MUNICIPAL MORTGAGE & EQUITY LLC
Form DEF 14A
July 19, 2006

Municipal Mortgage & Equity, LLC

621 East Pratt Street
Baltimore, Maryland 21201
T 443.263.2900 F 410.727.5387
www.MuniMae.com

A MuniMae Company

July 19, 2006

Dear fellow shareholder:

You are cordially invited to attend the annual meeting of shareholders to be held on September 5, 2006 at 9:00 a.m., EDT, at our Baltimore offices, which are located at the Pier IV Building, 621 East Pratt Street, Suite 300, Baltimore, Maryland 21202.

At the meeting, you will be asked to elect four persons to the Board of Directors to serve for three year terms and to approve certain amendments to the company's 2004 and 2001 Share Incentive Plans.

Your participation in this meeting, either in person or by proxy, is important. Even if you plan to attend the meeting, please promptly vote the enclosed proxy through the internet, by telephone or by mail. At the meeting, if you desire to vote in person, you may withdraw your proxy.

I look forward to seeing you at the meeting in September.

Sincerely,

Mark K. Joseph
Chairman of the Board

MUNICIPAL MORTGAGE & EQUITY, LLC
Pier IV Building
621 East Pratt Street, Suite 300
Baltimore, Maryland 21202

NOTICE OF 2006 ANNUAL MEETING OF SHAREHOLDERS

To the Holders of Common Shares:

Notice is hereby given that the annual meeting of shareholders of Municipal Mortgage & Equity, LLC will be held on Tuesday, the 5th day of September, 2006, at 9:00 a.m., EDT, at the company's Baltimore offices, which are located at the Pier IV Building, 621 East Pratt Street, Suite 300, Baltimore, Maryland 21202 for the following purposes:

- To elect four directors for terms of three years.
- To approve an amendment and restatement of the company's 2004 Share Incentive Plan in order to eliminate certain sub-limits on specified award types contained therein.

- To approve an amendment and restatement of the company's 2001 Share Incentive Plan in order to eliminate certain sub-limits on specified award types contained therein and to make certain amendments to conform the 2001 Share Incentive Plan to the 2004 Share Incentive Plan.
- To transact such other business as may properly come before the meeting or at any adjournment or postponements thereof.

Any of the foregoing may be considered or acted upon at the first session of the meeting or at any adjournment or postponements thereof.

Holders of common shares of record on the books of the company at the close of business on July 7, 2006, will be entitled to vote on all matters which may come before the meeting or any adjournment or postponements thereof.

Holders of common shares are requested, regardless of the number of shares owned, to either vote the enclosed proxy through the internet or by telephone or sign and date the proxy and mail it promptly in the enclosed envelope, to which no postage need be affixed if mailed in the United States. If you plan to attend the meeting in person you may withdraw your proxy and vote at the meeting.

Stephen A. Goldberg
General Counsel and Secretary

Baltimore, Maryland
July 19, 2006

MUNICIPAL MORTGAGE & EQUITY, LLC
Pier IV Building
621 East Pratt Street, Suite 300
Baltimore, Maryland 21202

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
September 5, 2006

This proxy statement is furnished in connection with the solicitation on behalf of the Board of Directors of Municipal Mortgage & Equity, LLC, a Delaware limited liability company, of proxies to be voted at our annual meeting of shareholders to be held on Tuesday, the 5th day of September, 2006, and at any and all adjournments of the meeting.

A form of proxy is enclosed for execution by holders of our common shares. The proxy reflects the number of shares registered in a holder's name. Any holder giving a proxy has the right to revoke it at any time before the proxy is exercised by written notice to the company's Secretary, by duly executing a proxy bearing a later date or by voting in person at the meeting.

A copy of our annual report for the year ended December 31, 2005, has been mailed or made available electronically to each shareholder of record on the record date for the meeting. You are urged to read the entire annual report.

The entire cost of this solicitation of proxies will be borne by us. Solicitation, commencing on or about July 19, 2006, will be made by use of the mails, telephone and fax, by our regular employees without additional compensation. We will request brokers or other persons holding common shares in their names, or in the names of their nominees, to forward proxy material to the beneficial owners of common shares or request authority for the execution of the proxies and will reimburse those brokers or other persons for their expense in so doing.

The record date for the determination of holders of our common shares entitled to vote at the meeting and at any adjournment or postponement thereof is July 7, 2006. The share transfer books will not be closed. As of the record date, there were 38,428,598 common shares outstanding, excluding common shares held by us as of such date. A majority of the common shares outstanding must be present in person or by proxy in order to constitute a quorum. Holders of common shares will be entitled to one vote per share on all matters presented to the meeting.

It is important that proxies be returned promptly. Therefore, you are requested, regardless of the number of shares that you own, to either vote the enclosed proxy through the internet or by telephone or sign and date the proxy and mail it promptly in the enclosed envelope, to which no postage need be affixed if mailed in the United States. If you plan to attend the meeting in person you may withdraw your proxy and vote at the meeting.

If you are a holder of record and plan to attend the annual meeting, please indicate this on the enclosed proxy when you vote. When you arrive at the annual meeting, you will be asked to present photo identification, such as a driver's license. If you are a beneficial owner of common shares held by a broker, bank, or other nominee, you will need proof of ownership of your common shares (such as a recent brokerage statement or a letter from a bank or broker attesting to your ownership of common shares) in order to be admitted to the meeting.

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I. MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

PROPOSAL 1ELECTION OF DIRECTORS

The Board of Directors is divided into three classes with the directors in each class serving for a term of three years. The term of office of one class of directors expires each year in rotation so that one class is elected at each annual meeting for a full three-year term. The companys Amended and Restated Certificate of Formation and Operating Agreement (our **operating agreement**) provides that the Board of Directors must have between five and 15 members. The number of directors is currently set at eleven. One director may be appointed by the Special Shareholder, as that term is defined in our operating agreement. The seat reserved for this director is currently vacant.

In March 2005, Carl W. Stearn, one of our directors and the chairman of our audit committee passed away. On July 21, 2005, our Board of Directors unanimously appointed Ms. Barbara B. Lucas to the Board of Directors and the compensation committee effective as of August 1, 2005. Mark K. Joseph, the Chairman of our Board of Directors, and Michael L. Falcone, our Chief Executive Officer, President and a director, each recommended Ms. Lucas to the Board as a candidate.

During 2005, the Board of Directors held one regular two-day meeting, five regular one day meetings and three special meetings. Each member of the Board of Directors attended more than 75% of the aggregate of the Board meetings and meetings held by all committees of the Board on which such director served during the periods that the director served.

Unless otherwise specified, the persons named in the accompanying proxy intend to vote the shares represented by proxies for the election of Messrs. Falcone, Richard O. Berndt and Robert S. Hillman and Ms. Lucas, all of whom are current members of the Board of Directors, to hold office until the annual meeting to be held in 2009. Of the Board members standing for election, Mr. Falcone is an officer of the company.

In order to be elected, directors must receive a vote of more than 50% in interest of the common shares voted on the matter, at a meeting at which a quorum is present. If you hold your shares in a bank or brokerage account you should be aware that if you fail to instruct your bank or broker how to vote within ten days of the shareholders meeting (a broker non-vote), the bank or broker is permitted to vote your shares in its discretion on your behalf on routine items. *Banks and brokers generally cast their votes on routine items in support of management in the absence of instructions from their clients.* Thus if you wish to withhold your vote from managements slate of directors, considered a routine matter on which banks and brokers are permitted to vote, you should complete and return your voting instruction form before August 22, 2006.

Although we know of no reason why any of the nominees would not be able to serve, if any nominee is unavailable for election, the proxies would vote your common shares to approve the election of any substitute nominee proposed by the Board of Directors. The Board may also choose to reduce the number of directors to be elected, as permitted by our By-Laws.

Information about Nominees

The name, age, principal occupation for the last five years, period of service as a director of the company and certain other directorships of each director are set forth below.

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NOMINEES FOR DIRECTOR

Terms Expiring at the 2009 Annual Meeting
Class I

Richard O. Berndt, 63, has been a director of the company since 1996. He is the Managing Partner of Gallagher Evelius & Jones LLP, a law firm engaged in the general practice of law. Mr. Berndt has been a partner in that firm since 1972. In addition, Mr. Berndt has been a director of Mercantile-Safe Deposit and Trust Company since 1976 and a director of Mercantile Bankshares Corporation (**Mercantile**), a regional multi-bank holding company, since 1978. He is the chair of Mercantiles employee benefits committee and a member of Mercantiles executive committee. Mr. Berndt also serves on the boards of directors of Baltimore Equitable Insurance, Inc., a mutual insurance company, Enterprise Community Investment, Inc., Mercy Health Services, Inc. and Johns Hopkins Medicine.

Michael L. Falcone, 44, has been a director of the company since 1999, and Chief Executive Officer and President of the company since January 1, 2005. Prior to his appointment as the companys Chief Executive Officer, he had served as Chief Operating Officer since 1997. Prior to joining the company, he was a senior vice president of Shelter Development Corporation, where he was employed from 1983 to 1996. Mr. Falcone serves on the boards of directors of the National Multi-Family Housing Council, the Baltimore Development Corporation, the Greater Baltimore Alliance and the McDonogh School.

Robert S. Hillman, 67, has been a director of the company since 1996, and a director and President of H&V Publishing, Inc., a publishing company, since 1998. Prior to his position at H&V Publishing, Inc., Mr. Hillman was a member of the law firm of Whiteford, Taylor and Preston, LLP, then a 135-attorney firm, from 1987 to 2000. Formerly the executive partner of the firm, Mr. Hillman has extensive experience in municipal finance, real estate, labor, and employment law. He is also Chairman Emeritus of the Babe Ruth Museum and trustee of the Enoch Pratt Free Library.

Barbara B. Lucas, 60, was appointed as a director effective August 1, 2005. Ms. Lucas was formerly Senior Vice PresidentPublic Affairs and Corporate Secretary of The Black & Decker Corporation, a manufacturer and marketer of power tools and accessories, hardware and home improvement products, and technology- based fastening systems, and served on Black & Deckers Management Committee until May 2006. Ms. Lucas was elected Senior Vice President of Black & Decker in December 1996 after having served as Vice President - Public Affairs since beginning her career with Black & Decker in July 1985. She has been Corporate Secretary and head of Public Affairs since joining the company. Ms. Lucas is a director of Provident Bankshares Corporation (**Provident**), a commercial bank holding company, where she chairs the Compensation Committee. Ms. Lucas is a member of the American Society of Corporate Secretaries, where she formerly served as president of the Mid-Atlantic Regional Chapter and as a national director.

The Board of Directors unanimously recommends a vote FOR the election of these nominees as directors.

MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE

Directors with Terms Expiring at the 2007 Annual Meeting
Class II

Eddie C. Brown, 65, has been a director of the company since 2003. Mr. Brown is founder, president and a member of the board of directors of Brown Capital Management, Inc., an investment management firm, which manages money for institutions and wealthy individuals. Mr. Brown has served in this capacity since July 1983. Mr. Brown also serves on the boards of directors of Mercantile, the Greater Baltimore Committee and the East Baltimore Development Corporation, and is co-chairman of Reason to Believe.

Douglas A. McGregor, 64, has been a director of the company since 1999. In 2002, Mr. McGregor retired as Vice Chairman and Chief Operating Officer of The Rouse Company, formerly a real estate development and management company, a position he held since 1998. Mr. McGregor had been with The Rouse Company since 1972. Mr. McGregor has extensive experience in real estate development and management. Mr. McGregor is a trustee of the Garrison Forest School.

Fred N. Pratt, Jr., 61, has been a director of the company since July 2003. Mr. Pratt co-founded the Boston Financial Group (**Boston Financial**), formerly a leading real estate investment manager, operator, and service provider that managed $5.8 billion in real estate investments, that was acquired by Lend Lease Corporation Limited (**Lend Lease**), a leading international retail and residential property group, in 1999. Mr. Pratt served Lend Lease in several capacities including as chief executive officer of Lend Lease Real Estate Investments (U.S.) from April 2001 through February 2003. Mr. Pratt also is a member of the board of Benchmark Assisted Living, a senior housing provider, and is a member of the advisory boards of the Massachusetts Institute of Technology's Center for Real Estate and Project Hope, a non-profit service agency dedicated to ending family homelessness.

Directors with Terms Expiring at the 2008 Annual Meeting
Class III

Charles C. Baum, 64, has been a director of the company since 1996 and is the president of United Holdings Co., Inc. Mr. Baum had been the chief financial officer at United Holdings, a company that invests in real estate and securities, and its predecessors since 1973. Mr. Baum is also a member of the boards of directors of Gabelli Group Capital Partners, an investment advisory firm, and Shapiro, Robinson & Associates, a firm that represents professional athletes.

Mark K. Joseph, 67, has been Chairman of the Board of the company since 1996. Prior to January 1, 2005, he also served as our Chief Executive Officer since 1996. He also served as the president and a director of the managing general partner of the SCA Tax-Exempt Fund Limited Partnership, the company's predecessor, from 1986 through 1996. Mr. Joseph is founding chairman of the board of The Shelter Group, a real estate development and property management company. Mr. Joseph serves on the boards of directors of the Greater Baltimore Committee and Provident.

Arthur S. Mehlman, 64, has been a member of the Board of Directors since 2004. Prior to his retirement in 2002, Mr. Mehlman served as a partner at KPMG, LLP, an independent registered public accounting firm, since 1972, in charge of KPMG's audit practice for the Baltimore/Washington region. While at KPMG, Mr. Mehlman worked on a broad range of public company audit and compliance issues, and participated as client service or audit engagement partner on more than 60 offerings of debt and equity securities in the United States and Europe. Mr. Mehlman also serves on the boards of directors of the Legg Mason Family of Funds and The Royce Funds.

BOARD OF DIRECTORS MATTERS

Attendance at Annual Meetings

Directors are encouraged, but are not required, to attend all annual and special meetings of our shareholders. Five directors attended our last annual shareholders meeting.

Correspondence with the Board

Correspondence intended for the Board of Directors or any individual directors (including the company's non-management directors) should be sent to our Secretary c/o Municipal Mortgage & Equity, LLC, at our Baltimore offices.

Director Compensation

Fees Paid to Non-Executive Directors

Each non-executive director receives an annual retainer of $25,000, plus a fee of $1,000 for attendance at each Board and committee meeting. In addition, committee members receive an annual retainer of $2,500 and committee chairs receive an additional retainer of $5,000. Directors have the option to receive these fees in cash, common shares, restricted shares or deferred shares.

Non-Employee Directors' Share Plans

The company maintains a 2004 Non-Employee Directors Share Plan (the **2004 Directors Plan**) that provides for annual equity grants to non-employee directors. Each director is entitled to receive a restricted share award, valued at $12,000 (based on the closing price of our common shares on the trading day immediately preceding the date of grant), on the date of our annual meeting of shareholders. The restricted shares subject to this annual award fully vest on the earlier of the first anniversary of the date of grant or the date of our next annual meeting of shareholders.

Pursuant to the 2004 Directors Plan, each director has the option to elect to receive this annual award in the form of a deferred share award rather than a restricted share award. If a director chooses to receive deferred shares in payment of fees, the company will credit the directors deferred share account with deferred shares equal to the fees payable to the director (based on the closing price of our common shares on the trading day immediately preceding the payment date). Each directors deferred share account is credited with distribution equivalents based on the distributions made on our common shares based on the balance in the directors deferred share account (based on the closing price of our common shares on the distribution payment date).

The 2004 Directors Plan also provides that each non-employee director, upon appointment to the Board of Directors, is entitled to receive an option to purchase 7,000 common shares, with an exercise price equal to the closing price of our common shares on the trading day immediately preceding the date of grant. Such options are exercisable for ten years and vest in three equal annual installments commencing on the earlier of (a) the first anniversary of the directors appointment to the Board and (b) the date of the first annual meeting after the directors appointment to the Board, and on each of the two succeeding anniversaries of such date.

Under the 2004 Directors Plan, during 2005 (a) an option to purchase 7,000 common shares was granted to Ms. Lucas upon her appointment to the Board and (b) a total of 6,810 shares (in the form of restricted shares and deferred shares) were granted to directors as annual equity awards, in lieu of directors fees or as distribution equivalents on deferred share balances. The company also maintains a 1996 Non-Employee Directors Share Plan, a 1998 Non-Employee Directors Share Plan and a 2001 Non-Employee Directors Share Plan with substantially similar terms and limited capacity for additional equity grants to directors. During 2005, (a) a total of 8,323 shares (in the form of deferred shares and common shares) were granted to directors in lieu of directors fees and as distribution equivalents on deferred share balances under the 2001 Non-Employee Directors Share Plan, (b) a total of 6,017 deferred shares were granted to directors in lieu of directors fees and as distribution equivalents on deferred share balances under the 1998 Non-Employee Directors Share Plan and (c) no awards were made under the 1996 Non-Employee Directors Share Plan.

Plan Amendments

Section 409A is a new section of the Internal Revenue Code of 1986, as amended (the **Code**), that deals specifically with nonqualified deferred compensation plans. It was created as part of the American Jobs Creation Act of 2004, which was passed by Congress and signed into law in October 2004. Section 409A generally applies to amounts deferred after December 31, 2004. In certain situations, Section 409A could require payment of an excise tax on deferred compensation received by grantees under deferred compensation plans.

Management requested, and the Board approved, certain amendments to each of the directors share plans in order to ensure that the plans comply with recently adopted Section 409A of the Code and the related rules and regulations.

Director Independence

The Board evaluates the independence of each director in accordance with applicable laws and regulations, the listing standards of the New York Stock Exchange (the **NYSE**) and the criteria set forth in the companys Corporate Governance Guidelines which is available on our website located at www.munimae.com. These standards include evaluating material relationships with us, if any. Based on the recommendation of our Governance Committee, the Board of Directors has determined that all of the non-employee directors other than Mr. Berndt (Messrs. Baum, Brown, Hillman, McGregor, Mehlman and Pratt and Ms. Lucas) are independent as required by the federal securities laws and the rules and regulations promulgated thereunder by the Securities and Exchange Commission (the **SEC**), by the listing standards of the NYSE and by our Corporate Governance Guidelines. The Board has also assessed the independence of the members of the Audit, Compensation and

Governance Committees based on the Corporate Governance Guidelines and applicable federal securities laws, SEC rules and regulations and listing standards of the NYSE and has found all members of those committees to be independent.

Committees of the Board

The Board has three principal committees: Audit, Compensation and Governance. The following describes for each committee its current membership, the number of meetings held during 2005 and each committee's mission. All members of these committees are non-management directors and have been determined to be independent by the Board as discussed above under "Director Independence."

Audit Committee

We have an Audit Committee of the Board of Directors which met eleven times during 2005. The Board has adopted and approved a written charter for the Audit Committee which is available on our website and in print at the request of any shareholder by mail to our Secretary c/o Municipal Mortgage & Equity, LLC, at our Baltimore offices. The Audit Committee charter was amended and restated effective as of September 8, 2005 after the annual review of the charter by the committee and is attached hereto as Appendix A. The Audit Committee meets the definition of an audit committee as set forth in Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the "**Exchange Act**"). The members of our Audit Committee are Messrs. Pratt (acting chairman), Baum, Brown, Hillman and Mehlman. Our Board of Directors has also determined that each of the members of our Audit Committee is financially literate and that Mr. Mehlman meets the Exchange Act definition of an "audit committee financial expert."

As described in its charter, the Audit Committee's primary duties and responsibilities are to:

- Monitor the integrity of our financial reporting process and systems of internal controls;
- Monitor our compliance with legal and regulatory requirements;
- Monitor the independence, qualifications and performance of our independent public accountants and internal audit function;
- Cause to be prepared and approve the report set forth annually in our proxy statement (on p. 28 herein); and
- Provide an avenue of communication among the independent auditors, management, the internal audit department and the Board.

Compensation Committee

We have a Compensation Committee of the Board of Directors, consisting of Messrs. Hillman (Chair), Baum and McGregor and Ms. Lucas, which met eight times during 2005. The Board has adopted and approved a written charter for the Compensation Committee which is available on our website and in print at the request of any shareholder by mail to our Secretary c/o Municipal Mortgage & Equity, LLC, at our Baltimore offices.

As described in its charter, the Compensation Committee's primary duties and responsibilities are to oversee the administration of the company's compensation programs, review the compensation of executive officers and prepare the report on executive compensation required to be set forth annually in our proxy statement (on p. 12 herein).

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee has ever been an officer or employee of the company or any of its subsidiaries. No executive officer of the company served as a director or a member of the compensation committee of another company one of whose executive officers served on the company's Compensation Committee or served as a director of the company during 2005.

Governance Committee

We have a Governance Committee of the Board of Directors which met four times during 2005. The Board has adopted and approved a written charter for the Governance Committee which is available on our website and in print at the request of any shareholder by mail to our Secretary c/o Municipal Mortgage & Equity, LLC, at our Baltimore offices. The members of our Governance Committee are Messrs. McGregor (Chair), Baum and Hillman.

As described in its charter, the Governance Committee's primary duties and responsibilities are to identify individuals qualified to become members of the Board of Directors, to select, or recommend that the Board select, the director nominees for each annual meeting of the company's shareholders, and to develop and recommend a set of corporate governance principles applicable to the company to the Board. In addition, the Governance Committee works together with senior management on long-term organizational development and planning efforts.

In conjunction with the Governance Committee, the company has adopted the Corporate Governance Guidelines, that are available on our website and in print at the request of any shareholder by mail to our Secretary c/o Municipal Mortgage & Equity, LLC, at our Baltimore offices.

Director Nomination Process

The Governance Committee generally identifies prospective board members based on both recommendations from the company's directors and members of management. The Governance Committee has elected not to set minimum qualifications or specific qualities or skills that must be met by a recommended nominee for a position on our Board of Directors. Instead, the Governance Committee considers such factors as it deems appropriate, including judgment, skill, diversity, experience with businesses and other organizations of comparable size, the interplay of the candidate's experience with the experience of our other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board.

The Governance Committee is prepared to consider any nominations for election to our Board of Directors that may be made by any of our shareholders. The Governance Committee's policy is to evaluate any director nomination received from a shareholder in the same manner in which it evaluates nominations from other sources. Shareholders who wish to recommend a prospective nominee to the Governance Committee for its consideration should send the name and qualifications of the prospective nominee sent to the Governance Committee c/o our Secretary, at our Baltimore offices.

For any shareholder proposal relating to the nomination of a person to be elected to the Board of Directors, the shareholder must comply with the deadlines and delivery instructions described under "Shareholder Proposals" on page 30 of this proxy statement.

Any such notice must set forth (a) as to each nominee for election or reelection as a Director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (b) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (1) the name and address of such shareholder, as they appear in the company's records, and of such beneficial owner and (2) the class and number of shares which are owned beneficially and of record by such shareholder and such beneficial owner.

Code of Ethics and Business Integrity

The company has developed and adopted a Code of Ethics and Principles of Business Integrity that is applicable to all company employees and directors. The Code of Ethics and Principles of Business Integrity is available on our website and in print at the request of any shareholder by mail to our Secretary c/o Municipal Mortgage & Equity, LLC, at our Baltimore offices.

IDENTIFICATION OF EXECUTIVE OFFICERS

Listed below are the executive officers of the company as of March 31, 2006.

Michael L. Falcone, 44, has been a director of the company since 1999, and Chief Executive Officer and President of the company since January 1, 2005. Prior to his appointment as the company’s Chief Executive Officer, he served as our Chief Operating Officer since 1997. Prior to joining the company, he was a senior vice president of Shelter Development Corporation, where he was employed from 1983 to 1996. Mr. Falcone serves on the boards of directors of the National Multi-Family Housing Council, the Baltimore Development Corporation, the Greater Baltimore Alliance and the McDonogh School.

Earl W. Cole, III, 53, is an Executive Vice President of the company responsible for the Corporate Credit and Portfolio Risk Management group, and has been an executive officer of the company since 2003. Mr. Cole joined the company’s predecessor, the SCA Tax-Exempt Fund Limited Partnership, in 1989 and has served in various leadership positions with the company since then. Mr. Cole participates in the company’s loan and investment committees and chairs its real estate investment committee. Prior to joining the company, Mr. Cole worked for the U.S. Department of Housing and Urban Development (“**HUD**”) for 13 years, where he held a number of positions involving HUD’s full range of activities, including loan origination and servicing and community planning and development.

Frank G. Creamer, Jr., 59, is an Executive Vice President of the company and head of business development. Between 2000 and when he joined the company in 2004, Mr. Creamer headed marketing for the commercial credit group of Lend Lease while also managing a number of key client relationships within the financial institutions segment. In addition, he managed Lend Lease’s high yield debt programs. Until 2000, Mr. Creamer was an owner and principal of Creamer Vitale Wellsford, the successor firm to a real estate consulting company he founded in 1990. Previously, Mr. Creamer held various executive positions within Citicorp during an 18-year tenure. Mr. Creamer is a member of the Real Estate Roundtable, is an executive advisory committee member at the Simon School, University of Rochester, is an advisory committee member of Massachusetts Institute of Technology’s Center for Real Estate and is a council member for the Urban Land Institute.

Melanie M. Lundquist, 43, is Executive Vice President and Chief Financial Officer of the company. Ms. Lundquist joined the company in March 2005 as Senior Vice President and Chief Accounting Officer prior to being appointed to her current position effective January 1, 2006. Prior to joining the company, Ms. Lundquist worked for The Rouse Company where she held numerous roles since 1991, the last of which was senior vice president and corporate controller. Ms. Lundquist started her career at KPMG LLP and was a senior manager when she left in 1991.

Gary A. Mentesana, 42, has been an Executive Vice President of the company since July 2003. He is the head of the company’s Affordable Housing Group. Prior to his appointment as Executive Vice President, Mr. Mentesana served as the company’s Chief Capital Officer as well as the company’s Chief Financial Officer. Prior to his starting with the company’s predecessor, the SCA Tax-Exempt Fund Limited Partnership in 1988, Mr. Mentesana worked as a certified public accountant for Coopers and Lybrand.

Jenny Netzer, 50, is an Executive Vice President of the company and is responsible for developing new products related to affordable housing and tax-advantaged investing. Ms. Netzer joined the company in July 2003 as a result of our acquisition of Lend Lease’s tax credit business and through December 2005 she led the business unit responsible for creating and managing investments in affordable housing tax credit properties for institutional investors. Ms. Netzer joined Lend Lease through its acquisition of Boston Financial in 1999 where she had been since 1987. At Boston Financial, Ms. Netzer led the housing tax credit business, new business initiatives and managed the firm’s asset management division. Prior to Boston Financial, Ms. Netzer was deputy budget director for the Commonwealth of Massachusetts where she was responsible for the Commonwealth’s health care and public pension program budgets. In addition, she was assistant controller at Yale University and a member of the Watertown Zoning Board of Appeals.

Charles M. Pinckney, 48, is an Executive Vice President of the company and head of MMA Realty Capital (“**MRC**”) which houses the market rate investing activities of the company and has three distinct business groups; Agency Investing, Proprietary Capital, and Investment Management. Agency Investing includes the Federal National Mortgage Association, Federal Home Mortgage Loan Corporation and HUD mortgage banking operations for market rate multifamily housing. Proprietary Capital is the balance sheet investing activity for the company. The Investment Management business invests in all forms of commercial real estate on behalf of institution clients. Mr. Pinckney joined the company in 2000 when we purchased Whitehawk Capital, a business Mr. Pinckney co-founded and that was engaged in structured finance activities. Mr. Pinckney received his undergraduate degree from The Citadel and a master’s degree in business administration from Duke University’s Fuqua School of Business.

EXECUTIVE COMPENSATION

Summary Compensation Table

Set forth below is information concerning the various forms of compensation of each person who was (1) our Chief Executive Officer at any time during 2005 and (2) at December 31, 2005, one of our four most highly compensated executive officers, other than the Chief Executive Officer (together, the “**Named Executive Officers**”).

					Long-Term		
		Annual Compensation			**Compensation Awards**		
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)** (1)	**Other Annual Compensation** (2)	**Restricted Stock Award(s) ($)**	**Securities Underlying Options/ SARs (#)**	**All Other Compensation**
Michael L. Falcone	2005	423,077	600,000	26,721	—	201,863 (3)	2,265 (4)
Chief Executive Officer	2004	362,500	525,000	22,498	—	—	2,265 (4)
and President	2003	312,813	378,125	18,183	—	—	2,265 (4)
Jenny Netzer (5)	2005	313,573	525,000	—	—	—	528 (6)
Executive Vice President	2004	291,278	499,997	—	199,997 (7)	—	88,345 (8)
	2003	132,955	1,106,666 (9)	—	—	—	252 (6)
Charles M. Pinckney	2005	286,539	160,000	15,336	—	124,224 (10)	23 (6)
Executive Vice President	2004	262,500	399,998	13,482	—	—	23 (6)
	2003	235,535	412,481	11,573	—	—	15 (6)
Gary A. Mentesana	2005	289,231	250,000	14,974	—	62,112 (11)	2,265 (12)
Executive Vice President	2004	270,000	300,000	16,178	—	—	2,264 (12)
	2003	250,000	233,333	13,254	—	—	2,264 (12)
William S. Harrison (13)	2005	312,500	200,000	14,743	—	—	15 (6)
Chief Financial Officer	2004	287,500	374,998	15,700	—	—	15 (6)
and Executive Vice President	2003	255,625	233,330	11,349	—	—	15 (6)

(1) Includes the aggregate dollar value of bonus compensation received by such person including cash and deferred shares, as applicable.

(2) The amounts indicated for each person are reimbursements during the fiscal year for the payment of taxes.

(3) Represents options granted during 2006 as bonus compensation earned in 2005 to purchase 201,863 common shares at an exercise price of $26.50 per common share vesting in four equal installments on April 7, 2006 and each of February 1, 2007, 2008 and 2009.

(4) The amounts indicated include (a) $15 in each year for the dollar value of term life insurance premiums paid by the company and (b) $2,250 in each year in guaranteed company matching contributions to Mr. Falcone's retirement plan.

(5) Ms. Netzer became an employee of the company on July 1, 2003.

(6) Represents the dollar value of term life insurance premiums paid by the company.

(7) Ms. Netzer held an aggregate of 5,929 restricted shares as of December 31, 2005, with a value of $153,146 based on the closing price for the company's common shares on December 30, 2005, of which 1,976 vested on February 1, 2006 and 1,976 and 1,977 will vest on each of February 1, 2007 and 2008. Ms. Netzer is entitled to receive distributions with respect to all of the restricted shares payable at the same rate as distributions on our common shares.

(8) Represents (a) $504 as the dollar value of term life insurance premiums paid by the company and (b) $87,841 as settlement of long-term incentive plan payments due to Ms. Netzer under Lend Lease's long-term incentive plan and paid by us in July 2004 as provided by her employment agreement dated as of July 1, 2003.

(9) Includes a deferred share award in an amount equal to $600,004, payable in four equal annual installments, granted to Ms. Netzer at the time that she entered into her employment agreement.

(10) Represents options granted during 2006 as bonus compensation earned in 2005 to purchase 124,224 common shares at an exercise price of $26.50 per common share vesting in four equal installments on April 7, 2006 and each of February 1, 2007, 2008 and 2009.

(11) Represents options granted during 2006 as bonus compensation earned in 2005 to purchase 62,112 common shares at an exercise price of $26.50 per common share vesting in four equal installments on April 7, 2006 and each of February 1, 2007, 2008 and 2009.

(12) The amounts indicated include (a) $15, $14 and $14 in 2005, 2004 and 2003, respectively, for the dollar value of insurance premiums paid by the company and (b) $2,250 in each year in guaranteed company matching contributions to Mr. Mentesana's retirement plan.

(13) Mr. Harrison resigned effective January 1, 2006.

Options/SAR Grants in Last Fiscal Year

Name	**Number of Securities Underlying Options/SARs Granted (#)**	**% of Total Options/SARs Granted to Employees in Fiscal Year**	**Exercise or Base Price ($/Sh)**	**Expiration Date**	**Grant Date Present Value** (1)
Michael L. Falcone	201,863	37.1%	26.50	April 7, 2016	$325,000 (2)
Charles M. Pinckney	124,224	22.9%	26.50	April 7, 2016	$200,000 (3)
Gary A. Mentesana	62,112	11.4%	26.50	April 7, 2016	$100,000 (4)

(1) A binomial lattice option pricing model was used to estimate the grant date present value of these options. The estimated values of these options were determined using the following assumptions: a volatility of 12.27%, a historic average dividend yield of 7.50%, a risk-free rate of return of 4.67% and an implied expected life of 5.75 years. The estimated values do not reflect any adjustments for risk of forfeiture or restrictions on transferability. There is no assurance that the value realized by an executive, if any, will be at or near the value estimated by the binomial lattice model.

(2) Represents options granted during 2006 as bonus compensation earned in 2005. See footnote (3) to the "Summary Compensation Table."

(3)

Represents options granted during 2006 as bonus compensation earned in 2005. See footnote (10) to the Summary Compensation Table.

(4) Represents options granted during 2006 as bonus compensation earned in 2005. See footnote (11) to the Summary Compensation Table.

Aggregated Option Exercises in 2005 and Year-End Option Values

The following table sets forth: (1) the total number of unexercised options held at the end of fiscal year 2005 and (2) the aggregate dollar value of in-the-money unexercised options held at the end of fiscal year 2005, for the Named Executive Officers who held options to purchase common shares during the fiscal year ended December 31, 2005.

			Number of unexercised options held on December 31, 2005 (#)		Value of unexercised in-the-money options at December 31, 2005 ($)(1)	
Name	**Shares acquired on exercise (#)**	**Value realized ($)**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Michael L. Falcone	25,500	215,898	45,362		406,217	
Gary A. Mentesana			29,431		263,555	

(1) Value of unexercised in-the-money options is the difference between the closing price of the shares on December 31, 2005 ($25.83 per common share) and the exercise price of the option ($16.875 per common share, in each case), multiplied by the number of shares subject to the option. Options are only in-the-money if the fair market value of the underlying security exceeds the price of the option.

Employment Agreements

Mr. Falcone

Term

Mr. Falcone is party to an employment agreement with MMA Financial, Inc. (**MMA Financial** referred to in this section together with the company as **we**, **us** and **our**, as applicable), our wholly-owned subsidiary, dated as of January 1, 2005. Pursuant to this agreement, Mr. Falcone has agreed to serve as our Chief Executive Officer and President for a three-year term ending on December 31, 2007. The agreement provides for automatic one-year renewals, unless proper notice is given before the end of the initial term or any renewal period.

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Base Salary and Incentive Compensation

The agreement provides for an initial annual base salary of $425,000 for Mr. Falcone during 2005, which amount increases by 5% per year for each subsequent year. The agreement provides that Mr. Falcone is also eligible to receive: (a) annual incentive compensation, payable in cash, of up to $467,500 per year, depending upon satisfaction of certain individual and company performance objectives and (b) additional long-term compensation, payable one-third in options to purchase the companys common shares and two-thirds in restricted shares, of up to $385,000 per year depending upon satisfaction of certain company performance objectives. Any additional increases in base salary and the performance objectives used to determine the amount of Mr. Falcones incentive compensation will be determined by the Compensation Committee.

The value of any restricted shares granted to Mr. Falcone as long-term incentive compensation will be the closing price of the companys shares on January 1 of the year after the year for which the incentive compensation is awarded. One-fourth of the restricted shares will be vested at the time annual bonuses are paid for that fiscal year to the companys other executive officers and one-fourth of each grant of restricted shares will vest on each anniversary of the initial vesting date. The exercise price of any options granted to Mr. Falcone as incentive compensation will be the fair market value of the company's shares on the date of grant and any unexercised options will expire ten years after the date of grant.

Payments on Termination or a Change in Control

We may terminate our employment agreement with Mr. Falcone for "cause," which includes Mr. Falcone's gross negligence, intentional misconduct, conviction of a serious crime, breach of certain non-competition restrictions or breach of the duty of loyalty. "Cause" also includes certain failures by Mr. Falcone to perform his duties under the employment agreement. If we terminate the agreement for cause, Mr. Falcone will receive his base salary up through the date of termination plus a proportionate share of the incentive compensation Mr. Falcone would have earned for that year, assuming, without testing, that specified performance objectives have been met. If we terminate the agreement without cause or if Mr. Falcone terminates the agreement for good reason (which includes reduction of compensation and diminution of duties) or becomes disabled, Mr. Falcone is entitled to receive his base salary through the date of termination plus a proportionate share of the incentive compensation he would have earned for that year. Upon termination of the agreement without cause, by Mr. Falcone for good reason, or upon Mr. Falcone's death or disability, all awards granted under the company's share incentive plans will become fully vested.

We will make severance payments equal to the greater of (a) 24 months' base salary plus the incentive compensation Mr. Falcone would have earned, assuming, without testing, that specified performance objectives have been met or (b) the total base salary Mr. Falcone would have received during the remaining term of the agreement if we terminate Mr. Falcone without cause; Mr. Falcone terminates the agreement for good reason or Mr. Falcone becomes disabled. The agreement provides for a death benefit equal to two years' base salary in the event of Mr. Falcone's death.

If Mr. Falcone's employment agreement is terminated by us without cause, by him for good reason or not renewed at the expiration of the agreement within 18 months of a "change in control" of the company (as defined in his agreement), Mr. Falcone will receive severance payments equal to three years' base salary plus three times the maximum incentive compensation Mr. Falcone would have been eligible to receive (regardless of satisfaction of performance objectives), and any equity awards granted under the company's share incentive plans will become fully vested. As defined in his agreement, a "change of control" means the acquisition of voting control of us by any one or more persons or entities who are directly, or indirectly through one or more intermediaries, under common control, or who are related to each other within the meaning of Sections 267 and 707(b) of the Code.

Other Provisions

For a twelve-month period following termination of employment, Mr. Falcone has agreed not to compete with the company or divulge confidential company information.

The agreement requires us to indemnify Mr. Falcone from any and all liability for his acts or omissions performed in the course of his employment, provided that such acts or omissions do not constitute (a) criminal conduct, (b) willful misconduct or (c) a fraud upon, or a breach of his duty of loyalty to, the company.

Other Executive Officers

Ms. Netzer has an employment agreement with us dated as of July 1, 2003, with a term of 42 months, ending on December 31, 2006, which will automatically renew for successive one-year periods unless proper notice is given before the end of the initial term or any renewal period. Because Ms. Netzer's role with the company has changed as part of our reorganization efforts, we are currently in the process of negotiating a new agreement with her. Ms. Netzer's agreement provides for an initial base salary of $275,000, which increased by $25,000 on July 1, 2004, 2005 and 2006. Each fiscal year, Ms. Netzer is eligible to receive incentive compensation of up to 100% of her annual base salary, depending on the satisfaction of performance objectives relating to the company, the company's low-income housing tax credit business and Ms. Netzer's individual performance, plus up to an additional $200,000 in the event of superior performance by the company's low-income housing tax credit business. Any additional increases in base salary and the performance objectives used to determine the amount of

Ms. Netzer□s incentive compensation will be recommended by our chief executive officer or chief operating officer and approved by the Compensation Committee. Incentive compensation may take the form of cash or common shares granted pursuant to the company□s share incentive plans.

If we terminate the agreement without □cause□ (defined in substantially the same manner described above under □□Mr. Falcone□Payments on Termination or a Change in Control□) or if Ms. Netzer becomes disabled, in addition to her base salary through the date of termination, Ms. Netzer is entitled to receive a proportionate share of the incentive compensation that she would have earned for that year. Upon a termination of the agreement by us without cause, by Ms. Netzer for □good reason□ (which includes reduction of compensation and diminution of duties) or upon Ms. Netzer□s disability, any outstanding equity awards will become fully vested and we will make severance payments equal to the greater of twelve months□ base salary or the total base salary Ms. Netzer would have received during the remaining term of the agreement. If Ms. Netzer□s employment agreement is terminated within 18 months of a □change in control□ (defined in the same manner described above under □□Mr. Falcone□Payments on Termination or a Change in Control□), the amount of the severance payments increases to two years□ base salary. The agreement also provides a death benefit equal to two years□ base salary and full vesting of any outstan