MUNICIPAL MORTGAGE & EQUITY LLC
Form 10-Q
August 15, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011
OR

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

For the transition period from __________________ to __________________

Commission File Number 001-11981

MUNICIPAL MORTGAGE & EQUITY, LLC
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	52-1449733 (I.R.S. Employer Identification No.)
621 East Pratt Street, Suite 600 Baltimore, Maryland (Address of principal executive offices) 21202 (Zip Code)	(443) 263-2900 (Registrant's telephone number, including area code)

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 o No þ

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “accelerated filer,” “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

There were 40,520,971 shares of common shares outstanding at August 10, 2011.

Municipal Mortgage & Equity, LLC
TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This 2011 Quarterly Report on Form 10-Q ("Report") contains forward-looking statements intended to qualify for the safe harbor contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements often include words such as "may," "will," "should," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "seek," "would," "could," a are made in connection with discussions of future operating or financial performance.

Forward-looking statements reflect our management's expectations at the date of this Report regarding future conditions, events or results. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. Our actual results and financial condition may differ materially from what is anticipated in the forward-looking statements. There are many factors that could cause actual conditions, events or results to differ from those anticipated by the forward-looking statements contained in this Report. They include the factors discussed in Part I, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2010 ("2010 Form 10-K").

Readers are cautioned not to place undue reliance on forward-looking statements in this Report or that we make from time to time, and to consider carefully the factors discussed in Part I, Item 1A, "Risk Factors" of the 2010 Form 10-K, in evaluating these forward-looking statements. We have not undertaken to update any forward-looking statements.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Municipal Mortgage & Equity, LLC
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	June 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Cash and cash equivalents	$ 24,886	$ 32,544
Restricted cash	22,134	24,987
Bonds available-for-sale (includes $1,153,759 and $1,197,180 pledged as collateral)	1,190,627	1,231,036
Loans held for investment, net of allowance for loan losses (includes $14,184 and $53,096 pledged as collateral)	15,019	53,933
Loans held for sale (includes $4,397 and $18,024 pledged as collateral)	4,661	18,989
Investment in preferred stock (includes $1,000 and $2,000 pledged as collateral)	36,371	36,371
Investments in unconsolidated ventures (includes $6,779 and $6,779 pledged as collateral)	6,837	6,842
Derivative assets	6,303	6,812
Other assets (includes $13,318 and $12,527 pledged as collateral)	42,516	46,027
Assets of consolidated funds and ventures:		
Investments in Lower Tier Property Partnerships	414,044	436,971
Other assets	182,025	165,024
Total assets of consolidated funds and ventures	596,069	601,995
Total assets	$ 1,945,423	$ 2,059,536
LIABILITIES AND EQUITY		
Debt	$ 1,164,193	$ 1,277,415
Guarantee obligations	7,134	7,235
Accounts payable and accrued expenses	16,681	18,890
Derivative liabilities	19,683	20,153
Deferred revenue	1,256	1,290
Other liabilities	7,085	6,333
Liabilities of consolidated funds and ventures:		
Debt	3,612	3,709
Unfunded equity commitments to Lower Tier Property Partnerships	20,199	20,970
Other liabilities	2,942	3,136
Total liabilities of consolidated funds and ventures	26,753	27,815
Total liabilities	$ 1,242,785	$ 1,359,131
Commitments and contingencies		
Equity:		
	$ 158,941	$ 168,686

Perpetual preferred shareholders' equity in a subsidiary company, liquidation preference of $163,000 at June 30, 2011 and $173,000 at December 31, 2010				
Noncontrolling interests in consolidated funds and ventures (excludes $7,061 and $1,922 of subscriptions receivable)		565,415		569,556
Common shareholders' equity (deficit):				
Common shares, no par value (40,258,312 and 40,204,049 shares issued and outstanding and 962,451 and 647,782 non-employee directors' and employee deferred shares issued at June 30, 2011 and December 31, 2010, respectively)		(136,303)		(130,466)
Accumulated other comprehensive income		114,585		92,629
Total common shareholders' equity (deficit)		(21,718)		(37,837)
Total equity		702,638		700,405
Total liabilities and equity	$	1,945,423	$	2,059,536

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

4

Municipal Mortgage & Equity, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(in thousands, except per share data)

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
REVENUE				
Interest income:				
Interest on bonds	$ 19,594	$ 21,496	$ 40,416	$ 42,616
Interest on loans	449	1,660	1,460	3,771
Interest on short-term investments	27	30	57	63
Total interest income	20,070	23,186	41,933	46,450
Fee and other income:				
Income on preferred stock investment	1,557	1,622	3,114	3,293
Other income	946	970	1,733	2,929
Total fee and other income	2,503	2,592	4,847	6,222
Revenue from consolidated funds and ventures	759	850	1,319	1,441
Total revenue	23,332	26,628	48,099	54,113
EXPENSES				
Interest expense	14,229	16,606	29,327	34,683
Salaries and benefits	2,858	3,066	5,927	6,482
General and administrative	1,575	1,830	2,928	4,449
Professional fees	1,862	3,651	5,043	7,362
Impairment on bonds	989	2,493	4,499	8,927
Provision for loan losses	293	550	858	4,017
Other expenses	1,261	2,146	2,283	4,216
Expenses from consolidated funds and ventures	2,783	1,984	8,122	7,098
Total expenses	25,850	32,326	58,987	77,234
Net gains on sale of bonds	1,650	116	1,329	482
Net (losses) gains on loans	(472)	(1,078)	(642)	1,939
Net losses on derivatives	(2,823)	(5,084)	(2,894)	(6,951)
Net gains on early extinguishments of liabilities	176	–	469	6,866
Equity in losses from unconsolidated ventures	(104)	(205)	(110)	(204)
Equity in losses from Lower Tier Property Partnerships of consolidated funds and ventures	(8,754)	(13,690)	(16,627)	(25,981)
Loss from continuing operations before income taxes	(12,845)	(25,639)	(29,363)	(46,970)
Income tax expense	(35)	(21)	(147)	(5)
Income (loss) from discontinued operations, net of tax	282	(5,243)	392	(5,326)
Net loss	(12,598)	(30,903)	(29,118)	(52,301)
Income allocable to noncontrolling interests:				
Income allocable to perpetual preferred shareholders of a subsidiary company	(2,370)	(2,466)	(4,812)	(4,932)

Net losses (income) allocable to noncontrolling interests in consolidated funds and ventures:				
Related to continuing operations	12,137	16,863	26,403	30,642
Related to discontinued operations	–	(76)	–	(25)
Net loss to common shareholders	$ (2,831)	$ (16,582)	$ (7,527)	$ (26,616)
Basic and diluted loss per common share:				
Loss per common share	$ (0.07)	$ (0.41)	$ (0.18)	$ (0.66)
Weighted-average common shares outstanding	41,069	40,490	40,963	40,430

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

5

Municipal Mortgage & Equity, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)
(in thousands)

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
Net loss	$ (12,598)	$ (30,903)	$ (29,118)	$ (52,301)
Other comprehensive income (loss) allocable to common shareholders:				
Unrealized gains on bonds available-for-sale:				
Unrealized net holding gains arising during the period	24,312	14,200	20,245	11,785
Reversal of unrealized gains on sold/redeemed bonds activity	(1,586)	(17)	(2,474)	(434)
Reclassification of unrealized losses to operations	989	2,492	4,499	8,927
Total unrealized gains on bonds available-for-sale	23,715	16,675	22,270	20,278
Currency translation adjustment	(39)	167	(314)	673
Other comprehensive income allocable to common shareholders	23,676	16,842	21,956	20,951
Other comprehensive income (loss) allocable to noncontrolling interests:				
Currency translation adjustment	362	(1,927)	(1,999)	(1,910)
Comprehensive income (loss)	$ 11,440	$ (15,988)	$ (9,161)	$ (33,260)

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

6

Municipal Mortgage & Equity, LLC
CONSOLIDATED STATEMENTS OF EQUITY

For the six months ended June 30, 2011
(Unaudited)
(in thousands)

	For the six months ended June 30, 2011						
	Common Shares		Accumulated Other Comprehensive Income (Loss)	Common Shareholders' Equity (Deficit)	Perpetual Preferred Shareholders' Equity	Noncontrolling Interest in Consolidated Funds and Ventures	Total Equity
	Number	Amount					
Balance, December 31, 2010	40,851	$ (130,466)	$ 92,629	$ (37,837)	$ 168,686	$ 569,556	$ 700,405
Net (loss) income	–	(7,527)	–	(7,527)	4,812	(26,403)	(29,118)
Other comprehensive income (loss)	–	–	21,956	21,956	–	(1,999)	19,957
Distributions	–	–	–	–	(4,812)	(95)	(4,907)
Common, restricted and deferred shares issued under employee and non-employee director share plans	369	45	–	45	–	–	45
Preferred share repurchases	–	1,645	–	1,645	(9,745)	–	(8,100)
Contributions	–	–	–	–	–	24,356	24,356
Balance, June 30, 2011	41,220	$ (136,303)	$ 114,585	$ (21,718)	$ 158,941	$ 565,415	$ 702,638

	For the six months ended June 30, 2010						
	Common Shares		Accumulated Other Comprehensive Income (Loss)	Common Shareholders' Equity (Deficit)	Perpetual Preferred Shareholders' Equity	Noncontrolling Interest in Consolidated Funds and Ventures	Total Equity
	Number	Amount					
Balance, December 31, 2009	40,363	$ (101,876)	$ 59,934	$ (41,942)	$ 168,686	$ 567,383	$ 694,127
Net (loss) income	–	(26,616)	–	(26,616)	4,932	(30,617)	(52,301)
Other comprehensive income (loss)	–	–	20,951	20,951	–	(1,910)	19,041
Distributions	–	–	–	–	(4,932)	–	(4,932)
Common, restricted and deferred shares	241	65	–	65	–	–	65

issued under employee and non-employee director share plans							
Mark to market activity for liability classified awards previously classified as equity	–	3	–	3	–	–	3
Contributions	–	–	–	–	–	18,355	18,355
Net change due to consolidation or disposition	–	–	–	–	–	17,301	17,301
Balance, June 30, 2010	40,604	$ (128,424)	$ 80,885	$ (47,539)	$ 168,686	$ 570,512	$ 691,659

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

7

Municipal Mortgage & Equity, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(in thousands)

	For the six months ended June 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(29,118)	$(52,301)
Less net loss attributable to noncontrolling interests	(21,591)	(25,685)
Net loss to common shareholders	(7,527)	(26,616)
Adjustments to reconcile net loss to common shareholders to net cash provided by operating activities:		
Net gains on sales of bonds and loans	(687)	(2,422)
Net losses on sales of real estate	–	5,019
Provisions for credit losses and impairment	9,946	15,944
Equity in losses, net from equity investments in partnerships	16,728	26,186
Net losses allocable to noncontrolling interests from consolidated funds and ventures	(26,403)	(30,617)
Income allocable to perpetual preferred shareholders of a subsidiary company	4,812	4,932
Purchases, advances on and originations of loans held for sale	(196)	(25)
Principal payments and sales proceeds received on loans held for sale	172	4,804
Federal income tax refund	–	7,694
Other	5,923	4,359
Net cash provided by operating activities	2,768	9,258
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances on and purchases of bonds	(10,000)	–
Principal payments and sales proceeds received on bonds	45,870	24,068
Advances on and originations of loans held for investment	(82)	(76)
Principal payments received on loans held for investment	51,911	34,680
Investments in property partnerships	(16,393)	(24,348)
Proceeds from the sale of a business	–	5,825
Decrease in restricted cash and cash of consolidated funds and ventures	885	991
Capital distributions received from investments in partnerships	555	298
Net cash provided by investing activities	72,746	41,438
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing activity	287	10,734
Repayment of borrowings	(94,556)	(63,054)
Payment of debt issue costs	(129)	(1,014)
Contributions from holders of noncontrolling interests	24,356	18,355
Distributions paid to holders on noncontrolling interests	(95)	–
Distributions paid to perpetual preferred shareholders of a subsidiary company	(4,935)	(4,932)
Repurchase and retirement of perpetual preferred shares	(8,100)	–
Net cash used in financing activities	(83,172)	(39,911)
Net (decrease) increase in cash and cash equivalents	(7,658)	10,785

Unrestricted cash and cash equivalents at beginning of period	32,544	18,084
Unrestricted cash and cash equivalents at end of period	$24,886	$28,869

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

Municipal Mortgage & Equity, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS– (continued)
(Unaudited)
(in thousands)

	For the six months ended June 30,	
	2011	2010
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$23,036	$29,128
Income taxes paid	130	22
Non-cash investing and financing activities:		
Unrealized gains included in other comprehensive income	19,957	19,041
Debt assumed upon acquisition of interests in securitization trusts	–	634
Debt and liabilities extinguished through sales and collections on bonds	23,390	49,794
Assets received in troubled debt restructuring	–	9,450
Increase in assets due to initial consolidation of funds and ventures	–	45,692
Increase in liabilities and noncontrolling interests due to initial consolidation of funds and ventures	–	45,692
Decrease in assets due to deconsolidation of funds and ventures	–	29,141
Decrease in liabilities and noncontrolling interests due to deconsolidation of funds and ventures	–	25,107

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

Municipal Mortgage & Equity, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1—DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

Except as expressly indicated or unless the context otherwise requires, the "Company," "MuniMae," "we," "our" or "us" mean Municipal Mortgage & Equity, LLC, a Delaware limited liability company, and its majority owned subsidiaries.

Business, Going Concern and Liquidity Issues

Beginning in the second half of 2007, the capital markets in which the Company operates began to deteriorate, which restricted the Company's access to capital. This lack of liquidity resulted in the Company having to sell assets, liquidate collateral positions, post additional collateral, sell or close different business segments and work with its creditors to restructure or extend debt arrangements. Although the Company has been able to extend, restructure and obtain forbearance agreements on various debt and interest rate swap agreements, such that none of our obligations have been accelerated at present, most of these extensions, restructurings and forbearance agreements are short-term in nature and do not provide a viable long-term solution to the Company's liquidity issues.

The Company continues to work with its capital partners to extend debt maturities, restructure debt payments or settle debt at amounts below the contractual amount due. In addition, the Company continues to reduce its operating costs in order to sustain its business. These actions are being pursued in order to achieve the objective of the Company continuing operations. However, the success of management's objective is dependent on obtaining creditor concessions, liquidating non-bond related assets and generating sufficient bond portfolio net interest income that can be used to service the Company's non-bond related debt and the Company's on-going operating expenses. There can be no assurance that management will be successful in addressing the Company's liquidity issues. More specifically, there is uncertainty as to whether management will be able to restructure or settle its non-bond related debt in a manner sufficient to allow the Company's cash flow to support its operations.

The Company's ability to restructure its debt is especially important with respect to our subordinated debentures. The weighted average pay rate on $196.7 million (unpaid principal balance) of subordinated debentures was 2.08% at June 30, 2011. Our pay rates are due to increase in the first and second quarters of 2012, which will bring the weighted average pay rate to approximately 8.6%. We do not currently have the liquidity to meet these increased payments. In addition, substantially all of our assets are encumbered, which limits our ability to increase our liquidity by selling assets or incurring additional indebtedness. There is also uncertainty related to the Company's ability to liquidate non-bond related assets at sufficient amounts to satisfy associated debt and other obligations and there are a number of business risks surrounding the Company's bond investing activities that could impact the Company's ability to generate sufficient cash flow from the bond portfolio. These uncertainties could adversely impact the Company's financial condition or results of operations. In the event management is not successful in restructuring or settling its remaining non-bond related debt, or in generating liquidity from the sale of non-bond related assets, or if the bond portfolio net interest income and the common equity distributions the Company receives from its subsidiaries are substantially reduced, the Company may have to consider seeking relief through a bankruptcy filing. Collectively, these factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's primary business is its investments in tax-exempt and taxable bonds secured predominantly by affordable multifamily housing properties. Substantially all of the Company's operating cash flow is from the Company's bond portfolio, which is generated by subsidiaries of the Company that hold substantially all of the Company's bonds. These subsidiaries have certain compliance requirements that may limit or restrict their ability to distribute cash to MuniMae. One of these subsidiaries is MuniMae TE Bond Subsidiary, LLC ("TEB"), which holds 89.4% of the carrying value of the Company's bonds at June 30, 2011. The Company indirectly owns all of TEB's common stock. TEB's operating agreement with its preferred shareholders contains covenants restricting the type of assets in which TEB can invest, the incurrence of leverage, the issuance of additional preferred equity interests, as well as cash distributions to MuniMae, and imposes certain requirements in the event of merger, sale or consolidation. In 2010, TEB retained $25.0 million of cash flows ("Retained Distributions") by limiting Distributable Cash Flow distributions to MuniMae pursuant to a March 25, 2010 amendment to its operating agreement. At June 30, 2011:

- TEB's leverage ratio was 57.4%, which was below the incurrence limit of 60% and which would allow TEB to incur up to $72.8 million of additional obligations;

- TEB's liquidation preference ratios were at amounts that would restrict it from raising additional preferred equity ranking senior to or on parity with the existing preferred shares outstanding; and

- TEB's ability to distribute cash to MuniMae was and continues to be limited to Distributable Cash Flows (TEB's net income adjusted to exclude the impact of non-cash items) and TEB does not have the ability to make redemptions of common stock or distributions to MuniMae other than Distributable Cash Flows ("Restricted Payments") because the current liquidation preference ratios prohibit it.

Total common shareholder distributions from TEB for the six months ended June 30, 2011 and 2010 were $17.5 million and $6.0 million, respectively.

All of TEB's common stock is pledged by the Company to a creditor to support collateral requirements related to certain debt and derivative agreements. On December 8, 2010, the Company entered into a forbearance agreement with this creditor ("Counterparty") which restricted the Company's ability to utilize common distributions from TEB. The key provisions of this agreement are as follows:

- Forbearance from the minimum net asset value requirement and the financial reporting requirement contained in the interest rate swap agreements until the earlier of June 30, 2012 or when TEB regains compliance with the leverage and liquidation incurrence ratios.

- The Company must post a portion of the distributions it receives on TEB's common stock as follows:

o For quarterly distributions beginning in the fourth quarter of 2010 and continuing through to the third quarter of 2011, the Company will post restricted distributions equal to 50% of common distributions, less $0.8 million.

o For quarterly distributions beginning in the fourth quarter of 2011 and continuing until TEB is in compliance with both its leverage ratio and liquidation preference ratio, the Company will post restricted distributions equal to 50% of common distributions.

o Once TEB is in compliance with its leverage ratio and liquidation preference ratios there will be no restrictions on common distributions.

The restricted distributions have been and are expected to be utilized by the Company to purchase and retire various preferred shares issued by TEB.

TEB's common stock is wholly owned by MuniMae TEI Holdings, LLC ("TEI"), which is ultimately wholly owned by MuniMae. TEI's ability to remit cash to MuniMae for liquidity needs outside of TEI may be restricted due to minimum liquidity and net worth requirements related to a TEI debt agreement. TEI is in compliance with its debt covenants at June 30, 2011.

Basis of Presentation and Significant Accounting Policies

The accompanying consolidated financial statements represent the consolidation of Municipal Mortgage & Equity, LLC and all companies that we directly or indirectly control, either through majority ownership or otherwise. See Note 1, "Description of the Business and Basis of Presentation" to the consolidated financial statements in our 2010 Form 10-K, which discusses our consolidation presentation and our significant accounting policies.

Use of Estimates

The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, commitments and contingencies and revenues and expenses. Management has made significant estimates in certain areas, including the determination of fair values for bonds, loans held for sale ("HFS"), derivative financial instruments, guarantee obligations, and certain other assets and liabilities of consolidated funds and ventures. Management has made significant estimates in the determination of impairment on bonds, loans and real estate investments. Actual results could differ materially from these estimates.

Interim Period Presentation

The unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles ("GAAP") have been omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading.

The consolidated financial statements are unaudited. These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. These consolidated financial statements should be read in conjunction with the note disclosures contained in this Report. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year.

NOTE 2—BONDS AVAILABLE-FOR-SALE

Bonds available-for-sale includes mortgage revenue bonds and other bonds.

The following table summarizes the investment in bonds and the related unrealized losses and unrealized gains at June 30, 2011 and December 31, 2010:

	June 30, 2011				
(in thousands)	Unpaid Principal Balance	Basis Adjustments (1)	Unrealized Losses	Unrealized Gains	Fair Value
Mortgage revenue bonds	$ 1,111,347	$ (8,330)	$ (145,824)	$ 90,267	$ 1,047,460
Other bonds	172,626	(13,014)	(40,492)	24,047	143,167
Total	$ 1,283,973	$ (21,344)	$ (186,316)	$ 114,314	$ 1,190,627

	December 31, 2010				
(in thousands)	Unpaid Principal Balance	Basis Adjustments (1)	Unrealized Losses	Unrealized Gains	Fair Value
Mortgage revenue bonds	$ 1,181,450	$ (7,852)	$ (145,684)	$ 69,883	$ 1,097,797
Other bonds	164,038	(13,369)	(39,590)	22,160	133,239
Total	$ 1,345,488	$ (21,221)	$ (185,274)	$ 92,043	$ 1,231,036

(1) Includes premiums, discounts and deferred costs.

Mortgage Revenue Bonds

Mortgage revenue bonds are issued by state and local governments or their agencies or authorities to finance multifamily housing; however, the only source of recourse on these bonds is the collateral, which is a first mortgage or a subordinate mortgage on the underlying properties. The Company's rights under the mortgage revenue bonds are defined by the contractual terms of the underlying mortgage loans, which are pledged to the bond issuer and assigned to a trustee for the benefit of bondholders to secure the payment of debt service (any combination of interest and/or principal as laid out in the trust indenture) on the bonds. The mortgage loans are not assignable unless the bondholder has consented.

For subordinate mortgages, the payment of debt service on the bonds occurs only after payment of senior obligations which have priority to the cash flow of the underlying collateral. The Company's subordinate bonds had an aggregate fair value of $49.5 million and $40.2 million at June 30, 2011 and December 31, 2010, respectively.

Mortgage revenue bonds can be non-participating or participating. Participating mortgage revenue bonds allow the Company to receive additional interest from net property cash flows in addition to the base interest rate. Both the stated and participating interest on the Company's mortgage revenue bonds are exempt from federal income tax, although this income may be included as part of a taxpayer's alternative minimum tax for federal income tax purposes. The Company's participating mortgage revenue bonds had an aggregate fair value of $56.8 million and $52.9 million at June 30, 2011 and December 31, 2010, respectively.

Other Bonds

Other bonds are primarily municipal bonds issued by community development districts or other municipal issuers to finance the development of community infrastructure supporting single-family housing and mixed-use and commercial developments such as storm water management systems, roads and community recreational facilities. In some cases these bonds are secured by specific payments or assessments pledged by the issuers or incremental tax revenue generated by the underlying properties.

Maturity

The following table summarizes, by contractual maturity, the amortized cost and fair value of bonds available-for-sale at June 30, 2011.

(in thousands)	June 30, 2011 Amortized Cost	Fair Value
Non-Amortizing:		
Due in less than one year	$–	$–
Due between one and five years	–	–
Due between five and ten years	–	–
Due after ten years	20,160	44,876
Amortizing:		
Due at stated maturity dates between December 2013 and June 2056	1,056,153	1,145,751
	$1,076,313	$1,190,627

Bonds with Lockouts, Prepayment Premiums or Penalties

Principal payments on bonds are based on amortization tables set forth in the bond documents. If no principal amortization is required during the bond term, the outstanding principal balance is required to be paid in a lump sum payment at maturity or at such earlier time as defined under the bond documents. Substantially all of the Company's bonds include provisions that allow the borrowers to prepay the bonds at a premium or at par after a specified date that is prior to the stated maturity date. The following table provides the amount of bonds that are prepayable without restriction or penalty at June 30, 2011, as well as the year in which the remaining portfolio becomes prepayable without restriction or penalty.

	June 30, 2011		
(in thousands)	Unpaid Principal Balance	Amortized Cost	Fair Value
Bonds that may be prepaid without restrictions or penalties at June 30, 2011	$150,179	$117,593	$143,046
July 1 through December 31, 2011	8,550	7,268	7,504
2012	31,154	25,537	26,565
2013	16,691	14,811	15,723
2014	29,108	28,766	29,940
2015	4,606	4,257	4,624
Thereafter	944,281	793,983	866,065
Bonds that may not be prepaid	99,404	84,098	97,160
Total	$1,283,973	$1,076,313	$1,190,627

Non-Accrual Bonds

The carrying value of bonds on non-accrual was $103.9 million and $83.6 million at June 30, 2011 and December 31, 2010, respectively. During the period in which these bonds were on non-accrual, the Company recognized interest income, on a cash basis, of $1.9 million and $0.9 million for the six months ended June 30, 2011 and 2010, respectively.

The following table provides an aging analysis for the carrying value of bonds available-for-sale at June 30, 2011 and December 31, 2010.

(in thousands)	June 30, 2011	December 31, 2010
Total current	$ 1,079,852	$ 1,139,143
30-59 days past due	21,129	22,355
60-89 days past due	–	–
Greater than 90 days	89,646	69,538

Bond Sales

The Company recorded cash proceeds on sales and redemptions of bonds of $36.1 million and $12.5 million for the six months ended June 30, 2011 and 2010, respectively. In connection with the 2011 sales, the Company used cash of $22.5 million to paydown its senior interest and debt owed to securitization trusts.

Provided in the table below are unrealized losses and realized gains and losses recorded through "Impairment on bonds" and "Net (losses) gains on bonds" for bonds sold or redeemed during the three months and six months ended June 30, 2011 and 2010, as well as for bonds still in the Company's portfolio at June 30, 2011 and 2010, respectively.

	For the three months ended June 30,		For the six months ended June 30,	
(in thousands)	2011	2010	2011	2010
Bond impairment recognized on bonds held at each period-end	$(989)	$(2,493)	$(4,499)	$(8,310)
Bond impairment recognized on bonds sold/redeemed during each period	–	–	–	(617)
Losses recognized at time of sale/redemption	–	–	(1,036)	–
Gains recognized at time of sale/redemption	1,650	116	2,365	482
Total net gains (losses) on bonds	$661	$(2,377)	$(3,170)	$(8,445)

Unfunded Bond Commitments

Unfunded bond commitments are agreements to fund construction or renovation of properties securing the bonds over the construction or renovation period. At June 30, 2011 and December 31, 2010, there were no unfunded bond commitments.

NOTE 3—LOANS HELD FOR INVESTMENT AND LOANS HELD FOR SALE

The Company disaggregates its lending portfolio into four categories: construction, permanent, bridge and other loans, defined as follows.

Construction loans are short-term financing provided primarily to builders and developers of multifamily housing and other property types for the construction and lease-up of the property.

Permanent loans are used to pay off the construction loans upon the completion of construction and lease-up of the property or to refinance existing stabilized properties.

Bridge loans are short-term or intermediate term loans secured with either a first mortgage position or a subordinated position. These loans are used primarily to finance the acquisition and improvements on transitional properties until their conversion to permanent financing.

Other loans are primarily pre-development loans and land or land development loans. Pre-development loans are loans to developers to fund up-front costs to help them secure a property before they are ready to fully develop it. Land or land development loans are used to fund the purchase or the purchase and costs of utilities, roads and other infrastructure and are typically repaid from lot sales.

See Note 17, "Consolidated Funds and Ventures," for discussion of the Company's loans related to consolidated funds and ventures.

Loans Held for Sale

The following table summarizes the cost basis of loans held for sale by loan type and the lower of cost or market ("LOCOM") adjustment to record these loans at the lower of cost or market at June 30, 2011 and December 31, 2010:

(in thousands)	June 30, 2011	December 31, 2010
Construction	$ –	$ 5,601
Permanent	12,481	20,647
Bridge	1,793	1,793
Other	779	640
	15,053	28,681
LOCOM Adjustment	(10,392)	(9,692)
Loans held for sale, net	$ 4,661	$ 18,989

Outstanding loan balances include net deferred fee income of $0.4 million at June 30, 2011 and December 31, 2010.

The carrying value of non-accrual loans was zero at June 30, 2011 and $0.7 million at December 31, 2010.

The Company recorded cash proceeds on loan sales and pay-offs of $13.6 million and $26.4 million and corresponding net losses on loan sales and pay-offs of zero and $1.2 million for the six months ended June 30, 2011 and 2010, respectively.

The following table summarizes the activity in LOCOM adjustments for the three months and six months ended June 30, 2011 and 2010:

(in thousands)	2011	2010
Balance-January 1,	$9,692	$32,582
LOCOM adjustments	194	(208)
Charge-offs, net	–	(18,356)
Balance-March 31,	9,886	14,018
LOCOM adjustments	506	127
Charge-offs, net	–	(2,708)
Balance-June 30,	$10,392	$11,437

Loans Held for Investment

The following table summarizes loans held for investment ("HFI") by loan type at June 30, 2011 and December 31, 2010:

(in thousands)	June 30, 2011	December 31, 2010
Construction	$–	$ 31,776
Permanent	8,878	9,048
Bridge	20,496	27,177
Other	19,651	19,645
	49,025	87,646
Allowance for loan losses	(34,006)	(33,713)
Loans held for investment, net	$15,019	$ 53,933

Outstanding loan balances include net deferred fee income of $0.4 million at June 30, 2011 and December 31, 2010.

The carrying value of non-accrual loans was $8.4 million and $7.5 million at June 30, 2011 and December 31, 2010, respectively. At June 30, 2011 and December 31, 2010 there were no loans held for investment past due 90 days or more and still accruing interest.

The following table provides an aging analysis for the carrying value of loans held for investment at June 30, 2011 and December 31, 2010:

(in thousands)	June 30, 2011	December 31, 2010
Total current	$ 7,558	$ 46,472
30-59 days past due	–	–
60-89 days past due	–	–
Greater than 90 days	7,461	7,461

The following table summarizes the carrying value of loans held for investment which were specifically identified as impaired at June 30, 2011 and December 31, 2010:

(in thousands)	June 30, 2011	December 31, 2010
Impaired loans with a specific reserve	$ 10,331	$ 9,450

Impaired loans without a specific reserve (1)		–		–
Total impaired loans	$	10,331	$	9,450
Average carrying value of impaired loans	$	10,482	$	9,847

(1) A loan is impaired when it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement; however, when the discounted cash flows, collateral value or market price equals or exceeds the carrying value of the loan, the loan does not require a specific reserve.

The unpaid principal balance of impaired loans was $46.1 million and $45.0 million at June 30, 2011 and December 31, 2010, respectively. The Company recognized $0.3 million, on a cash basis, of interest income on impaired loans for the six months ended June 30, 2011 and 2010.

The following table summarizes the activity in the allowance for loan losses for the three months and six months ended June 30, 2011 and 2010:

(in thousands)	2011	2010
Balance-January 1,	$ 33,713	$ 29,238
Provision for loan losses	565	3,467
Recoveries, net	–	35
Balance-March 31,	34,278	32,740
Provision for loan losses	293	550
Charge-offs, net	(565)	–
Balance-June 30,	$ 34,006	$ 33,290

Unfunded Loan Commitments

Unfunded loan commitments are agreements to fund construction or renovation of properties securing certain loans. At June 30, 2011 and December 31, 2010, the total unfunded loan commitments for performing HFI loans were $0.3 million. There were no commitments to lend additional funds to borrowers whose loans were impaired at June 30, 2011 and December 31, 2010. There were no outstanding unfunded commitments for HFS loans at June 30, 2011 and December 31, 2010.

NOTE 4—INVESTMENTS IN PREFERRED STOCK

As partial consideration for the Company's sale of its Agency Lending business, on May 15, 2009, the Company received three series of preferred stock from the purchaser with a par amount of $47.0 million: Series A Preferred units of $15.0 million, Series B Preferred units of $15.0 million and Series C Preferred units of $17.0 million, which entitles the Company to receive cumulative quarterly cash distributions at annualized rates of 17.5%, 14.5% and 11.5%, respectively. As part of the Company's sale of its Agency Lending business, the Company agreed to reimburse the purchaser up to a maximum of $30.0 million over the first four years after the sale date (expiring May 15, 2013), for payments the purchaser may be required to make under loss sharing arrangements with Federal National Mortgage Association ("Fannie Mae") and other government-sponsored enterprises or agencies with regard to loans they purchased from us. The Series B and Series C preferred stock agreements have a provision that provides for this loss sharing reimbursement to be satisfied, if necessary, by cancellation of Series C Preferred units and then Series B Preferred units, rather than by cash. The fair value of the preferred stock on May 15, 2009, the sale date, was estimated at $37.7 million.

The Company accounts for the preferred stock using the historical cost approach and tests for impairment at each balance sheet date. An impairment loss is recognized if the carrying amount of the preferred stock is not recoverable and exceeds its fair value. The carrying value of the preferred stock was $36.4 million at June 30, 2011 and December 31, 2010. The estimated fair value of the preferred stock was $38.3 million and $37.5 million at June 30, 2011 and December 31, 2010, respectively. The Company did not record impairment charges on the preferred stock for the six months ended June 30, 2011. The Company recorded impairment charges on the preferred stock of $0.5 million for the six months ended June 30, 2010. Since the inception date, the Company cancelled $3.0 million in Series C Preferred units to settle realized losses under the loss sharing arrangement. In May 2010, pursuant to the Series C agreement, $2.0 million of Series C Preferred units were redeemed as a result of the release of certain of the Company's letters of credit.

The Company is also obligated to fund losses on specific loans identified at the sale date that are not part of the $30.0 million loss reimbursement. The Company accounts for this obligation as a guarantee obligation and at June 30, 2011 and December 31, 2010 the fair value of this obligation was $0.5 million and $0.4 million, respectively. See Note 11, "Guarantees and Collateral." Since the sale of the Agency Lending business, the Company incurred $1.2 million in realized losses related to these specific loans.

NOTE 5—INVESTMENTS IN UNCONSOLIDATED VENTURES

The following table summarizes the investments in unconsolidated ventures at June 30, 2011 and December 31, 2010:

(in thousands)	June 30, 2011	December 31, 2010
Investments in Real Estate Related Entities	$ 6,837	$ 6,842

Investments in Real Estate Related Entities

The Company has historically invested in real estate funds or partnerships that invest in debt and equity instruments related to commercial real estate. However, since December 31, 2010, the Company's primary investment in unconsolidated ventures is the result of the Company having received in 2010 a 33.3% interest in a partnership that was formed to take a deed-in-lieu of foreclosure on land that was collateral for a loan held by the Company. The remaining interest in the partnership is held by a third party who had also loaned money to the developer on the same land parcel. The ownership interests in the partnership were determined based on the relative loan amounts provided by the Company and the third party lender. This third party interest holder is the primary beneficiary of the partnership.

Balance Sheet and Operating Results for the Unconsolidated Ventures

The following table displays the total assets and liabilities related to the ventures for which the Company holds an equity investment at June 30, 2011 and December 31, 2010:

(in thousands)	June 30, 2011	December 31, 2010
Investments in unconsolidated ventures:		
Total assets (primarily real estate)	$ 57,571	$ 66,601
Total liabilities (primarily debt)	22,894	22,600

The following table displays the net income for the three months and six months ended June 30, 2011 and 2010 for the ventures in which the Company holds an equity investment:

	For the three months ended June 30,		For the six months ended June 30,	
(in thousands)	2011	2010	2011	2010
Net (loss) income	$ (300)	$ 2,139	$ (294)	$ 2,307

NOTE 6—OTHER ASSETS

The following table summarizes other assets at June 30, 2011 and December 31, 2010:

(in thousands)	June 30, 2011	December 31, 2010
Other assets:		
Accrued interest receivable	$ 10,158	$ 10,793
Property and equipment, net	1,051	1,453
State tax receivables, net	4,060	5,539
Debt issue costs, net	9,771	10,349
Real estate owned, held for use	5,295	13,231
Real estate owned, held for sale	8,022	–
Other assets	4,159	4,662
Total other assets	$ 42,516	$ 46,027

Property and equipment are recorded at cost, net of accumulated depreciation and amortization, which was $4.0 million and $3.8 million at June 30, 2011 and December 31, 2010, respectively. Depreciation expense totaled $0.4 million for the six months ended June 30, 2011 and 2010. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets, which generally range from five to 15 years, depending on the asset or the lease term for leasehold improvements.

State tax receivables represent the net refund position as reflected on the Company's various state tax returns. A portion of these receivables may be subject to challenge by the relevant tax authority and therefore a contingent liability for uncertain tax positions of $2.4 million and $2.2 million at June 30, 2011 and December 31, 2010, respectively, has been recorded through other liabilities.

Real estate owned represents foreclosed property or properties acquired through a deed in lieu of foreclosure as a result of borrower defaults on their debt owed to the Company. At June 30, 2011 and December 31, 2010, the Company had two parcels of undeveloped land with a carrying value of $5.3 million. At June 30, 2011, the Company had a senior living facility with a carrying value of $8.0 million which it classified as held for sale during the second quarter of 2011 with an anticipated sale later this year. In connection with the held for sale classification, the Company accounted for the property's operations as discontinued operations. See Note 16, "Discontinued Operations," for more information. At March 31, 2011, this senior living facility had a carrying value of $7.9 million and was classified as held for use.

NOTE 7—DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the Company's derivative fair value balances at June 30, 2011 and December 31, 2010.

	Fair Value			
	June 30, 2011		December 31, 2010	
(in thousands)	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	$ 6,303	$ 18,951	$ 6,812	$ 19,561
Other	–	732	–	592
Total derivative financial instruments	$ 6,303	$ 19,683	$ 6,812	$ 20,153

The following table summarizes the derivative notional amounts at June 30, 2011 and December 31, 2010.

	Notional	
(in thousands)	June 30, 2011	December 31, 2010
Interest rate swaps	$ 303,735	$ 303,735
Other	15,945	23,974

The following table summarizes derivative activity for the three months and six months ended June 30, 2011 and 2010.

	Realized/Unrealized Gains (Losses) For the three months ended June 30,		Realized/Unrealized Gains (Losses) For the six months ended June 30,	
(in thousands)	2011	2010	2011	2010
Interest rate swaps(1)	$ (2,567)	$ (4,685)	$ (2,567)	$ (7,184)
Other	(256)	(399)	(327)	233
Total	$ (2,823)	$ (5,084)	$ (2,894)	$ (6,951)

(1) The cash paid and received on both interest rate swaps and total return swaps is settled on a net basis and recorded through "Net losses on derivatives." Net cash paid was $1.4 million and $1.8 million for the three months ended June 30, 2011 and 2010, respectively. Net cash paid was $2.8 million and $3.6 million for the six months ended June 30, 2011 and 2010, respectively.

Interest Rate Swaps

Interest rate swaps are executed to reduce the interest rate risk associated with the variable rate interest on the debt owed to senior interests in securitization trusts. Under the interest rate swap contracts, the Company typically receives a variable rate and pays a fixed rate. The rate that the Company receives from the counterparty will generally offset the rate that the Company pays on its debt instruments. Therefore, interest rate swaps effectively convert variable rate debt to fixed rate debt. The Company's interest rate swaps are generally indexed on a variable rate based on the weekly Securities Industry and Financial Markets Association Municipal Swap Index (an index of weekly tax-exempt variable rates ("SIFMA")) or the London Interbank Offer Rate ("LIBOR"), and the fixed rate is based on SIFMA or LIBOR for the specific term of the swap.

All of the Company's interest rate swap agreements are entered into under the International Swap Dealers Association's standard master agreements ("ISDAs"), including supplemental schedules and confirmations to these agreements. At June 30, 2011, the Company had interest rate swap contracts with the Counterparty totaling $303.7 million (notional) with a net fair value obligation of $12.6 million. The supplemental schedules to the ISDAs require the Company to maintain a minimum net asset value, which the Company has not done. Without a forbearance agreement, the lack of compliance with this covenant permits the Counterparty to terminate the interest rate swaps. On December 8, 2010, the Company entered into an amended and restated forbearance agreement with the Counterparty that, among other things, extends the forbearance date to the earlier of June 30, 2012 or when TEB is in compliance with its leverage and liquidation incurrence ratios.

NOTE 8—DEBT

The table below summarizes the Company's outstanding debt balances, the weighted-average interest rates and term dates at June 30, 2011 and December 31, 2010.

(in thousands)	June 30, 2011	Weighted-Average Interest Rate at Period-End	December 31, 2010	Weighted-Average Interest Rate at Period-End
Debt related to bond investing activities (1):				
Senior interests and debt owed to securitization trusts:				
Due within one year (2)	$–	–	$ 15,985	0.4 %
Due after one year (2)	685,000	0.5 %	732,115	0.7
Mandatorily redeemable preferred shares (3):				
Due within one year	5,769	7.5	5,558	7.5
Due after one year	117,488	8.5	127,971	8.6
Notes payable and other debt (4):				
Due within one year	5,634	6.1	5,654	6.0
Due after one year	75,663	6.9	68,444	6.7
Total bond related debt	889,554		955,727	
Non-bond related debt:				
Notes payable and other debt:				
Due within one year	58,596	7.4	106,520	7.4
Due after one year	26,457	11.5	27,267	12.1
Subordinated debentures (5)				
Due after one year	189,586	8.8	183,711	8.8
Line of credit facilities:				
Due within one year	–	–	4,190	6.0
Total non-bond related debt	274,639		321,688	
Total debt	$1,164,193		$ 1,277,415	

(1) Debt related to bond investing activities is debt that is either collateralized or securitized by bonds or other debt obligations of TEB and TEI.

(2) The Company also incurs on-going fees related to credit enhancement, liquidity, custodian, trustee and remarketing as well as upfront debt issuance costs, which when added to the weighted average interest rate brings the overall weighted average interest expense (due within one year) to 1.9% at December 31, 2010. These additional fees bring the weighted average interest rate (due after one year) to 1.7% and 2.0% at June 30, 2011 and December 31, 2010, respectively.

(3) Included in mandatorily redeemable preferred shares are unamortized discounts of $4.0 million and $4.4 million at June 30, 2011 and December 31, 2010, respectively.

(4) Included in notes payable and other debt are unamortized discounts of $1.7 million and $1.8 million at June 30, 2011 and December 31, 2010, respectively.

(5)

Included in subordinated debentures are unamortized discounts of $7.1 million and $13.0 million at June 30, 2011 and December 31, 2010, respectively.

Senior Interests and Debt Owed to Securitization Trusts

The Company securitizes bonds through several programs and under each program the Company transfers bonds into a trust, receives cash proceeds from the sales of the senior interests and retains the subordinated interests. Substantially all of the senior interests are variable rate debt. The residual interests the Company retains are subordinated securities entitled to the net cash flow of each trust after the payment of trust expenses and interest on the senior certificates. To increase the attractiveness of the senior interests to investors, the senior interests are credit enhanced or insured by a third party. For certain programs, a liquidity provider agrees to acquire the senior certificates upon a failed remarketing. The senior interest holders have recourse to the third party credit enhancer or insurance provider, while the credit enhancer or insurance provider has recourse to the bonds deposited in the trusts and the additional collateral pledged. In certain cases, the credit enhancer or insurance provider may also have recourse to the Company to satisfy the outstanding debt balance to the extent the bonds deposited in the trust and the additional collateral pledged is not sufficient to satisfy the debt. The Company's total senior interests and debt owed to securitization trusts balance was $685.0 million at June 30, 2011, of which $6.6 million and $551.7 million have maturing credit enhancement and liquidity facilities in 2011 and 2013, respectively. If we were unable to renew or replace our third party credit enhancement and liquidity facilities, we might not be able to extend or refinance our bond related debt. In this instance, the investor holding the debt issued by the securitization trust could put their investment back to the third party liquidity provider who in turn could liquidate the bonds within the securitization trust as well as our bonds pledged as collateral to the securitization trust in order to satisfy the outstanding debt balance. If we are able to extend or replace the third party credit enhancement and liquidity facilities or if we are able to remarket the debt without the benefit of third party credit enhancement and liquidity facilities, we could experience higher bond related interest expense.

Mandatorily Redeemable Preferred Shares

TEB has mandatorily redeemable preferred shares outstanding. These shares have quarterly distributions which are payable (based on the stated distribution rate) to the extent of TEB's net income. For this purpose, net income is defined as TEB's taxable income, as determined in accordance with the United States Internal Revenue Code, plus any income that is exempt from federal taxation, but excluding gains from the sale of assets. In addition to quarterly distributions, the holders of the cumulative mandatorily redeemable preferred shares receive an annual capital gains distribution equal to an aggregate of 10% of any realized net capital gains during the immediately preceding taxable year, if any. There were no capital gains distributions for the six months ended June 30, 2011 and 2010.

The table below summarizes the terms of the cumulative mandatorily redeemable preferred shares issued by TEB at June 30, 2011:

	Issue Date	Number of Shares	Liquidation Amount Per Share	Annual Distribution Rate	Annual Aggregate Distribution and Redemption Rate	Next Remarketing/ Mandatory Tender Date	Mandatory Redemption Date
Series A	May 27, 1999	37.5	$ 1,792,818	7.50 %	12.68 %	June 30, 2012	June 30, 2049
Series B	June 2, 2000	30	2,000,000	9.56	N/A	November 1, 2011	June 30, 2050

The credit ratings of TEB and each series of preferred shares are currently non-investment grade due to credit weaknesses in the multifamily housing sector, required amortization of certain preferred shares, as well as the rollover risk of the Freddie Mac credit facility on bonds that provide revenues to TEB, which expires in 2013. These credit ratings are not required under TEB's Operating Agreement and therefore do not change any terms or rights of the preferred shares.