

MMA Capital Holdings, Inc.
Form 10-K
March 14, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

OR

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

For the transition period from _____ to _____

Commission File Number 001 11981

MMA CAPITAL HOLDINGS, INC.

(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 21224 (443) 263 2900
(Address of principal executive offices, (Registrant's telephone number, including area code)
including zip code)

MMA CAPITAL MANAGEMENT, LLC

(Former name, former address and former fiscal year if changed since last report)

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

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

Common Stock Purchase Rights	Nasdaq Capital Market
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Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 every Interactive Data File required to be submitted 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 such files) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K.

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

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

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

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

The aggregate market value of our common shares held by non-affiliates was \$132,851,120 based on the closing sale price as reported on the Nasdaq Capital Market on June 29, 2018.

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There were 5,881,680 shares of common shares outstanding at March 7, 2019.

Portions of the registrant's Proxy Statement to be filed on or about April 11, 2019 have been incorporated by reference into Part III of this report.

MMA Capital Holdings, Inc.

(Formerly MMA Capital Management, LLC)

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Cautionary Statement Regarding Forward Looking Statements

This Annual Report on Form 10 K for the year ended December 31, 2018 (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 events and future operating or financial performance.

Forward-looking statements reflect our management’s expectations at the date of this Report regarding future conditions, events or results. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. Our actual results and financial condition may differ materially from what is anticipated in the forward-looking statements. There are many factors that could cause actual conditions, events or results to differ from those anticipated by the forward-looking statements contained in this Report. For a discussion of certain of those risks and uncertainties and the factors that could cause our actual results to differ materially because of those risks and uncertainties, see Part I, Item 1A. “Risk Factors.”

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

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MMA Capital Holdings, Inc.

(Formerly MMA Capital Management, LLC)

Consolidated Financial Highlights

(Unaudited)

(in thousands, except per common share data)	As of and for the year ended December 31,	
	2018	2017
Selected income statement data		
Net interest income	\$ 10,235	\$ 8,034
Non-interest revenue	352	1,004
Total revenues, net of interest expense	10,587	9,038
Operating and other expenses	21,685	59,210
Net gains from bonds and other continuing operations	36,776	4,082
Net income (loss) from continuing operations before income taxes	25,678	(46,090)
Income tax (expense) benefit	(32)	1,307
Net income from discontinued operations, net of tax	35,356	18,846
Loss allocable to noncontrolling interests from continuing operations	—	43,673
Loss allocable to noncontrolling interests from discontinued operations	—	1,666
Net income allocable to common shareholders	\$ 61,002	\$ 19,402
Earnings per share data		
Net income allocable to common shareholders: Basic	\$ 10.60	\$ 3.31
Diluted	10.10	3.31
Average shares: Basic	5,753	5,858
Diluted	6,037	5,858
Market and per common share data		
Market capitalization	\$ 145,586	\$ 134,274
Common shares at period-end	5,882	5,618
Share price during period:		
High	30.58	26.60
Low	23.85	23.70
Closing price at period-end	25.20	24.30
Book value per common share: Basic	36.20	24.49
Diluted	36.20	24.48
Selected balance sheet data (period end)		
Cash and cash equivalents	\$ 28,243	\$ 35,693
Investments in debt securities (without consolidated funds and ventures ("CFVs"))	97,190	143,604
Investment in partnerships	155,079	128,820
All other assets (without CFVs)	83,874	34,727
Assets of discontinued operations	—	61,230

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Assets of CFVs	—	127,812
Total assets	\$ 364,386	\$ 531,886
Debt (without CFVs)	\$ 149,187	\$ 209,427
All other liabilities (without CFVs)	2,289	27,580
Liabilities of discontinued operations	—	17,212
Liabilities of CFVs	—	50,565
Noncontrolling interests	—	89,529
Total liabilities and noncontrolling interests	151,476	394,313
Common shareholders' equity	\$ 212,910	\$ 137,573
Rollforward of common shareholders' equity		
Common shareholders' equity - at beginning of period	\$ 137,573	\$ 125,324
Net income allocable to common shareholders	61,002	19,402
Other comprehensive (loss) income allocable to common shareholders	(3,456)	3,335
Common share repurchases	(5,923)	(9,607)
Common shares issued and options exercised	18,678	—
Cumulative change due to change in accounting principles	9,206	—
Other changes in common shareholders' equity	(4,170)	(881)
Common shareholders' equity - at end of period	\$ 212,910	\$ 137,573

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PART I

ITEM 1. BUSINESS

Overview

MMA Capital Holdings, Inc. invests in debt associated with renewable energy infrastructure and real estate. Unless the context otherwise requires, and when used in this Report, the “Company,” “MMA,” “we,” “our” or “us” refers to MMA Capital Holdings, Inc. and its subsidiaries. We were originally organized as a Delaware limited liability company in 1996 and converted to a Delaware corporation on January 1, 2019.

We focus on investments with attractive risk-adjusted returns that generate positive environmental or social impacts, with an emphasis on renewable energy debt investments. Our assets and liabilities are organized into two portfolios:

- Energy Capital – This portfolio consists primarily of investments that we have made through joint ventures with an institutional capital partner in loans that finance renewable energy projects; and
- Other Assets and Liabilities (“OA&L”) – This portfolio includes our investments in bonds and related financing, certain loan receivables, cash, real estate-related investments, subordinated debt and the balance of the Company’s assets and liabilities (at December 31, 2018, investments in bonds and related financing, which were previously identified as their own portfolio in each Quarterly Report on Form 10-Q that was filed in 2018, were reallocated to the OA&L portfolio).

In emphasizing renewable energy debt investments, our objective is to grow the Company’s return on equity by further recycling equity out of existing investments, such as bond-related investments with premiums that will otherwise decrease with the passage of time and other assets that are generating lower returns, into the Energy Capital portfolio, which we believe will generate higher returns.

Commencing on January 8, 2018, we became externally managed by Hunt Investment Management, LLC (our “External Manager”), an affiliate of Hunt Companies, Inc. (Hunt Companies, Inc. and its affiliates are hereinafter referred to as “Hunt”), which is an investment adviser registered with the United States (“U.S.”) Securities and Exchange Commission (“SEC”). In conjunction with this change, we completed the sale of the following businesses and assets to Hunt (this sale transaction is hereinafter referred to as the “Disposition”):

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

On October 4, 2018, Hunt exercised its option as set forth in the Master Transaction Agreement dated January 8, 2018, between the Company and Hunt, to take assignment of the Company’s agreements to acquire (i) the LIHTC business of Morrison Grove Management, LLC (“MGM”) and (ii) certain assets pertaining to a specific LIHTC property from affiliates of MGM (these agreements are collectively referred hereinafter to as the “MGM Agreements”). In connection with the closing of the MGM Agreements, the Company executed a series of additional transactions completing the Company’s disposition of its MGM and LIHTC related assets. Such transactions are further discussed below within “Interests in MGM” and Notes to Consolidated Financial Statements — Note 13, “Related Party Transactions and Transactions with Affiliates.”

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

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Energy Capital Portfolio

Overview

In our Energy Capital portfolio, we invest in loans that finance renewable energy projects to enable developers, design and build contractors and system owners to develop, build and operate renewable energy systems throughout North America. These loans include late-stage development, construction and permanent loans. We typically invest in these loans directly through Renewable Energy Lending, LLC (“REL”), a wholly owned subsidiary of the Company, or with an institutional capital partner in multiple ventures that include: Solar Construction Lending, LLC (“SCL”); Solar Permanent Lending, LLC (“SPL”) and Solar Development Lending, LLC (“SDL”) (REL, SCL, SPL and SDL are collectively referred to hereinafter as the “Solar Ventures”). The investment period with our institutional capital partner extends to July 15, 2023, for SDL, SCL and SPL.

Our External Manager provides loan origination, servicing, asset management and other management services to the Solar Ventures. Loans are typically underwritten to generate internal rates of return (“IRR”) ranging from 10% to 15%, before expenses, range in size from \$2 million to over \$50 million, and have durations of three months to five years. Through December 31, 2018, the Solar Ventures have made over 100 project-based loans that total \$1.3 billion of debt commitments for the development of over 430 renewable energy project sites, which will generate over 2.7 gigawatts of renewable energy.

On June 1, 2018, the Company became the sole owner of REL and consolidated this entity for reporting purposes at December 31, 2018. Our buyout of our prior investment partner’s interest in REL enabled us to increase the amount of equity we are able to deploy into renewable energy investments through the Solar Ventures, provided us with full decision-making control over REL and eliminated the preferred return that was payable to our prior investment partner. Subsequent to the buyout of our prior investment partner, the Solar Ventures have been able to increase loan originations, and thus reduce the amount of uninvested equity within the ventures, resulting in an increase in returns to the Company.

Investment Carrying Value

The carrying value of MMA’s equity investment in the Solar Ventures was \$126.3 million and \$97.0 million at December 31, 2018, and December 31, 2017, respectively. The \$29.3 million year-over-year increase in the carrying value of such investment was comprised of the following: (i) \$55.9 million of capital contributions; (ii) \$33.5 million of distributions received and (iii) \$6.9 million of equity in income earned during the year ended December 31, 2018. See Notes to Consolidated Financial Statements – Note 3, “Investments in Partnerships” for additional information.

Investment Income

The Company earned \$6.9 million and \$9.2 million of equity in income from the Solar Ventures for the year ended December 31, 2018 and December 31, 2017, respectively. The year-over-year decrease in equity in income from the Solar Ventures was primarily the result of three factors: (i) the Company sold its loan origination, servicing and management components of its Energy Capital business as part of the Disposition and, as a result, the Company did not earn management fees in 2018 (during 2017 \$1.1 million of management fees were classified as equity in income from the Solar Ventures for reporting purposes); (ii) the preferred return earned by the Company’s former investment partner in REL increased during the five months ended May 31, 2018, compared to the year ended December 31, 2017, due to an increase in the amount of capital invested by the Company’s former investment partner and (iii) amortization of the purchase premium paid by the Company on June 1, 2018 to buyout our former investment partner’s interest in REL, which is reported as a reduction to equity in income earned by the Company. The impact of the aforementioned factors that caused a reduction in the total amount of equity in income earned by the Company from

the Solar Ventures was partially offset by a year-over-year increase in equity in income from SDL that was primarily driven by an increase in the Company's allocable share of the venture's net income for the year ended December 31, 2018. Refer to Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes to Consolidated Financial Statements – Note 3, "Investments in Partnerships" for additional information on the Company's equity investments.

Financial Position of the Solar Ventures

Table 1 provides information about the carrying amount of total assets, other liabilities and noncontrolling interests of the Solar Ventures at December 31, 2018 and December 31, 2017.

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Table 1: Assets, Other Liabilities and Noncontrolling Interests of the Solar Ventures

	At December 31, 2018	At December 31, 2017
(in thousands)		
Total assets	\$ 279,960	\$ 399,758
Other liabilities	12,833	5,111
Noncontrolling interests (1)		87,699

(1) On June 1, 2018, the Company bought out its investment partner in REL and consolidated such entity for reporting purposes in all subsequent reporting periods in 2018. As a result, the Company's equity investment in REL was eliminated for reporting purposes and equity in income associated with REL's equity investment in SCL and SPL were reported in the Company's financial statements.

Lending Activities of the Solar Ventures

At December 31, 2018, the loans that were funded through the Solar Ventures had an aggregate unpaid principal balance ("UPB") of \$250.8 million, a weighted-average remaining maturity of seven months and a weighted-average coupon of 9.2%. These loans generated origination fees that ranged from 1.0% to 2.0% on committed capital and had fixed-rate coupons that ranged from 7.0% to 13.8%.

As of December 31, 2018, 80 of the Solar Ventures' project loans, totaling \$929.6 million of commitments, had been repaid. These loans were all paid in full, resulting in a weighted-average IRR ("WAIRR") of 15.8%, which was on average higher than originally underwritten. WAIRR was measured as the total return in dollars of all repaid loans divided by the total commitment amount associated with such loans, where (i) the total return for each repaid loan was calculated as the product of each loan's IRR and its commitment amount and (ii) IRR for each repaid loan was established by solving for a discount rate that made the net present value of all loan cash flows equal zero. WAIRR is higher than the net return on the Company's investments in the Solar Ventures because it is a measure of gross returns earned by the Solar Ventures on repaid loans and does not include the effects of: (i) operating expenses of the Solar Ventures; (ii) the preferred return earned by the Company's former investment partner in REL; (iii) the amortization of the purchase premium paid by the Company to buyout our former investment partner's interest in REL and (iv) the opportunity cost of idle capital.

OA&L Portfolio

In our OA&L portfolio, we manage the Company's cash, investment in bonds and related financing, loan receivables, real estate-related investments, subordinated debt and other assets and liabilities of the Company. An overview of the primary assets and liabilities within this portfolio follows.

Cash

As of December 31, 2018, we had \$28.2 million of unrestricted cash and \$5.6 million of restricted cash that was primarily pledged as collateral in connection with financial risk management and financing agreements.

Investments in Bonds and Related Financing

Our investments in bonds finance affordable housing and infrastructure in the U.S. and are fixed rate and unrated. Our bonds are also tax-exempt and primarily collateralized by affordable multifamily rental properties. Substantially all of the rental units in these multifamily properties, some of which may be subsidized by the government, have tenant income and rent restrictions.

The Company also has one municipal bond that finances the development of infrastructure (“Infrastructure Bond”) for a mixed-use town center development and is secured by incremental tax revenues generated from the development.

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

Table 2 provides key metrics related to all bonds in which we have an economic interest, including bonds in which we acquired an economic interest through TRS agreements (such bonds and TRS agreements are hereinafter referred to collectively as the “Bond-Related Investments”). See Notes to Consolidated Financial Statements – Note 6, “Debt,” and Note 7, “Derivative Instruments” for more information about how TRS and interest rate risk management agreements are reported in the Company’s financial statements.

Table 2: Bond-Related Investments – Summary

	At December 31, 2018				Wtd. Avg. Number		
(dollars in thousands)	Unpaid Principal Balance	Fair Value	Wtd. Avg. Coupon	Wtd. Avg. Pay Rate (6)	Debt Service Coverage (7)	Bonds (8)	Number of Multifamily Properties (8)
Multifamily tax-exempt bonds							
Performing	\$ 63,338	\$ 67,629	6.62 %	6.62 %	1.26 x	9	8
Non-performing (1)	9,858	12,882	6.45 %	3.69 %	0.93 x	1	1
Subordinated cash flow (2)	9,620	11,114	6.78 %	1.98 %	N/A	3	—
Total multifamily tax-exempt bonds	\$ 82,816	\$ 91,625	6.59 % (5)	6.22 % (5)	1.22 x	13	9
Infrastructure Bond (3)	\$ 27,170	\$ 24,973	6.30 %	6.30 %	1.15 x	1	N/A
Total Bond-Related Investments (4)	\$ 109,986	\$ 116,598	6.51 % (5)	6.24 % (5)	1.20 x	14	9

(1) Includes bond investments that are 30 days or more past due in either principal or interest payments.

(2) Coupon interest on these investments is payable only to the extent sufficient cash flows are available for the debtor to make such payments. As a result, debt service coverage is not calculated for these investments.

(3) On October 30, 2018, the Company agreed to restructure its two infrastructure bond investments into a single tax-exempt bond with a UPB of \$27.2 million, a coupon of 6.30% and a contractual term of 30.1 years.

(4) Includes two bonds with a combined UPB and fair value of \$17.7 million and \$19.4 million, respectively, that were financed with TRS agreements that had a combined notional amount of \$18.3 million and that were accounted for as derivatives at December 31, 2018. Our Bond-Related Investments also includes four bonds that are accounted for as a secured borrowing with a combined UPB and fair value of \$38.7 million and \$40.9 million, respectively, of which three of such bonds were financed with TRS agreements that had a combined notional amount of \$31.7 million.

(5) Excludes the effects of subordinated cash flow bonds. If the Company had included the effects of subordinated cash flow bonds in the determination of these amounts, the weighted-average coupon for total multifamily

tax-exempt bonds and for all Bond-Related Investments would have been 6.61% and 6.54%, respectively, at December 31, 2018, and the weighted-average pay rate for total multifamily tax-exempt bonds and for all Bond-Related Investments would have been 5.73% and 5.87%, respectively, at December 31, 2018.

- (6) Reflects cash interest payments collected as a percentage of the average UPB of corresponding bond investments for the preceding 12 months at December 31, 2018.
- (7) Calculated on a rolling 12 month basis using property level information as of the prior quarter-end for those bonds with must pay coupons that are collateralized by multifamily properties. The Infrastructure Bond's debt service coverage represents proforma coverage based on the terms of the October 30, 2018 restructure.
- (8) For comparative purposes, at September 30, 2018, our Bond-Related Investments were comprised of 27 bonds, which included 25 multifamily tax-exempt bonds that were collateralized by 20 affordable multifamily rental properties. The fair value of our Bond-Related Investments as a percentage of its UPB increased from 103.7% at September 30, 2018 to 106.0% at December 31, 2018, while the weighted-average debt service coverage ratio of our Bond-Related Investments was 1.12x and 1.20x at September 30, 2018 and December 31, 2018, respectively.

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The fair value of our Bond-Related Investments as a percentage of its UPB increased from 102.5% at December 31, 2017, to 106.0% at December 31, 2018, while the weighted-average debt service coverage ratio associated with our Bond-Related Investments improved to 1.20x at December 31, 2018, from 1.10x at December 31, 2017. The year-over-year increase in these two metrics was primarily attributable to the Company's Infrastructure Bond investment and a non-performing multifamily tax-exempt bond investment. In the fourth quarter of 2018, the Company's Infrastructure Bond investment was restructured, which increased its contractual maturity, the amount of contractual cash flows that are expected to be paid and its fair value (a decrease in the market yield of this investment also contributed to its increase in fair value). Additionally, through the restructuring, the community development district ("CDD") in which the mixed-use development is located will assess owners of undeveloped land parcels an undeveloped land license fee that will supplement tax revenues that are generated from the mixed-use town center development, thereby increasing the amount of funds available to the CDD to make principal and interest payments to the Company on our Infrastructure Bond. Separately, the fair value of the Company's non-performing multifamily tax-exempt bond investment increased in 2018 in consideration of third-party indications of value that were obtained in connection with the pending sale of such property. See Notes to Consolidated Financial Statements – Note 2, "Investments in Debt Securities" and Note 8, "Fair Value" for additional information.

Between December 18, 2018 and December 20, 2018, the Company entered into a series of transactions that involved: (i) the termination of 15 TRS agreements that had a total notional amount of \$102.6 million; (ii) the sale of one multifamily tax-exempt bond and one subordinate certificate interest in a multifamily tax-exempt bond with an aggregate UPB of \$10.8 million; (iii) the termination of a pay-fixed interest rate swap agreement that had a notional amount of \$65 million and (iv) the termination of a basis interest rate swap agreement that had a notional amount of \$10.5 million. Additionally, on January 3, 2019, the Company entered into additional agreements with this same counterparty to sell one multifamily tax-exempt bond and one subordinate certificate interest in a multifamily tax-exempt bond with an aggregate UPB and fair value of \$8.5 million and \$8.6 million, respectively. These transactions were entered into for the purpose of both making more capital available to fund renewable energy lending investments and monetizing premiums on our Bond-Related Investments before they amortized, which would cause projected returns over that period to be lower than prospective investments in the Energy Capital portfolio. In the aggregate, these transactions provided the Company with total net cash proceeds of \$22.7 million. The portion of such net proceeds that is attributable to the Company's TRS and other bond interests reflects the realization of a 4.8% premium above the UPB of such TRS and bond interests. The settlement of the transactions executed in December resulted in the reclassification of \$16.8 million of fair value gains on bond investments into earnings from accumulated other comprehensive income during the fourth quarter of 2018 while the settlement of the transactions executed in January will result in the reclassification of \$3.6 million fair value gains on bond investments into earnings from accumulated other comprehensive income during the first quarter of 2019.

Hunt Note

As consideration for the Disposition, Hunt agreed to pay the Company \$57.0 million and to assume certain liabilities of the Company. The Company provided seller financing to Hunt through a \$57.0 million note receivable from Hunt that had an initial term of seven years, is prepayable at any time and bears interest at the rate of 5.0% per annum. On October 4, 2018, the Company's note receivable from Hunt increased to \$67.0 million as part of Hunt's settlement under the MGM Agreements. The UPB on the note will amortize in 20 equal quarterly payments of \$3.35 million beginning on March 31, 2020. Refer to "Interests in MGM" and Notes to Consolidated Financial Statements — Note 13, "Related Party Transactions and Transactions with Affiliates" for more information.

Real Estate-Related Investments

When the Company conveyed its international asset and investment management business to Hunt, it retained an 11.85% ownership interest in the South Africa Workforce Housing Fund ("SAWHF"), along with related financing for

that investment and a foreign currency hedge agreement for risk management purposes. SAWHF is a multi-investor fund managed by affiliates of International Housing Solutions S.à r.l. (“IHS”) that began operations in April 2008 and is currently in the process of exiting its investments. The carrying value of the Company’s investment in SAWHF was \$8.8 million at December 31, 2018.

At December 31, 2018, we owned one direct investment in real estate consisting of a land parcel. This undeveloped real estate is located just outside the city of Winchester in Frederick County, Virginia and had a carrying value of \$3.8 million as of December 31, 2018.

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At December 31, 2018, we were an equity partner in four real estate-related investments consisting of (i) an 80.0% ownership interest in a mixed-use town center development, whose incremental tax revenues secure our Infrastructure Bond and (ii) three limited partner interests in partnerships that owned affordable housing and in which our ownership interest ranged from 74.25% to 74.92%. The carrying value of these four investments was \$19.9 million at December 31, 2018.

Deferred Tax Assets

Deferred taxes arise from differences between assets and liabilities measured for financial reporting versus income tax return purposes. Deferred tax assets (“DTAs”) are recognized if we assess that it is more likely than not that tax benefits, including net operating losses (“NOLs”) and other tax attributes, will be realized prior to their expiration. As of December 31, 2018, the carrying value of our DTAs was \$124.5 million; however, these assets were fully reserved because management determined that, as of such reporting date, it was not more likely than not that the Company would realize its DTAs.

Debt Obligations

The OA&L portfolio includes the Company’s asset related debt, subordinated debt, notes payable and other debt. The carrying value and weighted-average yield of these debt obligations was \$149.2 million and 4.3%, respectively, at December 31, 2018. Refer to Table 25, “Asset Related Debt and Other Debt” for more information.

Interest Rate Risk Hedge Positions

We use interest rate swaps and caps to hedge interest rate risk associated with debt obligations in this portfolio. The net fair value of these financial instruments was \$4.5 million at December 31, 2018.

Interests in MGM

As consideration for the sale of our LIHTC business to MGM in 2014, the Company received an option to acquire the LIHTC business of MGM, which primarily manages LIHTC investments on behalf of third-party investors and for its own account. On January 8, 2018, as part of the Disposition transaction the Company executed a series of agreements to: (i) convert the MGM purchase option into a purchase and sale agreement that required the Company to complete the purchase of MGM subject to certain conditions precedent; (ii) acquire certain assets pertaining to a specific LIHTC property from affiliates of MGM and (iii) purchase a senior loan with a UPB of \$9.0 million from an MGM affiliate that was secured by assets of MGM and bore interest at 11% payable quarterly.

On October 4, 2018, Hunt exercised its option to take assignment of, and close under, the MGM Agreements, which resulted in the Company recognizing an increase in common shareholders’ equity of \$14.2 million during the fourth quarter of 2018.

In connection with the closing under the MGM Agreements, the Company executed a series of additional transactions completing the Company’s disposition of MGM and other LIHTC related assets. Those additional transactions included the acquisition by Hunt of (i) the Company’s \$9.0 million held for sale loan for \$9.4 million of cash that the Company had previously acquired from an affiliate of MGM and (ii) the Company’s remaining general partner interests in two nonconsolidated LIHTC funds. In addition, the Company acquired \$10.0 million in Hunt notes from the MGM principals for \$5.0 million in cash and \$5.0 million in a Company note. This purchase increased the aggregate principal balance of the Company’s existing \$57.0 million note from Hunt to \$67.0 million. The Company’s \$5.0 million note to the MGM principals bears interest at 5.0%, is payable quarterly in arrears and has a varying amortization schedule that fully amortizes the note by its maturity date of January 1, 2026.

Carrying Values of the OA&L Portfolio

Table 3 provides financial information about the carrying values associated with the Company's OA&L portfolio reported within the Company's Consolidated Balance Sheets at December 31, 2018 and December 31, 2017. For presentation purposes, assets, liabilities and equity attributable to noncontrolling interest holders of CFVs and discontinued operations are excluded from the comparative discussion of our OA&L portfolio because (i) the Company generally had a minimal ownership interest in these consolidated entities and (ii) the Disposition resulted in the deconsolidation from the

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Company's Consolidated Balance Sheets in the first quarter of 2018 of all guaranteed LIHTC funds and derecognition of nearly all other CFVs, including previously consolidated property partnerships, that were recognized in our Consolidated Balance Sheets at December 31, 2017. Additionally, assets and liabilities that were attributable to businesses or assets that were conveyed by the Company in the Disposition were reclassified for all reporting periods and are presented as discontinued operations. See Notes to Consolidated Financial Statements – Note 15, “Discontinued Operations” and Note 16, “Consolidated Funds and Ventures,” for more information about CFVs and the Company's reported discontinued operations. Furthermore, given the changes to the Company's business model noted within Part I, Item 1. “Business,” we now operate as a single reporting segment. As such, certain corporate assets and liabilities of the Company (deferred compensation, accounts payable and accrued expenses, prepaid expenses and state tax receivable) have been excluded from our comparative discussion of our OA&L portfolio because such items have not been allocated to the OA&L portfolio and will only be reported on a consolidated basis.

Table 3: Carrying Values of the OA&L Portfolio

(in thousands)	At December 31, 2018	At December 31, 2017
Assets		
Cash	\$ 28,243	\$ 35,693
Restricted cash (1)	5,635	21,271
Investments in debt securities (2) (includes \$85,347 and \$128,902 pledged as collateral)	97,190	143,604
Investment in partnerships (3)	28,740	31,809
Loans held for investment (4)	67,299	736
Derivative assets (5)	5,797	6,865
Real estate owned	3,769	3,447
Other assets	862	2,045
Total assets of the Other Assets and Liabilities portfolio	\$ 237,535	\$ 245,470
Liabilities		
Debt (6)	\$ 149,187	\$ 209,427
Interest payable	637	768
Other liabilities (7)		12,140
Total liabilities of the Other Assets and Liabilities portfolio	\$ 149,824	\$ 222,335