MUNICIPAL MORTGAGE & EQUITY LLC
Form 424B3
February 01, 2005

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The information in this prospectus supplement and the accompanying prospectus are not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(3)

Registration No. 333-121815

Subject to Completion

Preliminary Prospectus Supplement dated February 1, 2005

PROSPECTUS SUPPLEMENT

(To prospectus dated January 14, 2005)

2,000,000 Common Shares

Municipal Mortgage & Equity, LLC

Municipal Mortgage & Equity, LLC is selling all of the shares in this offering. The shares trade on the New York Stock Exchange under the symbol MMA. On January 31, 2005, the last sale price as reported on the New York Stock Exchange was $27.20 per share.

Investing in the common shares involves risks that are described in the Risk Factors section beginning on page S-6 of this prospectus supplement.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Municipal Mortgage & Equity, LLC	$	$

The underwriters may also purchase up to an additional 300,000 shares from Municipal Mortgage & Equity, LLC at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery in New York, New York on or about , 2005.

Joint Book-Running Managers

Merrill Lynch & Co. **RBC Capital Markets**

Banc of America Securities LLC

The date of this prospectus supplement is , 2005.

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Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of the date of the document in which the information appears. Our business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus supplement, we, us, our and ours each refer to Municipal Mortgage & Equity, LLC, together with all of its subsidiaries. Municipal Mortgage & Equity, LLC is a Delaware limited liability company that is treated as a partnership for federal income tax purposes. Not all of its subsidiaries are treated as partnerships. We refer to **MuniMae** when we discuss only the parent of all of our entities Municipal Mortgage & Equity, LLC and not our subsidiaries. Most of our tax-exempt mortgage revenue bond portfolio is held by MuniMae TEI Holdings, LLC through subsidiaries. MuniMae TEI Holdings, LLC is a direct wholly owned subsidiary of MuniMae. In this prospectus supplement, MuniMae TEI Holdings, LLC and its direct and indirect subsidiaries are referred to as the **TEI Group**. MMA Financial Holdings, Inc. and its direct and indirect subsidiaries, through which we conduct a substantial portion of the tax credit and mortgage banking segments of our business, are referred to in this prospectus supplement as **MFH**.

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PROSPECTUS SUPPLEMENT SUMMARY

This prospectus supplement summary is not complete and may not contain all of the information that is important to you. To understand this offering of common shares, you should read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully, especially the risk factors and federal income tax considerations.

The Company

We invest in, and earn asset management and other fees from, multifamily housing and other real estate investments. At September 30, 2004, we owned or managed a portfolio of debt and equity investments secured directly or indirectly by 2,217 properties that contained a total of 249,850 units and were located in 49 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. We operate under the trade name MMA Financial. Our operations consist of three business segments:

- An investing segment consisting of subsidiaries that hold investments producing primarily tax-exempt interest income. These investments consist of (1) tax-exempt mortgage revenue bonds issued by state and local governments or their agencies or authorities to finance affordable multifamily housing developments; (2) tax-exempt bonds issued by community development districts to finance the development of infrastructure supporting single-family housing developments; and (3) equity investments in multifamily housing, which generate taxable dividend income.

- A tax credit segment consisting of subsidiaries that primarily generate taxable fee income by providing tax credit equity syndication and asset management services.

- A mortgage banking segment consisting of subsidiaries that primarily generate taxable fee income by providing loan servicing, loan origination and other related services. The mortgage banking segment also generates spread income from borrowed funds and funding mortgages.

MuniMae is organized as a limited liability company. This structure allows it to combine the limited liability, governance and management characteristics of a corporation with the pass-through income features of a partnership. As a result, the tax-exempt income MuniMae derives from certain investments remains tax-exempt when MuniMae passes the income through to shareholders. We conduct most of the business of our mortgage banking and tax credit segments through corporate subsidiaries, which do not have the pass-through and other tax advantages of limited liability companies. Absent the impact of capital gains and losses, which impact may be different for each shareholder, and dividends from our corporate subsidiaries, approximately 94% of our net income distributed to shareholders for the three years ended December 31, 2003 was tax-exempt.

We use our combination of real estate and tax-exempt investment expertise to select and manage our investments and to develop financing opportunities. Our senior management team has an average of eight years of experience with us and our affiliates, and an average of 19 years of experience in the real estate industry.

Business Segments and Sources of Income

Investing Segment

Subsidiaries in our investing segment hold both debt and equity investments for our own account.

Debt Investments. The subsidiaries in our investing segment hold tax-exempt bonds, or interests in bonds, issued by state and local governments or their agencies or authorities primarily to finance multifamily housing developments.

These tax-exempt bonds are not general obligations of the state and local governments or the agencies or authorities that issue the bonds. The multifamily housing developments, as well as the rents paid

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by the tenants, typically secure these investments. Subsidiaries in our investing segment also hold tax-exempt bonds issued by community development districts to finance the development of community infrastructure supporting single-family housing or commercial developments that are secured by specific payments or assessments pledged by the local improvement district that issues the bonds.

Interest income derived from the majority of bond investments held in our investing segment is exempt income for federal income tax purposes. For the nine months ended September 30, 2004, we committed to purchase $202.4 million of tax-exempt bond investments to be held by subsidiaries in our investing segment.

Equity Investments. Certain subsidiaries in our investing segment hold taxable equity investments in income producing real estate operating partnerships. For the nine months ended September 30, 2004, we invested $12.1 million in real estate operating partnerships to be held by subsidiaries in our investing segment.

Tax Credit Segment

Subsidiaries in our tax credit segment acquire, syndicate and sell interests in partnerships that receive and distribute low-income housing tax credits to investors. Investors in tax credit equity syndication funds are typically Fortune 500 companies who can benefit from the tax credits. Subsidiaries in our tax credit segment earn syndication fees on the placement of these interests with investors and earn asset management fees over the life of the funds. Subsidiaries in our tax credit segment also earn fees for providing guarantees on certain tax credit equity funds. For the nine months ended September 30, 2004, we syndicated equity investments totaling $616.2 million and provided guarantees on $83.6 million of tax credit investment funds. In addition, at September 30, 2004 we managed approximately $5.7 billion in tax credit investment funds.

Mortgage Banking Segment

Subsidiaries in our mortgage banking segment originate, invest in and service investments in multifamily housing and other real estate, both for our own account and on behalf of third parties. Our mortgage banking segment generates taxable income through (1) origination fees, (2) loan servicing fees, or in the case of construction loans, construction administration fees and (3) guarantee and other fees in cases where we provide credit support for the obligations of a borrower to a third party. Subsidiaries in our mortgage banking segment also earn income from the difference between the interest received on loans and the interest due under notes payable and other funding sources. For the nine months ended September 30, 2004, our mortgage banking segment originated $707.3 million of loans.

Recent Developments

October 2004 Offering of MuniMae TE Bond Subsidiary, LLC Preferred Shares

In October 2004, our subsidiary, MuniMae TE Bond Subsidiary, LLC (**TE Bond Sub**), completed a $73 million private placement to institutional investors of rated tax-exempt perpetual preferred shares with a weighted average distribution rate of 5.17%. Moody s Investors Services, Inc. has assigned ratings to these preferred shares and each series of preferred shares issued by TE Bond Sub previously. The offering included five new series of tax-exempt securities as shown below:

Rating	Preferred Shares	Distribution Rate	Remarketing Date
A3	$20.0 million Series A-2	4.90%	September 30, 2014
Baa1	$14.0 million Series B-2	5.20%	September 30, 2014
Baa2	$13.0 million Series C	4.70%	September 30, 2009
Baa2	$13.0 million Series C-1	5.40%	September 30, 2014
Baa2	$13.0 million Series C-2	5.80%	September 30, 2019

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Recent Securitization Transactions

In October 2004, we securitized three community development district bonds (Dove Mountain, Fiddler s Creek 2002A and Fiddler s Creek 2002B). We retained an aggregate residual position in the securitization of $0.7 million, or approximately 4.0% of the transaction. In December 2004, we securitized a $49.6 million trust certificate and retained all of the senior interests and a $5,000 residual interest. We sold $25.0 million of the senior interests in January 2005 and retained $24.6 million of senior interests and the residual interest. The trust receipts underlying the securitization evidence 100% ownership in four multifamily housing revenue bonds (Churchill at Pinnacle Park, Kensington Place, Stonehouse Valley and Tranquility Bay).

Investments in Tax-Exempt Bonds

In the fourth quarter of 2004, we committed to purchase approximately $99.5 million in face value of tax-exempt bonds to be held by subsidiaries in our investing segment, of which we funded approximately $63.4 million at December 31, 2004. Although historically we have funded the entire face amount of the bonds at the time of closing, we have agreed with certain borrowers that we will advance only a portion of the funding and make the remainder available to the borrowers as they are able to employ the funds for costs of the project. Using this draw-down mechanism reduces the amount of our capital at risk in the event the project is not completed and reduces the interest cost to the borrower until all of the funds are drawn. The following table sets forth summary data regarding our recent transactions.

	Face Amount of Underlying Bond	Weighted Average Permanent Interest Rate	Date of Initial Purchase	Amount Funded at December 31, 2004
		(dollars in thousands)		
Vineyards at Brown s Mill	$ 12,100	6.55%	10/21/2004	$ 6,050
Fiddler s Creek 2004A	17,905	6.75%	11/05/2004	7,645
Breckenridge	12,300	6.55%	11/30/2004	10,000
Evergreen at Lewisville	12,200	6.60%	12/09/2004	12,200
Wyndham Pointe	9,400	6.60%	12/15/2004	9,400
Harmony CDD	15,590	6.75%	12/16/2004	4,450
Costa Cadiz	8,200	6.50%	12/17/2004	8,200
Planters Retreat	11,850	6.50%	12/21/2004	5,500
	$ 99,545			$ 63,445

In January 2005, we committed to purchase approximately $26.4 million in face amount of two tax-exempt bonds (Rosemont at Pleasanton and Evergreen at Keller) to be held by subsidiaries in our investing segment, of which we funded the entire face amount of the bonds.

Bond Defaults

In October 2004, notices of default were delivered to the borrowers under the Arlington and Cool Springs bond investments. As of December 31, 2004, the fair value of our investment in these bonds totaled $19.6 million. We have caused the transfer of the membership interests in the borrower of the Cool Springs bond and are negotiating with the borrower to transfer the membership interests in the borrower for the Arlington bond.

In November 2004, the borrower under the Rancho Mirage/Villas at Castle Hills bond defaulted. In December 2004, the borrower under the Jefferson Commons bond defaulted. As of December 31, 2004, the fair value of our investment in these bonds totaled $27.8 million. We are currently reviewing our options related to these bonds in an attempt to resolve the issues with minimal loss of capital.

We believe we have exercised and continue to exercise prudent business practices to enforce our creditor s rights under the applicable bond documents, including initiating foreclosure proceedings on the mortgaged properties when advisable.

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Redemption and Sale of Investments

From time to time our investments may be redeemed or repaid by the borrowers, or we may sell our investments. During the fourth quarter of 2004, the borrower caused the redemption of a $968,125 portion of our Jefferson at Town Lake A-1 bond, a $259,665 portion of our Jefferson at Town Lake A-2 bond, a $500,000 portion of our Hidden Brooks bond and a $1,000,000 portion of our Trails at Vintage Creek bond, resulting in aggregate gross proceeds to us of approximately $2.7 million.

New Credit Agreement

On November 12, 2004, we entered into a new credit agreement with a syndicate of banks. Borrowings under the agreement may not exceed the lesser of $250.0 million or the borrowing base (as defined in the agreement), which is generally based on value of the bonds and construction loans pledged to the lenders subject to certain adjustments and limitations. Borrowings under the agreement bear interest at a floating rate of interest determined by reference to a base rate or the eurodollar (LIBOR) rate, plus a margin. The borrowers may prepay advances under the agreement at any time without premium or penalty, other than standard LIBOR breakage costs, if applicable. The facility matures on November 12, 2006 unless the borrowers exercise the option to extend the maturity date for an additional year. The agreement for this new facility contains customary covenants and events of default for agreements of this type in our industry.