03/31/03 | Qtr<br>12/ |
|---|-----------------------|-----------------------|------------|
|   |                       |                       |            |
| <b>SOURCES OF CASH:</b>   |                       |                       |            |
| Interest on bonds, residual interests in bond securitizations and loans                 | \$ 31,597             | \$ 24,848             | \$         |
| Interest on short-term investments  | 332                   | 192                   |            |
| Syndication fees  | 1,825                 | 1,411                 |            |
| Origination fees  | 2,711                 | 1,160                 |            |
| Loan servicing fees   | 1,835                 | 1,909                 |            |
| Asset management and advisory fees  | 1,198                 | 1,076                 |            |
| Distributions from equity investments in partnerships                                   | 1,716                 | 1,831                 |            |
| Other income  | 4,221                 | 2,091                 |            |
| Net gain (loss) on sales  | (9,033)               | 951                   |            |
| <b>TOTAL SOURCES OF CASH</b>  | <b>36,402</b>         | <b>35,469</b>         |            |
| <b>EXPENSES:</b>  |                       |                       |            |
| Interest expense  | 8,102                 | 9,839                 |            |
| Salaries and benefits   | 8,671                 | 5,966                 |            |
| Professional fees   | 877                   | 989                   |            |
| General and administrative  | 2,113                 | 1,825                 |            |
| Loan loss expense   | 47                    | -                     |            |
| Income tax expense (benefit)  | (1,524)               | (560)                 |            |
| <b>TOTAL EXPENSES</b>   | <b>18,286</b>         | <b>18,059</b>         |            |
| <b>CASH AVAILABLE FOR DISTRIBUTION</b>  | <b>18,116</b>         | <b>17,410</b>         |            |
| <b>LESS:</b>  |                       |                       |            |
| Cash allocable to preferred shareholders in a subsidiary company and term growth shares | 2,995                 | 2,994                 |            |

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|   |            |            |      |
|---|------------|------------|------|
| CASH AVAILABLE FOR DISTRIBUTION<br>TO COMMON SHARES | \$ 15,121  | \$ 14,416  | \$   |
| CAD PER COMMON SHARE                                | \$ 0.52    | \$ 0.50    | \$   |
| CALCULATION OF CASH DISTRIBUTION:                   |            |            |      |
| CASH AVAILABLE FOR DISTRIBUTION<br>TO COMMON SHARES | \$ 15,121  | \$ 14,416  | \$   |
| ACTUAL AMOUNT PAID                                  | \$ 12,903  | \$ 12,837  | \$   |
| PAYOUT RATIO  | 85.3%      | 89.0%      |      |
| COMMON SHARES OUTSTANDING                           | 28,832,443 | 28,846,327 | 25,5 |
| CASH DISTRIBUTION PER COMMON SHARE                  | \$ 0.4475  | \$ 0.4450  | \$   |

Note: Certain prior quarter amounts have been reclassified to conform to the 06/30/03 presentation

CAD differs from net income because of variations between 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, which are not included in the calculation of CAD. The third difference is the treatment of the Company's investments in partnerships. For GAAP, the Company records its allocable share of the income (loss) from the partnership as income, while for CAD reporting, the Company records the cash distributions it receives from the partnership as income. For a reconciliation of GAAP net income to CAD, see page 10.

CAD per common share is calculated based on the number of shares outstanding at the end of each quarter. For GAAP, basic earnings per share is calculated based on the weighted average shares outstanding during the period. The weighted average shares outstanding for diluted earnings per share include the potential dilutive effect from the exercise of options, vesting of restricted shares, and provision for shares to be awarded under the Midland acquisition earn out provision.

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

(unaudited)  
June 30,  
2003

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ASSETS:

|  |              |
|--|--------------|
| Investment in tax-exempt bonds and residual interests<br>in bond securitizations | \$ 788,892   |
| Loans receivable, net  | 451,397      |
| Loans receivable held for sale   | 11,023       |
| Investments in partnerships  | 97,688       |
| Investment in derivative financial instruments                                   | 3,170        |
| Cash, cash equivalents and interest receivable                                   | 98,587       |
| Other assets   | 115,798      |
| Goodwill   | 33,607       |
|  | -----        |
| TOTAL  | \$ 1,600,162 |
|  | =====        |

LIABILITIES AND EQUITY:

|  |              |
|--|--------------|
| Notes payable  | \$ 436,949   |
| Short-term debt  | 211,670      |
| Long-term debt   | 142,006      |
| Residual interests in bond securitizations                                     | 1,343        |
| Investment in derivative financial instruments                                 | 21,792       |
| Other liabilities  | 48,150       |
| Preferred shareholders' and minority interests' equity in subsidiary companies | 160,142      |
| Shareholders' equity   | 578,110      |
|  | -----        |
| TOTAL  | \$ 1,600,162 |
|  | =====        |

|                             |          |
|-----------------------------|----------|
| BOOK VALUE PER COMMON SHARE | \$ 20.05 |
|                             | =====    |

MUNICIPAL MORTGAGE & EQUITY, LLC  
2003 INVESTMENTS  
SECOND QUARTER  
(In thousands)

BOND PRODUCTION:

| PROPERTY                  | CITY        | STATE | PERMANENT<br>INTEREST<br>RATE | QUARTER<br>BOND AMOUNT |       |
|---------------------------|-------------|-------|-------------------------------|------------------------|-------|
|                           |             |       |                               | CONSTRUCTION           | PERM  |
| Eden Park of Ironwood (1) | Gainesville | FL    | 7.200%                        | \$ 4,250               | \$    |
| Lake Pleasant Village (2) | Peoria      | AZ    | 7.200%                        | 9,450                  |       |
| Stapleton                 | Denver      | CO    | 7.875%                        | 11,000                 | 1     |
| Woodland Village (3)      | Leavenworth | KS    | 6.950%                        | 8,160                  |       |
|                           |             |       |                               | -----                  | ----- |
| TOTAL                     |             |       |                               | \$ 32,860              | \$ 3  |
|                           |             |       |                               | =====                  | ===== |

- (1) The Company's initial investment was \$0.2 million. The Company earned a 1.25% origination fee.  
(2) The Company's initial investment was \$1.5 million. The Company earned a 1.25% origination fee.  
(3) The Company's initial investment was \$2.8 million. The Company earned a 1.25% origination fee.

CONSTRUCTION/PERMANENT LENDING, SYNDICATION AND OTHER PRODUCTION:

|                   |                                 |
|-------------------|---------------------------------|
|                   | TOTAL<br>RECOG<br>THIS Q<br>FOR |
| QUARTER<br>VOLUME |                                 |

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|  |    |           |    |
|--|----|-----------|----|
| Tax Credit Equity Syndications (Equity Raised)                                       | \$ | 31,318    | \$ |
| Tax Credit Lending Production  | \$ | 65,984    | \$ |
| Conventional Equity Production   | \$ | 46,865    | \$ |
| Taxable Construction Loan Production (generating a weighted average spread of 1.12%) | \$ | 93,986    | \$ |
| Taxable Permanent Loan Production  | \$ | 118,379   | \$ |
| Supplemental Loans   | \$ | 7,660     | \$ |
| OTHER INFORMATION:   |    |           |    |
| Balance as of 6/30/03 of Midland Servicing Portfolio under Management                | \$ | 1,126,819 | \$ |
| Balance as of 6/30/03 of Midland Equity Syndication Portfolio under Management       | \$ | 917,138   | \$ |

MUNICIPAL MORTGAGE & EQUITY, LLC  
 PARTICIPATING BOND PORTFOLIO  
 NET OPERATING INCOME - TREND  
 As of June 30, 2003

| Property<br>-----                  | Q2 2002<br>Actual<br>----- | Q1 2003<br>Actual<br>----- | Q2 2003 (2)<br>Actual<br>----- |
|------------------------------------|----------------------------|----------------------------|--------------------------------|
| Alban (4)                          | 268,978                    | 260,814                    | 242,359                        |
| Arlington (1)                      | 0                          | -39,943                    | 3,078                          |
| Barkley Place                      | 255,837                    | 331,248                    | 322,958                        |
| Barrington at Beach Street (1) (3) | 41,853                     | 201,476                    | 275,036                        |
| Cobblestone                        | 179,912                    | 147,956                    | 142,040                        |
| Cool Springs (1)                   | -54,690                    | -2,816                     | 98,309                         |
| Creekside                          | 271,875                    | 291,969                    | 281,675                        |
| Crossings                          | 179,332                    | 182,192                    | 164,531                        |
| Gilman Meadows                     | 158,870                    | 172,281                    | 139,078                        |
| Hamilton Grove                     | 212,804                    | 173,874                    | 201,481                        |
| Jefferson Commons                  | 513,627                    | 400,144                    | 401,808                        |
| Lakeview                           | 187,987                    | 164,215                    | 179,455                        |
| Mallard I                          | 25,891                     | 38,539                     | 23,398                         |
| Mallard II                         | 95,771                     | 102,270                    | 96,956                         |
| Montclair                          | 288,782                    | 344,427                    | 379,300                        |
| Newport Village                    | 242,984                    | 193,723                    | 215,054                        |
| Nicollet Ridge                     | 362,343                    | 320,571                    | 345,463                        |
| Palisades Park                     | 245,556                    | 245,324                    | 245,127                        |
| Riverset I                         | 316,555                    | 376,154                    | 372,406                        |
| Riverset II                        | 139,242                    | 162,217                    | 146,790                        |
| Steeplechase Falls<br>Meadows      | 377,633                    | 343,626                    | 391,736                        |
| Timber Ridge                       | 129,467                    | 120,149                    | 146,680                        |
| Villas at LaRiviera (3)            | 137,432                    | 129,561                    | 137,329                        |
| Whispering Lake                    | 193,778                    | 226,573                    | 223,566                        |
| Winter Oaks                        | 326,079                    | 316,850                    | 337,477                        |
|                                    | 282,800                    | 275,783                    | 287,367                        |



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|                   |           |           |           |
|-------------------|-----------|-----------|-----------|
| Total             | 5,380,697 | 5,479,179 | 5,800,457 |
| Same Store Growth | 5,393,534 | 5,320,462 | 5,424,035 |

- (1) In Lease-up. Quarterly totals are not included in Same Store Growth calculations.
- (2) Q2 2003 uses April and May actuals plus the June budget unless otherwise noted.
- (3) Q2 2003 - operating budget is not available, total includes April actuals and two times May actual results.
- (4) Q2 2003 - includes April actual results plus May and June budget.

| Apartment Community                   | Month/Year Acquired | Apartment Units | Occupancy                 |                            | Month Ended June 30, 2003 | Month Ended March 31, 2003 | Month Ended June 30, 2003 |
|---------------------------------------|---------------------|-----------------|---------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
|                                       |                     |                 | Month Ended June 30, 2003 | Month Ended March 31, 2003 |                           |                            |                           |
| Alban Place                           | Sep-86              | 194             | 96.0%                     | 94.8%                      |                           |                            |                           |
| Cobblestone                           | Aug-99              | 184             | 95.7%                     | 92.4%                      |                           |                            |                           |
| Creekside Village                     | Nov-87              | 296             | 98.3%                     | 99.7%                      |                           |                            |                           |
| Crossings                             | Jan-97              | 200             | 89.5%                     | 89.0%                      |                           |                            |                           |
| Jefferson Commons                     | Dec-00              | 173             | 87.9%                     | 87.9%                      |                           |                            |                           |
| Lakeview                              | Sep-87              | 180             | 98.9%                     | 96.1%                      |                           |                            |                           |
| Timber Ridge                          | Dec-00              | 168             | 94.0%                     | 96.4%                      |                           |                            |                           |
| Villas at LaRiviera                   | Jun-99              | 199             | 80.5%                     | 91.0%                      |                           |                            |                           |
| Subtotal Participating Mortgage Bonds |                     | 1,594           |                           |                            |                           |                            |                           |
| Mortgage Bonds                        |                     |                 |                           |                            |                           |                            |                           |
| Applewood (a.k.a. Paola)              | Jul-99              | 48              | 95.8%                     | 93.8%                      |                           |                            |                           |
| Autumn Oaks/Crest at Thousand Oaks    | Feb-03              | 410             | 100.0%                    | 95.4%                      |                           |                            |                           |
| Buchanan Bay                          | Mar-01              | 228             | 86.4%                     | 89.0%                      |                           |                            |                           |
| Charter House (2)                     | Dec-96              | -               | N/A                       | N/A                        |                           |                            |                           |
| Cielo Vista                           | Aug-99              | 378             | 96.3%                     | 90.5%                      |                           |                            |                           |
| Country Club                          | Jul-99              | 101             | 84.2%                     | 85.1%                      |                           |                            |                           |
| Delta Village                         | Jun-99              | 80              | 97.5%                     | 95.0%                      |                           |                            |                           |
| Elmbrooke                             | Aug-00              | 54              | 100.0%                    | 100.0%                     |                           |                            |                           |
| Florida A&M                           | Feb-00              | 96              | 57.3%                     | 86.5%                      |                           |                            |                           |
| Gannon (Dade) (3)                     | Feb-98              | 575             | 96.3%                     | 96.7%                      |                           |                            |                           |
| Gannon (St. Louis)                    | Feb-98              | 336             | 93.5%                     | 93.2%                      |                           |                            |                           |
| Hidden Valley                         | Dec-96              | 82              | 91.5%                     | 93.9%                      |                           |                            |                           |
| Honey Creek                           | Mar-99              | 656             | 89.6%                     | 97.7%                      |                           |                            |                           |
| Hunter's Glen                         | Mar-01              | 383             | 75.0%                     | N/A                        |                           |                            |                           |
| Lake Piedmont                         | Apr-98              | 648             | 92.1%                     | 88.4%                      |                           |                            |                           |
| Monroe (Oakmont, Towne Oak)           | Dec-98              | 364             | 93.7%                     | 97.5%                      |                           |                            |                           |
| Mountain View (Willowgreen)           | Nov-86              | 241             | 94.6%                     | 91.3%                      |                           |                            |                           |
| Northridge Park II                    | Aug-87              | 128             | 99.2%                     | 90.6%                      |                           |                            |                           |
| Oakbrook                              | Dec-96              | 170             | 83.5%                     | 100.0%                     |                           |                            |                           |
| Oklahoma City (4)                     | Aug-98              | 774             | 90.9%                     | 95.3%                      |                           |                            |                           |
| Orangevale                            | Apr-98              | 64              | 100.0%                    | 98.4%                      |                           |                            |                           |
| Parkwood                              | Jun-99              | 180             | 97.2%                     | 99.4%                      |                           |                            |                           |
| Riverset II (1)                       | Jan-96              | -               | N/A                       | N/A                        |                           |                            |                           |
| Riverview                             | Jun-00              | 228             | 96.1%                     | 97.8%                      |                           |                            |                           |

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|                           |        |     |        |        |
|---------------------------|--------|-----|--------|--------|
| Sahuarita                 | Jun-99 | 52  | 100.0% | 86.5%  |
| Santa Fe Springs          | Jun-00 | 310 | 78.1%  | 77.1%  |
| Shadowbrook               | Jun-99 | 193 | 95.3%  | 97.9%  |
| Silver Springs            | Dec-99 | 250 | 92.4%  | 90.0%  |
| Southwind                 | Aug-00 | 88  | 100.0% | 100.0% |
| Torries Chase             | Dec-96 | 99  | 92.9%  | 89.9%  |
| Village Apartments        | May-00 | 210 | 95.2%  | 96.7%  |
| Village at Stone Mountain | Oct-97 | 722 | 84.9%  | 88.9%  |
| Village Green             | Feb-00 | 200 | 81.5%  | 87.0%  |
| Weatherstone              | Sep-00 | 100 | 97.0%  | 90.0%  |
| Western Hills             | Dec-98 | 80  | 75.0%  | 77.5%  |
| Willow Key                | Mar-99 | 384 | 95.3%  | 95.8%  |
| Woodglen                  | Dec-99 | 250 | 79.2%  | 82.4%  |
| Woodmark                  | Jun-99 | 173 | 97.1%  | 97.7%  |

Subtotal Mortgage Bonds

9,335

Participating Subordinate Mortgage Bonds:

|                     |        |     |       |       |
|---------------------|--------|-----|-------|-------|
| Barkley Place       | May-87 | 156 | 95.5% | 98.7% |
| Gilman Meadows      | Mar-87 | 125 | 93.6% | 91.2% |
| Hamilton Chase      | Feb-87 | 300 | 92.7% | 91.7% |
| Mallard Cove I & II | Feb-87 | 198 | 94.9% | 94.4% |
| Meadows             | Jan-88 | 200 | 93.0% | 91.0% |
| Montclair           | Oct-86 | 159 | 93.1% | 92.5% |
| Newport Village     | Dec-86 | 220 | 84.1% | 85.5% |
| Nicollet Ridge      | Dec-87 | 339 | 90.9% | 90.6% |
| Riverset II         | Jan-96 | 148 | 89.0% | 90.0% |
| Steeplechase        | Oct-88 | 450 | 95.1% | 94.0% |
| Whispering Lake     | Oct-87 | 384 | 93.8% | 90.4% |

Subtotal Participating Subordinate Mortgage Bonds

2,679

Avg. Monthly R  
Per Apartment

| Apartment Community                   | Month/Year<br>Acquired | Apartment<br>Units | Month<br>Ended<br>May 31,<br>2003 | Month<br>Ended<br>March 31,<br>2003 |
|---------------------------------------|------------------------|--------------------|-----------------------------------|-------------------------------------|
| Participating Mortgage Bonds:         |                        |                    |                                   |                                     |
| Alban Place                           | Sep-86                 | 194                | 927                               | 923                                 |
| Cobblestone                           | Aug-99                 | 184                | 578                               | 581                                 |
| Creekside Village                     | Nov-87                 | 296                | 595                               | 591                                 |
| Crossings                             | Jan-97                 | 200                | 754                               | 754                                 |
| Jefferson Commons                     | Dec-00                 | 173                | 1,230                             | 1,230                               |
| Lakeview                              | Sep-87                 | 180                | 716                               | 715                                 |
| Timber Ridge                          | Dec-00                 | 168                | 467                               | 496                                 |
| Villas at LaRiviera                   | Jun-99                 | 199                | 709                               | 702                                 |
| Subtotal Participating Mortgage Bonds |                        | 1,594              |                                   |                                     |
| Mortgage Bonds                        |                        |                    |                                   |                                     |
| Applewood (a.k.a. Paola)              | Jul-99                 | 48                 | 518                               | 518                                 |

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|                                    |        |     |       |       |
|------------------------------------|--------|-----|-------|-------|
| Autumn Oaks/Crest at Thousand Oaks | Feb-03 | 410 | 493   | 560   |
| Buchanan Bay                       | Mar-01 | 228 | 717   | 718   |
| Charter House (2)                  | Dec-96 | -   | N/A   | N/A   |
| Cielo Vista                        | Aug-99 | 378 | 387   | 391   |
| Country Club                       | Jul-99 | 101 | 449   | 446   |
| Delta Village                      | Jun-99 | 80  | 584   | 587   |
| Elmbrooke                          | Aug-00 | 54  | 1,063 | 1,062 |
| Florida A&M                        | Feb-00 | 96  | 1,440 | 1,374 |
| Gannon (Dade) (3)                  | Feb-98 | 575 | 794   | 788   |
| Gannon (St. Louis)                 | Feb-98 | 336 | 587   | 586   |
| Hidden Valley                      | Dec-96 | 82  | 576   | 567   |
| Honey Creek                        | Mar-99 | 656 | 538   | 536   |
| Hunter's Glen                      | Mar-01 | 383 | 582   | 583   |
| Lake Piedmont                      | Apr-98 | 648 | 494   | 488   |
| Monroe (Oakmont, Towne Oak)        | Dec-98 | 364 | 488   | 489   |
| Mountain View (Willowgreen)        | Nov-86 | 241 | 643   | 643   |
| Northridge Park II                 | Aug-87 | 128 | 1,015 | 1,007 |
| Oakbrook                           | Dec-96 | 170 | 462   | 456   |
| Oklahoma City (4)                  | Aug-98 | 774 | 489   | 485   |
| Orangevale                         | Apr-98 | 64  | 968   | 968   |
| Parkwood                           | Jun-99 | 180 | 478   | 475   |
| Riverset II (1)                    | Jan-96 | -   | N/A   | N/A   |
| Riverview                          | Jun-00 | 228 | 655   | 657   |
| Sahuarita                          | Jun-99 | 52  | 489   | 422   |
| Santa Fe Springs                   | Jun-00 | 310 | 594   | 587   |
| Shadowbrook                        | Jun-99 | 193 | 493   | 484   |
| Silver Springs                     | Dec-99 | 250 | 774   | 774   |
| Southwind                          | Aug-00 | 88  | 756   | 727   |
| Torries Chase                      | Dec-96 | 99  | 517   | 515   |
| Village Apartments                 | May-00 | 210 | 568   | 568   |
| Village at Stone Mountain          | Oct-97 | 722 | 761   | 761   |
| Village Green                      | Feb-00 | 200 | 635   | 643   |
| Weatherstone                       | Sep-00 | 100 | 813   | 800   |
| Western Hills                      | Dec-98 | 80  | 519   | 515   |
| Willow Key                         | Mar-99 | 384 | 706   | 705   |
| Woodglen                           | Dec-99 | 250 | 672   | 669   |
| Woodmark                           | Jun-99 | 173 | 680   | 680   |

Subtotal Mortgage Bonds

9,335

Participating Subordinate Mortgage Bonds:

|                     |        |     |       |       |
|---------------------|--------|-----|-------|-------|
| Barkley Place       | May-87 | 156 | 2,085 | 2,074 |
| Gilman Meadows      | Mar-87 | 125 | 998   | 1,010 |
| Hamilton Chase      | Feb-87 | 300 | 626   | 623   |
| Mallard Cove I & II | Feb-87 | 198 | 714   | 714   |
| Meadows             | Jan-88 | 200 | 609   | 605   |
| Montclair           | Oct-86 | 159 | 1,830 | 1,844 |
| Newport Village     | Dec-86 | 220 | 850   | 846   |
| Nicollet Ridge      | Dec-87 | 339 | 949   | 913   |
| Riverset II         | Jan-96 | 148 | 722   | 711   |
| Steeplechase        | Oct-88 | 450 | 611   | 609   |
| Whispering Lake     | Oct-87 | 384 | 656   | 652   |

Subtotal Participating Subordinate Mortgage Bonds

2,679

Occupancy

Month Ended    Month Ended    Month

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| Apartment Community  | Month/Year Acquired | Apartment Units | June 30, 2003 | March 31, 2003 |
|--|---------------------|-----------------|---------------|----------------|
| <b>Subordinate Mortgage Bonds:</b>                                     |                     |                 |               |                |
| CAPREIT  | Sep-99              | -               | N/A           | N/A            |
| Cinnamon Ridge   | Jan-99              | -               | N/A           | N/A            |
| Farmington Meadows   | Aug-99              | 69              | 100.0%        | 100.0%         |
| Independence Ridge   | Aug-96              | 336             | 75.0%         | 69.9%          |
| Locarno  | Aug-96              | 110             | 90.9%         | 90.9%          |
| Olde English Manor   | Nov-99              | -               | N/A           | N/A            |
| Peaks of Conyer  | Sep-01              | 260             | 81.2%         | 85.0%          |
| Rillito Village  | Jul-00              | -               | N/A           | N/A            |
| Winter Oaks  | Nov-99              | 460             | 92.2%         | 95.4%          |
| Subtotal Subordinate Mortgage Bonds                                    |                     | 1,235           |               |                |
| <b>Other Bond Related Investments:</b>                                 |                     |                 |               |                |
| Briarwood  | Dec-98              | 600             | 98.3%         | 94.8%          |
| Cinnamon Ridge   | Dec-97              | 264             | 97.3%         | 92.8%          |
| Golfside Villas (f.k.a. Club West)                                     | Mar-99              | 194             | 99.5%         | 99.0%          |
| Park at Landmark   | Sep-00              | 396             | 95.7%         | 94.2%          |
| Poplar Glen  | Jun-97              | 191             | 93.2%         | 93.7%          |
| RITES - Charter House  | Dec-96              | 280             | 91.4%         | 89.6%          |
| RITES - Indian Lakes   | Jul-97              | 296             | 84.8%         | 75.0%          |
| RITES - LaPaloma   | Apr-99              | 120             | 98.3%         | 100.0%         |
| RITES - LeMirador (Coleman Senior)                                     | Apr-98              | 141             | 83.7%         | 87.2%          |
| RITES - Museum Towers  | Apr-01              | 286             | 96.2%         | 93.0%          |
| RITES - Olde English Manor   | Jun-98              | 264             | 79.5%         | 82.2%          |
| RITES - Palisades Park   | Feb-98              | 304             | 93.8%         | 96.4%          |
| RITES - Pavillion  | Apr-99              | 132             | 100.0%        | 99.2%          |
| RITES - Queen Anne IV  | Jul-98              | 110             | 91.8%         | 82.7%          |
| RITES - Rancho/Villas  | May-00              | 417             | 88.6%         | 86.6%          |
| RITES - Rillito Village  | Aug-98              | 272             | 91.5%         | 91.2%          |
| RITES - Riverset (1)   | Aug-88              | 352             | 89.0%         | 90.0%          |
| RITES - Riverset II (1)  | Jan-96              | -               | N/A           | N/A            |
| RITES - Sienna (a.k.a. Italian Gardens)                                | Apr-98              | 140             | 90.0%         | 91.4%          |
| RITES - Sonterra   | May-98              | 156             | 87.8%         | 90.4%          |
| RITES - Southgate Crossings  | Jun-97              | 215             | 98.1%         | 94.0%          |
| RITES - Southwood  | Nov-97              | 1,286           | 72.0%         | 74.2%          |
| Subtotal Other Bond Related Investments                                |                     | 6,416           |               |                |
| Total Units/Weighted Average Investments                               |                     | 21,259          | 90.1%         | 90.7%          |
| Total/Same Stores (5) 2001   |                     | 20,261          | 89.9%         | 88.9%          |
| Total/Same Stores (5) 2002   |                     | 20,403          | 90.1%         | 89.2%          |
| <b>Construction/Substantial Rehab Properties and Other Investments</b> |                     |                 |               |                |
| Arlington  | Dec-00              | 176             | 34.1%         | 31.8%          |
| Barrington at Beach Street   | Oct-00              | 398             | 65.1%         | 59.5%          |
| Bedford Park   | Oct-00              | 312             | 69.6%         | 64.1%          |
| CAPREIT Joint Venture (6)  | Jun-02              | 6,279           | 95.6%         | 94.1%          |
| CAPREIT TERA (7)   | Mar-01              | 2,942           | 94.1%         | 94.1%          |
| Chancellor   | Nov-01              | 101             | N/A           | N/A            |
| Chancellor II  | Mar-02              | 46              | N/A           | N/A            |
| City Views at Rosa Burney Park   | Dec-02              | 180             | 80.6%         | N/A            |
| Cliffs at Grove Barton   | Apr-03              | 132             | N/A           | N/A            |
| Cool Springs   | Aug-00              | 124             | 54.8%         | 53.2%          |

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|                          |        |     |       |       |
|--------------------------|--------|-----|-------|-------|
| Coronel Village          | Apr-02 | 48  | N/A   | N/A   |
| Eden Park                | May-03 | 104 | N/A   | N/A   |
| Fort Branch              | Dec-00 | 250 | 88.0% | 69.2% |
| Hidden Brooks            | Sep-01 | 201 | 76.6% | 84.6% |
| Jefferson at Town Lake   | Dec-02 | 216 | N/A   | N/A   |
| Lake Pleasant Village    | May-03 | 152 | N/A   | N/A   |
| Las Trojas               | Mar-02 | 49  | N/A   | N/A   |
| Liberty Park Townhomes   | Feb-03 | 184 | 64.7% | 72.3% |
| Lincoln Corner           | Dec-01 | 134 | N/A   | N/A   |
| Meridian at Bridgewater  | Nov-99 | 90  | 82.2% | 81.1% |
| 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 | 23.8% | N/A   |
| Olathe Senior Residences | Dec-02 | 144 | N/A   | N/A   |
| Osborne Place Manor      | Dec-02 | 50  | N/A   | N/A   |
| Penn Valley              | Dec-01 | 42  | N/A   | N/A   |
| Sanger Trails            | Dec-02 | 208 | N/A   | N/A   |
| Sycamore Senior Village  | Jun-02 | 300 | N/A   | N/A   |
| Village at Sun Valley    | May-00 | 276 | 85.9% | 89.1% |
| Walnut Tree              | Mar-02 | 64  | N/A   | N/A   |
| Woodland Village         | May-03 | 198 | N/A   | N/A   |

Subtotal Construction/Rehab Properties -----  
13,945  
-----

Total Units -----  
35,204  
=====

Avg. Monthly R  
Per Apartment

| Apartment Community                 | Month/Year<br>Acquired | Apartment<br>Units      | Month<br>Ended<br>May 31,<br>2003 | Month<br>Ended<br>March 31,<br>2003 |
|-------------------------------------|------------------------|-------------------------|-----------------------------------|-------------------------------------|
| -----                               |                        |                         |                                   |                                     |
| Subordinate Mortgage Bonds:         |                        |                         |                                   |                                     |
| CAPREIT                             | Sep-99                 | -                       | N/A                               | N/A                                 |
| Cinnamon Ridge                      | Jan-99                 | -                       | N/A                               | N/A                                 |
| Farmington Meadows                  | Aug-99                 | 69                      | 814                               | 814                                 |
| Independence Ridge                  | Aug-96                 | 336                     | 555                               | 554                                 |
| Locarno                             | Aug-96                 | 110                     | 898                               | 891                                 |
| Olde English Manor                  | Nov-99                 | -                       | N/A                               | N/A                                 |
| Peaks of Conyer                     | Sep-01                 | 260                     | 737                               | 737                                 |
| Rillito Village                     | Jul-00                 | -                       | N/A                               | N/A                                 |
| Winter Oaks                         | Nov-99                 | 460                     | 558                               | 557                                 |
| Subtotal Subordinate Mortgage Bonds |                        | -----<br>1,235<br>----- |                                   |                                     |
| Other Bond Related Investments:     |                        |                         |                                   |                                     |
| Briarwood                           | Dec-98                 | 600                     | 639                               | 633                                 |
| Cinnamon Ridge                      | Dec-97                 | 264                     | 952                               | 938                                 |
| Golfside Villas (f.k.a. Club West)  | Mar-99                 | 194                     | 618                               | 617                                 |
| Park at Landmark                    | Sep-00                 | 396                     | 1,075                             | 1,081                               |
| Poplar Glen                         | Jun-97                 | 191                     | 988                               | 974                                 |
| RITES - Charter House               | Dec-96                 | 280                     | 625                               | 625                                 |
| RITES - Indian Lakes                | Jul-97                 | 296                     | 781                               | 790                                 |
| RITES - LaPaloma                    | Apr-99                 | 120                     | 652                               | 654                                 |

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|   |        |        |       |       |
|---|--------|--------|-------|-------|
| RITES - LeMirador (Coleman Senior)                              | Apr-98 | 141    | 855   | 835   |
| RITES - Museum Towers   | Apr-01 | 286    | 1,355 | 1,342 |
| RITES - Olde English Manor                                      | Jun-98 | 264    | 496   | 494   |
| RITES - Palisades Park  | Feb-98 | 304    | 560   | 555   |
| RITES - Pavillion   | Apr-99 | 132    | 673   | 667   |
| RITES - Queen Anne IV   | Jul-98 | 110    | 1,102 | 1,108 |
| RITES - Rancho/Villas   | May-00 | 417    | 498   | 476   |
| RITES - Rillito Village   | Aug-98 | 272    | 469   | 463   |
| RITES - Riverset (1)  | Aug-88 | 352    | 710   | 705   |
| RITES - Riverset II (1)   | Jan-96 | ----   | N/A   | N/A   |
| RITES - Sienna (a.k.a. Italian Gardens)                         | Apr-98 | 140    | 813   | 811   |
| RITES - Sonterra  | May-98 | 156    | 869   | 863   |
| RITES - Southgate Crossings                                     | Jun-97 | 215    | 1,005 | 992   |
| RITES - Southwood   | Nov-97 | 1,286  | 498   | 496   |
|   |        | -----  |       |       |
| Subtotal Other Bond Related Investments                         |        | 6,416  |       |       |
|   |        | -----  |       |       |
| Total Units/Weighted Average Investments                        |        | 21,259 | 686   | 696   |
|   |        | =====  |       |       |
| Total/Same Stores (5) 2001                                      |        | 20,261 | 689   | 686   |
| Total/Same Stores (5) 2002                                      |        | 20,403 | 705   | 701   |
| Construction/Substantial Rehab Properties and Other Investments |        |        |       |       |
| Arlington   | Dec-00 | 176    | 1,389 | 1,388 |
| Barrington at Beach Street                                      | Oct-00 | 398    | 778   | 803   |
| Bedford Park  | Oct-00 | 312    | 532   | 530   |
| CAPREIT Joint Venture (6)                                       | Jun-02 | 6,279  | 748   | 751   |
| CAPREIT TERA (7)  | Mar-01 | 2,942  | 606   | 608   |
| Chancellor  | Nov-01 | 101    | N/A   | N/A   |
| Chancellor II   | Mar-02 | 46     | N/A   | N/A   |
| City Views at Rosa Burney Park                                  | Dec-02 | 180    | 560   | N/A   |
| Cliffs at Grove Barton  | Apr-03 | 132    | N/A   | N/A   |
| Cool Springs  | Aug-00 | 124    | 1,938 | 1,919 |
| Coronel Village   | Apr-02 | 48     | N/A   | N/A   |
| Eden Park   | May-03 | 104    | N/A   | N/A   |
| Fort Branch   | Dec-00 | 250    | 735   | 738   |
| Hidden Brooks   | Sep-01 | 201    | 1,050 | 1,026 |
| Jefferson at Town Lake  | Dec-02 | 216    | N/A   | N/A   |
| Lake Pleasant Village   | May-03 | 152    | N/A   | N/A   |
| Las Trojas  | Mar-02 | 49     | N/A   | N/A   |
| Liberty Park Townhomes  | Feb-03 | 184    | 492   | 490   |
| Lincoln Corner  | Dec-01 | 134    | N/A   | N/A   |
| Meridian at Bridgewater   | Nov-99 | 90     | N/A   | N/A   |
| Mountain View Village   | Jun-02 | 220    | N/A   | N/A   |
| North White Road  | Nov-01 | 157    | N/A   | N/A   |
| Oak Grove Commons   | Dec-01 | 168    | N/A   | N/A   |
| Olathe Senior Residences  | Dec-02 | 144    | N/A   | N/A   |
| Osborne Place Manor   | Dec-02 | 50     | N/A   | N/A   |
| Penn Valley   | Dec-01 | 42     | N/A   | N/A   |
| Sanger Trails   | Dec-02 | 208    | N/A   | N/A   |
| Sycamore Senior Village   | Jun-02 | 300    | N/A   | N/A   |
| Village at Sun Valley   | May-00 | 276    | 684   | 684   |
| Walnut Tree   | Mar-02 | 64     | N/A   | N/A   |
| Woodland Village  | May-03 | 198    | N/A   | N/A   |
|   |        | -----  |       |       |
| Subtotal Construction/Rehab Properties                          |        | 13,945 |       |       |
|   |        | -----  |       |       |
| Total Units   |        | 35,204 |       |       |
|   |        | =====  |       |       |

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- (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 three properties.
- (4) The Oklahoma City Portfolio represents three properties.
- (5) Same Store includes only properties reporting for all three quarters.
- (6) CAPREIT Joint Venture represents twenty properties (not included previously in CAPREIT Portfolio).
- (7) The CAPREIT TERA Portfolio represents eleven properties.

MUNICIPAL MORTGAGE & EQUITY, LLC  
CONFERENCE CALL SCRIPT - COMBINED TAX CREDIT EQUITY BUSINESS  
FOR THE YEAR ENDED DECEMBER 31, 2003

\* OVERALL ACCRETION/DILUTION FOR 2003:

\* For CAD purposes, the acquisition of the HCI business is expected to generate an additional three to five (5) cents per common share for the remainder of 2003. For 2004, we think the acquisition will generate twice as much accretion as the high end of the range for second half of 2003.

\* In the past we have not provided any guidance for GAAP earnings. However, under the new rules effective the end of Q1, we are now required to reconcile any non-GAAP measurements to GAAP. At this time, we anticipate that the acquisition will be 15 to 20 cents per share dilutive to basic earnings per share. After reviewing the main business components of the acquisition, we will review in more detail the differences between CAD and GAAP.

\* Lumpiness - with the addition of the fee generating business, we're confident that the earnings are available to us. However, we will probably see more variability in quarterly earnings. We're anticipating stronger second and fourth quarters and weaker first and third quarters on a relative basis.

\* Continue to believe the tax-exempt percentage will be in the mid 80's but is still subject to further review and refinement of financing options.

\* REVENUES: We now will walk through how we primarily earn money in the tax credit equity business. There are two main parts:

- \* Syndication Fees; in addition some portion of this business is based on a guarantee format, therefore, guarantee fee revenue
- \* Asset Management Fees, which are like servicing fees

Production:

- \* Combined syndication equity raise for fiscal year 2003 is anticipated to be \$425M to \$450M
- \* Our previous estimates for MEC total syndication equity raise was \$200M to \$250M
- \* Increase in production almost doubles previous outlook
- \* Reflecting the integration of our equity syndication business, we will no longer distinguish between MEC and HCI; all forecasted production reflects integrated business.
- \* Overall production goal: HCI production goals are considered

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additive to legacy MEC production goals because of minimal overlap in developer clients and minimal overlap in investors.

\* Overall fund syndication fees percentage expected to be about 4%, up slightly from legacy MEC.

### Other Revenues:

\* As a result of combined business, total tax credit equity fund assets are expected to grow to approximately \$4 billion from \$685 million by year-end 2003, earning 30 to 35 bps in asset management fees.

\* Other miscellaneous revenues associated with the new combined business include guarantee fee premiums (approximately \$1M for second half of 2003), revenues associated with investment valuation services performed by HCI personnel, and other miscellaneous revenues approximating \$3.6M for the second half of 2003.

### \* EXPENSES:

\* Operating expenses - total operating expenses associated with the addition of the HCI business are expected to run about \$14M for the second half of 2003. [This includes incentive bonuses for all production personnel and staff of approximately \$3.5M.]

\* Interest expense associated with warehousing and bridging not absorbed by the funds is expected to go up due to an increase in property acquisition production and timing of placement activity.

\* FINANCING ASSUMPTIONS (subject to further review and refinement and future market conditions) associated with financing the acquisition are as follows:

- \* RBC Line of Credit for \$120M to cover purchase price, costs associated with the acquisition and initial working capital needs
- \* \$120M at Libor plus 290 bps beginning 7/1/03
- \* \$75M of Line is taken out with taxable trust preferred equity at 8.75% for total raise of \$77.4M in fourth quarter
- \* Remaining \$45M taken out in early 2004 with common equity

### \* PRIMARY CAD TO GAAP DIFFERENCES:

\* For GAAP purposes, the net assets of all guaranteed funds will be consolidated into the balance sheet of MMA. As a result, all guarantee fee premiums associated with these funds will not be reflected in the net income of MMA. These premiums will be booked for CAD.

\* Asset management fees receivable associated with the acquisition will not be reflected in the GAAP net income of MMA. In addition, any asset management fees collected on guaranteed funds will not be recognized for GAAP purposes due to the consolidation of these funds discussed above. For CAD purposes, asset management fees will be recognized to the extent of cash received. For 2003, approximately 1/2 of the total fees collected for CAD relate to the purchased receivable.

\* The amortization of the capitalized portion of the acquired asset management contracts will be reflected in GAAP net income of MMA. This non-cash charge does not affect CAD or the cash flow generated from the operations of the business.

\* NOTE: There are several other identified differences between GAAP and CAD. However, at this time, these differences are expected to be immaterial. As a result, the impacts of these differences have not been reflected in the forecasted numbers discussed above. Further note is that the audits of the HCI unit in accordance with US GAAP have not been completed as of today. They will be completed and filed in September 2003 along with the Form 8K. As a result, there may be other CAD and GAAP adjustments in addition to the ones previously discussed.



SIGNATURES

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

MUNICIPAL MORTGAGE & EQUITY, LLC

Date: July 17, 2003

By: /s/ William S. Harrison

-----  
Name: William S. Harrison  
Title: SVP and Chief Financial Officer

Exhibit 99.2  
-----

INFORMATION FOR RELEASE

MuniMae Reports 2003 Second Quarter Results  
26th Consecutive Increase in Distribution to Common Shares

BALTIMORE (July 17, 2003) - Municipal Mortgage & Equity, LLC (NYSE: MMA), known as MuniMae, reported net income allocated to common shares of \$30.6 million for the quarter ended June 30, 2003, compared to \$2.9 million for the same period in 2002. Diluted earnings per share were \$1.05 for the quarter, compared to \$0.11 for the same period in 2002.

Cash Available for Distribution ("CAD"), the primary measure of the Company's distribution paying ability, increased 18% for the quarter ended June 30, 2003 compared to the same period in 2002. CAD per common share increased 6% compared to the same period in 2002. The Board of Directors raised the quarterly distribution to common shares to \$0.4475, an increase of 2% over the same period in 2002.

Mark K. Joseph, Chairman of the Board and CEO of MuniMae, commented, "We are pleased to announce the 26th consecutive increase to our dividend. We are pleased with our second quarter performance as well. MuniMae continues to diversify its product base, and as announced previously, has purchased the Housing and Community Investing (HCI) unit of Lend Lease Real Estate Investments, formerly known as Boston Financial Group. HCI is a market leader in the syndication of low-income housing tax credits and we expect their strong franchise to contribute meaningfully to our continuing efforts to increase our cash available for distribution, or CAD, and shareholder value."

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Mr. Joseph added, "During the second quarter, the Company also experienced a significant increase in GAAP earnings due to the sale of a bond. For CAD, a large portion of the income generated by the sale of the bond was offset by the Company's sale of certain interest rate swaps. However, because of a previous GAAP write-off of a portion of this bond, the GAAP net income resulting from these two transactions was significantly greater than the CAD net income."

### Summary Results - GAAP

The table below summarizes the Company's results for the second quarter of 2003 and the prior-year period:

|  | Second Quarter |        |
|--|----------------|--------|
|  | 2003           | 2002   |
| Net Income to Common Shares from Continuing Operations (\$ millions) | \$4.8          | \$2.9  |
| Per Share Results from Continuing Operations                         |                |        |
| Basic (\$)   | \$0.17         | \$0.12 |
| Diluted (\$)   | \$0.16         | \$0.11 |
| Net Income to Common Shares (\$ millions)                            | \$30.6         | \$2.9  |
| Per Share Results  |                |        |
| Basic (\$)   | \$1.06         | \$0.12 |
| Diluted (\$)   | \$1.05         | \$0.11 |

The attached condensed consolidated statements of income represent the GAAP results of operations of the Company for the three- and six-month periods ended June 30, 2003 and 2002.

### Summary Results - CAD

For the second quarter of 2003, CAD was \$18.1 million and CAD to common shares was \$15.1 million. The 2003 second quarter per share distribution to common shareholders of \$0.4475 represents a payout ratio of 85%. (The Company uses CAD as the primary performance measure and believes it to be illustrative for its distribution-paying ability. CAD differs from net income because of variations between GAAP income and actual cash received. These variations are described in the note to the attached calculation of CAD statement.)

|                             | Second Quarter |        |     |
|-----------------------------|----------------|--------|-----|
|                             | 2003           | 2002   | Cha |
| Total CAD (\$ millions)     | \$18.1         | \$15.4 | 18% |
| CAD to Common (\$ millions) | \$15.1         | \$12.4 | 22% |
| CAD per Common Share (\$)   | \$0.52         | \$0.49 | 6%  |

A reconciliation of GAAP net income to CAD to common shares is attached.

### Second Quarter Distribution

MuniMae's second quarter distribution to common shareholders of \$0.4475 annualizes to \$1.79 per share. Based on yesterday's closing share price of \$25.63, MuniMae common shares have an annualized yield to shareholders of 7%. Based on the assumption that the Company's income is 85% exempt from Federal

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income tax, absent the impact of capital gains and assuming a 35% tax bracket, the taxable equivalent yield would be 10.2%. The record date for the quarterly distribution is July 28, and the payment date is August 8.

### About Municipal Mortgage & Equity

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MuniMae and its subsidiaries originate, service and asset manage investments in multifamily debt and equity for its own account and on behalf of others. As of June 30, 2003, assets under management totaled \$3.7 billion secured by 933 properties containing 96,168 units in 48 states and the U.S. Virgin Islands. As of July 1, 2003, at the completion of the HCI acquisition, assets under management totaled \$7.5 billion representing approximately 2,044 properties containing 218,144 units. For its proprietary accounts, MuniMae primarily holds tax-exempt multifamily housing bonds. This on-balance sheet portfolio of tax-exempt bonds is secured by 148 properties containing 35,204 units in 28 states. For a portion of these bonds, MuniMae participates in the performance of the underlying properties.

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. As a result, the tax-exempt income derived from certain investments remains tax-exempt when passed through to shareholders. Distributions to shareholders are declared quarterly and paid in February, May, August and November.

The calculation of Cash Available for Distribution is the basis for the determination of the Company's quarterly distributions to common shares, is used by securities analysts, and is presented as a supplemental measure of the Company's performance. The calculation is not approved by the Securities and Exchange Commission nor is it required by GAAP and should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. The Company believes that Cash Available for Distribution provides relevant information about its operations and is necessary, along with net income, for understanding its operating results.

This press release contains statements which are forward looking in nature and reflect management's current views with respect to future events and financial performance. These statements are subject to many uncertainties and risks and should not be considered guarantees of future performance. This press release does not constitute an offer to sell any securities of Municipal Mortgage & Equity, LLC.

Actual results may vary materially from projected results based on a number of factors, including the actual performance of the properties pledged as collateral for the portfolio, general conditions in the local real estate markets in which the properties are located and prevailing interest rates.

MUNIMAE: TAX-EXEMPT DISTRIBUTIONS AND GROWTH THROUGH REAL ESTATE  
[www.munimaemidland.com](http://www.munimaemidland.com) / [www.mm afin.com](http://www.mm afin.com)

### Contacts

Investor Relations:  
Angela Richardson, 888/788-3863

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

|   | For the three months ended<br>June 30, |           |
|---|--|-----------|
|   | 2003                                   | 2002      |
| <b>INCOME:</b>  |  |           |
| Interest income   |  |           |
| Interest on bonds and residual interests in bond securitizations                          | \$ 13,929                              | \$ 15,300 |
| Interest on loans   | 7,563                                  | 8,500     |
| Interest on short-term investments  | 332                                    | 200       |
| Total interest income   | 21,824                                 | 24,200    |
| Fee income  |  |           |
| Syndication fees  | 1,825                                  | 2,300     |
| Origination fees  | 2,219                                  | 1,500     |
| Loan servicing fees   | 1,838                                  | 1,600     |
| Asset management and advisory fees  | 1,198                                  | 1,000     |
| Other income  | 3,309                                  | 1,200     |
| Total fee income  | 10,389                                 | 7,800     |
| Net gain on sales   | 1,453                                  | 700       |
| Total income  | 33,666                                 | 32,700    |
| <b>EXPENSES:</b>  |  |           |
| Interest expense  | 8,724                                  | 8,400     |
| Salaries and benefits   | 8,671                                  | 5,900     |
| General and administrative  | 2,113                                  | 1,600     |
| Professional fees   | 877                                    | 1,900     |
| Amortization of mortgage servicing rights and other intangibles                           | 414                                    | 300       |
| Total expenses  | 20,799                                 | 18,400    |
| Net holding gains (losses) on derivatives   | (2,449)                                | (7,700)   |
| Impairments and valuation allowances related to investments                               | (1,144)                                | -         |
| Net gains (losses) from equity investments in partnerships                                | (2,157)                                | -         |
| Income tax benefit (expense)  | 540                                    | (800)     |
| Income allocable to preferred shareholders and minority interests in subsidiary companies | (2,854)                                | (2,900)   |
| Net income from continuing operations   | 4,803                                  | 2,900     |
| Discontinued operations   | 25,748                                 | -         |
| Net Income  | \$ 30,551                              | \$ 2,900  |
| <b>LESS:</b>  |  |           |
| Net income allocable to term growth shares  | -                                      | -         |
| Net income allocated to common shares   | \$ 30,551                              | \$ 2,900  |
| <b>EARNINGS PER COMMON SHARE:</b>   |  |           |
| Basic earnings per common share:  |  |           |
| Net income from continuing operations   | \$ 0.17                                | \$ 0.12   |

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|  |    |            |          |
|--|----|------------|----------|
| Discontinued operations                    |    | 0.89       |          |
| Basic earnings per common share            | \$ | 1.06       | \$ 0.    |
| Weighted average common shares outstanding |    | 28,857,305 | 25,252,1 |
| Diluted earnings per common share:         |    |            |          |
| Net income from continuing operations      | \$ | 0.16       | \$ 0.    |
| Discontinued operations                    |    | 0.89       |          |
| Diluted earnings per common share          | \$ | 1.05       | \$ 0.    |
| Weighted average common shares outstanding |    | 29,213,062 | 25,835,8 |

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

|  | For the three months ended<br>June 30, |           |    |
|--|--|-----------|----|
|  | 2003                                   | 2002      |    |
| INCOME:  |  |           |    |
| Interest income  |  |           |    |
| Interest on bonds and residual interests in bond securitizations | \$ 13,929                              | \$ 15,399 | \$ |
| Interest on loans  | 7,563                                  | 8,594     |    |
| Interest on short-term investments                               | 332                                    | 244       |    |
| Total interest income  | 21,824                                 | 24,237    |    |
| Fee income   |  |           |    |
| Syndication fees   | 1,825                                  | 2,380     |    |
| Origination fees   | 2,219                                  | 1,505     |    |
| Loan servicing fees  | 1,838                                  | 1,660     |    |
| Asset management and advisory fees                               | 1,198                                  | 1,040     |    |
| Other income   | 3,309                                  | 1,259     |    |
| Total fee income   | 10,389                                 | 7,844     |    |
| Net gain on sales  | 1,453                                  | 703       |    |
| Total income   | 33,666                                 | 32,784    |    |
| EXPENSES:  |  |           |    |
| Interest expense   | 8,724                                  | 8,487     |    |
| Salaries and benefits  | 8,671                                  | 5,930     |    |
| General and administrative                                       | 2,113                                  | 1,697     |    |
| Professional fees  | 877                                    | 1,967     |    |
| Amortization of mortgage servicing rights and other intangibles  | 414                                    | 333       |    |
| Total expenses   | 20,799                                 | 18,414    |    |
| Net holding gains (losses) on derivatives                        | (2,449)                                | (7,721)   |    |
| Impairments and valuation allowances related to investments      | (1,144)                                | -         |    |

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|  |           |           |
|--|-----------|-----------|
| Net gains (losses) from equity investments in partnerships                                   | (2,157)   | 94        |
| Income tax benefit (expense)   | 540       | (828)     |
| Income allocable to preferred shareholders and minority interests<br>in subsidiary companies | (2,854)   | (2,995)   |
|  | -----     | -----     |
| Net income from continuing operations  | 4,803     | 2,920     |
| Discontinued operations  | 25,748    | -         |
|  | -----     | -----     |
| Net income   | \$ 30,551 | \$ 2,920  |
|  | =====     | =====     |
| LESS:  |           |           |
| Net income allocable to term growth shares   | -         | -         |
|  | -----     | -----     |
| Net income allocated to common shares - GAAP Basis   | \$ 30,551 | \$ 2,920  |
|  | =====     | =====     |
| Conversion to Cash Available for Distribution:   |           |           |
| (1)Mark to market adjustments  | \$ 2,449  | \$ 7,721  |
| (2)Equity investments  | 3,732     | 79        |
| (3)Net gain on sales   | (10,486)  | (601)     |
| (3)Amortization of capitalized mortgage servicing fees                                       | 414       | 333       |
| (4)Origination fees and other income, net  | 1,335     | 1,450     |
| (5)Valuation allowances and other-than-temporary impairments                                 | 1,097     | -         |
| (6)Deferred tax expense  | 984       | 483       |
| (7)Discontinued operations   | (25,748)  | -         |
| (7)Interest income   | 10,793    | -         |
|  | -----     | -----     |
| Cash Available for Distribution (CAD)  | \$ 15,121 | \$ 12,385 |
|  | =====     | =====     |

### Notes

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

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

(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

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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.

(7) For GAAP reporting, the Company recognized a gain upon the sale of a property. This gain was required to be classified as discontinued operations because the Company owned the property prior to the sale. For CAD reporting, the gain was significantly less due to recording a portion of the proceeds as interest income. In addition, the carrying value of the tax-exempt bond associated with the property was significantly more for CAD due to an impairment previously recognized for GAAP.

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

|  | For the three months ended<br>June 30, |                |
|--|--|----------------|
|  | 2003                                   | 2002           |
| <b>SOURCES OF CASH:</b>  |  |                |
| Interest on bonds, residual interests in bond securitizations and loans  | \$ 31,597                              | \$ 23,3        |
| Interest on short-term investments   | 332                                    | 2              |
| Syndication fees   | 1,825                                  | 2,3            |
| Origination fees   | 2,711                                  | 3,0            |
| Loan servicing fees  | 1,835                                  | 1,6            |
| Asset management and advisory fees   | 1,198                                  | 1,0            |
| Distributions from equity investments in partnerships  | 1,716                                  | 1              |
| Other income   | 4,221                                  | 1,2            |
| Net gain (loss) on sales   | (9,033)                                | 1              |
| <b>TOTAL SOURCES OF CASH</b>   | <b>36,402</b>                          | <b>33,2</b>    |
| <b>EXPENSES:</b>   |  |                |
| Interest expense   | 8,102                                  | 7,9            |
| Salaries and benefits  | 8,671                                  | 5,9            |
| Professional fees  | 877                                    | 1,9            |
| General and administrative   | 2,113                                  | 1,6            |
| Loan loss expense  | 47                                     |                |
| Income tax expense (benefit)   | (1,524)                                | 3              |
| <b>TOTAL EXPENSES</b>  | <b>18,286</b>                          | <b>17,8</b>    |
| <b>CASH AVAILABLE FOR DISTRIBUTION</b>   | <b>18,116</b>                          | <b>15,3</b>    |
| <b>LESS:</b>   |  |                |
| Cash allocable to preferred shareholders and term growth shares,<br>including preferred shareholders in a subsidiary company | 2,995                                  | 2,9            |
| <b>CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES</b>  | <b>\$ 15,121</b>                       | <b>\$ 12,3</b> |
| <b>CAD PER COMMON SHARE</b>  | <b>\$ 0.52</b>                         | <b>\$ 0.</b>   |

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|   |            |          |
|---|------------|----------|
|   | =====      | =====    |
| CALCULATION OF CASH DISTRIBUTION:                   |            |          |
| CASH AVAILABLE FOR DISTRIBUTION<br>TO COMMON SHARES | \$ 15,121  | \$ 12,3  |
|   | =====      | =====    |
| ACTUAL AMOUNT PAID                                  | \$ 12,903  | \$ 11,0  |
|   | =====      | =====    |
| PAYOUT RATIO  | 85.3%      | 89       |
|   | =====      | =====    |
| COMMON SHARES OUTSTANDING                           | 28,832,443 | 25,308,0 |
|   | =====      | =====    |
| CASH DISTRIBUTION PER COMMON SHARE                  | \$ 0.4475  | \$ 0.43  |
|   | =====      | =====    |

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.

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

(unaudited)  
June 30,  
2003

|  |            |
|--|------------|
| ASSETS:  |            |
| Investment in tax-exempt bonds and residual interests<br>in bond securitizations | \$ 788,892 |
| Loans receivable, net  | 451,397    |
| Loans receivable held for sale   | 11,023     |
| Investments in partnerships  | 97,688     |
| Investment in derivative financial instruments                                   | 3,170      |
| Cash, cash equivalents and interest receivable                                   | 98,587     |
| Other assets   | 115,798    |



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|  |    |           |
|--|----|-----------|
| Goodwill   |    | 33,607    |
|  |    | -----     |
| TOTAL  | \$ | 1,600,162 |
|  |    | =====     |
| LIABILITIES AND EQUITY:  |    |           |
| Notes payable  | \$ | 436,949   |
| Short-term debt  |    | 211,670   |
| Long-term debt   |    | 142,006   |
| Residual interests in bond securitizations                                     |    | 1,343     |
| Investment in derivative financial instruments                                 |    | 21,792    |
| Other liabilities  |    | 48,150    |
| Preferred shareholders' and minority interests' equity in subsidiary companies |    | 160,142   |
| Shareholders' equity   |    | 578,110   |
|  |    | -----     |
| TOTAL  | \$ | 1,600,162 |
|  |    | =====     |

Exhibit 99.3  
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### INFORMATION FOR RELEASE

MuniMae Structures \$399 Million of Multifamily Financing  
And Raises \$38 Million in Capital During Second Quarter

BALTIMORE (July 17, 2003) -- Municipal Mortgage & Equity, LLC (NYSE: MMA) known as MuniMae, announced today that it structured \$399 million of financing for multifamily housing during the second quarter of 2003. In addition, the Company raised \$38 million in tax credit equity.

Mark K. Joseph, Chairman of the Board and CEO of MuniMae, commented, "We are very pleased with the second quarter production activity. As is usually the case, our production volumes tend to increase as the year goes on because of cyclical issues unique to affordable housing. With the recent purchase of HCI, a market leader in syndication of low income housing tax credit equity investments, and our existing pipeline showing healthy growth, we expect that our production will be stronger for the second half of the year. We look forward to the opportunity of servicing our clients as a one stop financing source."

### Investment Activity Summary

-----

Highlights of second quarter and year-to-date origination activity include:

|   | Second Quarter<br>Volume (in millions) |  |
|---|--|--|
| Taxable Construction/Permanent Lending  | \$212.4                                |  |
| Tax-exempt Bonds Construction/Permanent | 65.7                                   |  |
| Supplemental Loans                      | 7.7                                    |  |
| Equity Investments                      | 112.8                                  |  |
| Total                                   | \$398.6                                |  |

### Capital Activity Summary

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In the second quarter of 2003, the Company raised \$38.7 million of tax credit equity from five third-party investors, bringing the year-to-date total to \$74.0 million in equity raised.

### About Municipal Mortgage & Equity

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MuniMae and its subsidiaries originate, service and asset manage investments in multifamily debt and equity for its own account and on behalf of others. As of June 30, 2003, assets under management totaled \$3.7 billion secured by 933 properties containing 96,168 units in 48 states and the U.S. Virgin Islands. As of July 1, 2003, at the completion of the HCI acquisition, assets under management totaled \$7.5 billion representing approximately 2,044 properties containing 218,144 units. For its proprietary accounts, MuniMae primarily holds tax-exempt multifamily housing bonds. This on-balance sheet portfolio of tax-exempt bonds is secured by 148 properties containing 35,204 units in 28 states. For a portion of these bonds, MuniMae participates in the performance of the underlying properties.

MuniMae is organized as a limited liability company, which makes it exempt from tax at the corporate level and provides the benefit of corporate governance. In addition, the Company passes through to its shareholders primarily tax-exempt dividends, which are generated by its municipal bond investments. Dividends to shareholders are declared quarterly and paid in February, May, August and November.

This press release contains statements which are forward looking in nature and reflect management's current views with respect to future events and financial performance. These statements are subject to many uncertainties and risks and should not be considered guarantees of future performance. Actual results may vary materially from projected results based on a number of factors, including the actual performance of the properties pledged as collateral for the portfolio, general conditions in the local real estate markets in which the properties are located and prevailing interest rates.

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### Contacts

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