MMA CAPITAL MANAGEMENT, LLC
Form 10-Q
May 10, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016

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

MMA CAPITAL MANAGEMENT, LLC
(Exact name of registrant as specified in its charter)

Delaware	52-1449733
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3600 O’Donnell Street, Suite 600	
Baltimore, Maryland	(443) 263-2900
(Address of principal executive offices)	(Registrant's telephone number, including area code)
21224	
(Zip Code)	

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, no par value	Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

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 No

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 No

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

There were 6,222,913 shares of common shares outstanding at May 5, 2016.

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Cautionary Statement Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q for the period ending March 31, 2016 (this "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," "seek," "would," "could," and similar words or expressions and 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 1, Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2015 ("2015 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 2015 Form 10-K in evaluating these forward-looking statements. We have not undertaken to update any forward-looking statements.

PART I – FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Organization

The Company partners with institutional capital to create and manage investments in affordable housing and renewable energy. The Company operates through three reportable segments – United States ("U.S.") Operations, International Operations and Corporate Operations.

U.S. Operations

Our U.S. Operations segment consists of three business lines: Leveraged Bonds, Low-Income Housing Tax Credits ("LIHTC") and Energy Capital and Other Investments (previously referred to as "Other Investments and Obligations" in the Company's 2015 Quarterly Reports on Form 10-Q).

In our Leveraged Bonds business line, we primarily own and manage bonds that finance affordable housing and infrastructure in the U.S. Within this business line, we manage most of the Company's bonds and associated financings. The bond portfolio is comprised primarily of multifamily tax-exempt bonds, but also includes other real estate related bond investments.

In our LIHTC business line, we primarily own and manage limited partner ("LP") and general partner ("GP") investments in affordable housing communities in the U.S. We provide asset management and administrative services to a limited liability company formed by the Company and a commercial bank ("TC Fund I") and have provided a limited guarantee of the tax credits expected to be generated by TC Fund I's portfolio of investments. As part of this business line, we have made other guarantees to third parties related to the receipt of tax credits and the performance of the underlying assets and we have loan receivables from, and an option to purchase, a tax credit asset manager.

In our Energy Capital and Other Investments business line, our wholly owned subsidiary MMA Energy Capital ("MEC") provides project capital to develop and build renewable energy systems through a joint venture that we have with an alternative asset manager (our "Solar Joint Venture). These financing solutions include debt investments to be used as late stage development capital to bring projects through the development phase and into construction, as well as capital to construct these projects and place them in operation. Within this business line, we also manage our solar and non-solar legacy assets.

International Operations

We manage our International Operations segment through our wholly owned subsidiary, International Housing Solutions S.à r.l. ("IHS"). IHS's strategy is to raise, invest in and manage private real estate funds that invest in residential real estate. IHS currently manages three funds: the South Africa Workforce Housing Fund SA I ("SAWHF"), which is a multi-investor fund and is fully invested; International Housing Solutions Residential Partners Partnership 1 ("IHS Residential Partners I"), which is a single-investor fund targeted at the emerging middle class in South Africa; and IHS Fund II SA Collector, L.P. and IHS Fund II SSA Collector, L.P. (collectively, "IHS Fund II"), which are multi-investor funds targeting investments in affordable housing, including green housing projects, within South Africa and Sub-Saharan Africa, respectively. During the second quarter of 2015, the Company and a South African property management company formed a company in South Africa, IHS Property Management Proprietary Limited ("IHS PM"), to provide property management services to the properties of IHS-managed funds. MMA owns 60% of IHS PM and the third party property manager owns the remaining 40%.

Corporate Operations

Our Corporate Operations segment is responsible for accounting, reporting, compliance and planning, which are fundamental to our success as a global fund manager and publicly traded company in the U.S.

Financial Results

Common shareholders' equity increased from $116.2 million at December 31, 2015 to $121.5 million at March 31, 2016. In this regard, the Company reported a 6.8% increase in diluted common shareholders' equity per share, which increased from $17.43 at December 31, 2015 to $18.62 at March 31, 2016. The majority of the Company's reported growth per share, or $1.14 per share, was driven in the first quarter of 2016 from "Equity in income from unconsolidated funds and ventures," net gains on assets and derivatives and a net increase in the fair value of our bond portfolio. The balance of such growth, or $0.05 per share, was attributable to repurchases during the first quarter of 2016 of our common shares at prices below our book value per share.

Balance Sheet Summary – Table 1

The table below summarizes the change in our balance sheet at March 31, 2016 from December 31, 2015. The balance sheet below presents the assets, liabilities and equity attributable to the noncontrolling interest holders of consolidated funds and ventures ("CFVs") as separate line items because of the Company's minimal equity ownership interests in such consolidated entities.

At March 31, 2016 and December 31, 2015, CFVs were comprised of consolidated property partnerships and certain LIHTC funds in which we guaranteed minimum yields on investment to investors and for which we agree to indemnify the purchaser of our GP interest in such funds from investor claims related to those guarantees ("Guaranteed Funds"). See Notes to Consolidated Financial Statements – Note 14, "Consolidated Funds and Ventures," for more information.

	(in thousands, except per share data)	At March 31, 2016	At December 31, 2015 (4)	Change for 2016
	Assets			
1	Cash and cash equivalents	$ 36,941	$ 21,843	$ 15,098
2	Restricted cash (without CFVs)	21,153	17,041	4,112
3	Bonds available for sale	192,928	218,439	(25,511)
4	Investments in partnerships (without CFVs)	83,533	82,655	878
5	Other assets (without CFVs)	36,196	39,481	(3,285)
6	Assets of CFVs (1)	208,284	219,612	(11,328)
7	Total assets	$ 579,035	$ 599,071	$ (20,036)
	Liabilities and Noncontrolling Equity			
9	Debt (without CFVs)	$ 218,273	$ 232,212	$ (13,939)
10	Accounts payable and accrued expenses	3,516	5,001	(1,485)
11	Other liabilities (without CFVs) (1)	21,115	19,318	1,797
12	Liabilities of CFVs	47,034	46,319	715
13	Noncontrolling equity related to CFVs (2)	167,519	180,020	(12,501)
14	Noncontrolling equity related to IHS PM (3)	75	31	44
15	Total liabilities and noncontrolling equity	$ 457,532	$ 482,901	$ (25,369)
16	Common Shareholders' Equity	$ 121,503	$ 116,170	$ 5,333
17	Common shares outstanding	6,480	6,589	(109)
18	Common shareholders' equity per common share	$ 18.75	$ 17.63	$ 1.12
19	Diluted common shareholders' equity	$ 127,286	$ 121,117	$ 6,169
20	Diluted common shares outstanding	6,835	6,948	(113)
21	Diluted common shareholders' equity per common share	$ 18.62	$ 17.43	$ 1.19

(1)

Assets of CFVs exclude $10.1 million and $10.4 million as of March 31, 2016 and December 31, 2015, respectively, of net assets; and other liabilities of MMA exclude $10.1 million and $10.4 million as of March 31, 2016 and December 31, 2015, respectively, of net liabilities. These assets and liabilities were eliminated in consolidation and primarily represent prepaid guarantee fees (CFVs) and deferred guarantee fees (MMA).

(2) Represents the amount of equity attributable to noncontrolling interest holders in the CFVs and reported through Noncontrolling interests in CFVs on the Company's Consolidated Balance Sheets.

(3) Represents the amount of equity balance attributable to the noncontrolling interest holder in IHS PM reported through Noncontrolling interests in CFVs and IHS PM on the Company's Consolidated Balance Sheets.

(4) Certain amounts have been revised. See Notes to Consolidated Financial Statements – Note 1, "Summary of Significant Accounting Policies" for more information.

Common Shareholders' Equity – Table 2

The table below summarizes the changes in common shareholders' equity for the periods presented:

		For the three months ended March 31,		
	(in thousands)	2016	2015 (1)	Change
1	Net income allocable to common shareholders (see Table 3)	$ 16,605	$ 162	$ 16,443
2	Other comprehensive (loss) income allocable to common shareholders (see Table 4)	(9,685)	1,443	(11,128)
3	Other changes in common shareholders' equity (see Table 5)	(1,587)	(586)	(1,001)
4	Net change in common shareholders' equity	$ 5,333	$ 1,019	$ 4,314

(1) Certain amounts have been revised. See Notes to Consolidated Financial Statements – Note 1, "Summary of Significant Accounting Policies" for more information.

Net Income to Common Shareholders – Table 3

The table below summarizes net income allocable to common shareholders for the periods presented:

		For the three months ended March 31,		
	(in thousands)	2016	2015 (1)	Change
1	Net interest income (see Table 6)	$ 3,142	$ 4,293	$ (1,151)
2	Fee and other income (see Table 7)	2,539	3,441	(902)
	Operating and other expenses:			
3	Other interest expense (see Table 8)	(1,042)	(3,196)	2,154
4	Operating expenses (see Table 9)	(6,263)	(5,386)	(877)
5	Net gains on assets and derivatives (see Table 10)	3,093	1,568	1,525
6	Net gains transferred into net income from AOCI due to real estate foreclosure (see Table 4)	11,442		11,442
7	Equity in income from unconsolidated funds and ventures	4,461	73	4,388
8	Net loss allocated to common shareholders related to CFVs (see Table 11)	(735)	(638)	(97)
9	Net income allocated to IHS PM minority interest holder (see Table 11)	(43)		(43)
10	Net income (loss) to common shareholders from continuing operations before income taxes	16,594	155	16,439
11	Income tax expense	(72)	(71)	(1)
12	Net income to common shareholders from discontinued operations, net of tax	83	78	5
13	Net income allocable to common shareholders	$ 16,605	$ 162	$ 16,443

(1) Certain amounts have been revised. See Notes to Consolidated Financial Statements – Note 1, "Summary of Significant Accounting Policies" for more information.

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Other Comprehensive Income Allocable to Common Shareholders – Table 4

The table below summarizes other comprehensive (loss) income that is allocable to common shareholders for the periods presented:

	(in thousands)	For the three months ended March 31, 2016	2015 (1)	Change
	Bond related activity:			
1	Increase in bond values due to market conditions	$ 2,662	$ 1,077	$ 1,585
2	Increase in AOCI due to equity in losses from lower tier property partnerships ("LTPPs") (see Table 11)	1,129	969	160
3	Reclassification of net unrealized gains on sold bonds into net income	(2,055)	(471)	(1,584)
4	Reclassification of unrealized bonds gains into net income due to foreclosure on mortgaged property (see Table 3)	(11,442)		(11,442)
5	Other comprehensive (loss) income related to bond activity	(9,706)	1,575	(11,281)
6	Foreign currency translation adjustment	21	(132)	153
7	Other comprehensive (loss) income allocable to common shareholders	$ (9,685)	$ 1,443	$ (11,128)

(1) Certain amounts have been revised. See Notes to Consolidated Financial Statements – Note 1, “Summary of Significant Accounting Policies” for more information.

Other comprehensive (loss) income allocable to common shareholders for the three months ended March 31, 2016 declined compared to amounts reported for the three months ended March 31, 2015 primarily due to the reclassification in the first quarter of 2016 of $11.4 million of unrealized gains into our Consolidated Statement of Operations that was triggered when the Company foreclosed upon, and subsequently sold, a multifamily property that secured a nonperforming bond investment.

Other Changes in Common Shareholders’ Equity – Table 5

The table below summarizes other changes in common shareholders’ equity for the periods presented:

	(in thousands)	For the three months ended March 31, 2016	2015	Change
1	Common share repurchases	$ (1,768)	$ (568)	$ (1,200)
2	Purchases of shares in a subsidiary (including price adjustments on prior purchases)		(159)	159
3	Director and employee share awards	181	141	40
4	Other changes in common shareholders' equity	$ (1,587)	$ (586)	$ (1,001)

Other changes in common shareholders’ equity as reported for the three months ended March 31, 2016 declined compared to that reported for the three months ended March 31, 2015 primarily as a result of the Company repurchasing 120,761 shares at an average price of $14.64 resulting in a reduction to common shareholders' equity of $1.8 million during the first quarter of 2016. This caused our equity per diluted common share outstanding to increase by $0.05 during the first quarter of 2016.

Consolidated Results of Operations

The following discussion of our consolidated results of operations should be read in conjunction with our financial statements, including the accompanying notes. See "Critical Accounting Policies and Estimates" for more information concerning the most significant accounting policies and estimates applied in determining our results of operations.

Net interest income – Table 6

The following table summarizes our net interest income for the periods presented:

	(in thousands)	For the three months ended March 31, 2016	2015 (1)	Change
	Interest income:			
1	Interest on bonds	$ 3,254	$ 4,026	$ (772)
2	Interest on loans and short-term investments	437	741	(304)
3	Total interest income	3,691	4,767	(1,076)
	Asset related interest expense:			
4	Bond related debt	(295)	(326)	31
5	Notes payable and other debt, non-bond related	(254)	(148)	(106)
6	Total interest expense	(549)	(474)	(75)
7	Net interest income	$ 3,142	$ 4,293	$ (1,151)

(1) Certain amounts have been revised. See Notes to Consolidated Financial Statements – Note 1, "Summary of Significant Accounting Policies" for more information.

Net interest income reported for the three months ended March 31, 2016 declined compared to that reported for the three months ended March 31, 2015 primarily as a result of (i) the sale or redemption of certain bond holdings after the first quarter of 2015, (ii) the full redemption of a bridge loan in the second quarter of 2015 and (iii) a decrease in the amount of unscheduled principal payments received on two bond investments received during the three months ended March 31, 2016 compared to that received for the three months ended March 31, 2015.

Fee and Other Income – Table 7

The following table summarizes our fee and other income for the periods presented:

	(in thousands)	For the three months ended March 31, 2016	2015	Change
1	Income on preferred stock investment	$	$ 1,297	$ (1,297)
2	Asset management fees and reimbursements	1,892	1,421	471
3	Other income	647	723	(76)
4	Fee and other income	$ 2,539	$ 3,441	$ (902)

Fee and other income reported for the three months ended March 31, 2016 declined compared to that reported for the three months ended March 31, 2015 primarily as a result of the redemption of the Company's investment in preferred stock in the fourth quarter of 2015. This decline was partially offset by a corresponding increase in asset management fees and reimbursements that was driven primarily by $0.3 million in reimbursements that was received in the first quarter of 2016 from our Solar Joint Venture.

Other interest expense – Table 8

The following table summarizes our other interest expense for the periods presented:

	(in thousands)	For the three months ended March 31, 2016	2015	Change
1	Subordinated debt	$ (1,042)	$ (2,652)	$ 1,610
2	Notes payable and other debt		(544)	544
3	Other interest expense	$ (1,042)	$ (3,196)	$ 2,154

Other interest expense represents interest expense associated with debt that does not finance interest-bearing assets. Amounts reported for the three months ended March 31, 2016 declined compared to that reported for the three months ended March 31, 2015 primarily as a result of a decrease in our cost of funding associated with MMA Financial Holdings, Inc. (“MFH”) subordinated debt, which was restructured during the second quarter of 2015. The reported decline in other interest expense was also partially attributable to the paydown of certain debt outstanding that was used to fund the Company’s investment in preferred stock, which was redeemed in full in the fourth quarter of 2015.

Operating Expenses – Table 9

The following table summarizes our operating expenses for the periods presented:

	(in thousands)	For the three months ended March 31, 2016	2015	Change
1	Salaries and benefits	$ (4,080)	$ (3,272)	$ (808)
2	General and administrative	(700)	(863)	163
3	Professional fees	(1,435)	(1,144)	(291)
4	Other expenses	(48)	(107)	59
5	Operating expenses	$ (6,263)	$ (5,386)	$ (877)

Operating expenses reported for the three months ended March 31, 2016 increased compared to that reported for the three months ended March 31, 2015 primarily due to (i) a $0.4 million increase in stock-based compensation expense that was driven by an increase in the market price for the Company’s common stock and (ii) a $0.3 million increase in cash-based compensation expense that was driven by an increase in employee headcount. Such increase was also partially attributable to professional fees, which increased primarily as a result of incremental audit fees that were incurred in the first quarter of 2016 in connection with the Company’s change in reporting status as an accelerated filer that required our independent registered accountant to issue an audit report on the effectiveness on our internal controls over financial reporting at December 31, 2015.

Net Gains on Assets, Derivatives and Extinguishment of Liabilities – Table 10

The following table summarizes our net gains on assets and derivatives for the periods presented:

	(in thousands)	For the three months ended March 31, 2016	2015	Change
1	Net gains on bonds	$ 2,295	$ 583	$ 1,712
2	Net gains on loans			
3	Net gains on derivatives	667	985	(318)
4	Net gains on real estate	116		116
5	Net gains on other assets	15		15
6	Net gains on assets and derivatives	$ 3,093	$ 1,568	$ 1,525

Net gains on assets and derivatives that were reported for the three months ended March 31, 2016 increased compared to that reported for the three months ended March 31, 2015 primarily due to net gains associated with the sale or redemption of two investments in bonds during the first quarter of 2016.

Net Loss from CFVs Allocable to Common Shareholders – Table 11

The table below summarizes the allocable net loss related to funds and ventures that were consolidated for the periods presented:

	(in thousands)	For the three months ended March 31, 2016	2015	Change
1	Revenue from CFVs	$ 819	$ 67	$ 752
2	Expense from CFVs	(8,368)	(9,316)	948
3	Equity in losses from LTPPs of CFVs	(5,686)	(5,693)	7
4	Net loss from CFVs	(13,235)	(14,942)	1,707
5	Net loss from CFVs allocable to noncontrolling interest in CFVs (1)	12,500	14,304	(1,804)
6	Net loss from CFVs allocable to common shareholders	$ (735)	$ (638)	$ (97)

(1) Excludes $43 of net gain allocable to the minority interest holder in IHS PM for the three months ended March 31, 2016. These amounts are excluded from this presentation because IHS PM related activity is not included within lines 1 through 4 above. There were no losses allocable to the minority interest holder in IHS PM for the three months ended March 31, 2015.

As reported in the table that follows, the net loss from CFVs that is allocable to common shareholders that was reported in the preceding table for the three months ended March 31, 2016 increased compared to that reported in the preceding table for the three months ended March 31, 2015 primarily as a result of additional equity losses from LTPPs in the first quarter of 2016. This increase in net losses was partially offset by equity in income from consolidated property partnerships associated with a direct real estate

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investment that the Company acquired on December 31, 2015.

		For the three months ended March 31,		
	(in thousands)	2016	2015	Change
7	Guarantee fees	$ 331	$ 331	$
8	Equity in losses from LTPPs	(1,129)	(969)	(160)
9	Equity in income from consolidated property partnerships	63		63
10	Net loss from CFVs allocable to common shareholders	$ (735)	$ (638)	$ (97)

Liquidity and Capital Resources

Our principal sources of liquidity include cash and cash equivalents and cash flows from operating and investing activities. At March 31, 2016 and December 31, 2015, we had unrestricted cash and cash equivalents of $36.9 million and $21.8 million, respectively, and we believe we have sufficient liquidity to meet our obligations as they become due.

For the periods presented, we consolidated certain funds and ventures for financial reporting purposes and therefore we reflected the cash flow activities for those funds and ventures as part of our Consolidated Statements of Cash Flow. As reported on our Consolidated Balance Sheets, the cash held by these CFVs was reported in "Restricted cash," rather than as cash and cash equivalents because the Company does not have legal title to this cash. Therefore, the net increase to unrestricted cash and cash equivalents is representative of the change only to MMA's cash balances excluding cash balances that pertain to CFVs. However, the individual operating, investing and financing categories present cash flow activity for both MMA and the CFVs on a consolidated basis.

The tables below provide the cash activity related to both MMA and the CFVs:

	For the three months ended March 31, 2016		
(in thousands)	MMA	CFVs	Total
Unrestricted cash and cash equivalents at beginning of period	$ 21,843	$	$ 21,843
Net cash provided by (used in):			
Operating activities	2,346	175	2,521
Investing activities	23,745	(168)	23,577
Financing activities	(10,993)	(7)	(11,000)
Net increase (decrease) in cash and cash equivalents	15,098		15,098
Cash and cash equivalents at end of period	$ 36,941	$	$ 36,941

(in thousands)	For the three months ended March 31, 2015 MMA	CFVs	Total
Unrestricted cash and cash equivalents at beginning of period	$ 29,619	$	$ 29,619
Net cash (used in) provided by:			
Operating activities	(2,088)	443	(1,645)
Investing activities	(1,354)	(443)	(1,797)
Financing activities	4,106		4,106
Net increase (decrease) in cash and cash equivalents	664		664
Cash and cash equivalents at end of period	$ 30,283	$	$ 30,283

Operating activities

The following table provides information about cash flows associated with operating activities of MMA:

(in thousands)	For the three months ended March 31, 2016	2015	Change
Interest income	$ 5,014	$ 5,052	$ (38)
Distributions received from investments in partnerships	3,678		3,678
Preferred stock dividends received		1,326	(1,326)
Asset management fees received	1,025	216	809
Other income	499	158	341
Interest paid	(1,102)	(1,844)	742
Salaries and benefits	(5,766)	(4,979)	(787)
General and administrative	(573)	(774)	201
Professional fees	(636)	(1,062)	426
Other expenses	(168)	(404)	236
Other	375	223	152
Net cash provided by (used in) operating activities	$ 2,346	$ (2,088)	$ 4,434

Cash flows provided by operating activities during the three months ended March 31, 2016 increased by $4.4 million compared to that reported for the three months ended March 31, 2015.

During the first quarter of 2016, we received $3.7 million of distributions from investments in partnerships, including $2.6 million as a result of the sale of real estate that was owned by a partnership in which the Company held a 50% limited partner interest and $1.1 million that the Company received from the Solar Joint Venture.

For the three months ended March 31, 2016, asset management fees received increased $0.8 million, primarily as a result of asset management fees received from the Solar Joint Venture and IHS funds. Also, net cash used in operating activities attributable to interest paid decreased $0.7 million as a result of the redemption of Company debt obligations during 2015.

Increase of cash flows from operating activities were partially offset by a $1.3 million decrease in preferred stock dividends received as a result of the Company's interest in the preferred stock being fully redeemed during the fourth quarter of 2015. The Company also experienced a $0.8 million increase in cash used in operating activities attributable to salaries and benefits. This increase was primarily a result of higher employee incentive compensation paid by the Company in the first quarter of 2016, as well as due to the hiring of new employees associated with our Energy Capital and Other Investment business line.

Investing activities

The following table provides information about cash flows associated with investing activities of MMA:

(in thousands)	For the three months ended March 31, 2016	2015	Change
Principal payments and sales proceeds received on bonds and loans	$ 16,828	$ 1,369	$ 15,459
Investments in property partnerships and real estate	(670)	(436)	(234)
Proceeds from the sale of real estate and other investments	17,804	3	17,801
Advances on and originations of loans held for investment	(6,294)		(6,294)
Decrease in restricted cash	(4,065)	(2,303)	(1,762)
Capital distributions received from investments in partnerships	142	13	129
Net cash provided by (used in) investing activities	$ 23,745	$ (1,354)	$ 25,099

Cash flows provided by investing activities during the three months ended March 31, 2016 increased by $25.1 million compared to that reported for the three months ended March 31, 2015.

During the first quarter of 2016, the Company foreclosed upon, and subsequently sold, a multifamily property that secured a nonperforming bond investment. The Company received net proceeds of $17.4 million in connection with its sale, which is the primary driver behind the $17.8 million increase in proceeds from the sale of real estate and other investments. Additionally, the Company experienced a $15.5 million increase in principal payments and sales proceeds received on bonds and loans, that was primarily attributable to (i) $6.9 million received to fully redeem a loan to the aforementioned real estate property partnership in which the Company held a 50% limited partner interest, (ii) $5.5 million collected on a defaulted bond sold during the first quarter of 2016 and (iii) $3.7 million of principal payments on two bonds that were a part of total return swap financing agreements during the first quarter of 2015.

Increases to cash flows from investing activities were partially offset by cash used for originations of loans held for investment during the first quarter of 2016 in the amount of $6.1 million. The Company also experienced a decrease in restricted cash of $4.1 million for the three months ended March 31, 2016 compared to a decrease of $2.3 million for the three months ended March 31, 2015.

Financing activities

The following table provides information about cash flows associated with financing activities of MMA:

(in thousands)	For the three months ended March 31, 2016	2015	Change
Proceeds from borrowing activity	$	$ 17,475	$ (17,475)

Repayment of borrowings	(9,225)	(12,714)	3,489
Purchase of treasury stock	(1,768)	(568)	(1,200)
Payment of debt issuance costs		(87)	87
Net cash (used in) provided by financing activities	$ (10,993)	$ 4,106	$ (15,099)

Cash flows used in financing activities during the three months ended March 31, 2016 increased by $15.1 million compared to that reported for the three months ended March 31, 2015.

The increase in cash used in financing activities was primarily due to $17.5 million of proceeds generated from total return swap financing arrangements that were entered into during the first quarter of 2015. Additionally, cash used by the Company for the purchase of treasury stock increased by $1.2 million for the three months ended March 31, 2016.

These increases in cash flows used in financing activities were partially offset by a $3.5 million decrease in cash used for the repayment of borrowings. Such decrease was primarily the result of $8.5 million of cash used to terminate total return swap financing arrangements during the first quarter of 2016 as compared to $11.6 million of cash used to terminate total return swaps during the first quarter of 2015.

Off-Balance Sheet Arrangements

At March 31, 2016, the Company had a $13.0 million subordinated loan receivable from the tax credit asset manager to whom we provided financing in connection with the sale of a portion of our LIHTC business. This loan is not recognized for financial statement purposes because the related conveyance did not qualify as a sale for financial reporting purposes. During the second quarter of 2015, the tax credit asset manager repaid $2.9 million of the financing that we provided, which reduced the unpaid principal balance

("UPB") of this off-balance sheet receivable to $13.0 million. We reported cash collected as a deferred gain that we classified as a component of "Other liabilities" in our Consolidated Balance Sheets.

Interest collected during the three months ended March 31, 2016 and 2015 on the seller financing was $0.4 million and $0.3 million, respectively, which was recorded as a deferred gain through "Other liabilities" in the Consolidated Balance Sheets.

At March 31, 2016, the cumulative amount of the deferred gain on the seller financing that is recognized in the Consolidated Balance Sheets as a component of "Other liabilities" was $5.6 million (which is comprised of $2.9 million of principal payments and $2.7 million of interest payments that have been received since the origination of such financing).

Debt

The table that follows below summarizes the carrying values and weighted-average effective interest rates of the Company's debt obligations that were outstanding at March 31, 2016. See Notes to Consolidated Financial Statements – Note 5, "Debt," for more information.

	At March 31, 2016	
(dollars in thousands)	Carrying Value	Weighted-Average Effective Interest Rate
Asset Related Debt (1)		
Notes payable and other debt – bond related	$ 79,211	1.8 %
Notes payable and other debt – non-bond related debt	7,408	11.3
Total asset related debt	86,619	2.6
Other Debt (2)		
Subordinated debt	131,654	3.2
Total other debt	131,654	3.2
Total asset related debt and other debt	218,273	3.0
Debt related to CFVs (3)	9,870	5.1
Total debt	$ 228,143	3.1

(1) Asset related debt is debt that finances interest-bearing assets. The interest expense from this debt is included in "Net interest income" on the Consolidated Statements of Operations.

(2) Other debt is debt that does not finance interest-bearing assets. The interest expense from this debt is included in "Interest expense" under" Operating and other expenses" on the Consolidated Statements of Operations.

(3) See Notes to Consolidated Financial Statements – Note 14, "Consolidated Funds and Ventures," for more information.

Asset Related Debt

Notes Payable and Other Debt – Bond Related

These debt obligations pertain to bonds that are classified as available-for-sale and that were financed by the Company through total return swaps. See Notes to Consolidated Financial Statements – Note 5, "Debt," for more information.

Notes Payable and Other Debt – Non-Bond Related

At March 31, 2016, this debt obligation relates primarily to amounts recognized by the Company in connection with a conveyance of solar loans to the Solar Joint Venture. See Notes to Consolidated Financial Statements – Note 5, "Debt," for more information.

Other Debt

Subordinated debt

At March 31, 2016, the Company had subordinated debt with a UPB of $122.6 million and carrying value of $131.7 million. The weighted average yield of this debt was 3.2%. The carrying value of this debt includes $11.8 million of net premiums that will amortize into net interest income as a reduction to debt expense over the life of the debt. These impacts will be offset by $2.7 million of unamortized debt issuance costs that will amortize as an increase to interest expense over the remaining life of the debt.

Debt Related to CFVs

At March 31, 2016, debt related to CFVs includes a $6.7 million debt obligation of one of the Guaranteed Funds that we consolidate for reporting purposes. At March 31, 2016, the carrying value of this debt, which is due on demand, equals its UPB and its weighted average effective interest rate is 5.5%.

The remaining $3.2 million of debt related to CFVs relates to two consolidated property partnerships and had a face amount of $2.8 million as of March 31, 2016. This debt has a weighted average effective interest rate at March 31, 2016 of 4.3% and has various maturity dates that run through May 1, 2039.

Covenant Compliance and Debt Maturities

At March 31, 2016, the Company was in compliance with all covenants under its debt arrangements.

Guarantees

The Company has guaranteed minimum yields on investment to investors in 11 Guaranteed Funds that are consolidated for reporting purposes along with two additional Guaranteed Funds that are not consolidated for reporting purposes. The Company may have to perform under such guarantees for losses resulting from recapture of tax credits due to foreclosure or difficulties in reaching occupancy milestones with respect to the LTPPs in which the Guaranteed Funds are invested. Guarantees and indemnifications that relate to the 11 Guaranteed Funds that the Company consolidated for reporting purposes will expire in full by the end of 2027 while the balance of the Company's indemnifications associated with Guaranteed Funds will expire by December 31, 2017.

On December 29, 2015, as part of TC Fund I's acquisition of a portfolio of limited partnership investments, MuniMae TEI Holdings, LLC ("TEI") agreed to annually make mandatory loans to TC Fund I for distribution to the bank involved in this transaction in the amount of 95% of the excess, if any, of the projected tax credits for years 2016 to 2020 over the tax credits actually allocated to the bank. In addition, until December 31, 2025, TEI agreed to make mandatory loans to TC Fund I for distribution to the bank in the amount of tax credits previously claimed from 2016 to 2020 that are subsequently recaptured or otherwise reduced or lost, together with associated costs. Mandatory loans are limited in amount to 70% of projected tax credits in any year ($109.6 million of total maximum exposure) and may be subject to certain other limitations. In addition to these limitations, the bank will absorb 5% of any loss of tax credits. On this basis, the Company recognized a $4.2 million liability in connection with TEI's mandatory loan performance obligation. At March 31, 2016, the Company had $4.1 million of unamortized fees related to the mandatory loan performance obligation. If the Company were ever required to make a mandatory loan to TC Fund I, the Company would have the right to recover such payment to the extent there were available cash flows from TC Fund I to provide for such reimbursement.

As of March 31, 2016, the Company has not made any payments in connection with any of the aforementioned guarantees. However, in the first quarter of 2016, the Company, as bondholder, foreclosed upon, and subsequently sold, the property owned by an LTPP in which one of the 11 Guaranteed Funds is an LP investor. As a result, the Company anticipates making a guarantee payment that, as of March 31, 2016, was estimated to be $1.0 million.

The following table provides information about the maximum exposure associated with the Company's guarantee and indemnification agreements that we executed in connection with Guaranteed Funds, TC Fund I and certain LTPPs:

(in thousands)	At March 31, 2016 Maximum Exposure (1)	Carrying Amount
Guaranteed Funds (2)	$ 490,843	$ 385
TC Fund I	109,599	4,122
LTPPs	1,223	63

(1) The Company's maximum exposure represents the maximum loss the Company could potentially incur under such agreements, but is not indicative of the likelihood of expected loss under such agreements.

(2) The maximum exposure includes $482.7 million related to the 11 Guaranteed Funds we consolidated at March 31, 2016. As further discussed in Notes to Consolidated Financial Statements - Note 9, "Guarantees and Collateral," and as of March 31, 2016, the Company had $10.5 million of unamortized fees related to indemnifications associated with the 11 Guaranteed Funds.

Company Capital

Common Shares

On December 14, 2015, the Board authorized a 2016 share repurchase program ("2016 Plan") for up to 0.6 million shares and on December 31, 2015, the Company adopted a further Rule 10b5-1 Plan implementing the Board's authorization. During the first quarter of 2016, the Company repurchased 0.1 million shares at an average price of $14.64. Between April 1, 2016 and May 5, 2016, we repurchased 0.2 million shares at an average price of $16.22. As of May 5, 2016, the Company had repurchased 0.3 million shares at an average of $15.59 since the 2016 Plan's inception. The maximum price at which management is authorized to purchase shares is $18.62 per share.

Dividend Policy

The Board makes determinations regarding dividends based on management's recommendation, which is based on an evaluation of a number of factors, including our common shareholders' equity, business prospects and available cash. We do not expect to pay a dividend for the foreseeable future.

Tax Benefits Rights Agreement

Effective May 5, 2015, the Company adopted a Rights Plan designed to help preserve the Company's net operating losses ("NOLs"). In connection with adopting the Rights Plan, the Company declared a distribution of one right per common share to shareholders of record as of May 15, 2015. The rights do not trade apart from the current common shares until the distribution date, as defined in the Rights Plan. Under the Rights Plan, the acquisition by an investor (or group of related investors) of greater than a 4.9% stake in the Company, could result in all existing shareholders other than the new 4.9% holder having the right to acquire new shares for a nominal cost, thereby significantly diluting the ownership interest of the acquiring person. The Rights Plan runs for a period of five years, or until the Board determines the plan is no longer required, whichever comes first. See Income Taxes section below for more information regarding our NOLs.

As of March 31, 2016, there was one shareholder whose ownership interest in the Company exceeded 4.9% (5.5%). However, the aforementioned provision in which all existing shareholders other than the new holder with ownership greater than 4.9% would be provided the opportunity to acquire new shares for a nominal cost was not triggered because this shareholder's ownership stake grew to exceed the 4.9% threshold as a result of actions taken by the Company to repurchase its own shares as opposed to actions taken by the shareholder to acquire additional shares.

Bond Portfolio

The table below provides key metrics related to all bonds in which we have an economic interest, including bonds that are not recognized for financial statement purposes but for which the Company maintains economic risks and rewards through total return swaps that the Company accounts for as derivatives as of March 31, 2016. See Notes to Consolidated Financial Statements – Note 6, "Derivative Instruments" for more information about total return swaps that are accounted for as derivative instruments.

(dollars in thousands)	UPB	Fair Value	Wtd. Avg. Coupon	Wtd. Avg. Pay Rate (4)	Wtd. Avg. Debt Service Coverage (5)	Number of Bonds	Number of Multifamily Properties
Multifamily tax-exempt bonds							
Performing	$ 186,510	$ 195,356	6.53 %	6.53 %	1.07 x	23	20
Non-performing (1), (2)	26,379	22,201	6.68 %	3.47 %	0.82 x	4	3
Subordinated cash flow (3)	9,620	9,132	6.78 %	0.96 %	N/A	3	
Total multifamily tax-exempt bonds	$ 222,509	$ 226,689	6.55 % (6)	6.15 % (6)	1.04 x	30	23
CDD bonds	$ 27,655	$ 26,109	6.75 %	6.75 %	N/A	2	N/A
Other bonds	$ 29,632	$ 30,468	4.35 %	4.35 %	N/A	4	N/A
Total bond portfolio	$ 279,796 (7)	$ 283,266 (7)	6.33 % (6)	6.01 % (6)	1.04 x	36	23

(1) Non-performing is defined as bonds that are 30 days or more past due in either principal or interest.

(2) This amount includes subordinated cash flow bonds with must-pay coupons with a UPB of $7.6 million and a fair value of $6.4 million.

(3) Subordinated cash flow bonds do not have must-pay coupons and are payable out of available cash flow only. A portion of the debt service has been collected on these bonds over the preceding 12 months, however, debt service is not calculated on these bonds as non-payment of debt service is not a default.

(4) The weighted average pay rate represents the cash interest payments collected on the bonds as a percentage of the bonds' average UPB for the preceding 12 months for the population of bonds at March 31, 2016.

(5) Debt service coverage is calculated on a rolling 12-month basis using property level information as of the prior quarter-end for those bonds with must pay coupons.

(6) The weighted average coupon and pay rate of the multifamily tax-exempt bonds and total bond portfolio excludes the population of subordinated cash flow bonds where non-payment of debt service is not a default.

(7) Includes 10 bonds financed by TRSs and accounted for as derivatives. These 10 bonds had a UPB of $86.7 million and a fair value of $89.2 million and were subject to TRSs with a notional amount of $88.1 million. This amount also includes an additional nine bonds financed by TRSs accounted for as a secured borrowing. These bonds had a

UPB of $77.7 million and a fair value of $83.4 million and were subject to TRSs with a notional amount of $79.3 million.

Real Estate Investments

At March 31, 2016, our U.S. real estate investments were comprised of interests in real estate partnerships that invest in commercial real estate, land and affordable multifamily rental properties as well as a direct land investment. The Company estimates the fair value of its interests in real estate partnerships and direct land investments using various valuation techniques, including discounting expected cash flows from such investments, appraisals and other indications of fair value, such as sale agreements and letters of intent to purchase, if available.

At March 31, 2016, our U.S. real estate investments had a reported carrying value in our Consolidated Balance Sheets of $38.4 million while their fair value was $48.5 million. $29.7 million of the carrying value of these investments was classified in our Consolidated Balance Sheets as a component of "Investments in partnerships" while the balance of such amount, or $8.7 million, was classified as a component of "Other assets."

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements is based on the application of U.S. generally accepted accounting principles ("GAAP"), which requires us to make certain estimates and assumptions that affect the reported amounts and classification of the amounts in our consolidated financial statements. These estimates and assumptions require us to make difficult, complex and subjective judgments involving matters that are inherently uncertain. We base our accounting estimates and assumptions on historical experience and on judgments that are believed to be reasonable under the circumstances known to us at the time. Actual results could differ materially from these estimates. We applied our critical accounting policies and estimation methods consistently in all material respects and for all periods presented, and have discussed those policies with our Audit Committee.

We believe the following accounting policies involve a higher degree of judgment and complexity and represent the critical accounting policies and estimates used in the preparation of our consolidated financial statements.

Valuation of Bonds

We classify and account for mortgage revenue bonds and other municipal bonds that we own as available-for-sale pursuant to Accounting Standards Codification ("ASC") No. 320, "Investments – Debt and Equity Securities." Accordingly, we measure investments in bonds at fair value in our Consolidated Balance Sheets, with unrealized gains and losses included in "Accumulated other comprehensive income" ("AOCI").

We measure the fair value of most of our performing bonds by calculating the net present value of their expected future cash flows using discount factors that reflect the market yield for such investments. In this regard, discount factors reflect specific bond attributes such as the expected term of a bond, debt service coverage ratio, geographic location and bond size. If observable, binding market quotes are available, we will estimate the fair value of our performing bonds based on such quoted prices.

For non-performing bonds (i.e., defaulted bonds as well as certain non-defaulted bonds where we deem future cash flows at risk of default), we measure fair value by discounting the property's expected cash flows and residual proceeds using estimated discount and capitalization rates, less estimated selling costs. However, the Company may measure fair value based on a sale agreement, a letter of intent to purchase, an appraisal or other indications of fair value as available.

There are significant judgments and estimates associated with projecting bond or underlying collateral cash flows for non-performing bonds given that we are required to make assumptions about macroeconomic conditions, interest rates, local and regional real estate market conditions and individual property performance. In addition, the determination of the discount rates applied to these cash flow forecasts involves significant judgments as to current credit spreads and investor return expectations. The bonds reflected on the Consolidated Balance Sheets at March 31, 2016 were priced at approximately 100% of the portfolio's UPB.

Consolidated Funds and Ventures

We have equity investments in partnerships and other entities that primarily hold or develop real estate. In most cases our legal interest in these entities is minimal; however, we apply ASC No. 810, "Consolidation" in order to determine if we need to consolidate any of these entities. There is considerable judgment in assessing whether to consolidate an entity under these accounting principles. Some of the criteria we are required to consider include:

- The determination as to whether an entity is a variable interest entity ("VIE").
- If the entity is considered a VIE, then the determination of whether we are the primary beneficiary of the VIE is needed and requires us to make judgments regarding: (1) our power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (2) our obligation to absorb losses of the VIE that could potentially be significant to the VIE or our right to receive benefits from the VIE that could potentially be significant to the VIE. These assessments require a significant analysis of all of the variable interests in an entity, any related party considerations and other features that make such an analysis difficult and highly judgmental.

If the entity is required to be consolidated, then upon initial consolidation, we record the assets, liabilities and noncontrolling interests at fair value. As of March 31, 2016, all of our CFVs were investment entities that own real estate or real estate related investments and, as such, we make judgments related to the forecasted cash flows to be generated from the investments such as rental revenue and operating expenses, vacancy, replacement reserves and tax benefits (if any). In addition, we must make judgments about discount rates and capitalization rates.

Income Taxes

We are a limited liability company that elected to be taxed as a corporation for income tax purposes. All of our business activities, with the exception of our foreign investments and managing member interests in two remaining LIHTC Funds, are conducted by entities included in our consolidated corporate federal income tax return.

ASC No. 740, “Income Taxes,” establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current period and deferred tax assets and liabilities for future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Significant judgment is required in determining and evaluating income tax positions, including assessing the relative merits and risks of various tax treatments considering statutory, judicial and regulatory guidance available regarding the tax position. We establish additional provisions for income taxes when there are certain tax positions that could be challenged and it is more likely than not these positions will not be sustained upon review by taxing authorities. Judgment is also required in assessing the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns as well as the recoverability of our deferred tax assets. In assessing our ability to realize the benefit of our deferred tax assets and thereby measuring the required valuation allowance, we consider information such as forecasted earnings, future taxable income and tax planning strategies, all of which entail significant judgment.

As of December 31, 2015, we had an estimated $436.9 million of federal net operating losses representing a significant potential asset of the Company, subject to a full valuation allowance as of that measurement date as discussed above. There are a number of risks associated with the potential ability of the Company to use the net operating losses, including: 1) change of control for the Company; 2) lack of taxable income generated before expiration of the carryforward period beginning in 2027; and 3) potential challenges from tax authorities. On May 5, 2015, the Board adopted a Rights Plan to potentially mitigate the risk of a change of control event. Although the Rights Plan is generally an effective deterrent against, it does not absolutely prevent a change of control and it could be subject to challenge following a trigger event. The Rights Plan will run for a period of five years, or until the Board determines the plan is no longer required, whichever comes first.

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