

MUNICIPAL MORTGAGE & EQUITY LLC

Form 8-K

August 12, 2002

MUNICIPAL MORTGAGE & EQUITY, LLC

SUPPLEMENTAL INFORMATION

QUARTER ENDED JUNE 30, 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 June 30, | |
|--|--|------------------|
| | 2002 | 2001 |
| Interest on bonds, other bond-related investments, other notes and loans | \$ 23,377 | \$ 21,267 |
| Interest on short-term investments | 244 | 247 |
| Loan servicing fees | 1,660 | 1,729 |
| Loan origination and brokerage fees | 5,385 | 4,573 |
| Other income | 2,451 | 1,679 |
| Net gain on sales | 102 | - |
| TOTAL SOURCES OF CASH | 33,219 | 29,495 |
| EXPENSES: | | |
| Salaries and benefits | 5,930 | 5,030 |
| Professional fees | 1,437 | 913 |
| Other operating expenses | 2,227 | 2,163 |
| Interest expense | 7,900 | 7,531 |
| Income taxes | 345 | 465 |
| TOTAL EXPENSES: | 17,839 | 16,102 |
| CASH AVAILABLE FOR DISTRIBUTION | 15,380 | 13,393 |
| LESS: | | |
| Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company | 2,995 | 3,116 |
| CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES | \$ 12,385 | \$ 10,277 |
| CAD PER COMMON SHARE | \$ 0.49 | \$ 0.48 |

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CALCULATION OF CASH DISTRIBUTION:

| | | |
|---|------------|------------|
| CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES | \$ 12,385 | \$ 10,277 |
| | ===== | ===== |
| ACTUAL AMOUNT PAID | \$ 11,072 | \$ 9,219 |
| | ===== | ===== |
| PAYOUT RATIO | 89.4% | 89.7% |
| | ===== | ===== |
| COMMON SHARES OUTSTANDING | 25,308,022 | 21,564,461 |
| | ===== | ===== |
| CASH DISTRIBUTION PER COMMON SHARE | \$ 0.4375 | \$ 0.4275 |
| | ===== | ===== |

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

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

VARIANCE ANALYSIS FOR CAD

2nd Quarter 2002 Compared to 2nd Quarter 2001:

Total income for the second quarter of 2002 increased \$3.7 million over the same period last year due primarily to: (1) a \$2.1 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$0.8 million increase in loan origination and brokerage fees due primarily to an increase in origination fees, which included a \$0.8 million fee related to the CAPREIT investment, partially offset by a decrease in fees related to tax credit and conventional equity transactions; and (3) a \$0.8 million increase in other income due to an increase in asset management fees, advisory fees and cancellation fees.

Total expenses for the second quarter increased \$1.7 million over the same period last year due primarily to: (1) a \$0.9 million increase in salary and related benefits expense associated with 2001 new hires; (2) a \$0.5 million increase in professional fees due to an increase in consulting and legal expenses related to new information system initiatives and other corporate

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initiatives; and (3) a \$0.4 million increase in interest expense primarily associated with increased construction lending production and an increase in financing costs associated with on-balance sheet securitizations.

Year-to-Date 2002 Compared to Year-to-Date 2001:

Total income for the six months ended June 30, 2002 increased \$7.2 million over the same period last year due primarily to: (1) a \$4.4 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$1.6 million increase in loan origination and brokerage fees due primarily to an increase in origination fees, including a \$0.8 million fee related to the CAPREIT investment; and (3) a \$0.8 million increase in other income due to increased asset management fees, advisory fees and cancellation fees.

Total expenses for the six months ended June 30, 2002 increased \$3.3 million over the same period last year due primarily to: (1) a \$1.3 million increase in salary and related benefits expense associated with 2001 new hires; (2) a \$0.7 million increase in other operating expenses primarily driven by deployment of accounting information systems and other upgrades in technology infrastructure; (3) a \$1.0 million increase in interest expense, primarily associated with increased construction lending production and an increase in financing costs associated with on-balance sheet securitizations; and (4) a \$0.3 million increase in income taxes, primarily due to an increase in taxable fee income.

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

| | Qtr Ended 06/30/02 | Qtr Ended 03/31/02 | Qtr Ended 12/31/01 |
|---|-----------------------|-----------------------|-----------------------|
| | | | |
| SOURCES OF CASH: | | | |
| Interest on bonds, other bond-related investments, other notes and loans | \$ 23,377 | \$ 22,963 | \$ 22,700 |
| Interest on short-term investments | 244 | 487 | 53 |
| Loan servicing fees | 1,660 | 1,908 | 1,960 |
| Loan origination and brokerage fees | 5,385 | 3,126 | 4,130 |
| Other income | 2,451 | 2,330 | 1,340 |
| Net gain on sales | 102 | 40 | 25 |
| Nonrecurring gain (loss), net | - | - | 13 |
| | | | |
| TOTAL SOURCES OF CASH | 33,219 | 30,854 | 31,060 |
| EXPENSES: | | | |
| Salaries and benefits | 5,930 | 4,827 | 6,370 |
| Professional fees | 1,437 | 172 | 1,460 |
| Other operating expenses | 2,227 | 2,191 | 1,800 |
| Interest expense | 7,900 | 8,290 | 7,100 |
| Income taxes | 345 | 414 | (60) |
| | | | |
| TOTAL EXPENSES | 17,839 | 15,894 | 16,680 |

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| | | | |
|---|------------|------------|-----------|
| CASH AVAILABLE FOR DISTRIBUTION | 15,380 | 14,960 | 14,37 |
| LESS: | | | |
| Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company | 2,995 | 3,147 | 3,37 |
| CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES | \$ 12,385 | \$ 11,813 | \$ 11,00 |
| CAD PER COMMON SHARE | \$ 0.49 | \$ 0.47 | \$ 0.5 |
| CALCULATION OF CASH DISTRIBUTION: | | | |
| CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES | \$ 12,385 | \$ 11,813 | \$ 11,00 |
| ACTUAL AMOUNT PAID | \$ 11,072 | \$ 10,968 | \$ 9,43 |
| PAYOUT RATIO | 89.4% | 92.8% | 85.8 |
| COMMON SHARES OUTSTANDING | 25,308,022 | 25,213,482 | 21,820,26 |
| CASH DISTRIBUTION PER COMMON SHARE | \$ 0.4375 | \$ 0.4350 | \$ 0.432 |

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

| | For the three months ended June 30, | |
|--|--|----------|
| | 2002 | 2001 |
| INCOME: | | |
| Interest on bonds, other bond-related investments, other notes and loans | \$ 23,993 | \$ 20,97 |
| Interest on short-term investments | 244 | 69 |
| Loan servicing fees | 1,660 | 1,72 |
| Loan origination and brokerage fees | 3,885 | 3,36 |
| Other income | 2,393 | 1,64 |
| Net gain on sales | 703 | 1,96 |
| Total income | 32,878 | 30,37 |
| EXPENSES: | | |
| Salaries and benefits | 5,930 | 5,03 |
| Professional fees | 1,437 | 91 |
| Operating expenses | 2,227 | 2,15 |
| Amortization | 333 | 62 |

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| | | |
|---|------------|-----------|
| Interest expense | 8,487 | 7,76 |
| Other-than-temporary impairments related to investments in bonds and other bond-related investments | - | |
| | ----- | ----- |
| Total expenses | 18,414 | 16,49 |
| | ----- | ----- |
| Net holding gains (losses) on trading securities | (7,721) | 1,27 |
| Income tax expense | (828) | (22 |
| Income allocable to preferred shareholders in a subsidiary company | (2,995) | (2,60 |
| Cumulative effect on prior years of change in accounting for derivative financial instruments | - | |
| | ----- | ----- |
| Net income | \$ 2,920 | \$ 12,32 |
| | ===== | ===== |
| LESS: | | |
| Net income allocable to preferred shares and term growth shares | - | 51 |
| | ----- | ----- |
| Net income allocated to common shares | \$ 2,920 | \$ 11,81 |
| | ===== | ===== |
| OPERATING NET INCOME ALLOCATED TO COMMON SHARES (Note 1) | \$ 10,641 | \$ 10,54 |
| | ===== | ===== |
| NET INCOME PER COMMON SHARE: | | |
| Basic net income per common share: | | |
| Basic net income before cumulative effect of accounting change | \$ 0.12 | \$ 0.5 |
| | ===== | ===== |
| Basic net income per common share | \$ 0.12 | \$ 0.5 |
| | ===== | ===== |
| Weighted average common shares outstanding | 25,252,124 | 21,524,01 |
| Diluted net income per common share: | | |
| Diluted net income before cumulative effect of accounting change | \$ 0.11 | \$ 0.5 |
| | ===== | ===== |
| Diluted net income per common share | \$ 0.11 | \$ 0.5 |
| | ===== | ===== |
| Weighted average common shares outstanding | 25,835,808 | 22,014,99 |
| Operating net income per common share (Note 1) | \$ 0.42 | \$ 0.4 |
| | ===== | ===== |

Note 1-Operating Net Income is Net Income before the change in market value of the Company's deri

VARIANCE ANALYSIS FOR GAAP

2nd Quarter 2002 compared to 2nd Quarter 2001:

Total income for the second quarter of 2002 increased \$2.5 million over the same period last year due primarily to: (1) a \$3.0 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$0.4 million decrease in interest on short-term investments resulting from the use of equity offering proceeds to repurchase senior interests in certain securitization trusts and funding of other operations, as well as a decrease in interest collected on margin call collateral accounts; (3) a \$0.4 million

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increase in loan origination and brokerage fees due primarily to an increase in origination fees on taxable permanent lending; and (4) a \$0.8 million increase in other income due to an increase in asset management fees, advisory fees and cancellation fees; and (5) a \$1.3 million decrease in gain on sales as a result of a one-time gain of \$1.1 million on a tax credit equity re-syndication in the second quarter of 2001.

Total expenses for the second quarter of 2002 increased \$1.9 million over the same period last year due primarily to: (1) a \$0.9 million increase in salary and related benefits expense associated with 2001 new hires; (2) a \$0.5 million increase in professional fees due to an increase in consulting and legal expenses related to new information system initiatives and other corporate initiatives; (3) a \$0.3 million decrease in amortization expense due to changes in accounting guidelines relating to discontinued amortization of goodwill; and (4) a \$0.7 million increase in interest expense primarily associated with increased construction lending production and an increase in financing costs associated with on-balance sheet securitizations.

The Company recorded net holding losses for the change in market value of the Company's derivative financial instruments of \$7.7 million for the second quarter of 2002. Excluding the change in market value, earnings from net operating income was \$0.42 per common share.

Year-to-Date 2002 Compared to Year-to-Date 2001:

Total income for the six months ended June 30, 2002 increased \$5.4 million over the same period last year due primarily to: (1) a \$6.7 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$1.0 million decrease in interest on short-term investments resulting from the use of equity offering proceeds to repurchase senior interests in current securitization trusts and funding of other operations, as well as a decrease in interest collected on margin call collateral accounts; (3) a \$2.4 million decrease in other income primarily due to other income associated with income earned on the assumption of a purchase obligation with respect to the Hunter's Glen and Buchanan Bay bonds in the first quarter of 2001; (4) a \$0.9 million increase in syndication fees due primarily to an increase in the volume of tax credit and conventional equity transactions; and (5) a \$0.7 million increase in gain on sales associated with gains on the sale of loans.

Total expenses for the six months ended June 30, 2002 increased \$0.1 million over the same period last year due primarily to: (1) a \$1.3 million increase in salary and related benefits expense associated with 2001 new hires; (2) a \$0.7 million increase in other operating expenses driven primarily by deployment of accounting information systems and other upgrades in technology infrastructure; (3) a \$0.7 million decrease in amortization expense due to changes in accounting guidelines relating to amortization of goodwill; (4) a \$1.9 million increase in interest expense primarily associated with increased construction lending production and an increase in financing costs associated with on-balance sheet securitizations; and (5) a \$0.1 million impairment recorded 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).

The Company recorded net holding losses for the change in market value of the Company's derivative financial instruments of \$4.6 million for the six months ended June 30, 2002. Excluding the change in market value, earnings from net operating income was \$0.92 per common share.

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

| | Qtr Ended 06/30/02 | Qtr Ended 03/31/02 | Qtr Ended 12/31/01 |
|--|-----------------------|-----------------------|-----------------------|
| INCOME: | | | |
| Interest on mortgage revenue bonds and other bond-related investments | \$ 15,723 | \$ 15,593 | \$ 17,311 |
| Interest on loans | 8,270 | 7,999 | 7,930 |
| Interest on short-term investments | 244 | 487 | 899 |
| Loan servicing fees | 1,660 | 1,908 | 1,962 |
| Loan origination and brokerage fees | 3,885 | 2,707 | 3,820 |
| Other income | 2,393 | 1,689 | 216 |
| Net gain on sales | 703 | 2,166 | 1,334 |
| TOTAL INCOME | 32,878 | 32,549 | 33,472 |
| EXPENSES: | | | |
| Salaries and benefits | 5,930 | 4,827 | 6,379 |
| Professional fees | 1,437 | 172 | 1,468 |
| Operating expenses | 2,227 | 2,191 | 2,280 |
| Goodwill and other intangible amortization | 333 | 318 | 494 |
| Interest expense | 8,487 | 8,972 | 7,228 |
| Other-than-temporary impairments | - | 110 | - |
| TOTAL EXPENSES | 18,414 | 16,590 | 17,849 |
| Net holding gains (losses) on trading securities | (7,721) | 3,112 | 2,691 |
| Income tax expense | (828) | (1,031) | (351) |
| Income allocable to preferred shareholders in a subsidiary company | (2,995) | (2,994) | (2,961) |
| Net income | \$ 2,920 | \$ 15,046 | \$ 15,002 |
| LESS: | | | |
| Net income allocable to preferred shares and term growth shares | - | 153 | 418 |
| Net income allocated to common shares | \$ 2,920 | \$ 14,893 | \$ 14,584 |
| OPERATING NET INCOME ALLOCATED TO COMMON SHARES | \$ 10,641 | \$ 11,781 | \$ 11,893 |
| EARNINGS PER COMMON SHARE: | | | |
| Basic earnings before cumulative effect of accounting change | \$ 0.12 | \$ 0.63 | \$ 0.67 |
| Basic net income per common share | \$ 0.12 | \$ 0.63 | \$ 0.67 |
| Diluted earnings before cumulative effect of accounting change | \$ 0.11 | \$ 0.62 | \$ 0.65 |
| Diluted net income per common share | \$ 0.11 | \$ 0.62 | \$ 0.65 |

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| | | | |
|---------------------------------------|------------|------------|------------|
| Weighted average shares outstanding: | | | |
| Basic | 25,252,124 | 23,584,635 | 21,708,191 |
| | ===== | ===== | ===== |
| Diluted | 25,835,808 | 24,200,030 | 22,349,645 |
| | ===== | ===== | ===== |
| Operating net income per common share | \$ 0.42 | \$ 0.50 | \$ 0.55 |
| | ===== | ===== | ===== |

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

| | For the three months ended June 30, 2002 | | Per Share | For the t |
|--|--|---------------|-----------|-------------|
| | Income | Shares | Amount | Income |
| | (Numerator) | (Denominator) | | (Numerator) |
| | ----- | ----- | ----- | ----- |
| (in thousands, except share and per share data) | | | | |
| Basic EPS | | | | |
| Income allocable to common shares | \$ 2,920 | 25,252,124 | \$ 0.12 | \$ 11,813 |
| | | | ===== | |
| Effect of Dilutive Securities | | | | |
| Options and deferred shares | - | 450,829 | | - |
| Earnings contingency | - | 132,855 | | - |
| | ----- | ----- | | ----- |
| Diluted EPS | | | | |
| Income allocable to common shares plus assumed conversions | \$ 2,920 | 25,835,808 | \$ 0.11 | \$ 11,813 |
| | ===== | ===== | ===== | ===== |
| For the six month ended June 30, 2002 | | | | |
| | Income | Shares | Per Share | For the |
| | (Numerator) | (Denominator) | Amount | Income |
| | ----- | ----- | ----- | (Numerator) |
| | ----- | ----- | ----- | ----- |
| (in thousands, except share and per share data) | | | | |
| Basic EPS | | | | |
| Income allocable to common shares | \$ 17,813 | 24,423,091 | \$ 0.73 | \$ 2,749 |
| | | | ===== | |
| Effect of Dilutive Securities | | | | |
| Options and deferred shares | - | 466,685 | | - |

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| | | | |
|---|-----------|------------|------------------|
| Earnings contingency | - | 132,855 | - |
| | ----- | ----- | ----- |
| Diluted EPS | | | |
| Income allocable to common shares plus assumed conversions | \$ 17,813 | 25,022,631 | \$ 0.71 \$ 2,749 |
| | ===== | ===== | ===== |

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

| | | |
|--|--|---|
| | | For the three mo ended June 30, 200 |
| | | ----- |
| INCOME: | | |
| Interest on bonds, other bond-related investments, other notes and loans | | \$ 2 |
| Interest on short-term investments | | |
| Loan servicing fees | | |
| Loan origination and brokerage fees | | |
| Other income | | |
| Net gain on sales | | |
| | | ----- |
| Total income | | 3 |
| | | ----- |
| EXPENSES: | | |
| Salaries and benefits | | |
| Professional fees | | |
| Operating expenses | | |
| Amortization | | |
| Interest expense | | |
| Other-than-temporary impairments related to investments in bonds and other bond-related investments | | |
| | | ----- |
| Total expenses | | 1 |
| | | ----- |
| Net holding gains on trading securities | | (|
| Income tax expense | | |
| Income allocable to preferred shareholders in a subsidiary company | | (|
| | | ----- |
| Net income | | \$ |
| | | ===== |
| LESS: | | |
| Net income allocable to term growth shares | | |
| | | ----- |
| Net income allocated to common shares | | \$ |
| | | ===== |
| Conversion to Cash Available for Distribution: | | |

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Amortization of intangibles and fees
 Valuation allowances and impairments
 Origination fees and other income
 Net gain on sale
 Mark to market adjustments
 Deferred tax expense

Cash Available for Distribution

\$ 1

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

| | June 30, 2002 | Ad |
|---|---------------------|----|
| Cash and cash equivalents | \$ 33,210 | |
| Investment in bonds and loans, net | 1,038,532 | |
| Off balance sheet assets | - | |
| Other assets | 210,876 | |
| Total net assets | \$ 1,282,618 | |
| Liabilities, including short-term debt | \$ 490,590 | |
| Off balance sheet debt | - | |
| Long-term debt | 138,157 | |
| Total liabilities | \$ 628,747 | |
| Leverage Ratio | | |
| (1) Adjustments to bonds and loans: | | |
| Remove Midland loans from assets and liabilities | \$ 368,840 | |
| Remove Oxford from assets and liabilities | 5,420 | |
| Adjustment to reflect CAD sale of pari passu taxable loans accounted for as borrowings | 16,870 | |
| Adjustment to reflect effect of highly leveraged obligations | 121,326 | |
| TOTAL | \$ 512,456 | |
| (2) Off balance sheet assets includes the following: | | |
| FSA A Bonds | \$ 67,500 | |
| Other A Bonds | 21,388 | |
| Demand Notes | 16,247 | |
| P-Floats | 306,732 | |
| TOTAL | \$ 411,867 | |

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| | |
|---|------------|
| (3) Remove goodwill | \$ 29,005 |
| | ===== |
| (4) Adjustments to liabilities: | |
| Remove other liabilities and normal accruals | \$ 29,112 |
| Adjustment to reflect CAD sale of pari passu taxable loans accounted for as borrowings | 18,785 |
| Remove Oxford from assets and liabilities | 5,410 |
| Remove Midland loans from assets and liabilities | 379,363 |
| | ----- |
| TOTAL | \$ 432,670 |
| | ===== |

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

| | (unaudited) June 30, 2002 | December 31, 2001 |
|--|---------------------------------|----------------------|
| | ----- | ----- |
| ASSETS: | | |
| Cash, cash equivalents and interest receivable | \$ 49,920 | \$ 113,232 |
| Investment in bonds and other bond-related investments | 664,144 | 629,755 |
| Investment in derivative financial instruments | 9,254 | 2,912 |
| Loans receivable, net | 401,570 | 440,031 |
| Investment in partnerships | 82,231 | 5,393 |
| Other assets | 82,930 | 68,948 |
| Goodwill and other intangible assets | 29,005 | 29,005 |
| | ----- | ----- |
| TOTAL | \$ 1,319,054 | \$ 1,289,276 |
| | ===== | ===== |
| LIABILITIES AND EQUITY: | | |
| Current liabilities | \$ 29,112 | \$ 31,974 |
| Notes payable | 379,363 | 420,063 |
| Investment in other bond-related investments | 6,840 | 7,979 |
| Investment in derivative financial instruments | 29,596 | 18,646 |
| Short-term debt | 82,115 | 78,560 |
| Long-term debt | 138,157 | 134,881 |
| Preferred shareholders' equity in a subsidiary company | 160,465 | 160,465 |
| Shareholders' equity | 493,406 | 436,708 |
| | ----- | ----- |
| TOTAL | \$ 1,319,054 | \$ 1,289,276 |
| | ===== | ===== |
| BOOK VALUE PER COMMON SHARE | \$ 19.50 | \$ 19.31 |
| | ===== | ===== |

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

BOND PRODUCTION:

| PROPERTY | CITY | STATE | PERMANENT INTEREST RATE | QUARTER BOND AMOUNT | |
|-----------------------------|-------------|-------|-------------------------------|------------------------|-----------|
| | | | | CONSTRUCTION | PERMANENT |
| Coronel Village (1) | Los Angeles | CA | 7.350% | \$ 4,100 | \$ 1 |
| Mountainview Village (1) | Sylmar | CA | Various | 15,250 | 15 |
| Sycamore Senior Village (1) | Oxnard | CA | Various | 24,850 | 24 |
| Lakeside/Golf Villas (2) | Various | FL | Various | | 8 |
| Park Center | Alexandria | VA | 6.375% | | 9 |
| TOTAL | | | | \$ 44,200 | \$ 59 |

(1) The Company's initial investment in these bonds was \$51,000 per bond. The remaining balance of Coronel is estimated to be drawn in the third quarter. Mountainview and Sycamore are estimated to be drawn down in the fourth quarter. The Company earned a 1.25% origination fee on these deals.

(2) The Company earned a 0.50% origination fee from this transaction.

CONSTRUCTION/PERMANENT LENDING, SYNDICATION AND OTHER PRODUCTION:

| | QUARTER VOLUME | TOTAL FEES RECOGNIZED THIS QUARTER FOR CAD |
|--|-------------------|---|
| Tax Credit Equity Syndications (Equity Raised) | \$ 47,387 | \$ 2,380 |
| Tax Credit Lending Production | \$ 48,345 | \$ - |
| Conventional Equity Production | \$ 8,331 | \$ 292 |
| Taxable Construction Loan Production (generating weighted average spread of .80%) | \$ 59,943 | \$ 400 |
| Taxable Permanent Loan Production | \$ 81,731 | \$ 1,147 |
| Working Capital Loans | \$ 16,944 | \$ 223 |
| Equity Investment in CAPREIT Three M Venture (1) | \$ 75,000 | \$ 750 |
| OTHER INFORMATION: Balance as of 6/30/02 of Midland Servicing Portfolio under Management | \$997,539 | \$ 948 |

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Balance as of 6/30/02 of Midland Equity Syndication
Portfolio under Management

\$732,701 \$ 737

(1) The Company has initially invested \$64 million to acquire equity interests in 18 CAPREIT property partnerships and has committed an additional \$11 million over the next six to twelve months.

MUNICIPAL MORTGAGE & EQUITY, LLC
PARTICIPATING BOND PORTFOLIO
NET OPERATING INCOME - TREND
As of June 30, 2002

| Property ----- | Q2 2001 Actual ----- | Q1 2002 Actual ----- | Q2 2002 (2) Actual ----- |
|--------------------------------|----------------------------|----------------------------|--------------------------------|
| Alban | 255,263 | 275,263 | 283,573 |
| (1) Arlington | 0 | 0 | 0 |
| Barkley Place | 370,472 | 416,448 | 292,596 |
| (1) Barrington at Beach Street | 0 | 0 | 0 |
| Cobblestone | 175,888 | 171,316 | 186,131 |
| (1) Cool Springs | 0 | 0 | 0 |
| Creekside | 257,546 | 290,387 | 267,643 |
| Crossings | 220,493 | 166,016 | 202,842 |
| Gilman Meadows | 178,325 | 197,038 | 180,464 |
| Hamilton Grove | 197,741 | 259,875 | 236,518 |
| Jefferson Commons | 533,208 | 515,102 | 507,391 |
| Lakeview | 176,040 | 207,168 | 184,888 |
| Mallard I | 41,024 | 38,206 | 42,174 |
| Mallard II | 125,902 | 114,533 | 122,473 |
| Montclair | 439,567 | 416,074 | 309,035 |
| Newport Village | 298,807 | 294,807 | 298,450 |
| Nicollet Ridge | 401,903 | 357,237 | 445,921 |
| North Pointe | 516,296 | 582,135 | 641,568 |
| Palisades Park | 246,677 | 242,262 | 252,537 |
| Riverset I | 418,554 | 365,203 | 216,089 |
| Riverset II | 177,314 | 160,726 | 95,383 |
| Steeplechase Falls Meadows | 339,143 | 413,045 | 387,206 |
| Timber Ridge | 161,264 | 180,734 | 145,900 |
| Villas at LaRiviera | 146,226 | 159,811 | 147,136 |
| Whispering Lake | 182,209 | 238,385 | 216,267 |
| Winter Oaks | 308,634 | 308,437 | 398,065 |
| | 259,430 | 231,860 | 274,904 |
| | | | |
| Total | 6,427,926 | 6,602,066 | 6,335,153 |
| | | | |
| Same Store Growth | 6,427,926 | 6,602,066 | 6,335,153 |

(1) Under construction

(2) Q2 2002 represents two months actual, one month budget

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MUNICIPAL MORTGAGE & EQUITY, LLC
 REAL ESTATE TABLE

| Apartment Community ----- | Month/Year Acquired | Apartment Units | Month Ended June 30, 2002 | Occ Mont Mar 2 |
|---------------------------------------|------------------------|--------------------|---------------------------------|-------------------------|
| Participating Mortgage Bonds: | | | | |
| Alban Place | Sep-86 | 194 | 93.8% | |
| Cobblestone | Aug-99 | 184 | 95.1% | |
| Creekside Village | Nov-87 | 296 | 99.0% | |
| Crossings | Jan-97 | 200 | 95.5% | |
| Jefferson Commons | Dec-00 | 173 | 92.5% | |
| Lakeview | Sep-87 | 180 | 96.1% | |
| North Pointe | Sep-86 | 540 | 92.4% | |
| Timber Ridge | Dec-00 | 168 | 97.6% | |
| Villas at LaRiviera | Jun-99 | 199 | 81.5% | |
| | | 2,134 | | |
| Subtotal Participating Mortgage Bonds | | | | |
| Mortgage Bonds | | | | |
| Applewood (a.k.a. Paola) | Jul-99 | 48 | 91.7% | |
| Buchanan Bay | Mar-01 | 228 | 81.6% | |
| Cielo Vista | Aug-99 | 378 | 95.0% | |
| Charter House (2) | Dec-96 | ---- | N/A | |
| Country Club | Jul-99 | 101 | 90.1% | |
| Delta Village | Jun-99 | 80 | 100.0% | |
| Elmbrooke | Aug-00 | 54 | 100.0% | |
| Florida A&M | Feb-00 | 96 | 69.8% | |
| Gannon (Broward) | Feb-98 | 315 | 96.2% | |
| Gannon (Dade) (3) | Feb-98 | 1,252 | 95.5% | |
| Gannon (St. Louis) | Feb-98 | 336 | 92.9% | |
| Gannon A Bond | Feb-98 | ---- | N/A | |
| Hidden Valley | Dec-96 | 82 | 90.2% | |
| Honey Creek | Mar-99 | 656 | 95.1% | |
| Hunter's Glen | Mar-01 | 383 | 85.9% | |
| Lake Piedmont | Apr-98 | 648 | 95.2% | |
| Monroe (Oakmont, Towne Oak) | Dec-98 | 364 | 98.1% | |
| Mountain View (Willowgreen) | Nov-86 | 241 | 98.3% | |
| Northridge Park II | Aug-87 | 128 | 96.9% | |
| Oakbrook | Dec-96 | 170 | 95.9% | |
| Orangevale | Apr-98 | 64 | 100.0% | |
| Parkwood | Jun-99 | 180 | 97.8% | |
| Riverset II (1) | Jan-96 | ---- | N/A | |
| Sahuarita | Jun-99 | 52 | 100.0% | |
| Santa Fe Springs | Jun-00 | 310 | 91.9% | |
| Shadowbrook | Jun-99 | 193 | 99.0% | |
| Torries Chase | Dec-96 | 99 | 93.9% | |
| Villa Hialeah | Nov-87 | 245 | 98.0% | |
| Village at Stone Mountain | Oct-97 | 722 | 91.6% | |

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| | | | |
|---------------|--------|-----|-------|
| Village Green | Feb-00 | 200 | 86.5% |
| Western Hills | Dec-98 | 80 | 91.2% |
| Willow Key | Mar-99 | 384 | 99.0% |
| Woodmark | Jun-99 | 173 | 98.9% |

Subtotal Mortgage Bonds 8,262

Participating Subordinate Mortgage Bonds:

| | | | |
|---------------------|--------|-----|-------|
| Barkley Place | May-87 | 156 | 89.7% |
| Gilman Meadows | Mar-87 | 125 | 90.4% |
| Hamilton Chase | Feb-87 | 300 | 93.7% |
| Mallard Cove I & II | Feb-87 | 198 | 90.4% |
| Meadows | Jan-88 | 200 | 94.0% |
| Montclair | Oct-86 | 159 | 97.5% |
| Newport Village | Dec-86 | 220 | 94.1% |
| Nicollet Ridge | Dec-87 | 339 | 92.0% |
| Riverset II | Jan-96 | 148 | 86.8% |
| Steeplechase | Oct-88 | 450 | 92.9% |
| Whispering Lake | Oct-87 | 384 | 93.5% |

Subtotal Participating Subordinate Mortgage Bonds 2,679

| Apartment Community | Month/Year Acquired | Apartment Units | Month Ended May 2002 | Monthl Apartme Mont Ma 2 |
|-------------------------------|------------------------|--------------------|----------------------------|--------------------------------------|
| Participating Mortgage Bonds: | | | | |
| Alban Place | Sep-86 | 194 | \$923 | |
| Cobblestone | Aug-99 | 184 | 569 | |
| Creeside Village | Nov-87 | 296 | 552 | |
| Crossings | Jan-97 | 200 | 741 | |
| Jefferson Commons | Dec-00 | 173 | 1,469 | |
| Lakeview | Sep-87 | 180 | 692 | |
| North Pointe | Sep-86 | 540 | 680 | |
| Timber Ridge | Dec-00 | 168 | 464 | |
| Villas at LaRiviera | Jun-99 | 199 | 674 | |

Subtotal Participating Mortgage Bonds 2,134

Mortgage Bonds

| | | | |
|--------------------------|--------|------|-------|
| Applewood (a.k.a. Paola) | Jul-99 | 48 | \$499 |
| Buchanan Bay | Mar-01 | 228 | 688 |
| Cielo Vista | Aug-99 | 378 | 423 |
| Charter House (2) | Dec-96 | ---- | N/A |
| Country Club | Jul-99 | 101 | 438 |
| Delta Village | Jun-99 | 80 | 572 |
| Elmbrooke | Aug-00 | 54 | 1,035 |
| Florida A&M | Feb-00 | 96 | 1,386 |

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| | | | |
|-----------------------------|--------|-------|-------|
| Gannon (Broward) | Feb-98 | 315 | 663 |
| Gannon (Dade) (3) | Feb-98 | 1,252 | 743 |
| Gannon (St. Louis) | Feb-98 | 336 | 565 |
| Gannon A Bond | Feb-98 | ---- | N/A |
| Hidden Valley | Dec-96 | 82 | 550 |
| Honey Creek | Mar-99 | 656 | 544 |
| Hunter's Glen | Mar-01 | 383 | 584 |
| Lake Piedmont | Apr-98 | 648 | 474 |
| Monroe (Oakmont, Towne Oak) | Dec-98 | 364 | 481 |
| Mountain View (Willowgreen) | Nov-86 | 241 | 628 |
| Northridge Park II | Aug-87 | 128 | 1,049 |
| Oakbrook | Dec-96 | 170 | 427 |
| Orangevale | Apr-98 | 64 | 957 |
| Parkwood | Jun-99 | 180 | 460 |
| Riverset II (1) | Jan-96 | ---- | N/A |
| Sahuarita | Jun-99 | 52 | 553 |
| Santa Fe Springs | Jun-00 | 310 | 586 |
| Shadowbrook | Jun-99 | 193 | 480 |
| Torries Chase | Dec-96 | 99 | 496 |
| Villa Hialeah | Nov-87 | 245 | 681 |
| Village at Stone Mountain | Oct-97 | 722 | 733 |
| Village Green | Feb-00 | 200 | 628 |
| Western Hills | Dec-98 | 80 | 502 |
| Willow Key | Mar-99 | 384 | 653 |
| Woodmark | Jun-99 | 173 | 697 |

Subtotal Mortgage Bonds

8,262

Participating Subordinate Mortgage Bonds:

| | | | |
|---------------------|--------|-----|---------|
| Barkley Place | May-87 | 156 | \$2,068 |
| Gilman Meadows | Mar-87 | 125 | 1,018 |
| Hamilton Chase | Feb-87 | 300 | 611 |
| Mallard Cove I & II | Feb-87 | 198 | 760 |
| Meadows | Jan-88 | 200 | 607 |
| Montclair | Oct-86 | 159 | 1,816 |
| Newport Village | Dec-86 | 220 | 836 |
| Nicollet Ridge | Dec-87 | 339 | 942 |
| Riverset II | Jan-96 | 148 | 706 |
| Steeplechase | Oct-88 | 450 | 590 |
| Whispering Lake | Oct-87 | 384 | 649 |

Subtotal Participating Subordinate Mortgage Bonds

2,679

| Apartment Community | Month/Year Acquired | Apartment Units | Month Ended June 30, 2002 | Month |
|-----------------------------|---------------------|-----------------|---------------------------|--------|
| Subordinate Mortgage Bonds: | | | | |
| CAPREIT | Sep-99 | ---- | | N/A |
| Cinnamon Ridge | Jan-99 | ---- | | N/A |
| Farmington Meadows | Aug-99 | 69 | | 100.0% |

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| | | | |
|---|--------|--------|--------|
| Independence Ridge | Aug-96 | 336 | 83.6% |
| Locarno | Aug-96 | 110 | 93.6% |
| Olde English Manor | Nov-99 | ---- | N/A |
| Peaks of Conyer | Sep-01 | 260 | 89.2% |
| Rillito Village | Jul-00 | ---- | N/A |
| Winter Oaks | Nov-99 | 460 | 92.0% |
| | | ----- | |
| Subtotal Subordinate Mortgage Bonds | | 1,235 | |
| | | ----- | |
| Other Bond-Related Investments: | | | |
| Briarwood | Dec-98 | 600 | 97.5% |
| Cinnamon Ridge | Dec-97 | 264 | 98.1% |
| Golfside Villas (f.k.a. Club West) | Mar-99 | 194 | 100.0% |
| Park Center | Oct-01 | 325 | 94.2% |
| Park at Landmark | Sep-00 | 396 | 95.0% |
| Poplar Glen | Jun-97 | 191 | 95.8% |
| RITES - Charter House | Dec-96 | 280 | 98.2% |
| RITES - Indian Lakes | Jul-97 | 296 | 86.1% |
| RITES - LaPaloma | Apr-99 | 120 | 98.3% |
| RITES - LeMirador (Coleman Senior) | Apr-98 | 141 | 92.9% |
| RITES - Museum Towers | Apr-01 | 286 | 87.8% |
| RITES - Oklahoma City (4) | Aug-98 | 772 | 86.8% |
| RITES - Olde English Manor | Jun-98 | 264 | 90.2% |
| RITES - Palisades Park | Feb-98 | 304 | 97.4% |
| RITES - Pavillion | Apr-99 | 132 | 100.0% |
| RITES - Queen Anne IV | Jul-98 | 110 | 96.4% |
| RITES - Rancho/Villas | May-00 | 417 | 92.1% |
| RITES - Rillito Village | Aug-98 | 272 | 93.4% |
| RITES - Riverset (1) | Aug-88 | 352 | 86.8% |
| RITES - Riverset II (1) | Jan-96 | ---- | N/A |
| RITES - Sienna (a.k.a. Italian Gardens) | Apr-98 | 140 | 83.6% |
| RITES - Sonterra | May-98 | 156 | 94.2% |
| RITES - Southgate Crossings | Jun-97 | 215 | 97.2% |
| RITES - Southwood | Nov-97 | 1,286 | 85.6% |
| | | ----- | |
| Subtotal Other Bond-Related Investments | | 7,513 | |
| | | ----- | |
| Total Units/Weighted Average Investments | | 21,823 | 92.8% |
| | | ===== | |
| Total/Same Stores (5) | | 21,238 | 92.8% |
| Construction/Substantial Rehab Properties and Other Investments | | | |
| Arlington | Dec-00 | 176 | N/A |
| Barrington at Beach Street | Oct-00 | 398 | 39.2% |
| Bedford Park | Oct-00 | 312 | 75.6% |
| CAPREIT (6) | Mar-01 | 2,942 | 93.3% |
| CAPREIT Investment Venture (7) | Jun-02 | 5,185 | N/A |
| Chancellor | Nov-01 | 101 | N/A |
| Chancellor II | Mar-02 | 46 | N/A |
| Cool Springs | Aug-00 | 124 | 28.2% |
| Coronel Village | Apr-02 | 48 | N/A |
| Fort Branch | Dec-00 | 250 | 19.6% |
| Hidden Brooks | Sep-01 | 201 | 80.6% |
| Las Trojas | Mar-02 | 49 | N/A |
| Lincoln Corner | Dec-01 | 134 | N/A |
| Meridian at Bridgewater | Nov-99 | 90 | 71.1% |
| Mountain View Village | Jun-02 | 220 | N/A |
| North White Road | Nov-01 | 157 | N/A |
| Oak Grove Commons | Dec-01 | 168 | N/A |
| Penn Valley | Dec-01 | 42 | N/A |
| Riverview | Jun-00 | 224 | 75.0% |
| Silver Springs | Dec-99 | 250 | 72.4% |

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| | | | |
|-------------------------|--------|-----|--------|
| Southwind | Aug-00 | 88 | 100.0% |
| Sycamore Senior Village | Jun-02 | 300 | N/A |
| Village Apartments | May-00 | 210 | 96.2% |
| Village at Sun Valley | May-00 | 276 | 60.1% |
| Walnut Tree | Mar-02 | 64 | N/A |
| Weatherstone | Sep-00 | 100 | 91.0% |
| Woodglen | Dec-99 | 250 | 90.8% |

Subtotal Construction/Rehab Properties 12,405

Total Units 34,228

| Apartment Community | Month/Year Acquired | Apartment Units | Month Ended May 2002 | Avg. M Per Ap Mon |
|--|------------------------|--------------------|----------------------------|-------------------------|
| 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 | 550 | |
| Locarno | Aug-96 | 110 | 874 | |
| Olde English Manor | Nov-99 | ---- | | N/A |
| Peaks of Conyer | Sep-01 | 260 | 740 | |
| Rillito Village | Jul-00 | ---- | | N/A |
| Winter Oaks | Nov-99 | 460 | 556 | |
| Subtotal Subordinate Mortgage Bonds | | 1,235 | | |
| Other Bond-Related Investments: | | | | |
| Briarwood | Dec-98 | 600 | \$599 | |
| Cinnamon Ridge | Dec-97 | 264 | 912 | |
| Golfside Villas (f.k.a. Club West) | Mar-99 | 194 | 583 | |
| Park Center | Oct-01 | 325 | 1,460 | |
| Park at Landmark | Sep-00 | 396 | 1,079 | |
| Poplar Glen | Jun-97 | 191 | 932 | |
| UTES - Charter House | Dec-96 | 280 | 625 | |
| UTES - Indian Lakes | Jul-97 | 296 | 794 | |
| UTES - LaPaloma | Apr-99 | 120 | 630 | |
| UTES - LeMirador (Coleman Senior) | Apr-98 | 141 | 838 | |
| UTES - Museum Towers | Apr-01 | 286 | 1,363 | |
| UTES - Oklahoma City (4) | Aug-98 | 772 | 478 | |
| UTES - Olde English Manor | Jun-98 | 264 | 478 | |
| UTES - Palisades Park | Feb-98 | 304 | 541 | |
| UTES - Pavillion | Apr-99 | 132 | 665 | |
| UTES - Queen Anne IV | Jul-98 | 110 | 1,091 | |
| UTES - Rancho/Villas | May-00 | 417 | 799 | |
| UTES - Rillito Village | Aug-98 | 272 | 442 | |
| UTES - Riverset (1) | Aug-88 | 352 | 714 | |
| UTES - Riverset II (1) | Jan-96 | ---- | | N/A |
| UTES - Sienna (a.k.a. Italian Gardens) | Apr-98 | 140 | 828 | |

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| | | | |
|---|--------|--------|-------|
| RITES - Sonterra | May-98 | 156 | 846 |
| RITES - Southgate Crossings | Jun-97 | 215 | 956 |
| RITES - Southwood | Nov-97 | 1,286 | 492 |
| | | ----- | |
| Subtotal Other Bond-Related Investments | | 7,513 | |
| | | ----- | |
| Total Units/Weighted Average Investments | | 21,823 | \$709 |
| | | ===== | |
| Total/Same Stores (5) | | 21,238 | \$686 |
| | | | |
| Construction/Substantial Rehab Properties and Other Investments | | | |
| Arlington | Dec-00 | 176 | N/A |
| Barrington at Beach Street | Oct-00 | 398 | \$847 |
| Bedford Park | Oct-00 | 312 | 512 |
| CAPREIT (6) | Mar-01 | 2,942 | 623 |
| CAPREIT Investment Venture (7) | Jun-02 | 5,185 | N/A |
| Chancellor | Nov-01 | 101 | N/A |
| Chancellor II | Mar-02 | 46 | N/A |
| Cool Springs | Aug-00 | 124 | 1,947 |
| Coronel Village | Apr-02 | 48 | N/A |
| Fort Branch | Dec-00 | 250 | 836 |
| Hidden Brooks | Sep-01 | 201 | 1,063 |
| Las Trojas | Mar-02 | 49 | N/A |
| Lincoln Corner | Dec-01 | 134 | N/A |
| Meridian at Bridgewater | Nov-99 | 90 | 3,515 |
| Mountain View Village | Jun-02 | 220 | N/A |
| North White Road | Nov-01 | 157 | N/A |
| Oak Grove Commons | Dec-01 | 168 | N/A |
| Penn Valley | Dec-01 | 42 | N/A |
| Riverview | Jun-00 | 224 | 666 |
| Silver Springs | Dec-99 | 250 | 783 |
| Southwind | Aug-00 | 88 | 709 |
| Sycamore Senior Village | Jun-02 | 300 | N/A |
| Village Apartments | May-00 | 210 | 492 |
| Village at Sun Valley | May-00 | 276 | 641 |
| Walnut Tree | Mar-02 | 64 | N/A |
| Weatherstone | Sep-00 | 100 | 812 |
| Woodglen | Dec-99 | 250 | 685 |
| | | ----- | |
| Subtotal Construction/Rehab Properties | | 12,405 | |
| | | ----- | |
| Total Units | | 34,228 | |
| | | ===== | |

- (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) The CAPREIT Portfolio represents eleven properties.
- (7) CAPREIT Investment Venture represents seventeen properties (not included previously in CAPREIT Portfolio).