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MUNICIPAL MORTGAGE & EQUITY LLC

Form 8-K

October 17, 2003

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

FORM 8-K

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

October 16, 2003

(Date of Report (Date of Earliest Event Reported))

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

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

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

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

Item 9. Regulation FD Disclosure.

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

Item 12. Results of Operations and Financial Condition.

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

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

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

SIGNATURES

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

MUNICIPAL MORTGAGE & EQUITY, LLC

Date: October 16, 2003

By: /s/ William S. Harrison

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

Exhibit 99.1  
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MUNICIPAL MORTGAGE & EQUITY, LLC

EARNINGS PACKAGE

QUARTER ENDED SEPTEMBER 30, 2003

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

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

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

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

### VARIANCE ANALYSIS FOR GAAP

3rd Quarter 2003 Compared to 3rd Quarter 2002:

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

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

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

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

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

- (1) \$25.7 million in discontinued operations resulting from the sale of a property that was previously held by the Company;
  - (2) an \$18.5 million increase in the fair value of derivatives;
  - (3) a \$4.3 million increase in income tax benefit;
  - (4) a \$4.0 million contribution in net income from HCI, as described in the third quarter summary immediately above;
  - (5) a \$3.2 million increase in non-HCI-related other income due primarily to:
    - (i) \$1.7 million in prepayment fees collected from the early payment of tax-exempt bond investments;
    - (ii) \$1.6 million in fees collected on a conventional equity deal;
    - (iii) \$0.8 million collected as the result of a collateral release after the sale of a property;
    - (iv) \$0.3 million of amortization of a guarantee fee received in Q4 of 2002
    - (v) \$0.3 million of income collected on a new put; offset by
    - (vi) a \$1.4 million decrease in commission income;
  - (6) a \$3.0 million increase in gain on sales associated with the sale of tax-exempt bonds and loans;
- Offset in part by:
- (7) a \$5.8 million increase in non-HCI-related salaries and benefits resulting primarily from a \$1.9 million increase in salaries and other compensation and a \$3.9 million increase in bonus expense;
  - (8) a \$3.5 million decrease in net interest income;
  - (9) \$1.9 million in interest expense and amortization of debt issue costs associated with a line of credit used to fund the HCI acquisition;
  - (10) a \$1.0 million increase in impairments and valuation allowances related to investments;
  - (11) a \$0.8 million increase in net losses from equity investments in partnerships; and
  - (12) a \$0.7 million decrease in non-HCI-related syndication fees due to a decrease in the volume of syndications closed combined with taking \$0.5 million in organizational and offering cost reimbursements related to closed syndicated tax credit equity funds into income during the first quarter of 2002, whereas no such fees were recognized during 2003.

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

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

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Diluted earnings per common share:

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

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

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

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

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

(in thousands, except share and per share data)

#### Basic EPS

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

#### Effect of Dilutive Securities

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

#### Diluted EPS

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

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

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

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



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

Conversion to Cash Available for Distribution:

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

Notes

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

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minority interest for both GAAP and CAD.

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

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

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

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

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

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

The primary differences between Net Income as calculated under generally accepted accounting principles ("GAAP") and Cash Available For Distribution ("CAD") result from the timing of income and expense recognition and non-cash events. These differences between CAD and GAAP income include the treatment of certain fees, which for CAD purposes are recognized when received but for GAAP purposes are amortized into income over the relevant period. In addition, there are differences related to non-cash gains and losses associated with bond valuations and sales, non-cash gains and losses associated with changes in market value of derivative financial instruments, amortization of goodwill and intangibles and capitalization of mortgage servicing rights, which are not included in the calculation of CAD.

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

### VARIANCE ANALYSIS FOR CAD

3rd Quarter 2003 Compared to 3rd Quarter 2002:

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

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

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

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

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

- (1) a \$7.8 million increase in net interest income due primarily to:
  - (i) \$10.8 million increase in interest income related to the payoff of a tax-exempt bond on a property that was sold; offset by
  - (ii) a \$3.0 million decrease in interest income from various bonds and other bond-related investments;
- (2) a \$4.4 million contribution in income from HCI, as described in the third quarter summary immediately above;
- (3) a \$3.7 million increase in non-HCI-related other income due primarily to:
  - (i) \$1.7 million in prepayment fees collected from the early payment of tax-exempt bond investments;
  - (ii) \$1.6 million in fees collected on a conventional equity deal;
  - (iii) \$1.0 million of interest collected from a property that was held by the Company prior to sale to a third party;
  - (iv) \$0.8 million collected as the result of a collateral release after the sale of a property;
  - (v) \$0.3 million of income collected on a new put; offset by
  - (vi) a \$1.4 million decrease in commission income; and
  - (vii) a \$0.4 million decrease in the collection of loan related fees such as cancellation, application and extension fees;
- (4) a \$3.4 million increase in distributions from equity investments in partnerships due to an increase in income from the CAPREIT investments;
- (5) a \$2.7 million increase in income tax benefit;
- (6) a \$0.6 million increase in non-HCI-related asset management and advisory fees;  
Offset in part by:
  - (7) a \$5.8 million increase in non-HCI-related salaries and benefits resulting primarily from a \$1.9 million increase in salaries and other compensation and a \$3.9 million increase in bonus expense;
  - (8) a \$5.2 million decrease in gain on sales due primarily to:
    - (i) a \$10.8 million loss on the termination of interest rate swaps;
    - (ii) a \$2.7 million gain on the sale of two tax-exempt bonds and a taxable loan;
    - (iii) a \$1.5 million gain recorded on the payoff of the tax-exempt bond and taxable loan on a property that was sold; and

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- (iv) a \$1.7 million increase in gain on sales related to an increase in premiums on the delivery of loans to HUD and gain on sale on delivery of loans to a new conduit lender;
- (9) \$1.9 million in interest expense and amortization of debt issue costs associated with a line of credit used to fund the HCI acquisition;
- (10) a \$1.0 million decrease in origination fees;
- (11) a \$0.7 million decrease in non-HCI-related syndication fees due to a decrease in the volume of syndications closed combined with taking \$0.5 million in organizational and offering cost reimbursements related to closed syndicated tax credit equity funds into income during the first quarter of 2002, whereas no such fees were recognized during 2003; and
- (12) a \$0.5 million increase in non-HCI-related professional and general and administrative fees, of which \$0.4 million is attributable to HCI integration costs.

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

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

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

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

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

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

CAD differs from net income because of variations between GAAP income and actual cash received. There are three primary differences between CAD and GAAP income. The first is the treatment of loan origination fees, which for CAD purposes are recognized as income when received but for GAAP purposes are amortized into income over the life of the associated investment. The second difference is the non-cash gain and loss recognized for GAAP associated with valuations, sales of investments and capitalization of mortgage servicing rights, which are not included in the calculation of CAD. The third difference is the treatment of the Company's investments in partnerships. For GAAP, the Company records its allocable share of the income (loss) from the partnership as income, while for CAD reporting, the Company records the cash distributions it receives from the partnership as income. For a reconciliation of GAAP net income to CAD, see page 10.

CAD per common share is calculated based on the number of shares outstanding at the end of each quarter. For GAAP, basic earnings per share is calculated based on the weighted average shares outstanding during the period. The weighted average shares outstanding for diluted earnings per share include the potential dilutive effect from the exercise of options, vesting of

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restricted shares, and provision for shares to be awarded under the Midland acquisition earn out provision.

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

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

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

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



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

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

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

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

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

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

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

### NOTES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Apartment Community -----	Location -----	Month/Year Acquired -----	Apartment Units -----	Month Ended Sept 30, 2003 -----	Month Ju -----
------------------------------	-------------------	---------------------------------	-----------------------------	--	----------------------

Participating Mortgage Bonds:

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

	1,594
	-----

### Mortgage Bonds

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

	8,724
	-----

### Participating Subordinate Mortgage Bonds:

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

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

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

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

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

Subtotal Mortgage Bonds 8,724

Participating Subordinate Mortgage Bonds:

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

Subtotal Participating Subordinate Mortgage Bonds 2,679

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

Other Bond Related Investments:

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



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

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

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

(1) The Company owns a participating bond, a participating subordinate bond and a RITES interest collateralized by the Riverset property.

(2) The Company owns a non-participating bond and a RITES interest collateralized by the Charter House property.

(3) The Dade Gannon Portfolio represents three properties.

(4) The Oklahoma City Portfolio represents three properties.

(5) Same Store includes only properties reporting for all three quarters.

(6) CAPREIT Joint Venture represents twenty properties (not included previously in CAPREIT Portfolio).

(7) The CAPREIT TERA Portfolio represents eleven properties.

Exhibit 99.2

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INFORMATION FOR RELEASE

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

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

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

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

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

### Summary Results - GAAP

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

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

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

### Summary Results - CAD

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

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attached calculation of CAD statement.)

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

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

### Third Quarter Distribution

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

### About Municipal Mortgage & Equity

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

MuniMae is organized as a limited liability company. This structure allows MuniMae to combine the limited liability, governance and management characteristics of a corporation with the pass-through income features of a partnership. As a result, the tax-exempt income derived from certain investments remains tax-exempt when passed through to shareholders. Distributions to shareholders are normally declared quarterly and paid in February, May, August and November.

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

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

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

MUNIMAE: TAX-EXEMPT DISTRIBUTIONS AND GROWTH THROUGH REAL ESTATE

www.mmafin.com  
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Contacts

Investor Relations:

Angela Richardson, 888/788-3863

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

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

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

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

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

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

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

Notes



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The primary differences between Net Income as calculated under generally accepted accounting principles ("GAAP") and Cash Available For Distribution ("CAD") result from the timing of income and expense recognition and non-cash events. These differences between CAD and GAAP income include the treatment of certain fees, which for CAD purposes are recognized when received but for GAAP purposes are amortized into income over the relevant period. In addition, there are differences related to non-cash gains and losses associated with bond valuations and sales, non-cash gains and losses associated with changes in market value of derivative financial instruments, amortization of goodwill and intangibles and capitalization of mortgage servicing rights, which are not included in the calculation of CAD.

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

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

September 30,	December 31,
2003	2002
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ASSETS:

Investment in tax-exempt bonds and residual interests

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

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

Exhibit 99.3

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INFORMATION FOR RELEASE

MuniMae Structures \$317 Million of Multifamily Financing

And Raises \$145 Million in Capital During Third Quarter

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

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

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### Investment Activity Summary

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

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

### Capital Activity Summary

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In the third quarter of 2003, the Company raised \$145.1 million of tax credit equity from 16 third-party investors, bringing the year-to-date total to \$219.1 million in equity raised.

### About Municipal Mortgage & Equity

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

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

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

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

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Contacts  
Investor Relations

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Angela Richardson, 888/788-3863