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MUNICIPAL MORTGAGE & EQUITY LLC

Form 8-K/A

September 17, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

July 1, 2003
(Date of Report (Date of Earliest Event Reported))

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

| | | |
|---|--|---|
| Delaware (State or Other Jurisdiction of Incorporation) | 011-11981 (Commission File Number) | 52-1449733 (IRS Employer Identification Number) |
|---|--|---|

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

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

ITEM 5. OTHER EVENTS AND REQUIRED FD. DISCLOSURE.

This form 8-K amends and supplements the Form 8-K filed on July 10, 2003 and the Form 8-K/A filed on September 15, 2003 to:

- (i) make clear that no financial information is required to be provided;
- (ii) clarify the entities that provided the acquisition financing; and
- (iii) include the signature of an officer of the Company.

On July 1, 2003, Municipal Mortgage & Equity, LLC (NYSE: MMA), known as MuniMae, completed its acquisition of the Housing and Community Investing (HCI) unit of Lend Lease Real Estate Investments, a subsidiary of Australia-based Lend Lease Corporation Limited (ASX: LLC), for a purchase price of \$102 million in cash. MuniMae contributed the assets of HCI to MMA Financial, LLC, MuniMae's wholly owned operating subsidiary. MMA Financial manages investments in real estate totaling \$7.4 billion, representing approximately 220,000 apartment

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units. According to the National Multifamily Housing Council, MMA Financial is currently the fourth largest owner of apartments in the United States. Through the integration of HCI's affordable housing tax credit syndication operation into MuniMae's existing operations, MMA Financial becomes one of the nation's largest players in the affordable housing industry.

HCI provides equity financing for a wide range of affordable housing developments across the country. Developments include new construction, substantial rehabilitations, and revitalizations of public housing. HCI structures and manages low income housing tax credit investments for corporate investors. As a syndicator of tax credits, HCI sources and acquires deals from developers, structures the investments and manages the assets in the investment for the 15-year holding period. MMA Financial has 147,350 tax credit units under management.

To finance the transaction, MuniMae drew from an 18-month, LIBOR-based acquisition facility in the amount of \$120 million that was arranged by RBC Capital Markets, with Royal Bank of Canada acting as the initial lender. The amount of consideration paid was determined pursuant to arms-length negotiations between the parties.

The foregoing description of the acquisition is qualified in its entirety by reference to the full text of the Purchase and Sale Agreement, a copy of which was filed as Exhibit 2.1 to the Company's Report on Form 8-K filed on July 10, 2003 and which is incorporated by reference herein.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

- (a) Financial Statements of business acquired.

No financial statements of the business acquired are required to be filed with this report.

- (b) Pro forma financial information.

Pro forma information is not required to be filed; however, such information is being included for the benefit of shareholders. The following documents appear as Exhibits to this current report on Form 8-K/A:

- (i) Unaudited Pro Forma Combined Balance Sheet as of June 30, 2003
- (ii) Unaudited Pro Forma Combined Statements of operations for the year ended December 31, 2002 and the six months ended June 30, 2003

SIGNATURES

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

MUNICIPAL MORTGAGE & EQUITY, LLC

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Date: September 17, 2003

By: /s/ William S. Harrison

 William S. Harrison
 Senior Vice President and
 Chief Financial Officer

INDEX TO EXHIBITS

| Exhibit No. | Description of Document |
|-------------|--|
| P-1 | Unaudited Pro Forma Combined Balance Sheet as of June 30, 2003 |
| P-2 | Unaudited Pro Forma Combined Statements of Operations for the year ended December 31, 2002 |
| P-3 | Unaudited Pro Forma Combined Statements of Operations for the six months ended June 30, 2003 |
| P-4 | Notes to Pro Forma Combined Financial Statements |

MUNICIPAL MORTGAGE & EQUITY, LLC
 PRO FORMA COMBINED BALANCE SHEET
 June 30, 2003
 (In thousands, except share data)
 (unaudited)

| | MuniMae | HCI |
|--|---------------------|-------------------|
| | ----- | ----- |
| ASSETS | | |
| Investment in tax-exempt bonds, net | \$ 775,793 | |
| Loans receivable, net | 451,397 | |
| Loans receivable held for sale | 11,023 | |
| Notes receivable | - | \$ 62,683 |
| Investments in partnerships | 98,239 | 177,024 |
| Residual interests in bond securitizations | 13,099 | |
| Investment in derivative financial instruments | 3,170 | |
| Cash and cash equivalents | 81,335 | 24,636 |
| Interest receivable | 17,252 | |
| Restricted assets | 69,529 | |
| Other assets | 32,846 | 35,057 |
| Property, plant and equipment, net | 2,554 | 1,586 |
| Mortgage servicing rights, net | 10,869 | |
| Identifiable intangibles and goodwill | 33,607 | 77,335 |
| | ----- | ----- |
| Total assets | \$ 1,600,713 | \$ 378,321 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Notes payable | \$ 436,949 | \$ 59,848 |
| Short-term debt | 211,670 | |
| Long-term debt | 142,006 | |
| Residual interests in bond securitizations | 1,343 | |
| Investment in derivative financial instruments | 21,792 | |

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| | | |
|--|--------------|------------|
| Accounts payable and accrued expenses | 6,436 | 28,223 |
| Interest payable | 5,383 | |
| Unearned revenue and other liabilities | 33,336 | 155,370 |
| Distributions payable | 2,995 | |
| | ----- | ----- |
| Total liabilities | 861,910 | 243,441 |
| | ----- | ----- |
| Preferred shareholders' and minority interests' equity in subsidiary companies | 160,142 | |
| Shareholders' equity: | | |
| Common shares | 568,576 | |
| Paid in capital | | 110,517 |
| Retained earnings | | 24,363 |
| Less: growth shares held in treasury at cost | (2,615) | |
| Less unearned compensation - restricted shares | (2,939) | |
| Accumulated other comprehensive income | 15,639 | |
| | ----- | ----- |
| Total shareholders' equity | 578,661 | 134,880 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 1,600,713 | \$ 378,321 |
| | ===== | ===== |

MUNICIPAL MORTGAGE & EQUITY, LLC
PRO FORMA COMBINED STATEMENTS OF INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002
(In thousands, except share and per share data)

| | MuniMae | (unaudited HCI) |
|--|-----------|--------------------|
| | ----- | ----- |
| INCOME: | | |
| Interest income | | |
| Interest on bonds and residual interests in bond securitizations | \$ 59,923 | |
| Interest on loans | 34,895 | \$ 1,1 |
| Interest on short-term investments | 1,255 | |
| | ----- | ----- |
| Total interest income | 96,073 | 1,2 |
| | ----- | ----- |
| Fee income | | |
| Syndication fees | 7,221 | 22,2 |
| Origination fees | 6,631 | |
| Loan servicing fees | 6,823 | |
| Asset management and advisory fees | 3,887 | 13,8 |
| Other income | 4,435 | 4,7 |
| | ----- | ----- |
| Total fee income | 28,997 | 40,8 |
| | ----- | ----- |
| Net gain on sales | 8,558 | 6 |
| | ----- | ----- |

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| | | |
|---|------------|--------|
| Total income | 133,628 | 42,7 |
| <hr/> | | |
| EXPENSES: | | |
| Interest expense | 36,596 | 2 |
| Salaries and benefits | 22,678 | 20,2 |
| General and administrative | 7,020 | 5,0 |
| Professional fees | 4,960 | 5 |
| Amortization of intangibles and mortgage servicing rights | 1,314 | 6,4 |
| <hr/> | | |
| Total expenses | 72,568 | 32,4 |
| <hr/> | | |
| Net holding losses on derivatives | (14,863) | |
| Impairments and valuation allowances related to investments | (730) | |
| Net losses from equity investments in partnerships | (3,057) | (2,1 |
| <hr/> | | |
| Net income before income taxes and income allocated to preferred shareholders in a subsidiary company | 42,410 | 8,1 |
| Income tax expense (benefit) | 1,484 | 4,1 |
| <hr/> | | |
| Net income before income allocated to preferred shareholders in a subsidiary company | 40,926 | 3,9 |
| Income allocable to preferred shareholders in a subsidiary company | 11,977 | |
| <hr/> | | |
| Net income | \$ 28,949 | \$ 3,9 |
| <hr/> | | |
| Net income allocated to: | | |
| Term growth shares | \$ 153 | |
| <hr/> | | |
| Common shares | \$ 28,796 | |
| <hr/> | | |
| Basic earnings per common share: | | |
| Basic earnings per common share | \$ 1.16 | |
| <hr/> | | |
| Weighted average common shares outstanding | 24,904,437 | |
| <hr/> | | |
| Diluted earnings per common share: | | |
| Diluted earnings per common share | \$ 1.13 | |
| <hr/> | | |
| Weighted average common shares outstanding | 25,473,815 | |

MUNICIPAL MORTGAGE & EQUITY, LLC
PRO FORMA COMBINED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2003
(In thousands, except share and per share data)
(unaudited)

| | MuniMae | HCI |
|--|-----------|-------|
| | <hr/> | <hr/> |
| INCOME: | | |
| Interest income | | |
| Interest on bonds and residual interests in bond securitizations | \$ 29,914 | |

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| | | |
|---|------------|----------|
| Interest on loans | 17,066 | \$ 798 |
| Interest on short-term investments | 524 | 172 |
| | ----- | ----- |
| Total interest income | 47,504 | 970 |
| | ----- | ----- |
| Fee income | | |
| Syndication fees | 3,236 | 24,739 |
| Origination fees | 2,917 | - |
| Loan servicing fees | 3,747 | - |
| Asset management and advisory fees | 2,274 | 16,998 |
| Other income | 5,506 | 8,903 |
| | ----- | ----- |
| Total fee income | 17,680 | 50,640 |
| | ----- | ----- |
| Net gain on sales | 2,731 | 2,760 |
| | ----- | ----- |
| Total income | 67,915 | 54,370 |
| | ----- | ----- |
| EXPENSES: | | |
| Interest expense | 19,092 | 189 |
| Salaries and benefits | 14,637 | 32,110 |
| General and administrative | 3,938 | 5,883 |
| Professional fees | 1,866 | 828 |
| Amortization of intangibles and mortgage servicing rights | 803 | 6,774 |
| | ----- | ----- |
| Total expenses | 40,336 | 45,784 |
| | ----- | ----- |
| Net holding gains (losses) on derivatives | 424 | |
| Impairments and valuation allowances related to investments | (1,144) | |
| Net gains (losses) from equity investments in partnerships | (2,353) | (5,880) |
| | ----- | ----- |
| Net income before income taxes, income allocated to preferred shareholders and minority interests in subsidiary companies and discontinued operations | 24,506 | 2,706 |
| Income tax expense (benefit) | (472) | 969 |
| | ----- | ----- |
| Net income before income allocated to preferred shareholders and minority interests in subsidiary companies and discontinued operations | 24,978 | 1,737 |
| Income allocable to preferred shareholders and minority interests in subsidiary companies | 5,679 | - |
| | ----- | ----- |
| Net income from continuing operations | 19,299 | 1,737 |
| Discontinued operations | 25,748 | - |
| | ----- | ----- |
| Net income | \$ 45,047 | \$ 1,737 |
| | ===== | ===== |
| Basic earnings per common share: | | |
| Net income from continuing operations | \$ 0.69 | |
| Discontinued operations | 0.91 | |
| | ----- | |
| Basic earnings per common share | \$ 1.60 | |
| | ===== | |
| Weighted average common shares outstanding | 28,104,281 | |
| Diluted earnings per common share: | | |
| Net income from continuing operations | \$ 0.68 | |
| Discontinued operations | 0.90 | |
| | ----- | |
| Diluted earnings per common share | \$ 1.58 | |

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Weighted average common shares outstanding

=====
28,451,480

Exhibit P-4

NOTES TO PRO FORMA COMBINED FINANCIAL STATEMENTS

NOTE 1 - The pro forma combined balance sheet as of June 30, 2003 has been prepared to reflect the acquisition of the Housing and Community Investing ("HCI") unit of Lend Lease Real Estate Investments for a purchase price of \$102 million in cash. Pro forma adjustments assume a transaction date of June 30, 2003 and are made to reflect the following:

(a) Borrowings totaling \$120 million under a bank line of credit to finance (i) the \$102 million cash purchase price, (ii) \$3 million in capitalized advisory fees and other acquisition related costs and (iii) \$15 million to pay debt issue costs, to finance various integration costs and to finance HCI's capital needs until permanent financing is arranged.

(b) (i) Exclusion of balance sheet items representing HCI assets and liabilities not acquired by the Company; (ii) recording the net assets acquired at estimated fair value at the acquisition date; (iii) recording identifiable intangible assets and (iv) recording the excess of acquisition cost over the fair value of the net assets acquired and identified intangibles as goodwill. The allocation of the purchase price is as follows:

| (in thousands) | Historical Cost | Purchase Adjustment |
|---|--------------------|------------------------|
| | ----- | ----- |
| Notes receivable | \$ 62,683 (i) | \$ (62,683) |
| Investment in partnerships | 177,024 (i) | (57,130) |
| Cash and cash equivalents | 24,636 (i) | - |
| Other assets | 35,057 (i) | (15,733) |
| Property, plant and equipment | 1,586 | 114 |
| Identifiable intangibles | 77,335 | (45,332) |
| Goodwill | - | 67,049 |
| Notes payable | (59,848) (i) | 59,848 |
| Accounts payable and accrued expenses | (28,223) (i) | 24,336 |
| Unearned revenue and other liabilities | (155,370) (i) | - |
| Equity | (134,880) | 134,880 |
| Cash purchase price and acquisition costs | \$ - | \$ 105,349 |

(i) Historical cost amount includes assets not included or liabilities not assumed in purchase.

(ii) The identified intangible asset represents asset management contracts.

(iii) The cash purchase price of \$105 million includes the purchase price of \$102 million and the capitalization of acquisition costs of \$3 million.

(iv) The excess of acquisition cost over the fair value of the net assets acquired and identified intangibles.

The above allocation of purchase price is preliminary pending the

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finalization of the treatment of certain balance sheet items as outlined in the purchase agreement; therefore, the final amounts may differ from the estimates provided herein. The Company expects that any adjustments will not be significant.

NOTE 2 - The pro forma statements of income for the year ended December 31, 2002 and the six months ended June 30, 2003 give effect to the following pro forma adjustments necessary to reflect the acquisition as of January 1, 2002. Pro forma adjustments are made to reflect the following:

- (1) The Company has a calendar year end and reports quarterly and HCI had a fiscal year end of June 30 and reports annually. As a result, the Company made adjustments necessary to conform reporting periods, either (i) by specific identification of significant and non-recurring transactions, wherever possible, to calendar periods within the Company's periods presented, or (ii) by averaging amounts recorded in HCI's two fiscal years ended June 30, 2002 and June 30, 2003, respectively, to generate estimates for the periods presented. For the six months ended June 30, 2003, the pro forma adjustments also reflect dividing by two and/or backing out the effects of the first six months of HCI's fiscal year ended June 30, 2003.
- (2) Exclusion of income and expenses related to assets and liabilities not purchased by the Company (see Note 1(b) above).
- (3) Interest expense on the line of credit utilized to finance the acquisition and the related amortization of debt issue costs. An increase (decrease) in the assumed interest rate by 0.125% would increase (decrease) net income by \$150,000 for the year ended December 31, 2002. An increase (decrease) in the assumed interest rate by 0.125% would increase (decrease) net income by \$75,000 for the six months ended June 30, 2003.
- (4) Amortization of identifiable intangibles with finite lives. Such assets are amortized on a straight-line basis over their useful lives, which range from one year to 15 years.
- (5) Income tax expense using a statutory tax rate of 40% for the year ended December 31, 2002 and for the six months ended June 30, 2003 for HCI as adjusted by pro forma adjustments.