FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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MUNICIPAL MORTGAGE & EQUITY LLC
CIK:**1003201**| IRS No.: **521943465** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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SIC: **6189** Asset-backed securities

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the period ended: September 30, 1996   Commission file number: 001-11981

MUNICIPAL MORTGAGE AND EQUITY, L.L.C.

(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: (410)962-8044

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 Company had 11,117,567 growth shares outstanding as of November 13, 1996, the latest practicable date.

MUNICIPAL MORTGAGE AND EQUITY, L.L.C.
INDEX TO FORM 10-Q

MUNICIPAL MORTGAGE AND EQUITY, L.L.C.
BALANCE SHEETS (Unaudited)
IN THOUSANDS, EXCEPT BAC/SHARE DATA
<TABLE>
<CAPTION>

<S>	September 30, 1996 <C>	December 31, 1995 <C>
ASSETS		
Cash and cash equivalents	$5,776	$9,810
Short-term investments	44,769	-
Interest receivable	898	434

Investment in mortgage revenue bonds (Note 3)	163,305	146,142
Investment in parity working capital loans and demand notes, net of valuation allowance of $629 in 1996 and $600 in 1995 (Note 4	10,242	2,890
Investment in MLP II	-	65,299
Other assets	179	240
TOTAL ASSETS	$225,169	$224,815
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued expenses	$992	$544
Distributions payable	22	7,977
Due to affiliates (Note 5)	4	9
TOTAL LIABILITIES	1,018	8,530
Minority Interest	-	3
Shareholders' Equity		
Unrealized gain (loss) on mortgage revenue bonds available for sale, net	11,202	(981)
General partners	-	(477)
Limited partners:		
Series I (beneficial assignee certificates- issued and outstanding 200,000 certificates)	-	141,111
Series II (beneficial assignee certificates- issued and outstanding 96,256 certificates)	-	76,629
Preferred Shares:		
Series I (16,330 shares issued and outstanding)	11,476	-
Series II (7,618 shares issued and outstanding)	6,197	-
Preferred Capital Distribution Shares:		
Series I (8,909 shares issued and outstanding)	4,661	-
Series II (3,809 shares issued and outstanding)	2,127	-
Term Growth Shares (2,000 shares issued and outstanding)	64	-
Growth Shares (11,153,965 shares issued and outstanding including shares in treasury)	188,962	-
	224,689	216,282
Less growth shares held in treasury at cost (36,398 shares) (Note6)	(538)	-
TOTAL SHAREHOLDERS' EQUITY	224,151	216,282
COMMITMENTS AND CONTINGENCIES (Notes 3 and 7)	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$225,169	$224,815

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

</TABLE>

MUNICIPAL MORTGAGE AND EQUITY, L.L.C.
STATEMENTS OF INCOME (Unaudited)
IN THOUSANDS, EXCEPT PER SHARE DATA

<TABLE>
<CAPTION>

	For the three months ended September 30, 1996	For the three months ended September 30, 1995	For the nine months ended September 30, 1996	For the nine months ended September 30, 1995
<S>	<C>	<C>	<C>	<C>
INCOME				
Interest on mortgage revenue bonds	$3,895	$2,670	$10,422	$9,624
Interest on parity working capital loans and demand notes	496	45	602	208
Interest on short-term investments	368	88	522	285
Net gain on sale of A bond receipts	-	-	-	623
Equity in MLP II	333	906	2,141	2,235
Other income	87	-	87	-
TOTAL INCOME	5,179	3,709	13,774	12,975
EXPENSES				
Operating expenses	1,189	1,377	2,982	3,530
Minority interest	3	5	13	13
Other-than-temporary impairments related to investment in mortgage revenue bonds (Note 3)	-	-	3,990	-
TOTAL EXPENSES	1,192	1,382	6,985	3,543
NET INCOME	$3,987	$2,327	$6,789	$9,432

NET INCOME PRIOR TO AUGUST 1, 1996 ALLOCATED TO:				
General Partners	$8	$24	$36	$95
Limited Partners:				
Series I	$493	$1,436	$1,065	$6,404
Series II	$306	$867	$2,508	$2,933
NET INCOME SUBSEQUENT TO JULY 31, 1996 ALLOCATED TO:				
Preferred Shares:				
Series I	$166		$166	
Series II	$85		$85	
Preferred Capital Distribution Shares:				
Series I	$78		$78	
Series II	$34		$34	
Term Growth Shares	$64		$64	
Growth Shares	$2,753		$2,753	
NET INCOME PER SHARE/BAC:				
PRIOR TO AUGUST 1, 1996:				
Series I BACs	$2.47	$7.18	$5.33	$32.02
Series II BACs	$3.18	$9.01	$26.05	$30.47
SUBSEQUENT TO JULY 31, 1996:				
Preferred Shares:				
Series I	$10.19		$10.19	
Series II	$11.14		$11.14	
Preferred Capital Distribution Shares:				
Series I	$8.70		$8.70	
Series II	$8.92		$8.92	
Growth Shares (11,144,380 weighted average shares oustanding)	$0.25		$0.25	

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

</TABLE>

MUNICIPAL MORTGAGE AND EQUITY, L.L.C.
STATEMENTS OF CASH FLOWS (Unaudited)
IN THOUSANDS
<TABLE>
<CAPTION>

	For the nine months ended September 30, 1996	For the nine months ended September 30, 1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$6,789	$9,432
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in MLP II net income	(2,141)	(2,235)
Income allocated to minority interest	13	13
Other-than-temporary impairments related to investment in mortgage revenue bonds	3,990	-
Increase in valuation allowance on parity working capital loans	29	-
Net realized gain on sale of A bond receipts	-	(2,347)
(Increase) decrease in interest receivable	(15)	177
Decrease in other assets	61	167
Increase (decrease) in accounts payable and accrued expenses	318	(496)
(Decrease) in due to affiliates	(5)	(58)
Net cash provided by operating activities	9,039	4,653
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of mortgage revenue bonds	(1,720)	-
Principal payments on demand notes	77	-
Net decrease in short-term investments	4,705	-
Investment in MLP II	-	(61,000)
Distributions from MLP II	2,992	2,026

Proceeds from sale of A bond receipts	-	67,700
Net cash provided by investing activities	6,054	8,726
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	(538)	-
Distributions to partners	(18,589)	(15,682)
Net cash used in financing activities	(19,127)	(15,682)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,034)	(2,303)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,810	7,855
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$5,776	$5,552
DISCLOSURE OF NON-CASH ACTIVITIES:		
Net assets received upon dissolution of the MLP structure	$64,448	-
Contribution of parity working capital loans and other assets to MLP II	-	$4,647

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

MUNICIPAL MORTGAGE AND EQUITY, L.L.C.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
FOR THE PERIOD DECEMBER 31, 1995 THROUGH SEPTEMBER 30, 1996
IN THOUSANDS

</TABLE>
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	Balance, December 31, 1995	Net Income	Distributions to Shareholders	Merger of SCA Tax Exempt Fund Into Municipal Mortgage and Equity, L.L.C.	Purchase of Treasury Stock	Change in market value of mortgage revenue bonds available for sale, net	Realization of other-than-temporary impairment on mortgage revenue bonds available for sale, net	Balance, Sept 30, 1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
General partners	($477)	$36	($75)	$516	$0	$0	$0	$0
Limited partners:								
Series I beneficial assignee certificates	141,111	1,065	(5,250)	(136,926)	-	-	-	-
Series II beneficial assignee certificates	76,629	2,508	(2,647)	(76,490)	-	-	-	-
Preferred shares:								
Series I	-	166	-	11,310	-	-	-	11,476
Series II	-	85	(52) (1)	6,164	-	-	-	6,197
Preferred capital distribution shares:								
Series I	-	78	(1,582) (1)	6,165	-	-	-	4,661
Series II	-	34	(959) (1)	3,052	-	-	-	2,127
Term growth shares	-	64	-	-	-	-	-	64
Growth shares	-	2,753	-	186,209	-	-	-	188,962
Treasury shares	-	-	-	-	(538)	-	-	(538)
Unrealized gain(loss) on mortgage revenue bonds available for sale, net	(981)	-	-	-	-	8,193	3,990	11,202
Total	$216,282	$6,789	($10,565)	$0	($538)	$8,193	$3,990	$224,151

(1) August 15, 1996 distribution paid in accordance with the Company's Prospectus (see Note 2).

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

MUNICIPAL MORTGAGE AND EQUITY, L.L.C.
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

NOTE 1 - BASIS OF PRESENTATION

As a result of the merger transaction discussed in Note 2 below, on August 1, 1996, Municipal Mortgage and Equity, L.L.C. (the "Company" or the "LLC") succeeded to the business of the SCA Tax Exempt Fund Limited Partnership (the "Partnership") and became the Registrant. Accordingly, the accompanying financial statements represent the financial position of the Partnership at December 31, 1995 and that of the Company at September 30, 1996; results of operations include those of the Partnership through July 31, 1996 and those of the Company from August 1 through September 30, 1996. The accompanying unaudited financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") 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 2 to the Financial Statements appearing in the Partnership's 1995 Annual Report on Form 10-K, as amended (the "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. It is suggested that the accompanying financial statements be read in conjunction with the financial statements and notes thereto included in the Partnership's 1995 Form 10-K.

NOTE 2 - THE MERGER

Beginning on June 18, 1996, beneficial assignee certificate ("BAC") Holders were asked to vote on a proposed transaction (the "Transaction") involving the Partnership, SCA Realty I, Inc., the managing general partner of the Partnership (the "Managing General Partner"), SCA Associates 86 Limited Partnership, the associate general partner of the Partnership (the "Associate General Partner," and together with the Managing General Partner, the "General Partners") and their affiliates, and the Company, a newly formed Delaware limited liability company. The Holders of the outstanding Series I BACs and the Holders of the outstanding Series II BACs, each series voting as a separate class, were asked to approve the Transaction in the form of a merger between the Partnership and the Company.

The consent solicitation period for the Transaction was closed on August 1, 1996. Effective August 1, 1996, the Partnership merged into the Company as a result of the approval of the Transaction by a majority of the outstanding BACs with each series voting as a separate class. Specifically, 113,988 Series I BACs (56.99% of all Series I BACs) and 54,117 Series II BACs (56.22% of all Series II BACs) voted to approve the proposed Transaction. Of those BACs which voted in the Transaction, in excess of 88% in each Series voted to approve the Transaction.

As is outlined below, the Transaction provided BAC Holders with a choice regarding the future of their investment to best match their individual investment objectives. In addition to the preservation of the pass through tax status of the primarily tax exempt income generated by the Company's bonds, the Transaction also provides for self-management through a Board of Directors, whose members will be elected by the shareholders, and the alignment of the financial interests of the former General Partners with the shareholders of the Company.

The Holders of each Series I BAC were entitled to elect whether to convert each Series I BAC into 38.10 LLC growth shares ("Growth Shares"), one LLC preferred share ("Preferred Shares") (Series I) or one LLC preferred capital distribution share ("Preferred CD Shares") (Series I) and the Holders of each Series II BAC were entitled to elect whether to convert each Series II BAC into 43.95 Growth Shares, one Series II Preferred Share or one Series II Preferred CD Share; or, to the extend multiple BACs were held, a combination of Growth Shares and either Preferred Shares or Preferred CD Shares. To the extent no election was made, BACs were exchanged for Growth Shares.

The Preferred Shares allow its holders to retain an investment comparable to his or her investment in BACs assuming that the Partnership's financing transaction (the "Financing," which occurred in February 1995 and is described in Note 3 to the Partnership's 1995 Form 10-K) had not occurred. The Preferred CD Shares allow its holders to retain an investment substantially equivalent to his or her investment in

BACs recognizing that such Financing transaction did occur and that a special capital distribution (the "Special Distribution") of the net Financing proceeds would be made. On August 15, 1996, the Company paid the Special Distribution of $170.91 and $235.30 per share to the Series I Preferred CD Shareholders and the Series II Preferred CD Shareholders, respectively. The Growth Shares, which are listed on the American Stock Exchange and offer the liquidity of a publicly traded security, allow the shareholder to participate in the risks and rewards of the Company's future plans for growth. BAC Holders who received Growth Shares have fundamentally changed the nature of their investment, and their rights are different from their rights as BAC Holders of the Partnership.

The allocation of income and cash distributions as well as the rights afforded to each class of shares in the Company are outlined in the Company's Prospectus/Consent Solicitation (the "Prospectus") and Amended and Restated Certificate of Formation and Operating Agreement (the "Operating Agreement") and are summarized below. Specifically, the Preferred and Preferred CD Shareholders, which retained their respective BAC Series distinction and voting rights, each have priority claims on the Company's income and assets over the other shares of the Company. While the amount of income and cash distributions allocable to the Preferred Shareholders will vary in accordance with the terms of their respective class of shares (see below), the Preferred and Preferred CD Shareholders have an equal pro rata claim on the Company's income and assets until their respective claims are fully satisfied. The performance attributable to the respective classes of preferred shares will be tracked in accordance the Company's Operating Agreement.

Taking into account their respective Series distinction, the Preferred Shareholders are allocated their proportionate share of income generated by the original 23 bonds and working capital loans (collectively "original bonds") of the Partnership as well as their share of the Company's expenses. While the performance attributable to the Preferred Shares will take into account the Refunding (as described in Note 3 to the Partnership's 1995 Form 10-K) and any future refundings of the original bonds, the Preferred Shares will not be allocated any income or expense generated from the Financing, any future financings or the merger.

Similar to the Preferred Shareholders, the Preferred CD Shareholders retain their Series distinction and are allocated their proportionate share of income generated by the Refunded original bonds as well as their share of the Company's expenses. However, taking into account the Special Distributions generated by the Financing (and any future financings of the original bonds), the Preferred CD Shareholders are allocated their proportionate share of the annual costs of the Financing (and any future financings). Similar to Preferred Shareholders, the Preferred CD Shareholders are not allocated any income or expense generated as a result of the merger.

Growth Shareholders, unlike the holders of Preferred Shares and Preferred CD Shares, did not retain their Series distinction. As the Growth Shares are subordinate to the claims of the preferred shares, the Growth Shareholders are essentially entitled to the balance of the Company's income and cash distributions after satisfying the preferred claims. Consequently, the Growth Shareholders will be allocated the balance of the Company's net income and net cash generated from the original bonds, the Financing and any future financings (after taking into consideration the Special Distributions) and the merger. The value produced from the merger consists of the additional income generated by the mortgage servicing fees that were contributed by affiliates of the Managing General Partner in exchange for 883,033 Growth Shares, discussed below. It should be noted that the Growth Shares are subject to a payout ratio which is initially set at 95% of the total cash generated for the Growth Shareholders.

Through June 30, 1996, the MLP structure, as previously discussed in the Partnership's 1995 Form 10-K, included MLP III Investment Limited Partnership, ("MLP III"), MLP II Acquisition Limited Partnership ("MLP II"), and MLP I LLC ("MLP I"). MLP III was owned by the Partnership through a 99% general partner interest and SCA Limited Partner Corporation ("SCALPC"), an affiliate of the Managing General Partner, through a 1% limited partner interest. MLP II was owned by MLP III through a 98.99% limited partner capital interest (39.996% annual profits and annual distributions interest), SCALPC through a .01% limited partner capital interest (.004% annual profits and annual distributions interest) and MLP I through a 1% general partner capital interest (60% annual profits and annual distributions interest). MLP I's members comprise the operating partnerships that are the ultimate debtors in the bonds involved in the Financing.

Effective July 1, 1996, MLP I's general partner profits interest in MLP II was reduced to one percent (1%) in exchange for the assumption by MLP II of certain MLP I obligations. Accordingly, the profits interest of MLP III increased to 98.996%. Also, effective July 1, 1996, the members of MLP I entered into a Cross-Equity Agreement which effectively cross-collateralizes the operating partnerships' (included in the

Financing) B Bond obligations.

In anticipation of the merger and in order to reduce administrative burden and complexity, effective July 31, 1996 the partners of MLP II elected to dissolve MLP II and to terminate MLP II effective immediately. Upon dissolution, all of the assets of MLP II were distributed to its partners in accordance with their capital accounts. Also on July 31, 1996, the partners of MLP III elected to dissolve and immediately terminate MLP III and distribute all the assets of MLP III to its partners in accordance with their capital accounts. Finally, on July 31, 1996 the members of MLP I elected to dissolve and immediately terminate MLP I and distribute all of the assets of MLP I to its members in accordance with their capital accounts.

As a result of the above transactions, at the close of business on July 31, 1996, the Partnership was the owner of substantially all of the net assets of MLP II and MLP III. Accordingly, MLP II's assets, liabilities and results of operations are included directly in the financial statements of the Company rather than being accounted for on the equity method as they were in the Partnership's financial statements. On a pro forma basis, these MLP transactions had an insignificant impact on the net assets of the Partnership as of July 31, 1996 and on net income of the Partnership for the nineteen months then ended. The primary pro forma income statement impact would be the following approximate reclassifications (millions):

	Year ended December 31, 1995	Nine months ended September 30, 1996
Interest on mortgage revenue bonds	($2.3)	($1.4)
Equity in income of MLP II	(3.2)	(2.1)
Interest on short-term investments and demand notes	5.5	3.5

In connection with the merger, the Company authorized the issuance of up to 200,000 Series I and 96,256 Series II Preferred Shares, up to 200,000 Series I and 96,256 Series II Preferred CD Shares and up to 11,770,000 Growth Shares as merger consideration to the Partnership's BAC Holders in exchange for their BAC's. The Company also authorized the issuance of merger consideration in the form of 1,000 shares of a special class of Growth Shares ("Term Growth Shares") to the General Partners, in exchange for the relinquishment of their general partnership interests in the Partnership, and 1,000 Term Growth Shares to a Merrill Lynch affiliate in exchange for their subordinated BACs. Term Growth Shares are entitled to an aggregate 2% interest in cash distributions from the Company (subordinated to the rights of the Preferred and Preferred CD Shares, and before distributions to Growth Shareholders).

Upon the consummation of the Transaction, the General Partners and their affiliates contributed their rights to the acquisition and servicing of mortgages in exchange for 883,033 Growth Shares. The Partnership retained Robert A. Stanger & Co., Inc., an independent third party, to render a fairness opinion that the allocation of Growth Shares and Term Growth Shares was fair to the Series I and Series II BAC Holders, from a financial point of view. As a result of the contribution of the acquisition and servicing activities by the General Partners and their affiliates, the Company, and more specifically, the Growth Shareholders, will receive additional tax-exempt income.

The capitalization of the Company in accordance with the terms of the Transaction is reflected in the accompanying financial statements. Because the interests of a significant majority of the former Series I and Series II BAC Holders have now been merged via their election of Growth Shares, separate financial statements for Series I and Series II are no longer presented as supplementary information. Results of operations are still maintained by series, however, as required for those former Series I and Series II BAC Holders electing either Preferred Shares or Preferred CD Shares, and appropriate allocations of net income are reflected in the accompanying financial statements.

NOTE 3 - INVESTMENT IN MORTGAGE REVENUE BONDS

The Partnership had invested in various mortgage revenue bonds, the proceeds from which were used to make nonrecourse participating first mortgage loans on multifamily housing developments. The Partnership's rights and the specific terms of the bonds are defined by the various loan documents which were negotiated at the time of settlement. The basic terms and structure of each bond which had not been refunded were described in Note 4 to the Partnership's 1995 Form 10-K. On February 14, 1995, the Partnership refunded 11 of the original mortgage revenue bonds into 11 Series A Bonds and 11 Series B Bonds. As part of the Financing consummated on February 14, 1995, custody receipts in the Series A Bonds were sold to third party investors. A complete description of the Financing and the bond terms is set forth in Note 3 to the Partnership's 1995 Form 10-K.

As of September 30, 1996, the Company held 26 mortgage revenue bonds; of these, 12 are the original mortgage revenue bonds, 11 are Series B Bonds and three bonds are new acquisitions discussed below. Five original bonds and three Series B Bonds are delinquent on their debt service obligations. Descriptions of the various mortgage revenue bonds owned by the Company at September 30, 1996 are as follows:

</TABLE>
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					September 30, 1996			December 31, 1995		
Investment in Mortgage Revenue Bonds (Note 3)		Base Interest Rate	Maturity Date	Face Amount (000's)	Amortized Cost (000's)	Unrealized Gain (Loss) (000's)	Fair Value (000's)	Amortized Cost (000's)	Unrealized Gain (Loss) (000's)	Fair Value (000's)
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Whole Bonds:										
Alban Place		7.875	Oct. 2008	$10,065	$10,065	($356)	$9,709	$10,065	($336)	$9,729
Creekside Village		7.500	Nov. 2009	11,760	7,396	-	7,396	8,635	-	8,635
Emerald Hills		7.750	Apr. 2008	6,725	6,725	473	7,198	6,725	626	7,351
Lakeview Garden		7.750	Aug. 2007	9,003	5,674	-	5,674	6,988	-	6,988
Newport-on-Seven		8.125	Aug. 2008	10,125	7,898	581	8,479	7,898	-	7,898
North Pointe		7.875	Aug. 2006	25,185	12,738	2,036	14,774	12,739	1,170	13,909
Northridge Park		7.500	June 2012	8,815	8,815	(2,207)	6,608	8,815	(1,625)	7,190
Riverset- Series I		7.875	Nov. 1999	6,475	6,475	48	6,523	6,475	(778)	5,697
Riverset - Series II		7.875	Nov. 1999	12,525	12,525	137	12,662	12,525	(1,477)	11,048
Riverset II	(1)	9.500	Oct. 2019	7,610	6,749	(11)	6,738	-	-	-
Southfork Village		7.875	Jan. 2009	10,375	10,375	1,578	11,953	10,375	492	10,867
Villa Hialeah		7.875	Oct. 2009	10,250	10,250	(2,214)	8,036	10,250	(725)	9,525
Willowgreen		8.000	Dec. 2010	9,275	6,770	-	6,770	7,901	-	7,901
Subtotal Whole Bonds				138,188	112,455	65	112,520	109,391	(2,653)	106,738
B Bonds:										
Barkley Place		16.000	Jan. 2030	3,480	2,445	81	2,526	2,445	-	2,445
Gilman Meadows	(3)	3.000	Jan. 2030	2,875	2,530	549	3,079	2,530	176	2,706
Hamilton Chase	(3)	3.000	Jan. 2030	6,250	4,140	344	4,484	4,140	-	4,140
Independence Ridge	(2)	12.500	Dec. 2015	1,045	1,045	-	1,045	-	-	-
Locarno	(2)	12.500	Dec. 2015	675	675	-	675	-	-	-
Mallard Cove I	(3)	3.000	Jan. 2030	1,670	798	74	872	942	80	1,022
Mallard Cove II	(3)	3.000	Jan. 2030	3,750	2,429	179	2,608	2,590	284	2,874
Meadows		16.000	Jan. 2030	3,635	3,716	1,680	5,396	3,716	103	3,819
Montclair	(3)	3.000	Jan. 2030	6,840	1,691	2,539	4,230	1,691	-	1,691
Newport Village	(3)	3.000	Jan. 2030	4,175	2,973	2,128	5,101	2,973	287	3,260
Nicollet Ridge	(3)	3.000	Jan. 2030	12,415	6,075	554	6,629	6,075	475	6,550
Riverset II	(1)	10.000	Oct. 2019	1,489	500	-	500	-	-	-
Steeplechase Falls		16.000	Jan. 2030	5,300	5,852	1,879	7,731	5,851	267	6,118
Whispering Lake	(3)	3.000	Jan. 2030	8,500	4,779	1,130	5,909	4,779	-	4,779
Subtotal B Bonds				62,099	39,648	11,137	50,785	37,732	1,672	39,404
Total Investment in Mortgage Revenue Bonds				$200,287	$152,103	$11,202	$163,305	$147,123	($981)	$146,142

(1) Riverset II Bond was purchased on January 19, 1996.

(2) Locarno and Independence Ridge Bonds were purchased on August 30, 1996.

(3) These bonds also contain additional interest features contingent on available cash flow. For more detail, see Note 3 to the Partnerships' 1995 Form 10-K.
</TABLE>

On January 19, 1996, the Partnership, through MLP II, acquired a mortgage revenue bond for $7,238,000 collateralized by Riverset II, a multifamily property located in Memphis, Tennessee. On July 31, 1996, the Riverset II bond was distributed to the Company as part of the dissolution of the MLP structure discussed in Note 2 above. On August 30, 1996 the Company purchased two additional mortgage revenues bonds, with both bonds providing a stated interest rate of 12.5% per annum: (1) Series B mortgage revenue bond collateralized by Locarno Apartments, a multifamily property located in Kansas City, Missouri for $675,000 and (2) Series B mortgage revenue bond collateralized by Independence Ridge Apartments, a multifamily property located in Jackson County, Missouri for $1,045,000.

Under the provisions of Statement of Financial Accounting

Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," ("FAS 115"), investments in mortgage revenue bonds are classified as available for sale securities and are carried at fair value. In the absence of readily ascertainable market values, such fair values are estimated by the Company. For the quarter ended September 30, 1996, the net adjustment to unrealized gains and losses on mortgage revenue bonds available for sale increased shareholders' equity by approximately $4.1 million.

Indicated impairments must be considered as other-than-temporary when it becomes probable that all amounts due under a bond will not be collected in accordance with the bond's contractual terms. For the quarter ended September 30, 1996, there were no other-than-temporary impairments. The Company will continue to use its best efforts in estimating the fair value of its mortgage revenue bonds.

In conjunction with a review of the Partnership's financial statements by the SEC Staff in 1995, the Partnership agreed that it would account for all of its mortgage revenue bonds as debt securities under the provisions of FAS 115 effective January 1, 1994, and restated its 1994 and 1995 financial statements to reflect this change. Accordingly, effective January 1, 1994, all investments in mortgage revenue bonds, regardless of their status, are classified and accounted for as available for sale debt securities and carried at fair value. The effect of adopting this accounting change was to increase previously reported net income by approximately $4.6 million for the nine months ended September 30, 1995.

NOTE 4 - INVESTMENT IN PARITY WORKING CAPITAL LOANS AND DEMAND NOTES

As of September 30, 1996, the Company held 11 parity working capital loans, all relating to the 12 remaining original mortgage revenue bonds. The terms of the loans are identical to the mortgage revenue bonds to which they relate. A complete description is included in Note 5 to the Partnership's 1995 Form 10-K.

As discussed in Note 2 above, all of the assets of MLP II and MLP III were distributed to the Partnership. Accordingly, all of the accrued interest demand notes, working capital demand notes and load loan demand notes (collectively the "Notes") were included in that distribution. A complete description of the Notes is included in Note 3 to the Partnership's 1995 Form 10-K.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Partnership did not employ any personnel. All staff required by the Partnership were employees of the Managing General Partner or its affiliates which received direct reimbursement from the Partnership for all costs related to such personnel including payroll taxes, workers' compensation and health insurance and other fringe benefits, as summarized in the table below. Amounts so charged to the Partnership prior to August 1, 1996 and attributed to Series I and Series II represent actual amounts expended or allocations based on time spent, usage, original net offering proceeds or other reasonable measures.

Upon the merger (See Note 2), all employees of the Managing General Partner and its affiliates who were necessary for the prudent operations of the Partnership became employees of the Company. Therefore, the salary expenses of those employees are now paid directly by the Company. Certain administrative services, including shared personnel, are still performed by an affiliate which receives direct reimbursement from the Company on a monthly basis. The expense associated with the shared personnel was previously charged to salaries.

<TABLE>
<CAPTION>

(Unaudited)	For the Three Months Ended September 30, 1996	For the Three Months Ended September 30, 1995	For the Nine Months Ended September 30, 1996	For the Nine Months Ended September 30, 1995
		(in 000's)		
<S>	<C>	<C>	<C>	<C>
Charged to Series I prior to August 1, 1996:				
Salaries of noncontrolling persons & related expenses	$83	$113	$321	$307
Other administrative expenses	2	31	51	65
Expenses reimbursed	$85	$144	$372	$372
Charged to Series II prior to August 1, 1996:				
Salaries of noncontrolling persons & related expenses	$40	$54	$154	$148
Other administrative expenses	1	15	25	31

Expenses reimbursed	$41	$69	$179	$179
Charged to Municipal Mortgage and Equity, L.L.C. subseqent to July 31, 1996:				
Other administrative expenses	$21	$0	$21	$0
Total:				
Salaries of noncontrolling persons & related expenses	$123	$167	$475	$455
Other administrative expenses	24	46	97	96
Expenses reimbursed	$147	$213	$572	$551

</TABLE>

Included in Due to Affiliates in the accompanying balance sheets are amounts payable to the former Managing General Partner and its affiliates related to such administrative and operating costs. At September 30, 1996 and December 31, 1995, the amounts due approximated $4,000 and $9,000, respectively.

As previously detailed in the Prospectus, the Associate General Partner received fees for mortgage servicing from the borrowing partnerships owning the mortgaged properties. The fees paid by all borrowing partnerships to the Associate General Partner approximated $1.1 million for the period January 1, 1996 through July 31, 1996 and $1.5 million for the nine months ended September 30, 1995. As discussed in Note 2, on August 1, 1996 the General Partners and their affiliates contributed to the Company their rights to mortgage servicing fees in exchange for Growth Shares. The Company in return receives the cash flow associated with these fees. For the two months ended September 30, 1996, the cash flow associated with these fees paid to the Company approximated $330,000.

The General Partners were entitled to an allocation of the Partnership's profits, losses and cash distributions as specified in the Partnership Agreement. For the six months ended June 30, 1996 the Partnership declared a cash distribution of $75,000 to the General Partners. This amount represents the General Partners' portion of the $7,972,000 ($5,297,000 for Series I and $2,675,000 for Series II) semi-annual distributions paid on July 31, 1996.

The operating expenses for several properties include property management fees paid to affiliates of the former General Partners. During the nine months ended September 30, 1996 and 1995, these fees approximated $770,000 and $676,000, respectively, for 11 properties.

177061 Canada Ltd. (formerly Shelter Corporation of Canada Limited), a general partner of the former Associate General Partner of the Partnership, is contractually obligated under guarantees to the nonaffiliated borrowers of North Pointe and Whispering Lake to fund operating deficits. The unpaid balances due under the limited operating deficit guarantees, including accrued interest as of September 30, 1996, approximated $97,000 and $133,000 for North Pointe and Whispering Lake, respectively. Scheduled payments totaling $85,000 and $121,000 were received on the North Pointe obligation and the Whispering Lake obligation, respectively, during the first nine months of 1996 and 1995.

NOTE 6 - SHARE REPURCHASE PROGRAM

On August 28, 1996, the board of directors approved a share repurchase program, principally because of the possibility of a temporary imbalance in supply and demand for Growth Shares upon start up of their trading, on the board's belief that the repurchase of Growth Shares would be a good investment for the Company and in the best interests of the Company and its shareholders. Under the program, up to 700,000 Growth Shares can be repurchased from time to time over the next six months in the open market and in privately negotiated transactions. In connection with each repurchase by the Company, the Company officers may also participate in the purchase of Growth Shares in a ratio of up to 10 (for the Company) to one (for such officers). As of September 30, 1996, the Company purchased 36,398 shares at an average price of $14.77.

NOTE 7 - NON-EMPLOYEE DIRECTORS' SHARE PLAN

On July 31, 1996, the Company approved the Non-Employee Directors' Share Plan (the "Plan") for the purpose of providing a means to attract and retain highly qualified persons to serve as non-employee directors of the Company. An option to purchase 2,500 Growth Shares will be automatically granted to each director when first elected or appointed and each year thereafter on the date of the annual meeting of shareholders. The exercise price per Growth Share will be equal to 100% of the fair market value on the date of grant. Options expire at the earlier of ten years after the date of grant or one year after the date a director ceases to serve as a director of the Company for any reason. The Plan provides for up to 50,000 Growth Shares to be issued pursuant to options granted under the plan. Options expiring, for any reason without being exercised in full, will again be available for issuance under the Plan. As of September 30, 1996, options to purchase 12,500 Growth Shares were granted at an exercise price of $14.75.

The Plan also entitles each director to elect to be paid fees in the form of Growth Shares or deferred growth shares ("Deferred Shares") in lieu of cash payment of such fees. At any date on which fees are payable to a director who elected to receive Growth Shares in lieu of cash payments, the Company will issue a number of Growth Shares having an aggregate fair market value at that date equal to the fees. At any date on which fees are payable to a director who elected to defer fees in the form of Deferred Shares, the Company will credit such director's deferral account with a number of Deferred Shares equal to the number of Growth Shares having an aggregate fair market value at that date equal to the fees that otherwise would have been payable at such date. Whenever dividends are paid or distributions are made, the deferral account of a director who elected to receive Deferred Shares will be credited with dividend equivalents having value equal to the amount of the dividend paid on a single Growth Share multiplied by the number of Deferred Shares credited to his deferral account as of the record date for such dividend. Such dividend equivalents shall be credited to the deferral account as a number of Deferred Shares determined by dividing the aggregate value of such dividend equivalents by the fair market value of a Growth Share at the payment date of the dividend.

NOTE 8 - LITIGATION

As previously discussed in the Partnership's 1995 Form 10-K, on July 24, 1995, a class action and derivative action complaint was filed in the District of Columbia Superior Court, Civil Division, Washington, D.C. The complaint names as defendants the Managing General Partner, the Associate General Partner and 177061 Canada Ltd. (formerly known as Shelter Corporation of Canada Limited) (the "Defendants").

On September 22, 1995, Defendants removed the action to the United States District Court for the District of Columbia. In November 1995, the parties agreed to a settlement of the action in consideration of certain modifications to the terms of and disclosure with respect to the Transaction, as set forth in a stipulation of settlement filed with the court. The settlement was conditioned on, among other things, the consummation of the Transaction. On March 13, 1996, the court held a status conference in the action. At that time, all conditions necessary for the settlement to proceed had not yet occurred and, for reasons of case administration, the court dismissed the action without prejudice and with leave to the parties to reinstate the action on or before May 1, 1996 in order to proceed with the settlement or the litigation.

On May 1, 1996, counsel for the plaintiffs made application to the court to reinstate the action. On June 12, 1996, the parties executed an amended stipulation, which is filed with the court, setting forth the terms and conditions of the settlement. On June 20, 1996 the court preliminarily approved the settlement. BAC Holders were sent a Notice of Class and Derivative Action Determination, Settlement and Hearing on the Proposed Settlement (the "Notice"), which explains the settlement and the rights of the BAC Holders in connection therewith. The settlement is subject to the approval of the court and other terms and conditions, as set forth in the Notice. The court held a settlement and fairness hearing on August 29, 1996 to determine, among other things, whether the settlement is fair, reasonable and adequate, and should be approved. As of October 29, 1996, the court has not rendered its decision regarding final approval of the settlement.

In the opinion of management, after consultation with counsel, the ultimate outcome of this litigation is not expected to have a material adverse effect on the consolidated financial statements and results of operations of the Company.

NOTE 9 - SUBSEQUENT EVENT

On October 15, 1996, the Company acquired a $4.1 million subordinate interest in two additional mortgage revenue bonds collateralized by the South Pointe and Hunters Ridge multifamily apartments located in St. Louis County, Missouri. The Company will recognize a yield on the South Pointe and Hunters Chase bonds of approximately 8.50%.

On November 12, 1996, the Company committed to purchase a $33,900,000 mortgage revenue bond to be issued by the Dekalb County Housing Authority (the "Authority") for the 722 unit multifamily apartment project known as the Village of Stone Mountain located in suburban Atlanta, Georgia. This commitment, which is subject to the approval of the independent members of the Company's board of directors, will result in the Company's acquisition of the bond once the Authority has issued the bond. During the interim period prior to the acquisition of the bond, which is anticipated to last until early 1998 when the conditions for issuing the bonds are expected to be met, the Company will guarantee a bridge financing to be provided by NationsBank for an origination fee of 1.0% of the loan amount and an annual fee of 1.0%. Interest payable on the bonds will be 8.75%. Additionally, contingent interest up to 7.25% will be payable out of 50% of project cash flow in excess of 8.75%, if any.

The borrower under this bond financing will be the Shelter Foundation (the "Foundation"), a public non-profit foundation. The Foundation provides housing and related services to families of low and moderate income. The Foundation owns interests in seven apartment communities totaling over 1,300 units. Approximately 20% of the units at the Village of Stone Mountain will be occupied by low and moderate income people.

Mark K. Joseph, the Chairman and Chief Executive Officer of the Company, sits on the board of directors of the Shelter Foundation. Other members of the Foundation's board of directors include: Robert C. Embry, Jr., former HUD Assistant Secretary for Community Planning and Development and now President of the Abell Foundation; Walter Sondheim, a senior advisor to the Greater Baltimore Committee who recently chaired the Maryland Commission of Higher Education and who serves on the Maryland Board of Education; Leonard Sachs, Chairman of Maryland Office Interiors and Vice Chairman of Maryland Economic Development Corportation; Shale Stiller, a partner in the law firm of Piper and Marbury who has served as a Trustee of the Weinberg Foundation and the Johns Hopkins University.

Mr. Joseph owns a minority interest in Shelter Development, LLC and Shelter Properties, LLC. Shelter Development, LLC will serve as the Foundation's consultant for a closing fee of 1.0% of the loan amount. Shelter Properties, LLC will property manage the apartment project for a fee anticipated to be 3.0% of annual gross property receipts. These fees were compared to similar transactions in the marketplace and determined by management to be at or below market rates.

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

Financial Condition and Liquidity

As of September 30, 1996, the Company's capital was primarily invested in 26 mortgage revenue bonds and related parity working capital loans with a carrying value of $166,167,000. Of these investments, 23 bonds and related parity working capital loans (collectively "original bonds") having a carrying value of $157,209,000, were acquired with the original offering proceeds of the SCA Tax Exempt Fund Limited Partnership (the "Partnership") and three bonds ("new bonds"), having a carrying value of $8,958,000, were purchased from proceeds raised in the Financing.

Distributions to all shareholders are affected by the Company's ability to collect interest from the cash flow of the properties securing the bonds and the ability of the Company to control operating expenses. Cash collected by the Company does not necessarily reflect property operating results to the extent that debt service can be paid from other sources, including property reserves and guarantees. Similarly, some of the cash generated by property operations may not be available to pay debt service as it may be utilized for capital expenditures, escrows or prepaid expenses. Additionally, Growth and Preferred CD Shareholders are subject to the terms of the Financing. Thus, a portion of the cash generated from property operations will be utilized to pay Series A Bond interest and principal (amortization begins in the Year 2001) and related costs. Distributions to Growth Shareholders are also affected by the investment income generated by the net Financing proceeds.

On July 31, 1996, the Partnership paid its semi-annual distribution to the Partnership's BAC Holders of $26.25 and $27.50 per BAC in Series I and Series II, respectively. This distribution represented the cash generated from operations for the six months ended June 30, 1996. The distribution for the one month ended July 31, 1996 will be included in the semi-annual distribution to shareholders on February 15, 1997.

On August 15, 1996, the Company made a one-time distribution to Preferred CD Shareholders in the amount of $177.59 per share in Series I and $252.03 per share in Series II. These amounts consisted of: (1) a return of capital representing each shareholder's allocable share of the net proceeds from the Financing and (2) a reimbursement for each shareholder's pro-rata share of the Transaction expenses incurred and paid for by the

Partnership. In addition, on August 15, 1996, the Company made a one-time distribution to Series II Preferred Shareholders of $6.84 per share, in accordance with the Prospectus, representing a reimbursement for each Preferred Shareholder's pro-rata share of the Financing and Transaction expenses incurred, net of working capital reserves (established from the net Financing proceeds) used to supplement distributions, and paid for by the Partnership from operating cash flow. For Series I, however, these expenses were approximately equal to the working capital reserves established from the net Financing proceeds used to supplement distributions, and therefore, resulted in no one-time distribution.

Working capital reserves are created at the discretion of management. These working capital reserves are available to make additional working capital loans to borrowers, to pay unanticipated and unusual costs of operating the Company and to reduce fluctuations in cash distributions to shareholders.

After payment of the one-time distributions to the Preferred and Preferred CD Shareholders discussed above, all cash allocable to these shareholders through June 30, 1996 has been paid. Therefore, as of September 30, 1996, no working capital reserves exist for the Preferred or Preferred CD Shareholders. For Growth Shares, all previously established working capital reserves are now available to make permanent investments in accordance with the Company's investment objectives.

At September 30, 1996, the Company's cash and cash equivalents approximated $5.8 million. These funds primarily consist of undistributed funds generated from operations during the quarter ended September 30, 1996. In addition, through the subsequent dissolution of the MLP structure discussed in Note 2 to the financial statements included herein, the Company has $44.8 million of net Financing proceeds available for permanent investment in accordance with the Company's investment objectives. On October 15, 1996, the Company acquired a $4.1 million subordinate interest in two additional mortgage revenue bonds collateralized by the South Pointe and Hunters Ridge multifamily apartments located in St. Louis County, Missouri. The Company will recognize a yield on the South Pointe and Hunters Ridge bonds of approximately 8.50%.

On November 12, 1996, the Company committed to purchase a $33,900,000 mortgage revenue bond to be issued by the Dekalb County Housing Authority (the "Authority") for the 722 unit multifamily apartment project known as the Village of Stone Mountain located in suburban Atlanta, Georgia. This commitment, which is subject to the approval of the independent members of the Company's board of directors, will result in the Company's acquisition of the bond once the Authority has issued the bond. During the interim period prior to the acquisition of the bond, which is anticipated to last until early 1998 when the conditions for issuing the bonds are expected to be met, the Company will guarantee a bridge financing to be provided by Nationsbank for an origination fee of 1.0% of the loan amount and an annual fee of 1.0%. Interest payable on the bonds will be 8.75%. Additionally, contingent interest up to 7.25% will be payable out of 50% of project cash flow in excess of 8.75%, if any.

The borrower under this bond financing will be the Shelter Foundation (the "Foundation"), a public non-profit foundation. The Foundation provides housing and related services to families of low and moderate income. The Foundation owns interests in seven apartment communities totaling over 1,300 units. Approximately 20% of the units at the Village of Stone Mountain will be occupied by low and moderate income people. Mark K. Joseph, the Chairman and Chief Executive Officer of the Company, sits on the board of directors of the Shelter Foundation.

Mr. Joseph owns a minority interest in Shelter Development, LLC Shelter Properties, LLC. Shelter Development, LLC will serve as the Foundation's consultant for a closing fee of 1.0% of the loan amount. Shelter Properties, LLC will property manage the apartment project for a fee anticipated to be 3.0% of annual gross property receipts. These fees were compared to similar transactions in the marketplace and determined by management to be at or below market rates.

Results of Operations

Revenues

Quarterly Results Analysis

For the quarter ended September 30, 1996, interest on mortgage revenue bonds increased by approximately $1.2 million versus the same period last year. The borrowing partnerships were able to pay additional interest primarily due to: 1) an increase in cash generated by property operations, 2) an increase in cash available to pay debt service due to a decrease in interest and principal due on demand notes, and 3) an increase in cash available to pay debt service as a result of the former General Partners' contribution to the Company of their rights to receive mortgage servicing fees from the borrowing partnerships. First, debt service payments for the third quarter of 1996 as compared to the third quarter of 1995 from properties operations increased by approximately $760,000; more specifically, North Pointe ($59,000), Montclair ($61,000), Newport Village ($62,000), Nicollet ($103,000), Steeplechase ($64,000) and Hamilton ($93,000). Second, the interest and principal due on demand notes was less in the third quarter of 1996 versus the same period last year by approximately $280,000 all of which was used to pay interest on Series B bonds. Lastly, as a result of the affiliates' contribution of mortgage servicing fees, interest income increased by approximately $246,000 for the three months ended September 30, 1996 versus the same period last year.

The dissolution of the MLP structure effective July 31, 1996, caused a re-characterization of income. Income that was previously recorded as equity in MLP II is now recorded as interest on short-term investments, interest on demand notes or interest on mortgage revenue bonds. As a result of this change, equity from MLP II decreased in the third quarter of 1996 versus the same period last year while interest on short-term investments, demand notes and mortgage revenue bonds increased accordingly.

Year to Date Results Analysis

For the nine months ended September 30, 1996, interest on mortgage revenue bonds increased by approximately $798,000 versus the same period last year. The increase is primarily due to : 1) an increase in distributions from MLP I of approximately $746,000 primarily due to the timing of maturing investments; 2) an increase in the earnings generated by the interest rate swap agreements owned by the operating partnerships of approximately $453,000 due to an additional two months of swap income in 1996 and a more favorable interest rate environment as the average PSA Municipal Swap Index, on which the interest is calculated, averaged 3.40% for the first nine months of 1996 versus 3.89% for the period February 14, 1995 through September 30, 1995; 3) an increase in interest paid from property operations at North Pointe ($400,000); and 4) an increase of approximately $246,000 as a result of the affiliates' contribution of mortgage servicing fees. These increases were partially offset by: 1) the change in timing of interest payments on the Series B bonds from in arrears to current, which served to increase the interest revenue for the first nine months of 1995 by approximately $710,000 and 2) the use of excess funds in property reserves which increased interest revenue for the nine months ended September 30, 1995 by approximately $482,000.

As a result of the Financing transaction consummated in February 1995, the Partnership recorded a net gain on sale of A bond receipts during the first quarter of 1995. Included in this amount is a portion of the net unrealized gain associated with the refunded bonds of approximately $2.3 million, net of selling expenses of approximately $1.7 million. A complete description of the Financing is included in the Partnership's 1995 Form 10-K.

For the nine months ended September 30, 1996, equity in MLP II decreased by approximately $94,000 as compared to the same period last year. The nine months ended September 30, 1995 includes income for the period February 15, 1995 (the date of the Financing transaction) through September 30, 1995 while the nine months ended September 30, 1996 only includes income for the period January 1, 1996 through July 31, 1996, the date the MLP II structure was collapsed. The collapse of the MLP structure caused a re-characterization of income whereby income previously recorded as equity in MLP II is now recorded as interest on short-term investments, interest on demand notes or interest on mortgage revenue bonds. As a result of this change, equity from MLP II decreased for the nine months ended September 30, 1996 versus the same period last year which served to increase interest on short-term investments, demand notes and mortgage revenue bonds.

Expenses

For the three months ended September 30, 1996, Company operating expenses decreased by approximately $188,000 versus the same period in 1995. The decrease is primarily due to a decrease in expenses related to the Transaction of approximately $600,000. This decrease is partially offset by an increase in accounting fees related to the annual audit ($110,000), an increase in legal and settlement fees related to the class action complaint ($160,000), and an increase in costs related to the merger ($230,000), including additional expenses for investor servicing, printing and salaries and benefits for employees of the former General Partner.

The Company's operating expenses decreased by approximately $548,000 for the first nine months of 1996 versus the same period in 1995. For the nine months ended September 30, 1995, the Company incurred approximately $1.1 million associated with the Financing transaction. Additionally, expenses related to the Prospectus were approximately $390,000 higher for the first nine months of 1995 versus 1996. These decreases were partially offset by increases during the nine months ended September 30, 1996 due to: 1) accounting fees related to the restatement of prior period financial statements ($170,000); 2) legal and settlement fees related to the class action complaint ($280,000); 3) directors and officers insurance ($105,000) which includes nine months of premiums for 1996 versus five months for 1995; 4) costs related to the merger ($310,000), including additional expenses for investor servicing, printing and salaries and benefits for employees of the former General Partners; and 5) accounting fees related to the annual audit ($110,000).

Other

Under the provisions of FAS 115, investments in mortgage revenue bonds are classified as available for sale securities and are recorded at fair value. In the absence of readily ascertainable market values, such fair values are estimated by the Managing General Partner. For those mortgage revenue bonds where estimated fair value has declined to an amount below amortized cost, the Managing General Partner considers the following in determining whether the indicated decline is other-than temporary. With respect to bonds that are not performing in accordance with their contractual terms established at the time of issuance, the Partnership considers declines in excess of amortized cost, if any, to be other-than-temporary under the provisions of FAS 115. Indicated impairments of performing bonds are evaluated on an individual basis, but, in the absence of contrary evidence, are generally considered to be temporary.

For the quarter ended September 30, 1996, the net adjustment to unrealized gains and losses on mortgage revenue bonds available for sale increased shareholders' equity by approximately $4.1 million. For the nine months ended September 30, 1996, the net adjustment to unrealized gains and losses on mortgage revenue bonds available for sale increased shareholders' equity by $8.2 million. The Partnership recorded other-than-temporary impairments totaling $3,990,000 on five bonds (Creekside ($1,239,000), Lakeview ($1,315,000), Willowgreen ($1,131,000), Mallard I (143,000) and Mallard II ($162,000) during the nine months ended September 30, 1996.

The other-than-temporary impairments discussed above do not affect the cash flow generated from property operations, distributions to shareholders, the characterization of the tax-exempt income stream nor the financial obligations under the bonds. The Company will continue to evaluate the need for other-than-temporary impairments in the future as circumstances change.

Earnings Per Share

For the two months ended September 30, 1996, earnings per Growth Share were $0.25. On an annualized basis, the earnings per share for the two months ended September 30, 1996 associated with the Growth Shares is on target with the previously disclosed expected dividend on Growth Shares for the five months ended December 31, 1996 of approximately $0.56 per share, or $1.35 per share on an annualized basis. The Company does not expect to announce similar estimated information in the future. Comparative information for all shares (Growth, Preferred and Preferred CD Shares) are not applicable as a result of the merger consummated on August 1, 1996.

PART II - OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits:

(27) Financial Data Schedule

(b) Reports on Form 8-K:

The Registrant filed no reports on Form 8-K for the period covered by this report.

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 AND EQUITY, L.L.C.
(Registrant)

By: [S] Mark K. Joseph

Mark K. Joseph

President and Chief Financial Officer

DATED: November 14, 1996

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE COMPANY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THOSE FINANCIAL STATEMENTS AND THE FOOTNOTES PROVIDED WITHIN THIS SCHEDULE.

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<F1> The earnings per share reflects the earning per share of the Growth Shares.

</FN>

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