

MUNICIPAL MORTGAGE & EQUITY LLC

Form 8-K

October 21, 2002

MUNICIPAL MORTGAGE & EQUITY, LLC

SUPPLEMENTAL INFORMATION

QUARTER ENDED SEPTEMBER 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 September 30,	
	2002	2001
<b>SOURCES OF CASH:</b>		
Interest on bonds, other bond related investments, other notes and loans .....	\$ 23,331	\$ 21,263
Interest on short-term investments .....	260	237
Loan servicing fees .....	1,544	1,659
Loan origination and brokerage fees .....	2,973	4,247
Other income .....	3,607	2,275
Net gain (loss) on sales .....	207	(187)
<b>TOTAL SOURCES OF CASH</b> .....	<b>31,922</b>	<b>29,494</b>
<b>EXPENSES:</b>		
Salaries and benefits .....	5,446	5,527
Professional fees .....	467	1,114
Other operating expenses .....	2,173	1,893
Interest expense .....	8,134	7,351
Income taxes .....	(173)	301
<b>TOTAL EXPENSES</b> .....	<b>16,047</b>	<b>16,186</b>
<b>CASH AVAILABLE FOR DISTRIBUTION</b> .....	<b>15,875</b>	<b>13,308</b>
<b>LESS:</b>		
Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company .....	2,994	2,962
<b>CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES</b> .....	<b>\$ 12,881</b>	<b>\$ 10,346</b>
<b>CAD PER COMMON SHARE</b> .....	<b>\$ 0.51</b>	<b>\$ 0.48</b>
<b>CALCULATION OF CASH DISTRIBUTION:</b>		
<b>CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES</b> .....	<b>\$ 12,881</b>	<b>\$ 10,346</b>

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ACTUAL AMOUNT PAID .....	\$ 11,154	\$ 9,296
	=====	=====
PAYOUT RATIO .....	86.6%	89.9%
	=====	=====
COMMON SHARES OUTSTANDING .....	25,349,585	21,618,144
	=====	=====
CASH DISTRIBUTION PER COMMON SHARE .....	\$ 0.4400	\$ 0.4300
	=====	=====

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

#### 3rd Quarter 2002 Compared to 3rd Quarter 2001:

Total income for the third quarter of 2002 increased \$2.4 million over the same period last year due primarily to the following changes: (1) a \$2.1 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$1.3 million decrease in loan origination and brokerage fees due to a \$2.2 million decrease in syndication fees related to tax credit equity transactions (third quarter 2001 includes \$1.2 million in fees related to a tax credit re-syndication) offset by a \$0.9 million increase in origination fees; (3) a \$1.3 million increase in other income due to \$1.7 million in income on the CAPREIT investment offset by a \$0.4 million decrease in cancellation, late and other fees; and (4) a \$0.4 million increase in gain on sales.

Total expenses for the third quarter decreased \$0.1 million over the same period last year due primarily to the following changes: (1) a \$0.6 million decrease in professional fees due primarily to a \$0.4 million adjustment to reflect capitalization of legal expenses related to new securitization programs (these legal expenses had previously been expensed) and a \$0.2 million decrease in fees related to information systems initiatives, as compared with the prior-year period; (2) a \$0.3 million increase in other operating expenses due primarily to software hosting expenses that began in January 2002; (3) a \$0.8 million

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increase in interest expense primarily associated with an increase in financing costs associated with on-balance sheet securitizations; and (4) a \$0.5 million decrease in income tax expense due to tax benefits derived from tax losses and deductions generated by the CAPREIT investment.

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

Total income for the nine months ended September 30, 2002 increased \$9.7 million over the same period last year due primarily to the following changes: (1) a \$6.4 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$0.5 million increase in loan origination and brokerage fees due to a \$3.3 million increase in origination fees offset by a \$2.8 million decrease in syndication fees related to tax credit equity transactions (year-to-date 2001 includes \$2.3 million in fees related to tax credit equity re-syndications); (3) a \$1.9 million increase in other income due to \$2.0 million in income from the CAPREIT investment, a \$0.7 million increase in asset management fees and advisory fees offset by a \$0.6 million decrease in cancellation, late and other fees; and (4) a \$0.5 million increase in gain on sales.

Total expenses for the nine months ended September 30, 2002 increased \$3.1 million over the same period last year due primarily to the following changes: (1) a \$1.2 million increase in salary and related benefits expense associated with 2001 new hires; (2) a \$0.6 million decrease in professional fees due primarily to a \$0.4 million adjustment to reflect capitalization of legal expenses related to new securitization programs (these legal expenses had previously been expensed) and a decrease in fees related to information systems initiatives, as compared with the prior-year period; (3) a \$1.0 million increase in other operating expenses primarily driven by deployment of accounting information systems and other upgrades in technology infrastructure; (4) a \$1.8 million increase in interest expense, primarily associated with an increase in financing costs associated with on-balance sheet securitizations; and (5) a \$0.2 million decrease in income tax expense due to tax benefits derived from tax losses and deductions generated by the CAPREIT investment.

### CALCULATION OF CASH AVAILABLE FOR DISTRIBUTION (in thousands, except share and per share data) (unaudited)

	Qtr Ended 09/30/02	Qtr Ended 06/30/02	Qtr Ended 03/31/02
<b>SOURCES OF CASH:</b>			
Interest on bonds, other bond-related investments, other notes and loans .....	\$ 23,331	\$ 23,377	\$ 22,96
Interest on short-term investments .....	260	244	48
Loan servicing fees .....	1,544	1,660	1,90
Loan origination and brokerage fees .....	2,973	5,385	3,12
Other income .....	3,607	2,451	2,33
Net gain (loss) on sales .....	207	102	4
<b>TOTAL SOURCES OF CASH .....</b>	<b>31,922</b>	<b>33,219</b>	<b>30,85</b>

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EXPENSES:

Salaries and benefits .....	5,446	5,930	4,82
Professional fees .....	467	1,437	17
Other operating expenses .....	2,173	2,227	2,19
Interest expense .....	8,134	7,900	8,29
Income taxes .....	(173)	345	41

TOTAL EXPENSES .....	16,047	17,839	15,89
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CASH AVAILABLE FOR DISTRIBUTION .....	15,875	15,380	14,96
---------------------------------------	--------	--------	-------

LESS:

Cash allocable to preferred shareholders and term growth shares, including preferred shareholders in a subsidiary company .....	2,994	2,995	3,14
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CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES .....	\$ 12,881	\$ 12,385	\$ 11,81
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CAD PER COMMON SHARE .....	\$ 0.51	\$ 0.49	\$ 0.4
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CALCULATION OF CASH DISTRIBUTION:

CASH AVAILABLE FOR DISTRIBUTION TO COMMON SHARES .....	\$ 12,881	\$ 12,385	\$ 11,81
--	-----------	-----------	----------

ACTUAL AMOUNT PAID .....	\$ 11,154	\$ 11,072	\$ 10,96
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PAYOUT RATIO .....	86.6%	89.4%	92.
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COMMON SHARES OUTSTANDING .....	25,349,585	25,308,022	25,213,48
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CASH DISTRIBUTION PER COMMON SHARE .....	\$ 0.4400	\$ 0.4375	\$ 0.435
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Note: Certain prior quarter amounts have been reclassified to conform to the 9/30/02 presentation.

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

For the three months  
September 30,

2002	200
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INCOME:

Interest on bonds, other bond-related investments, other notes

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and loans .....	\$ 24,085	\$ 20
Interest on short-term investments .....	260	
Loan servicing fees .....	1,544	1
Loan origination and brokerage fees .....	2,781	2
Other income .....	381	1
Net gain on sales .....	657	4
	-----	-----
Total income .....	29,708	32
	-----	-----
EXPENSES:		
Salaries and benefits .....	5,446	5
Professional fees .....	467	1
Operating expenses .....	2,173	1
Amortization of intangible assets .....	334	
Interest expense .....	8,771	7
Other-than-temporary impairments related to investments in bonds and other bond-related investments .....	-	
	-----	-----
Total expenses .....	17,191	17
	-----	-----
Net holding losses on trading securities .....	(9,921)	(4)
Income tax benefit (expense) .....	635	
Income allocable to preferred shareholders in a subsidiary company .....	(2,994)	(2)
Cumulative effect on prior years of change in accounting for derivative financial instruments .....	-	
	-----	-----
Net income .....	\$ 237	\$ 7
	=====	=====
LESS:		
Net income allocable to preferred shares and term growth shares .....	-	
	-----	-----
Net income allocated to common shares .....	\$ 237	\$ 6
	=====	=====
OPERATING NET INCOME ALLOCATED TO COMMON SHARES (Note 1) .....	\$ 10,158	\$ 11
	=====	=====
NET INCOME PER COMMON SHARE:		
Basic net income per common share:		
Basic net income before cumulative effect of accounting change .....	\$ 0.01	\$
	=====	=====
Basic net income per common share .....	\$ 0.01	\$
	=====	=====
Weighted average common shares outstanding .....	25,329,103	21,590
Diluted net income per common share:		
Diluted net income before cumulative effect of accounting change .....	\$ 0.01	\$
	=====	=====
Diluted net income per common share .....	\$ 0.01	\$
	=====	=====
Weighted average common shares outstanding .....	25,916,151	22,397
Operating net income per common share (Note 1) .....	\$ 0.40	\$
	=====	=====

Note 1 - Operating Net Income is Net Income before the change in market value of the Company's derivative financial instruments. Operating Net Income per share is calculated using basic weighted average common shares outstanding for the relevant period.

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### VARIANCE ANALYSIS FOR GAAP

#### 3rd Quarter 2002 compared to 3rd Quarter 2001:

Total income for the third quarter of 2002 decreased \$2.6 million over the same period last year due primarily to the following changes: (1) a \$3.5 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$0.2 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 lower investment yields on larger average balances held in margin collateral accounts; (3) a \$1.5 million decrease in other income due primarily to a \$1.2 million increase in losses from the CAPREIT investment and a decrease in cancellation, late and other fees; and (4) a \$4.1 million decrease in gain on sales due primarily to a \$0.8 million decrease in gain related to capitalized mortgage servicing rights, a \$1.2 million gain on a tax credit equity re-syndication in the third quarter of 2001 and a \$2.2 million gain from the pay-off of the Newport-on-Seven bond in the third quarter of 2001.

Total expenses for the third quarter of 2002 increased \$0.1 million over the same period last year due primarily to the following changes: (1) a \$0.6 million decrease in professional fees due primarily to a \$0.4 million adjustment to reflect capitalization of legal expenses related to new securitization programs (these legal expenses had previously been expensed) and a \$0.2 million decrease in fees related to information systems initiatives, as compared with the prior-year period; (2) a \$0.3 million increase in operating expenses due primarily to software hosting expenses that began in January 2002; (3) a \$0.4 million decrease in amortization expense due to changes in accounting guidelines relating to amortization of goodwill; and (4) a \$0.9 million increase in interest expense primarily associated with 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 \$9.9 million for the third quarter of 2002. The Company's net operating income, which excludes this change in market value, was \$0.40 per common share.

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

Total income for the nine months ended September 30, 2002 increased \$2.8 million over the same period last year due primarily to the following changes: (1) a \$10.1 million increase in collections of interest on bonds, other bond-related investments, other notes and loans; (2) a \$1.2 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 lower investment yields on larger average balances held in margin collateral accounts; (3) a \$1.2 million increase in loan origination and brokerage fees due to a \$1.7 million increase in origination fees offset by a \$0.5 million decrease in syndication fees related to tax credit equity transactions; (4) a \$4.0 million decrease in other income primarily due to a \$4.3 million increase in losses from the CAPREIT investment and a \$0.4

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million decrease in cancellation, late and other fees offset by an increase of \$0.7 million in asset management and advisory fees; and (5) a \$3.4 million decrease in gain on sales due primarily to a \$2.3 million gain on tax credit equity re-syndications in 2001 and a \$2.2 million gain from the pay-off of the Newport-on-Seven bond in 2001 offset by a \$1.0 million gain in the first quarter of 2002 on the sale of an investment in RITES.

Total expenses for the nine months ended September 30, 2002 increased \$0.2 million over the same period last year due primarily to the following changes: (1) a \$1.2 million increase in salary and related benefits expense associated with 2001 new hires; (2) a \$0.6 million decrease in professional fees due primarily to a \$0.4 million adjustment to reflect capitalization of legal expenses related to new securitization programs (these legal expenses had previously been expensed) and a decrease in fees related to information systems initiatives, as compared with the prior-year period; (3) a \$1.0 million increase in other operating expenses driven primarily by deployment of accounting information systems and other upgrades in technology infrastructure; (4) a \$1.0 million decrease in amortization expense due to changes in accounting guidelines relating to amortization of goodwill; (5) a \$2.8 million increase in interest expense primarily associated with an increase in financing costs associated with on-balance sheet securitizations; and (6) 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 \$14.5 million for the nine months ended September 30, 2002. The Company's net operating income, which excludes this change in market value, was \$1.32 per common share.

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

	Qtr Ended 09/30/02	Qtr Ended 06/30/02	Qtr Ended 03/31/02
	-----	-----	-----
<b>INCOME:</b>			
Interest on tax-exempt bonds and other bond-related investments .....	\$ 15,409	\$ 15,399	\$ 15,162
Interest on loans .....	8,676	8,594	8,430
Interest on short-term investments .....	260	244	487
Loan servicing fees .....	1,544	1,660	1,908
Loan origination and brokerage fees .....	2,781	3,885	2,707
Other income .....	381	2,393	1,689
Net gain on sales .....	657	703	2,166
	-----	-----	-----
TOTAL INCOME .....	29,708	32,878	32,549
	-----	-----	-----
<b>EXPENSES:</b>			
Salaries and benefits .....	5,446	5,930	4,827
Professional fees .....	467	1,437	172



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Operating expenses .....	2,173	2,227	2,191
Goodwill and other intangible amortization .....	334	333	318
Interest expense .....	8,771	8,487	8,972
Other-than-temporary impairments .....	-	-	110
	-----	-----	-----
TOTAL EXPENSES .....	17,191	18,414	16,590
	-----	-----	-----
Net holding gains (losses) on trading securities.	(9,921)	(7,721)	3,112
Income tax benefit (expense) .....	635	(828)	(1,031)
Income allocable to preferred shareholders in a subsidiary company .....	(2,994)	(2,995)	(2,994)
	-----	-----	-----
Net income .....	\$ 237	\$ 2,920	\$ 15,046
	=====	=====	=====
LESS:			
Net income allocable to preferred shares and term growth shares .....	-	-	153
	-----	-----	-----
Net income allocated to common shares .....	\$ 237	\$ 2,920	\$ 14,893
	=====	=====	=====
OPERATING NET INCOME ALLOCATED TO COMMON SHARES .....	\$ 10,158	\$ 10,641	\$ 11,781
	=====	=====	=====
EARNINGS PER COMMON SHARE:			
Basic earnings before cumulative effect of accounting change .....	\$ 0.01	\$ 0.12	\$ 0.63
	=====	=====	=====
Basic net income per common share .....	\$ 0.01	\$ 0.12	\$ 0.63
	=====	=====	=====
Diluted earnings before cumulative effect of accounting change .....	\$ 0.01	\$ 0.11	\$ 0.62
	=====	=====	=====
Diluted net income per common share .....	\$ 0.01	\$ 0.11	\$ 0.62
	=====	=====	=====
Weighted average shares outstanding:			
Basic .....	25,329,103	25,252,124	23,584,635
	=====	=====	=====
Diluted .....	25,916,151	25,835,808	24,200,030
	=====	=====	=====
Operating net income per common share .....	\$ 0.40	\$ 0.42	\$ 0.50
	=====	=====	=====

Note: Certain prior quarter amounts have been reclassified to conform to the 9/30/02 presentation.

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

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	For the three months ended September 30, 2002			For the three
	Income	Shares	Per Share	Income
	(Numerator)	(Denominator)	Amount	(Numerator)
	-----	-----	-----	-----
(in thousands, except share and per share data)				
Basic EPS				
Income allocable to common shares ....	\$ 237	25,329,103	\$ 0.01	\$ 6,514
			=====	
Effect of Dilutive Securities				
Options and deferred shares .....	-	454,193		-
Convertible preferred shares to the extent dilutive .....	-	-		3
Earnings contingency .....	-	132,855		-
	-----	-----		-----
Diluted EPS				
Income allocable to common shares plus assumed conversions .....	\$ 237	25,916,151	\$ 0.01	\$ 6,517
	=====	=====	=====	=====

	For the nine months ended September 30, 2002			For the nine
	Income	Shares	Per Share	Income
	(Numerator)	(Denominator)	Amount	(Numerator)
	-----	-----	-----	-----
(in thousands, except share and per share data)				
Basic EPS				
Income allocable to common shares ....	\$ 18,050	24,728,414	\$ 0.73	\$ 9,263
			=====	
Effect of Dilutive Securities				
Options and deferred shares .....	-	462,520		-
Convertible preferred shares to the extent dilutive .....	-	-		3
Earnings contingency .....	-	132,855		-
	-----	-----		-----
Diluted EPS				
Income allocable to common shares plus assumed conversions .....	\$ 18,050	25,323,789	\$ 0.71	\$ 9,266
	=====	=====	=====	=====

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

For the three months ended  
 September 30, 2002

INCOME:	
Interest on bonds, other bond-related investments, other notes and loans..	\$ 24,0
Interest on short-term investments .....	2
Loan servicing fees .....	1,5
Loan origination and brokerage fees .....	2,7
Other income .....	3
Net gain on sales .....	6
<hr/>	
Total income .....	29,7
<hr/>	
EXPENSES:	
Salaries and benefits .....	5,4
Professional fees .....	4
Operating expenses .....	2,1
Amortization .....	3
Interest expense .....	8,7
Other-than-temporary impairments related to investments in bonds and other bond-related investments .....	
<hr/>	
Total expenses .....	17,1
<hr/>	
Net holding losses on trading securities .....	(9,9
Income tax benefit (expense) .....	6
Income allocable to preferred shareholders in a subsidiary company .....	(2,9
<hr/>	
Net income .....	\$ 2
<hr/>	
LESS:	
Net income allocable to term growth shares .....	
<hr/>	
Net income allocated to common shares - GAAP Basis .....	\$ 2
<hr/>	
Conversion to Cash Available for Distribution:	
(1)Mark to market adjustments .....	\$ 9,9
(2)CAPREIT investments .....	3,2
(3)Net gain on sales .....	(4
(3)Amortization of capitalized mortgage servicing fees .....	3
(4)Origination fees and other income, net .....	
(5)Valuation allowances and other-than-temporary impairments .....	
(6)Deferred tax (benefit) expense .....	(4
<hr/>	
Cash Available for Distribution (CAD) .....	\$ 12,8
<hr/>	

Notes

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

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- (2) For GAAP reporting, the Company accounts for its investment in the CAPREIT ventures on the equity accounting method. As a result, the Company reports its share of the income or losses from the underlying properties and assets in the CAPREIT ventures. The income from these ventures includes depreciation expense and changes in the fair value of investments in derivatives. For CAD reporting, the Company records the cash distributions it receives from the ventures as income.
- (3) For GAAP reporting, the Company recognizes non-cash gains and losses associated with the sale of assets or capitalization of mortgage servicing rights. The capitalized mortgage servicing rights are amortized into expense over the estimated life of the serviced loans. The non-cash gains and the associated amortization expense are not included in CAD.
- (4) Origination fees and certain other income amounts are recognized as income when received for CAD purposes, but for GAAP reporting these items are deferred and amortized into income over the life of the associated investment. This adjustment represents the net difference, for the relevant period, between fees taken into income when received for CAD and the amortization of fees recorded for GAAP.
- (5) For GAAP reporting, the Company records valuation allowances and other-than-temporary impairments on its investments in loans, bonds and other bond-related investments. Such non-cash charges do not affect the cash flow generated from the operation of the underlying properties, distributions to shareholders, or the tax-exempt status of the income of the financial obligation under the bonds. Therefore, these items are not included in the calculation of CAD.
- (6) For GAAP reporting, the Company's income tax expense contains both a current and a deferred component. Only the Company's current income tax expense is reflected in CAD.

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

	(unaudited) September 30, 2002	December 31, 2001
	-----	-----
<b>ASSETS:</b>		
Cash, cash equivalents and interest receivable .....	\$ 53,935	\$ 113,232
Investment in bonds and other bond-related investments .....	792,216	629,755
Investment in derivative financial instruments .....	21,085	2,912
Loans receivable, net .....	433,963	440,031
Investment in partnerships .....	83,841	5,393
Other assets .....	81,547	68,948
Goodwill and other intangible assets .....	30,206	29,005
	-----	-----

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TOTAL .....	\$ 1,496,793	\$1,289,276
	=====	=====
LIABILITIES AND EQUITY:		
Current liabilities .....	\$ 28,992	\$ 31,974
Notes payable .....	404,589	420,063
Investment in other bond-related investments .....	943	7,979
Investment in derivative financial instruments .....	51,349	18,646
Short-term debt .....	219,945	78,560
Long-term debt .....	137,945	134,881
Preferred shareholders' equity in a subsidiary company .....	160,465	160,465
Shareholders' equity .....	492,565	436,708
	-----	-----
TOTAL .....	\$ 1,496,793	\$1,289,276
	=====	=====
BOOK VALUE PER COMMON SHARE .....	\$ 19.43	\$ 19.31
	=====	=====

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

	September 30, 2002	Adj
	-----	-----
Cash and cash equivalents .....	\$ 37,890	\$
Investment in bonds and loans, net .....	1,194,972	
Off balance sheet assets .....	-	
Other assets .....	211,639	
	-----	-----
Total net assets .....	\$ 1,444,501	\$
	=====	=====
Liabilities, including short-term debt .....	\$ 653,526	\$
Off balance sheet debt .....	-	
Long-term debt .....	137,945	
	-----	-----
Total liabilities .....	\$ 791,471	\$
	=====	=====

Leverage Ratio

(1) Adjustments to bonds and loans:

Remove Midland loans from assets and liabilities .....	\$ 401,350
Remove Oxford from assets and liabilities .....	5,420
Adjustment to reflect CAD sale of pari passu taxable loans accounted for as borrowings .....	16,759
Adjustment to reflect effect of highly leveraged obligations ..	121,326
	-----
TOTAL .....	\$ 544,855

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(2) Off balance sheet assets includes the following:		
FSA A Bonds .....		\$ 67,400
Other A Bonds .....		20,978
Demand Notes .....		16,247
P-Floats .....		197,069
	TOTAL .....	\$ 301,694
(3) Remove goodwill .....		\$ 30,206
(4) Adjustments to liabilities:		
Remove other liabilities and normal accruals .....		\$ 28,991
Adjustment to reflect CAD sale of pari passu taxable loans accounted for as borrowings .....		16,501
Remove Oxford from assets and liabilities .....		5,410
Remove Midland loans from assets and liabilities .....		404,589
	TOTAL .....	\$ 455,491

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

BOND PRODUCTION:

PROPERTY	CITY	STATE	PERMANENT INTEREST RATE	QUARTER BOND AMOUNT	
				CONSTRUCTION	PERMANENT
Lockwood Plaza .....	Providence ..	RI ...	6.81% ..	4,050	4,050
Shady Oaks Manor .....	Fort Worth ..	TX ...	6.35% ..		3,900
Park at Landmark .....	Alexandria ..	VA ...	Various .		15,800
TOTAL .....				\$ 4,050	\$ 23,750

CONSTRUCTION/PERMANENT LENDING,  
SYNDICATION AND OTHER PRODUCTION:

	QUARTER VOLUME	TOTAL F RECOGNI THIS QUA FOR CA
Tax Credit Equity Syndications		

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(Equity Raised) .....	\$	21,027	\$	76
Tax Credit Lending Production .....	\$	23,043	\$	
Conventional Equity Production .....	\$	16,171	\$	58
Taxable Construction Loan Production (generating a weighted average spread of 1.04%) .....	\$	97,253	\$	31
Taxable Permanent Loan Production .....	\$	114,692	\$	1,40
Working Capital and Bridge Loans .....	\$	15,914	\$	22
Equity Investment in CAPREIT Three M Venture .....	\$	-	\$	
OTHER INFORMATION:				
Balance as of 9/30/02 of Midland Servicing Portfolio under Management .....	\$	1,031,582	\$	98
Balance as of 9/30/02 of Midland Equity Syndication Portfolio under Management .....	\$	769,900	\$	75

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

Property -----	Q3 2001 Actual -----	Q2 2002 Actual -----	Q3 20 Act -----
Alban .....	242,953	277,851	260
(1) Arlington .....	0	0	
Barkley Place .....	379,015	264,048	346
(1) Barrington at Beach Street .....	0	0	
Cobblestone .....	179,580	179,912	167
(1) Cool Springs .....	0	0	
Creekside .....	264,353	271,875	287
Crossings .....	192,690	179,332	175
Gilman Meadows .....	178,290	167,729	180
Hamilton Grove .....	208,703	231,641	241
Jefferson Commons .....	429,576	484,620	347
Lakeview .....	162,227	187,987	192
Mallard I .....	58,433	30,358	40
Mallard II .....	133,411	102,851	107
Montclair .....	305,474	306,323	374
Newport Village .....	318,144	257,432	302
Nicollet Ridge .....	394,316	379,089	458
North Pointe .....	540,006	661,019	567

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Palisades Park .....	264,106	245,556	256
Riverset I .....	408,873	316,555	322
Riverset II .....	170,854	139,242	135
Steeplechase Falls .....	370,708	403,373	378
Meadows .....	171,553	136,952	167
Timber Ridge .....	154,997	137,432	143
Villas at LaRiviera .....	249,233	193,778	189
Whispering Lake .....	302,653	344,172	397
Winter Oaks .....	184,575	282,800	246
<hr/>			
Total .....	6,264,723	6,181,926	6,291
Same Store Growth .....	6,264,723	6,181,926	6,291

- (1) Under construction
- (2) Q3 2002 represents two months actual, one month budget

Real Estate Table

Apartment Community	Month/Year Acquired	Apartment Units	Month Ended September 30, 2002	Month Ended June 30, 2002
Participating Mortgage Bonds:				
Alban Place .....	Sep-86	194	94.8%	94.
Cobblestone .....	Aug-99	184	93.5%	95.
Creekside Village .....	Nov-87	296	100.0%	99.
Crossings .....	Jan-97	200	94.0%	95.
Jefferson Commons .....	Dec-00	173	83.0%	91.
Lakeview .....	Sep-87	180	98.3%	96.
North Pointe .....	Sep-86	540	95.0%	92.
Timber Ridge .....	Dec-00	168	98.8%	97.
Villas at LaRiviera .....	Jun-99	199	98.0%	81.
Subtotal Participating Mortgage Bonds .....		2,134		
Mortgage Bonds:				
Applewood (a.k.a. Paola) .....	Jul-99	48	91.7%	91.
Buchanan Bay .....	Mar-01	228	82.5%	82.
Charter House (2) .....	Dec-96	-	N/A	N
Cielo Vista .....	Aug-99	378	93.7%	95.
Country Club .....	Jul-99	101	85.1%	90.
Delta Village .....	Jun-99	80	96.3%	100.
Elmbrooke .....	Aug-00	54	100.0%	100.
Florida A&M .....	Feb-00	96	92.0%	69.
Gannon (Broward) .....	Feb-98	315	98.1%	96.
Gannon (Dade) (3) .....	Feb-98	1,252	97.7%	95.



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Gannon (St. Louis) .....	Feb-98	336	89.6%	92.
Gannon A Bond .....	Feb-98	-	N/A	N
Hidden Valley .....	Dec-96	82	92.7%	92.
Honey Creek .....	Mar-99	656	89.8%	95.
Hunter's Glen .....	Mar-01	383	82.5%	86.
Lake Piedmont .....	Apr-98	648	90.7%	95.
Monroe (Oakmont, Towne Oak) .....	Dec-98	364	97.0%	98.
Mountain View (Willowgreen) .....	Nov-86	241	95.9%	98.
Northridge Park II .....	Aug-87	128	88.3%	96.
Oakbrook .....	Dec-96	170	92.4%	95.
Orangevale .....	Apr-98	64	100.0%	98.
Parkwood .....	Jun-99	180	97.2%	97.
Riverset II (1) .....	Jan-96	-	N/A	N
Riverview .....	Jun-00	224	96.9%	75.
Sahuarita .....	Jun-99	52	88.5%	100.
Santa Fe Springs .....	Jun-00	310	89.7%	91.
Shadowbrook .....	Jun-99	193	97.4%	97.
Silver Springs .....	Dec-99	250	84.4%	70.
Southwind .....	Aug-00	88	98.6%	100.
Torries Chase .....	Dec-96	99	92.9%	92.
Villa Hialeah .....	Nov-87	245	99.2%	98.
Village Apartments .....	May-00	210	93.8%	96.
Village at Stone Mountain .....	Oct-97	722	90.6%	91.
Village Green .....	Feb-00	200	85.2%	86.
Weatherstone .....	Sep-00	100	96.0%	91.
Western Hills .....	Dec-98	80	83.8%	91.
Willow Key .....	Mar-99	384	97.0%	99.
Woodglen .....	Dec-99	250	87.2%	90.
Woodmark .....	Jun-99	173	99.4%	98.
Subtotal Mortgage Bonds .....		9,384		
Participating Subordinate Mortgage Bonds:				
Barkley Place .....	May-87	156	92.9%	89.
Gilman Meadows .....	Mar-87	125	97.6%	90.
Hamilton Chase .....	Feb-87	300	92.7%	93.
Mallard Cove I & II .....	Feb-87	198	92.4%	90.
Meadows .....	Jan-88	200	96.5%	94.
Montclair .....	Oct-86	159	91.2%	97.
Newport Village .....	Dec-86	220	90.0%	94.
Nicollet Ridge .....	Dec-87	339	95.3%	92.
Riverset II .....	Jan-96	148	94.0%	86.
Steeplechase .....	Oct-88	450	95.3%	92.
Whispering Lake .....	Oct-87	384	90.6%	93.
Subtotal Participating Subordinate Mortgage Bonds ....		2,679		

Apartment Community	Month/Year Acquired	Apartment Units	Per Apartment	
			Month Ended August 31, 2002	Month Ended June 30, 2002

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 Participating Mortgage Bonds:

Alban Place .....	Sep-86	194	933	924
Cobblestone .....	Aug-99	184	575	572
Creekside Village .....	Nov-87	296	570	559
Crossings .....	Jan-97	200	748	749
Jefferson Commons .....	Dec-00	173	1,357	1,361
Lakeview .....	Sep-87	180	697	695
North Pointe .....	Sep-86	540	687	682
Timber Ridge .....	Dec-00	168	497	464
Villas at LaRiviera .....	Jun-99	199	693	682

Subtotal Participating Mortgage Bonds .... 2,134

Mortgage Bonds:

Applewood (a.k.a. Paola) .....	Jul-99	48	503	502
Buchanan Bay .....	Mar-01	228	716	716
Charter House (2) .....	Dec-96	-	N/A	N/A
Cielo Vista .....	Aug-99	378	423	424
Country Club .....	Jul-99	101	438	438
Delta Village .....	Jun-99	80	579	578
Elmbrooke .....	Aug-00	54	1,021	1,021
Florida A&M .....	Feb-00	96	1,382	1,385
Gannon (Broward) .....	Feb-98	315	671	665
Gannon (Dade) (3) .....	Feb-98	1,252	757	743
Gannon (St. Louis) .....	Feb-98	336	576	573
Gannon A Bond .....	Feb-98	-	N/A	N/A
Hidden Valley .....	Dec-96	82	547	552
Honey Creek .....	Mar-99	656	550	560
Hunter's Glen .....	Mar-01	383	578	584
Lake Piedmont .....	Apr-98	648	478	476
Monroe (Oakmont, Towne Oak) .....	Dec-98	364	483	481
Mountain View (Willowgreen) .....	Nov-86	241	631	628
Northridge Park II .....	Aug-87	128	1,044	1,053
Oakbrook .....	Dec-96	170	437	430
Orangevale .....	Apr-98	64	977	958
Parkwood .....	Jun-99	180	467	464
Riverset II (1) .....	Jan-96	-	N/A	N/A
Riverview .....	Jun-00	224	656	658
Sahuarita .....	Jun-99	52	529	529
Santa Fe Springs .....	Jun-00	310	590	592
Shadowbrook .....	Jun-99	193	482	484
Silver Springs .....	Dec-99	250	809	809
Southwind .....	Aug-00	88	713	711
Torries Chase .....	Dec-96	99	504	498
Villa Hialeah .....	Nov-87	245	718	720
Village Apartments .....	May-00	210	568	568
Village at Stone Mountain .....	Oct-97	722	743	733
Village Green .....	Feb-00	200	634	638
Weatherstone .....	Sep-00	100	812	812
Western Hills .....	Dec-98	80	502	502
Willow Key .....	Mar-99	384	655	655
Woodglen .....	Dec-99	250	641	641
Woodmark .....	Jun-99	173	680	680

Subtotal Mortgage Bonds .... 9,384

-----  
 Participating Subordinate Mortgage Bonds:

Barkley Place .....	May-87	156	2,048	2,068
Gilman Meadows .....	Mar-87	125	1,014	1,020
Hamilton Chase .....	Feb-87	300	614	613

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Mallard Cove I & II .....	Feb-87	198	217	218
Meadows .....	Jan-88	200	605	611
Montclair .....	Oct-86	159	1,829	1,820
Newport Village .....	Dec-86	220	839	839
Nicollet Ridge .....	Dec-87	339	942	942
Riverset II .....	Jan-96	148	705	706
Steeplechase .....	Oct-88	450	604	590
Whispering Lake .....	Oct-87	384	642	639
Subtotal Participating Subordinate Mortgage Bonds ....		2,679		

Apartment Community	Month/Year Acquired	Apartment Units	Month Ended September 30, 2002	Month End June 30, 2002
Subordinate Mortgage Bonds:				
CAPREIT .....	Sep-99	-	N/A	N/A
Cinnamon Ridge .....	Jan-99	-	N/A	N/A
Farmington Meadows .....	Aug-99	69	98.6%	100.0%
Independence Ridge .....	Aug-96	336	75.3%	83.6%
Locarno .....	Aug-96	110	90.0%	93.6%
Olde English Manor .....	Nov-99	-	N/A	N/A
Peaks of Conyer .....	Sep-01	260	89.2%	89.2%
Rillito Village .....	Jul-00	-	N/A	N/A
Winter Oaks .....	Nov-99	460	93.7%	92.0%
Subtotal Subordinate Mortgage Bonds .....		1,235		
Other Bond-Related Investments:				
Briarwood .....	Dec-98	600	97.5%	97.5%
Cinnamon Ridge .....	Dec-97	264	97.0%	98.1%
Golfside Villas (f.k.a. Club West) .....	Mar-99	194	99.5%	100.0%
Park Center .....	Oct-01	325	93.5%	94.2%
Park at Landmark .....	Sep-00	396	95.0%	95.0%
Poplar Glen .....	Jun-97	191	95.3%	95.8%
rites - Charter House .....	Dec-96	280	95.7%	98.2%
rites - Indian Lakes .....	Jul-97	296	94.9%	86.1%
rites - LaPaloma .....	Apr-99	120	98.3%	98.3%
rites - LeMirador (Coleman Senior) .....	Apr-98	141	85.8%	92.9%
rites - Museum Towers .....	Apr-01	286	N/A	87.8%
rites - Oklahoma City (4) .....	Aug-98	772	94.3%	86.8%
rites - Olde English Manor .....	Jun-98	264	89.0%	90.5%
rites - Palisades Park .....	Feb-98	304	95.7%	97.4%
rites - Pavillion .....	Apr-99	132	100.0%	100.0%
rites - Queen Anne IV .....	Jul-98	110	93.6%	96.4%
rites - Rancho/Villas .....	May-00	417	90.2%	92.1%
rites - Rillito Village .....	Aug-98	272	91.9%	91.2%
rites - Riverset (1) .....	Aug-88	352	94.0%	86.8%
rites - Riverset II (1) .....	Jan-96	-	N/A	N/A
rites - Sienna (a.k.a. Italian Gardens) .....	Apr-98	140	82.9%	83.6%

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RITES - Sonterra .....	May-98	156	100.0%	94.2%
RITES - Southgate Crossings .....	Jun-97	215	97.2%	97.2%
RITES - Southwood .....	Nov-97	1,286	84.4%	85.6%
		-----		
Subtotal Other Bond-Related Investments ..		7,513		
		-----		
Total Units/Weighted Average Investments..		22,945	92.7%	92.4%
		=====		
Total/Same Stores (5) 2000 .....		19,464	93.2%	93.3%
Total/Same Stores (5) 2001 .....		22,461	91.6%	92.6%
Construction/Substantial Rehab Properties Other Investments				
Arlington .....	Dec-00	176	9.7%	N/A
Barrington at Beach Street .....	Oct-00	398	44.0%	39.2%
Bedford Park .....	Oct-00	312	67.9%	75.6%
CAPREIT (6) .....	Mar-01	2,942	93.3%	93.3%
CAPREIT Joint Venture (7) .....	Jun-02	5,185	N/A	N/A
Chancellor .....	Nov-01	101	N/A	N/A
Chancellor II .....	Mar-02	46	N/A	N/A
Cool Springs .....	Aug-00	124	44.4%	28.2%
Coronel Village .....	Apr-02	48	N/A	N/A
Fort Branch .....	Dec-00	250	37.2%	19.6%
Hidden Brooks .....	Sep-01	201	86.1%	80.6%
Las Trojas .....	Mar-02	49	N/A	N/A
Lincoln Corner .....	Dec-01	134	N/A	N/A
Meridian at Bridgewater .....	Nov-99	90	83.3%	71.1%
Mountain View Village .....	Jun-02	220	N/A	N/A
North White Road .....	Nov-01	157	N/A	N/A
Oak Grove Commons .....	Dec-01	168	N/A	N/A
Penn Valley .....	Dec-01	42	N/A	N/A
Sycamore Senior Village .....	Jun-02	300	N/A	N/A
Village at Sun Valley .....	May-00	276	67.8%	60.1%
Walnut Tree .....	Mar-02	64	N/A	N/A
		-----		
Subtotal Construction/Rehab Properties ...		11,283		
		-----		
Total Units .....		34,228		
		=====		

Apartment Community	Month/Year Acquired	Apartment Units	Per	
			Month Ended August 31, 2002	Month Ended June 30, 2002
Subordinate Mortgage Bonds:				
CAPREIT .....	Sep-99	-	N/A	N/A
Cinnamon Ridge .....	Jan-99	-	N/A	N/A
Farmington Meadows .....	Aug-99	69	810	814
Independence Ridge .....	Aug-96	336	552	551
Locarno .....	Aug-96	110	881	877
Olde English Manor .....	Nov-99	-	N/A	N/A
Peaks of Conyer .....	Sep-01	260	738	738

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Rillito Village .....	Jul-00	-	N/A	N/A
Winter Oaks .....	Nov-99	460	555	554
		-----		
Subtotal Subordinate Mortgage Bonds .....		1,235		
		-----		
Other Bond-Related Investments:				
Briarwood .....	Dec-98	600	611	603
Cinnamon Ridge .....	Dec-97	264	921	917
Golfside Villas (f.k.a. Club West) .....	Mar-99	194	618	618
Park Center .....	Oct-01	325	1,473	1,470
Park at Landmark .....	Sep-00	396	1,079	1,079
Poplar Glen .....	Jun-97	191	951	938
RITES - Charter House .....	Dec-96	280	620	619
RITES - Indian Lakes .....	Jul-97	296	776	785
RITES - LaPaloma .....	Apr-99	120	628	619
RITES - LeMirador (Coleman Senior) .....	Apr-98	141	890	871
RITES - Museum Towers .....	Apr-01	286	1,372	1,367
RITES - Oklahoma City (4) .....	Aug-98	772	482	478
RITES - Olde English Manor .....	Jun-98	264	485	479
RITES - Palisades Park .....	Feb-98	304	546	545
RITES - Pavillion .....	Apr-99	132	669	669
RITES - Queen Anne IV .....	Jul-98	110	1,096	1,094
RITES - Rancho/Villas .....	May-00	417	547	543
RITES - Rillito Village .....	Aug-98	272	442	444
RITES - Riverset (1) .....	Aug-88	352	704	714
RITES - Riverset II (1) .....	Jan-96	-	N/A	N/A
RITES - Sienna (a.k.a. Italian Gardens) .....	Apr-98	140	854	857
RITES - Sonterra .....	May-98	156	856	847
RITES - Southgate Crossings .....	Jun-97	215	975	981
RITES - Southwood .....	Nov-97	1,286	485	492
		-----		
Subtotal Other Bond-Related Investments ...		7,513		
		-----		
Total Units/Weighted Average Investments ..		22,945	702	691
		=====		
Total/Same Stores (5) 2000 .....		19,464	645	644
Total/Same Stores (5) 2001 .....		22,461	693	668
Construction/Substantial Rehab Properties and Other Investments				
Arlington .....	Dec-00	176	N/A	N/A
Barrington at Beach Street .....	Oct-00	398	847	847
Bedford Park .....	Oct-00	312	547	513
CAPREIT (6) .....	Mar-01	2,942	623	623
CAPREIT Joint Venture (7) .....	Jun-02	5,185	N/A	N/A
Chancellor .....	Nov-01	101	N/A	N/A
Chancellor II .....	Mar-02	46	N/A	N/A
Cool Springs .....	Aug-00	124	1,947	1,947
Coronel Village .....	Apr-02	48	N/A	N/A
Fort Branch .....	Dec-00	250	829	830
Hidden Brooks .....	Sep-01	201	1,045	1,057
Las Trojas .....	Mar-02	49	N/A	N/A
Lincoln Corner .....	Dec-01	134	N/A	N/A
Meridian at Bridgewater .....	Nov-99	90	2,702	2,453
Mountain View Village .....	Jun-02	220	N/A	N/A
North White Road .....	Nov-01	157	N/A	N/A
Oak Grove Commons .....	Dec-01	168	N/A	N/A
Penn Valley .....	Dec-01	42	N/A	N/A
Sycamore Senior Village .....	Jun-02	300	N/A	N/A
Village at Sun Valley .....	May-00	276	681	681
Walnut Tree .....	Mar-02	64	N/A	N/A
		-----		
Subtotal Construction/Rehab Properties ....		11,283		

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