MUNICIPAL MORTGAGE & EQUITY LLC
Form 10-Q
May 14, 2002

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 2002

Commission file number: 001-11981

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

Delaware	52-1449733
(State of Organization)	(I.R.S. Employer Identification No.)

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

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

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

The registrant had 25,227,296 common shares outstanding as of May 8, 2002.

MUNICIPAL MORTGAGE & EQUITY, LLC
INDEX TO FORM 10-Q

MUNICIPAL MORTGAGE & EQUITY, LLC
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	(Unaudite March 31, 2
ASSETS	
Cash and cash equivalents	$ 75
Interest receivable	15
Investment in tax-exempt bonds, net (Note 2)	641
Investment in other bond-related investments (Notes 3 and 4)	9
Investment in derivative financial instruments (Note 5)	2
Loans receivable, net (Note 6)	381
Restricted assets	14
Other assets	47
Mortgage servicing rights, net	10
Property and equipment	2
Goodwill	29
Total assets	$ 1,229
LIABILITIES AND SHAREHOLDERS' EQUITY	
Notes payable (Note 7)	$ 333
Accounts payable, accrued expenses and other liabilities	23
Investment in other bond-related investments (Notes 3 and 4)	5
Investment in derivative financial instruments (Note 5)	15
Distributions payable	3
Short-term debt	53
Long-term debt	138
Total liabilities	573
Commitments and contingencies	
Preferred shareholders' equity in a subsidiary company (Note 8)	160

Shareholders' equity:	
Preferred shares:	
Series I (0 and 10,995 shares issued and outstanding, respectively)	
Series II (0 and 3,176 shares issued and outstanding, respectively)	
Preferred capital distribution shares:	
Series I (0 and 5,742 shares issued and outstanding, respectively)	
Series II (0 and 1,391 shares issued and outstanding, respectively)	
Term growth shares (0 and 2,000 shares issued and outstanding, respectively)	
Common shares, par value $0, (27,894,597 shares authorized, 25,249,462 shares issued and outstanding, and 23,320 deferred shares at March 31, 2002 and 24,594,597 authorized, 21,857,312 shares issued and outstanding, and 22,254 deferred shares at December 31, 2001)	484
Less common shares held in treasury at cost (59,330 shares and 59,330 shares, respectively)	
Less unearned compensation (deferred shares)	(4
Accumulated other comprehensive income	17
Total shareholders' equity	496
Total liabilities and shareholders' equity	$ 1,229

The accompanying notes are an integral part of these financial statements.

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

	For the three m March
	2002
INCOME:	
Interest on tax-exempt bonds and other bond-related investments	$ 15,593
Interest on loans	7,999
Loan origination and brokerage fees	822
Syndication fees	1,885
Loan servicing fees	1,908
Interest on short-term investments	487
Other income	1,689
Net gain on sales	2,166
Total income	32,549
EXPENSES:	
Salaries and benefits	4,827
Professional fees	172
Operating expenses	2,191
Amortization	318
Interest expense	8,972
Other-than-temporary impairments related to investments in mortgage	

revenue bonds and other bond-related investments	110
Total expenses	16,590
Net holding gains (losses) on trading securities	3,112
Net income before income taxes, income allocated to preferred shareholders in a subsidiary company, and cumulative effect of accounting change	19,071
Income tax expense	1,031
Net income before income allocated to preferred shareholders in a subsidiary company and cumulative effect of accounting change	18,040
Income allocable to preferred shareholders in a subsidiary company	2,994
Net income before cumulative effect of accounting change	15,046
Cumulative effect on prior years of change in accounting for derivative financial instruments	-
Net income (loss)	$ 15,046

The accompanying notes are an integral part of these financial statements.

Net income (loss) allocated to:	
Preferred shares:	
Series I	$ -
Series II	-
Preferred capital distribution shares:	
Series I	$ -
Series II	-
Term growth shares	$ 153
Common shares	$ 14,893
Basic net income (loss) per share:	
Preferred shares:	
Series I	$ -
Series II	-
Preferred capital distribution shares:	
Series I	$ -
Series II	-
Common shares:	
Income before cumulative effect of accounting change	$ 0.63
Cumulative effect on prior years of change in	

accounting for derivative financial instruments	-
Basic net income (loss) per common share	$ 0.63
Weighted average common shares outstanding	23,584,635
Diluted net income (loss) per share:	
Common shares:	
Income before cumulative effect of accounting change	$ 0.62
Cumulative effect on prior years of change in accounting for derivative financial instruments	-
Diluted net income (loss) per common share	$ 0.62
Weighted average common shares outstanding	24,200,030

The accompanying notes are an integral part of these financial statements.

MUNICIPAL MORTGAGE & EQUITY, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands) (unaudited)

	For the three mo March 31
	2002
Net income (loss)	$ 15,046
Other comprehensive income (loss):	
Unrealized gains (losses) on investments:	
Unrealized holding gains (losses) arising during the period	(4,134)
Reclassification adjustment for (gains) losses included in net income	(956)
Other comprehensive income (loss)	(5,090)
Comprehensive income	$ 9,956

The accompanying notes are an integral part of these financial statements.

MUNICIPAL MORTGAGE & EQUITY, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (unaudited)

	For
	2
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	$
Adjustments to reconcile net income to net cash provided by operating activities:	
Income allocated to preferred shareholders in a subsidiary company	
Cumulative effect of accounting change	
Net holding (gains) losses on trading securities	
Other-than-temporary impairments related to investments in mortgage revenue bonds	
Net gain on sales	
Net amortization of premiums, discounts and fees on investments	
Depreciation and amortization	
Tax benefit from deferred share benefit	
Deferred share compensation expense	
Common and deferred shares issued under the Non-Employee Directors' Share Plans	
Decrease in interest receivable	
Increase in other assets	
Decrease in accounts payable, accrued expenses and other liabilities	
Net cash provided by operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of tax-exempt bonds and other bond related investments	
Loan originations	
Purchases of property and equipment	
Principal payments received	
Net proceeds from sales of investments	
Net (reduction) investment in restricted assets	
Net cash provided by (used in) investing activities	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Borrowings from credit facilities	
Repayment of credit facilities	(
Proceeds from short-term debt	
Repayment of short-term debt	
Proceeds from long-term debt	
Repayment of long-term debt	
Issuance of common shares	
Redemption of preferred shares	
Proceeds from stock options exercised	
Distributions	
Distributions to preferred shares in a subsidiary company	
Net cash (used in) provided by financing activities	
Net increase(decrease) in cash and cash equivalents	(
Cash and cash equivalents at beginning of period	
Cash and cash equivalents at end of period	$
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	

Interest paid

Income taxes paid

The accompanying notes are an integral part of these financial statements.

	Preferred Shares Series I	Preferred Shares Series II	Preferred Capital Distribution Shares Series I	Preferred Capital Distribution Shares Series II	Term Growth Shares	Common Shares	Treasury Shares
Balance, January 1, 2002	$ 6,914	$ 2,326	$ 2,552	$ 411	$ 229	$ 406,733	$ (912)
Net income	-	-	-	-	153	14,893	-
Unrealized gains on investments,net of reclassifications	-	-	-	-	-	-	-
Distributions	(115)	(15)	(49)	(1)	(382)	(9,422)	-
Redemption of preferred shares	(6,799)	(2,311)	(2,503)	(410)	-	(7,275)	-
Options exercised	-	-	-	-	-	611	-
Issuance of common shares	-	-	-	-	-	77,555	-
Deferred shares issued under the Non-Employee Directors' Share Plans	-	-	-	-	-	37	-
Deferred share grants	-	-	-	-	-	830	-
Tax benefit from exercise of options and vesting of deferred shares	-	-	-	-	-	171	-
	$ -	$ -	$ -	$ -	$ -	$ 484,133	$ (912)

	Preferred Shares Series I	Preferred Shares Series II	Preferred Capital Distribution Shares Series I	Preferred Capital Distribution Shares Series II	Term Growth Shares	Common Shares	Treasury Shares
	10,995	3,176	5,742	1,391	2,000	21,820,236	59,330
Redemption of preferred shares	(10,995)	(3,176)	(5,742)	(1,391)	(2,000)	-	-
Options exercised	-	-	-	-	-	32,500	-
Issuance of common shares	-	-	-	-	-	3,300,188	-
Issuance of common shares under employee share incentive plans	-	-	-	-	-	59,462	-
Deferred shares issued under the Non-Employee Directors' Share Plans	-	-	-	-	-	1,066	-

-	-	-	-	-	25,213,452	59,330
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MUNICIPAL MORTGAGE & EQUITY, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

Municipal Mortgage & Equity, LLC ("MuniMae") and its subsidiaries (together with MuniMae, the "Company") are principally engaged in originating, investing in and servicing investments related to multifamily housing and other real estate financings. A significant portion of the Company's investments are tax-exempt bonds, or interests in bonds, issued by state and local governments or their agencies or authorities to finance multifamily housing developments. Interest income from the majority of these investments is exempt for federal income tax purposes. Multifamily housing developments, as well as the rents paid by the tenants, secure these investments. Midland Financial Holdings, Inc. ("Midland"), a wholly owned corporate subsidiary, is a fully integrated real estate investment firm that specializes in originating, investing in and servicing investments in the affordable multifamily housing industry. These investments generate taxable, not tax-exempt, income.

The assets of MuniMae TE Bond Subsidiary, LLC and its subsidiaries (collectively, "TE Bond Sub"), are solely those of TE Bond Sub and are not available to creditors of MuniMae. Because MuniMae indirectly owns all of the common equity interests of TE Bond Sub, TE Bond Sub's assets are consolidated on MuniMae's financial statements. The equity interest in TE Bond Sub held by MuniMae is subject to the claims of creditors of the Company and in certain circumstances could be foreclosed upon.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and in the opinion of management contain all adjustments (consisting of only normal recurring accruals) necessary to present a fair statement of the results for the periods presented. These results have been determined on the basis of accounting principles and policies discussed in Note 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (the "Company's 2001 Form 10-K"). Certain information and footnote disclosures normally included in financial statements presented in accordance with generally accepted accounting principles have been condensed or omitted. The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2001 Form 10-K. Certain 2001 amounts have been reclassified to conform to the 2002 presentation.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board approved Statements of Financial Accounting Standards No. 141 "Business Combinations" ("FAS 141") and No. 142 "Goodwill and Other Intangible Assets," ("FAS 142") which are effective July 1, 2001 and January 1, 2002, respectively, for the Company. FAS 141 requires that the purchase method of accounting be used for all business combinations consummated after June 30, 2001. FAS 141 did not have an impact on the Company for the year ended December 31, 2001. The Company adopted FAS 142 on

January 1, 2002. Upon adoption of FAS 142, amortization of goodwill, including goodwill recorded in past business combinations, was discontinued. For the year ended December 31, 2001, the Company recorded amortization expense of $1.6 million. Application of the nonamortization provision is expected to result in additional net income of $1.6 million for the year ended December 31, 2002. All goodwill will be tested for impairment in accordance with the provisions of the FAS 142 prior to June 30, 2002.

FAS 142 requires that goodwill be tested for impairment using a two-step process. Step one is to identify potential impairment. MuniMae will complete this step in the first half of 2002. Step two measures the amount of any identified impairment loss. This step will be completed by the end of 2002.

The Company's goodwill at March 31, 2002 and December 31, 2001, represents the excess of cost over market value of the net assets acquired from the acquisition of businesses in the Company's operating segment. For the three months ended March 31, 2002, there was no change in the carrying value of the Company's goodwill. The following table shows the effect of the goodwill amortization on net income and earnings per share for the periods presented:

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
Reported net income (loss) to common shares	$ 14,893	$ (9,064)
Add back: goodwill amortization	-	485
Adjusted net income (loss) to common shares	$ 14,893	$ (8,579)
Basic net income (loss) per share:		
Reported net income (loss) per share	$ 0.63	$ (0.45)
Goodwill amortization	-	0.02
Adjusted net income (loss) per share	$ 0.63	$ (0.43)
Diluted net income (loss) per share:		
Reported net income (loss) per share	$ 0.62	$ (0.44)
Goodwill amortization	-	0.02
Adjusted net income (loss) per share	$ 0.62	$ (0.42)

NOTE 2 - INVESTMENTS IN TAX-EXEMPT BONDS

The Company holds a portfolio of tax-exempt bonds and certificates of participation in grantor trusts holding tax-exempt bonds ("COPs"). The tax-exempt bonds are issued by state and local government authorities to finance multifamily housing developments or other real estate financings. The bonds are typically secured by non-recourse mortgage loans on the underlying properties. The COPs represent a pro rata interest in a trust that holds a tax-exempt bond. The Company's rights and the specific terms of the bonds and COPs are defined by the various loan and trust documents, which were negotiated at the time of settlement. See further discussion of the general mortgage loan terms in Note 4 to the Company's 2001 Form 10-K.

During the first quarter, the Company funded $806,000 in tax-exempt bonds collateralized by five multifamily apartment communities. Of this amount, $153,000 was an initial funding of six bonds; the approximately $16.8 million balance of the bonds is expected to be funded by the Company in the second and third quarters of 2002. These six investments were non-participating bonds and have a weighted average interest rate of 7.22%. The bonds' maturities range form July 2034 to July 2044. All six investments relate to to-be-built communities. The remaining investment of $653,000 was an investment in a subordinate non-participating bond collateralized by the properties known as Oakmont and Towne Oaks. This investment has an interest rate of 7.2% and a maturity of January 2034. The Company recognized an other-than-temporary impairment of $110,000 on this investment as a result of the interest rate on this investment being below market.

From time to time, the Company may purchase or sell in the open market interests in bonds that it has securitized depending on the Company's capital position and needs. During the first quarter, the Company repurchased all the P-FLOATssm outstanding in the Sonterra ($10.1 million face amount), Rancho Mirage ($12.8 million face amount), Gannon-Dade ($29.0 million face amount) and Riverset II ($7.5 million face amount) securitization trusts.

In order to facilitate the securitization (see Note 3) of certain assets at higher leverage ratios than otherwise available to the Company without the posting of additional collateral, the Company has pledged additional bonds to a pool that acts as collateral for senior interests in certain securitization trusts. At March 31, 2002 and December 31, 2001, the total carrying amount of the tax-exempt bonds pledged as collateral was $424.2 million and $358.4 million, respectively.

The table below provides certain information with respect to the bonds held by the Company at March 31, 2002 and December 31, 2001.

Investment in Tax-Exempt Bonds		Year Acquired	Base Interest Rate (12)	Maturity Date	Marc Face Amount (000s)	 Amortized Cost (000s)
Participating Bonds(1):						
Arlington	(9),(10)	2000	8.100	Jan. 2031	$12,625	$12,562
Cobblestone	(9)	1999	7.125	Aug. 2039	6,800	6,732
Cool Springs	(4),(10)	2000	7.750	Aug. 2030	14,472	14,313
Crossings	(4),(19)	1997	8.000	Jul. 2007	6,795	6,708
Jefferson Commons	(15)	2000	8.200	Jan. 2031	19,826	19,528
Palisades Park	(9)	2001	7.125	Aug. 2028	8,471	8,458
Timber Ridge	(4),(10)	2000	7.950	Jan. 2036	5,215	5,119
Villas at LaRiveria	(4),(10)	1999	7.125	Jun. 2034	8,841	8,734
Subtotal participating bonds					83,045	82,154
Non-participating Bonds:						
Alban Place	(2),(4),(5),(8)	1986	8.150	Oct. 2008	10,065	10,065
Baytown	(4),(10)	2000	7.750	Jun. 2030	4,995	4,945

Bedford Park	(9)	2000	8.000	Nov. 2032	9,325	9,232
Buchanan Bay	(9)	2001	5.830	Dec. 2031	10,725	9,098
Canterberry Crossing A	(4)	2001	6.700	Dec. 2031	10,430	10,222
Canterberry Crossing B	(4)	2001	6.700	Dec. 2021	2,000	1,960
Chancellor	(4),(10)	2001	7.200	Jul. 2043	5,610	5,554
Chancellor II	(10),(21)	2002	(21)	(21)	51	51
Charter House		1996	7.450	Jul. 2026	25	25
Cielo Vista	(4),(10)	1999	7.125	Sep. 2034	9,443	9,374
Club West	(9)	2001	6.580	(17)	7,960	7,910
Country Club	(10)	1999	7.250	Aug. 2029	2,468	2,437
Creekside Village	(2),(4),(6)	1987	7.750	Nov. 2009	11,760	7,396
Delta Village	(10)	1999	7.125	Jun. 2035	2,011	1,977
Elmbrook-Golden	(4),(10)	2000	7.800	May. 2035	2,793	2,739
Gannon - Cedar Run	(4),(10)	1998	7.125	Dec. 2025	13,200	13,238
Gannon - Dade	(4),(10)	1998	7.125	Dec. 2029	54,814	55,127
Gannon - Whispering Palms	(4),(10)	1998	7.125	Dec. 2029	12,437	12,497
Gannon Bond	(4),(10)	1998	7.125	Dec. 2029	3,500	3,500
Harmony Hills Series 2000		2001	6.750	May. 2003	100	100
Harmony Hills Series 2001	(4)	2001	7.250	May. 2032	17,700	17,346
Hidden Valley	(4),(10)	1996	8.250	Jan. 2026	1,620	1,620
Honey Creek	(9)	2000	7.625	Jul. 2035	20,485	20,276
Hunter's Glen	(20)	2001	6.350	Dec. 2029	10,740	9,111
La Paloma	(9)	2001	6.710	May. 2030	4,378	4,378
Lakeview Garden	(2),(4),(6),(8)	1987	7.750	Aug. 2007	9,003	4,918
Lake Piedmont	(4),(6),(10)	1998	7.725	Apr. 2034	19,118	18,016
Las Trojas	(10), (21)	2002	(21)	(21)	51	51
Mountain View (Willowgreen)	(2),(9)	2000	8.000	Dec. 2010	9,275	6,770
North Pointe	(2),(4),(6),(8)	1986	7.300	Aug. 2006	25,185	12,739
Northridge Park	(2),(4),(8)	1987	7.500	Jun. 2012	8,815	8,815
Oakbrook	(9)	1996	8.200	Jul. 2026	3,045	3,074
Oakgrove	(4),(10),(22)	2001	7.000	Dec. 2041	7,000	6,913
Oaklahoma	(4)	2001	7.125	Jul. 2028	19,500	19,538
Oakmont/Towne Oaks	(9)	1998	7.200	Jan. 2034	11,208	11,186
Orangevale	(4),(10)	1998	7.000	Oct. 2013	2,213	2,213
Paola	(10)	1999	7.250	Aug. 2029	1,041	1,028
Parkwood	(9)	1999	7.125	Jun. 2035	3,910	3,842
Pavilion	(9)	2001	6.710	May. 2030	5,100	5,100
Penn Valley	(10)	2001	(23)	(23)	2,360	2,338
Queen Anne	(9)	2001	7.088	Aug. 2013	6,168	6,167
Rancho Mirage	(4),(10)	2000	8.500	Jun. 2040	12,780	12,780
Riverset Phase II	(4)	1999	9.500	Oct. 2019	7,610	7,716
Sahuarita	(4),(10)	1999	7.125	Jun. 2029	2,111	2,099
Santa Fe Springs	(4)	2000	(14)	Jun. 2025	11,700	11,455
Shadowbrook	(4),(10)	1999	6.850	Jun. 2029	5,780	5,768
Silver Spring	(9)	2001	7.375	Dec. 2029	10,270	10,298
Sonterra	(4),(10)	1998	7.000	Jun. 2035	10,074	10,100
Southwinds	(4),(10)	2000	8.000	Sept.2030	4,340	4,253
Stone Mountain	(4),(10)	1997	7.875	Oct. 2027	33,900	34,056
Torries Chase	(9)	1996	8.150	Jan. 2026	1,970	1,970
University Courtyard	(9)	2000	7.250	Mar. 2040	9,850	9,750
Village Green	(9)	2001	7.625	Feb. 2035	6,420	6,439
Villa Hialeah - refunded	(2),(4),(10)	1999	6.000	Aug. 2019	10,250	8,005
Walnut Tree	(10),(21)	2002	(21)	(21)	51	51
Western Hills	(4),(10)	1998	7.000	Dec. 2029	3,017	3,018
Willow Key	(9)	2001	6.717	(18)	17,440	17,440
Woodmark	(4),(10)	1999	7.125	Jun. 2039	10,200	10,073
Subtotal non-participating bonds					519,390	488,157

		Year Acquired	Base Interest Rate (12)	Maturity Date	March Face Amount (000s)	 Amortized Cost (000s)
Participating Subordinate Bonds(1):						
Barkley Place	(3),(4),(6),(10)	1995	16.000	Jan. 2030	3,480	2,444
Gilman Meadows	(3),(4),(6),(10)	1995	3.000	Jan. 2030	2,875	2,530
Hamilton Chase	(3),(6),(10)	1995	3.000	Jan. 2030	6,250	4,140
Mallard Cove I	(3),(4),(6),(10)	1995	3.000	Jan. 2030	1,670	799
Mallard Cove II	(3),(4),(6),(10)	1995	3.000	Jan. 2030	3,750	2,429
Meadows	(3),(4),(6),(10)	1995	16.000	Jan. 2030	3,635	3,716
Montclair	(3),(4),(6),(10)	1995	3.000	Jan. 2030	6,840	1,691
Newport Village	(3),(4),(6),(10)	1995	3.000	Jan. 2030	4,175	2,973
Nicollet Ridge	(3),(4),(6),(10)	1995	3.000	Jan. 2030	12,415	6,075
Riverset Phase II	(6)	1996	10.000	Oct. 2019	1,489	-
Steeplechase	(3),(4),(6),(10)	1995	16.000	Jan. 2030	5,300	4,223
Whispering Lake	(3),(4),(6),(10)	1995	3.000	Jan. 2030	8,500	4,779
Subtotal participating subordinate bonds					60,379	35,799
Non-Participating Subordinate Bonds:						
Cinnamon Ridge		1999	5.000	Jan. 2015	1,832	1,218
Farmington Meadows	(10)	1999	8.000	Aug. 2039	1,981	1,936
Independence Ridge	(10)	1996	12.500	Dec. 2015	1,045	1,045
Locarno	(10)	1996	12.500	Dec. 2015	675	675
Oakmont/Towne Oaks	(10)	2002	7.200	Jan. 2034	653	496
Olde English Manor	(6),(11)	1998	10.570	Nov. 2033	1,273	1,268
Oxford C Bond		2001	9.125	May. 2039	5,420	5,250
Penn Valley B Bond	(13)	2001	8.200	Apr. 2003	800	792
Rillito B Series	(6),(7)	2000	13.000	Dec. 2033	1,054	1,241
Winter Oaks B Bond	(6),(10)	1999	7.500	Jul. 2022	2,184	2,133
Winter Oaks C Bond	(6),(10)	1999	10.000	Jul. 2022	2,141	1,654
Subtotal non-participating subordinate bonds					19,058	17,708
Total investment in tax-exempt bonds					$681,872	$623,818

		Year Acquired	Base Interest Rate (12)	Maturity Date	Face Amount (000s)	Amortized Cost (000s)
Participating Bonds(1):						
Arlington	(9),(10)	2000	8.100	Jan. 2031	$12,625	$12,562
Cobblestone	(9)	1999	7.125	Aug. 2039	6,800	6,732
Cool Springs	(4),(10)	2000	7.750	Aug. 2030	14,472	14,313
Crossings	(4),(19)	1997	8.000	Jul. 2007	6,795	6,709

Jefferson Commons	(15)	2000	8.200	Jan. 2031	19,857	19,559
Palisades Park	(9)	2001	7.125	Aug. 2028	8,470	8,458
Timber Ridge	(4),(10)	2000	7.950	Jan. 2036	5,215	5,119
Villas at LaRiveria	(4),(10)	1999	7.125	Jun. 2034	8,844	8,738
Subtotal participating bonds					83,078	82,190
Non-Participating Bonds:						
Alban Place	(2),(4),(5),(8)	1986	8.150	Oct. 2008	10,065	10,065
Baytown	(4),(10)	2000	7.750	Jun. 2030	5,000	4,950
Bedford Park	(9)	2000	8.000	Nov. 2032	9,325	9,232
Buchanan Bay	(9)	2001	5.830	Dec. 2031	10,725	9,098
Canterberry Crossing A	(4)	2001	6.700	Dec. 2031	10,430	10,222
Canterberry Crossing B	(4)	2001	6.700	Dec. 2021	2,000	1,960
Chancellor	(4),(10)	2001	7.200	Jul. 2043	5,610	5,554
Chancellor II	(10),(21)	2002	(21)	(21)	-	-
Charter House		1996	7.450	Jul. 2026	25	25
Cielo Vista	(4),(10)	1999	7.125	Sep. 2034	9,458	9,385
Club West	(9)	2001	6.580	(17)	7,960	7,910
Country Club	(10)	1999	7.250	Aug. 2029	2,472	2,440
Creekside Village	(2),(4),(6)	1987	7.750	Nov. 2009	11,760	7,396
Delta Village	(10)	1999	7.125	Jun. 2035	2,011	1,976
Elmbrook-Golden	(4),(10)	2000	7.800	May. 2035	2,794	2,740
Gannon - Cedar Run	(4),(10)	1998	7.125	Dec. 2025	13,200	13,238
Gannon - Dade	(4),(10)	1998	7.125	Dec. 2029	54,883	55,111
Gannon - Whispering Palms	(4),(10)	1998	7.125	Dec. 2029	12,473	12,534
Gannon Bond	(4),(10)	1998	7.125	Dec. 2029	3,500	3,500
Harmony Hills Series 2000		2001	6.750	May. 2003	100	100
Harmony Hills Series 2001	(4)	2001	7.250	May. 2032	17,700	17,346
Hidden Valley	(4),(10)	1996	8.250	Jan. 2026	1,620	1,620
Honey Creek	(9)	2000	7.625	Jul. 2035	20,485	20,277
Hunter's Glen	(20)	2001	6.350	Dec. 2029	10,740	9,111
La Paloma	(9)	2001	6.710	May. 2030	4,378	4,378
Lakeview Garden	(2),(4),(6),(8)	1987	7.750	Aug. 2007	9,003	4,918
Lake Piedmont	(4),(6),(10)	1998	7.725	Apr. 2034	19,118	18,017
Las Trojas	(10), (21)	2002	(21)	(21)	-	-
Mountain View (Willowgreen)	(2),(9)	2000	8.000	Dec. 2010	9,275	6,769
North Pointe	(2),(4),(6),(8)	1986	7.300	Aug. 2006	25,185	12,739
Northridge Park	(2),(4),(8)	1987	7.500	Jun. 2012	8,815	8,815
Oakbrook	(9)	1996	8.200	Jul. 2026	3,065	3,094
Oakgrove	(4),(10),(22)	2001	7.000	Dec. 2041	7,000	6,913
Oaklahoma	(4)	2001	7.125	Jul. 2028	19,500	19,538
Oakmont/Towne Oaks	(9)	1998	7.200	Jan. 2034	11,208	11,186
Orangevale	(4),(10)	1998	7.000	Oct. 2013	2,213	2,212
Paola	(10)	1999	7.250	Aug. 2029	1,042	1,029
Parkwood	(9)	1999	7.125	Jun. 2035	3,910	3,842
Pavilion	(9)	2001	6.710	May. 2030	5,100	5,100
Penn Valley	(10)	2001	(23)	(23)	2,360	2,338
Queen Anne	(9)	2001	7.088	Aug. 2013	6,168	6,168
Rancho Mirage	(4),(10)	2000	8.500	Jun. 2040	-	-
Riverset Phase II	(4)	1999	9.500	Oct. 2019	110	105
Sahuarita	(4),(10)	1999	7.125	Jun. 2029	2,114	2,102
Santa Fe Springs	(4)	2000	(14)	Jun. 2025	11,700	11,455
Shadowbrook	(4),(10)	1999	6.850	Jun. 2029	5,780	5,767
Silver Spring	(9)	2001	7.375	Dec. 2029	10,270	10,298
Sonterra	(4),(10)	1998	7.000	Jun. 2035	-	-
Southwinds	(4),(10)	2000	8.000	Sept.2030	4,344	4,258
Stone Mountain	(4),(10)	1997	7.875	Oct. 2027	33,900	34,061
Torries Chase	(9)	1996	8.150	Jan. 2026	1,985	1,985
University Courtyard	(9)	2000	7.250	Mar. 2040	9,850	9,750
Village Green	(9)	2001	7.625	Feb. 2035	6,441	6,460
Villa Hialeah - refunded	(2),(4),(10)	1999	6.000	Aug. 2019	10,250	8,005

Walnut Tree	(10),(21)	2002	(21)	(21)	-	-
Western Hills	(4),(10)	1998	7.000	Dec. 2029	3,021	3,021
Willow Key	(9)	2001	6.717	(18)	17,440	17,440
Woodmark	(4),(10)	1999	7.125	Jun. 2039	10,200	10,072
Subtotal non-participating bonds					489,081	457,625

					De	
		Year Acquired	Base Interest Rate (12)	Maturity Date	Face Amount (000s)	Amorti Cost (000s
Participating Subordinate Bonds(1):						
Barkley Place	(3),(4),(6),(10)	1995	16.000	Jan. 2030	3,480	2,4
Gilman Meadows	(3),(4),(6),(10)	1995	3.000	Jan. 2030	2,875	2,5
Hamilton Chase	(3),(6),(10)	1995	3.000	Jan. 2030	6,250	4,1
Mallard Cove I	(3),(4),(6),(10)	1995	3.000	Jan. 2030	1,670	7
Mallard Cove II	(3),(4),(6),(10)	1995	3.000	Jan. 2030	3,750	2,4
Meadows	(3),(4),(6),(10)	1995	16.000	Jan. 2030	3,635	3,7
Montclair	(3),(4),(6),(10)	1995	3.000	Jan. 2030	6,840	1,6
Newport Village	(3),(4),(6),(10)	1995	3.000	Jan. 2030	4,175	2,9
Nicollet Ridge	(3),(4),(6),(10)	1995	3.000	Jan. 2030	12,415	6,0
Riverset Phase II	(6)	1996	10.000	Oct. 2019	1,489	
Steeplechase	(3),(4),(6),(10)	1995	16.000	Jan. 2030	5,300	4,2
Whispering Lake	(3),(4),(6),(10)	1995	3.000	Jan. 2030	8,500	4,7
Subtotal participating subordinate bonds					60,379	35,7
Non-Participating Subordinate Bonds:						
Cinnamon Ridge		1999	5.000	Jan. 2015	1,832	1,2
Farmington Meadows	(10)	1999	8.000	Aug. 2039	1,983	1,9
Independence Ridge	(10)	1996	12.500	Dec. 2015	1,045	1,0
Locarno	(10)	1996	12.500	Dec. 2015	675	6
Oakmont/Towne Oaks	(10)	2002	7.200	Jan. 2034	-	
Olde English Manor	(6),(11)	1998	10.570	Nov. 2033	1,273	1,2
Oxford C Bond		2001	9.125	May. 2039	5,420	5,2
Penn Valley B Bond	(13)	2001	8.200	Apr. 2003	800	7
Rillito B Series	(6),(7)	2000	13.000	Dec. 2033	1,054	1,2
Winter Oaks B Bond	(6),(10)	1999	7.500	Jul. 2022	2,184	2,1
Winter Oaks C Bond	(6),(10)	1999	10.000	Jul. 2022	2,141	1,6
Subtotal non-participating subordinate bonds					18,407	17,2
Total investment in tax-exempt bonds					$ 650,945	$592,8

(1) These bonds also contain additional interest features contingent on

available cash flow.

(2) One of the original 22 bonds.

(3) Series B Bonds derived from original 22 bonds.

(4) These assets were pledged as collateral as of March 31, 2002.

(5) TE Bond Sub or its subsidiaries own an 87% interest in these investments.

(6) At December 31, 2001 these bonds were on non-accrual status.

(7) The underlying bonds are held in a trust; TE Bond Sub owns an 18% subordinate interest in the trust.

(8) These bonds were reissued or refunded during 2001. Prior to the reissuance or refunding the bonds were participating. Following the transaction, the new bonds are non-participating.

(9) The underlying bonds are held in a trust; TE Bond Sub owns a certificate in the trust which represents the residual cash flows generated on the underlying bonds.

(10) Investments held by TE Bond Sub or its subsidiaries.

(11) The underlying bonds are held in a trust; TE Bond Sub owns an 81% senior interest in the trust.

(12) The base interest rate represents the permanent base interest rate on the investment.

(13) The bond has a face value of $800,000 with an interest rate of 8.20% and matures April 1, 2003.

(14) The interest rate on the Santa Fe bond will reset in May 2002. At that time the bond will be remarketed at par or a rate not exceeding a rate that will allow the property to perform at a 1.05 debt service coverage on the bond.

(15) The underlying bonds are held in a trust; TE Bond Sub owns a certificate in the trust which represents the residual cash flows generated on 81% of underlying bond. TE Bond Sub also owns the 19% certificate which is pledged as collateral at March 31, 2002.

(16) This bond was paid off during 2001.

(17) This investment is comprised of two bonds. The Series A-1 bond has a face amount of $725,000 and a maturity date of July 2009. The Series A-2 bond has a face amount of $7,235,000 and a maturity date of July 2033.

(18) This investment is comprised of two bonds. The 1998 Series I-1 bond has a face amount of $1,565 and a maturity date of June 11, 2009. The 1998 Series I-2 bond has a face amount of $15,875 and a maturity date of June 11, 2033.

(19) The underlying bond is held in a trust; TE Bond Sub owns the principal and base interest trust certificate.

(20) The underlying bonds are held in a trust; the Company owns a certificate in the trust which represents the residual cash flows generated on the underlying bonds.

(21) This investment is comprised of two bonds. The Series 2002-1 bond has a face amount of $41,000 with an interest rate of 6.973% and matures on July 1, 2034. The Series 2002-2 bond has a face amount of $10,000 with an interest rate of 8.232% and matures on July 1, 2044.

(22) This investment is comprised of two bonds. The Series 2001 A-1 bond has a face amount of $5,600,000 with an interest rate of 7.000% and matures on December 1, 2041. The Series 2001 A-2 bond has a face amount of $1,400,000 with an interest rate of 7.000% and matures on December 1, 2041.

(23) This investment is comprised of two bonds. The Series 2001 FF-1 bond has a face amount of $1,888,000 with an interest rate of 6.816% and matures on August 1, 2033. The Series 2001 FF-2 bond has a face amount of $472,000 with an interest rate of 8.537% and matures on August 1, 2043.

NOTE 3 - SECURITIZATION TRANSACTIONS

Through securitizations, the Company seeks to enhance its overall return on its investments and to generate proceeds that, along with equity offering proceeds, facilitate the acquisition of additional investments. The Company uses various programs to facilitate the securitization and credit enhancement of its bond investments. See further discussion of the Company's various credit enhancement and securitization investment vehicles in Note 5 to the Company's 2001 Form 10-K.

In order to facilitate the securitization of certain assets at higher leverage ratios than otherwise available to the Company without the posting of additional collateral, the Company has pledged additional bonds and taxable loans to a pool that acts as collateral for senior interests in certain securitization trusts and credit enhancement facilities. At March 31, 2002 and December 31, 2001, the total carrying amount of the bonds and taxable loans pledged as collateral was $428.0 million and $361.8 million, respectively.

In the first quarter, the Company securitized one bond with a face amount of $3.9 million through the Merrill Lynch Puttable Floating Option Tax-Exempt Receipts ("P-FLOATssm") program. This transaction was accounted for as a borrowing. Accordingly, the Company recorded $3.9 million as short-term debt and the related bond (Parkwood) remained in investments in mortgage revenue bonds.

In the first quarter, the Company sold its investment in the Indian Lakes Residual Interest Tax-Exempt Securities Receipts ("RITESsm") for $4.2 million. The Company recognized a $1.0 million gain on this transaction. The Indian Lakes bond was subsequently deposited into a new P-FLOATssm trust by the purchaser and the Company purchased a $5,000 RITESsm interest in the new trust for $1.1 million.

NOTE 4 - OTHER BOND-RELATED INVESTMENTS

At March 31, 2002 and December 31, 2001, the Company's other bond-related investments are investments in RITESsm, a security offered by Merrill Lynch through its P-FLOATssm Program. A detailed listing of the other bond-related investments owned by the Company at March 31, 2002 and December 31, 2001 appears in a table at the end of this note.

RITESsm Valuation Analysis

The fair value of a RITESsm investment is derived from the quote on the underlying bond reduced by the outstanding corresponding P-FLOATssm face amount. The Company bases the fair value of the underlying bond, which has a limited market, on quotes from external sources, such as brokers, for these or similar bonds. The RITESsm investments are not subject to prepayment risk as the term of the securitization trusts is only for a period during which the underlying bond cannot be prepaid. Based on historical information, credit losses were estimated to be zero.

At March 31, 2002 and December 31, 2001, a 10% and 20% adverse change in key assumptions used to estimate the fair value of the Company's RITESsm would have the following impact:

(In thousands)	March 31, 2002	December 31, 2001
Fair value of retained interests	$3,390	$5,316
Residual cash flows discount rate (annual rate)	5.5% - 10.5%	4.5% - 12.9%
Impact on fair value of 10% adverse change	($18,124)	($22,821)
Impact on fair value of 20% adverse change	($34,760)	($43,783)

The sensitivity analysis presented above is hypothetical in nature and presented for information purposes only. The analysis shows the effect on fair value of a variation in one assumption and is calculated without considering the effect of changes in any other assumption. In reality, changes in one assumption may affect the others, which may magnify or offset the sensitivities.

Other Bond Related Investments:		Year Acquired	March Face Amount (000s)	Amortized Cost (000s)	Unrealize Gain (Loss (000s)
Investment in RITES:					
Barrington	(1)	2000	$ 5	$ 2	$ 3
Briarwood	(1)	1999	135	105	97
Charter House	(1)	1996	80	188	685
Cinnamon Ridge	(1)	2000	5	327	1,607
Fort Branch	(1)	2000	8	8	308
Hidden Brooks	(1)	2001	5	64	(1,276)
Indian Lakes	(1)	2002	5	1,051	(419)
LeMirador (Coleman Senior)	(1)	1999	165	3	159
Lincoln Corner	(1)	2001	10	39	(589)
Meridian at Bridgewater	(1)	1999	5	36	(457)
Museum Towers		2001	5	4	106
North White Road	(1)	2001	5	43	(375)
Olde English Manor	(1)	1999	76	94	(455)
Park at Landmark		2000	5	10	332
Park Center	(1)	2001	1,270	104	(262)
Rancho Mirage/Castle Hills	(1)	2000	-	-	-
Rillito Village	(1)	1999	65	63	(311)
Riverset Phase I	(1)	2000	5	1,067	1,408
Riverset Phase II	(1)	1996	-	-	-
Riverview	(1)	2000	5	5	160
Sienna (Italian Gardens)	(1)	1999	160	(1)	39
Sonterra	(1)	1998	-	-	-
Southgate Crossings	(1)	1997	68	414	1,347
Southwood	(1)	1997	415	319	(2,448)
Village at Sun Valley	(1)	2000	5	5	-
Woodglen	(1)	1999	5	32	(251)
Total other bond related investments			$ 2,512	$3,982	$ (592)

Other Bond Related Investments:	Year Acquired	Decemb Face Amount (000s)	Amortized Cost (000s)	Unrealize Gain (Los (000s)
Investment in RITES:				

Barrington	(1)	2000	$ 5	$ 5	$ -
Briarwood	(1)	1999	135	104	164
Charter House	(1)	1996	80	199	830
Cinnamon Ridge	(1)	2000	5	327	1,681
Fort Branch	(1)	2000	8	8	370
Hidden Brooks	(1)	2001	5	65	(1,075)
Indian Lakes	(1)	2002	3,170	3,254	641
LeMirador (Coleman Senior)	(1)	1999	165	3	227
Lincoln Corner	(1)	2001	10	32	(470)
Meridian at Bridgewater	(1)	1999	5	37	(316)
Museum Towers		2001	5	5	105
North White Road	(1)	2001	5	44	(39)
Olde English Manor	(1)	1999	76	95	(382)
Park at Landmark		2000	5	12	330
Park Center	(1)	2001	1,270	74	(232)
Rancho Mirage/Castle Hills	(1)	2000	5	5	(255)
Rillito Village	(1)	1999	65	63	(312)
Riverset Phase I	(1)	2000	5	1,069	1,596
Riverset Phase II	(1)	1996	5	120	35
Riverview	(1)	2000	5	5	213
Sienna (Italian Gardens)	(1)	1999	160	(1)	106
Sonterra	(1)	1998	5	32	(3,062)
Southgate Crossings	(1)	1997	71	432	1,445
Southwood	(1)	1997	420	321	(2,497)
Village at Sun Valley	(1)	2000	5	5	-
Woodglen	(1)	1999	5	32	(134)
Total other bond related investments			$ 5,700	$6,347	$(1,031)

(1) Investment held by TE Bond Sub or its subsidiaries at March 31, 2002.
(2) The aggregate negative fair value of the investments is included in liabilities for financial reporting purposes. The negative fair value of these investments is considered temporary and is not indicative of the future earnings on these investments.

NOTE 5 - INVESTMENT IN DERIVATIVE FINANCIAL INSTRUMENTS

At March 31, 2002 and December 31, 2001, the Company's investments in derivative financial instruments consisted of interest rate swaps and put option contracts. See further discussion of the Company's investment in derivatives in Note 7 to the Company's 2001 Form 10-K. The following table provides certain information with respect to the derivative financial instruments held by the Company at March 31, 2002 and December 31, 2001:

	March 31, 2002			
	Notional Amount(3) (000s)	Fair Value Assets (000s)	Fair Value Liabilities(2) (000s)	Notional Amount(3) (000s)
Interest rate agreements (1)	$ 419,230	$ 2,452	$ (15,074)	$ 422,230
Put option agreements	107,275	-	-	107,275

Total investment:	$ 2,452	$ (15,074)

(1) The Company enters into interest rate swap contracts to offset against interest rate exposure on the Company's investment in RITES. The amounts disclosed represent the net fair values of all the Company's swaps at the reporting date.
(2) The aggregate negative fair value of the investments is included in liabilities for financial reporting purposes. The negative fair value of these investments is considered temporary and is not indicative of the future earnings on these investments.
(3) For the interest rate agreement, notional amount represents total amount of the Company's interest rate swaps contracts less the total amount of the Company's reverse interest rate swap contracts. For put option agreements, the notional amount represents the Company's aggregate obligation under the put option agreements.

NOTE 6 - LOANS RECEIVABLE

The Company's loans receivable primarily consist of construction loans, permanent loans, taxable loans and other loans. The general terms of the loans owned by the Company are discussed in Note 8 to the Company's 2001 Form 10-K. The following table summarizes loans receivable by loan type at March 31, 2002 and December 31, 2001.

(in thousands)	March 31, 2002	December 31, 2001
Loan Type:		
Taxable construction loans	$ 259,371	$ 271,383
Taxable permanent loans	34,395	86,182
Taxable loans	31,567	30,959
Other loans	57,440	52,405
	382,773	440,929
Allowance for loan losses	(775)	(898)
Total	$ 381,998	$ 440,031

NOTE 7 - NOTES PAYABLE AND DEBT

The Company's notes payable primarily consist of notes payable and advances under line of credit arrangements. The notes payable are borrowings by Midland used to finance construction lending and working capital needs. The general terms of the Company's notes payable are discussed in Note 11 to the Company's 2001 Form 10-K. The following table summarizes notes payable at March 31, 2002 and December 31, 2001:

(in thousands)	March 31, 2002	December 31, 2001
Notes payable	$ 223,084	$ 235,420
Group Trust warehouse facility and lines of credit	54,498	65,318
Residential Funding warehouse facility	39,761	98,033
Bank lines of credit	9,409	13,521
Midland Multifamily Equity REIT Credit Line	6,943	7,459

Other	62	312
Total	$ 333,757	$ 420,063

The Company's short and long-term debt of $191.9 million and $213.4 million at March 31, 2002 and December 31, 2001, respectively, relates to securitization transactions that the Company has recorded as borrowings (see Notes 1 and 5 to the Company's 2001 Form 10-K).

NOTE 8 - PREFERRED SHAREHOLDERS' EQUITY IN A SUBSIDIARY COMPANY

The Company's preferred shareholders' equity in a subsidiary represents four classes of preferred shares issued by TE Bond Sub, Series A, A-1, B and B-1 Preferred Shares (collectively, the "TE Bond Preferred Shares"). The income allocable to the TE Bond Preferred Shares is senior to the Company's ownership interest in TE Bond Sub. Therefore, only income from TE Bond Sub available after payment of the cumulative distributions of the TE Bond Preferred Shares is allocated to the Company. The following table provides a summary of certain terms of the TE Bond Preferred Shares.

	Series A Preferred Shares	Series A-1 Preferred Shares	Series B Preferred Shares
Issue date	May 27, 1999	October 9, 2001	June 2, 2000
Number of shares	42	8	30
Par amount per share	$2,000,000	$2,000,000	$2,000,000
Dividend rate	6.875%	6.30%	7.75%
First remarketing date	June 30, 2009	June 30, 2009	November 1, 2010
Mandatory tender date	June 30, 2009	June 30, 2009	November 1, 2010
Redemption date	June 30, 2049	June 30, 2049	June 30, 2050

The following table reflects the composition of the TE Bond Preferred Shareholders' equity in TE Bond Sub.

(in thousands)	Series A	Series A-1	Series B	Series B-1	To
Balance, January 1, 2001	$ 80,060	$ -	$ 57,604	$ -	$1
Offering costs adjustment	-	-	(9)	-	
Issuance of preferred shares	-	15,206	-	7,604	
Income allocable to preferred shares	5,775	230	4,650	124	
Distributions	(5,775)	(230)	(4,650)	(124)	(
Balance, December 31, 2001	80,060	15,206	57,595	7,604	1
Income allocable to preferred shares	1,444	252	1,162	136	
Distributions	(1,444)	(252)	(1,162)	(136)	

Balance, March 31, 2002	$ 80,060	$ 15,206	$ 57,595	$ 7,604	$1

The assets of TE Bond Sub and its subsidiaries, while indirectly controlled by MuniMae and thus included in the consolidated financial statements of the Company, are legally owned by TE Bond Sub and are not available to the creditors of the Company. The assets owned by TE Bond Sub and its subsidiaries are identified in footnotes to the Investment in Tax-exempt Bonds table in Note 2 and in footnotes to the Other Bond-Related Investments table in Note 4. The fair value of such assets aggregated $520.8 million and $501.4 million at March 31, 2002 and December 31, 2001, respectively. The equity interest in TE Bond Sub held by MuniMae is subject to the claims of creditors of MuniMae and in certain circumstances could be foreclosed upon.

NOTE 9 - COMMON SHARE OFFERING

On February 8, 2002, the Company sold to the public 3.0 million common shares at a price of $24.70 per share and granted the underwriters an option to purchase up to an aggregate of 450,000 common shares to cover over-allotments at the same price. Net proceeds on the 3.0 million shares approximated $70.5 million. On February 15, 2002, the underwriters exercised their option to purchase 300,000 additional common shares generating net proceeds of approximately $7.1 million. The net proceeds from this offering will be used for general corporate purposes, including new investments and working capital.

NOTE 10 - EARNINGS PER SHARE

The following table reconciles the numerators and denominators in the basic and diluted EPS calculations for common shares for the three months ended March 31, 2002 and 2001.

	For the three months ended March 31, 2002			For the
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)
(In thousands, except share and per share data)				
Basic EPS				
Income allocable to common shares	$ 14,893	23,584,635	$ 0.63	$ (9,064
Effect of Dilutive Securities				
Options and deferred shares	-	482,540		-
Earnings contingency	-	132,855		-

Diluted EPS

Income allocable to common shares plus assumed conversions	$ 14,893	24,200,030	$ 0.62	$ (9,064

For the three months ended March 31, 2002, the effect of all potentially dilutive securities was included in the calculation.

NOTE 11 - DISTRIBUTIONS

On April 18, 2002, the Board of Directors declared a distribution of $0.4350 for the three months ended March 31, 2002 to common shareholders of record on April 29, 2002. The payment date was May 10, 2002.

Preferred Share Redemption

In accordance with the Company's Operating Agreement, the preferred shares and the preferred CD shares must be partially redeemed when any bond attributable to the shares is sold or repaid or, beginning in the year 2000, when any bond attributable to the shares reaches par value based on receipt of an appraisal securing the bond. The Company must redeem the preferred shares and preferred CD shares within six months of the occurrence of a redemption event.

In addition to the bonds that reached par value in December 2000, the remaining bonds attributable to the shares were either paid off, sold and/or reached par value during the last four months of 2001 and in January 2002. As a result, in March 2002, the Company redeemed the remaining Series I and Series II preferred shares and preferred CD shares at an aggregate cost of approximately $19.3 million. The Operating Agreement also requires that the term growth shares be redeemed after the last preferred share is redeemed. As a result, the term growth shares were redeemed in 2002 and the final distribution of $153,000 is included in distributions payable as of March 31, 2002.

NOTE 12 - BUSINESS SEGMENT REPORTING

The Company has two reportable business segments: (1) an operating segment consisting of Midland and other subsidiaries that primarily generate taxable fee income by providing loan servicing, loan origination and other related services and (2) an investing segment consisting primarily of subsidiaries holding investments producing tax-exempt interest income. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. A complete description of the Company's reporting segments is described in Note 21 to the Company's 2001 Form 10-K.

The following table reflects the results of the Company's segments for the three months ended March 31, 2002 and 2001.

Municipal Mortga
Segment Reporting for
March 31, 2
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For the three month

	Investing	Operating
INCOME:		
Interest on tax-exempt bonds and other bond related investments	14,108	1,485
Interest on loans	848	7,151
Loan origination and brokerage fees	-	1,241
Syndication fees	-	1,885
Loan servicing fees	-	1,908
Interest on short-term investments	441	46
Other income	357	1,332
Net gain on sales	956	1,210
Total income	16,710	16,258
EXPENSES:		
Salaries and benefits	1,108	3,719
Professional Fees	100	72
Operating expenses	413	1,778
Goodwill and other intangibles amortization	-	318
Interest expense	2,389	6,583
Other-than-temporary impairments related to investments in tax-exempt bonds and other bond related investments	110	
Total expenses	4,120	12,470
Net holding gains (losses) on trading securities	3,112	
Net income before income taxes, income allocated to preferred shareholders in a subsidiary company, and cumulative effect of accounting change	15,702	3,788
Income taxes	-	1,031
Net income before income allocated to preferred shareholders in a subsidiary company and cumulative effect of accounting change	15,702	2,757
Income allocable to preferred shareholders in a subsidiary company	2,994	-
Net income before cumulative effect of accounting change	12,708	2,757
Cumulative effect on prior year changes in accounting for derivative financial instruments	-	-
Net income	$12,708	$ 2,757

Notes:

(1) Adjustments represent origination fees on purchased investments which are deferred and amortized into income over the life of the investment.

Segment Reporting for
March 31,
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For the three month

	Investing	Operating
INCOME:		
Interest on tax-exempt bonds and		
other bond related investments	$ 11,342	$ 428
Interest on loans	481	7,700
Loan origination and brokerage fees	-	1,240
Syndication fees	-	1,124
Loan servicing fees	-	1,632
Interest on short-term investments	741	261
Other income	-	4,813
Net gain on sales	-	166
Total income	12,564	17,364
EXPENSES:		
Salaries and benefits	343	4,102
Professional Fees	217	474
Operating expenses	206	1,325
Goodwill and other intangibles amortization	-	693
Interest expense	1,624	6,202
Other-than-temporary impairments related to investments in tax-exempt bonds and other bond related investments	-	3,256
Total expenses	2,390	16,052
Net holding gains (losses) on trading securities	(4,865)	-
Net income before income taxes, income allocated to preferred shareholders in a subsidiary company, and cumulative effect of accounting change	5,309	1,312
Income taxes	-	3
Net income before income allocated to preferred shareholders in a subsidiary company and cumulative effect of accounting change	5,309	1,309
Income allocable to preferred shareholders in a subsidiary company	2,606	-
Net income before cumulative effect of accounting change	2,703	1,309
Cumulative effect on prior year changes in accounting for derivative financial instruments	(12,277)	-
Net income	$ (9,574)	$ 1,309

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General Business

The Company is principally engaged in originating, investing in and servicing investments related to multifamily housing and other real estate financings.

Results of Operations

Quarterly Results Analysis

Total income for the first quarter of 2002 increased $2.9 million over the same period last year due primarily to: (1) an increase of $3.6 million in interest income on bonds and other bond related investments, as well as an increase in interest earned on loans; (2) a $0.5 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 accounts; (3) a decrease in other income of $3.1 million primarily due to other income associated with the assumption of a bond purchase obligation in the first quarter of 2001; (4) a $2.0 million increase in gain on sales associated with a $1.2 million gain on the sale of taxable loans and a $1.0 million sale of an investment in RITES; and (5) an increase in loan origination, brokerage and syndication fees of $0.6 million due primarily to an increase in fees associated with tax credit and conventional equity transactions.

Total expenses for the first quarter of 2002 decreased $1.9 million over the same period last year due primarily to: (1) an increase of $0.4 million in salary and related benefits expense associated with 2001 new hires; (2) an increase of $0.7 million in other operating expenses driven primarily by deployment of accounting information systems and other upgrades in technology infrastructure, as well as commissions earned on increased syndication production, which was partially offset by a decrease of $0.5 million in professional fees; (3) an increase of $1.1 million in interest expense primarily associated with increased construction lending production and an increase in financing costs associated with securitizations accounted for as borrowings; (4) a decrease of $0.4 million in amortization expense due to changes in accounting guidelines relating to amortization of goodwill; and (5) a $3.1 million charge recorded on two investments in the first quarter of 2001.

Income tax expense increased $1.0 million for the first quarter of 2002 over the same period last year due to an increase in taxable income earned at the Company's subsidiaries organized as corporations of $1.4 million. There was no change in the Company's effective tax rate for the periods presented.

Critical Accounting Policies

Since December 31, 2001 there has been no material change to the Company's critical accounting policies, except as noted below.

New Accounting Pronouncement

In June 2001, the Financial Accounting Standards Board approved Statements of Financial Accounting Standards No. 141 "Business Combinations" ("FAS 141") and No. 142 "Goodwill and Other Intangible Assets," ("FAS 142") which are effective July 1, 2001 and January 1, 2002, respectively, for the Company. FAS 141 requires that the purchase method of accounting be used for all business combinations consummated after June 30, 2001. FAS 141 did not have an impact on the Company for the year ended December 31, 2001. The Company adopted FAS 142 on January 1, 2002. Upon adoption of FAS 142, amortization of goodwill, including goodwill recorded in past business combinations, was discontinued. For the year ended December 31, 2001, the Company recorded amortization expense of $1.6 million. All goodwill and intangible assets will be tested for impairment in accordance with the provisions of the FAS 142 prior to June 30, 2002.

Liquidity and Capital Resources

The Company's primary objective is to maximize shareholder value through increases in Cash Available for Distribution ("CAD") per common share and appreciation in the value of its common shares. The Company seeks to achieve its growth objectives by growing its investing and operating business segments. The Company grows its investment segment by acquiring, servicing and managing diversified portfolios of mortgage bonds and other bond related investments. Growth in the operating segment is derived from increasing levels of fees generated by affordable housing equity syndications, loan servicing and origination and brokerage services. The Company's business plan includes structuring $1.4 billion to $1.6 billion in investment transactions in 2002. The Company expects to finance its acquisitions through a financing strategy that (1) takes advantage of attractive financing available in the tax-exempt securities markets, (2) minimizes exposure to fluctuations of interest rates, and (3) maintains adequate flexibility to manage the Company's short-term cash needs. To date, the Company has primarily used two sources, securitizations and equity offerings, to finance its acquisitions. Through Midland's management of capital for others, including Fannie Mae, the Company has expanded its access to capital.

For the three months ended March 31, 2002, the Company structured $30.4 million in tax-exempt bond transactions. Of this amount, $0.8 million represented investments retained by the Company. In addition, MuniMae originated $153.1 million of construction loans and taxable permanent loans and equity investments totaling $30.0 million.

Common Share Offerings

On February 8, 2002, the Company sold to the public 3.0 million common shares at a price of $24.70 per share and granted the underwriters an option to purchase up to an aggregate of 450,000 common shares to cover over-allotments at the same price. Net proceeds on the 3.0 million shares approximated $70.5 million. On February 15, 2002, the underwriters exercised their option to purchase 300,000 additional common shares generating net proceeds of approximately $7.1 million. The net proceeds from this offering will be used for general corporate purposes, including new investments and working capital.

Securitizations

Through securitizations, the Company seeks to enhance its overall return on its investments and to generate proceeds that, along with equity offering proceeds, facilitate the acquisition of additional investments. The Company uses various programs to facilitate the securitization and credit enhancement of its bond investments.

Through the use of securitizations, the Company expects to employ leverage and maintain overall leverage ratios in the 50% to 65% range, with certain assets at significantly higher ratios, up to approximately 99%, while not leveraging other assets at all. The Company calculates leverage by dividing on-balance sheet debt plus the total amount of third party owned senior interests in its investments, which it considers the equivalent of off-balance sheet financing, by the sum of total assets owned by the Company plus senior interests owned by others adjusted for reserves equal to the net assets of the operating segment. Under this method, the Company's leverage ratio was approximately 50% and 53% at March 31, 2002 and December 31, 2001, respectively.

In order to facilitate the securitization of certain assets at higher leverage ratios than otherwise available to the Company without the posting of additional collateral, the Company has pledged additional bonds to a pool that acts as collateral for senior interests in certain securitization trusts and credit enhancement facilities. At March 31, 2002 and December 31, 2001, the total carrying amount of the tax-exempt bonds and taxable loans pledged as collateral was $428.0 million and $361.8 million, respectively.

The Company's 2001 Form 10-K contains a complete description of the Company's various credit enhancement and securitization investment vehicles. Since December 31, 2001 there has been no material change to the information relating to these vehicles included in the Company's 2001 Form 10-K.

Factors That Could Affect Future Results

The Company's 2001 Form 10-K contains a complete description of the Company's related party transactions. Since December 31, 2001 there has been no material change to the information related to factors that could affect future results included in the Company's 2001 Form 10-K.

Cash Flow

At March 31, 2002 the Company had cash and cash equivalents of approximately $75.8 million.

Cash flow from operating activities was $7.9 million and $8.6 million for the three months ended March 31, 2002 and 2001, respectively. The decrease in cash flow for 2002 versus 2001 is due primarily to an decrease in accounts payable and accrued expenses due to timing of payments.

The Company uses CAD as the primary measure of its ability to pay distributions. CAD differs from net income because of slight variations between generally accepted accounting principles ("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 net of deferred taxes, which are not included in the calculation of CAD. The third difference is the treatment of certain intangibles, which are amortized into expense for GAAP, but not included in the calculation of CAD.

Until the redemption of the Company's preferred shares in 2002, the Company was required to distribute to the holders of its preferred shares the cash flow attributable to such shares (as defined in the Company's Amended and Restated Certificate of Formation and Operating Agreement). The Company was also required to distribute 2.0% of the Company's net cash flow to the holders of term growth shares until they were redeemed in March 2002. The balance of the Company's net cash flow is available for distribution to the common shares and the Company's current policy is to distribute to common shareholders at least 80% of the annual CAD to common shares. For the three months ended March 31, 2002 and 2001, cash available for distribution to common shares was $11.8 million and $9.9 million, respectively. The Company's distribution per common share for the three months ended March 31, 2002 of $0.4350 represents a payout ratio of 92.8% of CAD. The Company's common share distribution for the three months ended March 31, 2001 of $0.4250 represents a payout ratio of 91.9% of CAD.

Regular cash distributions to shareholders, for the three months ended March 31, 2002 and 2001, were $11.1 million and $9.6 million, respectively.

The Company expects to meet its cash needs in the short term, which consist primarily of funding new investments, operating expenses and dividends on the common shares and other equity, from cash on hand, operating cash flow, equity proceeds and securitization proceeds.

Related Party Transactions

The Company's 2001 Form 10-K contains a complete description of the Company's related party transactions. Since December 31, 2001 there has been no material change to the related party transaction information included in the Company's 2001 Form 10-K.

Income Tax Considerations

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. MuniMae does not pay tax at the corporate level. Instead, the distributive share of MuniMae's income, deductions and credits is included in each shareholder's income tax return. In addition, the tax-exempt income derived from certain investments remains tax-exempt when it is passed through to the shareholders. The Company records cash dividends received from subsidiaries organized as corporations as dividend income for tax purposes. Approximately 100%, 93% and 83% of MuniMae's tax basis net income for the years ended December 31, 2001, 2000 and 1999, respectively, was tax-exempt for federal income tax purposes.

As a result of the Midland acquisition, in October 1999, the Company restructured its operations into two segments: an operating segment and an investing segment as discussed above. The operating segment consists primarily of entities subject to income taxes. The Company provides for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"). FAS 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities.

The Company has elected under Section 754 of the Internal Revenue Code to adjust the basis of the Company's property on the transfer of shares to reflect the price each shareholder paid for their shares. While the bulk of the Company's recurring income is tax-exempt, from time to time the Company may sell or securitize various assets, which may result in capital gains and losses for tax purposes. Since the Company is taxed as a partnership, these capital gains and losses are passed through to shareholders and are reported on each shareholder's Schedule K-1. The capital gain and loss allocated from the Company may be different for each shareholder due to the Company's 754 election and is a function of, among other things, the timing of the shareholder's purchase of shares and the timing of transactions, which generate gains or losses for the Company. This means that for assets purchased by the Company prior to a shareholder's purchase of shares, the shareholder's basis in the assets may be significantly different than the Company's basis in those same assets. Although the procedure for allocating the basis adjustment is complex, the result of the election is that each share is homogeneous, while each shareholder's basis in the assets of the Company may be different. Consequently, the capital gains and losses allocated to shareholders may be significantly different than the capital gains and losses recorded by the Company.

A portion of the Company's interest income is derived from private activity bonds that for income tax purposes are considered tax preference items for purposes of alternative minimum tax ("AMT"). AMT is a mechanism within the Internal Revenue Code to ensure that all taxpayers pay at least a minimum amount of taxes. All taxpayers are subject to the AMT calculation requirements although the vast majority of taxpayers will not actually pay AMT. As a result of AMT, the percentage of the Company's income that is exempt from federal income tax may be different for each shareholder depending on that shareholder's individual tax situation.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Since December 31, 2001 there has been no material change to the information included in Item 7A of the Company's 2001 Form 10-K.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of the Company's shareholders held on May 9, 2002, the shareholders voted on one proposal in addition to the election of the Company's directors. The shareholders elected the following directors: Mark K. Joseph (23,013,348 in favor and 213,179 abstaining), Charles C. Baum (23,084,997 in favor and 141,530 abstaining) and Robert J. Banks (23,020,776 in favor and 205,751 abstaining). At this meeting, the shareholders also voted to approve the restatement of the Company's Amended and Restated Certificate of Formation and Operating Agreement in order to eliminate provisions that relate to classes of shares that have been fully redeemed. The votes cast on this proposal were as follows: 22,935,197 in favor; 120,184 opposed; 171,146 abstaining; and no broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

3.1 Amendment No. 1 to the Amended and Restated Certificate of Formation and Operating Agreement of the Company (filed as Item 6 (a) Exhibit 3.1 to the Company's report on Form 10-Q, filed with the Commission on May 14, 1998 and incorporated by reference herein).

3.2 Amended and Restated Certificate of Formation and Operating Agreement of the Company (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1997, filed with the Commission on May 29, 1998 and incorporated by reference herein).

3.3 By-laws of the Company (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K, filed with the Commission on May 29, 1998 and incorporated by reference herein).

(b) Reports on Form 8-K:

On January 31, 2002, the Company filed a Form 8-K to report the final redemption of all four classes of its preferred shares and term growth shares.

On February 11, 2002 the Company filed a Form 8-K to report the pricing of an underwritten offering of 3,000,000 of common shares and that the Company had granted the underwriters an over allotment option of up to 450,000 additional shares.

SIGNATURES

Pursuant to the requirements of the Securities and 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
(Registrant)

By: ____/s/ Mark K. Joseph____

Mark K. Joseph
Chairman of the Board, Chief Executive Officer (Principal Executive Officer), and Director

By: ___/s/William S. Harrison____

William S. Harrison
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

DATED: May 13, 2002