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MUNICIPAL MORTGAGE & EQUITY LLC

Form 8-K

February 28, 2003

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

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February 28, 2003  
(Date of Report (Date of Earliest Event Reported))

Municipal Mortgage & Equity, LLC  
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation)	011-11981 (Commission File Number)	52-1449733 (IRS Employer Identification Number)
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218 North Charles Street, Suite 500 Baltimore, Maryland (Address of Principal Executive Offices)	21201 (Zip Code)
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(443) 263-2900  
(Registrant's Telephone Number, Including Area Code)

ITEM 5. OTHER EVENTS.

On February 28, 2003, Municipal Mortgage & Equity, LLC (the "Registrant"), distributed an earnings package to Analysts. Attached is a copy of the package, dated year end December 31, 2002, annexed hereto as Exhibit 99.1.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c)	Exhibits.	
	Exhibit No.	Description of Document
	99.1	Supplemental Information, dated year end December 31, 2002

Exhibit 99.1

MUNICIPAL MORTGAGE & EQUITY, LLC

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## SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2002

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

For the three months ended  
December 31,

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	2002	2001
SOURCES OF CASH:		
Interest on bonds, other bond related investments, other notes and loans	\$ 22,596	\$ 22,708
Interest on short-term investments	264	539
Loan servicing fees	1,711	1,962
Origination and syndication fees	5,463	4,131
Other income	4,155	1,345
Net gain on sales	1,637	381
<b>TOTAL SOURCES OF CASH</b>	<b>35,826</b>	<b>31,066</b>
EXPENSES:		
Salaries and benefits	6,475	6,379
Professional fees	1,472	1,549
Other operating expenses	1,880	1,720
Interest expense	9,899	7,101
Income taxes	(443)	(61)
<b>TOTAL EXPENSES</b>	<b>19,283</b>	<b>16,688</b>
<b>CASH AVAILABLE FOR DISTRIBUTION</b>	<b>16,543</b>	<b>14,378</b>
LESS:		
Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company	2,994	3,376
<b>CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES</b>	<b>\$ 13,549</b>	<b>\$ 11,002</b>
<b>CAD PER COMMON SHARE</b>	<b>\$ 0.53</b>	<b>\$ 0.50</b>
CALCULATION OF CASH DISTRIBUTION:		
<b>CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES</b>	<b>\$ 13,549</b>	<b>\$ 11,002</b>
<b>ACTUAL AMOUNT PAID</b>	<b>\$ 11,304</b>	<b>\$ 9,438</b>
<b>PAYOUT RATIO</b>	<b>83.4%</b>	<b>85.8%</b>
<b>COMMON SHARES OUTSTANDING</b>	<b>25,546,010</b>	<b>21,820,266</b>
<b>CASH DISTRIBUTION PER COMMON SHARE</b>	<b>\$ 0.4425</b>	<b>\$ 0.4325</b>

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

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events. These differences between CAD and GAAP income include the treatment of loan origination fees, which for CAD purposes are recognized when received but for GAAP purposes are amortized over the life of the associated loan. In addition, there are differences related to non-cash gains and losses associated with bond valuations and sales, non-cash gains and losses associated with changes in market value of derivative financial instruments, amortization of goodwill and intangibles and capitalization of mortgage servicing rights, net of deferred taxes for GAAP purposes, which are not included in the calculation of CAD.

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

### VARIANCE ANALYSIS FOR CAD

#### 4th Quarter 2002 Compared to 4th Quarter 2001:

Total income for the fourth quarter of 2002 increased \$4.8 million over the same period last year due primarily to the following changes: (1) a \$2.8 million increase in other income due primarily to a \$1.4 million increase in income on the CAPREIT investments, a \$0.5 million guarantee fee earned in the fourth quarter of 2002, and a \$0.6 million increase in cancellation, late and other fees; (2) a \$1.3 million increase in origination and syndication fees due primarily to a \$2.2 million increase in syndication fees related to an increase in the volume of syndications closed, partially offset by a \$0.9 million decrease in origination fees; (3) a \$1.3 million increase in gain on sales due primarily to a \$1.5 million gain on the sale of the Park Center bond and RITESM in the fourth quarter of 2002 versus a \$2.5 million gain on the payoff of the Emerald Hills bond, which was largely offset by losses from swap terminations, in 2001; and (4) a \$0.3 million decrease in interest on short-term investments resulting from funding of operations as well as lower investment yields.

Total expenses for the fourth quarter increased \$2.6 million over the same period last year due primarily to the following changes: (1) a \$2.8 million increase in interest expense associated with an increase in financing costs related to on-balance-sheet securitizations and larger average notes payable balances outstanding during the quarter; (2) a \$0.1 million increase in other operating expenses and professional fees due primarily to software hosting and other information system expenses that began in January 2002; and (3) a \$0.4 million decrease in income tax expense due to a \$1.2 million decrease in taxable income earned at the Company's subsidiaries organized as corporations.

#### Fiscal Year 2002 Compared to Fiscal Year 2001:

Total income for the year ended December 31, 2002 increased \$14.4 million over the same period last year due primarily to the following changes: (1) a \$6.3 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$5.4 million increase in other income due to a \$3.3 million increase in income from the CAPREIT investments, a \$1.0 million increase in asset management fees and advisory fees, a \$0.5 million guarantee fee earned in 2002 and a \$0.5 million increase in cancellation, late and other fees; (3) a \$1.8 million increase in gain on sales due primarily to a \$1.5 million gain on the sale of the Park Center bond and RITESM and a \$0.2 million gain on the sale of US Treasuries in 2002 versus a \$2.5 million gain on the payoff of the Emerald Hills bond, which was largely offset by losses from

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swap terminations, in 2001; and (4) a \$1.2 million increase in origination and syndication fees due to an increase in origination fees, partially offset by a \$0.6 million decrease in syndication fees.

Total expenses for the year ended December 31, 2002 increased \$5.7 million over the same period last year due primarily to the following changes: (1) a \$1.3 million increase in salaries and benefits due to a \$2.0 million increase in salaries and other compensation, offset by a \$0.7 million decrease in bonuses; (2) a \$0.5 million increase in other operating expenses and professional fees due primarily to software hosting and other information system expenses; (3) a \$4.6 million increase in interest expense, primarily associated with an increase in financing costs associated with on-balance sheet securitizations; and (4) a \$0.6 million decrease in income tax expense due to a \$2.8 million decrease in taxable income earned at the Company's subsidiaries organized as corporations.

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

	Qtr Ended 12/31/02	Qtr Ended 09/30/02	Qtr Ende 06/30/02
	-----	-----	-----
<b>SOURCES OF CASH:</b>			
Interest on bonds, other bond-related investments, other notes and loans	\$ 22,596	\$ 23,331	\$ 23,
Interest on short-term investments	264	260	
Loan servicing fees	1,711	1,544	1,
Origination and syndication fees	5,463	2,973	5,
Other income	4,155	3,607	2,
Net gain (loss) on sales	1,637	207	
	-----	-----	-----
TOTAL SOURCES OF CASH	35,826	31,922	33,
	-----	-----	-----
<b>EXPENSES:</b>			
Salaries and benefits	6,475	5,446	5,
Professional fees	1,472	884	1,
Other operating expenses	1,880	1,756	1,
Interest expense	9,899	8,134	7,
Income taxes	(443)	(173)	
	-----	-----	-----
TOTAL EXPENSES	19,283	16,047	17,
	-----	-----	-----
CASH AVAILABLE FOR DISTRIBUTION	16,543	15,875	15,
<b>LESS:</b>			
Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company	2,994	2,994	2,
	-----	-----	-----
CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES	\$ 13,549	\$ 12,881	\$ 12,
	=====	=====	=====
CAD PER COMMON SHARE	\$ 0.53	\$ 0.51	\$ 0
	=====	=====	=====

CALCULATION OF CASH DISTRIBUTION:

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CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES	\$ 13,549	\$ 12,881	\$ 12,
	=====	=====	=====
ACTUAL AMOUNT PAID	\$ 11,304	\$ 11,154	\$ 11,
	=====	=====	=====
PAYOUT RATIO	83.4%	86.6%	89
	=====	=====	=====
COMMON SHARES OUTSTANDING	25,546,010	25,349,585	25,308,
	=====	=====	=====
CASH DISTRIBUTION PER COMMON SHARE	\$ 0.4425	\$ 0.4400	\$ 0.4
	=====	=====	=====

Note: Certain prior quarter amounts have been reclassified to conform to the 12/31/02 presentation.

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

	For the three months end December 31,	
	2002	2001
INCOME:		
Interest income		
Interest on bonds and residual interest in bond securitizations	\$ 13,953	\$ 17,31
Interest on loans	9,195	7,93
Interest on short-term investments	264	89
Total interest income	23,412	26,1
Fee income		
Syndication fees	2,456	22
Origination fees	2,023	3,54
Loan servicing fees	1,711	1,96
Other income	2,143	1,31
Total fee income	8,333	7,04
Net gain on sales	5,032	1,32
Total income	36,777	34,51
EXPENSES:		
Interest expense	10,366	7,22
Salaries and benefits	6,475	6,37
General and administrative	1,841	2,19
Professional fees	1,472	1,54
Amortization of goodwill and mortgage servicing rights	329	49
Total expenses	20,483	17,84

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Net holding losses on derivatives	(333)	2,69
Impairments and valuation allowances related to investments	(620)	
Net losses from equity investments in partnerships	(1,341)	(1,03
Income tax expense	(260)	(35
Income allocable to preferred shareholders in a subsidiary company	(2,994)	(2,96
Cumulative effect on prior years of change in accounting for derivatives	-	
Net income	\$ 10,746	\$ 15,00
 LESS:		
Net income allocable to preferred shares and term growth shares	-	41
Net income allocated to common shares	\$ 10,746	\$ 14,58
 EARNINGS PER COMMON SHARE:		
Basic earnings per common share:		
Basic earnings before cumulative effect of accounting change	\$ 0.42	\$ 0.6
Basic earnings per common share	\$ 0.42	\$ 0.6
Weighted average common shares outstanding	25,426,254	21,708,19
Diluted earnings per common share:		
Diluted earnings before cumulative effect of accounting change	\$ 0.41	\$ 0.6
Diluted earnings per common share	\$ 0.41	\$ 0.6
Weighted average common shares outstanding	25,917,641	22,349,64

### VARIANCE ANALYSIS FOR GAAP

4th Quarter 2002 compared to 4th Quarter 2001:

Total income for the fourth quarter of 2002 increased \$2.3 million over the same period last year due primarily to the following changes: (1) a \$3.7 million increase in gain on sales due primarily to a \$1.4 million gain on the sale of the Park Center bond and RITESSM and a \$2.2 million gain on the payoff of the Villa Hialeah bond; (2) a \$2.7 million decrease in total interest income primarily due to a \$2.1 million decrease in collections of interest on bonds, residual interests in bond securitizations, loans, and other notes, which was largely a result of a one time contingent interest payment of \$2.5 million related to the payoff of the Emerald Hills bond in the fourth quarter of 2001, and a decrease in interest on short-term investments resulting from funding of operations as well as lower investment yields; (3) a \$2.2 million increase in syndication fees due to an increase in the volume of syndications closed; (4) a \$1.5 million decrease in origination fees due to a \$0.7 million decrease in conventional equity production and a \$0.8 million decrease in permanent loan production; and (5) a \$0.8 million increase in other income due primarily to a \$0.2 million increase in asset management and advisory fees and a \$0.4 million increase in cancellation, late and other fees.

Total expenses for the fourth quarter of 2002 increased \$2.6 million over the same period last year due primarily to the following changes: (1) a \$3.1 million increase in interest expense associated with an increase in financing costs related to on-balance-sheet securitizations and larger average notes payable balances outstanding during the quarter; and (2) a \$0.4 million decrease in general and administrative expenses and professional fees related to a one time

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charitable contribution made in the fourth quarter of 2001.

The Company also recorded: net holding losses for the change in market value of the Company's derivative financial instruments of \$0.3 million; \$0.6 million of impairments and valuation allowance expense; and \$1.3 million of losses from equity investments in partnerships in the fourth quarter of 2002.

### Fiscal Year 2002 Compared to Fiscal Year 2001:

Total income for the year ended December 31, 2002 increased \$6.6 million over the same period last year due primarily to the following changes: (1) a \$6.2 million increase in total interest income due to a \$8.0 million increase in collections of interest on bonds, residual interests in bond securitizations, other notes and loans, offset by a decrease in interest on short-term investments resulting from funding of operations as well as lower investment yields; (3) a \$1.7 million increase in syndication fees due to an increase in the volume of syndications closed; and (4) a \$1.7 million decrease in other income primarily due to \$3.3 million of income in 2001 associated with the Dynex transaction, offset in part by an increase of \$1.0 million in asset management and advisory fees and a \$0.2 million increase in commission fees in 2002.

Total expenses for the year ended December 31, 2002 increased \$6.0 million over the same period last year due primarily to the following changes: (1) a \$5.9 million increase in interest expense associated with an increase in financing costs related to on-balance sheet securitizations and larger average notes payable balances outstanding during the year; (2) a \$1.3 million increase in salaries and benefits due to a \$2.0 million increase in salaries and other compensation, offset by a \$0.7 million decrease in bonuses; and (3) a \$1.2 million decrease in amortization expense due to changes in accounting guidelines relating to amortization of goodwill.

The Company also recorded: net holding losses for the change in market value of the Company's derivative financial instruments of \$14.9 million for the year ended December 31, 2002; \$0.7 million of impairment in 2002 associated with a subordinate bond investment compared to a \$3.3 million impairment recorded in 2001 on two investments (Hunter's Glen and Buchanan Bay); and \$3.1 million of losses from equity investments in partnerships in 2002 versus \$1.3 million of similar losses recorded in 2001.

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

	Qtr Ended 12/31/02	Qtr Ended 09/30/02	Qtr 06/
	-----	-----	-----
<b>INCOME:</b>			
Interest income			
Interest on bonds and residual interest in bond securitizations	\$ 13,953	\$ 15,409	\$
Interest on loans	9,195	8,676	
Interest on short-term investments	264	260	
	-----	-----	-----
Total interest income	23,412	24,345	
	-----	-----	-----
Fee income			



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Syndication fees	2,456	767	
Origination fees	2,023	2,014	
Loan servicing fees	1,711	1,544	
Other income	2,143	1,868	
	-----	-----	
Total fee income	8,333	6,193	
	-----	-----	
Net gain on sales	5,032	657	
	-----	-----	
Total income	36,777	31,195	
	-----	-----	
EXPENSES:			
Interest expense	10,366	8,771	
Salaries and benefits	6,475	5,446	
General and administrative	1,841	1,756	
Professional fees	1,472	884	
Amortization of goodwill and mortgage servicing rights	329	334	
	-----	-----	
Total expenses	20,483	17,191	
	-----	-----	
Net holding gains (losses) on derivatives	(333)	(9,921)	
Impairments and valuation allowances related to investments	(620)	-	
Net gains (losses) from equity investments in partnerships	(1,341)	(1,487)	
Income tax benefit (expense)	(260)	635	
Income allocable to preferred shareholders in a subsidiary company	(2,994)	(2,994)	
	-----	-----	
Net income	\$ 10,746	\$ 237	\$
	=====	=====	=====
LESS:			
Net income allocable to preferred shares and term growth shares	-	-	
	-----	-----	
Net income allocated to common shares	\$ 10,746	\$ 237	\$
	=====	=====	=====
EARNINGS PER COMMON SHARE:			
Basic earnings per common share:			
Basic earnings before cumulative effect of accounting change	\$ 0.42	\$ 0.01	
	=====	=====	
Basic earnings per common share	\$ 0.42	\$ 0.01	\$
	=====	=====	=====
Weighted average common shares outstanding	25,426,254	25,329,103	25,2
Diluted earnings per common share:			
Diluted earnings before cumulative effect of accounting change	\$ 0.41	\$ 0.01	\$
	-----	-----	
Diluted earnings per common share	\$ 0.41	\$ 0.01	\$
	=====	=====	=====
Weighted average common shares outstanding	25,917,641	25,916,151	25,8

Note: Certain prior quarter amounts have been reclassified to conform to the 12/31/02 presentation.

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

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	For the three months ended December 31, 2002			For the three months ended December 31, 2001	
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Income (Denominator)
	-----	-----	-----	-----	-----
(in thousands, except share and per share data)					
Basic EPS					
Income allocable to common shares	\$ 10,746	25,426,254	\$ 0.42	\$ 14,584	
			=====		
Effect of Dilutive Securities					
Options and deferred shares	-	402,817		-	
Earnings contingency	-	88,570		-	
	-----	-----		-----	-----
Diluted EPS					
Income allocable to common shares plus assumed conversions	\$ 10,746	25,917,641	\$ 0.41	\$ 14,584	
	=====	=====	=====	=====	=====
	For the year ended December 31, 2002			For the year ended December 31, 2001	
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Income (Denominator)
	-----	-----	-----	-----	-----

(in thousands, except share and per share data)					
Basic EPS					
Income allocable to common shares	\$ 28,796	24,904,437	\$ 1.16	\$ 23,847	
			=====		
Effect of Dilutive Securities					
Options and deferred shares	-	447,594		-	
Convertible preferred shares to the extent dilutive	-	-		3	
Earnings contingency	-	121,784		-	
	-----	-----		-----	-----
Diluted EPS					
Income allocable to common shares plus assumed conversions	\$ 28,796	25,473,815	\$ 1.13	\$ 23,850	
	=====	=====	=====	=====	=====

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

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	For the three months ended December 31, 2002	For the December
	-----	-----
INCOME:		
Interest income		
Interest on bonds and residual interest in bond securitization	\$ 13,953	\$
Interest on loans	9,195	
Interest on short-term investments	264	
	-----	-----
Total interest income	23,412	
Fee income		
Syndication fees	2,456	
Origination fees	2,023	
Loan servicing fees	1,711	
Other income	2,143	
	-----	-----
Total fee income	8,333	
Net gain on sales	5,032	
	-----	-----
Total income	36,777	
EXPENSES:		
Interest expense	10,366	
Salaries and benefits	6,475	
General and administrative	1,841	
Professional fees	1,472	
Amortization of goodwill and mortgage servicing rights	329	
	-----	-----
Total expenses	20,483	
Net holding losses on derivatives	(333)	
Impairments and valuation allowances related to investments	(620)	
Net losses from equity investments in partnerships	(1,341)	
Income tax expense	(260)	
Income allocable to preferred shareholders in a subsidiary company	(2,994)	
	-----	-----
Net income	\$ 10,746	\$
	=====	=====
LESS:		
Net income allocable to term growth shares	-	
	-----	-----
Net income allocated to common shares - GAAP Basis	\$ 10,746	\$
	=====	=====
Conversion to Cash Available for Distribution:		
(1)Mark to market adjustments	\$ 333	\$
(2)Equity investments	2,836	
(3)Net gain on sales	(3,395)	
(3)Amortization of capitalized mortgage servicing fees	329	
(4)Origination fees and other income, net	1,377	
(5)Valuation allowances and other-than-temporary impairments	620	
(6)Deferred tax expense	703	
	-----	-----
Cash Available for Distribution (CAD)	\$ 13,549	\$
	=====	=====

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### 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 method of accounting. As a result, the Company's allocable share of the net 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.

(3) For GAAP reporting, the Company recognizes non-cash gains and losses associated with the sale of assets and the capitalization of mortgage servicing rights. The capitalized mortgage servicing rights are amortized into expense over the estimated life of the serviced loans. The non-cash gains and the associated amortization expense are not included in CAD.

(4) Origination fees and certain other income amounts are recognized as income when received for CAD purposes, but for GAAP reporting these items are deferred and amortized into income over the life of the associated investment. This adjustment represents the net difference, for the relevant period, between fees taken into income when received for CAD and the amortization of fees recorded for GAAP.

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

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

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

	December 31, 2002	December 31, 2001
	-----	-----
<b>ASSETS:</b>		
Investment in tax-exempt bonds and residual interest in bond securitizations	\$ 781,384	\$ 629,755
Loans receivable, net	461,448	440,031
Investment in partnerships	99,966	5,393
Investment in derivative financial instruments	18,762	2,912
Cash, cash equivalents and interest receivable	59,902	113,232
Other assets	97,919	68,948
Goodwill	33,537	29,005
	-----	-----
<b>TOTAL</b>	<b>\$ 1,552,918</b>	<b>\$ 1,289,276</b>
	=====	=====
<b>LIABILITIES AND EQUITY:</b>		
Notes payable	\$ 450,924	\$ 420,063
Short-term debt	219,945	78,560

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Long-term debt	147,357	134,881
Residual interest in bond securitizations	1,447	7,979
Investment in derivative financial instruments	49,359	18,646
Current liabilities	36,357	31,974
Preferred shareholders' equity in a subsidiary company	160,465	160,465
Shareholders' equity	487,064	436,708
	-----	-----
TOTAL	\$ 1,552,918	\$ 1,289,276
	=====	=====
BOOK VALUE PER COMMON SHARE	\$ 19.07	\$ 19.31
	=====	=====

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

	December 31, 2002	Adju
	-----	-----
Cash and cash equivalents	\$ 43,745	\$
Investment in bonds and loans, net	1,210,787	(
Off balance sheet assets	-	
Other assets	247,580	
	-----	-----
Total net assets	\$ 1,502,112	\$ (
	=====	=====
Liabilities, including short-term debt	\$ 707,227	\$ (
Off balance sheet debt	-	
Long-term debt	147,357	
	-----	-----
Total liabilities	\$ 854,584	\$ (
	=====	=====
Leverage Ratio		
(1) Adjustments to bonds and loans:		
Remove Midland loans from assets and liabilities	\$ 428,045	
Remove Oxford from assets and liabilities	5,420	
Adjustment to reflect CAD sale of pari passu taxable loans accounted for as borrowings	16,646	
Adjustment to reflect effect of highly leveraged obligations	128,716	
	-----	
TOTAL	\$ 578,827	
	=====	
(2) Off balance sheet assets includes the following:		
FSA A Bonds	\$ 67,400	
Other A Bonds	20,978	
Demand Notes	16,247	
P-Floats	177,812	
	-----	
TOTAL	\$ 282,437	
	=====	

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(3) Remove goodwill	\$ 33,537
<hr/>	
(4) Adjustments to liabilities:	
Remove other liabilities and normal accruals	\$ 36,357
Adjustment to reflect CAD sale of pari passu taxable loans accounted for as borrowings	16,324
Remove Oxford from assets and liabilities	5,410
Remove Midland loans from assets and liabilities	442,348
<hr/>	
TOTAL	\$ 500,439
<hr/>	

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

BOND PRODUCTION:

PROPERTY	CITY	STATE	PERMANENT INTEREST RATE	QUARTER BOND AMOUNT	
				CONSTRUCTION	PERMANENT
City Views at Rosa Burney Park (1)	Atlanta	GA	6.950%	6,300	7,512
Jefferson at Town Lake (2)	Austin	TX	7.875%	25,150	25,150
Olathe Senior Apartments (3)	Olathe	KS	7.050%	8,150	8,150
Osborne Manor Apartments (3)	Los Angeles	CA	7.000%	5,680	5,680
Orchard Springs (4)	Atlanta	GA	6.600%	13,500	13,500
Sanger Trails (5)	Sanger	TX	7.050%	9,750	9,750
<hr/>					
TOTAL				\$ 68,530	\$ 69,742
				<hr/>	

- (1) The Company's initial investment in these bonds was \$1.3 million. The Company earned a 1.25% origination fee on this deal.
- (2) The Company's initial investment in these bonds was \$5.9 million. The Company earned a 1.25% origination fee on this deal.
- (3) The Company's initial investment in these bonds was \$51,000 per bond. The Company earned a 1.25% origination fee on these deals.
- (4) The Company earned a 2.00% origination fee on this deal.
- (5) 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)	\$ 51,201	\$ 2,455
Tax Credit Lending Production	\$ 83,158	\$ -
Conventional Equity Production	\$ 14,657	\$ 513

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Taxable Construction Loan Production (generating a weighted average spread of 1.21%)	\$	111,513	\$	353
Taxable Permanent Loan Production	\$	86,470	\$	1,216
Working Capital and Bridge Loans	\$	28,722	\$	339
Equity Investment in CAPREIT Three M Venture	\$	-	\$	-
<b>OTHER INFORMATION:</b>				
Balance as of 12/31/02 of Midland Servicing Portfolio under Management	\$	1,090,200	\$	1,230
Balance as of 12/31/02 of Midland Equity Syndication Portfolio under Management	\$	833,425	\$	796

MUNICIPAL MORTGAGE & EQUITY, LLC  
PARTICIPATING BOND PORTFOLIO  
NET OPERATING INCOME - TREND  
As of December 31, 2002

Property -----	Q4 2001 Actual -----	Q3 2002 Actual -----	Q4 2002 Actual -----
Alban	242,953	251,232	239,695
Arlington	0	0	0
Barkley Place	379,015	283,592	175,222
Barrington at Beach Street	0	0	0
Cobblestone	179,580	166,461	165,532
Cool Springs	0	0	0
Creekside	264,353	293,487	292,194
Crossings	192,690	165,207	153,686
Gilman Meadows	178,290	170,899	165,822
Hamilton Grove	208,703	258,127	197,781
Jefferson Commons	429,576	274,546	284,837
Lakeview	162,227	194,191	188,801
Mallard I	58,433	36,671	38,464
Mallard II	133,411	89,399	118,246
Montclair	305,474	341,419	276,820
Newport Village	318,144	244,467	231,337
Nicollet Ridge	394,316	406,483	374,248
North Pointe	540,006	609,179	558,835
Palisades Park	264,106	249,431	247,662
Riverset I	408,873	323,286	383,727
Riverset II	170,854	142,037	182,374
Steeplechase Falls	370,708	412,236	353,705
Meadows	171,553	155,713	145,208
Timber Ridge	154,997	140,917	145,324
Villas at LaRiviera	249,233	198,345	252,264
Whispering Lake	302,653	315,957	350,786
Winter Oaks	184,575	288,197	307,789
Total	6,264,723	6,011,479	5,830,360

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Same Store Growth 6,264,723 6,011,479 5,830,360

Apartment Community	Month/Year Acquired	Apartment Units	Month Ended	Month Ended
			December 31, 2002	September 30, 2002
Participating Mortgage Bonds:				
Alban Place	Sep-86	194	93.3%	95.4%
Cobblestone	Aug-99	184	92.4%	93.5%
Creekside Village	Nov-87	296	99.7%	99.7%
Crossings	Jan-97	200	87.0%	94.0%
Jefferson Commons	Dec-00	173	84.8%	82.7%
Lakeview	Sep-87	180	91.7%	98.3%
North Pointe	Sep-86	540	94.3%	95.0%
Timber Ridge	Dec-00	168	94.0%	98.8%
Villas at LaRiviera	Jun-99	199	97.5%	98.0%
		2,134		
Subtotal Participating Mortgage Bonds				
Mortgage Bonds				
Applewood (a.k.a. Paola)	Jul-99	48	85.4%	95.8%
Buchanan Bay	Mar-01	228	89.5%	86.4%
Charter House (2)	Dec-96	----	N/A	N/
Cielo Vista	Aug-99	378	90.5%	93.7%
Country Club	Jul-99	101	86.1%	85.1%
Delta Village	Jun-99	80	97.5%	96.3%
Elmbrooke	Aug-00	54	100.0%	100.0%
Florida A&M	Feb-00	96	90.1%	90.6%
Gannon (Broward)	Feb-98	315	96.8%	98.1%
Gannon (Dade) (3)	Feb-98	1,252	97.0%	97.7%
Gannon (St. Louis)	Feb-98	336	87.5%	89.6%
Gannon A Bond	Feb-98	----	N/A	N/
Hidden Valley	Dec-96	82	89.0%	92.7%
Honey Creek	Mar-99	656	91.8%	89.8%
Hunter's Glen	Mar-01	383	74.4%	81.7%
Lake Piedmont	Apr-98	648	88.6%	90.7%
Monroe (Oakmont, Towne Oak)	Dec-98	364	97.3%	97.0%
Mountain View (Willowgreen)	Nov-86	241	92.3%	95.9%
Northridge Park II	Aug-87	128	84.4%	88.3%
Oakbrook	Dec-96	170	98.2%	92.4%
Oklahoma City (4)	Aug-98	772	91.6%	94.0%
Orangevale	Apr-98	64	98.4%	100.0%
Parkwood	Jun-99	180	95.6%	97.2%
Riverset II (1)	Jan-96	----	N/A	N/
Riverview	Jun-00	228	97.8%	96.9%
Sahuarita	Jun-99	52	90.4%	100.0%
Santa Fe Springs	Jun-00	310	84.5%	89.7%
Shadowbrook	Jun-99	193	97.9%	96.9%
Silver Springs	Dec-99	250	92.4%	84.4%
Southwind	Aug-00	88	100.0%	98.6%
Torries Chase	Dec-96	99	91.9%	92.9%
Village Apartments	May-00	210	96.2%	93.8%
Village at Stone Mountain	Oct-97	722	86.1%	90.6%
Village Green	Feb-00	200	89.5%	90.5%
Weatherstone	Sep-00	100	87.0%	96.0%



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Western Hills	Dec-98	80	80.0%	83.8
Willow Key	Mar-99	384	96.1%	97.7
Woodglen	Dec-99	250	86.0%	87.2
Woodmark	Jun-99	173	96.5%	99.4

Subtotal Mortgage Bonds 9,915

Participating Subordinate Mortgage Bonds:

Barkley Place	May-87	156	94.2%	92.9
Gilman Meadows	Mar-87	125	93.6%	97.6
Hamilton Chase	Feb-87	300	91.7%	92.7
Mallard Cove I & II	Feb-87	198	96.5%	92.4
Meadows	Jan-88	200	95.0%	96.5
Montclair	Oct-86	159	93.1%	91.2
Newport Village	Dec-86	220	88.2%	90.0
Nicollet Ridge	Dec-87	339	94.4%	95.3
Riverset II	Jan-96	148	92.2%	94.0
Steeplechase	Oct-88	450	93.8%	95.3
Whispering Lake	Oct-87	384	88.5%	90.6

Subtotal Participating Subordinate Mortgage Bonds 2,679

Apartment Community	Month/Year Acquired	Apartment Units	Avg. Per Ap	
			Month Ended December 31, 2002	Month Ended September 30, 2002

Participating Mortgage Bonds:

Alban Place	Sep-86	194	955	
Cobblestone	Aug-99	184	573	
Creekside Village	Nov-87	296	582	
Crossings	Jan-97	200	749	
Jefferson Commons	Dec-00	173	1,261	1,
Lakeview	Sep-87	180	703	
North Pointe	Sep-86	540	701	
Timber Ridge	Dec-00	168	497	
Villas at LaRiviera	Jun-99	199	708	

Subtotal Participating Mortgage Bonds 2,134

Mortgage Bonds

Applewood (a.k.a. Paola)	Jul-99	48	517	
Buchanan Bay	Mar-01	228	716	
Charter House (2)	Dec-96	----	N/A	
Cielo Vista	Aug-99	378	402	
Country Club	Jul-99	101	440	
Delta Village	Jun-99	80	581	
Elmbrooke	Aug-00	54	1,021	1,
Florida A&M	Feb-00	96	1,377	1,
Gannon (Broward)	Feb-98	315	678	
Gannon (Dade) (3)	Feb-98	1,252	755	
Gannon (St. Louis)	Feb-98	336	581	
Gannon A Bond	Feb-98	----	N/A	

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Hidden Valley	Dec-96	82	601	
Honey Creek	Mar-99	656	550	
Hunter's Glen	Mar-01	383	580	
Lake Piedmont	Apr-98	648	483	
Monroe (Oakmont, Towne Oak)	Dec-98	364	487	
Mountain View (Willowgreen)	Nov-86	241	640	
Northridge Park II	Aug-87	128	1,023	1,
Oakbrook	Dec-96	170	449	
Oklahoma City (4)	Aug-98	772	485	
Orangevale	Apr-98	64	973	
Parkwood	Jun-99	180	473	
Riverset II (1)	Jan-96	----	N/A	
Riverview	Jun-00	228	657	
Sahuarita	Jun-99	52	552	
Santa Fe Springs	Jun-00	310	595	
Shadowbrook	Jun-99	193	483	
Silver Springs	Dec-99	250	790	
Southwind	Aug-00	88	713	
Torries Chase	Dec-96	99	511	
Village Apartments	May-00	210	568	
Village at Stone Mountain	Oct-97	722	759	
Village Green	Feb-00	200	635	
Weatherstone	Sep-00	100	804	
Western Hills	Dec-98	80	507	
Willow Key	Mar-99	384	684	
Woodglen	Dec-99	250	652	
Woodmark	Jun-99	173	680	

Subtotal Mortgage Bonds

9,915

Participating Subordinate Mortgage Bonds:

Barkley Place	May-87	156	2,056	2,
Gilman Meadows	Mar-87	125	1,016	1,
Hamilton Chase	Feb-87	300	622	
Mallard Cove I & II	Feb-87	198	717	
Meadows	Jan-88	200	605	
Montclair	Oct-86	159	1,844	1,
Newport Village	Dec-86	220	839	
Nicollet Ridge	Dec-87	339	937	
Riverset II	Jan-96	148	708	
Steeplechase	Oct-88	450	606	
Whispering Lake	Oct-87	384	648	

Subtotal Participating Subordinate Mortgage Bonds

2,679

Apartment Community	Month/Year Acquired	Apartment Units	Month Ended December 31, 2002	Month Ended September 30, 2002
Subordinate Mortgage Bonds:				
CAPREIT	Sep-99	----	N/A	N/
Cinnamon Ridge	Jan-99	----	N/A	N/
Farmington Meadows	Aug-99	69	100.0%	98.6
Independence Ridge	Aug-96	336	75.3%	75.3
Locarno	Aug-96	110	90.0%	90.0

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Olde English Manor	Nov-99	----	N/A	N/A
Peaks of Conyer	Sep-01	260	87.7%	88.8
Rillito Village	Jul-00	----	N/A	N/A
Winter Oaks	Nov-99	460	94.3%	93.7
		-----		
Subtotal Subordinate Mortgage Bonds		1,235		
		-----		
Other Bond Related Investments:				
Briarwood	Dec-98	600	95.0%	97.5
Cinnamon Ridge	Dec-97	264	92.4%	97.0
Golfside Villas (f.k.a. Club West)	Mar-99	194	99.5%	99.5
Park at Landmark	Sep-00	396	97.0%	99.0
Poplar Glen	Jun-97	191	96.3%	95.3
RITES - Charter House	Dec-96	280	91.4%	92.9
RITES - Indian Lakes	Jul-97	296	79.4%	86.8
RITES - LaPaloma	Apr-99	120	98.3%	98.3
RITES - LeMirador (Coleman Senior)	Apr-98	141	90.1%	85.8
RITES - Museum Towers	Apr-01	286	94.1%	94.1
RITES - Olde English Manor	Jun-98	264	93.9%	86.4
RITES - Palisades Park	Feb-98	304	92.8%	95.7
RITES - Pavillion	Apr-99	132	100.0%	100.0
RITES - Queen Anne IV	Jul-98	110	90.0%	93.6
RITES - Rancho/Villas	May-00	417	89.8%	90.2
RITES - Rillito Village	Aug-98	272	89.0%	92.6
RITES - Riverset (1)	Aug-88	352	92.2%	94.0
RITES - Riverset II (1)	Jan-96	----	N/A	N/A
RITES - Sienna (a.k.a. Italian Gardens)	Apr-98	140	87.9%	82.9
RITES - Sonterra	May-98	156	92.3%	91.0
RITES - Southgate Crossings	Jun-97	215	94.0%	97.2
RITES - Southwood	Nov-97	1,286	79.4%	84.4
		-----		
Subtotal Other Bond Related Investments		6,416		
		-----		
Total Units/Weighted Average Investments		22,379	91.1%	92.6
		=====		
Total/Same Stores (5) 2000		20,053	91.5%	93.0
Total/Same Stores (5) 2001		22,119	91.2%	92.6
Construction/Substantial Rehab Properties and Other Investments				
Arlington	Dec-00	176	24.4%	9.7
Barrington at Beach Street	Oct-00	398	53.0%	44.5
Bedford Park	Oct-00	312	64.1%	67.9
CAPREIT Joint Venture (6)	Jun-02	6,279	93.5%	95.1
CAPREIT TERA (7)	Mar-01	2,942	93.0%	92.9
Chancellor	Nov-01	101	N/A	N/A
Chancellor II	Mar-02	46	N/A	N/A
City Views at Rosa Burney Park	Dec-02	180	N/A	N/A
Cool Springs	Aug-00	124	51.6%	44.4
Coronel Village	Apr-02	48	N/A	N/A
Fort Branch	Dec-00	250	60.8%	36.8
Hidden Brooks	Sep-01	201	85.6%	86.1
Jefferson at Town Lake	Dec-02	216	N/A	N/A
Las Trojas	Mar-02	49	N/A	N/A
Lincoln Corner	Dec-01	134	N/A	N/A
Meridian at Bridgewater	Nov-99	90	86.7%	83.3
Mountain View Village	Jun-02	220	N/A	N/A
North White Road	Nov-01	157	N/A	N/A
Oak Grove Commons	Dec-01	168	N/A	N/A
Olathe Senior Residences	Dec-02	144	N/A	N/A

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Osborne Place Manor	Dec-02	50	N/A	N/A
Penn Valley	Dec-01	42	N/A	N/A
Sanger Trails	Dec-02	208	N/A	N/A
Sycamore Senior Village	Jun-02	300	N/A	N/A
Village at Sun Valley	May-00	276	70.7%	67.4
Walnut Tree	Mar-02	64	N/A	N/A
		-----		
Subtotal Construction/Rehab Properties		13,175		
		-----		
Total Units		35,554		
		=====		

Apartment Community	Month/Year Acquired	Apartment Units	Avg. Per Ap	
			Month Ended December 31, 2002	Month Ended September 30, 2002
Subordinate Mortgage Bonds:				
CAPREIT	Sep-99	----	N/A	
Cinnamon Ridge	Jan-99	----	N/A	
Farmington Meadows	Aug-99	69	814	
Independence Ridge	Aug-96	336	553	
Locarno	Aug-96	110	882	
Olde English Manor	Nov-99	----	N/A	
Peaks of Conyer	Sep-01	260	735	
Rillito Village	Jul-00	----	N/A	
Winter Oaks	Nov-99	460	558	
		-----		
Subtotal Subordinate Mortgage Bonds		1,235		
		-----		
Other Bond Related Investments:				
Briarwood	Dec-98	600	623	
Cinnamon Ridge	Dec-97	264	932	
Golfside Villas (f.k.a. Club West)	Mar-99	194	615	
Park at Landmark	Sep-00	396	1,084	1,
Poplar Glen	Jun-97	191	971	
RITES - Charter House	Dec-96	280	624	
RITES - Indian Lakes	Jul-97	296	800	
RITES - LaPaloma	Apr-99	120	629	
RITES - LeMirador (Coleman Senior)	Apr-98	141	834	
RITES - Museum Towers	Apr-01	286	1,363	1,
RITES - Olde English Manor	Jun-98	264	488	
RITES - Palisades Park	Feb-98	304	551	
RITES - Pavillion	Apr-99	132	652	
RITES - Queen Anne IV	Jul-98	110	1,102	1,
RITES - Rancho/Villas	May-00	417	492	
RITES - Rillito Village	Aug-98	272	453	
RITES - Riverset (1)	Aug-88	352	697	
RITES - Riverset II (1)	Jan-96	----	N/A	
RITES - Sienna (a.k.a. Italian Gardens)	Apr-98	140	810	
RITES - Sonterra	May-98	156	857	
RITES - Southgate Crossings	Jun-97	215	987	

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RITES - Southwood	Nov-97	1,286	500
		-----	
Subtotal Other Bond Related Investments		6,416	
		-----	
Total Units/Weighted Average Investments		22,379	688
		=====	
Total/Same Stores (5) 2000		20,053	675
Total/Same Stores (5) 2001		22,119	696
Construction/Substantial Rehab Properties and Other Investments			
Arlington	Dec-00	176	1,388
Barrington at Beach Street	Oct-00	398	805
Bedford Park	Oct-00	312	530
CAPREIT Joint Venture (6)	Jun-02	6,279	755
CAPREIT TERA (7)	Mar-01	2,942	618
Chancellor	Nov-01	101	N/A
Chancellor II	Mar-02	46	N/A
City Views at Rosa Burney Park	Dec-02	180	N/A
Cool Springs	Aug-00	124	1,932
Coronel Village	Apr-02	48	N/A
Fort Branch	Dec-00	250	806
Hidden Brooks	Sep-01	201	1,024
Jefferson at Town Lake	Dec-02	216	N/A
Las Trojas	Mar-02	49	N/A
Lincoln Corner	Dec-01	134	N/A
Meridian at Bridgewater	Nov-99	90	3,496
Mountain View Village	Jun-02	220	N/A
North White Road	Nov-01	157	N/A
Oak Grove Commons	Dec-01	168	N/A
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	N/A
Sycamore Senior Village	Jun-02	300	N/A
Village at Sun Valley	May-00	276	683
Walnut Tree	Mar-02	64	N/A
		-----	
Subtotal Construction/Rehab Properties		13,175	
		-----	
Total Units		35,554	
		=====	

- (1) The Company owns a participating bond, a participating subordinate bond and a RITES interest collateralized by the Riverset property.
- (2) The Company owns a non-participating bond and a RITES interest collateralized by the Charter House property.
- (3) The Dade Gannon Portfolio represents eight properties.
- (4) The Oklahoma City Portfolio represents three properties.
- (5) Same Store includes only properties reporting for all three quarters.
- (6) CAPREIT Joint Venture represents twenty properties (not included previously in CAPREIT Portfolio).
- (7) The CAPREIT TERA Portfolio represents eleven properties.

### SIGNATURES

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

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MUNICIPAL MORTGAGE & EQUITY, LLC

Date: February 28, 2003

By: /s/ William S. Harrison\_\_\_\_  
William S. Harrison  
SVP and Chief Financial Officer