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MUNICIPAL MORTGAGE & EQUITY LLC

Form 8-K

October 17, 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

October 16, 2003  
(Date of Report (Date of Earliest Event Reported))

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

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

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

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

Item 9. Regulation FD Disclosure.

The information contained in this filing is furnished pursuant to Item 9, "Regulation FD Disclosure," and Item 12, "Results of Operations and Financial Condition."

Item 12. Results of Operations and Financial Condition.

On October 16, 2003, Municipal Mortgage & Equity, LLC (the "Company"), distributed an earnings package to Analysts relating to the Company's financial performance for the quarter ended September 30, 2003. A copy of the package, dated September 30, 2003, is attached hereto as Exhibit 99.1.

On October 16, 2003, the Company distributed an earnings press release and financial statements relating to the Company's financial performance for the quarter ended September 30, 2003. A copy of the press release, dated October 16, 2003, and financial statements, dated September 30, 2003, is attached hereto as Exhibit 99.2.

On October 16, 2003, the Company distributed a production press release relating to the Company's production volume for the quarter ended September 30, 2003. A copy of the press release, dated October 16, 2003, is attached hereto as Exhibit 99.3.

SIGNATURES

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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: October 16, 2003

By: /s/ William S. Harrison

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

Exhibit 99.1  
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MUNICIPAL MORTGAGE & EQUITY, LLC

EARNINGS PACKAGE

QUARTER ENDED SEPTEMBER 30, 2003

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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>September 30, |           |
|---|---|-----------|
|   | 2003  | 2002      |
| <b>INCOME:</b>  |   |           |
| Interest income   |   |           |
| Interest on bonds and residual interests in bond securitizations            | \$ 15,612                                   | \$ 15,409 |
| Interest on loans   | 9,408                                       | 8,676     |
| Interest on short-term investments  | 308   | 260       |
| Total interest income   | 25,328                                      | 24,345    |
| Fee income  |   |           |
| Syndication fees  | 5,764                                       | 767       |
| Origination fees  | 862   | 2,014     |
| Loan servicing fees   | 1,716                                       | 1,544     |
| Asset management and advisory fees  | 3,191                                       | 969       |
| Other income  | 3,582                                       | 900       |
| Total fee income  | 15,115                                      | 6,194     |
| Net gain on sales   | 8,288                                       | 657       |
| Total income  | 48,731                                      | 31,196    |
| <b>EXPENSES:</b>  |   |           |
| Interest expense (Note 1)   | 15,690                                      | 8,771     |
| Salaries and benefits   | 12,065                                      | 5,446     |
| General and administrative  | 3,385                                       | 1,756     |
| Professional fees   | 1,105                                       | 884       |
| Amortization of intangibles   | 2,863                                       | 334       |
| Total expenses  | 35,108                                      | 17,191    |
| Net holding gains (losses) on derivatives                                   | 3,498                                       | (9,921)   |
| Impairments and valuation allowances related to investments                 | -   | -         |
| Net losses from equity investments in partnerships                          | (1,608)                                     | (1,488)   |
| Income tax benefit (expense)  | 2,622                                       | 635       |
| Income allocable to preferred shareholders in a subsidiary company (Note 1) | -   | (2,994)   |

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|  |            |            |
|--|------------|------------|
| Net income from continuing operations      | 18,135     | 237        |
| Discontinued operations                    | -          | -          |
|  | -----      | -----      |
| Net income                                 | \$ 18,135  | \$ 237     |
|  | =====      | =====      |
|  |            |            |
| Net income allocated to:                   |            |            |
| Term growth shares                         | -          | -          |
|  | -----      | -----      |
| Common shares                              | \$ 18,135  | \$ 237     |
|  | =====      | =====      |
|  |            |            |
| EARNINGS PER COMMON SHARE:                 |            |            |
| Basic earnings per common share:           |            |            |
| Net income from continuing operations      | \$ 0.63    | \$ 0.01    |
| Discontinued operations                    | -          | -          |
|  | -----      | -----      |
| Basic earnings per common share            | \$ 0.63    | \$ 0.01    |
|  | =====      | =====      |
| Weighted average common shares outstanding | 28,842,447 | 25,329,103 |
| Diluted earnings per common share:         |            |            |
| Net income from continuing operations      | \$ 0.62    | \$ 0.01    |
| Discontinued operations                    | -          | -          |
|  | -----      | -----      |
| Diluted earnings per common share          | \$ 0.62    | \$ 0.01    |
|  | =====      | =====      |
| Weighted average common shares outstanding | 29,224,605 | 25,916,151 |

Note 1: As the result of adopting Financial Accounting Standards Board Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FAS 150"), as of July 1, 2003 the Company was required to reclassify its preferred shareholders' equity of \$160.5 million, recording the \$168.0 million redemption obligation as a liability and the \$7.5 million of preferred equity issue costs as an asset, to be amortized until the redemption dates, on the consolidated balance sheets. In addition, amounts previously classified as distributions paid to the preferred shareholders have been recorded as interest expense starting in the third quarter of 2003.

### VARIANCE ANALYSIS FOR GAAP

3rd Quarter 2003 Compared to 3rd Quarter 2002:

GAAP net income for the third quarter of 2003 increased \$17.9 million over the same period last year due primarily to the following changes:

- (1) a \$13.4 million increase in the fair value of derivatives
- (2) a \$4.0 million contribution in net income from HCI consisting primarily of the following components:
  - (i) \$4.9 million in syndication fees;
  - (ii) \$3.6 million in net income from the consolidated guaranteed tax credit equity funds;
  - (iii) \$2.0 million in asset management fees;
  - (iv) \$1.5 million in other income composed primarily of:
    - a. \$0.7 million of guarantee fee income received from the tax credit equity funds;
    - b. \$0.5 million of contingent general partner fees received from tax credit equity funds; and
    - c. \$0.2 million in fees received for investment valuation services; offset in part by

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- (v) \$4.7 million in salaries and benefits;
  - (vi) \$2.5 million in amortization of intangibles;
  - (vii) \$0.8 million in rent expense, professional fees and general and administrative costs;
- (3) a \$3.2 million increase in gain on sales associated with the sale of tax-exempt bonds and loans;
- (4) a \$2.0 million increase in income tax benefit;
- (5) a \$1.6 million increase in income from the equity investment in CAPREIT;
- Offset in part by:
- (6) \$1.9 million in interest expense and amortization of debt issue costs associated with a line of credit used to fund the HCI acquisition;
  - (7) a \$1.9 million increase in non-HCI-related salaries and benefits resulting primarily from a \$0.8 million increase in salaries and other compensation and a \$1.0 million increase in bonus expense;
  - (8) a \$1.2 million decrease in origination fees;
  - (9) a \$1.0 million decrease in net interest income; and
  - (10) \$0.4 million of integration costs associated with the HCI acquisition.

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

GAAP net income for the nine months ended September 30, 2003 increased \$45.1 million over the same period last year due primarily to the following changes:

- (1) \$25.7 million in discontinued operations resulting from the sale of a property that was previously held by the Company;
  - (2) an \$18.5 million increase in the fair value of derivatives;
  - (3) a \$4.3 million increase in income tax benefit;
  - (4) a \$4.0 million contribution in net income from HCI, as described in the third quarter summary immediately above;
  - (5) a \$3.2 million increase in non-HCI-related 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) \$0.8 million collected as the result of a collateral release after the sale of a property;
    - (iv) \$0.3 million of amortization of a guarantee fee received in Q4 of 2002
    - (v) \$0.3 million of income collected on a new put; offset by
    - (vi) a \$1.4 million decrease in commission income;
  - (6) a \$3.0 million increase in gain on sales associated with the sale of tax-exempt bonds and loans;
- Offset in part by:
- (7) a \$5.8 million increase in non-HCI-related salaries and benefits resulting primarily from a \$1.9 million increase in salaries and other compensation and a \$3.9 million increase in bonus expense;
  - (8) a \$3.5 million decrease in net interest income;
  - (9) \$1.9 million in interest expense and amortization of debt issue costs associated with a line of credit used to fund the HCI acquisition;
  - (10) a \$1.0 million increase in impairments and valuation allowances related to investments;
  - (11) a \$0.8 million increase in net losses from equity investments in partnerships; and
  - (12) a \$0.7 million decrease in non-HCI-related 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.

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

|  | Qtr Ended<br>09/30/03 | Qtr Ended<br>06/30/03 | Qtr Ended<br>03/31/03 |
|--|-----------------------|-----------------------|-----------------------|
|  |                       |                       |                       |
| <b>INCOME:</b>   |                       |                       |                       |
| Interest income  |                       |                       |                       |
| Interest on bonds and residual interests in<br>bond securitizations            | \$ 15,612             | \$ 13,929             | \$ 15,985             |
| Interest on loans  | 9,408                 | 7,563                 | 9,503                 |
| Interest on short-term investments   | 308                   | 332                   | 192                   |
| Total interest income  | 25,328                | 21,824                | 25,680                |
| Fee income   |                       |                       |                       |
| Syndication fees   | 5,764                 | 1,825                 | 1,411                 |
| Origination fees   | 862                   | 2,219                 | 698                   |
| Loan servicing fees  | 1,716                 | 1,838                 | 1,909                 |
| Asset management and advisory fees   | 3,191                 | 1,198                 | 1,076                 |
| Other income   | 3,582                 | 3,309                 | 2,197                 |
| Total fee income   | 15,115                | 10,389                | 7,291                 |
| Net gain on sales  | 8,288                 | 1,453                 | 1,278                 |
| Total income   | 48,731                | 33,666                | 34,249                |
| <b>EXPENSES:</b>   |                       |                       |                       |
| Interest expense (Note 1)  | 15,690                | 8,724                 | 10,368                |
| Salaries and benefits  | 12,065                | 8,671                 | 5,966                 |
| General and administrative   | 3,385                 | 1,972                 | 1,656                 |
| Professional fees  | 1,105                 | 877                   | 989                   |
| Amortization of intangibles  | 2,863                 | 414                   | 389                   |
| Total expenses   | 35,108                | 20,658                | 19,368                |
| Net holding gains (losses) on derivatives                                      | 3,498                 | (2,449)               | 2,873                 |
| Impairments and valuation allowances related<br>to investments                 | -                     | (1,144)               | -                     |
| Net losses from equity investments in partnerships                             | (1,608)               | (1,606)               | (747)                 |
| Income tax benefit (expense)   | 2,622                 | 540                   | (68)                  |
| Income allocable to preferred shareholders in a<br>subsidiary company (Note 1) | -                     | (2,995)               | (2,994)               |
| Net income from continuing operations  | 18,135                | 5,354                 | 13,945                |
| Discontinued operations  | -                     | 25,748                | -                     |
| Net income   | \$ 18,135             | \$ 31,102             | \$ 13,945             |
| <b>EARNINGS PER COMMON SHARE:</b>  |                       |                       |                       |
| Basic earnings per common share:   |                       |                       |                       |
| Net income from continuing operations  | \$ 0.63               | \$ 0.19               | \$ 0.51               |
| Discontinued operations  | -                     | 0.89                  | -                     |
| Basic earnings per common share  | \$ 0.63               | \$ 1.08               | \$ 0.51               |
| Weighted average common shares outstanding                                     | 28,842,447            | 28,857,305            | 27,342,870            |

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Diluted earnings per common share:

|   |    |            |    |            |    |            |
|---|----|------------|----|------------|----|------------|
| Net income from continuing operations       | \$ | 0.62       | \$ | 0.18       | \$ | 0.50       |
| Discontinued operations                     |    | -          |    | 0.88       |    | -          |
| <hr style="border-top: 1px dashed black;"/> |    |            |    |            |    |            |
| Diluted earnings per common share           | \$ | 0.62       | \$ | 1.06       | \$ | 0.50       |
| <hr style="border-top: 3px double black;"/> |    |            |    |            |    |            |
| Weighted average common shares outstanding  |    | 29,224,605 |    | 29,213,062 |    | 27,681,511 |

Note 1: As the result of adopting Financial Accounting Standards Board Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FAS 150"), as of July 1, 2003 the Company was required to reclassify its preferred shareholders' equity of \$160.5 million, recording the \$168.0 million redemption obligation as a liability and the \$7.5 million of preferred equity issue costs as an asset, to be amortized until the redemption dates, on the consolidated balance sheets. In addition, amounts previously classified as distributions paid to the preferred shareholders have been recorded as interest expense starting in the third quarter of 2003.

Note 2: Certain prior quarter amounts have been reclassified to conform to the 09/30/03 presentation.

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

|   |   |                     |                       |        |
|---|---|---------------------|-----------------------|--------|
|   | For the three months ended September 30, 2003 |                     | For the th            |        |
| Income<br>(Numerator)                       | Shares<br>(Denominator)                       | Per Share<br>Amount | Income<br>(Numerator) | Income |
| <hr style="border-top: 1px dashed black;"/> |   |                     |                       |        |

(in thousands, except share and per share data)

#### Basic EPS

|   |    |        |            |      |      |    |
|---|----|--------|------------|------|------|----|
| Net income from continuing operations       | \$ | 18,135 | \$         | 0.63 | \$   | 2  |
| Discontinued operations                     |    | -      |            | -    |      | -  |
| <hr style="border-top: 1px dashed black;"/> |    |        |            |      |      |    |
| Income allocable to common shares           | \$ | 18,135 | 28,842,447 | \$   | 0.63 | \$ |
| <hr style="border-top: 3px double black;"/> |    |        |            |      |      |    |

#### Effect of Dilutive Securities

|   |  |         |  |   |  |   |
|---|--|---------|--|---|--|---|
| Options and deferred shares                 |  | 382,158 |  |   |  |   |
| Earnings contingency                        |  | -       |  | - |  | - |
| <hr style="border-top: 1px dashed black;"/> |  |         |  |   |  |   |

#### Diluted EPS

|   |    |        |    |      |    |    |
|---|----|--------|----|------|----|----|
| Net income from continuing operations       | \$ | 18,135 | \$ | 0.62 | \$ | 23 |
| Discontinued operations                     |    | -      |    | -    |    | -  |
| <hr style="border-top: 1px dashed black;"/> |    |        |    |      |    |    |
| Income allocable to common shares           |    |        |    |      |    |    |

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|   |  |               |           |             |
|---|--|---------------|-----------|-------------|
| plus assumed conversions                                      | \$ 18,135                                    | 29,224,605    | \$ 0.62   | \$ 2        |
|   | =====  | =====         | =====     | =====       |
|   | For the nine months ended September 30, 2003 |               |           | For the ni  |
|   | Income                                       | Shares        | Per Share | Income      |
|   | (Numerator)                                  | (Denominator) | Amount    | (Numerator) |
| -----   |  |               |           |             |
| (in thousands, except share and per share data)               |  |               |           |             |
| Basic EPS   |  |               |           |             |
| Net income from continuing operations                         | \$ 37,434                                    |               | \$ 1.32   | \$ 18,0     |
| Discontinued operations                                       | 25,748                                       |               | 0.91      |             |
|   | -----  |               | -----     | -----       |
| Income allocable to common shares                             | \$ 63,182                                    | 28,353,040    | \$ 2.23   | \$ 18,0     |
|   | =====  |               | =====     | =====       |
| Effect of Dilutive Securities                                 |  |               |           |             |
| Options and deferred shares                                   |  | 358,852       |           |             |
| Earnings contingency  |  | -             |           |             |
|   |  | -----         |           |             |
| Diluted EPS   |  |               |           |             |
| Net income from continuing operations                         | \$ 37,434                                    |               | \$ 1.30   | \$ 18,0     |
| Discontinued operations                                       | 25,748                                       |               | 0.90      |             |
|   | -----  |               | -----     | -----       |
| Income allocable to common shares<br>plus assumed conversions | \$ 63,182                                    | 28,711,892    | \$ 2.20   | \$ 18,0     |
|   | =====  | =====         | =====     | =====       |

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

|   |           |           |       |
|---|-----------|-----------|-------|
| INCOME:   | Qtr Ended | Qtr Ended | Qtr E |
|   | 09/30/03  | 06/30/03  | 03/3  |
|   | -----     | -----     | ----- |
| Interest income   |           |           |       |
| Interest on bonds and residual interests in bond<br>securitizations | \$ 15,612 | \$ 13,929 | \$ 1  |
| Interest on loans   | 9,408     | 7,563     |       |
| Interest on short-term investments                                  | 308       | 332       |       |
|   | -----     | -----     | ----- |
| Total interest income   | 25,328    | 21,824    | 2     |
|   | -----     | -----     | ----- |
| Fee income  |           |           |       |
| Syndication fees  | 5,764     | 1,825     |       |
| Origination fees  | 862       | 2,219     |       |
| Loan servicing fees   | 1,716     | 1,838     |       |
| Asset management and advisory fees                                  | 3,191     | 1,198     |       |
| Other income  | 3,582     | 3,309     |       |
|   | -----     | -----     | ----- |
| Total fee income  | 15,115    | 10,389    |       |



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|  |           |           |      |
|--|-----------|-----------|------|
| Net gain on sales  | 8,288     | 1,453     |      |
| Total income   | 48,731    | 33,666    | 3    |
| EXPENSES:  |           |           |      |
| Interest expense   | 15,690    | 8,724     | 1    |
| Salaries and benefits  | 12,065    | 8,671     |      |
| General and administrative   | 3,385     | 1,972     |      |
| Professional fees  | 1,105     | 877       |      |
| Amortization of intangibles  | 2,863     | 414       |      |
| Total expenses   | 35,108    | 20,658    | 1    |
| Net holding gains (losses) on derivatives                          | 3,498     | (2,449)   |      |
| Impairments and valuation allowances related to investments        | -         | (1,144)   |      |
| Net losses from equity investments in partnerships                 | (1,608)   | (1,606)   |      |
| Income tax benefit (expense)                                       | 2,622     | 540       |      |
| Income allocable to preferred shareholders in a subsidiary company | -         | (2,995)   | (    |
| Net income from continuing operations                              | 18,135    | 5,354     | 1    |
| Discontinued operations  | -         | 25,748    |      |
| Net income   | \$ 18,135 | \$ 31,102 | \$ 1 |

Conversion to Cash Available for Distribution:

|  |            |           |      |
|--|------------|-----------|------|
| (1)Mark to market adjustments                                | \$ (3,498) | \$ 2,449  | \$   |
| (2)Equity investments  | 1,995      | 3,181     |      |
| (3)Net gain on sales   | (577)      | (10,486)  |      |
| (3)Amortization of capitalized mortgage servicing fees       | 390        | 414       |      |
| (3)Amortization of asset management contracts                | 2,422      | -         |      |
| (4)Origination fees, syndication fees and other income, net  | 2,675      | 1,335     |      |
| (5)Valuation allowances and other-than-temporary impairments | -          | 1,097     |      |
| (6)Deferred tax expense                                      | (2,622)    | 984       |      |
| (7)Discontinued operations                                   | -          | (25,748)  |      |
| (7)Interest income   | -          | 10,793    |      |
| (8)Fund Income   | (3,629)    | -         |      |
| Cash Available for Distribution (CAD)                        | \$ 15,291  | \$ 15,121 | \$ 1 |

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

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minority interest for both GAAP and CAD.

- (3) For GAAP reporting, the Company recognizes non-cash gains and losses and amortization of intangible assets, including (a) non-cash gains and losses associated with the sale of assets or capitalization of mortgage servicing rights; (b) amortization of mortgage servicing rights over the estimated life of the serviced loans; and (c) amortization of asset management contracts recorded in connection with a July 2003 acquisition. These non-cash items are not included in CAD.
- (4) This adjustment reflects the net difference, for the relevant period, between fees reflected in income when received for CAD and the recognition of fees for GAAP. This line item reflects several types of income:
  - (a) Origination fees and certain other income amounts, which are recognized as income when received for CAD purposes, but for GAAP reporting are amortized over the life of the associated investment.
  - (b) Syndication fees, which are recognized as income when earned for CAD purposes, but for GAAP reporting a portion of the fee may be deferred until investors have paid in greater than 20% of their total capital contributions to the tax credit funds.
  - (c) Guarantee fees, which are recognized as income when received for CAD purposes, but for GAAP reporting are recorded into income over the guarantee period.
  - (d) Asset management fees, which are recognized as income when earned and collectible for CAD purposes, but for GAAP purposes are applied first to relieve accounts receivable recorded in conjunction with the July 2003 acquisition, and second as income consistent with the CAD revenue recognition.
- (5) For GAAP reporting, the Company records valuation allowances and other-than-temporary impairments on its investments in loans, bonds and other bond-related investments. Such non-cash charges do not affect the cash flow generated from the operation of the underlying properties, distributions to shareholders, or the tax-exempt status of the income of the financial obligation under the bonds. Therefore, these items are not included in the calculation of CAD.
- (6) For GAAP reporting, the Company's income tax expense contains both a current and a deferred component. Only the Company's current income tax expense is reflected in CAD.
- (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.
- (8) For those of the Company's tax credit equity syndication funds in which the Company provides a guarantee or otherwise has continuing involvement in the underlying assets of the fund, GAAP accounting requires the Company to record the net income (loss) from the fund. This non-cash item is not reflected in CAD.

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CALCULATION OF CASH AVAILABLE FOR DISTRIBUTION  
(Unaudited)  
(In thousands, except share and per share data)

|  | For the three months ended<br>September 30, |                 |
|--|---|-----------------|
|  | 2003  | 2002            |
| <b>SOURCES OF CASH:</b>  |   |                 |
| Interest on bonds, residual interests in bond securitizations and loans  | \$ 24,626                                   | \$ 23,3         |
| Interest on short-term investments   | 277   | 2               |
| Syndication fees   | 6,588                                       | 7               |
| Origination fees   | 1,887                                       | 2,2             |
| Loan servicing fees  | 1,708                                       | 1,5             |
| Asset management and advisory fees   | 3,777                                       | 9               |
| Distributions from equity investments in partnerships  | 1,946                                       | 1,7             |
| Other income   | 2,384                                       | 8               |
| Net gain (loss) on sales   | 3,239                                       | 2               |
| <b>TOTAL SOURCES OF CASH</b>   | <b>46,432</b>                               | <b>31,9</b>     |
| <b>EXPENSES:</b>   |   |                 |
| Interest expense   | 11,920                                      | 8,1             |
| Interest expense - preferred shares (Note 1)   | 2,994                                       |                 |
| Salaries and benefits  | 12,065                                      | 5,4             |
| Professional fees  | 1,105                                       | 8               |
| General and administrative   | 3,057                                       | 1,7             |
| Loan loss expense  | -   |                 |
| Income tax expense (benefit)   | -   | (1              |
| <b>TOTAL EXPENSES</b>  | <b>31,141</b>                               | <b>16,0</b>     |
| <b>CASH AVAILABLE FOR DISTRIBUTION</b>   | <b>15,291</b>                               | <b>15,8</b>     |
| <b>LESS:</b>   |   |                 |
| Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company (Note 1) | -   | 2,9             |
| <b>CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES</b>  | <b>\$ 15,291</b>                            | <b>\$ 12,8</b>  |
| <b>CAD PER COMMON SHARE</b>  | <b>\$ 0.53</b>                              | <b>\$ 0.</b>    |
| <b>COMMON SHARES OUTSTANDING</b>   | <b>28,917,912</b>                           | <b>25,349,5</b> |
| <b>CALCULATION OF CASH DISTRIBUTION:</b>   |   |                 |
| <b>CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES</b>  | <b>\$ 15,291</b>                            | <b>\$ 12,8</b>  |
| <b>ACTUAL AMOUNT PAID</b>  | <b>\$ 14,643</b>                            | <b>\$ 11,1</b>  |

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|  |            |          |
|--|------------|----------|
| PAYOUT RATIO (Note 2)                                  | 95.8%      | 86.      |
|  | =====      | =====    |
| COMMON SHARES OUTSTANDING FOR<br>DISTRIBUTION (Note 2) | 32,540,412 | 25,349,5 |
|  | =====      | =====    |
| CASH DISTRIBUTION PER COMMON SHARE                     | \$ 0.4500  | \$ 0.44  |
|  | =====      | =====    |

Note 1: As the result of adopting Financial Accounting Standards Board Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FAS 150"), as of July 1, 2003 the Company was required to reclassify its preferred shareholders' equity of \$160.5 million, recording the \$168.0 million redemption obligation as a liability and the \$7.5 million of preferred equity issue costs as an asset, to be amortized until the redemption dates, on the consolidated balance sheets. In addition, amounts previously classified as distributions paid to the preferred shareholders have been recorded as interest expense starting in the third quarter of 2003.

Note 2: The payout ratio calculation is based on 32,540,412 common shares outstanding to reflect the 3,622,500 common shares issued in October 2003 that will also receive the third quarter distribution.

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 certain fees, which for CAD purposes are recognized when received but for GAAP purposes are amortized into income over the relevant period. 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, which are not included in the calculation of CAD.

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

### VARIANCE ANALYSIS FOR CAD

3rd Quarter 2003 Compared to 3rd Quarter 2002:

CAD to common shares for the third quarter of 2003 increased \$2.4 million over the same period last year due primarily to the following changes:

- (1) a \$4.4 million contribution in income from HCI consisting primarily of the following components:
  - (i) \$5.8 million in syndication fees;

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- (ii) \$2.6 million in asset management fees;
- (iii) \$1.5 million in other income composed primarily of:
  - a. \$0.7 million of guarantee fee income received from the tax credit equity funds;
  - b. \$0.5 million of contingent general partner fees received from tax credit equity funds; and
  - c. \$0.2 million in fees received for investment valuation services; offset in part by
- (iv) \$4.7 million in salaries and benefits; and
- (v) \$0.8 million in rent expense, professional fees and general and administrative costs;
- (2) a \$3.0 million increase in gain on sales associated with the sale of two tax-exempt bonds and a taxable loan;  
Offset in part by:
  - (3) \$1.9 million in interest expense and amortization of debt issue costs associated with a line of credit used to fund the HCI acquisition;
  - (4) a \$1.9 million increase in non-HCI-related salaries and benefits resulting primarily from a \$0.8 million increase in salaries and other compensation and a \$1.0 million increase in bonus expense;
  - (5) a \$0.6 million decrease in net interest income; and
  - (6) \$0.4 million of integration costs associated with the HCI acquisition.

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

CAD to common shares for the nine months ended September 30, 2003 increased \$7.7 million over the same period last year due primarily to the following changes:

- (1) a \$7.8 million increase in net interest income due primarily to:
  - (i) \$10.8 million increase in interest income related to the payoff of a tax-exempt bond on a property that was sold; offset by
  - (ii) a \$3.0 million decrease in interest income from various bonds and other bond-related investments;
- (2) a \$4.4 million contribution in income from HCI, as described in the third quarter summary immediately above;
- (3) a \$3.7 million increase in non-HCI-related 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) \$0.3 million of income collected on a new put; offset by
  - (vi) a \$1.4 million decrease in commission income; and
  - (vii) a \$0.4 million decrease in the collection of loan related fees such as cancellation, application and extension fees;
- (4) a \$3.4 million increase in distributions from equity investments in partnerships due to an increase in income from the CAPREIT investments;
- (5) a \$2.7 million increase in income tax benefit;
- (6) a \$0.6 million increase in non-HCI-related asset management and advisory fees;  
Offset in part by:
  - (7) a \$5.8 million increase in non-HCI-related salaries and benefits resulting primarily from a \$1.9 million increase in salaries and other compensation and a \$3.9 million increase in bonus expense;
  - (8) a \$5.2 million decrease in gain on sales due primarily to:
    - (i) a \$10.8 million loss on the termination of interest rate swaps;
    - (ii) a \$2.7 million gain on the sale of two tax-exempt bonds and a taxable loan;
    - (iii) a \$1.5 million gain recorded on the payoff of the tax-exempt bond and taxable loan on a property that was sold; and

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- (iv) a \$1.7 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;
- (9) \$1.9 million in interest expense and amortization of debt issue costs associated with a line of credit used to fund the HCI acquisition;
- (10) a \$1.0 million decrease in origination fees;
- (11) a \$0.7 million decrease in non-HCI-related 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; and
- (12) a \$0.5 million increase in non-HCI-related professional and general and administrative fees, of which \$0.4 million is attributable to HCI integration costs.

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

|   | Qtr Ended<br>09/30/03 | Qtr Ended<br>06/30/03 | Qtr E<br>03/3 |
|---|-----------------------|-----------------------|---------------|
|   |                       |                       |               |
| <b>SOURCES OF CASH:</b>   |                       |                       |               |
| Interest on bonds, residual interests in bond securitizations and loans   | \$ 24,626             | \$ 31,597             | \$            |
| Interest on short-term investments  | 277                   | 332                   |               |
| Syndication fees  | 6,588                 | 1,825                 |               |
| Origination fees  | 1,887                 | 2,711                 |               |
| Loan servicing fees   | 1,708                 | 1,835                 |               |
| Asset management and advisory fees  | 3,777                 | 1,198                 |               |
| Distributions from equity investments in partnerships                     | 1,946                 | 1,716                 |               |
| Other income  | 2,384                 | 4,221                 |               |
| Net gain (loss) on sales  | 3,239                 | (9,033)               |               |
|   | 46,432                | 36,402                |               |
| <b>EXPENSES:</b>  |                       |                       |               |
| Interest expense  | 11,920                | 8,102                 |               |
| Interest expense - preferred shares (Note 1)                              | 2,994                 | -                     |               |
| Salaries and benefits   | 12,065                | 8,671                 |               |
| Professional fees   | 1,105                 | 877                   |               |
| General and administrative  | 3,057                 | 2,113                 |               |
| Loan loss expense   | -                     | 47                    |               |
| Income tax expense (benefit)  | -                     | (1,524)               |               |
|   | 31,141                | 18,286                |               |
| <b>CASH AVAILABLE FOR DISTRIBUTION</b>                                    | <b>15,291</b>         | <b>18,116</b>         |               |
| <b>LESS:</b>  |                       |                       |               |
| Cash allocable to preferred shareholders of a subsidiary company (Note 1) | -                     | 2,995                 |               |
|   |                       |                       |               |
| <b>CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES</b>                   | <b>\$ 15,291</b>      | <b>\$ 15,121</b>      | <b>\$</b>     |
| <b>CAD PER COMMON SHARE</b>   | <b>\$ 0.53</b>        | <b>\$ 0.52</b>        | <b>\$</b>     |

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|  |            |            |      |
|--|------------|------------|------|
| COMMON SHARES OUTSTANDING                              | 28,917,912 | 28,832,443 | 28,8 |
| CALCULATION OF CASH DISTRIBUTION:                      |            |            |      |
| CASH AVAILABLE FOR DISTRIBUTION<br>TO COMMON SHARES    | \$ 15,291  | \$ 15,121  | \$   |
| ACTUAL AMOUNT PAID                                     | \$ 14,643  | \$ 12,903  | \$   |
| PAYOUT RATIO (Note 2)                                  | 95.8%      | 85.3%      |      |
| COMMON SHARES OUTSTANDING FOR<br>DISTRIBUTION (Note 2) | 32,540,512 | 28,832,443 | 28,8 |
| CASH DISTRIBUTION PER COMMON SHARE                     | \$ 0.4500  | \$ 0.4475  | \$   |

Note 1: As the result of adopting Financial Accounting Standards Board Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FAS 150"), as of July 1, 2003 the Company was required to reclassify its preferred shareholders' equity of \$160.5 million, recording the \$168.0 million redemption obligation as a liability and the \$7.5 million of preferred equity issue costs as an asset, to be amortized until the redemption dates, on the consolidated balance sheets. In addition, amounts previously classified as distributions paid to the preferred shareholders have been recorded as interest expense starting in the third quarter of 2003.

Note 2: The payout ratio calculation is based on 32,540,412 common shares outstanding to reflect the 3,622,500 common shares issued in October 2003 that will also receive the third quarter distribution.

Note 3: Certain prior quarter amounts have been reclassified to conform to the 09/30/03 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

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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)

|  | September 30,<br>2003 | December 31,<br>2002 |
|--|-----------------------|----------------------|
|  | -----                 | -----                |
| <b>ASSETS:</b>   |                       |                      |
| Investment in tax-exempt bonds and residual interests<br>in bond securitizations | \$ 804,276            | \$ 781,384           |
| Loans receivable, net  | 472,620               | 422,299              |
| Loans receivable held for sale   | 9,118                 | 39,149               |
| Investments in partnerships  | 233,032               | 99,966               |
| Investment in derivative financial instruments                                   | 2,755                 | 18,762               |
| Cash, cash equivalents and interest receivable                                   | 62,268                | 59,902               |
| Other assets   | 204,405               | 97,919               |
| Goodwill and other intangibles   | 131,422               | 33,537               |
|  | -----                 | -----                |
| <b>TOTAL</b>   | <b>\$ 1,919,896</b>   | <b>\$ 1,552,918</b>  |
|  | =====                 | =====                |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>                                     |                       |                      |
| Notes payable  | \$ 609,506            | \$ 450,924           |
| Short-term debt  | 191,835               | 219,945              |
| Long-term debt   | 155,448               | 147,357              |
| Preferred shares subject to mandatory redemption (Note 1)                        | 168,000               | -                    |
| Tax credit syndication guarantee liability                                       | 149,305               | -                    |
| Residual interests in bond securitizations                                       | 1,925                 | 1,447                |
| Investment in derivative financial instruments                                   | 17,879                | 49,359               |
| Other liabilities  | 59,346                | 36,357               |
| Preferred shareholders' equity in a subsidiary company (Note 1)                  | -                     | 160,465              |
| Shareholders' equity   | 566,652               | 487,064              |
|  | -----                 | -----                |
| <b>TOTAL</b>   | <b>\$ 1,919,896</b>   | <b>\$ 1,552,918</b>  |
|  | =====                 | =====                |
| <br><b>BOOK VALUE PER COMMON SHARE</b>   | <br><b>\$ 19.64</b>   | <br><b>\$ 19.07</b>  |
|  | =====                 | =====                |

Note 1: As the result of adopting Financial Accounting Standards Board Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FAS 150"), as of July 1, 2003 the Company was required to reclassify its preferred shareholders' equity of \$160.5 million, recording the \$168.0 million redemption obligation as a liability and the \$7.5 million of preferred equity issue costs as an asset, to be amortized until the redemption dates, on the consolidated balance sheets. In addition, amounts previously classified as distributions paid to the preferred shareholders have been recorded as interest expense starting in the third quarter of 2003.

Municipal Mortgage & Equity, LLC  
Analysis of Consolidated Balance Sheet Components



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The table on pages 19 through 21 provides an overview, organized according to major categories of invested assets or product types, of the Company's assets and liabilities as of September 30, 2003. Management believes this presentation provides helpful detail on the components of the Company's leverage and how the Company's assets and liabilities relate to those major categories. The table also provides data on the Company's off-balance-sheet bond securitizations as of September 30, 2003, in order to permit comparison of the Company's leverage based on the GAAP balance sheet alone to leverage inclusive of those off-balance-sheet items. Readers are cautioned that (1) this table does not reflect formal operating units or business segments within the Company, (2) shareholder's equity for each of columns A through G was calculated by taking assets minus liabilities for each column, and the related columnar shareholder equity figures should not, therefore, be construed as representing the actual or notional equity supporting the invested assets or product type represented by a given column, (3) various items grouped in column E (Other) relate to other columns but have been aggregated in column E for ease of presentation and simplicity (e.g., cash is not allocated among the various columns), and (4) the preferred equity interest in MuniMae TE Bond Subsidiary, LLC has been presented in a separate column F to highlight subsidiary preferred shares reclassified as debt as of July 1, 2003 according to Statement of Financial Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity."

MUNICIPAL MORTGAGE & EQUITY, LLC  
 ANALYSIS OF CONSOLIDATED BALANCE SHEET COMPONENTS  
 9/30/2003  
 (In thousands, except share data)  
 (Unaudited)

|  | (A)<br>Bond Securitizations<br>and Derivatives | (B)<br>Taxable<br>Lending (2) | (C)<br>Tax Credit<br>Operations (3) |
|--|--|-------------------------------|-------------------------------------|
|  | -----  | -----                         | -----                               |
| <b>ASSETS</b>                                    |  |                               |                                     |
| Investment in tax-exempt bonds, net              | \$ 792,332                                     | \$ -                          | \$                                  |
| Loans receivable, net                            | 26,426   | 443,672                       |                                     |
| Loans receivable held for sale                   |  | 9,118                         |                                     |
| Investments in partnerships                      |  |                               | 69,930                              |
| Residual interests in bond securitizations       | 11,944   |                               |                                     |
| Investment in derivative financial instruments   | 2,755  |                               |                                     |
| Cash and cash equivalents                        |  |                               |                                     |
| Interest receivable                              |  |                               |                                     |
| Restricted assets                                | 12,023   |                               |                                     |
| Other assets                                     |  |                               | 24,210                              |
| Mortgage servicing rights, net                   |  | 10,841                        |                                     |
| Goodwill (7)                                     |  | 17,293                        | 115,720                             |
|  | -----  | -----                         | -----                               |
| Total assets                                     | \$ 845,480                                     | \$ 480,924                    | \$ 209,870                          |
|  | =====  | =====                         | =====                               |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>      |  |                               |                                     |
| Notes payable                                    | \$ 39,129                                      | \$ 385,199                    | \$ 185,170                          |
| Short-term debt                                  | 191,835  |                               |                                     |
| Long-term debt                                   | 155,448  |                               |                                     |
| Preferred shares subject to mandatory redemption |  |                               |                                     |
| Tax credit syndication guarantee liability       |  |                               |                                     |
| Residual interests in bond securitizations       | 1,925  |                               |                                     |
| Investment in derivative financial instruments   | 17,879   |                               |                                     |

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|   |            |            |           |
|---|------------|------------|-----------|
| Accounts payable and accrued expenses                         |            |            |           |
| Interest payable  |            |            |           |
| Unearned revenue and other liabilities                        |            |            |           |
| Total liabilities   | 406,216    | 385,199    | 185,17    |
| Liabilities / Assets  | 48% (9)    | 80%        | 88        |
| Percentage of liabilities -<br>balance sheet 9/30/03          | 30%        | 28%        | 14        |
| Percentage of liabilities -<br>adjusted balance sheet 9/30/03 | 25%        | 23%        | 11        |
| Total shareholders' equity (8)                                | 439,264    | 95,725     | 24,69     |
| Total liabilities and shareholders' equity                    | \$ 845,480 | \$ 480,924 | \$ 209,87 |

MUNICIPAL MORTGAGE & EQUITY, LLC  
ANALYSIS OF CONSOLIDATED BALANCE SHEET COMPONENTS  
9/30/2003  
(In thousands, except share data)  
(Unaudited)

|  | (F)<br>Preferred<br>Equity in<br>TE Bond Sub (5) | (G)<br>Tax Credit<br>Guaranteed<br>Funds (6) | (H)<br>Balance Sheet<br>September 30, 2003 S |
|--|--|--|--|
| <b>ASSETS</b>                                    |  |  |  |
| Investment in tax-exempt bonds, net              | \$ -   | \$ -   | \$ 792,332                                   |
| Loans receivable, net                            |  |  | 472,620                                      |
| Loans receivable held for sale                   |  |  | 9,118  |
| Investments in partnerships                      |  | 102,377                                      | 233,032                                      |
| Residual interests in bond securitizations       |  |  | 11,944                                       |
| Investment in derivative financial instruments   |  |  | 2,755  |
| Cash and cash equivalents                        |  |  | 46,008                                       |
| Interest receivable                              |  |  | 16,260                                       |
| Restricted assets                                |  | 54,452                                       | 115,097                                      |
| Other assets                                     | 7,228  | 6,025  | 78,467                                       |
| Mortgage servicing rights, net                   |  |  | 10,841                                       |
| Goodwill (7)                                     |  | (3,490)                                      | 131,422                                      |
| Total assets                                     | \$ 7,228   | \$159,364                                    | \$ 1,919,896                                 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>      |  |  |  |
| Notes payable                                    | \$ -   | \$ -   | \$ 609,506                                   |
| Short-term debt                                  |  |  | 191,835                                      |
| Long-term debt                                   |  |  | 155,448                                      |
| Preferred shares subject to mandatory redemption | 168,000  |  | 168,000                                      |
| Tax credit syndication guarantee liability       |  | 149,305                                      | 149,305                                      |
| Residual interests in bond securitizations       |  |  | 1,925  |
| Investment in derivative financial instruments   |  |  | 17,879                                       |
| Accounts payable and accrued expenses            |  | 48   | 12,792                                       |
| Interest payable                                 |  |  | 8,657  |

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|   |       |           |       |              |
|---|-------|-----------|-------|--------------|
| Unearned revenue and other liabilities                        | ----- | 6,382     | ----- | 37,897       |
| Total liabilities   | ----- | 168,000   | ----- | 155,735      |
| Liabilities / Assets  | ----- | 2324%     | ----- | 98%          |
| Percentage of liabilities -<br>balance sheet 9/30/03          | ----- | 12%       | ----- | 12%          |
| Percentage of liabilities -<br>adjusted balance sheet 9/30/03 | ----- | 10%       | ----- | 9%           |
| Total shareholders' equity (8)                                | ----- | (160,772) | ----- | 3,629        |
| Total liabilities and shareholders' equity                    | ===== | \$ 7,228  | ===== | \$ 159,364   |
|   |       |           |       | =====        |
|   |       |           |       | \$ 1,919,896 |

### NOTES

(1) Bond securitizations and derivatives includes the Company's investments in tax-exempt bonds, bond related investments and derivatives and the related on-balance sheet debt and cash collateral.

(2) Taxable lending includes the Company's construction and permanent loans and the related borrowings from the Midland Affordable Housing Group Trust, pension funds and lines of credit.

(3) Tax credit operations includes the Company's investment in properties and advances to tax credit equity funds and the related borrowings under lines of credit. This column also includes borrowings under a line of credit used to finance the July 2003 acquisition of Lend Lease's tax credit operations.

(4) CAPREIT equity investments includes the taxable equity investments in the CAPREIT joint ventures and the related cash collateral.

(5) Due to Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," the preferred shares issued by TE Bond Subsidiary have been reclassified to debt.

(6) Tax credit guaranteed funds includes assets and liabilities associated with funds where the Company has provided investors a guarantee or has continuing involvement with the assets of the funds. All of these assets and liabilities related to interests in tax credit equity syndications acquired as of July 1, 2003 from Lend Lease.

(7) Goodwill of \$33.6 million related to the 1999 purchase of the Midland Companies has been allocated equally between taxable lending and tax credit operations. The balance of the intangibles and goodwill relates to the July 2003 acquisition of the Lend Lease tax credit operations.

(8) Shareholders' equity was calculated by taking assets minus liabilities for each column, and therefore these amounts do not accurately represent the actual or notional amount of equity attributable to each column.

(9) Including the assets and liabilities from off balance sheet bond securitizations the percentage would be 62%.

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

| PROPERTY                        | CITY         | STATE | PERMANENT INTEREST RATE | QUARTER BOND AMOUNT |           |
|---------------------------------|--------------|-------|-------------------------|---------------------|-----------|
|                                 |              |       |                         | CONSTRUCTION        | PERMANENT |
| Bartram Springs                 | Jacksonville | FL    | 6.65%                   | \$ -                | \$ 9,530  |
| Cedar Park Ranch (1)            | Cedar Park   | TX    | 6.80%                   | 10,350              | 10,350    |
| Desert Eagles Estates (2)       | Glendale     | AZ    | 6.80%                   | 12,600              | 12,600    |
| Mesquite Seniors Retirement (1) | Mesquite     | TX    | 6.80%                   | 11,000              | 11,000    |
| Park at Landmark                | Alexandria   | VA    | 7.85%                   | -                   | 3,000     |
| Savannah Summit (1)             | Savannah     | GA    | 5.63%                   | 5,400               | 5,400     |
| Walnut Grove Homes (3)          | Clearlake    | CA    | 7.05%                   | 4,900               | 4,900     |
|                                 |              |       |                         | 44,250              | 56,780    |
| First Quarter Volume            |              |       |                         |                     |           |
| Second Quarter Volume           |              |       |                         |                     |           |
| TOTAL                           |              |       |                         | \$ 44,250           | \$ 56,780 |

(1) The Company earned a 1.25% origination fee on this deal.

(2) The Company's initial investment was \$1.9 million. The Company earned a 1.25% origination fee on this deal.

(3) The Company's initial investment was \$0.6 million. The Company earned a 1.25% origination fee on this deal.

### CONSTRUCTION/PERMANENT LENDING, SYNDICATION AND OTHER PRODUCTION:

|  | QUARTER VOLUME | TOTAL FEES RECOGNIZED THIS QUARTER FOR CAD |
|--|----------------|--|
| Tax Credit Equity Syndications (Equity Raised)                                       | \$ 145,080     | \$ 6,588                                   |
| Tax Credit Acquisition Production  | \$ 95,335      | \$ -                                       |
| Conventional Equity Production   | \$ -           | \$ 25                                      |
| Taxable Construction Loan Production (generating a weighted average spread of 1.14%) | \$ 47,984      | \$ 452                                     |
| Taxable Permanent Loan Production  | \$ 54,411      | \$ 773                                     |
| Supplemental Loans   | \$ 17,837      | \$ 24                                      |
| OTHER INFORMATION:   |                |  |
| Balance as of 9/30/03 of Midland Servicing Portfolio under Management                | \$ 1,143,000   | \$ 1,044                                   |
| Balance as of 9/30/03 of Equity Syndication Portfolio under Management               | \$ 4,993,993   | \$ 3,433                                   |

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

| Property<br>-----                  | Q3 2002<br>Actual<br>----- | Q2 2003<br>Actual<br>----- | Q3 2003<br>Actual<br>----- |
|------------------------------------|----------------------------|----------------------------|----------------------------|
| Alban                              | 251,232                    | 247,847                    | 242,148                    |
| (1) Arlington                      | 0                          | -42,761                    | 11,817                     |
| Barkley Place                      | 275,391                    | 333,356                    | 313,259                    |
| (1) Barrington at Beach Street (3) | 145,125                    | 220,330                    | 186,060                    |
| Cobblestone                        | 166,461                    | 140,885                    | 170,050                    |
| (1) Cool Springs                   | -44,935                    | -9,721                     | 28,071                     |
| Creekside                          | 293,487                    | 284,987                    | 279,362                    |
| Crossings                          | 165,207                    | 168,808                    | 188,638                    |
| Gilman Meadows                     | 162,044                    | 137,065                    | 158,146                    |
| Hamilton Grove                     | 239,304                    | 169,418                    | 243,828                    |
| Jefferson Commons                  | 274,546                    | 348,634                    | 251,781                    |
| Lakeview                           | 194,191                    | 182,750                    | 185,913                    |
| Mallard I                          | 32,210                     | 22,500                     | 34,481                     |
| Mallard II                         | 82,325                     | 94,955                     | 95,123                     |
| Montclair                          | 323,886                    | 357,276                    | 334,495                    |
| Newport Village                    | 230,027                    | 154,180                    | 243,840                    |
| Nicollet Ridge                     | 389,747                    | 245,241                    | 431,915                    |
| Palisades Park                     | 249,431                    | 255,158                    | 271,399                    |
| Riverset I                         | 323,286                    | 329,930                    | 324,451                    |
| Riverset II                        | 142,037                    | 120,781                    | 127,876                    |
| Steeplechase Falls<br>Meadows      | 386,510                    | 358,705                    | 356,055                    |
| Timber Ridge                       | 148,232                    | 118,878                    | 130,573                    |
| Villas at LaRiviera (3)            | 140,917                    | 125,030                    | 111,825                    |
| Whispering Lake                    | 199,887                    | 209,711                    | 154,143                    |
| Winter Oaks                        | 297,874                    | 320,720                    | 367,790                    |
|                                    | 288,197                    | 265,093                    | 260,421                    |
| <b>Total</b>                       | <b>5,356,619</b>           | <b>5,159,758</b>           | <b>5,503,462</b>           |
| <b>Same Store Growth</b>           | <b>5,256,429</b>           | <b>4,991,909</b>           | <b>5,277,514</b>           |

- (1) In Lease-up. Quarterly totals are not included in Same Store Growth calculations.
- (2) In most cases, Q3 2003 uses July and August actuals plus the September budget.
- (3) No budget was available so August actuals were used twice.

| Apartment Community<br>----- | Location<br>----- | Month/Year<br>Acquired<br>----- | Apartment<br>Units<br>----- | Month Ended<br>Sept 30,<br>2003<br>----- | Month<br>Ju<br>----- |
|------------------------------|-------------------|---------------------------------|-----------------------------|--|----------------------|
|------------------------------|-------------------|---------------------------------|-----------------------------|--|----------------------|

Participating Mortgage Bonds:

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|                     |                 |        |     |       |
|---------------------|-----------------|--------|-----|-------|
| Alban Place         | Frederick, MD   | Sep-86 | 194 | 94.3% |
| Cobblestone         | San Antonio, TX | Aug-99 | 184 | 97.8% |
| Creskide Village    | Sacramento, CA  | Nov-87 | 296 | 96.3% |
| Crossings           | Lithonia, GA    | Jan-97 | 200 | 86.0% |
| Jefferson Commons   | San Marcos, TX  | Dec-00 | 173 | 89.0% |
| Lakeview            | Miami, FL       | Sep-87 | 180 | 97.2% |
| Timber Ridge        | San Antonio, TX | Dec-00 | 168 | 92.9% |
| Villas at LaRiviera | Sacramento, CA  | Jun-99 | 199 | 88.5% |

|                                       |       |       |
|---------------------------------------|-------|-------|
| Subtotal Participating Mortgage Bonds | ----- | 1,594 |
|                                       | ----- |       |

### Mortgage Bonds

|                                    |                    |        |      |        |
|------------------------------------|--------------------|--------|------|--------|
| Applewood (a.k.a. Paola)           | Paola, KS          | Jul-99 | 48   | 100.0% |
| Autumn Oaks/Crest at Thousand Oaks |                    | Feb-03 | 410  | 85.6%  |
| Charter House (2)                  | Lenexa, KS         | Dec-96 | ---- | N/A    |
| Cielo Vista                        | El Paso, TX        | Aug-99 | 378  | 95.5%  |
| Country Club                       | Topeka, KS         | Jul-99 | 101  | 85.1%  |
| Delta Village                      | Stockton, CA       | Jun-99 | 80   | 97.5%  |
| Elmbrooke                          | Minnetonka, MN     | Aug-00 | 54   | 100.0% |
| Florida A&M                        | Tallahassee, FL    | Feb-00 | 96   | 100.0% |
| Gannon (Dade) (3)                  | Miami, FL          | Feb-98 | 575  | 96.0%  |
| Gannon (St. Louis)                 | St. Louis, MO      | Feb-98 | 336  | 89.0%  |
| Hidden Valley                      | Kansas City, MO    | Dec-96 | 82   | 98.8%  |
| Honey Creek                        | Dallas, TX         | Mar-99 | 656  | 85.1%  |
| Lake Piedmont                      | Indianapolis, IN   | Apr-98 | 648  | 94.3%  |
| Monroe (Oakmont, Towne Oak)        | Monroe, LA         | Dec-98 | 364  | 96.4%  |
| Mountain View (Willowgreen)        | Tacoma, WA         | Nov-86 | 241  | 95.4%  |
| Northridge Park II                 | Salinas, CA        | Aug-87 | 128  | 99.2%  |
| Oakbrook                           | Topeka, KS         | Dec-96 | 170  | 78.8%  |
| Oklahoma City (4)                  | Oklahoma City, OK  | Aug-98 | 774  | 93.7%  |
| Orangevale                         | Orange, CA         | Apr-98 | 64   | 96.9%  |
| Parkwood                           | Turlock, CA        | Jun-99 | 180  | 93.9%  |
| Riverset II (1)                    | Memphis, TN        | Jan-96 | ---- | N/A    |
| Riverview                          | Fulton County, GA  | Jun-00 | 228  | 96.1%  |
| Sahuarita                          | Sahuarita, AZ      | Jun-99 | 52   | 69.2%  |
| Santa Fe Springs                   | Phoenix, AZ        | Jun-00 | 310  | 91.9%  |
| Shadowbrook                        | Selma, CA          | Jun-99 | 193  | 99.5%  |
| Silver Springs                     | Kent, WA           | Dec-99 | 250  | 94.0%  |
| Southwind                          | Sacramento, CA     | Aug-00 | 88   | 100.0% |
| Torries Chase                      | Olathe, KS         | Dec-96 | 99   | 93.9%  |
| Village Apartments                 | Baytown, TX        | May-00 | 210  | 95.2%  |
| Village at Stone Mountain          | Stone Mountain, GA | Oct-97 | 722  | 88.0%  |
| Village Green                      | Austin, TX         | Feb-00 | 200  | 92.5%  |
| Weatherstone                       | Rochester, MN      | Sep-00 | 100  | 99.0%  |
| Western Hills                      | Overland Park, KS  | Dec-98 | 80   | 67.5%  |
| Willow Key                         | Orlando, FL        | Mar-99 | 384  | 92.7%  |
| Woodglen                           | Houston, TX        | Dec-99 | 250  | 86.0%  |
| Woodmark                           | Woodland, CA       | Jun-99 | 173  | 98.8%  |

|                         |       |       |
|-------------------------|-------|-------|
| Subtotal Mortgage Bonds | ----- | 8,724 |
|                         | ----- |       |

### Participating Subordinate Mortgage Bonds:

|                     |                 |        |     |       |
|---------------------|-----------------|--------|-----|-------|
| Barkley Place       | Ft. Myers, FL   | May-87 | 156 | 96.2% |
| Gilman Meadows      | Issaquah, WA    | Mar-87 | 125 | 99.2% |
| Hamilton Chase      | Chattanooga, TN | Feb-87 | 300 | 95.7% |
| Mallard Cove I & II | Everett, WA     | Feb-87 | 198 | 94.9% |
| Meadows             | Memphis, TN     | Jan-88 | 200 | 92.0% |
| Montclair           | Springfield, MO | Oct-86 | 159 | 95.0% |
| Newport Village     | Thornton, CO    | Dec-86 | 220 | 91.8% |
| Nicollet Ridge      | Burnsville, MN  | Dec-87 | 339 | 95.0% |

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|   |                 |        |       |       |
|---|-----------------|--------|-------|-------|
| Riverset II                                       | Memphis, TN     | Jan-96 | 148   | 91.4% |
| Steeplechase                                      | Knoxville, TN   | Oct-88 | 450   | 98.2% |
| Whispering Lake                                   | Kansas City, MO | Oct-87 | 384   | 91.9% |
| Subtotal Participating Subordinate Mortgage Bonds |                 |        | 2,679 |       |

| Apartment Community                   | Location        | Month/Year Acquired | Apartment Units | Month Ended Aug 31, 2003 | Month Ended Jun 2003 |
|---------------------------------------|-----------------|---------------------|-----------------|--------------------------|----------------------|
| Participating Mortgage Bonds:         |                 |                     |                 |                          |                      |
| Alban Place                           | Frederick, MD   | Sep-86              | 194             | 946                      |                      |
| Cobblestone                           | San Antonio, TX | Aug-99              | 184             | 582                      |                      |
| Creekside Village                     | Sacramento, CA  | Nov-87              | 296             | 602                      |                      |
| Crossings                             | Lithonia, GA    | Jan-97              | 200             | 759                      |                      |
| Jefferson Commons                     | San Marcos, TX  | Dec-00              | 173             | 1,241                    |                      |
| Lakeview                              | Miami, FL       | Sep-87              | 180             | 722                      |                      |
| Timber Ridge                          | San Antonio, TX | Dec-00              | 168             | 497                      |                      |
| Villas at LaRiviera                   | Sacramento, CA  | Jun-99              | 199             | 707                      |                      |
| Subtotal Participating Mortgage Bonds |                 |                     | 1,594           |                          |                      |

|                                    |                    |        |      |       |  |
|------------------------------------|--------------------|--------|------|-------|--|
| Mortgage Bonds                     |                    |        |      |       |  |
| Applewood (a.k.a. Paola)           | Paola, KS          | Jul-99 | 48   | 518   |  |
| Autumn Oaks/Crest at Thousand Oaks |                    | Feb-03 | 410  | 534   |  |
| Charter House (2)                  | Lenexa, KS         | Dec-96 | ---- | N/A   |  |
| Cielo Vista                        | El Paso, TX        | Aug-99 | 378  | 454   |  |
| Country Club                       | Topeka, KS         | Jul-99 | 101  | 447   |  |
| Delta Village                      | Stockton, CA       | Jun-99 | 80   | 586   |  |
| Elmbrooke                          | Minnetonka, MN     | Aug-00 | 54   | 1,062 |  |
| Florida A&M                        | Tallahassee, FL    | Feb-00 | 96   | 1,583 |  |
| Gannon (Dade) (3)                  | Miami, FL          | Feb-98 | 575  | 821   |  |
| Gannon (St. Louis)                 | St. Louis, MO      | Feb-98 | 336  | 594   |  |
| Hidden Valley                      | Kansas City, MO    | Dec-96 | 82   | 577   |  |
| Honey Creek                        | Dallas, TX         | Mar-99 | 656  | 540   |  |
| Lake Piedmont                      | Indianapolis, IN   | Apr-98 | 648  | 501   |  |
| Monroe (Oakmont, Towne Oak)        | Monroe, LA         | Dec-98 | 364  | 491   |  |
| Mountain View (Willowgreen)        | Tacoma, WA         | Nov-86 | 241  | 645   |  |
| Northridge Park II                 | Salinas, CA        | Aug-87 | 128  | 1,015 |  |
| Oakbrook                           | Topeka, KS         | Dec-96 | 170  | 472   |  |
| Oklahoma City (4)                  | Oklahoma City, OK  | Aug-98 | 774  | 491   |  |
| Orangevale                         | Orange, CA         | Apr-98 | 64   | 969   |  |
| Parkwood                           | Turlock, CA        | Jun-99 | 180  | 482   |  |
| Riverset II (1)                    | Memphis, TN        | Jan-96 | ---- | N/A   |  |
| Riverview                          | Fulton County, GA  | Jun-00 | 228  | 655   |  |
| Sahuarita                          | Sahuarita, AZ      | Jun-99 | 52   | 427   |  |
| Santa Fe Springs                   | Phoenix, AZ        | Jun-00 | 310  | 593   |  |
| Shadowbrook                        | Selma, CA          | Jun-99 | 193  | 510   |  |
| Silver Springs                     | Kent, WA           | Dec-99 | 250  | 778   |  |
| Southwind                          | Sacramento, CA     | Aug-00 | 88   | 737   |  |
| Torries Chase                      | Olathe, KS         | Dec-96 | 99   | 516   |  |
| Village Apartments                 | Baytown, TX        | May-00 | 210  | 585   |  |
| Village at Stone Mountain          | Stone Mountain, GA | Oct-97 | 722  | 785   |  |

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|               |                   |        |     |     |
|---------------|-------------------|--------|-----|-----|
| Village Green | Austin, TX        | Feb-00 | 200 | 638 |
| Weatherstone  | Rochester, MN     | Sep-00 | 100 | 798 |
| Western Hills | Overland Park, KS | Dec-98 | 80  | 527 |
| Willow Key    | Orlando, FL       | Mar-99 | 384 | 705 |
| Woodglen      | Houston, TX       | Dec-99 | 250 | 676 |
| Woodmark      | Woodland, CA      | Jun-99 | 173 | 680 |

|                         |       |
|-------------------------|-------|
| Subtotal Mortgage Bonds | 8,724 |
|-------------------------|-------|

Participating Subordinate Mortgage Bonds:

|                     |                 |        |     |       |
|---------------------|-----------------|--------|-----|-------|
| Barkley Place       | Ft. Myers, FL   | May-87 | 156 | 2,115 |
| Gilman Meadows      | Issaquah, WA    | Mar-87 | 125 | 957   |
| Hamilton Chase      | Chattanooga, TN | Feb-87 | 300 | 626   |
| Mallard Cove I & II | Everett, WA     | Feb-87 | 198 | 715   |
| Meadows             | Memphis, TN     | Jan-88 | 200 | 613   |
| Montclair           | Springfield, MO | Oct-86 | 159 | 1,846 |
| Newport Village     | Thornton, CO    | Dec-86 | 220 | 843   |
| Nicollet Ridge      | Burnsville, MN  | Dec-87 | 339 | 951   |
| Riverset II         | Memphis, TN     | Jan-96 | 148 | 713   |
| Steeplechase        | Knoxville, TN   | Oct-88 | 450 | 616   |
| Whispering Lake     | Kansas City, MO | Oct-87 | 384 | 658   |

|   |       |
|---|-------|
| Subtotal Participating Subordinate Mortgage Bonds | 2,679 |
|---|-------|

| Apartment Community                 | Location         | Month/Year<br>Acquired | Apartment<br>Units | Month Ended<br>Sept 30,<br>2003 | Month |
|-------------------------------------|------------------|------------------------|--------------------|---------------------------------|-------|
| -----                               | -----            | -----                  | -----              | -----                           | ----- |
| Subordinate Mortgage Bonds:         |                  |                        |                    |                                 |       |
| CAPREIT                             |                  | Sep-99                 | ----               |                                 | N/A   |
| Cinnamon Ridge                      |                  | Jan-99                 | ----               |                                 | N/A   |
| Farmington Meadows                  | Aloha, OR        | Aug-99                 | 69                 | 100.0%                          |       |
| Independence Ridge                  | Independence, MO | Aug-96                 | 336                | 81.3%                           |       |
| Locarno                             | Kansas City, MO  | Aug-96                 | 110                | 81.8%                           |       |
| Olde English Manor                  | Wichita, KS      | Nov-99                 | ----               |                                 | N/A   |
| Peaks of Conyer                     |                  | Sep-01                 | 260                | 81.9%                           |       |
| Rillito Village                     |                  | Jul-00                 | ----               |                                 | N/A   |
| Winter Oaks                         | Winter Haven, FL | Nov-99                 | 460                | 91.1%                           |       |
| Subtotal Subordinate Mortgage Bonds |                  |                        | 1,235              |                                 |       |

Other Bond Related Investments:

|                                    |                    |        |     |       |
|------------------------------------|--------------------|--------|-----|-------|
| Briarwood                          | Virginia Beach, VA | Dec-98 | 600 | 95.8% |
| Cinnamon Ridge                     | Egan, MN           | Dec-97 | 264 | 95.8% |
| Golfside Villas (f.k.a. Club West) | Dade Co., FL       | Mar-99 | 194 | 99.5% |
| Park at Landmark                   |                    | Sep-00 | 396 | 97.0% |
| Poplar Glen                        | Columbia, MD       | Jun-97 | 191 | 93.7% |
| RITES - Charter House              | Lenexa, KS         | Dec-96 | 280 | 94.3% |
| RITES - Indian Lakes               | Virginia Beach, VA | Jul-97 | 296 | 98.0% |
| RITES - LaPaloma                   | Azusa, CA          | Apr-99 | 120 | 99.2% |
| RITES - LeMirador (Coleman Senior) | San Jose, CA       | Apr-98 | 141 | 80.1% |
| RITES - Museum Towers              |                    | Apr-01 | 286 | 95.8% |
| RITES - Olde English Manor         | Wichita, KS        | Jun-98 | 264 | 75.8% |



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|   |                    |        |        |        |
|---|--------------------|--------|--------|--------|
| RITES - Palisades Park  | Universal City, TX | Feb-98 | 304    | 99.0%  |
| RITES - Pavillion   | Pico Rivera, CA    | Apr-99 | 132    | 100.0% |
| RITES - Queen Anne IV   | Weymouth, MA       | Jul-98 | 110    | 94.5%  |
| RITES - Rancho/Villas   | San Antonio, TX    | May-00 | 417    | 89.6%  |
| RITES - Rillito Village   | Tucson, AZ         | Aug-98 | 272    | 94.5%  |
| RITES - Riverset (1)  | Memphis, TN        | Aug-88 | 352    | 91.4%  |
| RITES - Riverset II (1)   | Memphis, TN        | Jan-96 | ----   | N/A    |
| RITES - Sienna(a.k.a. Italian Gardens)                          | San Jose, CA       | Apr-98 | 140    | 88.6%  |
| RITES - Sonterra  | San Antonio, TX    | May-98 | 156    | 90.4%  |
| RITES - Southgate Crossings                                     | Columbia, MD       | Jun-97 | 215    | 94.0%  |
| RITES - Southwood   | Richmond, VA       | Nov-97 | 1,286  | 66.0%  |
| Subtotal Other Bond Related Investments                         |                    |        | 6,416  |        |
| Total Units/Weighted Average Investments                        |                    |        | 20,648 | 90.9%  |
| Total/Same Stores (5) 2001                                      |                    |        | 19,650 | 91.0%  |
| Total/Same Stores (5) 2002                                      |                    |        | 20,238 | 91.0%  |
| Construction/Substantial Rehab Properties and Other Investments |                    |        |        |        |
| Arlington   | Arlington, TX      | Dec-00 | 176    | 36.9%  |
| Barrington at Beach Street                                      | Ft. Worth, TX      | Oct-00 | 398    | 76.4%  |
| Bedford Park  | Indianapolis, IN   | Oct-00 | 312    | 67.6%  |
| CAPREIT Joint Venture (6)                                       |                    | Jun-02 | 6,279  | 94.5%  |
| CAPREIT TERA (7)  |                    | Mar-01 | 2,942  | 94.3%  |
| Cedar Park Ranch  |                    | Aug-03 | 180    | N/A    |
| Chancellor  |                    | Nov-01 | 101    | N/A    |
| Chancellor II   |                    | Mar-02 | 46     | N/A    |
| City Views at Rosa Burney Park                                  |                    | Dec-02 | 180    | 73.9%  |
| Cliffs at Grove Barton  |                    | Apr-03 | 132    | N/A    |
| Cool Springs  | Franklin, TN       | Aug-00 | 124    | 61.3%  |
| Coronel Village   |                    | Apr-02 | 48     | N/A    |
| Desert Tree Estates   |                    | Sep-03 | 196    | N/A    |
| Eden Park   |                    | May-03 | 104    | N/A    |
| Evergreen at Mesquite   |                    | Aug-03 | 200    | N/A    |
| Fort Branch   | Austin, TX         | Dec-00 | 250    | 88.4%  |
| Hidden Brooks   |                    | Sep-01 | 201    | 67.7%  |
| Jefferson at Town Lake  |                    | Dec-02 | 216    | 88.0%  |
| Lake Pleasant Village   |                    | May-03 | 152    | N/A    |
| Las Trojas  |                    | Mar-02 | 49     | N/A    |
| Liberty Park Townhomes  |                    | Feb-03 | 184    | 54.9%  |
| Lincoln Corner  |                    | Dec-01 | 134    | N/A    |
| Meridian at Bridgewater   | Bridgewater, NJ    | Nov-99 | 90     | 90.0%  |
| Mountain View Village   |                    | Jun-02 | 220    | N/A    |
| North White Road  |                    | Nov-01 | 157    | 11.5%  |
| Oak Grove Commons   |                    | Dec-01 | 168    | 83.9%  |
| Olathe Senior Residences  |                    | Dec-02 | 144    | N/A    |
| Osborne Place Manor   |                    | Dec-02 | 50     | N/A    |
| Penn Valley   |                    | Dec-01 | 42     | N/A    |
| Sanger Trails   |                    | Dec-02 | 208    | 10.1%  |
| Sycamore Senior Village   |                    | Jun-02 | 300    | N/A    |
| Village at Sun Valley   | Mesa, AZ           | May-00 | 276    | 84.1%  |
| Walnut Grove  |                    | Jul-03 | 60     | N/A    |
| Walnut Tree   |                    | Mar-02 | 64     | N/A    |
| Woodland Village  |                    | May-03 | 198    | N/A    |
| Subtotal Construction/Rehab Properties                          |                    |        | 14,581 |        |

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| Total Units                              |                    | 35,229              |                 |                          |                           |
|--|--------------------|---------------------|-----------------|--------------------------|---------------------------|
|  |                    | =====               |                 |                          |                           |
| Apartment Community                      | Location           | Month/Year Acquired | Apartment Units | Month Ended Aug 31, 2003 | Month Ended June 30, 2003 |
| -----                                    | -----              | -----               | -----           | -----                    | -----                     |
| Subordinate Mortgage Bonds:              |                    |                     |                 |                          |                           |
| CAPREIT                                  |                    | Sep-99              | ----            | N/A                      | N/A                       |
| Cinnamon Ridge                           |                    | Jan-99              | ----            | N/A                      | N/A                       |
| Farmington Meadows                       | Aloha, OR          | Aug-99              | 69              | 814                      | 814                       |
| Independence Ridge                       | Independence, MO   | Aug-96              | 336             | 554                      | 554                       |
| Locarno                                  | Kansas City, MO    | Aug-96              | 110             | 884                      | 884                       |
| Olde English Manor                       | Wichita, KS        | Nov-99              | ----            | N/A                      | N/A                       |
| Peaks of Conyer                          |                    | Sep-01              | 260             | 726                      | 726                       |
| Rillito Village                          |                    | Jul-00              | ----            | N/A                      | N/A                       |
| Winter Oaks                              | Winter Haven, FL   | Nov-99              | 460             | 562                      | 562                       |
|  |                    |                     | -----           |                          |                           |
| Subtotal Subordinate Mortgage Bonds      |                    |                     | 1,235           |                          |                           |
|  |                    |                     | -----           |                          |                           |
| Other Bond Related Investments:          |                    |                     |                 |                          |                           |
| Briarwood                                | Virginia Beach, VA | Dec-98              | 600             | 646                      | 646                       |
| Cinnamon Ridge                           | Egan, MN           | Dec-97              | 264             | 964                      | 964                       |
| Golfside Villas (f.k.a. Club West)       | Dade Co., FL       | Mar-99              | 194             | 620                      | 620                       |
| Park at Landmark                         |                    | Sep-00              | 396             | 1,055                    | 1,055                     |
| Poplar Glen                              | Columbia, MD       | Jun-97              | 191             | 999                      | 999                       |
| ITES - Charter House                     | Lenexa, KS         | Dec-96              | 280             | 625                      | 625                       |
| ITES - Indian Lakes                      | Virginia Beach, VA | Jul-97              | 296             | 786                      | 786                       |
| ITES - LaPaloma                          | Azusa, CA          | Apr-99              | 120             | 645                      | 645                       |
| ITES - LeMirador (Coleman Senior)        | San Jose, CA       | Apr-98              | 141             | 859                      | 859                       |
| ITES - Museum Towers                     |                    | Apr-01              | 286             | 1,389                    | 1,389                     |
| ITES - Olde English Manor                | Wichita, KS        | Jun-98              | 264             | 500                      | 500                       |
| ITES - Palisades Park                    | Universal City, TX | Feb-98              | 304             | 561                      | 561                       |
| ITES - Pavillion                         | Pico Rivera, CA    | Apr-99              | 132             | 671                      | 671                       |
| ITES - Queen Anne IV                     | Weymouth, MA       | Jul-98              | 110             | 1,093                    | 1,093                     |
| ITES - Rancho/Villas                     | San Antonio, TX    | May-00              | 417             | 541                      | 541                       |
| ITES - Rillito Village                   | Tucson, AZ         | Aug-98              | 272             | 473                      | 473                       |
| ITES - Riverset (1)                      | Memphis, TN        | Aug-88              | 352             | 719                      | 719                       |
| ITES - Riverset II (1)                   | Memphis, TN        | Jan-96              | ----            | N/A                      | N/A                       |
| ITES - Sienna (a.k.a. Italian Gardens)   | San Jose, CA       | Apr-98              | 140             | 817                      | 817                       |
| ITES - Sonterra                          | San Antonio, TX    | May-98              | 156             | 858                      | 858                       |
| ITES - Southgate Crossings               | Columbia, MD       | Jun-97              | 215             | 1,014                    | 1,014                     |
| ITES - Southwood                         | Richmond, VA       | Nov-97              | 1,286           | 496                      | 496                       |
|  |                    |                     | -----           |                          |                           |
| Subtotal Other Bond Related Investments  |                    |                     | 6,416           |                          |                           |
|  |                    |                     | -----           |                          |                           |
| Total Units/Weighted Average Investments |                    |                     | 20,648          | 696                      | 696                       |
|  |                    |                     | =====           |                          |                           |
| Total/Same Stores (5) 2001               |                    |                     | 19,650          | 702                      | 702                       |
| Total/Same Stores (5) 2002               |                    |                     | 20,238          | 699                      | 699                       |

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|   |                  |        |        |       |     |
|---|------------------|--------|--------|-------|-----|
| Construction/Substantial Rehab Properties and Other Investments |                  |        |        |       |     |
| Arlington   | Arlington, TX    | Dec-00 | 176    | 1,389 | 1,3 |
| Barrington at Beach Street                                      | Ft. Worth, TX    | Oct-00 | 398    | 799   | 8   |
| Bedford Park  | Indianapolis, IN | Oct-00 | 312    | 529   | 4   |
| CAPREIT Joint Venture (6)                                       |                  | Jun-02 | 6,279  | 740   | 7   |
| CAPREIT TERA (7)  |                  | Mar-01 | 2,942  | 602   | 6   |
| Cedar Park Ranch  |                  | Aug-03 | 180    | N/A   | N   |
| Chancellor  |                  | Nov-01 | 101    | N/A   | N   |
| Chancellor II   |                  | Mar-02 | 46     | N/A   | N   |
| City Views at Rosa Burney Park                                  |                  | Dec-02 | 180    | 568   | 5   |
| Cliffs at Grove Barton  |                  | Apr-03 | 132    | N/A   | N   |
| Cool Springs  | Franklin, TN     | Aug-00 | 124    | 1,952 | 1,9 |
| Coronel Village   |                  | Apr-02 | 48     | N/A   | N   |
| Desert Tree Estates   |                  | Sep-03 | 196    | N/A   | N   |
| Eden Park   |                  | May-03 | 104    | N/A   | N   |
| Evergreen at Mesquite   |                  | Aug-03 | 200    | N/A   | N   |
| Fort Branch   | Austin, TX       | Dec-00 | 250    | 727   | 7   |
| Hidden Brooks   |                  | Sep-01 | 201    | 1,044 | 1,0 |
| Jefferson at Town Lake  |                  | Dec-02 | 216    | 1,412 | N   |
| Lake Pleasant Village   |                  | May-03 | 152    | N/A   | N   |
| Las Trojas  |                  | Mar-02 | 49     | N/A   | N   |
| Liberty Park Townhomes  |                  | Feb-03 | 184    | 490   | 4   |
| Lincoln Corner  |                  | Dec-01 | 134    | N/A   | N   |
| Meridian at Bridgewater   | Bridgewater, NJ  | Nov-99 | 90     | 3,779 | 3,8 |
| Mountain View Village   |                  | Jun-02 | 220    | N/A   | N   |
| North White Road  |                  | Nov-01 | 157    | N/A   | N   |
| Oak Grove Commons   |                  | Dec-01 | 168    | N/A   | N   |
| Olathe Senior Residences  |                  | Dec-02 | 144    | N/A   | N   |
| Osborne Place Manor   |                  | Dec-02 | 50     | N/A   | N   |
| Penn Valley   |                  | Dec-01 | 42     | N/A   | N   |
| Sanger Trails   |                  | Dec-02 | 208    | N/A   | N   |
| Sycamore Senior Village   |                  | Jun-02 | 300    | N/A   | N   |
| Village at Sun Valley   | Mesa, AZ         | May-00 | 276    | 684   | 6   |
| Walnut Grove  |                  | Jul-03 | 60     | N/A   | N   |
| Walnut Tree   |                  | Mar-02 | 64     | N/A   | N   |
| Woodland Village  |                  | May-03 | 198    | N/A   | N   |
|   |                  |        | -----  |       |     |
| Subtotal Construction/Rehab Properties                          |                  |        | 14,581 |       |     |
|   |                  |        | -----  |       |     |
| Total Units   |                  |        | 35,229 |       |     |
|   |                  |        | =====  |       |     |

(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.

Exhibit 99.2

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INFORMATION FOR RELEASE

MuniMae Reports 2003 Third Quarter Results  
27th Consecutive Increase in Distribution to Common Shares

## Edgar Filing: MUNICIPAL MORTGAGE & EQUITY LLC - Form 8-K

BALTIMORE (October 16, 2003) - Municipal Mortgage & Equity, LLC (NYSE: MMA), known as MuniMae, reported net income allocated to common shares of \$18.1 million for the quarter ended September 30, 2003, compared to \$0.2 million for the same period in 2002. Diluted earnings per share were \$0.62 for the quarter, compared to \$0.01 for the same period in 2002. The substantial changes in these GAAP numbers, which do not impact our cash available for distribution described below, resulted primarily from a \$13.4 million improvement in unrealized gains on derivative securities between the third quarter of 2002 and the latest quarter.

Cash Available for Distribution ("CAD") to common shares, the primary measure of the Company's distribution paying ability, increased 19% for the quarter ended September 30, 2003 compared to the same period in 2002. CAD per common share increased 4% compared to the same period in 2002. The Board of Directors raised the quarterly distribution to holders of our common shares to \$0.45, an increase of 2% over the same period in 2002.

Mark K. Joseph, Chairman of the Board and CEO of MuniMae, commented, "This has been a very productive quarter for MuniMae. We are pleased to have raised our distribution for the 27th consecutive quarter. In addition, the Company closed the acquisition of the HCI unit of Lend Lease Corporation Limited. After the completion of the third quarter, on October 15th, the Company completed another offering of common equity, which generated \$88.4 million in gross proceeds after the underwriters exercised their full over-allotment option. The Company was very pleased with the reception by the markets."

### Summary Results - GAAP

-----

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

|   | Third Quarter |        |
|---|---------------|--------|
|   | 2003          | 2002   |
|   | -----         | -----  |
| Net Income to Common Shares (\$ millions) | \$18.1        | \$0.2  |
| Per Share Results                         |               |        |
| Basic (\$)                                | \$0.63        | \$0.01 |
| Diluted (\$)                              | \$0.62        | \$0.01 |

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

### Summary Results - CAD

-----

For the third quarter of 2003, CAD to common shares was \$15.3 million. The 2003 third quarter per share distribution to common shareholders of \$0.45 represents a payout ratio of 96%. The third quarter payout ratio is higher than in past quarters due to the issuance of common shares in the recent offering, which closed subsequent to quarter-end but before the record date for the third quarter distribution. Excluding those shares issued in the recent offering, the payout ratio would have been 85%. (The Company uses CAD as its primary measure of performance and believes it to be illustrative of 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

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attached calculation of CAD statement.)

|                             | Third Quarter |        |        |
|-----------------------------|---------------|--------|--------|
|                             | 2003          | 2002   | Change |
| CAD to Common (\$ millions) | \$15.3        | \$12.9 | 19%    |
| CAD per Common Share (\$)   | \$0.53        | \$0.51 | 4%     |

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

### Third Quarter Distribution

MuniMae's third quarter distribution to common shareholders of \$0.45 annualizes to \$1.80 per share. Based on yesterday's closing share price of \$24.30, MuniMae common shares have an annualized yield to shareholders of 7.4%. Based on the assumption that the Company's income is 75% - 80% exempt from Federal income tax, absent the impact of capital gains and assuming a 35% tax bracket, the taxable equivalent yield would be 10.4% - 10.6%. The record date for the quarterly distribution is October 27, and the payment date is November 7.

### About Municipal Mortgage & Equity

MuniMae and its subsidiaries originate, service and asset manage investments in multifamily debt and equity for its own account and on behalf of others. MuniMae conducts these operations under the trade name MMA Financial, LLC. As of September 30, 2003, assets under management totaled \$7.8 billion secured by 2,054 properties containing 223,766 units in 48 states including the District of Columbia and the U.S. Virgin Islands. For its proprietary accounts, MuniMae primarily holds tax-exempt multifamily housing bonds. This on-balance sheet portfolio of tax-exempt bonds is secured by 150 properties containing 35,229 units in 27 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 normally 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, including those about prospective distributions and the tax-exempt nature of those distributions, that 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.

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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.mmafin.com  
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Contacts

Investor Relations:

Angela Richardson, 888/788-3863

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

|   | For the three months ended<br>September 30, |           |
|---|---|-----------|
|   | 2003  | 2002      |
| <b>INCOME:</b>  |   |           |
| Interest income   |   |           |
| Interest on bonds and residual interests in bond<br>securitizations | \$ 15,612                                   | \$ 15,409 |
| Interest on loans   | 9,408                                       | 8,676     |
| Interest on short-term investments                                  | 308   | 260       |
| Total interest income   | 25,328                                      | 24,345    |
| Fee income  |   |           |
| Syndication fees  | 5,764                                       | 767       |
| Origination fees  | 862   | 2,014     |
| Loan servicing fees   | 1,716                                       | 1,544     |
| Asset management and advisory fees                                  | 3,191                                       | 969       |
| Other income  | 3,582                                       | 900       |
| Total fee income  | 15,115                                      | 6,194     |
| Net gain on sales   | 8,288                                       | 657       |
| Total income  | 48,731                                      | 31,196    |
| <b>EXPENSES:</b>  |   |           |
| Interest expense (Note 1)   | 15,690                                      | 8,771     |
| Salaries and benefits   | 12,065                                      | 5,446     |
| General and administrative  | 3,385                                       | 1,756     |
| Professional fees   | 1,105                                       | 884       |
| Amortization of intangibles   | 2,863                                       | 334       |
| Total expenses  | 35,108                                      | 17,191    |
| Net holding gains (losses) on derivatives                           | 3,498                                       | (9,921)   |
| Impairments and valuation allowances related to investments         | -   | -         |
| Net losses from equity investments in partnerships                  | (1,608)                                     | (1,488)   |

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|   |            |            |
|---|------------|------------|
| Income tax benefit (expense)  | 2,622      | 635        |
| Income allocable to preferred shareholders in a subsidiary company (Note 1) | -          | (2,994)    |
|   | -----      | -----      |
| Net income from continuing operations                                       | 18,135     | 237        |
| Discontinued operations   | -          | -          |
|   | -----      | -----      |
| Net income  | \$ 18,135  | \$ 237     |
|   | =====      | =====      |
|   |            |            |
| Net income allocated to:  |            |            |
| Term growth shares  | -          | -          |
|   | -----      | -----      |
| Common shares   | \$ 18,135  | \$ 237     |
|   | =====      | =====      |
|   |            |            |
| EARNINGS PER COMMON SHARE:  |            |            |
| Basic earnings per common share:  |            |            |
| Net income from continuing operations                                       | \$ 0.63    | \$ 0.01    |
| Discontinued operations   | -          | -          |
|   | -----      | -----      |
| Basic earnings per common share   | \$ 0.63    | \$ 0.01    |
|   | =====      | =====      |
| Weighted average common shares outstanding                                  | 28,842,447 | 25,329,103 |
| Diluted earnings per common share:  |            |            |
| Net income from continuing operations                                       | \$ 0.62    | \$ 0.01    |
| Discontinued operations   | -          | -          |
|   | -----      | -----      |
| Diluted earnings per common share   | \$ 0.62    | \$ 0.01    |
|   | =====      | =====      |
| Weighted average common shares outstanding                                  | 29,224,605 | 25,916,151 |

Note 1: As the result of adopting Financial Accounting Standards Board Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FAS 150"), as of July 1, 2003 the Company was required to reclassify its preferred shareholders' equity of \$160.5 million, recording the \$168.0 million redemption obligation as a liability and the \$7.5 million of preferred equity issue costs as an asset, to be amortized until the redemption dates, on the consolidated balance sheets. In addition, amounts previously classified as distributions paid to the preferred shareholders have been recorded as interest expense starting in the third quarter of 2003.

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

|  | For the three months ended<br>September 30, |           |
|--|---|-----------|
|  | -----                                       | -----     |
|  | 2003  | 2002      |
|  | -----                                       | -----     |
| INCOME:  |   |           |
| Interest income  |   |           |
| Interest on bonds and residual interests in bond securitizations | \$ 15,612                                   | \$ 15,409 |
| Interest on loans  | 9,408                                       | 8,676     |

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|  |            |           |    |
|--|------------|-----------|----|
| Interest on short-term investments                                 | 308        | 260       |    |
|  | 25,328     | 24,345    |    |
| Total interest income  |            |           |    |
| Fee income   |            |           |    |
| Syndication fees   | 5,764      | 767       |    |
| Origination fees   | 862        | 2,014     |    |
| Loan servicing fees  | 1,716      | 1,544     |    |
| Asset management and advisory fees                                 | 3,191      | 969       |    |
| Other income   | 3,582      | 900       |    |
|  | 15,115     | 6,194     |    |
| Total fee income   |            |           |    |
| Net gain on sales  | 8,288      | 657       |    |
|  | 48,731     | 31,196    |    |
| Total income   |            |           |    |
| EXPENSES:  |            |           |    |
| Interest expense   | 15,690     | 8,771     |    |
| Salaries and benefits  | 12,065     | 5,446     |    |
| General and administrative   | 3,385      | 1,756     |    |
| Professional fees  | 1,105      | 884       |    |
| Amortization of intangibles  | 2,863      | 334       |    |
|  | 35,108     | 17,191    |    |
| Total expenses   |            |           |    |
| Net holding gains (losses) on derivatives                          | 3,498      | (9,921)   |    |
| Impairments and valuation allowances related to investments        | -          | -         |    |
| Net losses from equity investments in partnerships                 | (1,608)    | (1,488)   |    |
| Income tax benefit (expense)                                       | 2,622      | 635       |    |
| Income allocable to preferred shareholders in a subsidiary company | -          | (2,994)   |    |
|  | 18,135     | 237       |    |
| Net income from continuing operations                              |            |           |    |
| Discontinued operations  | -          | -         |    |
|  | \$ 18,135  | \$ 237    | \$ |
| Net income   |            |           |    |
| Net income allocated to:   |            |           |    |
| Term growth shares   | -          | -         |    |
|  | \$ 18,135  | \$ 237    | \$ |
| Common shares  |            |           |    |
| Conversion to Cash Available for Distribution:                     |            |           |    |
| (1)Mark to market adjustments                                      | \$ (3,498) | \$ 9,921  | \$ |
| (2)Equity investments  | 1,995      | 3,248     |    |
| (3)Net gain on sales   | (577)      | (450)     |    |
| (3)Amortization of capitalized mortgage servicing fees             | 390        | 334       |    |
| (3)Amortization of asset management contracts                      | 2,422      | -         |    |
| (4)Origination fees, syndication fees and other income, net        | 2,675      | 53        |    |
| (5)Valuation allowances and other-than-temporary impairments       | -          | -         |    |
| (6)Deferred tax expense  | (2,622)    | (462)     |    |
| (7)Discontinued operations   | -          | -         |    |
| (7)Interest income   | -          | -         |    |
| (8)Fund income   | (3,629)    | -         |    |
|  | \$ 15,291  | \$ 12,881 | \$ |
| Cash Available for Distribution (CAD)                              |            |           |    |

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 and amortization of intangible assets, including (a) non-cash gains and losses associated with the sale of assets or capitalization of mortgage servicing rights; (b) amortization of mortgage servicing rights over the estimated life of the serviced loans; and (c) amortization of asset management contracts recorded in connection with a July 2003 acquisition. These non-cash items are not included in CAD.

(4) This adjustment reflects the net difference, for the relevant period, between fees reflected in income when received for CAD and the recognition of fees for GAAP. This line item reflects several types of income:

(a) Origination fees and certain other income amounts, which are recognized as income when received for CAD purposes, but for GAAP reporting are amortized over the life of the associated investment.

(b) Syndication fees, which are recognized as income when earned for CAD purposes, but for GAAP reporting a portion of the fee may be deferred until investors have paid in greater than 20% of their total capital contributions to the tax credit funds.

(c) Guarantee fees, which are recognized as income when received for CAD purposes, but for GAAP reporting are recorded into income over the guarantee period.

(d) Asset management fees, which are recognized as income when earned and collectible for CAD purposes are applied first to relieve accounts receivable recorded in conjunction with the July 2003 acquisition, and second as income consistent with the CAD revenue recognition.

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

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

(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.

(8) For those of the Company's tax credit equity syndication funds in which the Company provides a guarantee or otherwise has continuing involvement in the underlying assets of the fund, GAAP accounting requires the Company to record the net income (loss) from the fund. This non-cash item is not reflected in CAD.

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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>September 30, |                   |
|--|---|-------------------|
|  | 2003  | 2002              |
| <b>SOURCES OF CASH:</b>  |   |                   |
| Interest on bonds, residual interests in bond securitizations and loans  | \$ 24,626                                   | \$ 23,300         |
| Interest on short-term investments   | 277   | 2,000             |
| Syndication fees   | 6,588                                       | 7,000             |
| Origination fees   | 1,887                                       | 2,200             |
| Loan servicing fees  | 1,708                                       | 1,500             |
| Asset management and advisory fees   | 3,777                                       | 9,000             |
| Distributions from equity investments in partnerships  | 1,946                                       | 1,700             |
| Other income   | 2,384                                       | 8,000             |
| Net gain (loss) on sales   | 3,239                                       | 2,000             |
| <b>TOTAL SOURCES OF CASH</b>   | <b>46,432</b>                               | <b>31,900</b>     |
| <b>EXPENSES:</b>   |   |                   |
| Interest expense   | 11,920                                      | 8,100             |
| Interest expense - preferred shares (Note 1)   | 2,994                                       | 2,000             |
| Salaries and benefits  | 12,065                                      | 5,400             |
| Professional fees  | 1,105                                       | 8,000             |
| General and administrative   | 3,057                                       | 1,700             |
| Loan loss expense  | -   | -                 |
| Income tax expense (benefit)   | -   | (1,000)           |
| <b>TOTAL EXPENSES</b>  | <b>31,141</b>                               | <b>16,000</b>     |
| <b>CASH AVAILABLE FOR DISTRIBUTION</b>   | <b>15,291</b>                               | <b>15,800</b>     |
| <b>LESS:</b>   |   |                   |
| Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company (Note 1) | -   | 2,900             |
| <b>CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES</b>  | <b>\$ 15,291</b>                            | <b>\$ 12,800</b>  |
| <b>CAD PER COMMON SHARE</b>  | <b>\$ 0.53</b>                              | <b>\$ 0.50</b>    |
| <b>COMMON SHARES OUTSTANDING</b>   | <b>28,917,912</b>                           | <b>25,349,500</b> |
| <b>CALCULATION OF CASH DISTRIBUTION:</b>   |   |                   |
| CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES   | \$ 15,291                                   | \$ 12,800         |
| <b>ACTUAL AMOUNT PAID</b>  | <b>\$ 14,643</b>                            | <b>\$ 11,100</b>  |

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|  |            |          |
|--|------------|----------|
| PAYOUT RATIO (Note 2)                                  | 95.8%      | 86.      |
|  | =====      | =====    |
| COMMON SHARES OUTSTANDING FOR<br>DISTRIBUTION (Note 2) | 32,540,412 | 25,349,5 |
|  | =====      | =====    |
| CASH DISTRIBUTION PER COMMON SHARE                     | \$ 0.4500  | \$ 0.44  |
|  | =====      | =====    |

Note 1: As the result of adopting Financial Accounting Standards Board Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FAS 150"), as of July 1, 2003 the Company was required to reclassify its preferred shareholders' equity of \$160.5 million, recording the \$168.0 million redemption obligation as a liability and the \$7.5 million of preferred equity issue costs as an asset, to be amortized until the redemption dates, on the consolidated balance sheets. In addition, amounts previously classified as distributions paid to the preferred shareholders have been recorded as interest expense starting in the third quarter of 2003.

Note 2: The payout ratio calculation is based on 32,540,412 common shares outstanding to reflect the 3,622,500 common shares issued in October 2003 that will also receive the third quarter distribution.

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 certain fees, which for CAD purposes are recognized when received but for GAAP purposes are amortized into income over the relevant period. 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, 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)

September 30,      December 31,  
2003                      2002  
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ASSETS:

Investment in tax-exempt bonds and residual interests

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|   |              |              |
|---|--------------|--------------|
| in bond securitizations   | \$ 804,276   | \$ 781,384   |
| Loans receivable, net   | 472,620      | 422,299      |
| Loans receivable held for sale                                  | 9,118        | 39,149       |
| Investments in partnerships                                     | 233,032      | 99,966       |
| Investment in derivative financial instruments                  | 2,755        | 18,762       |
| Cash, cash equivalents and interest receivable                  | 62,268       | 59,902       |
| Other assets  | 204,405      | 97,919       |
| Goodwill  | 131,422      | 33,537       |
|   | -----        | -----        |
| TOTAL   | \$ 1,919,896 | \$ 1,552,918 |
|   | =====        | =====        |
| LIABILITIES AND SHAREHOLDERS' EQUITY:                           |              |              |
| Notes payable   | \$ 609,506   | \$ 450,924   |
| Short-term debt   | 191,835      | 219,945      |
| Long-term debt  | 155,448      | 147,357      |
| Preferred shares subject to mandatory redemption (Note 1)       | 168,000      | -            |
| Tax credit syndication guarantee liability                      | 149,305      | -            |
| Residual interests in bond securitizations                      | 1,925        | 1,447        |
| Investment in derivative financial instruments                  | 17,879       | 49,359       |
| Other liabilities   | 59,346       | 36,357       |
| Preferred shareholders' equity in a subsidiary company (Note 1) | -            | 160,465      |
| Shareholders' equity  | 566,652      | 487,064      |
|   | -----        | -----        |
| TOTAL   | \$ 1,919,896 | \$ 1,552,918 |
|   | =====        | =====        |

Note 1: As the result of adopting Financial Accounting Standards Board Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FAS 150"), as of July 1, 2003 the Company was required to reclassify its preferred shareholders' equity of \$160.5 million, recording the \$168.0 million redemption obligation as a liability and the \$7.5 million of preferred equity issue costs as an asset, to be amortized until the redemption dates, on the consolidated balance sheets. In addition, amounts previously classified as distributions paid to the preferred shareholders have been recorded as interest expense starting in the third quarter of 2003.

Exhibit 99.3

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INFORMATION FOR RELEASE

MuniMae Structures \$317 Million of Multifamily Financing

And Raises \$145 Million in Capital During Third Quarter

BALTIMORE (October 16, 2003) -- Municipal Mortgage & Equity, LLC (NYSE: MMA) known as MuniMae, announced today that it structured \$317 million of financing for multifamily housing during the third quarter of 2003. In addition, the Company raised \$145 million in tax credit equity.

Mark K. Joseph, Chairman of the Board and CEO of MuniMae, commented, "We are pleased with the third quarter production activity. Consistent with our history, and the cyclical nature of our business, the pipeline is looking stronger for the fourth quarter. Our tax credit equity syndication volume has increased significantly due to our July 2003 acquisition."

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### Investment Activity Summary

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

|   | Third Quarter<br>Volume (in millions) | Year-to-Date<br>Volume (in millions) |
|---|---------------------------------------|--------------------------------------|
|   | -----                                 | -----                                |
| Taxable Construction/Permanent Lending  | \$102.4                               | \$390.6                              |
| Tax-exempt Bonds Construction/Permanent | 101.0                                 | 198.8                                |
| Supplemental Loans                      | 17.8                                  | 42.3                                 |
| Equity Investments                      | 95.3                                  | 237.2                                |
|   | -----                                 | -----                                |
| Total                                   | \$316.5                               | \$868.9                              |
|   | =====                                 | =====                                |

### Capital Activity Summary

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In the third quarter of 2003, the Company raised \$145.1 million of tax credit equity from 16 third-party investors, bringing the year-to-date total to \$219.1 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. MuniMae conducts these operations under the trade name MMA Financial, LLC. As of September 30, 2003, assets under management totaled \$7.8 billion secured by 2,054 properties containing 223,766 units in 48 states including the District of Columbia and the U.S. Virgin Islands. For its proprietary accounts, MuniMae primarily holds tax-exempt multifamily housing bonds. This on-balance sheet portfolio of tax-exempt bonds is secured by 150 properties containing 35,229 units in 27 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. Distributions to shareholders are normally declared quarterly and paid in February, May, August and November.

This press release contains statements, including those about prospective distributions and the tax-exempt nature of those distributions, that 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.

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

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Contacts  
Investor Relations

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