

MMA CAPITAL MANAGEMENT, LLC
Form 10-Q
May 10, 2018

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, 2018

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
(State or other jurisdiction of incorporation or organization) 52-1449733 (I.R.S. Employer Identification No.)
3600 O'Donnell Street, Suite 600

Baltimore, Maryland
(Address of principal executive offices) (443) 263-2900 (Registrant's telephone number, including area code)

21224
(Zip Code)

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

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

Common Stock Purchase Rights	Nasdaq Capital Market
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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,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 5,701,423 shares of common shares outstanding at May 3, 2018.

MMA Capital Management, LLC
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SIGNATURES

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Cautionary Statement Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (this “Report”) should be read in conjunction with our 2017 Annual Report on Form 10-K for the year ended December 31, 2017 (“2017 Annual Report”), filed with the United States (“U.S.”) Securities and Exchange Commission (“SEC”), to which reference is hereby made. 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,” “believe,” “seek,” “would,” “could,” and similar words or expressions and are made in connection with discussions of future events and 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. For a discussion of certain of those risks and uncertainties and the factors that could cause our actual results to differ materially because of those risks and uncertainties, see Part I, Item 1A, Risk Factors of our 2017 Annual Report.

Readers are cautioned not to place undue reliance on forward-looking statements in this Report or that we may make from time to time, and to consider carefully the factors discussed in Part I, Item 1A. “Risk Factors” of the 2017 Annual Report in evaluating these forward-looking statements. We do not undertake to update any forward-looking statements contained herein, except as required by law.

PART I – FINANCIAL INFORMATION

MMA Capital Management, LLC

Consolidated Financial Highlights

(Unaudited)

(in thousands, except per common share data)	As of and for the quarterly period ended				
	1Q18	4Q17	3Q17	2Q17	1Q17
Selected income statement data					
Net interest income	\$ 2,895	\$ 1,666	\$ 1,817	\$ 2,131	\$ 2,420
Non-interest revenue	220	224	794	451	297
Total revenues, net of interest expense	3,115	1,890	2,611	2,582	2,717
Operating and other expenses	9,279	13,355	20,737	12,610	13,320
Net gains (losses) from bonds and other continuing operations	3,136	(3,181)	9,595	2,002	(4,584)
Net loss from continuing operations before income taxes	(3,028)	(14,646)	(8,531)	(8,026)	(15,187)
Income tax benefit (expense)	790	1,977	(384)	(1,580)	1,413
Net income from discontinued operations, net of tax	20,578	6,680	5,655	5,500	1,193
Loss allocable to noncontrolling interests from continuing operations		11,346	12,716	11,056	8,554
Loss allocable to noncontrolling interests from discontinued operations		151	465	466	583
Net income (loss) allocable to common shareholders	\$ 18,340	\$ 5,508	\$ 9,921	\$ 7,416	\$ (3,444)
Earnings per share data					
Net income allocable to common shareholders: Basic	\$ 3.25	\$ 0.94	\$ 1.69	\$ 1.26	\$ (0.58)
Diluted	3.25	0.89	1.69	1.16	(0.58)
Average shares:					
Basic	5,650	5,838	5,871	5,893	5,937
Diluted	5,650	6,223	5,871	6,275	5,937
Market and per common share data					
Market capitalization	\$ 153,699	\$ 134,274	\$ 143,952	\$ 132,428	\$ 135,725
Common shares at period-end	5,746	5,618	5,836	5,881	5,921
Share price during period:					
High	30.58	26.60	25.05	24.00	23.50

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Low	23.85	23.70	18.00	22.00	19.00
Closing price at period-end	27.20	24.30	25.05	22.85	23.25
Book value per common share: Basic	31.05	24.49	23.26	21.69	20.32
Diluted	30.82	24.48	23.26	21.69	20.32
Selected balance sheet data (period end)					
Cash and cash equivalents	\$ 33,444	\$ 35,693	\$ 29,356	\$ 33,505	\$ 28,264
Investments in debt securities (without consolidated funds and ventures ("CFVs"))	157,824	143,604	142,951	151,662	152,385
All other assets (without CFVs)	222,098	163,557	160,820	135,750	148,534
Assets of discontinued operations		61,220	65,862	66,763	69,729
Assets of CFVs		127,812	136,507	148,359	158,798
Total assets	\$ 413,366	\$ 531,886	\$ 535,496	\$ 536,039	\$ 557,710
Debt (without CFVs)	\$ 205,099	\$ 209,427	\$ 209,233	\$ 209,130	\$ 224,082
All other liabilities (without CFVs)	29,854	27,580	25,562	21,894	21,757
Liabilities of discontinued operations		17,212	15,603	15,701	18,868
Liabilities of CFVs		50,565	48,320	47,458	46,842
Noncontrolling interests		89,529	101,052	114,309	125,862
Total liabilities and noncontrolling interests	234,953	394,313	399,770	408,492	437,411
Common shareholders' equity	\$ 178,413	\$ 137,573	\$ 135,726	\$ 127,547	\$ 120,299
Rollforward of common shareholders' equity					
Common shareholders' equity - at beginning of period	\$ 137,573	\$ 135,726	\$ 127,547	\$ 120,299	\$ 125,324
Net income allocable to common shareholders	18,340	5,508	9,921	7,417	(3,444)
Other comprehensive income (loss) allocable to common shareholders	9,160	2,154	61	768	352
Common share repurchases		(5,694)	(1,161)	(982)	(1,770)
Common shares issued	4,125				
Cumulative change due to change in accounting principles	9,206				
Other changes in common shareholders' equity	9	(121)	(642)	45	(163)
Common shareholders' equity - at end of period	\$ 178,413	\$ 137,573	\$ 135,726	\$ 127,547	\$ 120,299

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

INTRODUCTION

Overview

MMA Capital Management, LLC was organized in 1996 as a Delaware limited liability company. Unless the context otherwise requires, and when used in this Report, the "Company," "MMA," "we," "our" or "us" refers to MMA Capital Management, LLC and its subsidiaries.

The Company primarily invests in debt associated with affordable housing and renewable energy. We focus on investments with attractive risk-adjusted returns that generate positive environmental and social impacts. Our investments, other assets and liabilities are organized into three portfolios:

- Leveraged Bonds – This portfolio primarily includes tax-exempt mortgage revenue bonds that are leveraged to generate attractive risk adjusted returns;
- Energy Capital – This portfolio consists primarily of investments that we have made through joint ventures with our institutional capital partners in loans that finance renewable energy projects; and
- Other Assets and Liabilities – This portfolio includes certain loan receivables, cash, real estate-related investments, subordinated debt and the balance of the Company's assets and liabilities.

Commencing on January 8, 2018, we became externally managed by Hunt Investment Management, LLC, an investment adviser registered with the SEC (our "External Manager"). In conjunction with this change, and as further discussed in the 2017 Annual Report, we completed the sale of the following businesses and assets to the Hunt Companies, Inc. (the Hunt Companies, Inc. and its affiliates are hereinafter referred to as "Hunt"):

- our Low Income Housing Tax Credit ("LIHTC") business;
- our international asset and investment management business;
- the loan origination, servicing and management components of our Energy Capital business (including certain management, expense reimbursement and other contractual rights that were held by the Company with respect to this business line);
- our bond servicing platform; and
- certain miscellaneous investments.

The Company received a \$57 million note from Hunt FS Holdings II, LLC, an affiliate of Hunt, as consideration for the sale of the aforementioned businesses and assets (this sale transaction is hereinafter referred to as the "Disposition").

In conjunction with the Disposition, the Company's option to purchase the LIHTC business of Morrison Grove Management, LLC ("MGM") was also converted into a purchase and sale agreement pursuant to which the Company agreed to complete the purchase of MGM subject to certain conditions precedent. In addition, the Company signed an agreement to acquire from an affiliate of MGM certain assets pertaining to a specific LIHTC property and acquired a \$9.0 million senior note from affiliates of MGM. Hunt has the right to elect to take assignment of the purchase agreements related to MGM and, subject to the terms of such agreements, could acquire the MGM LIHTC business and property directly from MGM and its affiliates. If this were to occur, Hunt would acquire the \$9.0 million senior note from us.

Given these changes to our business model and effective the first quarter of 2018, we operate as a single reporting segment. As a result, we no longer operate, or present the results of our operations, through three reportable segments that, as of December 31, 2017, included U.S. Operations, International Operations and Corporate Operations.

Leveraged Bonds Portfolio

In our Leveraged Bonds portfolio, we primarily invest in bonds for our own account that finance affordable housing and infrastructure in the U.S.

The bonds we hold are fixed rate and unrated. Our bonds are also generally tax-exempt and collateralized by affordable multifamily rental properties. Substantially all of the rental units in these multifamily properties, which may be subsidized by the government, have tenant income and rent restrictions.

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The Company also has a smaller portfolio of other real estate bonds. This portfolio includes: (i) municipal bonds that finance the development of infrastructure for a mixed-use town center development and are secured by incremental tax revenues generated from the development, (ii) a subordinated investment in a collateralized mortgage-backed security that finances a mixed-use multifamily housing property and (iii) a tax-exempt bond that is fully secured by U.S. Treasury notes.

The Company has financed its ownership of a majority of its investments in bonds through total return swap (“TRS”) agreements. These financing arrangements enable the Company to retain the economic risks and rewards of the fixed rate bonds that are referenced in such agreements and generally require the Company to pay a variable rate of interest that resets on a weekly basis. The Company also has executed TRS agreements to synthetically acquire the total return of multifamily bonds that it does not own. The Company has hedged a portion of the interest rate risk associated with its TRS agreements and other sources of variable interest rate exposure using various interest rate risk management agreements.

Table 1 provides key metrics related to all bonds in which we have an economic interest, including bonds in which we acquired an economic interest through TRS agreements (such bonds and TRS agreements are hereinafter referred to collectively as the “Bond Portfolio”). See Notes to Consolidated Financial Statements – Note 6, “Debt,” and Note 7, “Derivative Instruments,” for more information about how TRS and interest rate risk management agreements are reported in the Company’s financial statements.

Table 1: Bond Portfolio - Summary

	At March 31, 2018		Wtd. Avg. Coupon	Wtd. Avg. Pay Rate (5)	Wtd. Avg. Debt Service Coverage (6)	Number of Bonds (7)	Number of Multifamily Properties (7)
	Principal Balance ("UPB")	Fair Value					
(dollars in thousands)							
Multifamily tax-exempt bonds							
Performing	\$ 168,604	\$ 177,340	6.42 %	6.42 %	1.20 x	21	19
Non-performing (1)	9,890	8,005	6.45 %	2.69 %	0.88 x	1	1
Subordinated cash flow (2)	9,620	10,073	6.78 %	1.54 %	N/A	3	
Total multifamily tax-exempt bonds	\$ 188,114	\$ 195,418	6.43 % (4)	6.22 % (4)	1.18 x	25	20
Infrastructure bonds	\$ 26,825	\$ 21,191	6.75 %	6.75 %	0.62 x	2	N/A

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Other bonds	\$ 14,845	\$ 15,486	5.12 %	5.12 %	N/A	2	N/A
Total Bond Portfolio (3)	\$ 229,784	\$ 232,095	6.38 % (4)	6.21 % (4)	1.10 x	29	20

- (1) Includes bond investments that are 30 days or more past due in either principal or interest payments.
- (2) Coupon interest on these investments is payable only to the extent sufficient cash flows are available for the debtor to make such payments. As a result, debt service coverage is not calculated for these investments.
- (3) Includes nine bonds with a combined UPB and fair value of \$70.7 million and \$74.3 million, respectively, that were financed with TRS agreements that had a combined notional amount of \$72.1 million and that were accounted for as derivatives at March 31, 2018. The Bond Portfolio also includes 10 bonds with a combined UPB and fair value of \$96.2 million and \$101.1 million, respectively, that were financed with TRS agreements that had a combined notional amount of \$96.9 million and where the transfer of underlying bond investments was accounted for as a secured borrowing.
- (4) Excludes the effects of subordinated cash flow bonds. If the Company had included the effects of subordinated cash flow bonds in the determination of these amounts, the weighted average coupon for total multifamily tax-exempt bonds and for the total bond portfolio would have been 6.44% and 6.39%, respectively, at March 31, 2018, and the weighted-average pay rate for total multifamily tax-exempt bonds and for the total bond portfolio would have been 5.98% and 6.01%, respectively, at March 31, 2018.
- (5) Reflects cash interest payments collected as a percentage of the average UPB of corresponding bond investments for the preceding 12 months at March 31, 2018.
- (6) Calculated on a rolling 12-month basis using property level information as of the prior quarter-end for those bonds with must pay coupons that are collateralized by multifamily properties or incremental tax revenues in the case of infrastructure bonds.
- (7) As of December 31, 2017, the Bond Portfolio was comprised of 29 bonds, which included 25 multifamily tax-exempt bonds that were collateralized by 20 affordable multifamily rental properties.

The fair value of the Bond Portfolio as a percentage of its UPB decreased from 102.5% at December 31, 2017 to 101.0% at March 31, 2018, while the weighted-average debt service coverage ratio of the Bond Portfolio was 1.10x at December 31, 2017 and March 31, 2018.

Interest Rate Risk Hedge Positions

We use interest rate swaps and caps to hedge interest rate risk associated with this portfolio. The net fair value of these financial instruments was \$2.2 million at March 31, 2018.

Energy Capital Portfolio

In our Energy Capital portfolio, we invest in loans that finance renewable energy projects. These loans include late-stage development, construction and permanent loans. We invest in these loans directly and through multiple ventures with a leading global private investment firm and an alternative asset manager (hereinafter, the “Solar Ventures”) to enable developers, design and build contractors and system owners to develop, build and operate renewable energy systems throughout North America. The Solar Ventures include: Renewable Energy Lending, LLC (“REL”); Solar Construction Lending, LLC (“SCL”); Solar Permanent Lending, LLC (“SPL”); and Solar Development Lending, LLC (“SDL”). Our External Manager provides loan origination, servicing, asset management and other management services to the Solar Ventures.

In November 2016, the Company made an initial \$75.0 million non-cash capital contribution into REL that was comprised of solar energy loan investments, including our membership interests in SCL and SPL, in exchange for a membership interest in REL. As a result of this exchange, our interest in REL provides us with an indirect interest in SCL and SPL. As stipulated in the governing documents of REL, our partner will make 100% of the incremental capital contributions to REL until it has funded 85% of the equity invested and will receive 100% of the capital distributions from REL until it has received a return of all of its contributed capital, thereby causing our ownership interest in REL to fluctuate. At March 31, 2018, our investment in REL had a carrying value of \$76.6 million, which represented a 57% ownership interest.

Upon the formation of SDL, the Company and its capital partner each agreed to contribute 50% of the initial and incremental capital contributions to the partnership. However, during the third quarter of 2017, the partners agreed that the Company would fund 10% and our capital partner would fund the remaining 90% for a particular portfolio of loans, thereby causing our ownership interest in SDL to decrease in percentage terms. At March 31, 2018, the Company’s investment in SDL had a carrying value of \$9.6 million, representing a 10% ownership interest.

At March 31, 2018, the UPB of loans that were funded through the Solar Ventures was \$205.5 million. Loans outstanding at March 31, 2018, had a weighted-average remaining maturity and coupon of 10 months and 8.9%, respectively.

Other Assets and Liabilities Portfolio

In our Other Assets and Liabilities portfolio, we manage the Company’s cash, loan receivables, real estate-related investments, subordinated debt and other assets and liabilities of the Company. An overview of the primary assets and liabilities within this portfolio follows.

Cash

As of March 31, 2018, we had \$33.4 million of unrestricted cash and \$15.9 million of restricted cash.

Hunt Note

As consideration for the Disposition, Hunt agreed to pay the Company \$57 million and to assume certain liabilities of the Company. The Company provided seller financing to Hunt through a \$57 million note receivable from Hunt that has a term of seven years, is prepayable at any time and bears interest at the rate of 5% per annum. The unpaid principal balance on the note will amortize in 20 equal quarterly payments of \$2.85 million beginning on March 31, 2020.

Real Estate-Related Investments

When the Company conveyed its international asset and investment management business to Hunt, it retained an 11.85% ownership interest in the South Africa Workforce Housing Fund (“SAWHF”), along with related financing for that investment and a foreign currency hedge agreement for risk management purposes. SAWHF is a multi-investor fund managed by IHS that began operations in April 2008, and is currently in the process of exiting its investments by its amended maturity date of April 2019. The carrying value of the Company’s investment in SAWHF was \$13.6 million at March 31, 2018.

At March 31, 2018, we owned one direct investment in real estate consisting of a land parcel. This investment had a carrying value of \$3.5 million as of March 31, 2018.

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At March 31, 2018, we were an equity partner in five real estate-related investments consisting of (i) a 68.4% ownership interest in a mixed-use town center development whose incremental tax revenues secure our infrastructure bond investments and (ii) four limited partner (“LP”) interests in partnerships that owned affordable housing and in which the ownership percentage associated with these investments ranged from 74.25% to 98.99%. The carrying value of these five investments was \$22.7 million at March 31, 2018.

Deferred Tax Assets

Deferred taxes arise from differences between assets and liabilities measured for financial reporting versus income tax return purposes. Deferred tax assets (“DTAs”) are recognized if we assess that it is more likely than not that tax benefits, including net operating losses (“NOLs”) and other tax attributes, will be realized. As of December 31, 2017, the carrying value of our DTAs was \$140 million, although these assets were fully reserved because management determined that, as of such reporting date, it was not more likely than not that the Company would realize its DTAs. The Company’s DTAs remain fully reserved as of March 31, 2018.

Debt Obligations

This portfolio includes the Company’s subordinated debt, notes payable and other debt. The carrying value and weighted-average yield of these debt obligations at March 31, 2018 is provided below in Table 20.

Interest Rate Risk Hedge Positions

We use interest rate swaps and caps to hedge interest rate risk associated with debt obligations in this portfolio. The net fair value of these financial instruments was \$4.2 million at March 31, 2018.

Interests in MGM

As consideration for the sale of our LIHTC business to MGM in 2014, the Company received an option to acquire the LIHTC business of MGM, which primarily manages LIHTC investments on behalf of third party investors and for its own account. As noted above, this purchase option was converted on January 8, 2018, into a purchase and sale agreement that requires the Company to complete the purchase of MGM subject to certain conditions precedent. On January 8, 2018, the Company also (i) executed agreements to acquire from an affiliate of MGM certain assets pertaining to a specific LIHTC property and (ii) purchased a \$9.0 million senior loan from an MGM affiliate. This senior loan, which is secured by assets of MGM, bears interest at 11% payable quarterly. The unpaid principal balance of this loan, which was \$9.0 million as of March 31, 2018, is payable in full in June 2020. Hunt has the right to elect to take assignment of these agreements and settle directly with MGM, including purchase of the \$9.0 million senior loan from the Company.

Our External Manager

In conjunction with the Disposition, we entered into a management agreement with the External Manager (the “Management Agreement”) that took effect on January 8, 2018. At the time of the Disposition, all employees of the Company were hired by the External Manager. In consideration for the management services to be provided by the External Manager, the Company will pay the External Manager (i) a base management fee, which is payable quarterly in arrears and is calculated as a percentage of the Company’s GAAP common shareholders’ equity, with certain annual true-ups, and (ii) an incentive fee equal to 20% of the total annual return of diluted common shareholders’ equity per share in excess of 7%. However, for the first and second quarters of 2018, the base management fee is fixed at \$1 million per quarter. The Company also agreed to reimburse the External Manager for certain allocable overhead costs.

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SUMMARY OF FINANCIAL PERFORMANCE

Net Worth

Common shareholders' equity increased from \$137.6 million at December 31, 2017 to \$178.4 million at March 31, 2018. This change was driven by \$27.5 million in comprehensive income that was allocable to common shareholders and by \$13.3 million of other increases in common shareholders' equity.

Diluted common shareholders' equity ("Book Value") per share increased \$6.34 per share in the first quarter of 2018 to \$30.82 at March 31, 2018.

Refer to "Consolidated Balance Sheet Analysis" for more information about changes in common shareholders' equity and other components of our Consolidated Balance Sheets.

Comprehensive Income

We recognized comprehensive income that was allocable to common shareholders of \$27.5 million in the first quarter of 2018, which consisted of \$18.3 million of net income that was allocable to common shareholders and \$9.2 million of other comprehensive income that was allocable to common shareholders. In comparison, we recognized \$3.1 million of comprehensive loss that was allocable to common shareholders during the first quarter of 2017, which consisted of \$3.4 million of net loss that was allocable to common shareholders and \$0.3 million of other comprehensive income that was allocable to common shareholders.

Net income that we recognized in the first quarter of 2018 was primarily driven by the Disposition. In this regard, \$20.6 million of net income that we reported in the first quarter of 2018 was attributable to discontinued operations. Refer to "Consolidated Results of Operations" for more information about changes in common shareholders' equity that is attributable to net income allocable to common shareholders.

Other comprehensive income that we reported in the first quarter of 2018 was also primarily attributable to the Disposition. Refer to "Consolidated Balance Sheet Analysis" for more information about other comprehensive income.

Other Considerations

As further discussed in "Introduction – Overview" in Item 2 of this Report, the Company sold certain business lines and assets to Hunt and converted to an externally managed business model by engaging Hunt to perform management services for the Company. By executing this strategic transaction, the Company no longer recognizes:

- asset management fees and expense reimbursement revenues from international operations, LIHTC and renewable energy funds that we previously managed;
- investment income associated with conveyed equity co-investments in previously-managed funds;
- guarantee revenues or expenses associated with our LIHTC business line;
- various legal and other professional fees that are incurred in the normal course to manage the previously managed investment funds;
- employee salaries and benefits (other than stock compensation expense associated with unexercised options that were not conveyed and that is reported as a component of "Salaries and benefits" expense in our Consolidated Statements of Operations); and
- other income and expense associated with conveyed interests and employees.

The Disposition also resulted in the deconsolidation from the Company's Consolidated Balance Sheets on January 8, 2018 of all guaranteed LIHTC funds and derecognition of nearly all other CFVs that were recognized in our Consolidated Balance Sheets at December 31, 2017. As a result, the Company will no longer recognize in future reporting periods revenues, expenses, assets, liabilities and noncontrolling interests associated with such CFVs.

In place of the aforementioned revenues and expenses, and notwithstanding revenues and expenses associated with assets and liabilities of the Company that were excluded from the sale transaction, the Company recognizes interest income associated with its loan receivable from Hunt and will recognize various costs set forth in the Management Agreement, including base management fees, incentive management fees and reimbursements to the External Manager for certain allocable overhead costs.

Information that is provided in this Report's "Consolidated Balance Sheet Analysis" and "Consolidated Results of Operations" should be reviewed in consideration of the aforementioned changes.

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CONSOLIDATED BALANCE SHEET ANALYSIS

This section provides an overview of changes in our assets, liabilities and equity and should be read together with our consolidated financial statements, including the accompanying notes to the financial statements.

Table 2 provides a balance sheet summary for the periods presented. For presentation purposes, assets, liabilities and equity that were attributable to noncontrolling interest holders of CFVs are presented in Table 2 as separate line items because the Company generally has a minimal ownership interest in these consolidated entities. For the periods presented, 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. However, the Disposition resulted in the deconsolidation from the Company's Consolidated Balance Sheets in the first quarter of 2018, of all guaranteed LIHTC funds and derecognition of nearly all other CFVs that were recognized in our Consolidated Balance Sheets at December 31, 2017. See Notes to Consolidated Financial Statements – Note 14, “Discontinued Operations,” and Note 15, “Consolidated Funds and Ventures,” for more information about CFVs.

Table 2: Balance Sheet Summary

(in thousands, except per share data)	At March 31, 2018	At December 31, 2017	Change
Assets			
Cash and cash equivalents	\$ 33,444	\$ 35,693	\$ (2,249)
Restricted cash (without CFVs)	15,870	21,271	(5,401)
Investments in debt securities (without CFVs)	157,824	143,604	14,220
Investments in partnerships (without CFVs)	122,432	128,820	(6,388)
Loans	66,299	736	65,563
Other assets (without CFVs)	17,497	12,730	4,767
Assets of discontinued operations		61,220	(61,220)
Assets of CFVs (1)		127,812	(127,812)
Total assets	\$ 413,366	\$ 531,886	\$ (118,520)
Liabilities and Noncontrolling Interests			
Debt (without CFVs)	\$ 205,099	\$ 209,427	\$ (4,328)
Accounts payable and accrued expenses	4,137	6,098	(1,961)
Other liabilities (without CFVs) (1)	25,717	21,482	4,235
Liabilities of discontinued operations		17,212	(17,212)
Liabilities of CFVs		50,565	(50,565)
Noncontrolling interests related to CFVs		89,529	(89,529)
Total liabilities and noncontrolling interests	\$ 234,953	\$ 394,313	\$ (159,360)
Common Shareholders' Equity	\$ 178,413	\$ 137,573	\$ 40,840

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Common shares outstanding	5,746	5,618	128
Common shareholders' equity per common share	\$ 31.05	\$ 24.49	\$ 6.56
Diluted common shareholders' equity (2)	\$ 188,947	\$ 146,915	\$ 42,032
Diluted common shares outstanding	6,130	6,002	128
Diluted common shareholders' equity per common share	\$ 30.82	\$ 24.48	\$ 6.34

(1) Deferred revenue balances associated with financial guarantees that were made by the Company to 11 guaranteed LIHTC funds have been eliminated for reporting purposes in conjunction with prepaid guarantee assets of CFVs because the Company has consolidated such guaranteed LIHTC funds for reporting purposes. The unamortized balances of such deferred revenue and prepaid assets, which are equal and offsetting, were \$7.5 million at December 31, 2017. The 11 guaranteed LIHTC funds and related deferred revenue were deconsolidated as of March 31, 2018.

(2) Diluted common shareholders' equity measures common shareholders' equity assuming that all outstanding employee common share options that are dilutive were exercised in full at March 31, 2018 and December 31, 2017, respectively. In this case, liabilities recognized by the Company in its Consolidated Balance Sheets that relate to options that are dilutive would be reclassified into common shareholders' equity upon their assumed exercise. These liabilities are measured at fair value and, therefore, are sensitive to changes in the market price for the Company's common shares. The carrying value of liabilities that relate to all outstanding employee common share options was \$10.5 million and \$9.3 million at March 31, 2018 and December 31, 2017, respectively.

Common Shareholders' Equity

Table 3 summarizes the changes in common shareholders' equity for the periods presented.

Table 3: Changes in Common Shareholders' Equity

(in thousands)	For the three months ended		
	March 31, 2018	2017	Change
Net income (loss) allocable to common shareholders	\$ 18,340	\$ (3,444)	\$ 21,784
Other comprehensive income allocable to common shareholders	9,160	352	8,808
Other changes in common shareholders' equity	13,340	(1,933)	15,273
Net change in common shareholders' equity	\$ 40,840	\$ (5,025)	\$ 45,865

Other Comprehensive Income Allocable to Common Shareholders

Table 4 summarizes other comprehensive income that was allocable to common shareholders for the periods presented.

Table 4: Other Comprehensive Income Allocable to Common Shareholders

(in thousands)	For the three months ended		
	March 31, 2018	2017	Change
Bond related activity:			
Bond fair value adjustments	\$ (3,347)	\$ (311)	\$ (3,036)
Increase in accumulated other comprehensive income due to equity in losses from LTTPs		1,118	(1,118)
Reclassification of unrealized gains to operations due to impairment	(135)		(135)
	9,415		9,415

Recognition of unrealized holding gains due to
deconsolidation of consolidated LTPPs

Other comprehensive income related to bond activity	5,933	807	5,126
Income tax expense	(256)	(243)	(13)
Cumulative translation adjustment	3,483	(212)	3,695
Other comprehensive income allocable to common shareholders	\$ 9,160	\$ 352	\$ 8,808

Other comprehensive income that was allocable to common shareholders for the three months ended March 31, 2018, increased compared to other comprehensive income for the three months ended March 31, 2017, primarily as a result of (i) the recognition of unrealized holding gains associated with bond investments that were no longer eliminated for reporting purposes in the first quarter of 2018 due to the derecognition of corresponding lower tier property partnerships and (ii) the reversal of a \$3.4 million cumulative translation adjustment due to the sale of our international asset and investment management business in the first quarter of 2018. These increases were partially offset by \$3.3 million of unrealized holding losses associated with bond investments that we recognized in the first quarter of 2018.

Other Changes in Common Shareholders' Equity

Table 5 summarizes other changes in common shareholders' equity for the periods presented.

Table 5: Other Changes in Common Shareholders' Equity

(in thousands)	For the three months ended		
	March 31,		
	2018	2017	Change
Common share repurchases	\$	\$ (1,770)	\$ 1,770
Common shares issued	4,125		4,125
Net change due to change in accounting principles	9,206		9,206
Foreign exchange gains			
Purchases of shares in a subsidiary (including price adjustments on prior purchases)	(73)	(207)	134
Director and employee share awards	82	44	38
Net change due to consolidation			
Other changes in common shareholders' equity	\$ 13,340	\$ (1,933)	\$ 15,273

The amount of other changes in common shareholders' equity for the three months ended March 31, 2018 increased compared to that reported for the three months ended March 31, 2017, primarily as a result of (i) a \$9.2 million transition adjustment to retained earnings that we recognized in connection with the adoption of new accounting standards on January 1, 2018 (see "Adoption of New Accounting Standards" within Notes to Consolidated Financial Statements – Note 1, "Summary of Significant Accounting Policies") and (ii) the issuance of 125,000 common shares to Hunt in the first quarter of 2018.

CONSOLIDATED RESULTS OF OPERATIONS

This section provides a comparative discussion of our Consolidated Results of Operations for the three months ended March 31, 2018 and March 31, 2017 and 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.

For presentation purposes, income (losses) that were attributable to noncontrolling interest holders of CFVs are excluded from our comparative discussion of our results of operations because (i) the Company has a minimal ownership interest in these consolidated entities and (ii) such income (losses) do not affect the measurement of diluted common shareholders’ equity per common share, which is a key metric that is used by management to evaluate the Company’s financial performance.

In this regard, the discussion and analysis of consolidated results of operations herein is focused on income (losses) that are allocable to common shareholders. Additionally, income (loss) that was attributable to businesses or assets that were conveyed by the Company in the Disposition were reclassified for all reporting periods and are presented as discontinued operations. See Notes to Consolidated Financial Statements – Note 15, “Consolidated Funds and Ventures,” for more information about income (losses) that were attributable to noncontrolling interest holders of CFVs.

Net Income Allocable to Common Shareholders

Table 6 summarizes net income allocable to common shareholders for the periods presented.

Table 6: Net Income Allocable to Common Shareholders

(in thousands)	For the three months ended		
	March 31, 2018	2017	Change
Net interest income	\$ 2,895	\$ 2,417	\$ 478
Fee and other income	220	297	(77)
Operating and other expenses:			
Other interest expense	(1,036)	(1,188)	152
Operating expenses	(8,243)	(5,850)	(2,393)
Net gains (losses) on real estate sales and operations, derivatives and loans	2,309	(3,296)	5,605
Equity in income from unconsolidated funds and ventures	827	2,095	(1,268)
Net loss allocated to common shareholders related to CFVs		(1,108)	1,108
Net loss to common shareholders from continuing operations before income taxes	(3,028)	(6,633)	3,605
Income tax benefit	790	1,413	(623)
Net income to common shareholders from discontinued operations, net of tax	20,578	1,193	19,385
Net losses allocable to noncontrolling interests in CFVs related to discontinued operations		583	(583)

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Net income (loss) allocable to common shareholders	\$ 18,340	\$ (3,444)	\$ 21,784
Net Interest Income			

Net interest income represents interest income earned on our investment in bonds, loans and other interest-earning assets less our cost of funding associated with short-term borrowings and long-term debt that we use to finance such assets.

Table 7 summarizes net interest income for the periods presented.

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Table 7: Net Interest Income

(in thousands)	For the three months ended March 31,		
	2018	2017	Change
Interest income:			
Interest on bonds	\$ 2,538	\$ 2,497	\$ 41
Interest on loans and short-term investments	968	331	637
Total interest income	3,506	2,828	678
Asset related interest expense:			
Bond related debt	(611)	(411)	(200)
Notes payable and other debt, non-bond related			
Total interest expense	(611)	(411)	(200)
Net interest income	\$ 2,895	\$ 2,417	\$ 478

Net interest income for the three months ended March 31, 2018 increased compared to that reported for the three months ended March 31, 2017 primarily due to (i) interest income on a \$57 million note receivable that we recognized in the first quarter of 2018 in connection with the Disposition and (ii) the recognition of interest income on a \$9.0 million senior loan in the first quarter of 2018 that we acquired from an MGM affiliate. These increases were partially offset by the reclassification of bond related debt that was reflected in Other interest expense in the first quarter of 2017.

Fee and Other Income

Fee and Other Income includes our asset management fees and reimbursements as well as other miscellaneous income.

Table 8 summarizes fee and other income for the periods presented.

Table 8: Fee and Other Income

(in thousands)	For the three months ended March 31,		
	2018	2017	Change
Asset management fees and reimbursements	\$ 176	\$ 191	\$ (15)
Other income	44	106	(62)
Fee and other income	\$ 220	\$ 297	\$ (77)

Fee and other income for the three months ended March 31, 2018 declined compared to that reported for the three months ended March 31, 2017 primarily due to the recognition in the first quarter of 2017 of non-recurring fees that we earned in connection with extending the maturity date of certain loan receivables.

Other Interest Expense

Other interest expense represents our cost of funding associated with senior and subordinated debt that does not finance our interest earning assets.

Table 9 summarizes other interest expense for the periods presented.

Table 9: Other Interest Expense

(in thousands)	For the three months ended		
	March 31,		
	2018	2017	Change
Subordinated debt	\$ (719)	\$ (1,115)	\$ 396
Notes payable and other debt	(317)	(73)	(244)
Other interest expense	\$ (1,036)	\$ (1,188)	\$ 152

Other interest expense for the three months ended March 31, 2018 declined compared to that reported for the three months ended March 31, 2017 primarily as a result of our discounted purchase of \$26.4 million of the Company's subordinated debt in 2017. This decline was partially offset by increases in cost of funding that were driven by (i) the issuance of debt in the third quarter of 2017 that was used to finance our purchase of an 11.85% ownership interest in SAWHF and (ii) an increase in variable interest rates associated with our subordinated debt.

Operating Expenses

Operating expenses include salaries and benefits, management fees and reimbursable expenses payable to our External Manager, general and administrative expense, professional fees and other miscellaneous expenses.

Table 10 summarizes operating expenses for the periods presented.

Table 10: Operating Expenses

(in thousands)	For the three months ended		
	March 31, 2018	2017	Change
Salaries and benefits	\$ (1,304)	(3,804)	\$ 2,500
External management fees and reimbursable expenses	(2,519)		(2,519)
General and administrative	(348)	(362)	14
Professional fees	(3,214)	(1,460)	(1,754)
Other expenses	(858)	(224)	(634)
Operating expenses	\$ (8,243)	\$ (5,850)	\$ (2,393)

Operating expenses for the three months ended March 31, 2018 increased compared to those reported for the three months ended March 31, 2017 primarily due to (i) the recognition in the first quarter of 2018 of management fees and reimbursable expenses that were payable to our External Manager, (ii) an increase in professional fees that was largely driven by the Disposition and (iii) the recognition of a \$0.4 million impairment loss on certain equity investments. Net increases in operating expenses associated with these items were partially offset by a reduction in salaries and benefits due to our conversion to an externally managed business model as all Company employees were transferred to the External Manager at the time of the Disposition.

Net Gains (Losses) Relating to Derivatives and Loans

Net gains (losses) relating to derivatives and loans (collectively, "Net Gains") includes losses on loans and unrealized holding gains or losses associated with our derivative instruments that result from fair value adjustments.

Table 11 summarizes Net gains (losses) for the periods presented.

Table 11: Net Gains

(in thousands)	For the three months ended March 31,		
	2018	2017	Change
Net gains on derivatives	\$ 2,309	\$ 2,039	\$ 270
Net losses on loans		(5,335)	5,335
Total net gains (losses)	\$ 2,309	\$ (3,296)	\$ 5,605

Net Gains for the three months ended March 31, 2018 increased compared to those reported for the three months ended March 31, 2017 primarily due to \$5.3 million of non-recurring fair value losses that we recognized in the first quarter of 2017 associated with a subordinated loan that the Company made to a residential solar power provider that filed for bankruptcy protection in March 2017. This net increase was also partially attributable to an increase in net gains on derivatives, which was primarily driven by a net increase in the fair value of derivative instruments that we use to hedge interest rate risk.

Equity in Income from Unconsolidated Funds and Ventures

Equity in income from unconsolidated funds and ventures includes our portion of the income associated with certain funds and ventures in which we have an equity interest.

Table 12 summarizes equity in income from unconsolidated funds and ventures for the periods presented.

Table 12: Equity in Income from Unconsolidated Funds and Ventures

(in thousands)	For the three months ended		
	March 31,		
	2018	2017	Change
U.S. real estate partnerships	\$ 119	\$ 180	\$ (61)
Solar Ventures	416	1,915	(1,499)
IHS-managed funds	292		292
Equity in income from unconsolidated funds and ventures	\$ 827	\$ 2,095	\$ (1,268)

Equity in income from unconsolidated funds and ventures for the three months ended March 31, 2018 declined compared to that reported for the three months ended March 31, 2017 primarily due to a decline in the amount of loan origination and related fees that were earned by the Solar Ventures.

Net Income to Common Shareholders from Discontinued Operations

Net income from discontinued operations primarily includes income and expenses associated with businesses and assets that were sold by the Company in connection with the Disposition.

Table 13 summarizes our income from discontinued operations, net of tax related to the sale of certain businesses and assets.

Table 13: Net Income to Common Shareholders from Discontinued Operations

(in thousands)	For the three months ended		
	March 31,		
	2018	2017	Change
Income from discontinued operations	\$ 226	\$ 1,193	\$ (967)
Net gain from disposal of business	20,352		20,352
Total net gain from discontinued operations	20,578	1,193	19,385
Loss from discontinued operations allocable to noncontrolling interests		583	(583)
Net income to common shareholders from discontinued operations	\$ 20,578	\$ 1,776	\$ 18,802

Net income to common shareholders from discontinued operations for the three months ended March 31, 2018 increased compared to that reported for the three months ended March 31, 2017 primarily due to a net gain of \$20.4 million that we recognized in the first quarter of 2018 in connection with the Disposition. The impact of this net gain was partially offset by a decline in income from discontinued operations that was primarily driven by (i) the short duration of the Company's ownership in the first quarter of 2018 of the businesses and assets that were conveyed in the Disposition, while corresponding amounts reported for the three months ended March 31, 2017 reflect ownership of

such items for a full reporting period and (ii) the derecognition upon settlement of the Disposition of noncontrolling interests associated with previously consolidated property partnerships. See Notes to Consolidated Financial Statements – Note 14, “Discontinued Operations,” for more information.

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Net Loss from CFVs Allocable to Common Shareholders

Table 14 allocates the net loss from CFVs to noncontrolling interests in CFVs and common shareholders for the periods presented.

Table 14: Net Loss from CFVs Allocable to Common Shareholders

(in thousands)	For the three months ended		
	March 31,		Change
	2018	2017	
Interest on loans and short-term investments	\$	\$ 3	\$ (3)
Interest expense		(93)	93
Professional fees		(37)	37
Impairment		(4,605)	4,605
Asset management fee expense		(1,095)	1,095
Other expenses		(452)	452
Equity in losses from LTTPs of CFVs		(3,383)	3,383
Net loss from CFVs		(9,662)	9,662
Net loss from CFVs allocable to noncontrolling interest in CFVs from continuing operations		8,554	(8,554)
Net loss from CFVs allocable to common shareholders from continuing operations	\$	\$ (1,108)	\$ 1,108

Table 15 further attributes the reported net loss from CFVs that was allocable to common shareholders for the periods presented.

Table 15: Net Loss from CFVs Allocable to Common Shareholders

(in thousands)	For the three months ended		
	March 31,		Change
	2018	2017	
Equity in losses from LTTPs	\$	\$ (1,118)	\$ 1,118
Equity in income from consolidated property partnerships		10	(10)
Net loss from CFVs allocable to common shareholders from continuing operations	\$	\$ (1,108)	\$ 1,108

The sale of our LIHTC business line and certain assets to Hunt on January 8, 2018, resulted in the deconsolidation from the Company's Consolidated Balance Sheets in the first quarter of 2018, of all guaranteed LIHTC funds and derecognition of nearly all other CFVs that were recognized in our Consolidated Balance Sheets at December 31, 2017. As a result, in the first quarter of 2018 the Company did not recognize any revenues, expenses, assets, liabilities or noncontrolling interests associated with such CFVs or an allocation to common shareholders during such reporting period.

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LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our principal sources of liquidity include: (i) cash and cash equivalents; (ii) cash flows from operating activities; and (iii) cash flows from investing activities.

Summary of Cash Flows

For purposes of presenting the Company's summary of cash flows and changes thereto, Tables 16 – 19 of the Report have been retrospectively adjusted to reflect the Company's adoption on January 1, 2018, of Accounting Standards Update ("ASU") No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." This guidance requires the Company to include amounts that are deemed to be restricted cash and restricted cash equivalents together with its cash and cash equivalent balances for purposes of preparing its Consolidated Statements of Cash Flows.

Table 16 provides a consolidated view of the change in cash, cash equivalents and restricted cash of the Company for the periods presented, though changes in such balances that were attributable to CFVs are separately identified in such disclosure. However, changes in net cash flows that are reported in Tables 17, 18 and 19 are exclusive of changes in restricted cash of CFVs.

As a result of the Disposition, \$19.7 million and \$20.5 million of cash, cash equivalents and restricted cash were classified in the Consolidated Balance Sheets as "Assets of discontinued operations" at December 31, 2017 and March 31, 2017, respectively.

We believe that cash generated from operating and investing activities, along with available cash and cash equivalents has been, and will continue to be, sufficient to fund our normal operating needs and meet our obligations as they become due.

Table 16: Net Decrease in Cash, Cash Equivalents and Restricted Cash

(in thousands)	For the three months ended March 31, 2018		
	MMA	CFVs	Total
Cash, cash equivalents and restricted cash at beginning of period	\$ 75,632	\$ 24,554	\$ 100,186
Net cash used in:			
Operating activities	(10,324)		(10,324)
Investing activities	(15,533)	(24,554)	(40,087)
Financing activities	(461)		(461)
Net decrease in cash, cash equivalents and restricted cash	(26,318)	(24,554)	(50,872)
Cash, cash equivalents and restricted cash at end of period	\$ 49,314	\$	\$ 49,314

(in thousands)	For the three months ended March 31, 2017		
	MMA	CFVs	Total
Cash, cash equivalents and restricted cash at beginning of period	\$ 79,445	\$ 23,584	\$ 103,029
Net cash used in:			
Operating activities	(2,424)	(912)	(3,336)
Investing activities	(14,238)	277	(13,961)
Financing activities	(3,114)	(23)	(3,137)
Net decrease in cash, cash equivalents and restricted cash	(19,776)	(658)	(20,434)
Cash, cash equivalents and restricted cash at end of period	\$ 59,669	\$ 22,926	\$ 82,595

Operating Activities

Table 17 provides information about net cash flows provided by, or used in, operating activities for the periods presented. Cash flows from operating activities include, but are not limited to, interest income on our investments and asset management fees.

Table 17: Net Cash Flows Associated With Operating Activities

(in thousands)	For the three months ended		
	March 31,		
	2018	2017	Change
Interest income	\$ 3,878	\$ 4,154	\$ (276)
Distributions received from investments in partnerships	1,894	362	1,532
Asset management fees received	398	2,436	(2,038)
Other income	61	152	(91)
Salaries and benefits	(164)	(8,546)	8,382
Advances on and originations of loans held for sale	(9,000)		(9,000)
Interest paid	(1,806)	(1,991)	185
General and administrative	(222)	(477)	255
Professional fees	(3,638)	(1,292)	(2,346)
Other expenses	(613)	(93)	(520)
Other	(1,112)	2,871	(3,983)
Net cash flows used in operating activities	\$ (10,324)	\$ (2,424)	\$ (7,900)

Net cash flows used in operating activities increased by \$7.9 million during the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. This net increase was primarily driven by the following: (i) the purchase of a \$9.0 million senior loan from an MGM affiliate that is reported as advances on and originations of loans held for sale; (ii) a \$2.3 million increase in net cash flows used for professional fees that was primarily driven by professional services rendered in connection with the sale of certain businesses and assets to Hunt in the first quarter of 2018; and (iii) a \$2.0 million decrease in asset management fees received as a result of the Disposition, which included certain management, expense reimbursement and other contractual rights that were previously held by the Company with respect to its Energy Capital, LIHTC and International Operations. The effects of these items were partially offset by an \$8.4 million decrease in cash flows used for salaries and benefits as a result of the Company's conversion to an externally managed business model in the first quarter of 2018.

Investing Activities

Table 18 provides information about net cash flows provided by investing activities for the periods presented. Cash flows from investing activities include, but are not limited to, principal payments and sales proceeds received on bonds and proceeds from the sale of real estate and other investments.

Table 18: Net Cash Flows Associated With Investing Activities

(in thousands)	For the three months ended		
	March 31, 2018	2017	Change
Principal payments and sales proceeds received on bonds and loans	\$ 521	\$ 2,298	\$ (1,777)
Proceeds from the sale of real estate and other investments	63	11	52
Cash and restricted cash derecognized in the Disposition	(21,942)		(21,942)
Capital distributions received from investments in partnerships	9,566	178	9,388
Investments in property partnerships and real estate	(3,741)	(1,197)	(2,544)
Advances on and originations of loans held for investment		(15,528)	15,528
Net cash flows used in investing activities	\$ (15,533)	\$ (14,238)	\$ (1,295)

Net cash flows used in investing activities during the three months ended March 31, 2018 increased by \$1.3 million compared to those reported for the three months ended March 31, 2017. This net increase was primarily driven by the following: (i) \$21.9 million of cash and restricted cash that was derecognized upon settlement of the Disposition; and (ii) an increase in investments in partnerships that was primarily driven by a \$3.3 million purchase in the first quarter of 2018 of three limited partnership interests in partnerships that own affordable housing. The effects of these items were partially offset by (i) a \$15.5 million decrease in loan originations and advances; and (ii) a \$9.4 million increase in capital distributions received from investments in partnerships, primarily related to the Solar Ventures.

Financing Activities

Table 19 provides information about net cash flows provided by, or used in, financing activities for the periods presented.

Table 19: Net Cash Flows Associated With Financing Activities

(in thousands)	For the three months ended March 31,		
	2018	2017	Change
Proceeds from borrowing activity	\$ 12,189	\$	\$ 12,189
Repayment of borrowings	(16,775)	(1,137)	(15,638)
Purchase of common shares		(1,770)	1,770
Issuance of common shares	4,125		4,125
Other		(207)	207
Net cash flows used in financing activities	\$ (461)	\$ (3,114)	\$ 2,653

Net cash flows used in financing activities during the three months ended March 31, 2018 decreased by \$2.7 million compared to those reported during the three months ended March 31, 2017. This decrease in net cash flows used for such activities was primarily attributable to (i) \$12.2 million of proceeds generated from total return swap financing arrangements that were entered into during the first quarter of 2018; and (ii) \$4.1 million of proceeds generated from the private placement of 125,000 of the Company's common shares to Hunt. The effects of these items were partially offset by a \$15.6 million increase in the amount of cash used to repay borrowings and that was primarily driven by \$16.3 million of cash that was used to terminate a total return swap that financed one of our leveraged bond investments.

Capital Resources

Our debt obligations primarily include liabilities that we recognized in connection with the execution of TRS agreements that we use to finance a portion of our investments in bonds, as well as subordinated debentures and other notes payable. Each of the major types of our debt obligations is further discussed below.

Table 20 summarizes the carrying values and weighted-average effective interest rates of the Company's debt obligations that were outstanding at March 31, 2018 and December 31, 2017. See Notes to Consolidated Financial Statements – Note 6, "Debt," for more information about these contractual commitments.

Table 20: Asset Related Debt and Other Debt

	At March 31, 2018			At December 31, 2017		
	Carrying Value	Weighted-Average Effective Interest Rate		Carrying Value	Weighted-Average Effective Interest Rate	
(dollars in thousands)						
Asset Related Debt (1)						
Notes payable and other debt – bond related	\$ 96,787	2.9	%	\$ 83,838	3.1	%
Other Debt (2)						
Subordinated debt	99,423	3.0		99,997	2.6	
Notes payable and other debt	8,889	14.8		25,592	6.7	
Total other debt	108,312	4.0		125,589	3.5	
Total asset related debt and other debt	205,099	3.4		209,427	3.3	
Debt related to CFVs (3)				6,712	6.5	
Total debt	\$ 205,099	3.4	%	\$ 216,139	3.4	%

(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 15, "Consolidated Funds and Ventures," for more information about CFVs.

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 TRS agreements. See Notes to Consolidated Financial Statements – Note 6, "Debt," for more information.

Subordinated Debt

At March 31, 2018 and December 31, 2017, the Company had subordinated debt with a UPB of \$91.2 million and \$91.6 million, respectively. The carrying value and weighted-average yield of this debt at March 31, 2018 and December 31, 2017 is provided above in Table 20. See Notes to Consolidated Financial Statements – Note 6, "Debt," for more information.

Notes Payable and Other Debt

At March 31, 2018 and December 31, 2017, the Company had notes payable and other debt with a UPB of \$9.3 million and \$26.0 million, respectively. See Notes to Consolidated Financial Statements – Note 6, “Debt,” for more information.

Debt Related to CFVs

The Company’s sale of its LIHTC business to Hunt on January 8, 2018 resulted in the derecognition from the Company’s Consolidated Balance Sheets of all CFVs that had recognized debt obligations. Consequently, the Company had no recognized debt related to CFVs as of March 31, 2018.

At December 31, 2017, the \$6.7 million of debt related to CFVs consisted of debt obligations associated with one of the guaranteed LIHTC funds that we consolidated for reporting purposes. At December 31, 2017, the carrying value of this debt, which was due on demand, equaled its UPB and its weighted-average effective interest rate was 6.5%.

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Covenant Compliance and Debt Maturities

At March 31, 2018 and December 31, 2017, the Company was in compliance with all covenants under its debt arrangements.

Off-Balance Sheet Arrangements

At December 31, 2017, the Company had guaranteed minimum yields on investment to investors in 11 guaranteed LIHTC funds that were consolidated for reporting purposes. The Company also had agreed to make mandatory loans to TC Fund I for distribution to the fund investor in the event of certain tax credit shortfalls covered by a tax credit guarantee provided by the Company. Refer to Notes to Consolidated Financial Statements – Note 9, “Guarantees and Collateral,” for more information about our guarantees and certain other contingent arrangements.

The Company’s guarantee obligations to investors in 11 guaranteed LIHTC funds were assumed by Hunt in connection with the Disposition and, consequently, such guaranteed LIHTC funds were deconsolidated from the Company’s Consolidated Balance Sheets in the first quarter of 2018.

Other Contractual Commitments

The Company is committed to make additional capital contributions to certain of its investments in partnerships and ventures. Refer to Notes to Consolidated Financial Statements - Note 3, “Investments in Partnerships,” for information about these commitments.

The Company had no unfunded loan commitments at March 31, 2018 and December 31, 2017. Refer to Notes to Consolidated Financial Statements - Note 4, “Loans,” for more information.

The Company uses derivative instruments for various purposes and that contingently obligate the Company in most cases to make payments to its counterparties. Refer to Notes to Consolidated Financial Statements - Note 7, “Derivative Instruments,” for more information about these instruments.

Other Capital Resources

Common Shares

On March 13, 2018, the Board authorized a 2018 share repurchase program (“2018 Plan”) for up to 125,000 shares and the Company adopted a Rule 10b5-1 Plan implementing the Board’s authorization. From the date of the Board’s authorization through May 3, 2018, the Company repurchased 44,527 shares at an average price of \$27.80. Until modified by further action by the Board, the maximum price at which management is currently authorized to purchase shares is \$30.00 per share.

In conjunction with the Disposition, the Company agreed to issue, and Hunt agreed to acquire, 250,000 of the Company’s common shares in a private placement at an average purchase price of \$33.50 per share. In this regard, on March 9, 2018, the Company issued 125,000 common shares to Hunt for \$4.1 million, representing a price per share of \$33.00. Hunt is obligated to purchase the remaining 125,000 shares for \$4.3 million, or \$34.00 per share, within six months of January 8, 2018.

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 Tax Benefits Rights Agreement (the "Rights Plan") designed to help preserve the Company's 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 five years, or until the Board determines the plan is no longer required, whichever comes first.

On January 3, 2018, the Board approved a waiver of the 4.9% ownership limitation with respect to Hunt, increasing such limitation to 9.9% of the Company's issued and outstanding shares in any rolling 12-month period.

At March 31, 2018, we had two shareholders with a greater than a 4.9% stake in the Company. Additionally, as of March 31, 2018, two former employees of the Company could each have a greater than 4.9% stake in the Company for purposes of the Rights Plan following their required 2018 bonus award share purchases and prospective exercise of their vested option awards. However, these former employees have not completed their required purchases or exercised those option awards as of the date of this filing. In advance of the option exercise, the Board of Directors has named each former employee an exempted person in accordance with the Rights Plan and determined that the exercise of the options and the required share award purchases will not, in and of themselves, constitute a triggering event for purposes of our Rights Plan.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements is based on the application of U.S. 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 evaluate our critical accounting estimates and judgments required by our policies on an ongoing basis and update them as necessary based on changing conditions. Management has discussed any significant changes in judgments and assumptions in applying our critical accounting policies with the Audit Committee of our Board of Directors. See “Item 1A - Risk Factors” in our 2017 Annual Report for a discussion of the risks associated with the need for management to make judgments and estimates in applying our accounting policies and methods. We have identified three of our accounting policies as critical because they involve significant judgments and assumptions about highly complex and inherently uncertain matters, and the use of reasonably different estimates and assumptions could have a material impact on our reported results of operations or financial condition. These policies govern:

- Fair value measurement of financial instruments
- Consolidation; and
- Income taxes.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates” in our 2017 Annual Report for a discussion of these critical accounting policies and estimates.

ACCOUNTING AND REPORTING DEVELOPMENTS

We identify and discuss the expected impact on our consolidated financial statements of recently issued accounting guidance in Notes to Consolidated Financial Statements – Note 1, “Summary of Significant Accounting Policies.”

Item 1. Financial Statements

MMA Capital Management, LLC

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share data)

	At March 31, 2018	At December 31, 2017
ASSETS		
Cash and cash equivalents	\$ 33,444	\$ 35,693
Restricted cash (includes \$23,495 related to consolidated funds and ventures ("CFVs") at December 31, 2017)	15,870	44,766
Investments in debt securities (includes \$130,816 and \$128,902 pledged as collateral)	157,824	143,604
Investments in partnerships (includes \$99,142 related to CFVs at December 31, 2017)	122,432	227,962
Loans held for investment	57,299	736
Loans held for sale	9,000	
Other assets (includes \$5,175 related to CFVs at December 31, 2017)	17,497	17,905
Assets of discontinued operations		61,220
Total assets	\$ 413,366	\$ 531,886
LIABILITIES AND EQUITY		
Debt (includes \$6,712 related to CFVs at December 31, 2017)	\$ 205,099	\$ 216,139
Accounts payable and accrued expenses	4,137	6,098
Unfunded equity commitments to lower tier property partnerships related to CFVs		8,003
Other liabilities (includes \$35,850 related to CFVs at December 31, 2017)	25,717	57,332
Liabilities of discontinued operations		17,212
Total liabilities	\$ 234,953	\$ 304,784

Commitments and contingencies (see Note 10)

Equity		
Noncontrolling interests in CFVs	\$	\$ 89,529
Common shareholders' equity:		
Common shares, no par value (5,650,687 and 5,525,687 shares issued and outstanding and 95,263 and 92,282 non-employee directors' deferred shares issued at March 31, 2018 and December 31, 2017, respectively)	128,100	96,420
Accumulated other comprehensive income ("AOCI")	50,313	41,153
Total common shareholders' equity	178,413	137,573
Total equity	178,413	227,102
Total liabilities and equity	\$ 413,366	\$ 531,886

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

MMA Capital Management, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands)

	For the three months ended March 31,	
	2018	2017
Interest income		
Interest on bonds	\$ 2,538	\$ 2,497
Interest on loans and short-term investments (includes \$3 related to CFVs for the three months ended March 31, 2017)	968	334
Total interest income	3,506	2,831
Interest expense		
Bond related debt	611	411
Non-bond related debt		
Total interest expense	611	411
Net interest income	2,895	2,420
Non-interest revenue		
Asset management fees and reimbursements	176	191
Other income	44	106
Total non-interest revenue	220	297
Total revenues, net of interest expense	3,115	2,717
Operating and other expenses		
Interest expense (includes \$93 related to CFVs for the three months ended March 31, 2017)	1,036	1,281
Salaries and benefits	1,304	3,804
External management fees and reimbursable expenses	2,519	
General and administrative	348	362
Professional fees (includes \$37 related to CFVs for the three months ended March 31, 2017)	3,214	1,497
Impairments (includes \$4,605 related to CFVs for the three months ended March 31, 2017)	388	4,605
Asset management fee expense (includes \$1,095 related to CFVs for the three months ended March 31, 2017)	19	1,127
Other expenses (includes \$452 related to CFVs for the three months ended March 31, 2017)	451	644
Total operating and other expenses	9,279	13,320
Equity in income (losses) from unconsolidated funds and ventures (includes (\$3,383) related to CFVs for the three months ended March 31, 2017)	827	(1,288)
Net losses on loans		(5,335)
Net gains on derivatives	2,309	2,039
Net losses from continuing operations before income taxes	(3,028)	(15,187)
Income tax benefit	790	1,413

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Net income from discontinued operations, net of tax	20,578	1,193
Net income (loss)	18,340	(12,581)
Loss allocable to noncontrolling interests:		
Net losses allocable to noncontrolling interests in CFVs:		
Related to continuing operations		8,554
Related to discontinued operations		583
Net income (loss) allocable to common shareholders	\$ 18,340	\$ (3,444)

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

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MMA Capital Management, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS – (continued)

(Unaudited)

(in thousands, except per share data)

	For the three months ended March 31,	
	2018	2017
Basic income (loss) per common share:		
Loss from continuing operations	\$ (0.39)	\$ (0.88)
Income from discontinued operations	3.64	0.30
Income (loss) per common share	\$ 3.25	\$ (0.58)
Diluted income (loss) per common share:		
Loss from continuing operations	\$ (0.39)	\$ (0.88)
Income from discontinued operations	3.64	0.30
Income (loss) per common share	\$ 3.25	\$ (0.58)
Weighted-average common shares outstanding:		
Basic	5,650	5,937
Diluted	5,650	5,937

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

MMA Capital Management, LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands)

	For the three months ended March 31,	
	2018	2017
Net income (loss) allocable to common shareholders	\$ 18,340	\$ (3,444)
Net loss allocable to noncontrolling interests		(9,137)
Net income (loss)	\$ 18,340	\$ (12,581)
Other comprehensive income allocable to common shareholders		
Bond related changes:		
Net unrealized (losses) gains	\$ (3,347)	\$ 807
Reclassification of unrealized gains to operations due to impairment	(135)	
Reinstatement of unrealized bond gains due to deconsolidation of Consolidated Lower Tier Property Partnerships	9,415	
Net change in other comprehensive income due to bonds	5,933	807
Income tax expense	(256)	(243)
Foreign currency translation adjustment	3,483	(212)
Other comprehensive income allocable to common shareholders	\$ 9,160	\$ 352
Comprehensive income (loss) to common shareholders	\$ 27,500	\$ (3,092)
Comprehensive loss to noncontrolling interests		(9,137)
Comprehensive income (loss)	\$ 27,500	\$ (12,229)

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

MMA Capital Management, LLC

CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(in thousands)

	Common Equity Before AOCI		AOCI	Total Common Shareholders' Equity	Noncontrolling Interest in CFVs	Total Equity
	Shares	Amount				
Balance, January 1, 2018	5,617	\$ 96,420	\$ 41,153	\$ 137,573	\$ 89,529	\$ 227,102
Net income		18,340		18,340		18,340
Other comprehensive income			9,160	9,160		9,160
Purchase of shares in a subsidiary (including price adjustments on prior purchases)		(73)		(73)		(73)
Common shares (restricted and deferred) issued under employee and non-employee director share plans	3	82		82		82
Net change due to deconsolidation					(89,529)	(89,529)
Cumulative change due to change in accounting principles		9,206		9,206		9,206
Common shares issued	125	4,125		4,125		4,125
Balance, March 31, 2018	5,745	\$ 128,100	\$ 50,313	\$ 178,413	\$	\$ 178,413

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

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MMA Capital Management, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	For the three months ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 18,340	\$ (12,581)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provisions for credit losses and impairment (1)	388	4,605
Net equity in gains (losses) from equity investments in partnerships (1)	(827)	1,430
Net gains on real estate and other investments	(63)	(10)
Gain on disposal of discontinued operations	(20,352)	
Net losses on loans		5,335
Net gains on derivatives	(1,581)	(1,350)
Advances on and originations of loans held for sale	(9,000)	
Distributions received from investments in partnerships	1,894	362
Subordinated debt effective yield amortization and interest accruals	(89)	(118)
Depreciation and other amortization (1)	(189)	567
Foreign currency losses (gains)	195	(449)
Stock-based compensation expense	1,274	1,787
Other, net	(314)	(2,914)
Net cash used in operating activities	(10,324)	(3,336)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal payments and sales proceeds received on bonds and loans held for investment	521	2,298
Advances on and originations of loans held for investment		(15,528)
Investments in property partnerships and real estate	(3,741)	(1,337)
Proceeds from the sale of real estate and other investments	63	326
Cash and restricted cash derecognized in the Disposition	(23,009)	
Restricted cash related to deconsolidated guaranteed LIHTC funds	(23,487)	
Capital distributions received from investments in property partnerships	9,566	280
Net cash used in investing activities	(40,087)	(13,961)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing activity	12,189	
Repayment of borrowings	(16,775)	(1,160)
Purchase of treasury stock		(1,770)
Issuance of treasury stock	4,125	
Distributions paid to holders of noncontrolling interests		(207)
Net cash used in financing activities	(461)	(3,137)

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Net decrease in cash, cash equivalents and restricted cash	(50,872)	(20,434)
Cash, cash equivalents and restricted cash at beginning of period (includes \$19,727 of assets of discontinued operations as of December 31, 2017)	100,186	103,029
Cash, cash equivalents and restricted cash at end of period	\$ 49,314	\$ 82,595

⁽¹⁾ These amounts primarily relate to CFVs for the three months ended March 31, 2017.

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

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MMA Capital Management, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS – (continued)

(Unaudited)

(in thousands)

	For the three months ended March 31,	
	2018	2017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 1,806	\$ 2,074
Income taxes paid		