MMA CAPITAL MANAGEMENT, LLC
Form 10-Q
November 09, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________________ to __________________

Commission File Number 001-11981

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

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

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

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

Common Stock Purchase Rights Nasdaq CapitalMarket

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

There were 5,961,721 shares of common shares outstanding at November 2, 2016.

MMA Capital Management, LLC
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Cautionary Statement Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q for the period ending September 30, 2016 (this “Report”) contains forward-looking statements intended to qualify for the safe harbor contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements often include words such as “may,” “will,” “should,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “seek,” “would,” “could,” and similar words or expressions and are made in connection with discussions of future operating or financial performance.

Forward-looking statements reflect our management’s expectations at the date of this Report regarding future conditions, events or results. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. Our actual results and financial condition may differ materially from what is anticipated in the forward-looking statements. There are many factors that could cause actual conditions, events or results to differ from those anticipated by the forward-looking statements contained in this Report. They include the factors discussed in Part 1, Item 1A. “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 (“2015 Form 10-K”).

Readers are cautioned not to place undue reliance on forward-looking statements in this Report or that we make from time to time, and to consider carefully the factors discussed in Part I, Item 1A. “Risk Factors” of the 2015 Form 10-K in evaluating these forward-looking statements. We do not undertake to update any forward-looking statements contained herein, except as required by law.

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

MMA Capital Management, LLC

Consolidated Financial Highlights

Summary Financial Data

(unaudited) As of and for the time period ended, (in thousands, except per common share data)	3Q16	2Q16	1Q16	4Q15 (1)	3Q15 (1)
Selected income statement data					
Net interest income	$ 3,840	$ 3,039	$ 3,142	$ 2,720	$ 3,071
Non-interest revenue	4,655	3,941	3,358	3,212	4,115
Total revenues, net of interest expense	8,495	6,980	6,500	5,932	7,186
Operating and other expenses	17,556	16,403	15,673	19,437	20,126
Net (losses) gains from bonds and other continuing operations	(1,105)	2,248	13,310	8,365	2,807
Net (losses) gains from continuing operations before income taxes	(10,166)	(7,175)	4,137	(5,140)	(10,133)
Income tax (expense) benefit	(43)	(34)	(72)	15	(146)
Net income from discontinued operations, net of tax	1,285	83	83	83	83
Loss allocable to noncontrolling interests	13,099	12,256	12,457	12,731	13,780
Net income allocable to common shareholders	$ 4,175	$ 5,130	$ 16,605	$ 7,689	$ 3,584
Earnings per share data					
Net income allocable to common shareholders: Basic	$ 0.68	$ 0.81	$ 2.55	$ 1.16	$ 0.53
Diluted	0.64	0.81	2.52	1.16	0.51
Average shares: Basic	6,174	6,289	6,523	6,617	6,746
Diluted	6,549	6,289	6,882	6,617	7,091
Market and per common share data					
Market capitalization	$ 110,300	$ 111,051	$ 104,209	$ 94,160	$ 86,354
Common shares at period-end	6,133	6,196	6,480	6,589	6,678
Share price during period:					
High	18.22	18.45	16.44	14.50	13.11
Low	18.01	18.00	16.24	14.24	12.98
Closing price at period-end	18.22	18.15	16.27	14.45	13.07
Book value per common share: Basic	21.53	19.71	18.75	17.63	15.71
Diluted	21.34	19.62	18.62	17.43	15.55
Selected balance sheet data (period end)					
Cash and cash equivalents	21,741	18,283	36,941	21,843	56,894
Bonds available for sale	179,435	182,831	192,928	218,439	218,058
All other assets (without consolidated funds and ventures ("CFVs")	183,507	155,697	140,882	139,177	129,467

Assets of CFVs	204,221	211,235	208,284	219,612	220,117
Total assets	$ 588,904	$ 568,046	$ 579,035	$ 599,071	$ 624,536
Debt (without CFVs)	$ 233,306	$ 216,430	$ 218,273	$ 232,212	$ 268,810
All other liabilities (without CFVs)	27,129	25,580	24,631	24,319	19,976
Liabilities of CFVs	52,899	48,116	47,034	46,319	42,542
Noncontrolling equity	143,511	155,806	167,594	180,051	188,328
Total liabilities and noncontrolling equity	456,845	445,932	457,532	482,901	519,656
Common shareholders' equity	$ 132,059	$ 122,114	$ 121,503	$ 116,170	$ 104,880
Rollforward of common shareholders' equity					
Common shareholders' equity - at beginning of period	$ 122,114	$ 121,503	$ 116,170	$ 104,880	$ 95,279
Net income allocable to common shareholders	4,175	5,130	16,605	7,689	3,584
Other comprehensive income (loss) allocable to shareholders	6,930	265	(9,685)	2,099	7,718
Common share repurchases	(1,190)	(4,776)	(1,768)	(1,196)	(1,879)
Other changes in common shareholders' equity	30	(8)	181	2,698	178
Common shareholders' equity - at end of period	$ 132,059	$ 122,114	$ 121,503	$ 116,170	$ 104,880

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

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INTRODUCTION

MMA Capital Management, LLC, the registrant, 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 partners with institutional capital to create and manage investments in affordable housing and renewable energy. We invest for our own account and co-invest with our institutional capital partners. We derive revenue from returns on our investments as well as asset management, performance and other fees from the investments, funds and ventures we manage.

The Company operates through three reportable segments – United States ("U.S.") Operations, International Operations and Corporate Operations.

U.S. Operations

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

Leveraged Bonds

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

The bonds held by the Company are primarily 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.

The Company also has a smaller portfolio of other real estate bonds. This portfolio includes municipal bonds that finance the development of infrastructure for a mixed-use commercial development and is secured by incremental tax revenues generated from the development. Our other real estate 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 healthcare and educational facilities, as well as a subordinated investment in a collateralized mortgage backed security that finances multifamily housing.

The Company has financed its ownership of a majority of its investments in bonds through total return swap ("TRS") agreements. These financing arrangements, which enable the Company to retain the economic risks and rewards of underlying fixed rate bond positions, generally require the Company to pay a variable rate of interest that resets on a weekly basis. The Company has also executed TRS agreements to synthetically acquire the total return of multifamily bonds that it did not own. However, as further discussed in Notes to Consolidated Financial Statements – Note 5, "Debt" and Notes to Consolidated Financial Statements – Note 6, "Derivative Instruments," the Company has hedged some of its interest rate risk.

Table 1 provides key metrics related to all bonds in which we have an economic interest, including bonds that are not recognized for financial statement purposes but for which the Company maintains economic risks and rewards through TRS agreements that the Company accounts for as derivatives as of September 30, 2016 (such bonds and TRS agreements are collectively referred to as the "Bond Portfolio"). See Notes to Consolidated Financial Statements – Note 5, "Debt" and Notes to Consolidated Financial Statements – Note 6, "Derivative Instruments" for more information about how TRS agreements are reported in the Company’s financial statements.

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Table 1: Bond Portfolio - Summary

(dollars in thousands)	UPB	Fair Value	Wtd. Avg. Coupon	Wtd. Avg. Pay Rate (4)	Wtd. Avg. Debt Service Coverage (5)	Number of Bonds (9)	Number of Multifamily Properties (9)
Multifamily tax-exempt bonds							
Performing	$ 173,144	$ 185,164	6.55 %	6.55 %	1.13 x	22	19
Non-performing (1), (2)	26,299	28,667	6.68 %	3.10 %	0.85 x	4	3
Subordinated cash flow (3)	9,620	8,087	6.78 %	1.25 %	N/A	3	
Total multifamily tax-exempt bonds	$ 209,063	$ 221,918	6.57 % (6)	6.10 % (6)	1.09 x	29	22
Infrastructure bonds	$ 27,655	$ 26,591	6.75 %	6.75 %	N/A	2	N/A
Other bonds	$ 20,133	$ 20,919	4.89 %	4.89 %	N/A	4	N/A
Total bond portfolio (7), (8)	$ 256,851	$ 269,428	6.45 % (6)	6.07 % (6)	1.09 x	35	22

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

(2) This amount includes subordinated bonds with must-pay coupons with an unpaid principal balance ("UPB") of $7.6 million and a fair value of $12.5 million.

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

(4) The weighted average pay rate represents the cash interest payments collected on the bonds as a percentage of the bonds' average UPB for the preceding 12 months for the population of bonds at September 30, 2016.

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

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

(7) Includes 10 bonds financed by TRS agreements and accounted for as derivatives. These 10 bonds had a UPB of $86.1 million and a fair value of $90.0 million and were subject to TRS agreements with a notional amount of $87.5 million. This amount also includes an additional nine bonds financed by TRS agreements accounted for as a secured borrowing. These bonds had a UPB of $96.3 million and a fair value of $103.2 million and were subject to TRS agreements with a notional amount of $87.4 million.

(8) Amounts included within this table exclude an investment in a performing multifamily tax-exempt bond that has a UPB of $12.3 million as of September 30, 2016. This bond has been excluded from this table because the real estate partnership has been consolidated by the Company for financial reporting purposes.

(9) As of June 30, 2016, the Bond Portfolio contained 35 bonds of which 29 multifamily tax-exempt bonds were collateralized by 22 affordable multifamily rental properties.

The fair value of the Bond Portfolio as a percentage of its UPB improved from 102.4% as of June 30, 2016 to 104.9% as of September 30, 2016. The weighted average debt service coverage ratio improved from 1.07x as of June 30, 2016 to 1.09x as of September 30, 2016.

Exposure of the Bond Portfolio to Increases in Market Yields and Capitalization Rates

The Bond Portfolio is exposed to market risk, which is the potential for adverse changes in value resulting from changes in market variables such as interest rates or credit spreads. The fair value of the bonds is influenced both by the performance of the underlying real estate assets (i.e., as a proxy for creditworthiness) and long-term tax-exempt interest rates and credit spreads (i.e., generally as long-term rates and/or credit spreads rise, bonds become less valuable).

In Table 2, we measure the Bond Portfolio's sensitivity to increases in market yields and terminal capitalization rates by measuring how its fair value would hypothetically change as a result of an instantaneous 100 basis point increase in the market yield and terminal capitalization rate assumptions that were originally used to measure the fair value of our Bond Portfolio as reported in our Consolidated Balance Sheets at September 30, 2016 and December 31, 2015. In estimating such impacts, we also assumed that expected future cash flows and the credit quality associated with the Bond Portfolio remained constant relative to projections that were assumed in fair value measurements used to report carrying values in our Consolidated Balance Sheets at September 30, 2016 and December 31, 2015.

The fair value sensitivity of the Bond Portfolio is calculated using internal models that require standard assumptions regarding market yields and other inputs that are used to measure the fair value of such instruments for financial reporting purposes. Valuation assumptions are derived based on the characteristics of the underlying structure of instruments in the Bond Portfolio and other factors. Refer to Notes to Consolidated Financial Statements – Note 7, "Fair Value" for more information about our methods that are used to measure fair value.

Table 2 displays the change in fair value of the Bond Portfolio as measured on the last day of each period presented using the assumptions described above.

Table 2: Exposure of the Bond Portfolio to Increases in Market Yields and Capitalization Rates

	At	
(in thousands)	September 30, 2016	December 31, 2015
Fair value of the Bond Portfolio	$ 269,428	$ 309,445
Hypothetical change in the fair value of the Bond Portfolio (assuming market yields and capitalization rates increased 100 basis points)	(20,139)	(25,772)
Adjusted hypothetical fair value of the Bond Portfolio	$ 249,289	$ 283,673

LIHTC

In our LIHTC business line, we primarily own and manage limited partner ("LP") and general partner ("GP") investments in affordable housing communities in the U.S. In this regard, we provide asset management and administrative services to a limited liability company formed in 2015 by the Company and a commercial bank ("TC Fund I") that acquired limited partnership interests either directly or through fund investments in approximately 650 affordable properties. We also acquired several direct real estate investments in connection with the formation of TC Fund I. Through this business line, we also have loan receivables from, and an option to purchase, a tax credit asset manager. We have made other guarantees through this business line to some of our institutional clients related to the receipt of tax credits and the performance of the underlying assets.

TC Fund I

As consideration for providing asset management and administrative services to TC Fund I, the Company is entitled to an asset management fee of 2% per annum on the initial capital contribution of $211 million by an investor with whom the Company partnered to form TC Fund I. This amount accrues quarterly in advance, bears interest at 6% per annum compounded annually and is to be paid solely from cash flows received by TC Fund I from its portfolio of limited partnership investments. Asset management fees are generally payable to the Company by TC Fund I after payments are made by TC Fund I to: 1) repay any tax credit losses funded by the investor; 2) redeem any investor member voluntary loans; 3) to repay any mandatory loans made by the Company to fund investor tax credit losses; 4) to pay any expense loans; 5) to establish any required reserves; and 6) to pay any accrued guarantee fees. By their nature, investments of TC Fund I are expected to break-even from an operating cash flow perspective. In this regard, excess cash flows to limited partners are generated primarily from residual events that come at the end of the tax compliance period and are generally outside of the control of the Company in terms of if, and when, they occur.

As of September 30, 2016, the Company was contractually due $3.2 million for asset management and administrative services rendered to TC Fund I through such date. However, such amount has not yet been recognized in the Company's financial statements because it was assessed to not be reasonably assured of collection. The Company's assessment in this case considers various factors that include, but are not limited to, the length of time until the Company expects to receive payment and the priority of payment of such fees relative to other interests in TC Fund I. The Company assesses each reporting period whether asset management fees that are legally due are reasonably assured of collection.

In connection with the formation of TC Fund I, the Company has also provided a limited guarantee of tax credits that are expected to be generated by TC Fund I's portfolio of investments. In consideration for providing this guarantee, the Company is contractually entitled to receive $4.2 million in guarantee fees from TC Fund I. The Company recognized a guarantee fee receivable for such amount in its financial statements on December 31, 2015. This receivable bears interest at 6% per annum, compounds annually, and will be paid solely from cash flows received by TC Fund I from its portfolio of limited partnership investments.

To cover certain costs associated with the organization of TC Fund I, the Company lent $5.3 million to TC Fund I upon its formation. This loan legally accrues interest at 9.5% per annum, compounds annually and will be repaid solely from cash flows that are received by TC Fund I from its portfolio of limited partnership interests. As of September 30, 2016, this loan, which had a carrying value of $0.2 million, was on non-accrual status given, among other factors, the timing and amount of cash flow projections for this loan and its payment priority in TC Fund I's waterfall. The non-accrual status of this loan is re-assessed by the Company each reporting period.

Direct Real Estate Investments

As of September 30, 2016, the Company owned three real estate investments that it acquired on December 31, 2015 in connection with the formation of TC Fund I. These investments, which consisted of three 99% limited partnership interests, had a carrying value of $8.3 million at September 30, 2016.

As of September 30, 2016, the Company also owned a 1.0% general partnership interest in an entity that owns an affordable multifamily property that served as collateral for one of our bond investments. The acquisition of such general partner interest resulted in the consolidation of this partnership and, as a result, the Company recognized the affordable multifamily property, which had a carrying value of $14.5 million at September 30, 2016.

Interests in a Tax Credit Asset Manager

In 2014, prior to the formation of TC Fund I, the Company sold substantially all of its LIHTC business to a tax credit asset manager. As part of this transaction, the Company provided a subordinated loan and received an option to purchase the tax credit asset manager in the future.

The UPB of the subordinated loan to the tax credit asset manager was $13.0 million as of September 30, 2016. This loan is non-amortizing and has a maturity date of June 30, 2025. This loan bears interest at a base rate of 11% that is paid quarterly and contingent interest up to an additional 13%. Since origination, the Company has received principal and interest payments of $6.3 million. The receipt of such amounts are reported by us as a deferred gain in the Company's Consolidated Balance Sheets (or classified in "Other Liabilities") since the conveyance could not be treated as a sale for financial reporting purposes.

The option price to acquire the tax credit asset manager is $12.0 million, subject to various purchase price adjustments. The tax credit asset manager originates and manages debt and equity investments on behalf of third party investors and for its own account. Our purchase option of the tax credit manager may be exercised between September 30, 2019 and September 30, 2024, though it may be accelerated for certain events.

Other Guarantees

Prior to the sale of substantially all of our tax credit equity business in 2014, we "syndicated" tax credits by forming LIHTC Funds that purchased directly or indirectly the limited partnership interests in multiple Lower Tier Property Partnerships ("LTPPs"). We raised capital from institutional investors, which comprised virtually all of the equity of the LIHTC Funds, and the LIHTC Funds used this capital, and sometimes interim debt financing, to purchase the limited partner interests in the LTPPs. We were the general partner of, and managed, the LIHTC Funds, and usually retained an interest of between 0.01% and 1.0% in each of them. The remaining 99.0% to 99.99% interest in each LIHTC Fund was typically held by one or more large financial institutions.

We provided two general types of guarantees in connection with these transactions: (1) LIHTC Fund level guarantees where the Company, directly and indirectly, guaranteed the investors' return on investment ("Guaranteed Funds"); and (2) individual indemnifications to specific investors in non-guaranteed LIHTC Funds related to the performance of specific LTPPs. Because the LTPPs and the LIHTC Funds (as well as any intermediate entities) are pass-through entities for federal income tax purposes, the equity owners of the LIHTC Funds receive the tax benefit of the credits generated by the Lower Tier Property Partnerships. In order for the investors in the Guaranteed Funds to benefit from low-income housing tax credits, the LTPPs in which these entities invest must operate affordable housing properties in compliance with a number of requirements in the Code and the regulations under it. Failure to comply continuously with these requirements throughout a 15-year recapture period could result in loss of the right to those low-income housing tax credits, including recapture of credits that were already taken, potentially creating a liability under our guarantees. The execution of these guarantees caused the Company to consolidate the Guaranteed Funds for financial reporting purposes.

As consideration for providing these guarantees, the Company received upfront guarantees fees of $28.9 million that were initially deferred for financial reporting purposes and that are amortized into earnings over the contractual life of such obligations. However, because the Guaranteed Funds have been consolidated by the Company for reporting purposes, certain fees and other payments received from such consolidated entities are not classified as revenues in our Consolidated Statements of Operations but rather are reflected as income that is allocated to us from consolidated funds and ventures.

When the Company sold its tax credit equity business in 2014 to a tax credit asset manager, it agreed to indemnify the tax credit asset manager from investor claims related to those guarantees and, therefore, we continue to be obligated on our guarantees to investors in these funds.

Refer to Notes to Consolidated Financial Statements – Note 7, “Fair Value” for more information about the fair value measurement of certain of our contractual rights and obligations that we maintain through our LIHTC business line.

Energy Capital and Other Investments

In our Energy Capital and Other Investments business line, our wholly owned subsidiary, MMA Energy Capital, ("MEC") provides debt capital to develop, build and operate renewable energy systems. We originate solar loans directly and through a joint venture that we have with an alternative asset manager (our "Solar Joint Venture"). MEC provides loan origination and servicing, asset management and other management services to the Solar Joint Venture and, in this regard, is entitled to reimbursement for most costs incurred by the Company in executing its responsibilities as administrative member of the Solar Joint Venture. In this business line, we also manage legacy equity investments in real estate, solar assets and an investment in land.

As of September 30, 2016, the Company had contributed $50.0 million in capital to the Solar Joint Venture. This investment, which represents a 50% ownership interest, had a carrying value of $51.5 million as of September 30, 2016 and we received $4.1 million in related cash distributions during the first nine months of 2016.

As of September 30, 2016, the UPB of loans reflected on the Consolidated Balance Sheets of the Company was $44.1 million, while the UPB of loans reflected on the balance sheet of the Solar Joint Venture was $64.0 million. In connection with one of these loans, the Company received a five-year term contingently exercisable warrant to acquire convertible preferred shares in a residential solar power provider in the U.S.

As of September 30, 2016, all of the outstanding loans originated by MEC, whose average tenor ranged from one to fifty-nine months and whose weighted average coupon was 10.8%, were performing pursuant to their contractual terms.

At September 30, 2016, we owned, or were an equity partner in, four direct investments in real estate consisting of two land parcels, a town center development and one affordable multifamily property partnership. We also owned four legacy solar installations. The carrying value of these investments was $27.6 million as of such reporting date.

Refer to Notes to Consolidated Financial Statements – Note 7, "Fair Value" for more information about the fair value measurement of certain of our contractual rights and obligations that we maintain through our Energy Capital and Other Investments business line.

New Solar Joint Venture

On November 7, 2016, the Company entered into a venture with an affiliate of a leading global private investment firm. Refer to Notes to Consolidated Financial Statements – Note 3, "Investments in Partnerships" for more information.

International Operations

We manage our International Operations segment through our wholly owned subsidiary, International Housing Solutions S.à r.l. ("IHS"). IHS's strategy is to raise, invest in and manage private real estate funds that invest in residential real estate. In addition to earning asset management fees, IHS invests as a limited partner and is entitled to special distributions based on returns generated by the funds it sponsors.

IHS currently manages three funds.

· South Africa Workforce Housing Fund ("SAWHF") is a multi-investor fund that began operations in April 2008. SAWHF is fully invested, having raised $154 million of LP capital from five different investors with an additional participating debt commitment of $80 million from the Overseas Private Investment Corporation ("OPIC"). Since its inception, SAWHF made 35 investments and had financed approximately 27,500 units of affordable for-sale and rental housing in South Africa. SAWHF is currently in process of exiting its investments as it will mature in March 2018.

- International Housing Solutions Residential Partners Partnership ("IHS Residential Partners") is a single-investor fund targeted at the emerging middle class in South Africa, began operations in November 2013 and is a venture with a large North American institutional investor. As of September 30, 2016, the partners had contributed approximately $52 million to the venture, financing investments in eight different projects totaling just under 2,100 rental units and one undeveloped land project. We do not expect to make any additional investments in this fund.

- IHS Fund II ("IHS Fund II") is a multi-investor fund targeting investments in affordable housing, including green housing projects, within South Africa and Sub-Saharan Africa. IHS Fund II began operations in July 2014 and, as of September 30, 2016, has raised $102 million of LP capital from eight investors. IHS Fund II also has an additional participating debt commitment from OPIC for $80 million. As of September 30, 2016, IHS Fund II had closed nine investments that represent a total of 2,320 affordable for-sale and rental housing units in South Africa and Botswana.

In managing these funds, we are paid asset management fees, earn a return on our co-investment and have the opportunity to earn performance fees after various investment hurdles are met.

MMA also owns a 60% interest in IHS Property Management Proprietary Limited (“IHS PM”), which provides property management services to the properties of IHS-managed funds.

Corporate Operations

Our Corporate Operations segment is responsible for supporting accounting, reporting, compliance and financial planning and analysis.

SUMMARY OF FINANCIAL PERFORMANCE

Net Worth

Common shareholders' equity increased from $122.1 million at June 30, 2016 to $132.1 million at September 30, 2016. This change was driven by $11.1 million in comprehensive income that is allocable to common shareholders and $1.2 million in other reductions in common shareholders' equity.

Diluted common shareholders' equity ("Book Value") per share increased to $21.34 at September 30, 2016, which represents an increase of 8.8%, or $1.72 per share of Book Value, compared to what we reported at June 30, 2016. Most of this growth, or $1.69 per share, was attributable to comprehensive income from core operations and bond valuations while the balance, or $0.03 per share, was driven by purchases of common shares made by the Company at prices below its Book Value per share.

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 is allocable to common shareholders of $11.1 million in the third quarter of 2016, consisting of $4.2 million of net income that is allocable to common shareholders and $6.9 million of other comprehensive income that is allocable to common shareholders. In comparison, we recognized $11.3 million of comprehensive income allocable to common shareholders in the third quarter of 2015, which consisted of $3.6 million of net income that is allocable to common shareholders and $7.7 million of other comprehensive income that is allocable to common shareholders.

Refer to "Consolidated Results of Operations" for more information about changes in common shareholders' equity that is attributable to changes in net income that is allocable to common shareholders.

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 3 provides a balance sheet summary for the periods presented. For presentational purposes, assets, liabilities and equity that are attributable to noncontrolling interest holders of CFVs are presented in Table 3 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. See Notes to Consolidated Financial Statements – Note 13, "Consolidated Funds and Ventures," for more information about CFVs.

Table 3: Balance Sheet Summary

(in thousands, except per share data)	At September 30, 2016	At June 30, 2016	At March 31, 2016	At December 31, 2015 (5)	Change for 3Q 2016
Assets					
Cash and cash equivalents	$ 21,741	$ 18,283	$ 36,941	$ 21,843	$ 3,458
Restricted cash (without CFVs)	35,770	18,840	21,153	17,041	16,930
Bonds available for sale (1)	179,435	182,831	192,928	218,439	(3,396)
Investments in partnerships (without CFVs)	82,509	81,956	83,533	82,655	553
Other assets (without CFVs)	65,228	54,901	36,196	39,481	10,327
Assets of CFVs (2)	204,221	211,235	208,284	219,612	(7,014)
Total assets	$ 588,904	$ 568,046	$ 579,035	$ 599,071	$ 20,858
Liabilities and Noncontrolling Equity					
Debt (without CFVs)	$ 233,306	$ 216,430	$ 218,273	$ 232,212	$ 16,876
Accounts payable and accrued expenses	5,333	3,907	3,516	5,001	1,426
Other liabilities (without CFVs) (2)	21,796	21,673	21,115	19,318	123
Liabilities of CFVs (1)	52,899	48,116	47,034	46,319	4,783
Noncontrolling equity related to CFVs (3)	143,430	155,666	167,519	180,020	(12,236)
Noncontrolling equity related to IHS PM (4)	81	140	75	31	(59)
Total liabilities and noncontrolling equity	$ 456,845	$ 445,932	$ 457,532	$ 482,901	$ 10,913
Common Shareholders' Equity	$ 132,059	$ 122,114	$ 121,503	$ 116,170	$ 9,945
Common shares outstanding	6,133	6,196	6,480	6,589	(63)
Common shareholders' equity per common share	$ 21.53	$ 19.71	$ 18.75	$ 17.63	$ 1.82
Diluted common shareholders' equity	$ 138,901	$ 128,925	$ 127,286	$ 121,117	$ 9,976
Diluted common shares outstanding	6,508	6,571	6,835	6,948	(63)
Diluted common shareholders' equity per common share	$ 21.34	$ 19.62	$ 18.62	$ 17.43	$ 1.72

(1)

The Company consolidated a partnership in the second quarter of 2016 that was the obligor of one of the Company's investments in bonds. As a result, the Company's investment in bonds and the related debt obligation of the partnership, both of which has a carrying value of $12.9 million and $13.0 million as of September 30, 2016 and June 30, 2016 were eliminated in consolidation.

(2) Assets of CFVs exclude $8.5 million, $8.8 million, $10.1 million and $10.4 million as of September 30, 2016, June 30, 2016, March 31, 2016 and December 31, 2015, respectively, of net assets; and other liabilities of MMA exclude $8.5 million, $8.8 million, $10.1 million and $10.4 million as of September 30, 2016, June 30, 2016, March 31, 2016 and December 31, 2015, respectively, of net liabilities. These assets and liabilities were eliminated in consolidation and primarily represent prepaid guarantee fees (CFVs) and deferred guarantee fees (MMA).

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

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

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

Common Shareholders’ Equity

Table 4 summarizes the changes in common shareholders’ equity for the periods presented.

Table 4: Changes in Common Shareholders’ Equity

(in thousands)	For the three months ended September 30, 2016	2015 (1)	Change	For the nine months ended September 30, 2016	2015 (1)	Change
Net income allocable to common shareholders	$ 4,175	$ 3,584	$ 591	$ 25,910	$ 11,037	$ 14,873
Other comprehensive income (loss) allocable to common shareholders	6,930	7,718	(788)	(2,490)	8,981	(11,471)
Other changes in common shareholders' equity	(1,160)	(1,701)	541	(7,531)	(6,622)	(909)
Net change in common shareholders' equity	$ 9,945	$ 9,601	$ 344	$ 15,889	$ 13,396	$ 2,493

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

Other Comprehensive Income (Loss) Allocable to Common Shareholders

Table 5 summarizes other comprehensive income (loss) that is allocable to common shareholders for the periods presented.

Table 5: Other Comprehensive Income (Loss) Allocable to Common Shareholders

(in thousands)	For the three months ended September 30, 2016	2015 (1)	Change	For the nine months ended September 30, 2016	2015 (1)	Change
Bond related activity:						
Bond fair value adjustments	$ 5,534	$ 7,026	$ (1,492)	$ 11,302	$ 9,399	$ 1,903
Increase in accumulated other comprehensive ("AOCI") due to equity in losses from LTPPs	1,337	1,139	198	3,820	3,806	14
Reclassification of net unrealized (losses) gains on sold or redeemed bonds into net income		386	(386)	(2,055)	(3,480)	1,425
Reclassification of unrealized losses to operations due to impairment					179	(179)
Reclassification of unrealized bonds gains into net income due to consolidation or real estate foreclosure				(15,647)		(15,647)
Other comprehensive income (loss) related to bond	6,871	8,551	(1,680)	(2,580)	9,904	(12,484)

activity						
Foreign currency translation adjustment	59	(833)	892	90	(923)	1,013
Other comprehensive income (loss) allocable to common shareholders	$ 6,930	$ 7,718	$ (788)	$ (2,490)	$ 8,981	$ (11,471)

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

Other comprehensive income (loss) that is allocable to common shareholders for the three months ended September 30, 2016, declined compared to amounts reported for the three months ended September 30, 2015 primarily as a result of sales or redemptions in the Bond Portfolio during the twelve months ended September 30, 2016.

Other comprehensive income (loss) that is allocable to common shareholders for the nine months ended September 30, 2016 declined compared to amounts reported for the nine months ended September 30, 2015 primarily as a result of (i) the financial statement consolidation of a partnership in the second quarter of 2016 that resulted in the derecognition of an investment in bonds and for which $4.2 million of unrealized holding gains were reclassified out of AOCI and into our Consolidated Statements of Operations and (ii) the foreclosure and sale in the first quarter of 2016 of a multifamily property that secured a nonperforming bond investment that resulted in a $11.4 million reclassification of unrealized bond holding gains out of AOCI and into our Consolidated Statements of Operations.

Other Changes in Common Shareholders' Equity

Table 6 summarizes other changes in common shareholders' equity for the periods presented.

Table 6: Other Changes in Common Shareholders' Equity

	For the three months ended September 30,			For the nine months ended September 30,		
(in thousands)	2016	2015	Change	2016	2015	Change
Common share repurchases	$ (1,190)	$ (1,879)	$ 689	$ (7,734)	$ (6,547)	$ (1,187)
Purchases of shares in a subsidiary (including price adjustments on prior purchases)	(15)		(15)	(60)	(547)	487
Director and employee share awards	45	178	(133)	263	472	(209)
Other changes in common shareholders' equity	$ (1,160)	$ (1,701)	$ 541	$ (7,531)	$ (6,622)	$ (909)

Other changes in common shareholders' equity reported for the three months ended September 30, 2016 decreased compared to that reported for the three months ended September 30, 2015, primarily as a result of a decrease in the number of common shares that the Company repurchased during the three months ended September 30, 2016

Other changes in common shareholders' equity reported for both the nine months ended September 30, 2016 increased compared to that reported for the nine months ended September 30, 2015 primarily as a result of an increase in the average price at which the Company repurchased its common shares during the nine months ended September 30, 2016.

CONSOLIDATED RESULTS OF OPERATIONS

This section provides a comparative discussion of our Consolidated Results of Operations for the three months and nine months ended September 30, 2016 and 2015 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.

Net Income Allocable to Common Shareholders

Table 7 summarizes net income allocable to common shareholders for the periods presented.

Table 7: Net Income Allocable to Common Shareholders

	For the three months ended September 30,			For the nine months ended September 30,		
(in thousands)	2016	2015 (1)	Change	2016	2015 (1)	Change
Net interest income	$ 3,840	$ 3,071	$ 769	$ 10,021	$ 10,937	$ (916)
Fee and other income	3,492	3,906	(414)	9,246	11,043	(1,797)
Operating and other expenses:						
Other interest expense	(1,121)	(1,300)	179	(3,238)	(6,204)	2,966
Operating expenses	(6,370)	(7,936)	1,566	(18,947)	(20,609)	1,662
Net gains on bonds, loans, derivatives, real estate and other assets	2,410	6,445	(4,035)	6,955	18,355	(11,400)
Net gains transferred into net income from AOCI due to consolidation or real estate foreclosure				15,647		15,647
Equity in income from unconsolidated funds and ventures	1,478	281	1,197	8,065	374	7,691
Net loss allocated to common shareholders related to CFVs	(794)	(808)	14	(3,030)	(2,813)	(217)
Net income allocated to IHS PM minority interest holder	(2)	(12)	10	(111)	(12)	(99)
Net income to common shareholders from continuing operations before income taxes	2,933	3,647	(714)	24,608	11,071	13,537
Income tax expense	(43)	(146)	103	(149)	(278)	129
Net income to common shareholders from discontinued operations, net of tax	1,285	83	1,202	1,451	244	1,207
Net income allocable to common shareholders	$ 4,175	$ 3,584	$ 591	$ 25,910	$ 11,037	$ 14,873

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

Net Interest Income

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 8 summarizes net interest income for the periods presented.

Table 8: Net Interest Income

(in thousands)	For the three months ended September 30, 2016	2015 (1)	Change	For the nine months ended September 30, 2016	2015 (1)	Change
Interest income:						
Interest on bonds	$ 3,230	$ 3,298	$ (68)	$ 9,189	$ 10,605	$ (1,416)
Interest on loans and short-term investments	1,195	396	799	2,518	1,940	578
Total interest income	4,425	3,694	731	11,707	12,545	(838)
Asset related interest expense:						
Bond related debt	(404)	(318)	(86)	(1,034)	(1,023)	(11)
Notes payable and other debt, non-bond related	(181)	(305)	124	(652)	(585)	(67)
Total interest expense	(585)	(623)	38	(1,686)	(1,608)	(78)
Net interest income	$ 3,840	$ 3,071	$ 769	$ 10,021	$ 10,937	$ (916)

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

Net interest income reported for the three months ended September 30, 2016 increased compared to that reported for the three months ended September 30, 2015 primarily due to an increase in the UPB of solar loans that were directly invested in by the Company in 2016.

Net interest income reported for the nine months ended September 30, 2016 declined compared to that reported for the nine months ended September 30, 2015 primarily as a result of (i) the sale or redemption of certain bond holdings and (ii) the full redemption of a bridge loan in the second quarter of 2015. This decline was partially offset by an increase in interest income that was driven by an increase in the UPB of solar loans that were directly invested in by the Company in 2016.

Fee and Other Income

Fee and Other Income includes income on our preferred stock investment, asset management fees and reimbursements as well as other miscellaneous income.

Table 9 summarizes fee and other income for the periods presented.

Table 9: Fee and Other Income

(in thousands)	For the three months ended September 30, 2016	2015	Change	For the nine months ended September 30, 2016	2015	Change
Asset management fees and reimbursements	$ 2,383	$ 1,924	$ 459	$ 6,536	$ 4,920	$ 1,616
Other income	1,109	656	453	2,710	2,189	521

Income on preferred stock investment		1,326	(1,326)		3,934	(3,934)
Fee and other income	$ 3,492	$ 3,906	$ (414)	$ 9,246	$ 11,043	$ (1,797)

Fee and other income reported for the three months ended September 30, 2016 declined compared to that reported for the three months ended September 30, 2015 primarily as a result of the redemption of the Company's investment in preferred stock in the fourth quarter of 2015. This decline was partially offset by an increase in asset management fees and reimbursements that was primarily attributable to $0.3 million of property management fees earned by IHS PM and $0.3 million in reimbursements that were recognized in the third quarter of 2016 from our Solar Joint Venture.

Fee and other income reported for the nine months ended September 30, 2016 declined compared to that reported for the nine months ended September 30, 2015 primarily as a result of the redemption of the Company's investment in preferred stock in the fourth quarter of 2015. This decline was partially offset by an increase in asset management fees and reimbursements that was driven primarily by $1.2 million of property management fees earned by IHS PM and $0.8 million in reimbursements recognized from our Solar Joint Venture during the nine months ended 2016.

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 10 summarizes other interest expense for the periods presented.

Table 10: Other Interest Expense

	For the three months ended September 30,			For the nine months ended September 30,		
(in thousands)	2016	2015	Change	2016	2015	Change
Subordinated debt	$ (1,069)	$ (997)	$ (72)	$ (3,172)	$ (5,047)	$ 1,875
Notes payable and other debt	(52)	(303)	251	(66)	(1,157)	1,091
Other interest expense	$ (1,121)	$ (1,300)	$ 179	$ (3,238)	$ (6,204)	$ 2,966

Other interest expense reported for the nine months ended September 30, 2016 declined compared to that reported for the nine months ended September 30, 2015 primarily as a result of a decrease in our cost of funding associated with MMA Financial Holdings, Inc. (“MFH”) subordinated debt, which was restructured during the second quarter of 2015. The reported decline in other interest expense was also partially attributable to the paydown of certain debt outstanding that was used to fund the Company’s investment in preferred stock, which was redeemed in full in the fourth quarter of 2015.

Operating Expenses

Operating expenses include salaries and benefits, general and administrative expense, professional fees and other miscellaneous expenses.

Table 11 summarizes operating expenses for the periods presented.

Table 11: Operating Expenses

	For the three months ended September 30,			For the nine months ended September 30,		
(in thousands)	2016	2015	Change	2016	2015	Change
Salaries and benefits	$ (4,288)	$ (4,232)	$ (56)	$ (12,287)	(11,415)	$ (872)
General and administrative	(633)	(719)	86	(1,988)	(2,355)	367
Professional fees	(1,452)	(718)	(734)	(3,892)	(2,743)	(1,149)
Other expenses	3	(2,267)	2,270	(780)	(4,096)	3,316
Operating expenses	$ (6,370)	$ (7,936)	$ 1,566	$ (18,947)	$ (20,609)	$ 1,662

Operating expenses reported for the three months ended September 30, 2016 decreased compared to that reported for the three months ended September 30, 2015 primarily due to (i) a $1.6 million impairment loss that we recognized on our co-investment in SAWHF during the third quarter of 2015 and (ii) foreign currency gains due to the strengthening of the South African Rand against the U.S. Dollar during the three months ended September 30, 2016.

Operating expenses reported for the nine months ended September 30, 2016 declined compared to that reported for the nine months ended September 30, 2015 primarily due to (i) a $1.6 million impairment loss that we recognized on our co-investment in SAWHF during the third quarter of 2015, (ii) the strengthening of the South African Rand against the U.S. Dollar during the twelve months ended September 30, 2016 and (iii) $1.0 million of nonrecurring expenses that we incurred in the second quarter of 2015 relating to the restructuring of MFH subordinate debt.

Net Gains on Bonds, Loans, Derivatives, Real Estate, Other Assets and Extinguishment of Liabilities

Net gains on bonds, loans, derivatives, real estate, other assets and extinguishment of liabilities includes unrealized gains or losses on loans, realized gains or losses associated with the sale of bonds and loans and the early redemption of bonds and loans. Such amounts also include unrealized holding gains or losses associated with our derivative instruments that result from fair value adjustments.

Table 12 summarizes net gains on bonds, loans, derivatives, real estate, other assets and extinguishment of liabilities for the periods presented.

Table 12: Net Gains on Bonds, Loans, Derivatives, Real Estate, Other Assets and Extinguishment of Liabilities

(in thousands)	For the three months ended September 30, 2016	2015	Change	For the nine months ended September 30, 2016	2015	Change
Net gains on bonds	$ (69)	$ 626	$ (695)	$ 2,254	$ 5,001	$ (2,747)
Net gains on loans	174	150	24	180	150	30
Net gains on derivatives	945	1,373	(428)	3,030	3,286	(256)
Net gains on real estate	1,585	4,296	(2,711)	1,701	9,918	(8,217)
Net losses on other assets	(208)		(208)	(193)		(193)
Net losses on extinguishment of liabilities	(17)		(17)	(17)		(17)
Total net gains	$ 2,410	$ 6,445	$ (4,035)	$ 6,955	$ 18,355	$ (11,400)

Net gains on bonds, loans, derivatives, real estate, other assets and extinguishment of liabilities that were reported for the three months ended September 30, 2016 declined compared to that reported for the three months ended September 30, 2015 primarily due to (i) $4.3 million of net gains on real estate associated with the sale of undeveloped land during the third quarter of 2015.

Net gains on bonds, loans, derivatives, real estate, other assets and extinguishment of liabilities that were reported for the nine months ended September 30, 2016 declined compared to that reported for the nine months ended September 30, 2015 primarily due to (i) $5.1 million of net gains on real estate associated with the sale of an affordable multifamily property during the second quarter of 2015, (ii) $4.3 million of net gains on real estate associated with the sale of undeveloped land during the third quarter of 2015 and (iii) $3.8 million net gains on bonds due to the redemption of a bond investment during the second quarter of 2015.

Equity in Income from Unconsolidated Funds and Ventures

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

Table 13 summarizes equity in income from unconsolidated funds and ventures for the periods presented.

Table 13: Equity in Income from Unconsolidated Funds and Ventures

(in thousands)	For the three months ended September 30, 2016	2015	Change	For the nine months ended September 30, 2016	2015	Change
U.S. real estate partnerships	$ (94)	$ (53)	$ (41)	$ 3,405	$ (104)	$ 3,509
Solar Joint Venture	1,743	422	1,321	5,051	422	4,629
IHS-managed funds	(171)	(88)	(83)	(391)	56	(447)
Equity in income from unconsolidated funds and ventures	$ 1,478	$ 281	$ 1,197	$ 8,065	$ 374	$ 7,691

Equity in income from unconsolidated funds and ventures that were reported for the three months ended September 30, 2016 increased compared to that reported for the three months ended September 30, 2015 primarily due to the

Company’s equity in income from the Solar Joint Venture established in the third quarter of 2015.

Equity in income from unconsolidated funds and ventures that were reported for the nine months ended September 30, 2016 increased compared to that reported for the nine months ended September 30, 2015 primarily due to (i) $4.6 million of equity in income from the Solar Joint Venture established in the third quarter of 2015, (ii) $2.7 million of equity in income from the sale of real estate in the first quarter of 2016 that was owned by a partnership in which the Company held a 50% limited partner interest and (iii) $0.6 million of equity in income from the sale of real estate in the second quarter of 2016 that was owned by a partnership in which the Company held a 98.99% limited partner interest.

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 September 30, 2016	2015	Change	For the nine months ended September 30, 2016	2015	Change
Revenue from CFVs	$ 1,163	$ 209	$ 954	$ 2,708	$ 409	$ 2,299
Expense from CFVs	(10,065)	(10,890)	825	(27,447)	(29,220)	1,773
Net losses related to CFVs				(598)		(598)
Equity in losses from LTPPs of CFVs	(4,993)	(3,919)	(1,074)	(15,616)	(16,266)	650
Net loss from CFVs	(13,895)	(14,600)	705	(40,953)	(45,077)	4,124
Net loss from CFVs allocable to noncontrolling interest in CFVs (1)	13,101	13,792	(691)	37,923	42,264	(4,341)
Net loss from CFVs allocable to common shareholders	$ (794)	$ (808)	$ 14	$ (3,030)	$ (2,813)	$ (217)

(1) Excludes $2 and $111 of net gain allocable to the minority interest holder in IHS PM for the three months and nine months ended September 30, 2016. Excludes $13 and $12 of net gain allocable to the minority interest holder in IHS PM for the three months and nine months ended September 30, 2015. These amounts are excluded from this presentation because IHS PM related activity is not included within CFV income statement activity above.

Table 15 further attributes the reported net loss from CFVs that is 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 September 30, 2016	2015	Change	For the nine months ended September 30, 2016	2015	Change
Guarantee fees	$ 288	$ 331	$ (43)	$ 950	$ 993	$ (43)
Interest income	192		192	257		257
Equity in losses from LTPPs	(1,337)	(1,139)	(198)	(3,820)	(3,806)	(14)
Equity in income from consolidated property partnerships	63		63	181		181
Other expenses				(598)		(598)
Net loss from CFVs allocable to common shareholders	$ (794)	$ (808)	$ 14	$ (3,030)	$ (2,813)	$ (217)

The net loss from CFVs allocable to common shareholders for the nine months ended September 30, 2016 increased compared to that reported for the nine months ended September 30, 2015 primarily due to a $0.6 million lower of cost or market adjustment that was recognized in the second quarter of 2016 related to a property held for sale.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our principal sources of liquidity include: (1) cash and cash equivalents; (2) cash flows from operating activities; and (3) cash flows from investing activities.

Summary of Cash Flows

At September 30, 2016 and December 31, 2015, we had unrestricted cash and cash equivalents of $21.7 million and $21.8 million, respectively, and we believe that cash generated from operating and investing activities, along with available cash and cash equivalents will be sufficient to fund our normal operating needs and meet our obligations as they become due.

During periods presented in this Report, we consolidated certain funds and ventures for financial reporting purposes and, therefore, cash flow activities for such funds and ventures were reflected in our Consolidated Statements of Cash Flows. In this regard, cash balances of CFVs are classified as "Restricted cash" in our Consolidated Balance Sheets because the Company does not have legal title to such balances.

Table 16 provides a consolidated view of the change in cash and cash equivalents of the Company for the periods presented, though changes in such balances that are attributable to CFVs are separately identified in such disclosure.

Changes in net cash flows that are reported in Tables 17, 18 and 19 are exclusive of changes in restricted cash balances of CFVs.

Table 16: Net Increase (Decrease) in Cash and Cash Equivalents

	For the nine months ended September 30, 2016		
(in thousands)	MMA	CFVs	Total
Cash and cash equivalents at beginning of period	$ 21,843	$	$ 21,843
Net cash provided by (used in):			
Operating activities	7,529	265	7,794
Investing activities	(7,924)	238	(7,686)
Financing activities	293	(503)	(210)
Net decrease in cash and cash equivalents	(102)		(102)
Cash and cash equivalents at end of period	$ 21,741	$	$ 21,741

For the nine months ended
September 30, 2015

(in thousands)	MMA	CFVs	Total
Cash and cash equivalents at beginning of period	$ 29,619	$	$ 29,619
Net cash (used in) provided by:			
Operating activities	(4,716)	(7,075)	(11,791)
Investing activities	43,328	6,607	49,935
Financing activities	(11,337)	468	(10,869)
Net increase in cash and cash equivalents	27,275		27,275
Cash and cash equivalents at end of period	$ 56,894	$	$ 56,894

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