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MUNICIPAL MORTGAGE & EQUITY LLC

Form 8-K/A

September 15, 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)
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218 North Charles Street, Suite 500 Baltimore, Maryland (Address of Principal Executive Offices)	21201 (Zip Code)
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(443) 263-2900
(Registrant's Telephone Number, Including Area Code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

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 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

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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 from RBC Capital Markets. 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 and other business partners. 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

Date: September 15, 2003

By: _____
William S. Harrison
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

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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	
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	

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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
	-----	-----
Total income	133,628	42,7
	-----	-----
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
	-----	-----

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Total expenses	72,568	32,4
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
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
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	
Net income	\$ 28,949	\$ 3,9
Net income allocated to:		
Term growth shares	\$ 153	
Common shares	\$ 28,796	
Basic earnings per common share:		
Basic earnings per common share	\$ 1.16	
Weighted average common shares outstanding	24,904,437	
Diluted earnings per common share:		
Diluted earnings per common share	\$ 1.13	
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
	-----	-----
INCOME:		
Interest income		
Interest on bonds and residual interests in bond securitizations	\$ 29,914	
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

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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	
	=====	
Weighted average common shares outstanding	28,451,480	

Exhibit P-4

NOTES TO PRO FORMA COMBINED FINANCIAL STATEMENTS

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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 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:

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- (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.