MMA CAPITAL MANAGEMENT, LLC
Form 10-Q
November 13, 2015

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 September 30, 2015

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.) |
| 621 East Pratt Street, Suite 600 | |
| Baltimore, Maryland | (443) 263-2900 |
| (Address of principal executive offices) | (Registrant's telephone number, including area code) |

21202
(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 definition of “accelerated filer,” “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| 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 6,552,179 shares of common shares outstanding at November 6, 2015.

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Cautionary Statement Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q for the period ended September 30, 2015 (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, 2014 (“2014 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 2014 Form 10-K in evaluating these forward-looking statements. We have not undertaken to update any forward-looking statements.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

MMA Capital Management, LLC

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

| | At September 30, 2015 (Unaudited) | At December 31, 2014 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 56,894 | $ 29,619 |
| Restricted cash (includes $21,283 and $24,186 related to CFVs) | 30,477 | 50,189 |
| Bonds available-for-sale (includes $177,318 and $144,611 pledged as collateral) | 218,058 | 222,899 |
| Investments in partnerships (includes $189,295 and $231,204 related to CFVs) | 239,880 | 259,422 |
| Investment in preferred stock (includes $25,000 and $31,371 pledged as collateral) | 31,371 | 31,371 |
| Other assets (includes $12,076 and $161 pledged as collateral and $9,539 and $11,128 related to CFVs) | 47,856 | 75,246 |
| Total assets | $ 624,536 | $ 668,746 |
| | | |
| LIABILITIES AND EQUITY | | |
| Debt (includes $6,712 and $6,712 related to CFVs) | $ 275,522 | $ 290,543 |
| Accounts payable and accrued expenses | 5,276 | 5,538 |
| Unfunded equity commitments to Lower Tier Property Partnerships related to CFVs | 8,229 | 9,597 |
| Other liabilities (includes $27,601 and $31,831 related to CFVs) | 42,301 | 41,870 |
| Total liabilities | $ 331,328 | $ 347,548 |
| | | |
| Commitments and contingencies (Note 11) | | |
| | | |
| Equity | | |
| | $ 188,328 | $ 229,714 |

| | | |
|---|---|---|
| Noncontrolling interests in CFVs, IHS and IHS PM (net of zero and $575 of subscriptions receivable) | | |
| Common shareholders' equity: | | |
| Common shares, no par value (6,607,051 and 7,162,221 shares issued and outstanding and 71,137 and 66,106 non-employee directors' and employee deferred shares issued at September 30, 2015 and December 31, 2014, respectively) | 38,575 | 35,032 |
| Accumulated other comprehensive income | 66,305 | 56,452 |
| Total common shareholders' equity | 104,880 | 91,484 |
| Total equity | 293,208 | 321,198 |
| Total liabilities and equity | $ 624,536 | $ 668,746 |

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 September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Interest income | | | | |
| Interest on bonds | $ 3,131 | $ 5,240 | $ 9,733 | $ 13,029 |
| Interest on loans and short-term investments | 396 | 208 | 1,940 | 569 |
| Total interest income | 3,527 | 5,448 | 11,673 | 13,598 |
| Interest expense | | | | |
| Bond related debt | 318 | 347 | 1,023 | 2,111 |
| Non-bond related debt | 305 | 179 | 585 | 563 |
| Total interest expense | 623 | 526 | 1,608 | 2,674 |
| Net interest income | 2,904 | 4,922 | 10,065 | 10,924 |
| Non-interest revenue | | | | |
| Income on preferred stock investment | 1,326 | 1,326 | 3,934 | 3,935 |
| Asset management fees and reimbursements | 1,924 | 1,794 | 4,920 | 2,657 |
| Other income | 656 | 692 | 2,189 | 1,586 |
| Revenue from CFVs | 209 | 3,841 | 409 | 14,501 |
| Total non-interest revenue | 4,115 | 7,653 | 11,452 | 22,679 |
| Total revenues, net of interest expense | 7,019 | 12,575 | 21,517 | 33,603 |
| Operating and other expenses | | | | |
| Interest expense | 1,300 | 3,400 | 6,204 | 10,462 |
| Salaries and benefits | 4,232 | 2,973 | 11,415 | 9,398 |
| General and administrative | 719 | 737 | 2,355 | 2,594 |
| Professional fees | 718 | 1,507 | 2,743 | 3,872 |
| Other expenses | 2,267 | 1,940 | 4,096 | 3,595 |
| Expenses from CFVs | 10,890 | 17,296 | 29,220 | 41,604 |
| Total operating and other expenses | 20,126 | 27,853 | 56,033 | 71,525 |
| Net gains (losses) on sale of real estate | 4,296 | (18) | 9,918 | (18) |
| Net gains on bonds | 626 | 7,450 | 5,001 | 8,218 |
| Net gains on derivatives and loans | 1,523 | 1,761 | 3,436 | 1,779 |
| Net gains on extinguishment of liabilities | | 1,476 | | 1,878 |
| | | | | 2,003 |

| | | | | |
|---|---|---|---|---|
| Net gains transferred into net income from AOCI due to real estate foreclosure | | | | |
| Equity in income (losses) from unconsolidated funds and ventures | 281 | (182) | 374 | (436) |
| Net gains related to CFVs | | 12,627 | | 16,779 |
| Equity in losses from Lower Tier Property Partnerships of CFVs | (3,919) | (4,346) | (16,266) | (18,812) |
| Net (loss) income from continuing operations before income taxes | (10,300) | 3,490 | (32,053) | (26,531) |
| Income tax expense | (146) | (1,919) | (278) | (171) |
| Net income from discontinued operations, net of tax | 83 | 3,903 | 244 | 17,941 |
| Net (loss) income | (10,363) | 5,474 | (32,087) | (8,761) |
| Loss allocable to noncontrolling interests: | | | | |
| Net losses allocable to noncontrolling interests in CFVs and IHS: | | | | |
| Related to continuing operations | 13,780 | 7,138 | 42,252 | 32,412 |
| Related to discontinued operations | | | | 150 |
| Net income allocable to common shareholders | $ 3,417 | $ 12,612 | $ 10,165 | $ 23,801 |

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

MMA Capital Management, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS – (continued)

(Unaudited)

(in thousands, except per share data)

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Basic income per common share: | | | | |
| Income from continuing operations | $ 0.50 | $ 1.17 | $ 1.42 | $ 0.74 |
| Income from discontinued operations | 0.01 | 0.52 | 0.04 | 2.33 |
| Income per common share | $ 0.51 | $ 1.69 | $ 1.46 | $ 3.07 |
| | | | | |
| Diluted income per common share: | | | | |
| Income from continuing operations | $ 0.48 | $ 1.12 | $ 1.42 | $ 0.74 |
| Income from discontinued operations | 0.01 | 0.50 | 0.04 | 2.33 |
| Income per common share | $ 0.49 | $ 1.62 | $ 1.46 | $ 3.07 |
| | | | | |
| Weighted-average common shares outstanding: | | | | |
| Basic | 6,746 | 7,454 | 6,970 | 7,760 |
| Diluted | 7,091 | 7,772 | 6,970 | 7,760 |

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

MMA Capital Management, LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

(in thousands)

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net income allocable to common shareholders | $ 3,417 | $ 12,612 | $ 10,165 | $ 23,801 |
| Net loss allocable to noncontrolling interests | (13,780) | (7,138) | (42,252) | (32,562) |
| Net (loss) income | $ (10,363) | $ 5,474 | $ (32,087) | $ (8,761) |
| | | | | |
| Other comprehensive income (loss) allocable to common shareholders | | | | |
| Bond related changes: | | | | |
| Unrealized net gains | $ 8,332 | $ 3,370 | $ 14,077 | $ 11,184 |
| Reversal of net unrealized losses (gains) on sold or redeemed bonds | 386 | (6,450) | (3,480) | (7,228) |
| Reclassification of unrealized losses to operations due to impairment | | 113 | 179 | 113 |
| Reversal of unrealized gains from AOCI to Net Income due to foreclosure | | | | (2,003) |
| Net change in other comprehensive income due to bonds | 8,718 | (2,967) | 10,776 | 2,066 |
| Income tax benefit | | 458 | | |
| Foreign currency translation adjustment | (833) | (134) | (923) | (221) |
| Other comprehensive income (loss) allocable to common shareholders | $ 7,885 | $ (2,643) | $ 9,853 | $ 1,845 |
| | | | | |
| Other comprehensive loss allocable to noncontrolling interests: | | | | |
| Foreign currency translation adjustment | $ | $ (8,032) | $ 24 | $ (9,366) |
| | | | | |
| Comprehensive income to common shareholders | $ 11,302 | $ 9,969 | $ 20,018 | $ 25,646 |
| Comprehensive loss to noncontrolling interests | (13,780) | (15,170) | (42,228) | (41,928) |
| Comprehensive loss | $ (2,478) | $ (5,201) | $ (22,210) | $ (16,282) |

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 and IHS | Total Equity |
|---|---|---|---|---|---|---|
| | Number | Amount | | | | |
| Balance, January 1, 2015 | 7,228 | $ 35,032 | $ 56,452 | $ 91,484 | $ 229,714 | $ 321,198 |
| Net income (loss) | | 10,165 | | 10,165 | (42,252) | (32,087) |
| Other comprehensive income | | | 9,853 | 9,853 | 24 | 9,877 |
| Contributions | | | | | 575 | 575 |
| Distributions | | | | | (106) | (106) |
| Purchases of shares in a subsidiary (including price adjustments on prior purchases) | | (547) | | (547) | 373 | (174) |
| Common shares (restricted and deferred) issued under employee and non-employee director share plans | 41 | 472 | | 472 | | 472 |
| Common share repurchases | (591) | (6,547) | | (6,547) | | (6,547) |
| Balance, September 30, 2015 | 6,678 | $ 38,575 | $ 66,305 | $ 104,880 | $ 188,328 | $ 293,208 |

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

MMA Capital Management, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

| | For the nine months ended September 30, 2015 | 2014 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $ (32,087) | $ (8,761) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Provisions for credit losses and impairment (1) | 25,237 | 20,555 |
| Net equity in losses from equity investments in partnerships (1) | 15,892 | 19,248 |
| Net gains on bonds | (5,001) | (8,218) |
| Net gains on real estate | (10,075) | (17,653) |
| Net gains on derivatives and loans | (657) | (349) |
| Advances on and originations of loans held for sale | (6,752) | |
| Net gains related to CFVs | | (15,987) |
| Net gains due to initial real estate consolidation and foreclosure | | (2,003) |
| Subordinate debt effective yield amortization and interest accruals | 2,122 | 5,321 |
| Depreciation and other amortization (1) | 1,847 | 7,310 |
| Foreign currency loss (1) | 365 | 3,525 |
| Stock-based compensation expense | 1,702 | 1,808 |
| Change in asset management fees payable related to CFVs | (4,448) | |
| Other | 64 | (5,824) |
| Net cash used in operating activities | (11,791) | (1,028) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Principal payments and sales proceeds received on bonds and loans held for investment | 29,255 | 9,587 |
| Advances on and originations of loans held for investment | (1,045) | (8,125) |
| Advances on and purchases of bonds | (15,123) | (8,380) |
| Investments in property partnerships and real estate (1) | (27,002) | (24,537) |
| Proceeds from the sale of real estate and other investments | 37,533 | 61,195 |
| Decrease in restricted cash and cash of CFVs | 19,907 | 21,216 |
| Capital distributions received from investments in property partnerships (1) | 6,410 | 13,922 |
| Net cash provided by investing activities | 49,935 | 64,878 |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from borrowing activity | 32,743 | |
| Repayment of borrowings | (37,232) | (75,478) |
| Purchase of treasury stock | (6,547) | (6,938) |

| | | |
|---|---|---|
| Other | 167 | (1,621) |
| Net cash used in financing activities | (10,869) | (84,037) |
| Net increase (decrease) in cash and cash equivalents | 27,275 | (20,187) |
| Cash and cash equivalents at beginning of period | 29,619 | 66,794 |
| Cash and cash equivalents at end of period | $ 56,894 | $ 46,607 |

(1) Majority of the activity was related to CFVs.

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

MMA Capital Management, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS– (continued)

(Unaudited)

(in thousands)

| | For the nine months ended September 30, 2015 | 2014 |
|---|---|---|
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | $ 6,091 | $ 10,171 |
| Income taxes paid | 224 | 302 |
| | | |
| Non-cash investing and financing activities: | | |
| Unrealized gains (losses) included in other comprehensive income | 9,877 | (7,521) |
| Debt and liabilities extinguished through sales and collections on bonds and loans | 17,140 | 22,552 |
| Increase in debt through loan fundings | 4,886 | |
| Increase in real estate assets and decrease in bond assets due to foreclosure or initial consolidation of funds and ventures | | 11,058 |
| Decrease in common equity and increase in noncontrolling equity due to purchase of noncontrolling interest | 397 | 2,849 |

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

MMA Capital Management, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1— DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

MMA Capital Management, LLC, the registrant, was organized in 1996 as a Delaware limited liability company. When used in this Quarterly Report on Form 10-Q for the period ended September 30, 2015 (this “Report”), the “Company,” “MMA,” “we,” “our,” or “us” may refer to the registrant, the registrant and its subsidiaries, or one or more of the registrant’s subsidiaries depending on the context of the disclosure.

### Description of the Business

The Company uses its experience and expertise to partner with institutional capital to create attractive and impactful alternative investment opportunities, to manage them well and to report on them effectively. Beginning in 2015, the Company operates through three reportable segments – United States (“U.S.”) Operations, International Operations and Corporate Operations.

### U.S. Operations

Our U.S. Operations consists of three business lines: Leveraged Bonds, Low-Income Housing Tax Credits (“LIHTCs”) and Other Investments and Obligations.

The Leveraged Bonds business line finances affordable housing and infrastructure in the U.S. This business line manages the vast majority of the Company’s bonds and bond related investments (“bonds”) and associated financings. The bond portfolio is comprised primarily of multifamily tax-exempt bonds, but also includes other real estate related bond investments.

Our LIHTC business consists primarily of a secured subordinate loan receivable from Morrison Grove Management, LLC (“MGM”) and an option to purchase MGM beginning in 2019.

The Other Investments and Obligations business line includes legacy assets targeted for eventual disposition and serves as our research and development unit for new business opportunities in the U.S., which has resulted in the creation of a renewable energy finance business that operates as MMA Energy Capital, LLC ("MEC").

International Operations

We manage our International Operations through a 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. IHS currently manages three funds: the South Africa Workforce Housing Fund ("SAWHF"), which is a multi-investor fund and is fully invested; IHS Residential Partners I, which is a single-investor fund targeted at the emerging middle class in South Africa; and IHS Fund II, which is a multi-investor fund targeting investments in affordable housing, including green housing projects, within South Africa and Sub-Saharan Africa. During the second quarter of 2015, IHS 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. IHS 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.

Use of Estimates

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

Basis of Presentation and Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and of entities that are considered to be variable interest entities in which the Company is the primary beneficiary, as well as those entities in which the Company has a controlling financial interest, including wholly owned subsidiaries of the Company. All intercompany transactions and balances have been eliminated in consolidation. Equity investments in unconsolidated entities where the Company has the ability to exercise significant influence over the operations of the entity, but is not considered the primary beneficiary, are accounted for using the equity method of accounting.

New Accounting Guidance

Accounting for Consolidation

In February 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which amends current guidance related to the consolidation of legal entities such as limited partnerships, limited liability corporations and securitization structures. The guidance removed the specialized consolidation model surrounding limited partnerships and similar entities and amended the requirements that such entities must meet to qualify as voting interest entities. In addition, the guidance eliminated certain of the conditions for evaluating whether fees paid to a decision maker or service provider represented a variable interest. The new guidance is effective for us on January 1, 2016 with early adoption permitted. The Company is currently evaluating the potential impact of the new guidance on our consolidated financial statements.

Accounting for Debt Issuance Costs

On April 7, 2015, the Company adopted ASU No. 2015-03, "Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." This guidance provides an amendment to the accounting guidance related to the presentation of debt issuance costs and is effective for fiscal years beginning after December 15, 2015 with early adoption allowed. This guidance is applied retrospectively to all prior periods. Under the new guidance, debt issuance costs related to a note shall be reported in the Consolidated Balance Sheets as a direct deduction from the face amount of that note. In this regard, debt issuance costs shall not be classified separately from related debt obligations as a deferred charge. Therefore, as a result of adopting this guidance, the Company reclassified in its Consolidated Balance Sheets $2.9 million of debt issuance costs at December 31, 2014, from "Other Assets" to "Debt," thereby decreasing the carrying value of our recognized debt obligations for presentational purposes.

NOTE 2—BONDS AVAILABLE-FOR-SALE

Bonds Available-for-Sale

The Company's bond portfolio is comprised primarily of multifamily tax-exempt bonds, but also includes other real estate related bond investments.

Multifamily tax-exempt bonds are issued by state and local governments or their agencies or authorities to finance multifamily rental housing; typically however, the only source of recourse on these bonds is the collateral, which is either a first mortgage or a subordinate mortgage on the underlying properties.

The Company's investments in other real estate related bonds include municipal bonds that are issued to finance the development of community infrastructure that supports mixed-use and commercial developments and that are secured by incremental tax revenues generated from the development. Investments in other real estate related bonds also include senior investments in a trust collateralized by a pool of tax-exempt municipal bonds that finance a variety of non-profit projects such as hospitals, healthcare facilities, charter schools and airports, as well as a subordinate investment in a collateralized mortgage backed security that finances multifamily housing.

The weighted average pay rate on the Company's bond portfolio was 5.5% and 5.2% at September 30, 2015 and December 31, 2014, respectively. Weighted average pay rate represents the cash interest payments collected on the bonds as a percentage of the bonds' average unpaid principal balance ("UPB") for the preceding 12 months for the population of bonds at September 30, 2015 and December 31, 2014, respectively.

The following tables provide information about the UPB, amortized cost, gross unrealized gains, gross unrealized losses and fair value ("FV") associated with the Company's investments in bonds that are classified as available-for-sale:

| (in thousands) | At September 30, 2015 UPB | Amortized Cost (1) | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | FV as a % of UPB |
|---|---|---|---|---|---|---|
| Multifamily tax-exempt bonds | $ 164,020 | $ 101,931 | $ 54,393 | $ | $ 156,324 | 95% |
| Other real estate related bond investments | 62,385 | 48,117 | 13,617 | | 61,734 | 99% |
| Total | $ 226,405 | $ 150,048 | $ 68,010 | $ | $ 218,058 | 96% |

| (in thousands) | At December 31, 2014 UPB | Amortized Cost (1) | Gross Unrealized Gains | Gross Unrealized Losses (2), (3) | Fair Value | FV as a % of UPB |
|---|---|---|---|---|---|---|
| Multifamily tax-exempt bonds | $ 192,068 | $ 126,897 | $ 41,145 | $ (858) | $ 167,184 | 87% |
| Other real estate related bond investments | 57,056 | 38,768 | 16,947 | | 55,715 | 98% |
| Total | $ 249,124 | $ 165,665 | $ 58,092 | $ (858) | $ 222,899 | 89% |

(1) Consists of the UPB, unamortized premiums, discounts and other cost basis adjustments, as well as other-than-temporary impairments ("OTTI") recognized in earnings.

(2) At December 31, 2014, $0.6 million represents the non-credit loss component for certain unrealized losses deemed to be OTTI and $0.3 million represents unrealized losses that were not considered OTTI.

(3) Comprised of bonds in a gross unrealized loss position for less than 12 consecutive months that had a fair value of $1.8 million at December 31, 2014, as well as bonds in a gross unrealized loss position for more than 12 consecutive months that had a fair value of $6.0 million at December 31, 2014.

See Note 9, "Fair Value Measurements," which describes factors that contributed to the $4.8 million decrease in the reported fair value of the Company's bond portfolio during the nine months ended September 30, 2015.

Maturity

Principal payments on the Company's investments in bonds are based on contractual terms that are set forth in the offering documents for such investments. If principal payments are not required to be made prior to the contractual maturity of a bond, its UPB is required to be paid in a lump sum payment at contractual maturity or at such earlier time as may be provided under the offering documents. At September 30, 2015, six bonds (that have a combined amortized cost of $15.0 million and combined fair value of $24.9 million) were non-amortizing with principal due in full between November 2044 and August 2048. The remaining bonds are amortizing with stated maturity dates between September 2017 and June 2056.

Bonds with Prepayment Features

The contractual terms of substantially all of the Company's investments in bonds include provisions that permit the bonds to be prepaid at par after a specified date that is prior to the stated maturity date. The following table provides information about the UPB, amortized cost and fair value of the Company's investments in bonds that were prepayable at par at September 30, 2015, as well as stratifies such information for the remainder of the Company's investments based upon the periods in which such instruments become prepayable at par:

| (in thousands) | UPB | Amortized Cost | Fair Value |
|---|---|---|---|
| September 30, 2015 | $ 57,475 | $ 38,117 | $ 54,499 |
| October 1 through December 31, 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| 2018 | 2,000 | 675 | 2,041 |
| 2019 | | | |
| Thereafter | 166,686 | 111,012 | 161,268 |
| Bonds that may not be prepaid | 244 | 244 | 250 |
| Total | $ 226,405 | $ 150,048 | $ 218,058 |

Non-Accrual Bonds

The fair value of the Company's investments in bonds that were on non-accrual status was $40.5 million and $43.6 million at September 30, 2015 and December 31, 2014, respectively. During the period in which such bonds were on non-accrual status, the Company recognized interest income on a cash basis of $0.4 million and $3.4 million for the three months ended September 30, 2015 and 2014, respectively, and $1.2 million and $4.6 million for the nine months ended September 30, 2015 and 2014, respectively. Interest income not recognized during the period in which these investments in bonds were on non-accrual status was $0.4 million and $0.9 million for the three months ended September 30, 2015 and 2014, respectively, and $1.3 million and $2.3 million for the nine months ended September 30, 2015 and 2014, respectively.

Bond Aging Analysis

The following table provides information about the fair value of the Company's investments in bonds that are classified as available-for-sale and that were current with respect to principal and interest payments, as well as the fair value of bonds that were past due with respect to principal or interest payments:

| (in thousands) | At September 30, 2015 | At December 31, 2014 |
|---|---|---|
| Total current | $ 177,575 | $ 179,315 |
| 30-59 days past due | | |
| 60-89 days past due | | |
| 90 days or greater | 40,483 | 43,584 |
| Total | $ 218,058 | $ 222,899 |

Bond Sales and Redemptions

The Company recognized cash proceeds in connection with sales and redemptions of its investments in bonds of $10.9 million and $7.4 million for the nine months ended September 30, 2015 and 2014, respectively.

The following table provides information about net realized gains that were recognized in connection with the Company's investments in bonds at the time of their sale or redemption (in the Consolidated Statements of Operations as a component of "Other expenses" and "Net gains on bonds"):

| (in thousands) | For the three months ended September 30, 2015 | 2014 | For the nine months ended September 30, 2015 | 2014 |
|---|---|---|---|---|
| Net impairment recognized on bonds held at each period-end | $ | $ (113) | $ | $ (113) |
| Net impairment recognized on bonds sold/redeemed during each period | | | (179) | |
| Gains recognized at time of sale or redemption | 626 | 7,450 | 5,001 | 8,218 |
| Total net gains on bonds | $ 626 | $ 7,337 | $ 4,822 | $ 8,105 |

NOTE 3—INVESTMENTS IN PREFERRED STOCK

The Company's investments in preferred stock are prepayable at any time and represent an interest in a private national mortgage lender and servicer that specializes in affordable and market rate multifamily housing, senior housing and healthcare. At September 30, 2015, the carrying value of the Company's investments in preferred stock was $31.4 million and the UPB and estimated fair value was $36.6 million with a weighted average pay rate of 14.4%. The Company accounts for its investment in preferred stock using the cost method of accounting and tests such investment for impairment at each balance sheet date. The Company did not recognize any impairment losses associated with its investment in preferred stock for the nine months ended September 30, 2015 and 2014.

As of September 30, 2015, a significant portion of our investment in preferred stock ($25.0 million) was the referenced asset in two total return swap agreements that expire on March 31, 2016.

On October 30, 2015, the Company's investments in preferred stock were fully redeemed by the issuer at a par value of $36.6 million and, as a result, the Company terminated the two aforementioned total return swaps and will recognize a gain of $5.2 million during the fourth quarter of 2015. Refer to Note 6, "Debt," for more information.

NOTE 4—INVESTMENTS IN PARTNERSHIPS

The following table provides information about the carrying value of the Company's investments in partnerships.

| (in thousands) | At September 30, 2015 | At December 31, 2014 |
|---|---|---|
| Investments in U.S. real estate partnerships | $ 22,454 | $ 22,529 |
| Investments in IHS-managed funds | 3,053 | 5,689 |
| Investment in a solar joint venture | 25,078 | |
| Investments in Lower Tier Property Partnerships ("LTPPs") related to CFVs (1) | 189,295 | 231,204 |
| Total investments in partnerships | $ 239,880 | $ 259,422 |

(1) See Note 15, "Consolidated Funds and Ventures," for more information.

Investments in U.S. Real Estate Partnerships

At September 30, 2015, $16.3 million of the reported carrying value of investments in U.S. real estate partnerships pertains to an equity investment made by the Company in a real estate venture that was formed during the fourth quarter of 2014. The Company accounts for this investment using the equity method of accounting. The Company made an initial contribution of $8.8 million, which represented 80% of the real estate venture's initial capital. The Company has rights to a preferred return on its capital contribution, as well as rights to share in excess cash flows of the real estate venture.

At September 30, 2015, the majority of the remaining balance ($6.1 million) of investments in U.S. real estate partnerships pertains to an equity investment that represents a 33% ownership interest in a partnership that was formed to take a deed-in-lieu of foreclosure on land that was collateral for a loan held by the Company. The Company accounts for this investment using the equity method of accounting.

The following table provides information about the total assets and liabilities of the U.S. real estate partnerships in which the Company held an equity investment:

| (in thousands) | At September 30, 2015 | At December 31, 2014 |
|---|---|---|
| Total assets | $ 86,018 | $ 83,021 |
| Total liabilities | 39,222 | 34,856 |

The following table provides information about the net loss recognized by the Company in connection with its equity investment in U.S. real estate partnerships:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| (in thousands) | 2015 | 2014 | 2015 | 2014 |
| Net loss | $ (655) | $ (437) | $ (1,503) | $ (933) |

Investments in IHS-managed Funds

At September 30, 2015, the Company held equity co-investments in three IHS-managed funds (SAWHF, IHS Residential Partners I and IHS Fund II) that range from a 1.8% to a 4.25% ownership interest in such funds. IHS provides asset management services to each of these investment vehicles in return for asset management fees. For each investment vehicle, IHS also has rights to investment returns on its equity co-investment as well as has rights to an allocation of profits from such funds (the latter of which is often referred to as “carried interest”), which is contingent upon the investment returns generated by each investment vehicle.

The Company accounts for its interest in SAWHF, IHS Residential Partners I and IHS Fund II as equity investments using the equity method of accounting. At September 30, 2015, the carrying basis of the Company’s equity investment in SAWHF, IHS Residential Partners I and IHS Fund II was $1.5 million, $1.5 million and $39,118, respectively.

The Company recognizes an impairment loss for equity method investments when evidence demonstrates that the loss is other-than-temporary. During the third quarter of 2015, the Company assessed that its co-investment in SAWHF was other-than-temporarily impaired and recognized a loss of $1.6 million in its Consolidated Statements of Operations as a component of "Other expenses" as a result of adjusting the carrying value of such investment to its fair value.

The following table provides information about the carrying value of total assets (primarily real estate) and liabilities of the three IHS-managed funds in which the Company held an equity investment:

| (in thousands) | At September 30, 2015 | At December 31, 2014 |
|---|---|---|
| Total assets | $ 251,790 | $ 276,007 |
| Total liabilities | 103,449 | 104,863 |

The table that follows below provides information about the net (loss) income recognized by the Company in connection with its equity investments in the three IHS-managed funds. However, the net loss that was recognized for the three months and nine months ended September 30, 2014 was related only to IHS Residential Partners I since, during such reporting periods, no capital had been called for IHS Fund II and SAWHF was consolidated by the Company for reporting purposes (such that its equity investment in SAWHF was eliminated for reporting purposes in consolidation).

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| (in thousands) | 2015 | 2014 | 2015 | 2014 |
| Net (loss) income | $ (1,291) | $ (1,835) | $ 2,042 | $ (2,831) |

Investment in a Solar Joint Venture

On July 15, 2015, the Company entered into a joint venture with a third party to provide capital for the development and construction of solar power projects throughout the U.S. (hereinafter, the "Solar Joint Venture"). The Company is primarily responsible for the day-to-day management and operation of the Solar Joint Venture and day-to-day oversight of its investments. In return for providing this service, the Company receives an administrative member cost reimbursement fee that is recognized in the Consolidated Statements of Operations as a component of "Asset management fees and reimbursements." The Company's initial capital commitment was $25.0 million, which represented a 50% ownership interest in the Solar Joint Venture. As of September 30, 2015, the Company had contributed $25.0 million in capital to the Solar Joint Venture. The Company accounts for its investment in the Solar Joint Venture using the equity method of accounting.

On October 28, 2015, the Operating Agreement of the Solar Joint Venture was amended to increase the capital commitment for each member to $50.0 million.

The following table provides information about the carrying amount of total assets (primarily cash and solar construction and development loans) and liabilities of the Solar Joint Venture in which the Company held an equity investment at September 30, 2015:

| | At September 30, 2015 | At December 31, 2014 |
|---|---|---|
| (in thousands) | | |
| Total assets | $ 50,812 | $ |
| Total liabilities | 984 | |

The following table displays the net income recognized by the Company in connection with its equity investment in the Solar Joint Venture:

| (in thousands) | For the three months ended September 30, 2015 | 2014 | For the nine months ended September 30, 2015 | 2014 |
|---|---|---|---|---|
| Net income | $ 516 | $ | $ 516 | $ |

NOTE 5—OTHER ASSETS

The following table provides information related to the carrying value of the Company’s other assets:

| (in thousands) | At September 30, 2015 | At December 31, 2014 |
|---|---|---|
| Other assets: | | |
| Loans held for investment | $ 8,482 | $ 22,392 |
| Loans held for sale | 12,040 | |
| Real estate owned | 2,619 | 28,562 |
| Asset management fees and reimbursements receivable | 3,008 | 2,454 |
| Derivative assets | 3,560 | 2,726 |
| Solar facilities (includes other assets such as cash and other receivables) | 2,886 | 3,093 |
| Accrued interest and dividends receivable | 2,227 | 2,672 |
| Other assets | 3,495 | 2,219 |
| Other assets held by CFVs (1) | 9,539 | 11,128 |
| Total other assets | $ 47,856 | $ 75,246 |

(1) See Note 15, “Consolidated Funds and Ventures,” for more information.

Loans Held for Investment

We report the carrying value of loans that are held for investment (“HFI”) at their UPB, net of unamortized premiums, discounts and other cost basis adjustments and related allowance for loan losses.

The following table provides information about the amortized cost and allowance for loan losses that was recognized in the Company's Consolidated Balance Sheets related to loans that it classified as HFI:

| (in thousands) | At September 30, 2015 | At December 31, 2014 |
|---|---|---|
| Amortized cost | $ 9,233 | $ 40,163 |
| Allowance for loan losses | (751) | (17,771) |
| Loans held for investment, net | $ 8,482 | $ 22,392 |

At September 30, 2015 and December 31, 2014, HFI loans had an UPB of $9.5 million and $40.9 million, respectively, as well as deferred fees and other basis adjustments of $0.3 million and $0.7 million, respectively.

At September 30, 2015 and December 31, 2014, HFI loans that were specifically impaired had an UPB of $1.1 million and $18.4 million, respectively, and were not accruing interest. The carrying value for HFI loans on non-accrual status was $0.3 million at September 30, 2015 and December 31, 2014.

At September 30, 2015 and December 31, 2014, no HFI loans that were 90 days or more past due related to scheduled principal or interest payments were still accruing interest.

At September 30, 2015, the Company had a $13.0 million subordinate loan receivable relating to the seller financing previously provided to MGM. This loan is not recognized for financial statement purposes because the conveyance of the Company's LIHTC business to MGM was not reported as a sale. Interest collected during the three months and nine months ended September 30, 2015 on the seller financing was $0.4 million and $1.0 million, respectively, which was recorded as a deferred gain through "Other liabilities."

At September 30, 2015, the cumulative amount of the deferred gain on the seller financing, which is recognized in the Consolidated Balance Sheets as a component of "Other Liabilities," was $4.3 million ($2.9 million of principal collected and $1.4 million of interest collected).

Loans Held for Sale

At September 30, 2015, loans held for sale ("HFS") primarily included five solar loans. These loans were conveyed to the Solar Joint Venture during the third quarter of 2015 at par value, thereby generating cash proceeds of $7.2 million. However, such conveyance was treated as a secured borrowing for reporting purposes. See Note 6, "Debt" for more information.

At September 30, 2015, there were no solar loans that were 90 days or more past due, and there were no solar loans that were placed on non-accrual status.

The Company recognized interest income on its solar loans of $0.2 million and $0.3 million for the three and nine months ended September 30, 2015, respectively.

Unfunded Loan Commitments

The Company had no unfunded loan commitments at September 30, 2015 and December 31, 2014.

Real Estate Owned

The following table provides information about the carrying value of the Company's real estate owned:

| (in thousands) | At September 30, 2015 | At December 31, 2014 |
| --- | --- | --- |
| Real estate held for sale | $ | $ |