FACTSET RESEARCH SYSTEMS INC
Form DEF 14A
October 30, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

FACTSET RESEARCH SYSTEMS INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4. Proposed maximum aggregate value of transaction:
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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount Previously Paid:
2. Form, Schedule or Registration Statement No.:
3. Filing Party:
4. Date Filed:

October 30, 2014

Dear FactSet Stockholder:

You are cordially invited to attend the 2014 Annual Meeting of Stockholders of FactSet Research Systems Inc., which will be held at our corporate headquarters at 601 Merritt 7, Norwalk, Connecticut 06851 on Tuesday, December 16, 2014, at 3:00 p.m. Eastern Standard Time. I look forward to seeing you at the meeting.

Details of the business to be conducted at the Annual Meeting are given in the attached Notice of Annual Meeting and Proxy Statement. Your vote is important. Whether or not you plan to attend the meeting in person, you are requested to complete, sign, date, and promptly return the enclosed proxy card in the envelope provided. Your proxy will be voted at the Annual Meeting in accordance with your instructions. If you do not specify a choice on one of the proposals described in this proxy statement, your proxy will be voted as recommended by the Board of Directors. If you hold your shares through an account with a brokerage firm or other nominee or fiduciary such as a bank, please follow the instructions you receive from such brokerage firm or other nominee or fiduciary to vote your shares.

If you plan to attend the meeting in person, please respond affirmatively to the request by marking the box on the proxy card. You will be asked to present valid picture identification. Cameras, recording devices, and other electronic devices will not be permitted at the meeting.

On behalf of the Board of Directors, I would like to express our appreciation for your continued support and loyalty.

Sincerely,

Philip A. Hadley
Chairman of the Board and Chief Executive Officer

FACTSET RESEARCH SYSTEMS INC.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
December 16, 2014
3:00 p.m. Eastern Standard Time

Dear Stockholder:

The 2014 Annual Meeting of Stockholders of FactSet Research Systems Inc. ("FactSet" or the "Company"), a Delaware corporation, will be held at the Company's corporate headquarters at 601 Merritt 7, Norwalk, Connecticut 06851, on Tuesday, December 16, 2014, at 3:00 p.m. Eastern Standard Time for the following purposes:

1. To elect three directors to the Board of Directors, each for a three-year term.
2. To ratify the appointment of the accounting firm of Ernst & Young LLP as FactSet's independent registered accounting firm for the year ended August 31, 2015.
3. To approve, by non-binding vote, the compensation of the Company's named executive officers.
4. To approve the amendment and restatement of the FactSet 2008 Employee Stock Purchase Plan.

To act upon such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

These items are more fully described in the following pages, which are made part of this notice. Only stockholders of record at the close of business on October 20, 2014 are entitled notice of, and to vote at, this meeting.

The Company is pleased to take advantage of the Securities and Exchange Commission ("SEC") rules again this year that allow FactSet to furnish these proxy materials, including its Annual Report on Form 10-K, to stockholders on the Internet. The Company believes that posting these materials on the Internet expedites stockholders' receipt of the information that they need, while lowering the costs of printing and delivery and reducing the environmental impact of its Annual Meeting. The Company mailed to its stockholders of record and beneficial owners the Notice of Internet Availability of Proxy Materials containing instructions on how to access these proxy materials, including FactSet's

Annual Report on Form 10-K, on the Internet, as well as how to vote by Internet and mail.

To request and receive a free paper copy of the Proxy materials, please call 1-866-641-4276 and follow the instructions to log in and order the materials by mail, or you may request a copy by email at investorvote@computershare.com with “Proxy Materials FactSet Research Systems Inc.” in the subject line, or by logging onto www.envisionreports.com/FDS and click “Cast Your Vote” or “Request Materials.” FactSet encourages you to record your vote via the Internet as it is convenient and saves on printing costs.

As a stockholder of FactSet, your vote is important. Whether or not you plan to attend the Annual Meeting in person, it is important that you vote as soon as possible to ensure that your shares are represented.

BY ORDER OF THE BOARD OF DIRECTORS

Rachel R. Stern
Senior Vice President, Strategic Resources, General Counsel and Secretary
Norwalk, Connecticut
October 30, 2014

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FACTSET RESEARCH SYSTEMS INC.
601 Merritt 7
Norwalk, Connecticut 06851

PROXY STATEMENT FOR THE 2014 ANNUAL MEETING

Purpose of Meeting

The Board of Directors of FactSet Research Systems Inc. (“FactSet” or the “Company”) delivers this Proxy Statement and voting instructions, in connection with the solicitation of proxies which will be voted at the Annual Meeting of Stockholders of FactSet (the “Meeting”). The Meeting will be held at 3:00 p.m. Eastern Standard Time on Tuesday, December 16, 2014, at 601 Merritt 7 Norwalk, Connecticut 06851, and any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The Proxy Statement was made available to FactSet’s stockholders on October 30, 2014. The specific proposals to be considered and acted upon at the Meeting are summarized in the accompanying Notice of Annual Meeting of Stockholders. Each proposal is described in more detail in this Proxy Statement.

Record Date and Share Ownership

The only outstanding voting security of FactSet is its common stock, $0.01 par value per share. Stockholders of record at the close of business on October 20, 2014 will be entitled to vote at the Meeting on the basis of one vote for each share of FactSet common stock held. On October 20, 2014, there were 41,747,436 shares of FactSet common stock outstanding.

Submitting and Revoking Your Proxy

If you complete and submit your proxy, the persons named as proxies will follow your instructions. If you submit a proxy card but do not fill out the voting instructions on the proxy card, the persons named as proxies will vote your shares as follows:

1. To elect three directors to the Board of Directors, each for a three-year term.

2. To ratify the appointment of the accounting firm of Ernst & Young LLP as FactSet’s independent registered accounting firm for the year ended August 31, 2015.

3. To approve, by non-binding vote, the compensation of the Company's named executive officers.

4. To approve the amendment and restatement of the FactSet 2008 Employee Stock Purchase Plan.

In addition, if other matters are properly presented for voting at the Meeting, the persons named as proxies will vote on such matters in accordance with their best judgment. FactSet has not received notice of other matters that may be properly presented for vote at the Meeting. Your stockholder vote is important. Stockholders of record may vote their proxies by Internet, telephone or mail. Stockholders who execute proxies may revoke them at any time before they are exercised by written notice to the Secretary of the Company at or prior to the Meeting by timely delivery of a valid, later-dated proxy or by voting by ballot at the Meeting. The cost of the solicitation of proxies will be borne by FactSet.

Expenses of Solicitation

FactSet will bear the entire cost of preparing, printing and mailing this Notice of Annual Meeting of Stockholders and Proxy Statement, the enclosed proxy card, the Company's 2014 Annual Report on Form 10-K and any additional solicitation material that FactSet may provide to stockholders which is estimated at approximately $155,000. The solicitation of proxies will be conducted primarily by mail, but may also include telephone, facsimile or oral communications by directors, officers or regular employees of the Company acting without special compensation. If you hold your shares through a bank, broker or other holder of record and share a single address and same last name with another stockholder, you may have received notice that only one Proxy Statement and Annual Report will be sent to your address unless you instructed the holder of record to the contrary. This practice, known as "householding", reduces multiple mailings to your household and also reduces the Company's printing and postage costs. If you have any questions or wish to receive additional copies of FactSet's 2014 Proxy Statement or Annual Report, please contact the Company's Investor Relations Department at 1-203-810-1000. The mailing address is 601 Merritt 7, Norwalk, Connecticut 06851 and its website address is http://investor.factset.com.

Availability of FactSet's Fiscal 2014 Annual Report on Form 10-K

FactSet will mail upon written request and without charge, a copy of the Company's Fiscal 2014 Annual Report on Form 10-K, including the consolidated financial statements, schedule and list of exhibits. Requests should be sent to: FactSet Research Systems Inc., 601 Merritt 7, Norwalk, Connecticut 06851, Attn: Investor Relations. The Company's Fiscal 2014 Annual Report on Form 10-K is also available at http://investor.factset.com.

VOTING INFORMATION

Why am I receiving these proxy materials?

The Board of Directors of the Company is asking for your proxy for use at the Annual Meeting of the Company, to be held at its corporate headquarters at 601 Merritt 7 Norwalk, Connecticut 06851 on Tuesday, December 16, 2014 at 3:00 p.m. Eastern Standard Time, and at any adjournment or postponement of the Meeting. As a stockholder, you are invited to attend the Meeting and are entitled to and requested to vote on the items of business described in this proxy statement.

What is a proxy?

A proxy is another person you authorize to vote on your behalf. FactSet asks stockholders to instruct the proxy how to vote so that all common shares may be voted at the Meeting even if the holders do not attend the Meeting.

Who is soliciting my vote?

The Board of Directors of the Company is soliciting your vote.

When were the enclosed solicitation materials first given to stockholders?

FactSet initially mailed to stockholders of the Company the proxy statement, proxy card and notice on November 4, 2014.

What is the purpose of the Meeting?

The Annual Meeting will be held for the following purposes:

- To elect three directors to the Board of Directors, each for a three-year term;
- To ratify the appointment of the accounting firm of Ernst & Young LLP as FactSet's independent registered public accounting firm for the fiscal year ended August 31, 2015;
- To vote on a non-binding advisory resolution to approve the compensation of the Company's named executive officers;
- To approve the amendment and restatement of the FactSet 2008 Employee Stock Purchase Plan; and
- To act upon such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

What are the Board of Director's recommendations?

FactSet's Board of Directors recommends that you vote:

FOR the election of each director nominee named in this proxy statement (Proposal 1);
FOR the ratification of the appointment of Ernst & Young LLP as FactSet's independent registered accounting firm for the year ended August 31, 2015 (Proposal 2);
FOR the approval of the compensation awarded to the Company's named executive officers (Proposal 3); and
FOR the approval of the amendment and restatement of the FactSet 2008 Employee Stock Purchase Plan (Proposal 4).

How do I vote?

For stockholders whose shares are registered in their own names, as an alternative to voting in person at the Annual Meeting, you may vote via the Internet, by telephone or, for those stockholders who receive a paper proxy card in the mail, by mailing a completed proxy card. For those stockholders who receive a Notice of Internet Availability of Proxy Materials, it provides information on how to access your proxy card, which contains instructions on how to vote via the Internet or by telephone. For those stockholders who receive a paper proxy card, instructions for voting via the Internet or by telephone are set forth on the proxy card. Those stockholders who receive a paper proxy card and voting instructions by mail, and who elect to vote by mail, should sign and return the mailed proxy card in the prepaid and addressed envelope that was enclosed with the proxy materials, and your shares will be voted at the Annual Meeting in the manner you direct. If your proxy card is properly completed and received, and if it is not revoked, before the Meeting, your shares will be voted at the Meeting according to the instructions indicated on your proxy card. In the event that you return a signed proxy card on which no directions are specified, your shares will be voted *FOR* the election of each of the director nominees listed (Proposal 1), *FOR* the ratification of Ernst & Young LLP as FactSet's independent registered public accounting firm for the fiscal year ending August 31, 2015 (Proposal 2), *FOR* the approval of the fiscal 2014 compensation awarded to the Company's named executive officers (Proposal 3) and *FOR* the approval of the amendment and restatement of the FactSet 2008 Employee Stock Purchase Plan (Proposal 4). To the Company's knowledge, no other matters will be presented at the Meeting. However, if any other matters of business are properly presented, the proxy holders named on the proxy card are authorized to vote the shares represented by proxies according to their judgment.

If your shares are held in a brokerage account, you should receive instructions from your record holder that must be followed in order for your record holder to vote your shares per your instructions. Many banks and brokerage firms have a process for their beneficial holders to provide instructions via the Internet or over the telephone. If Internet or telephone voting is unavailable from your bank or brokerage firm, please complete and return the enclosed voting instruction card. If you are the beneficial owner of shares held in "street name" and you do not give instructions as to how to vote, your broker may have authority to vote your shares on certain discretionary items, but not other, non-discretionary items, as determined by the New York Stock Exchange. Proposal 1 (election of directors), proposal 3 (approval of compensation) and proposal 4 (amendment and restatement of the 2008 Employee Stock Purchase Plan) are considered non-discretionary items and thus brokers are not permitted to vote your shares in these matters unless you provide instructions to your broker on how to vote your shares. In other words, if you have not given your broker voting instructions, your broker will not be able to vote your shares with respect to any matter other than ratification of the appointment of FactSet's independent registered public accounting firm (proposal 2).

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How many votes does it take to pass each matter?

If a quorum is present at the meeting, the approval of each proposal requires the number of votes described below:

Under our amended by-laws, the nominees for election as directors of the Company are elected by majority vote, meaning that in an uncontested director election when the number of votes cast “for” a director exceeds the number of votes cast “against” that director, the nominee will be elected as a director. If a director does not receive a majority vote in an uncontested election, the director shall not be elected and shall submit his or her offer of resignation for consideration by the Nominating and Corporate Governance Committee within 90 days from the date of the election. That Committee will then consider all of the relevant facts and circumstances and recommend to the Board the action to be taken with respect to such offer of resignation and in determining whether to accept such offer. An incumbent director who does not receive a majority vote will continue to serve as a director until the earlier of 1) a period of 90 days from the date of the election, 2) the date upon which the Board of Directors appoints an individual to fill the office held by that director, or 3) the date of that director’s resignation.

The ratification of Ernst & Young LLP as the Company’s independent registered public accounting firm for the year ended August 31, 2015 requires that a majority of the votes cast at the meeting (either in person or by proxy) be voted “for” this proposal.

The approval of a resolution approving the compensation of FactSet’s named executive officers as disclosed in this proxy statement is an advisory vote; however, the Company values the opinions of its stockholders and will take into account the outcome of this vote in considering future compensation arrangements.

The affirmative vote of a majority of the shares of FactSet common stock present or represented by proxy and voting at the annual meeting, together with the affirmative vote of a majority of the required quorum, is required "for” approval of proposal 4 (amendment and restatement of the 2008 Employee Stock Purchase Plan). If you own shares through a bank, broker or other holder of record, you must instruct your bank, broker or other holder of record, how to vote in order for your vote to be counted on this proposal.

Who is entitled to vote at the Meeting and how many votes do they have?

Only holders of record of FactSet common stock at the close of business on October 20, 2014 will be entitled to vote at the Meeting. Each share has one vote.

Who can attend the Meeting?

All stockholders as of October 20, 2014, or their duly appointed proxies, may attend the Meeting. In order to be admitted to the Meeting, a stockholder must own Company stock on the Record Date. If your shares are held in the name of a broker, bank, custodian, nominee, or other record holder (“street name”), you must obtain a proxy, executed in your favor, from the holder of record (that is, your broker, bank, custodian, or nominee) to be able to vote at the Meeting.

What is a quorum of stockholders?

If a majority of the shares outstanding and entitled to vote on the Record Date are present, either in person or by proxy, the Company will have a quorum at the Meeting. Any shares represented by proxies that are marked for, against, withhold, or abstain from voting on a proposal will be counted as present in determining whether there is a quorum. If a broker, bank, custodian, nominee, or other record holder of the Company's common stock indicates on a proxy card that it does not have discretionary authority to vote certain shares on a particular matter, and if it has not received instructions from the beneficial owners of such shares as to how to vote on such matters, the shares held by that record holder will not be voted on such matter (referred to as "broker non-votes") but will be counted as present for purposes of determining whether there is a quorum. Since there were 41,747,436 shares of common stock outstanding on October 20, 2014, the presence of holders of 20,873,719 shares is a quorum. FactSet must have a quorum to conduct the Meeting.

Vote Tabulation

The appointed inspector of elections from Computershare will tabulate votes cast by proxy or in person at the Meeting. If you abstain from voting on any or all proposals you will be included in the number of stockholders present at the Meeting for the purposes of determining the presence of a quorum.

What are broker non-votes?

If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute broker non-votes. Broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. These matters are referred to as non-discretionary matters.

How are abstentions and broker non-votes treated?

Abstentions and broker non-votes count for purposes of determining the presence of a quorum. Abstentions and broker non-votes have no effect on the determination of whether a nominee or any of the proposals has received the vote of a majority of the shares of common stock present or represented by proxy and voting at the meeting. However, abstentions and broker non-votes could prevent the approval of a proposal where the number of affirmative votes, though a majority of the votes represented and cast, does not constitute a majority of the required quorum.

What does it mean if I receive more than one proxy card or instruction form?

If you receive more than one proxy card or instruction form, it means that you have multiple accounts with FactSet's transfer agent and/or a broker or other nominee or fiduciary or you may hold your shares in different ways or in multiple names (*e.g.*, joint tenancy, trusts, and custodial accounts). Please vote all of your shares.

How do I revoke my proxy and change my vote prior to the Meeting?

If you submit the enclosed proxy card, you may change your vote at any time before voting takes place at the Meeting. You may change your vote in one of four ways: (1) You may deliver to the Secretary of FactSet Research Systems Inc., Rachel Stern, 601 Merritt 7, Norwalk, Connecticut 06851, a written notice dated later than the proxy you want to revoke, stating that the proxy is revoked, (2) you may complete and send in another proxy card or voting instruction form with a later date, (3) you may attend the Meeting and vote in person, or (4) for shares you hold beneficially or in street name, you may change your vote by submitting a later dated voting instruction form to your broker or other nominee or fiduciary, or if you obtained a legal proxy form giving you the right to vote your shares, by attending the Meeting and voting in person.

Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of printed proxy materials?

Pursuant to the notice and access rules adopted by the SEC, the Company is making this Proxy Statement and its Annual Report on Form 10-K available to its stockholders over the Internet. As a result, unless you have previously requested electronic access to FactSet's proxy materials or the receipt of paper proxy materials, you will receive a Notice of Internet Availability of Proxy Materials containing instructions on how to access this Proxy Statement and Annual Report on Form 10-K over the Internet, how to request a printed or e-mail copy of these materials and how to vote by Internet and mail. The Company will mail the Notice of Internet Availability of Proxy Materials on or about November 4, 2014. The Notice of Internet Availability of Proxy Materials is not a proxy card and cannot be used to vote your shares. In addition, if you are voting online, you will be prompted to consent to receiving proxy materials electronically in future years. Choosing to receive your future proxy materials electronically will save the Company the cost of printing and mailing documents to you and will reduce the impact of its annual meetings on the environment. If you choose to receive future proxy materials electronically, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials electronically will remain in effect until you terminate it.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Most FactSet stockholders hold their shares as a beneficial owner through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholder of Record - If your shares are registered directly in your name with the Company's transfer agent, Computershare Shareowner Services, you are considered, with respect to those shares, the *stockholder of record,* and the Notice was sent directly to you by FactSet. As the *stockholder of record,* you have the right to grant your voting proxy directly to FactSet or to vote in person at the Annual Meeting. If you requested to receive printed proxy materials, FactSet has enclosed or sent a proxy card for you to use. You may also vote on the internet or by telephone.

Beneficial Owner - If your shares are held in an account at a brokerage firm, bank, broker-dealer, trust, or other similar organization, like the vast majority of the Company's stockholders, you are considered the *beneficial owner* of shares held *in street name,* and the Notice was forwarded to you by that organization. As the beneficial owner, you have the right to direct your broker, bank, trustee, or nominee how to vote your shares, and you are also invited to attend the Annual Meeting. Since a beneficial owner is not the *stockholder of record,* you may not vote your shares in person unless you obtain a "legal proxy" from the broker, bank, trustee, or nominee that holds your shares giving you the right to vote the shares at the meeting.

CORPORATE GOVERNANCE

Board Leadership Structure

The Board believes that the Company's stockholders are best served if the Board retains the flexibility to adapt its leadership structure to applicable facts and circumstances, which necessarily change over time. Accordingly, the Company's Corporate Governance Principles provide that the Board may combine or separate the roles of the Chief Executive Officer and Chairman, as it deems advisable. The Board of Directors believe that Philip Hadley's service as both Chairman of the Board and Chief Executive Officer is in the best interest of FactSet and its stockholders. Mr. Hadley possesses detailed and in-depth knowledge of the issues, opportunities and challenges facing FactSet, and is thus best positioned to develop agendas that ensure that the Board's time and attention are focused on the most critical matters. His combined role enables decisive leadership, ensures clear accountability and enhances the Company's ability to communicate its message and strategy clearly and consistently to FactSet's stockholders, employees, clients and users.

The Company's current certificate of incorporation and bylaws provide that the Chairman of the Board of Directors may be an employee or officer of FactSet. On September 5, 2000, FactSet's Board of Directors unanimously appointed Philip Hadley as Chairman of the Board of Directors.

Each of the directors other than Philip Hadley and Michael DiChristina, are independent (see "Director Independence"), and the Board believes that the independent directors provide effective oversight of management. In addition, on September 19, 2005, the Board of Directors appointed James J. McGonigle as the Company's Lead Independent Director. As Lead Independent Director, Mr. McGonigle's responsibilities include:

Coordinating and moderating executive sessions of the Board of Directors' independent directors.

Advising the Chairman of the Board of Directors as to the quality, quantity, and timeliness of the flow of information from management that is necessary for the independent directors to effectively and responsibly perform their duties.

Confirming the agenda with the Chief Executive Officer for meetings of the Board of Directors.

Holding regular update sessions with the Chairman of the Board of Directors.

Acting as the principal liaison between the independent directors and the Chairman of the Board of Directors on sensitive issues.

Performing such other duties as the Board of Directors may from time to time delegate to the Lead Independent Director to assist the Board of Directors in the fulfillment of its responsibilities.

The Board believes that these responsibilities appropriately and effectively complement FactSet's combined Chairman/Chief Executive Officer structure. Although the Board currently believes that the combination of the Chairman and Chief Executive Officer roles is appropriate in the current circumstances, FactSet's Corporate Governance Guidelines do not establish this approach as a policy.

Business Experience and Qualifications of Board Members

The following discussion presents information about the persons who comprise FactSet's Board of Directors, including the three nominees for election.

Robin A. Abrams, Director. Ms. Abrams, age 63, has served on the Board since 2011 and is nominated for a three-year term, which would expire in concurrence with the Annual Meeting of Stockholders in 2017. She is a currently a member of the Audit Committee and the Nominating and Corporate Governance Committee. If her nomination is approved by a majority vote of stockholders at the 2014 Annual Meeting, then Ms. Abrams is expected to be a member of only the Nominating and Corporate Governance Committee and no longer a member of the Audit Committee. Ms. Abrams is a financial consultant who currently serves as a member of the board of directors of HCL Technologies Ltd., a global offshore IT and software development company, Sierra Wireless, Inc., a leader in the design and delivery of customized connected lifestyle devices and services, Lattice Semiconductor Corporation, the source for innovative FPGA, PLD, programmable Power Manager, Clock Management solutions, and Zephyr Sleep Technologies of Canada, which is a developer of sleep technology. In addition, Ms. Abrams serves on the board of trustees for the Anita Borg Institute for Women and Technology. From August 2006 to January 2007, Ms. Abrams served as Interim CEO of ZILOG, Inc., a provider of integrated microcontroller products, where she also served as a director from 2004 to 2010. From July 2004 to July 2006, she served as Chief Executive Officer of Firefly Communications, Inc., a company with a range of mobile products that address the youth market. From September 2003 to July 2004, Ms. Abrams was President of Accenture's Connection to eBay unit, a company which provides mid- and large-sized retailers, manufacturers and distributors with a cost effective channel for selling large volumes of inventory. From January 2008 to August 2013, Ms. Abrams served on the board of directors of Unwired Planet, Inc. a global software innovator delivering all-Internet protocol mediation and messaging solutions from. She received her BA in political science and history and her JD from the University of Nebraska.

Ms. Abrams brings to the Board a wealth of experience at technology companies, which FactSet hopes to leverage to enhance its own development processes. She has seen how several highly successful technology companies stay ahead of the competition through properly planning their product development strategy. Her previous experiences as an executive officer at several technology companies makes Ms. Abrams an important resource for the Board as it assesses financial and strategic decisions.

Scott A. Billeadeau, Director. Mr. Billeadeau, age 53, has served on the Board since 2001 and is the Chairman of the Audit Committee. Mr. Billeadeau is Partner and Senior Portfolio Manager of Walrus Partners LLC, and a co-portfolio manager of the firm's Micro-cap strategy. Mr. Billeadeau was the former Managing Director of Small-cap and Mid-cap Growth Strategies at Fifth Third Asset Management ("Fifth Third"). Prior to working at Fifth Third, he was a Principal, Founder and Senior Portfolio Manager with Paladin Investment Associates, LLC ("Paladin") between March 2003 and October 2012 where he spent eight years managing over $2 billion in small-cap and mid-cap assets for Bank of America and Nations Bank. Mr. Billeadeau began his career in 1985 with American Express Financial Advisers, previously IDS Financial Services, Inc., where he was a quantitative analyst. Mr. Billeadeau received a B.A. in Economics from Princeton University and has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Institute. His current Board term expires in concurrence with the Annual Meeting of Stockholders in 2015.

Mr. Billeadeau provides to the Board of Directors expertise in corporate finance, accounting and strategy, including experience gained as the Managing Director of Fifth Third, a public company and Paladin. Through this experience, he has developed expertise in several valued areas including strategic development, business development and finance. Mr. Billeadeau also brings a background in organizational leadership and management, and experience serving as a director for two privately held companies. His experience in the financial industry has provided him experience as an outside board member and audit committee member.

Michael F. DiChristina, Director. Mr. DiChristina, age 52, is nominated for a three-year term, which would expire in concurrence with the Annual Meeting of Stockholders in 2017 and has served on the Board since 2000. He joined FactSet in 1986 as a Software Engineer and held the position of Director of Software Engineering from 1990 to 1999. In 2000, Mr. DiChristina assumed the role of President and Chief Operating Officer until stepping down on October 1, 2009. He continues to be a FactSet employee and serves on the Company's Board of Directors. Prior to joining FactSet, Mr. DiChristina was a Software Engineer at Morgan Stanley & Co. Mr. DiChristina received a B.S. in Electrical Engineering from Massachusetts Institute of Technology.

Mr. DiChristina has leadership and management experience as the President and Chief Operating Officer of FactSet from September 2000 to October 2009. His management and operational expertise is accompanied by engineering industry background and technology acumen. Mr. DiChristina brings to the Board of Directors skill in the development of information technology combined with software engineering. His background in software engineering is complemented by his knowledge of FactSet, its financial position and its industry, which he developed in part through his service as FactSet's President and Chief Operating Officer.

Philip A. Hadley, Chairman of the Board of Directors, Chief Executive Officer and Director. Mr. Hadley, age 52, has served on the Board since 2000 and was named Chairman and Chief Executive Officer of FactSet on September 5, 2000. He joined FactSet in 1985 as a Consultant and was the Company's Vice President, Sales from 1986 to 1989. Mr. Hadley was Senior Vice President and Director of Sales and Marketing with FactSet from 1989 to 2000. Prior to joining the Company, Mr. Hadley was employed by Cargill Corporation. He currently serves as a member of the board of advisors of Kum & Go. Mr. Hadley received a B.B.A. in Accounting from the University of Iowa and has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Institute. His current Board term expires in concurrence with the Annual Meeting of Stockholders in 2015.

Mr. Hadley has led FactSet since September 2000. Since his appointment as Chief Executive Officer, FactSet's annual revenues have grown from $134 million in fiscal 2000 to $920 million in fiscal 2014. As Chairman and Chief Executive Officer, Mr. Hadley brings to the Board of Directors his thorough knowledge of FactSet's business, strategy, people, operations, competition and financial position. He provides recognized executive leadership and vision. In addition, Mr. Hadley brings with him a global network of client and industry relationships.

Joseph E. Laird, Jr., Director. Mr. Laird, age 69, has served on the Board since 1993 and is the Chairman of the Compensation Committee. He serves as Managing Director of Petsky Prunier LLC. From 1999 to 2009, he served as Chairman and Chief Executive Officer of Laird Squared LLC, an investment banking company that he formed in January 1999, exclusively to serve the database information services industry. From 1989 to 1999, Mr. Laird was a Managing Director of Veronis, Suhler & Associates, a leading specialty merchant bank that serves the media and information industries. From 1982 to 1989, he was an institutional equity salesman and a senior securities analyst of database information services for Hambrecht & Quist. From 1975 to 1982, Mr. Laird was an institutional equity salesman and investment strategist for PaineWebber Mitchell Hutchins. His current Board term expires in concurrence with the Annual Meeting of Stockholders in 2016.

Mr. Laird brings to the Board of Directors leadership experience, including service as the Chief Executive Officer of an investment banking company. This role has required industry knowledge combined with operational and management expertise. Mr. Laird also has experience as an outside director for two separate public companies in the past twelve years.

James J. McGonigle, Director. Mr. McGonigle, age 51, has served on the Board since 2002 and is the Chairman of the Nominating and Corporate Governance Committee and is a member of the Compensation Committee. On September 19, 2005, he was named the Lead Independent Director. Mr. McGonigle serves as an adjunct professor at Georgetown University and was the former Chairman and Chief Executive Officer of The Corporate Executive Board Company ("CEB"). Mr. McGonigle was a special advisor to the Board of CEB between January 2008 and May 2009. He served as the Director and non-Executive Chairman of the Board of CEB from July 2005 until January 2008. From July 1998 until July 2005, Mr. McGonigle served as CEB's Chief Executive Officer. From October 1997 until July 1998, Mr. McGonigle was CEB's General Manager, and from 1995 until October 1997, he was the General Manager of the corporate division of The Advisory Board Company. From 1990 to 1995, Mr. McGonigle was a consultant in the Financial Institutions Group at McKinsey & Company, an independent consulting firm. Mr. McGonigle received a B.A. from the Woodrow Wilson School at Princeton University and a J.D. from Harvard Law School. His current Board term expires in concurrence with the Annual Meeting of Stockholders in 2016.

Mr. McGonigle brings to the Board of Directors leadership experience, including service as the Chief Executive Officer of a public company for over seven years. This role required industry knowledge combined with operational and management expertise. In addition, Mr. McGonigle brings to the Board of Directors market and corporate governance insights from his experience as an outside public company board member.

Walter F. Siebecker, Director. Mr. Siebecker, age 73, is nominated for a three-year term, which would expire in concurrence with the Annual Meeting of Stockholders in 2017. He has served on the Board since 1997 and is a member of the Audit Committee and the Compensation Committee. Mr. Siebecker serves as President of Burgess Consulting LLC with a background in retail and institutional investment services in the domestic and global markets. He is currently a Director of Shareholder Insite, Inc., a provider of data management solutions and valuation services to global investors of both privately held and publicly traded companies. Mr. Siebecker is a former member of the Board of Directors of Smith Barney Inc. and the National Securities Clearing Corporation. During his time with Smith Barney, he served on the Board of the Securities Industry Association-Operations Division and its various committees and served for a year as its President. His directorship with each of these firms included memberships on their Audit, Compensation, and Nominating and Governance committees. Mr. Siebecker received a B.B.A in Finance & Investments from the Zicklin School of Business at Baruch College.

With his many years of experience leading banking and financial services companies, Mr. Siebecker contributes financial management and strategy expertise. Mr. Siebecker has leadership experience, including service as an outside board member of companies in retail and institutional investment services in the domestic and global markets. He provides valuable market perspective as current President of a consulting firm in the industry as well as expertise in finance, strategy and operations. His employment in the financial industry has provided him experience as an outside board member and audit committee member.

Joseph R. Zimmel, Director. Mr. Zimmel, age 61, a member of the Audit Committee and the Nominating and Corporate Governance Committee, has served on the Board since 2007. He is a financial consultant and retired Managing Director of Goldman, Sachs & Co. From December 2001 until November 2002, Mr. Zimmel served as an Advisory Director to the Goldman Sachs Group. In the investment banking division at Goldman, Sachs & Co., Mr. Zimmel held the position of Managing Director of the Communications, Media & Entertainment Group for the Americas from 1999 to 2001, after acting as a Managing Director and a co-head of the group from 1992 to 1999. In addition to his appointment to FactSet's Board of Directors, Mr. Zimmel serves as a member of the Board of Directors of Century Link, Inc. His current Board term expires in concurrence with the Annual Meeting of Stockholders in 2015.

Mr. Zimmel's background in finance and advisory roles is complemented by his knowledge of FactSet and its industry. His contributions are augmented by his experience serving as an outside director of a public company and multiple private companies. In addition, Mr. Zimmel's employment at Goldman, Sachs & Co., including service in senior leadership positions, brings a valued perspective to the Board of Directors and to the Audit Committee.

Director Independence

Mr. McGonigle serves as the Lead Independent Director and Chairman of the Nominating and Corporate Governance Committee. He presides over executive sessions of the non-management Directors. The independent Directors, who constitute seven of the eight members, thus a majority of the Directors of the Company, meet at least four times annually after the end of each scheduled quarterly meeting of the Board of Directors. On October 23, 2014, the Company's Board of Directors reviewed the independence of its Directors under the applicable standards of the New York Stock Exchange and the NASDAQ Stock Market ("NASDAQ"). Each Director, other than Messrs. Hadley and DiChristina, qualifies as "independent" in accordance with those published listing requirements. In determining that each individual who served as a member of the Board in fiscal 2014 (other than Messrs. Hadley and DiChristina) is or was independent, the Board considered that, in the ordinary course of business, transactions may occur between the Company and entities with which some of our directors are affiliated. The Board unanimously determined that the relationships discussed below were not material. No unusual discounts or terms were extended.

Legal Proceedings

Over the past ten years, no Director or nominee has been involved in:

Legal proceedings, such as SEC securities fraud enforcement actions against any Director or nominee;
Judicial or administrative proceedings resulting from involvement in mail or wire fraud or fraud in connection with any business activity;
Judicial or administrative proceedings based on violations of federal or state securities, commodities, banking or insurance laws and regulations, or any settlement to such actions; and
Disciplinary sanctions or orders imposed by a stock, commodities, or exchange or other self-regulatory organization.

Board Responsibilities

FactSet's Board of Directors has adopted corporate governance guidelines which help govern the Company. You can access these corporate governance guidelines, along with each of its Board Committee charters, at the Corporate Governance Highlights page of the Investor Relations section of the Company's website at http://investor.factset.com or request a free copy by contacting Investor Relations at FactSet Research Systems Inc., 601 Merritt 7, Norwalk, Connecticut 06851. Directors owe a duty of care to the Company and must act on an informed basis, in good faith and in the honest belief that the action they take is in the best interests of FactSet. Directors are expected to attend all board meetings and participate actively, offering their candid views and their well-informed, deliberate judgment. Directors should inform themselves using all material information reasonably available to them prior to making a business decision. Whenever a director is unable to attend a meeting, he should contact the Chairman or Secretary promptly after the meeting to become informed on the subjects discussed, views expressed and actions taken, if any. Directors should have a full working understanding of the Company's business and the issues relevant to it. Directors are expected to be prepared to discuss matters listed on the agenda for each meeting, should review materials sent in advance of such meetings and, when appropriate, ask questions of management. The Company does not have a policy with regard to Directors' attendance at annual stockholder meetings, but FactSet does expect each Director to attend all Board meetings. The Company's Board of Directors met nine times during fiscal 2014, four of which were regularly scheduled quarterly meetings.

Board Meetings

FactSet's Board of Directors is comprised of eight members, six of whom are independent directors. The Company's Board of Directors has the following three standing committees: (1) an Audit Committee, (2) a Compensation Committee and (3) a Nominating and Corporate Governance Committee. Each of the committees operates under a written charter adopted by the Board of Directors. All of the committee charters are available on FactSet's website at http://investor.factset.com. The Board delegates various responsibilities and authority to different Board Committees. Committees regularly report on their activities and actions to the full Board. All Directors attended (in person or telephonically) 100% of the meetings of the full Board during fiscal 2014. All Directors who served on committees of the Board attended 75% or more of the meetings of the committees on which they served during fiscal 2014.

Board Committees

The following table identifies the committee members as of October 30, 2014.

	Committee Name		
Independent Directors	Audit	Compensation	Nominating and Corporate Governance
Robin A. Abrams	Member***		Member
Scott A. Billeadeau*	Chairperson		
Joseph E. Laird, Jr.		Chairperson	
James J. McGonigle**		Member	Chairperson
Walter F. Siebecker	Member	Member	
Joseph R. Zimmel	Member		Member

* Financial Expert

** Lead Independent Director

*** If Robin A. Abrams is re-elected to the Board of Directors of FactSet by a majority vote of stockholders at the 2014 Annual Meeting, then she will be a member of only the Nominating and Corporate Governance Committee and no longer a member of the Audit Committee, effective December 16, 2014.

Audit Committee. The Audit Committee assists the Board of Directors in fulfilling its oversight review of FactSet's internal and external financial reporting processes. Its primary responsibilities include: meeting with financial management and the independent auditors to review FactSet's system of internal controls; assessing the quality of FactSet's accounting principles and financial reporting; reviewing the external audit process as conducted by FactSet's independent auditors; reviewing the financial information provided to stockholders and other external parties; and preparing the report of the Audit Committee included in the definitive proxy statement on a yearly basis. The Board has determined that Mr. Billeadeau qualifies as the "audit committee financial expert" as defined in Item 401(h) of Regulation S-K of the Securities Exchange Act of 1934, as amended. The Board has also determined that each member of the Audit Committee is independent under the standards of the New York Stock Exchange and NASDAQ and has sufficient knowledge in reading and understanding the Company's financial statements to serve on the Audit Committee. The Audit Committee met five times during fiscal 2014.

Under the Audit and Non-Audit Service Pre-Approval Policy adopted by the Audit Committee, all audit and non-audit services to be performed by the independent registered public accounting firm for the Company require pre-approval by the Audit Committee. In some cases, pre-approval relates to audit or non-audit services that fall within certain established buckets, and in other cases a particular defined task or scope of work may be pre-approved subject to a specific budget. Pre-approvals may be granted by either the full Audit Committee or the Chairman of the Audit Committee. The Audit Committee may not delegate pre-approval authority to management.

Compensation Committee. The primary responsibilities of the Compensation Committee are to review and approve the compensation policies for the Chief Executive Officer and other key executive officers of the Company, oversee the Company's administration of its equity-based compensation policies, approve grants of share-based awards to officers and employees of the Company under its option plans, establish annual performance goals for the Company's principal executive officers and assess the quality of the performance of those executive officers. No fees were paid to compensation consultants by FactSet because no consulting services were provided to the Board or Compensation Committee related to executive or Director compensation during fiscal 2014. The Compensation Committee met seven times during fiscal 2014.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee reviews the qualifications of candidates for nomination as Directors, makes recommendations to the Board regarding prospective nominees to the Board, issues recommendations to the Board regarding corporate governance issues and, as appropriate, assists in succession planning for senior management of FactSet. The Nominating and Corporate Governance Committee will consider nominees recommended by security holders in written communications to FactSet's Secretary. Nominees for the Board of Directors should be committed to enhancing long-term shareholder value and must possess a high level of personal and professional ethics, sound business judgment and integrity. The Board of Directors is composed of a diverse group of leaders. The Board of Directors encourages selection of Directors who will contribute to FactSet's overall corporate goals: responsibility to its stockholders, technology leadership, effective execution, high client satisfaction and superior employee working environment. The Nomination and Governance Committee from time to time reviews the appropriate skills and characteristics required of board members, including factors that it seeks in board members such as diversity of business experience, viewpoints, personal background and diversity of skills in finance, technology, marketing, international business, financial reporting and other areas that are expected to contribute to an effective Board of Directors. In evaluating potential candidates for the Board of Directors, the Nomination and Governance Committee considers these factors in the light of the specific needs of the Board at that time. The description of each nominee set forth in the "Business Experience and Qualification of Board Members" section above includes the primary individual experience, qualifications, attributes and skills of each of the Company's Directors that led to the conclusion that each director should serve as a member of the Board of Directors at this time. The Nominating and Corporate Governance Committee met once during fiscal 2014 and all members of the Committee attended.

Additional Corporate Governance Information

FactSet is committed to maintaining the highest standards of business conduct and corporate governance, which the Company believes are essential to running its business efficiently, serving its stockholders well and maintaining integrity in the marketplace.

Code of Business Conduct. The Company has adopted a Code of Business Conduct and Ethics that applies to all of the Company's employees, including the Company's principal executive officer, principal financial officer and principal accounting officer, all other officers and the Company's Directors. A copy of the Code of Business Conduct and Ethics is available on the Company's website at http://investor.factset.com on the Corporate Governance Highlights page of the Investor section. You may also request a copy of the Code of Business Conduct and Ethics by writing to Investor Relations, FactSet Research Systems Inc., 601 Merritt 7, Norwalk, Connecticut 06851. Any amendment to the Code of Business Conduct and Ethics (other than technical, administrative or non-substantive amendments) and any waiver of a provision of the Code that applies to a member of FactSet's Board or one of its executive officers will be promptly disclosed on the Corporate Governance Highlights page of the Investor section of its website.

Contacting the Board. Stockholders and other interested parties may contact the Board, the Lead Independent Director or non-management Directors as a group by sending their correspondence to: Board of Directors (or other appropriate group), c/o Corporate Secretary, FactSet Research Systems Inc., 601 Merritt 7, Norwalk, Connecticut 06851; facsimile number: 1-203-810-1001; email address: Board@factset.com. The Corporate Secretary will review all communications and forward them to the Chairman of the Board or the Lead Independent Director, as appropriate. The Corporate Secretary may, however, filter out communications that do not relate to the Company's business activities, operations or its public disclosures, but will maintain a record of these communications and make them available to the Chairman of the Board or the Lead Independent Director (solicitations will not be recorded or forwarded). Any communications received by the Chairman of the Board or Lead Independent Director regarding concerns relating to accounting, internal accounting controls or auditing matters will be immediately brought to the attention of the Audit Committee and will be handled in accordance with the procedures established by the Audit Committee to address these matters.

Director Compensation Program

The general policy of the Board is that compensation for independent directors should be a mix of cash and equity-based compensation. FactSet does not pay management directors for Board service in addition to their regular employee compensation. The Compensation Committee, which consists solely of independent directors, has the primary responsibility for reviewing and considering any revisions to director compensation. The Board reviews the committee's recommendations and determines the amount of director compensation. Each non-employee Director is provided access to FactSet, at no charge, which allows them to utilize the Company's suite of products and services.

For fiscal 2014, Director compensation consisted of:

Cash Compensation

A $25,000 annual retainer paid quarterly.

An additional $2,500 annual retainer to each chairman of a Board Committee.

An additional $2,500 annual retainer to each Audit Committee member.

Equity Compensation

The 2008 Non-Employee Directors' Stock Option Plan (the "Directors' Plan") provides for the grant of share-based awards, including stock options, to non-employee directors of FactSet. The Directors' Plan provides for annual equity grants for each non-employee Director and greater flexibility to change the vesting schedule per option grant, modify the number of options granted on an annual basis and adjust the term of the grants.

Annual Grant

Under the Directors' Plan, the Compensation Committee may award an annual equity grant to each non-employee Director on or around January 15th of each year having an intended value of $65,000. The number of option shares to be granted in order to deliver this value will be determined on grant date using an option-pricing model. As such, the Compensation Committee recommended and the Board approved an annual equity grant of 2,404 non-qualified stock options to each of the six non-employee Directors on January 15, 2014. The strike price was $107.65 per share, being equal to the closing price of the Company's common stock on that date. The grant date fair value of this option grant was $390,000 or $65,000 per Director. The non-qualified stock options granted to Directors vest ratably at 20% per year over five years upon the anniversary date of each grant and expire seven years from the date the options were granted.

New Director One-Time Grant

New Directors may receive a one-time option grant, typically on or around January 15th after the new Director's first annual meeting. There were no new directors during fiscal 2014, thus no one-time grants.

Expenses

The Company pays or reimburses Directors for travel, lodging and related expenses incurred in connection with attending Board, Committee and stockholder meetings and other Company business related events. From time to time, the Company may reimburse a Director's expenses for his participation in third party-supplied continuing education related to the Director's Board or Committee service. Director expense reimbursements during fiscal 2014 totaled less than $20,000, consistent with prior years.

Director Summary Compensation Table

The following table provides information as to compensation for services of the non-employee Directors during fiscal 2014.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards (1)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation	Total
Robin A. Abrams	$27,500	$ --	$65,000	$ --	$ --	$ --	$92,500
Scott A. Billeadeau	$30,000	$ --	$65,000	$ --	$ --	$ --	$95,000
Joseph E. Laird, Jr.	$27,500	$ --	$65,000	$ --	$ --	$ --	$92,500
James J. McGonigle	$27,500	$ --	$65,000	$ --	$ --	$ --	$92,500
Walter F. Siebecker	$27,500	$ --	$65,000	$ --	$ --	$ --	$92,500
Charles J. Snyder (2)	$7,292	$ --	$--	$ --	$ --	$ --	$7,292
Joseph R. Zimmel	$27,500	$ --	$65,000	$ --	$ --	$ --	$92,500

(1) The amounts in the Option Awards column represent the aggregate grant date fair values, computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 718, *Share-Based Payment*, ("ASC Topic 718"), of stock option awards issued during fiscal 2014 pursuant to the Directors' Plan. For information on the valuation assumptions with respect to stock option grants, refer to the notes to the consolidated financial statements contained in FactSet's Fiscal 2014 Annual Report on Form 10-K. There can be no assurance that these grant date fair values will be realized by the non-employee Directors. The actual gain that a non-employee Director may receive from exercising an option sometime in the future may be higher or lower than these reported amounts, and these options have value only if the price of the Company's stock increases above the option's exercise price. On January 15, 2014, FactSet granted 2,404 stock options to each of the Company's non-employee Directors. The strike price was $107.65 per share, being 100% of the NYSE closing price of the Company's common stock on that date. The grant date fair value of the option grants was $390,000. At August 31, 2014, the non-employee Directors had the following outstanding stock option awards, some of which were not fully or partially vested: Robin A. Abrams, 10,331 options; Scott A. Billeadeau, 29,778 options; Joseph E. Laird, Jr., 32,028 options; James J. McGonigle, 36,528 options; Walter F. Siebecker, 32,028 options; and Joseph R. Zimmel, 14,276 options.

(2) Prior to the 2013 Annual Meeting of Stockholders, the Board of Directors of FactSet accepted the resignation of Charles J. Snyder, Vice Chairman of the Board of Directors and Director, and related responsibilities as a member of the Nominating and Corporate Governance Committee. Mr. Snyder's resignation was effective December 17, 2013, concurrent with the expiration of his term and the date of the 2013 Annual Meeting. Accordingly, he was paid $7,292 in fiscal 2014 for his services rendered through the date of his resignation, representing approximately 30% of the annual cash retainer of $25,000.

NOTE: Effective October 1, 2009, Michael F. DiChristina stepped down from his position as President and Chief Operating Officer of FactSet. He has been with FactSet since 1986 and has continued to serve on FactSet's Board of Directors as an employee of the Company. As an employee of FactSet, Mr. DiChristina was paid total compensation of $104,689 in fiscal 2014. During each of the past three fiscal years, he did not receive compensation for his Board service. As of August 31, 2014, Mr. DiChristina had no outstanding stock options.

Director Nominations

The Company has a standing Nominating and Corporate Governance Committee. A copy of the charter of the Nominating and Corporate Governance Committee may be found on the Company's website at http://investor.factset.com on the Corporate Governance Highlights page of the Investor section. The members of the Nominating and Corporate Governance Committee are independent under the listing standards of the New York Stock Exchange and the NASDAQ Stock Market.

The Nominating and Corporate Governance Committee will consider director nominees recommended by stockholders in written communications to FactSet's Secretary prior to August 1 for the ensuing election. Any such communication must follow the guidelines set forth in the FactSet Research Systems Inc. Director Nominee Selection Policy, a copy of which may be found on the Corporate Governance Highlights page of the Investor section of the Company's website. The policy lists selection criteria including integrity, professionalism and sound business judgment. The Nominating and Corporate Governance Committee will consider any nominee recommended by a stockholder in accordance with its policy under the same criteria as any other potential nominee.

The Nominating and Corporate Governance Committee will select nominees for directors pursuant to the following process:

Identification of director candidates by the Nominating and Corporate Governance Committee based upon suggestions from directors and senior management, recommendations by stockholders and potentially a director search firm.
Review of each candidate's qualifications by the Nominating and Corporate Governance Committee to determine which candidates best meets the Board's required and desired criteria. The review of the nominee's qualifications includes capabilities, availability to serve, conflicts of interest and other relevant factors. The Committee shall search for individuals as nominees with the highest personal and professional integrity, who shall have demonstrated strong ability and judgment and who shall be effective in serving the long-term interest of stockholders.
Interviews of an interested candidate by the Chairman of the Nominating and Corporate Governance Committee, at least one other committee member and the Chief Executive Officer.
Report to the Board by the Nominating and Corporate Governance Committee on the selection process.
Recommendation by the Nominating and Corporate Governance Committee of a nominee to the Board.
Formal nomination of the candidate by the Board for inclusion in the slate of directors for the annual meeting of stockholders or appointment by the Board to fill a vacancy between stockholder meetings.

For candidates proposed to it, the Nominating and Corporate Governance Committee requires: (i) the candidate's full name, address, email and phone number; (ii) a verbal statement by the candidate that he or she wishes to be nominated and is willing and able to serve as a director; (iii) a verbal statement of the good faith belief by the proposing stockholder that the candidate meets the Company's criteria, and (iv) such other written documentation as the Committee may request to permit a determination by the Board as to whether such candidate meets the required and desired director selection criteria set forth in the FactSet Bylaws, Corporate Governance Guidelines and the FactSet Research Systems Inc. Director Nominee Selection Policy, available on the Company's website.

Proposal 1: Election of Directors

Stockholders will elect three directors at the Annual Meeting of Stockholders. The three directors will hold office for a term not exceeding three years or until a successor is elected and qualified. Your proxy will be voted in favor of those persons to serve as directors, unless you indicate to the contrary on the proxy.

Management expects that the nominees will be available for election. However, if a nominee is not a candidate when the election occurs, your proxy will be voted to elect another nominee to be designated by the Nominating and Corporate Governance Committee of the Board of Directors to fill any vacancy. Business experience and qualifications on these nominees and the other members of the Board of Directors is presented in this Proxy Statement under the caption “Business Experience and Qualifications of Board Members.”

Vote Required: The three nominees for election as directors of the Company who receive a majority number of “FOR” votes cast at the meeting (either in person or by proxy) will be elected as directors.

FactSet’s Board recommends that Robin A. Abrams, Michael F. DiChristina, and Walter F. Siebecker each be elected to serve a three-year term expiring in concurrence with the Annual Meeting of Stockholders for 2017.

AUDIT COMMITTEE REPORT

The Board of Directors has charged the Audit Committee with a number of responsibilities, including review of the adequacy of FactSet's financial reporting, accounting systems and controls. The Board has reviewed independence for audit committee members as defined in both the New York Stock Exchange and NASDAQ and has determined that each member of the Audit Committee met each listing's standard. The Audit Committee has a direct line of communication with FactSet's independent public accountants.

The responsibilities of the Audit Committee are set forth in its Charter which is available on the Company's website at http://investor.factset.com. In fulfilling its responsibility, the Audit Committee discusses with the Company's independent public auditors the overall scope and specific plans for their audit. The Audit Committee has reviewed FactSet's audited consolidated financial statements for fiscal 2014 with management and with Ernst & Young LLP. Such review included discussions concerning the quality of accounting principles as applied and significant judgments affecting FactSet's consolidated financial statements. In addition, the Audit Committee has discussed with Ernst & Young LLP matters such as the quality and acceptability of FactSet's accounting principles applied in its financial reporting, as adopted by the Public Company Accounting Oversight Board ("PCAOB"). Lastly, the Audit Committee has received and reviewed the written disclosures and the letter from Ernst & Young LLP concerning such auditors' independence from FactSet and has discussed with Ernst & Young LLP its independence, as required by the PCAOB.

In reliance on the reviews and discussions conducted with management and the independent public auditors, the Audit Committee has recommended to the Board of Directors and the Board has approved the inclusion of the audited consolidated financial statements for fiscal year ended August 31, 2014 in FactSet's Fiscal 2014 Annual Report on Form 10-K, for filing with the Securities and Exchange Commission.

SUBMITTED BY THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Scott A. Billeadeau, Chairman

Robin A. Abrams

Walter F. Siebecker

Joseph R. Zimmel

Proposal 2: Ratification of Independent Registered Public Accounting Firm

In 2013, the Audit Committee selected Ernst & Young LLP to replace PricewaterhouseCoopers LLP as FactSet's independent registered public accounting firm beginning with the audit of the 2014 fiscal year and this appointment was ratified by stockholders at the 2013 Annual Meeting. The Audit Committee has again appointed Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending August 31, 2015.

The dismissal of PricewaterhouseCoopers LLP was effective October 30, 2013, upon completion of the audit of the Company's consolidated financial statements for the fiscal year ended August 31, 2013. During the Company's fiscal years ended August 31, 2013 and 2012 and through October 30, 2013, FactSet had no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure, nor were there any reportable events as defined in Item 304(a)(1)(v) of SEC Regulation S-K during this period. PricewaterhouseCoopers' audit reports on FactSet's consolidated financial statements for the fiscal years ended August 31, 2013 and 2012 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles. PricewaterhouseCoopers LLP has not advised the Company of any information that has come to their attention and from which they have concluded such information materially affects the fairness or reliability of any audit report which they have previously issued.

A representative from Ernst & Young will attend the 2014 Annual Meeting to respond to appropriate questions and make a statement should they desire to do so.

Independent Registered Public Accounting Firm's Fees and Services

The following table shows the total fees billed or accrued for professional services provided to FactSet by Ernst & Young LLP, the Company's fiscal 2014 principal accounting firm, and PricewaterhouseCoopers LLP, the Company's fiscal 2013 principal accounting firm, for fiscal years ended 2014 and 2013.

	Fiscal 2014 (Ernst & Young)	Fiscal 2013 (PricewaterhouseCoopers)
Audit fees (1)	$480,109	$ 543,631
Audit-related fees (2)	-	-
Tax fees (3)	-	277,325
All other fees (4)	2,015	2,700
Total	$482,124	$ 823,656

(1) Represents fees for professional services rendered for the integrated audit of FactSet's annual consolidated financial statements and of its internal control over financial reporting, for review of the interim consolidated financial statements included in quarterly reports on Form 10-Q and for services that are normally provided by in connection with statutory and regulatory filings or engagements.

(2) Represents fees for assurance and related services that are reasonably related to the performance of the audit or review of FactSet's consolidated financial statements and are not reported under "Audit Fees."

(3) Tax fees were for services related to tax consulting and planning services.

(4) All other fees represent fees for services provided to FactSet which are otherwise not included in the categories above. These fees primarily consist of subscriptions to accounting research software.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services to be provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to report periodically to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

The Audit Committee has determined that the provision of non-audit services by Ernst & Young LLP and PricewaterhouseCoopers LLP during fiscal 2014 and 2013, respectively, was compatible with maintaining the independence of each firm. During fiscal 2014 and 2013, all professional services provided by both Ernst & Young LLP and PricewaterhouseCoopers LLP were pre-approved by the Audit Committee in accordance with this policy.

Audit Partner and Audit Firm Rotation

The Audit Committee's policy is that the audit engagement partner should rotate off the Company's account no less frequently than every five years. With respect to audit firm rotation, the Audit Committee believes that it is inappropriate to establish a fixed limit on the tenure of the independent auditor. Continuity and the resulting in-depth knowledge of the Company strengthen the audit. Moreover, the mandatory partner rotation policy expressed above, normal turnover of audit personnel, the Audit Committee's policy regarding the hiring of auditor personnel and the Audit Committee's practices restricting non-audit engagements of the independent auditor, all mitigate against any loss of objectivity that theoretically could arise from a long-term relationship. As provided in the Audit Committee's Charter and as further described below, the Audit Committee regularly evaluates its independent registered public accounting firm.

The Audit Committee will periodically consider alternatives to ensure that the Audit Committee and the Company's stockholders are receiving the best audit services available.

Auditor Independence

As noted in the Audit Committee Charter and in the Audit Committee Report, the independent auditor reports directly to the Audit Committee and the Audit Committee is charged with evaluating its independence.

FactSet's Board recommends that you vote to ratify the Audit Committee's appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending August 31, 2015.

EXECUTIVE OFFICERS

The following table shows the Company's executive officers at August 31, 2014:

Name of Officer	Age	Office Held with the Company	Officer Since
Philip A. Hadley	52	Chairman of the Board of Directors, Chief Executive Officer	2000
Philip Snow	50	President	2014
Peter G. Walsh	48	Executive Vice President, Chief Operating Officer	2005
Michael D. Frankenfield	49	Executive Vice President, Director of Global Sales	2001
Maurizio Nicolelli	46	Senior Vice President, Chief Financial Officer	2009
Rachel R. Stern	49	Senior Vice President, Strategic Resources, General Counsel and Secretary	2009

Philip A. Hadley's business experience is listed above in the section titled "Corporate Governance."

Philip Snow, President. Mr. Snow was named President of FactSet, effective July 1, 2014, and is responsible for the oversight and management of the Company's Sales and Operations Teams. Mr. Snow joined FactSet in 1996 as a Consultant followed by a transfer first to the Tokyo and then Sydney offices in order to lead the Company's Asia Pacific Consulting Services. Following his move back to the U.S. in 2000, Mr. Snow held various sales leadership roles prior to assuming the role of Senior Vice President, Director of U.S. Investment Management Sales in 2013. Mr. Snow received a B.A. in Chemistry from the University of California at Berkeley and a Masters of International Management from the Thunderbird School of Global Management. He has earned the right to use the Chartered Financial Analyst designation.

Peter G. Walsh, Executive Vice President, Chief Operating Officer. Mr. Walsh joined the Company in 1996 as Vice President, Planning and Control within the Company's Finance group. Mr. Walsh held the position of Vice President, Director of Finance from 1999 until 2001. From late 2001 to February 2005, Mr. Walsh occupied the position of Vice President, Regional Sales Manager of the U.S. Southeast Region. On March 1, 2005 he assumed the position of Chief Financial Officer and Treasurer. On October 1, 2009, Mr. Walsh was promoted to his current position as the Company's Chief Operating Officer, where he is responsible for product development, content collection and software and systems engineering. Prior to joining FactSet, Mr. Walsh held several positions at Arthur Anderson & Co. Mr. Walsh received a B.S. in Accounting from Fairfield University. He has earned the right to use the Chartered Financial Analyst designation.

Michael D. Frankenfield, Executive Vice President and Director of Global Sales. Mr. Frankenfield joined the Company in 1989 within the Consulting Services Group. From 1990 to 1994, Mr. Frankenfield held the position of Vice President, Sales with the Company. From 1995 to 2000 Mr. Frankenfield was Director of Investment Banking

Sales with the Company. From 2000 until 2005, Mr. Frankenfield was Director of Sales and Marketing with FactSet and from September 2005 until August 2009, he was the Director of Investment Management Services. In August 2009, he was promoted to his current position as Director of Global Sales. Mr. Frankenfield received a B.A. in Economics and International Relations from the University of Pennsylvania and has earned the right to use the Chartered Financial Analyst designation.

Maurizio Nicolelli, Senior Vice President, Chief Financial Officer. Mr. Nicolelli joined the Company in 1996 as the Senior Accountant and held the position of Chief Accountant from 1999 to 2001. From 2002 to 2009, he served as Vice President and Comptroller of the Company. From October 2009 to 2013, he occupied the position of Senior Vice President, Principal Financial Officer and later named Chief Financial Officer in fiscal 2014. Prior to joining FactSet, he was employed at PricewaterhouseCoopers LLP. He holds a B.S. degree in Political Science from Syracuse University and an M.B.A. degree in Accounting from St. John's University. Mr. Nicolelli is a CPA licensed in the state of New York.

Rachel R. Stern, Senior Vice President, Strategic Resources, General Counsel and Secretary. Ms. Stern joined the Company in 2001 as General Counsel. On October 1, 2009, Ms. Stern was appointed to her current position as Senior Vice President, Strategic Resources, General Counsel and Secretary. Prior to joining FactSet, Ms. Stern was associated with Cravath, Swaine & Moore after clerking on the Delaware Court of Chancery. Ms. Stern is admitted to practice in New York and Washington, D.C., and as House Counsel in Connecticut. She received her law degree from the University of Pennsylvania, graduated summa cum laude from Yale University and received a master’s degree with distinction from the University of London.

COMPENSATION DISCUSSION AND ANALYSIS

This compensation discussion and analysis ("CD&A") is intended to provide context for the decisions underlying the compensation reported in the executive compensation tables included in this Proxy Statement for the Company's named executive officers during fiscal 2014 whom are listed as follows:

Philip A. Hadley, Chairman of the Board of Directors and Chief Executive Officer

Philip Snow, President

Peter G. Walsh, Executive Vice President and Chief Operating Officer

Michael D. Frankenfield, Executive Vice President and Director of Global Sales

Maurizio Nicolelli, Senior Vice President, Chief Financial Officer

The Compensation Committee of the Board is responsible for policies and decisions regarding the compensation and benefits for each named executive officer ("NEO"). The Compensation Committee also administers FactSet's stock option plans. Certain facts described in this CD&A reflect Compensation Committee deliberations about which management does not have personal knowledge, although the Compensation Committee has advised management that the information in this CD&A is accurate and materially complete.

Fiscal 2014 Financial Highlights

Continued Growth – Fiscal 2014 was the Company's 34th consecutive year of revenue growth and its 18th consecutive year of positive earnings growth as a public company.

Annual Subscription Value ("ASV") Growth – FactSet reported organic ASV growth of 7% over the last twelve months and totaled $964 million at August 31, 2014.

Organic Revenue Growth – The Company reported a 7% increase in organic revenue compared to a year ago. Each geographic segment grew revenues and operating income in fiscal 2014.

EPS Expansion – Diluted earnings per share increased to $4.92, up 11% from fiscal 2013.

Return on Equity – FactSet reported a current year return on equity of 40.2% and a 3-year average of 37.3%.

Free Cash Flow – Generated $247 million in free cash flow during fiscal 2014 due to increased net income and positive working capital changes.

Fiscal 2014 Operational Highlights

Record Client Additions – FactSet added 200 net new clients over the past 12 months as client count grew to 2,743 at August 31, 2014. The 200 net new clients added during 2014 represented the Company's highest growth total during one single year.

Expanding the Number of Users – Users grew by 3,628 during fiscal 2014 and totaled 54,596 at year-end. Annual client retention was greater than 95% of ASV and 93% of clients, up from 92% last fiscal year.

Client Satisfaction – FactSet's Global 2014 Client Satisfaction Survey revealed that 97% of clients are satisfied or very satisfied with the Company's client service support.

Acquisitions **–** In September and December 2013, FactSet acquired Revere Data, LLC and Matrix Data Limited as the Company continues to enhance its content offerings and analytical applications.

Returning Value to Stockholders – In May 2014, FactSet increased its regular quarterly dividend by 11% to $0.39 per share, making 2014 the ninth consecutive year FactSet has increased its dividend by more than 10%. Aggregating dividends with share repurchases, the Company returned $341 million to stockholders during fiscal 2014.

Job Creation – Employee count rose 6% to 6,639, up 381 employees from a year ago as FactSet continued to aggressively invest in its people.

Recognition in the Workplace – FactSet was ranked one of Fortune's "100 Best Companies to Work For" and one of the "20 Great Workplaces in Technology." FactSet was also named one of the "UK's 50 Best Workplaces," one of "France's 50 Best Workplaces," and listed in Crain's "Chicago's Best Places to Work".

The Compensation Committee continually reviews the objectives and design of FactSet’s executive compensation policies to encourage decisions and behaviors that align with the long-term interests of the Company’s stockholders. The Committee concluded the following:

- FactSet’s programs appropriately balance short- and long-term incentives, with approximately 30% of the total target compensation for the senior executive team provided in equity and focused on long-term performance.

- Executive compensation policies pay for performance against goals that are set to be challenging to motivate a high degree of business performance, with an emphasis on longer-term financial success and prudent risk management.

- Qualitative factors beyond the quantitative financial metrics are a key consideration in the determination of individual executive compensation payments.

Executive Compensation Philosophy

FactSet has historically established executive compensation based upon the following goals and principles:

- Provide appropriate incentives for both individual and business performance.

- Link the long-term financial interests of key employees and FactSet’s stockholders via stock-based incentives.

- Maintain executive compensation at levels relative to other members of senior management.

- Attract and retain talented personnel by considering compensation offered for similar positions by other companies in the technology and financial information industries.

Provide appropriate incentives for both individual and business performance. Approximately 40% of each NEO’s total compensation in fiscal 2014 is performance-based variable compensation, which rewards the executive for annual business performance against pre-determined goals. The Compensation Committee has designed the executive compensation program to encourage NEOs to strive for outstanding individual performance, which is expected in turn to drive the positive performance of the Company as a whole. The Compensation Committee reviews the individual goals of each NEO prior to the end of each fiscal year to determine the executive’s performance relative to stated objectives, both quantitative as well as qualitative. A NEO’s achievement of certain goal levels will dictate, with the application of some discretion by the Committee, that executive’s bonus for the fiscal year just completed as well as salary levels for the coming fiscal year.

Align the financial interests of key employees and FactSet’s stockholders via share-based incentives. The Compensation Committee seeks to motivate executives to work conscientiously to achieve both short term and long term goals and, thereby, create stockholder value. Equity-based compensation, including stock options and restricted stock, has regularly represented a significant portion of total compensation. With stock options, executives only benefit if the Company’s stock price appreciates from the date of grant of the award. The Compensation Committee has also viewed options as a method, not only of encouraging the NEOs to drive Company performance in the long term, but also of encouraging the retention of officers. With restricted stock, the Compensation Committee has recognized that share ownership by NEOs is a positive characteristic. NEOs’ interests as stockholders and option holders themselves have been aligned in the past with those of stockholders generally, and are anticipated to remain so aligned due in part to the large share ownership such officers have maintained.

Maintain executive compensation at levels relative to other members of management. In addition to the other elements relevant to determining each of the NEO’s compensation, FactSet’s Compensation Committee also considered the potential difference between the total compensation package offered to its top executives and the compensation of other employees, both management and non-management. The Compensation Committee determines compensation and stock-based incentive awards for the NEOs at the same time as it approves pools for the Company as a whole. The Compensation Committee criteria and performance levels attempt to provide compensation to NEOs that both recognize their achievements, but also maintain internal pay equity in comparison with other executives and the general employee base. This awareness has helped with retention not only at the senior executive level but also at other levels in developing management of the Company.

Attract and retain talented personnel. The Company operates in several highly competitive labor markets and must ensure that total compensation compares well with that offered by competitors in those markets. The Compensation Committee has designed executive compensation bearing in mind the compensation offered by other companies in the technology and financial information industry, to the extent such information is publicly available. The Committee also considers that the NEOs’ share ownership of FactSet stock is, in some cases, a significant point of distinction from other companies in determining compensation.

Elements of Compensation

FactSet's executive officers are compensated in a manner consistent with the Company's strategy, competitive practice, sound corporate governance principles and stockholder interests and concerns. The core of FactSet's executive compensation philosophy continues to be to pay for performance, as discussed in greater detail below. The three major elements of FactSet's executive officer compensation in fiscal 2014 continued to be:

Base salary;

Variable cash incentive awards (annual bonus); and

Long-term, equity-based incentive awards.

Base Salary. The Compensation Committee has established base salaries according to the experience and qualifications of the individual executives. Generally, base salaries are intended to be sufficiently competitive to attract and retain key employees, although they are secondary to a view of total cash compensation. Salaries for NEOs represent approximately 30% of each NEO's total compensation and are considered in the context of compensation paid to all other employees of the Company. The Compensation Committee did not use a formula to review base salaries, and no one factor was weighted more heavily than another. Although the Compensation Committee does not have a specific benchmark, the goal of the Compensation Committee is to ensure that total cash compensation packages (including base salaries and annual bonuses of the NEOs) generally remain competitive with the 50th percentile when compared to peer group companies. The Compensation Committee did not recommend any changes to the annual base salaries of the NEOs during fiscal 2014.

Annual Bonus. The Compensation Committee determined annual bonuses on a discretionary basis considering a number of factors including FactSet's ASV and EPS growth, achievement of Corporate, strategic and department goals, individual performance and competitive market practices. Annual bonuses represent approximately 40% of each NEO's total compensation. Each executive had an assortment of objectives that were established at the beginning of the year and reviewed with the executive. Annual Company-level performance goals serve both to motivate executives as well as to increase stockholder returns by focusing executive performance on the attainment of those goals identified as having a positive impact on the Company's short-and long-term business results. In the normal course of business, the Committee determines the bonuses for the NEOs based on their operational and financial performance, as described in further detail below. The bonus amounts are not determined by a predefined formula. Rather, they are judgment-based, and based upon achievement of individual goals, overall company performance for the fiscal year and a review of compensation at peer companies. For each NEO, management of the Company prepares for the Compensation Committee a written performance appraisal, peer review compensation statistics and a recommendation for compensation change. The recommendations are reviewed by the Compensation Committee and fiscal 2014 annual bonus amount decisions emphasized rewarding performance as FactSet realized robust growth across all key metrics in the past 12 months, which included organic ASV growth of 7%, the addition of 200 net new clients, the Company's highest ever growth total in one single year, a 7% increase in users of FactSet, an uptick in the annual client retention rate to 93%, a 12% increase in operating income and an 11% growth in diluted earnings per share. Due to the financial and operational growth realized by FactSet during fiscal 2014, certain fiscal 2014 performance goals established for each NEO's variable cash incentive were achieved. As a result, the bonus awards for fiscal 2014 were approximately 8% higher than the amounts paid in fiscal 2013.

Long-term, Equity-based Incentive Awards. The use of equity-based compensation has been a significant component of FactSet's overall compensation philosophy representing approximately 30% of each NEO's total compensation and is one that the Company plans to continue. FactSet's philosophy is built on the principles that equity compensation should seek to align employees' actions with stockholder interests; attract, retain, and motivate highly qualified executives; and, balance the focus on short- and longer-term performance objectives. The Company believes that it has been successful in achieving this alignment through the use of equity-based compensation, which includes the use of restricted stock awards. The Compensation Committee has also recognized the unique significant ownership stake of the NEOs in the Company and consequently has not mandated that its executive officers maintain a specified level of stock ownership in the Company. The Compensation Committee determines the size of the long-term, equity-based incentives according to each NEO's position within FactSet and sets a level it considers appropriate to create a meaningful opportunity for reward predicated on increasing stockholder value. The Committee takes into account an individual's performance history, his or her potential for future advancement, the Chief Executive Officer's recommendations for awards other than his own and the value of existing vested and unvested outstanding equity awards. The relative weight given to each of these factors varies among individuals at the Compensation Committee's discretion. All equity-based plan awards are granted subsequent to the end of each fiscal year in order to be synchronized with the year-end performance review process and the timing of the annual bonus payments.

FactSet structured its long-term equity-based grants in fiscal 2014 in a manner that the Compensation Committee believed to be the most effective way to promote equity ownership by the executives, to reward them for robust operating performance and retain them through the issuance of time-based stock restricted stock awards (“RSAs”). As such, the Compensation Committee recommended the granting of time-based RSAs to each NEO, which represent shares of common stock granted to an employee, subject to vesting requirements. The fair value of a RSA grant is determined by multiplying the number of RSAs by the price of the Company’s stock on the grant date reduced by the present value of dividends expected to be paid over the vesting period. As the price of FactSet’s stock fluctuates, so does the fair value of the RSA, which allows for employee and stockholder alignment during increases and decreases in the Company’s stock price. RSAs also provide for more stable value than stock options since RSAs provide value to employees during company stock price increase and decreases. The RSAs granted in fiscal 2014 cliff vest 60% after three years and 100% after five years of service.

Perquisites and Personal Benefits. The Company’s policy is to not extend perquisites or personal benefits to employees other than for limited and specifically defined business purposes. The incremental costs to the Company in fiscal 2014 of those benefits provided to NEOs that the Securities and Exchange Commission deems to be “perquisites and personal benefits” are reported in the “Summary Compensation Table” (included in the amounts reported in the column captioned “All Other Compensation”). The Audit Committee exercises oversight over the perquisites and personal benefits that are made available to NEOs. The Compensation Committee determined that the perquisites and personal benefits available to NEOs in fiscal 2014, and their costs to the Company, were reasonable and properly disclosed to stockholders. In addition, NEOs are able to participate in the same defined benefit plans as all other eligible employees, including health, retirement, life insurance, and disability plans, as well as an employee stock purchase plan.

Post-Termination Compensation. Beyond allowing executives to participate in the Company’s 401(k) plan, under which the Company matches contributions for all employees up to a maximum limit imposed by ERISA, FactSet does not provide any other post-employment benefits to its executive officers or any employees. However, Mr. Walsh is entitled to certain severance benefits pursuant to his employment agreement in the event of a change in control of the Company or his separation from the Company under certain circumstances. His additional severance and change in control benefits are described below under the heading “Potential Payments upon Termination or Change in Control.” No other NEOs have employment agreements in place as of August 31, 2014.

Tax Considerations

In establishing individual executives’ compensation levels, the Company does not explicitly consider accounting and tax issues. However, FactSet does analyze the overall expense arising from aggregate executive compensation levels and awards and the components of the Company’s compensation programs.

FactSet believes it is in its best interest, to the extent practical, to have compensation paid to its NEOs be fully deductible under Section 162(m) of the Internal Revenue Code of 1986, as amended. However, the Compensation Committee retains the discretion to provide compensation that potentially may not be fully deductible to reward performance and/or enhance retention. Section 162(m) generally provides that publicly-held companies may not deduct compensation paid to certain of its top executive officers to the extent that such compensation exceeds $1 million per officer in a calendar year. FactSet has taken steps to ensure that payments to its NEOs under its long-term equity-based incentive programs meet the Section 162(m) requirements. For the fiscal years presented in this Proxy, FactSet believes the stock-based awards granted under the Company's stock option and award plans meet the requirement of Section 162(m). As of August 31, 2014, the Company's annual bonus plan does not meet the requirements because it is not stockholder approved. However, the Compensation Committee believes that it must maintain flexibility in its approach in order to structure a program that is effective in attracting, motivating and retaining the Company's key executives.

Executive pay at FactSet has historically not exceeded the annual compensation deduction limit of Section 162(m), and, with the exception of Mr. Hadley in fiscal 2014 and 2013, the cash compensation (salary plus bonus) paid to the Company's NEOs was at or below the $1 million limit in each fiscal year presented in this Proxy. The tax deductibility of compensation for the NEOs will be preserved as long as such actions are consistent with the Committee's compensation policies and objectives and are in the best interests of the Company and its stockholders.

Process of Determining Annual Executive Compensation

FactSet has not entered into any employment agreements with any of its NEOs, other than an agreement that grants certain rights to Mr. Walsh in the event of a separation from the Company. As such, FactSet is not bound by any contractual salary, incentive grants or other compensation requirements for the NEOs. FactSet's Compensation Committee has not historically used the services of a compensation consultant. In the determination of stock options grants and bonuses, the Committee has considered information provided to it by management, at the Committee's request, regarding the compensation levels of executives at designated peer companies.

In fiscal 2014, the Committee worked with management in the compensation review process as follows:

Methodology Determination. In the fourth quarter of fiscal 2014, the Compensation Committee met to determine the methods it would use to set compensation for the NEOs. Each compensation component and the Compensation Committee's decisions regarding these elements are considered as part of a collective package of compensation to each individual NEO. The Committee members discuss what they believe to be appropriate levels of compensation in their business judgment. Each element of compensation is considered independently for overall soundness of the level of compensation in relation to the amounts awarded to other individuals. The Compensation Committee has not considered any forms of compensation other than salary, bonus and equity awards.

Develop performance measures. The Compensation Committee and Mr. Hadley, the Company's Chief Executive Officer identified appropriate performance measures and recommended performance objectives that were used to determine annual and long-term awards. Each NEO's compensation as a whole is considered in comparison to that of other executives and employees of the Company. The Compensation Committee has not considered any forms of compensation other than salary, bonus and equity awards. Perquisites have historically been less than 5% of each NEO's total compensation and represent the dollar value of matching contributions to the FactSet 401(k) Plan made by FactSet on behalf of each NEO, use of Company automobiles and medical and dental benefits paid by the Company on behalf of the NEO.

Compile benchmark data. Management prepared benchmarking and competitive data with respect to historical compensation and its defined peer group. The Compensation Committee utilized this information in connection with establishing NEO compensation plans and parameters at its meetings. In addition, each NEO's compensation as a whole is considered in comparison to that of other executives and employees of the Company. The Committee did not engage in any further quantitative or qualitative analyses regarding its decision to make specific compensation awards or regarding any particular type of award or form of compensation.

Meetings. In a series of meetings, the Compensation Committee determines appropriate salary for the upcoming year, bonus levels for the fiscal year just completed and upcoming equity-based grants for the NEOs. The Compensation Committee follows guidelines for equity-based awards, which apply to awards for NEOs as well as all other employees. The guidelines require management to study, make recommendations and provide supporting analysis to the Compensation Committee regarding proposed equity awards. The supporting analysis shared with the Committee provides details about each executive's cash and total compensation, existing equity awards, the amounts vested and unvested and the percentage of total compensation that the suggested equity-based grant would represent. The materials also demonstrate the aggregate amount of awards and other compensation that have been historically granted and are proposed to be granted to the Company in the aggregate. In addition, management reviews with the Committee the various Company performance levels and the equity-based grants that would vest based on the various performance targets. On the basis of such materials, prepared at the Committee's request, the Compensation Committee approves equity grants for each member of the Company's senior management, which includes the NEOs. Typically, during the same meeting, the Compensation Committee further approves total equity-based grants for all FactSet employees in the aggregate. The Compensation Committee thus determines awards for the NEOs in the context of considering grants for employees of the Company as a whole.

Review Management-prepared Materials. The Compensation Committee considers materials prepared by management at the Committee's request and direction, detailing the historical salary, bonus and total cash compensation levels of the NEOs and other members of the Company's Executive Committee. In addition, management provides to the Compensation Committee materials outlining the individual performance of each NEO with respect to his goals and objectives for the past year, both qualitative and quantitative, measured against financial goals for the Company's performance as well quantitative performance in the individual executive's functional area. Management also provides the Committee with materials regarding the overall financial performance of the Company as well as operational and strategic accomplishments during the past fiscal year. Historically, management has also provided an evaluation during a meeting of the contribution to the performance of the Company by each NEO. The Committee members then make their determinations as to the bonus for the just completed fiscal year and base salary for the upcoming year for each NEO. Management does not participate in this deliberation and the CEO is not present for discussions regarding his own compensation. Typically, at the same meeting, the Compensation Committee approves the total bonus pool for the Company's operational areas as a whole, so that compensation to the NEOs is made in the larger context of compensation for all the Company's employees.

Develop CEO compensation recommendations. For the CEO's compensation, the Compensation Committee meets in a closed session to determine recommendations for base salary, annual bonus, and share-based compensation. These recommendations are developed with no input from the CEO, and takes into account overall Company performance, personal performance against objectives, Board and staff member feedback, and compensation benchmarking data provided by external sources.

Use of Performance Targets to Derive Compensation. The Committee has not designated target levels of performance that would enable an executive to qualify for an exact amount or a range of compensation levels, whether in the form of salary, bonus or option awards. Neither the Company nor the Compensation Committee has determined threshold, target and maximum payments for salaries or the actual size of bonus payments related to the Company's performance, nor have they set the threshold, target and maximum number of shares underlying the performance share awards as related to the Company's performance. Only the vesting of performance-based options is linked to specific growth targets of the Company as a whole, not any individual NEO's performance.

In fiscal 2014, management provided the Compensation Committee with ASV growth targets in addition to qualitative comments pertaining to each NEO's goals and performance gathered during FactSet's standard review process for all employees. The Company's EPS targets are also implied in that the Company is managed each year with the goal of EPS growth being equal to or greater than ASV growth. These targets are detailed for each geographic region managed by a NEO and for the Company in aggregate. The growth figures do not, however, correlate to any target compensation levels, but rather informs the Compensation Committee generally as to the performance of the Company. Although no specific levels of compensation were tied to the achievement of these growth targets and goals, the Compensation Committee took such performance into account in determine the dollar amount of bonuses and equity awards to recommend for each NEO. No other specific items of corporate performance are taken into account in making compensation decisions.

Performance versus Goals and Objectives. The Compensation Committee determines the actual size of bonus payments and equity-based grants awarded to each of the NEOs based on the Compensation Committee's subjective view of the executives' achievement of qualitative goals set out in materials provided to the Committee by management. There are no specific quantitative formulas involved that would result in a particular compensation level. The Committee agrees on the executive's performance and related compensation through conversation and discussion.

Mr. Hadley's goals included increase ASV, EPS growth greater than ASV growth, focus and execute on the Company's major projects including NextGen, make significant strategic decisions to improve FactSet's competitive position, review and make informed decisions on products that are gaining and losing value/share, be a leader that can communicate the Company's goals, strategies and values including optimizing capital allocation, be a role model for FactSet's culture and be involved in acquisitions, large client pricing, supplier decisions and succession planning.

Mr. Snow's goals included increase ASV, develop and execute organizational changes from both a leadership and operational perspective, gain experience and additional insight into product development, financial planning and investor relations, create and communicate top-down company ASV goals, and enhance the use of financial performance metrics for the upcoming fiscal year.

Mr. Walsh's goals included increase ASV, EPS growth greater than ASV growth, manage the Company's due diligence process for significant acquisition targets, deliver on software engineering goals including improving the speed and stability of FactSet and retention of talented employees, continue to lead progress on the NextGen project, deliver on product goals such as PA 3.0, Fixed Income Portfolio Analytics and FactSet14, and be a leader that can communicate the Company’s goals.

Mr. Frankenfield’s goals included growing ASV at a pace greater than last fiscal year, acquire 200 new clients, continue to improve all aspects of the sales operations to capitalize effectively on new business opportunities, be involved in large client pricing discussions, assist with the development of FactSet’ internal client relationship management system, meet certain human resources hiring and retention goals and be a leader that can communicate the Company’s goals.

Mr. Nicolelli’s goals included increase ASV, EPS growth greater than ASV growth, ensure financial reporting compliance, manage FactSet’s cost structure to maximize the Company’s competitive position, improve the visibility of internal financial metrics by developing internal applications, assist the Audit Committee in the evaluation of the audit relationship, implement reporting processes for new FactSet locations added during the year in places such as Singapore, grow the Market Metrics service offering and effectively manage the Company’s worldwide effective tax rate.

The compensation to be issued is not based on a quantitative formula. Each NEO was measured on his performance relative to his qualitative goals in determining the appropriate overall level of compensation. The compensation is then granted as a mix including base salary, annual variable bonus and equity-based grants.

Performance-based Option Awards. The only compensation tool currently tied to a predefined formula is performance-based stock option awards. At the beginning of fiscal 2014, the Compensation Committee compared the key objectives established for using performance-based option awards, including employee retention and motivation. In addition, the Committee noted that most employees were unable to directly influence Company ASV and EPS growth, rendering the grants less impactful. As a result, the Committee concluded that a more targeted allocation of performance-based stock options to high performing employees was a better allocation of resources as opposed to granting them to a larger, more broadly-based employee population. Lastly, a historical analysis of the likelihood of achieving the various performance levels since these types of options were first granted was performed by FactSet management, which indicated that the median outcome achieved over the past eight years was 0% vesting. Based on all these factors, the Compensation Committee did not recommend a performance-based grant in the first quarter of fiscal 2014, traditionally the period in which such grants would have been awarded. Accordingly there was no dollar amount reported within the option awards column in the summary compensation table for each NEO during fiscal 2014.

For options granted during fiscal 2013 (on November 1, 2012), the two-year measurement period concluded on August 31, 2014. The actual performance level achieved over the two-year measurement period for organic ASV was 6%, which equated to the “Expected” level, and the organic EPS growth rate of 9% was at the “Excellent” level. As such, 20% of the performance-based stock options became eligible to vest on August 31, 2014 and will vest at a rate of 40% after the first two years and 1.67% per month thereafter for years three through five. The options continue to vest and be exercisable provided the employee continues employment with the Company through the applicable vesting dates, and remain exercisable until expiration on November 1, 2022, or cancellation.

The Compensation Committee considered all compensation to each NEO at the same time it determined the Company’s annual bonus and equity incentive awards pools. It should also be noted that no NEO participates in any Compensation Committee discussions of that executive’s own compensation.

Long-term Executive Incentive Compensation

FactSet believes that both cash compensation and non-cash compensation are appropriate mechanisms for driving executive performance in support of stockholder value. Cash compensation rewards annual (short-term) performance, while non-cash compensation is generally used to reinforce sustained performance over a longer period of time. The allocation between annual cash compensation and long-term equity compensation is based primarily on an evaluation of an executive’s overall role and contributions to the Company, taking into account competitive concerns regarding attracting and retaining superior talent.

Peer Group Executive Compensation Review

The Compensation Committee is provided executive compensation data of similarly situated NEOs at companies determined to be comparable by the Compensation Committee. The peer group consists of Advent Software, Inc., The Advisory Board Company, CoStar Group, Inc., The Corporate Executive Board Company, Informatica Corporation, IHS Inc., Morningstar, Inc., MSCI Inc., THQ Inc., Solera Holdings, TIBCO Software Inc. and Verint Systems Inc.

In addition to the identified peer group, the compensation provided to NEOs at the following companies was reviewed by the Compensation Committee: Federated Investors, Janus Capital Group, Inc., NASDAQ OMX, NYSE Euronext, QLIK Technologies, Waddell & Reed Financial, Inc. and Verisk Analytics. The materials presented to the Compensation Committee detailed the company compensation by type, including salary, bonus and equity awards. The Compensation Committee believes that its total target compensation for NEOs is competitive. The Compensation Committee noted that management positions reported by peer companies are not always parallel to those of the Company. Given the large current and historical equity ownership of management, cash compensation relative to industry peers has not been a primary focus of overall compensation. Each component of compensation (base salary, annual bonus and equity) awarded to Mr. Hadley was found to be below the average compensation for his analogous peers. Total cash compensation (base salary plus annual bonus) awarded to Mr. Snow, Mr. Walsh, Mr. Frankenfield and Mr. Nicolelli was within the range of awarded to each analogous peer. However, each of their equity-based awards (stock options plus restricted stock) was below the average awarded by their peers.

COMPENSATION COMMITTEE REPORT

The Compensation Committee (the “Committee”) is responsible for administering FactSet’s executive compensation policies and practices. The Committee is comprised solely of independent directors and reports regularly to the Board. Independent directors are not eligible to participate in any of the plans or programs the Committee administers. In fiscal 2014, the Committee reviewed compensation, including equity-based awards, for each named executive officer (“NEO”). The Committee reviews and approves the aggregate number of equity-based awards granted to all employees of FactSet. The Committee also reviews the compensation, including stock and option-based awards, for each member of senior management including those employees who report directly to either the Chief Executive Officer, Chief Operating Officer or Director of Global Sales. The Committee believes that the fiscal 2014 compensation of the NEOs was aligned with FactSet’s performance and returns to stockholders and provided a balanced mix between base pay and incentive compensation.

The Compensation Committee reviewed and discussed with management the “Compensation Discussion and Analysis” below and recommended to the Board that it be included in this Proxy Statement. The Compensation Committee has represented to management that, to the extent that the “Compensation Discussion and Analysis” purports to disclose the Compensation Committee’s deliberations and philosophy in making executive compensation decisions and policy, it is accurate and materially complete.

SUBMITTED BY THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Joseph E. Laird, Jr., Chairman

James J. McGonigle

Walter F. Siebecker

EXECUTIVE COMPENSATION

The tables below present compensation information for each named executive officer followed by a narrative discussion of compensation that each NEO could receive when their employment with the Company terminates under various circumstances or upon a change in control of the Company. The tables include footnotes and other narrative explanations important for your understanding of the compensation information in each table.

The first table below, the Summary Compensation Table, sets forth the compensation earned by the NEOs for services rendered in all capacities to FactSet for each respective fiscal year. The Company's NEOs include FactSet's Principal Executive Officer ("PEO"), Principal Financial Officer ("PFO") and the three most highly compensated executive officers (other than the PEO and PFO) during fiscal 2014.

Summary Compensation Table

The following table summarizes the compensation earned or awarded to each NEO for fiscal years 2014, 2013 and 2012.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)(4)	All Other Compensation ($)(5)	Total ($)
Philip A. Hadley	2014	$300,000	$800,000	$550,000	$--	$ 35,995	$1,685,995
Chief Executive Officer	2013	$300,000	$705,000	$--	$666,667	$ 41,424	$1,713,091
	2012	$275,000	$715,000	$--	$600,000	$ 35,808	$1,625,808
Philip Snow[6]	2014	$290,000	$250,000	$200,000	$--	$ 39,265	$779,265
President							
Peter G. Walsh	2014	$275,000	$625,000	$340,000	$--	$ 40,347	$1,280,347
Chief Operating Officer	2013	$275,000	$555,000	$--	$400,000	$ 41,830	$1,271,830
	2012	$265,000	$555,000	$--	$300,000	$ 28,006	$1,148,006
Michael D. Frankenfield	2014	$275,000	$625,000	$340,000	$--	$ 36,072	$1,276,072
Director of Global Sales	2013	$275,000	$555,000	$--	$400,000	$ 34,879	$1,264,879
	2012	$265,000	$555,000	$--	$300,000	$ 31,284	$1,151,284
Maurizio Nicolelli	2014	$225,000	$275,000	$250,000	$--	$ 35,458	$785,458
Chief Financial Officer	2013	$225,000	$240,000	$--	$280,000	$ 38,702	$783,702
	2012	$190,000	$250,000	$--	$180,000	$ 37,032	$647,032

(1) The Bonus column lists discretionary cash bonuses awarded for services rendered during the applicable fiscal year based on achievement of certain goals established at the beginning of each fiscal year. Annual variable compensation payments are made within two months following the end of each fiscal year. See the detailed description of the Annual Bonus in the preceding CD&A under the sub-heading “Annual Bonus.”

(2) The amounts set forth in the Stock Awards column represent the aggregate grant date fair value, computed in accordance with ASC Topic 718. The assumptions made for the valuation of the stock awards are disclosed in the Notes to the Consolidated Financial Statements included in the Company’s fiscal 2014 Annual Report on Form 10-K.

(3) The amounts set forth in the Option Awards column represent the aggregate grant date fair value computed in accordance with ASC Topic 718. The Company utilizes a lattice-binomial model to estimate the fair value of new stock options on the date of grant. The assumptions made for the valuation of option awards are disclosed in the Notes to Consolidated Financial Statements included in the Company’s fiscal 2014 Annual Report on Form 10-K. A stock option has value only if the Company’s stock price increases above the option exercise price (an “in-the-money” option). If a NEO exercises an in-the-money option, he would then realize an actual gain. Any gain actually realized for options exercised in 2014 is reported in the “Option Exercises and Stock Vested” table.

(4) The fiscal 2013 dollar value reported within the option awards column represents 100% of the fair value of service-based options granted during fiscal 2013 plus 20% of the fair value of performance-based stock options granted on November 1, 2012 (which is the percentage of the grant that is eligible to vest). The fiscal 2012 dollar value reported within the option awards column represents only the fair value of the service-based options granted because none of the performance-based stock options granted on November 1, 2011 became eligible to vest. The two-year measurement period for these performance-based options concluded on August 31, 2013 and the actual performance levels achieved were below expectations and as such, none of the performance-based stock options vested.

(5) Amounts reflect the value of matching contributions to the FactSet 401(k) Plan made by FactSet on behalf of each NEO, use of Company automobiles and medical and dental benefits paid by the Company on behalf of the NEO. FactSet matches up to 4% of employees' bi-weekly earnings, capped at the IRS annual maximum. There were no other perquisites and other personal benefits for NEOs. Fiscal 2014 amounts for personal use of Company automobiles were $3,844; $7,125; $8,278; $3,942; and $3,375, respectively, for Messrs. Hadley, Snow, Walsh, Frankenfield, and Nicolelli.

(6) Philip Snow was promoted to President of FactSet effective July 1, 2014. He was not a NEO in fiscal 2013 or 2012, and as such, compensation for those prior fiscal years has not been presented.

Grants of Plan-Based Awards

Non-Equity Incentive Compensation. The Company did not award non-equity incentive compensation during fiscal 2014 to any of its NEOs.

Stock Awards. FactSet has structured its long-term equity-based grants in fiscal 2014 as restricted stock awards. The following table provides information on the stock awards granted during fiscal 2014 to each NEO. The grant date fair value of these stock awards is included in the "Stock Awards" column of the Summary Compensation Table.

Name	Grant Date (1)	Number of Shares of Stock (2)	Exercise Price	Grant Date Fair Value of Stock Awards (3)
Philip A. Hadley	11/1/13	5,381	$108.64	$550,000
Philip Snow	11/1/13	1,957	$108.64	$200,000
Peter G. Walsh	11/1/13	3,326	$108.64	$340,000
Michael D. Frankenfield	11/1/13	3,326	$108.64	$340,000
Maurizio Nicolelli	11/1/13	2,446	$108.64	$250,000

(1) On October 24, 2013, the Compensation Committee approved the total number of restricted stock awards to be allocated among all eligible employees and specifically approved the awards to be granted to each NEO and all other senior members of management. At that time, the Compensation Committee designated November 1, 2013 as the actual grant date of these restricted stock awards, at a price equal to 100% of the closing price of the Company's common stock on the NYSE on that date.

(2) The stock awards granted on November 1, 2013 cliff vest 60% after three years and 100% after five years of continual service.

(3) The dollar amounts set forth in this column represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, pursuant to amendments to Item 402 of Regulation S-K. The assumptions made for the valuation of the stock awards are disclosed in Note 15 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2014. These are not amounts paid to or realized by the NEO.

Outstanding Equity Awards (Restricted Stock) at Fiscal Year-end

The following table sets forth information regarding the number of shares and the value of unvested restricted stock awards held by the NEOs at August 31, 2014.

Name	Grant Date	Number of Shares of Stock That Have Not Vested (1)(2)	Market Value of Shares of Stock That Have Not Vested (3)
Philip A. Hadley	10/23/09	2,546	$324,360
	11/8/10	1,896	$241,550
	11/1/13	5,381	$685,539
Philip Snow	10/23/09	478	$60,897
	11/8/10	593	$75,548
	11/1/13	1,957	$249,322
Peter G. Walsh	10/23/09	1,910	$243,334
	2/9/10	8,614	$1,097,424
	11/1/13	3,326	$423,732
Michael D. Frankenfield	10/23/09	1,910	$243,334
	2/9/10	8,614	$1,097,424
	11/1/13	3,326	$423,732
Maurizio Nicolelli	10/23/09	510	$64,974
	11/8/10	474	$60,388
	11/1/13	2,446	$311,620

(1) The number of shares in the table above that have not vested for the October 23, 2009 grant represent the remaining 40% that is scheduled to vest on October 23, 2014. The unvested stock awards granted to Messrs. Walsh and Frankenfield on February 9, 2010 vest on February 9, 2016. The remaining number of shares of stock awards granted on November 8, 2010 vest on November 8, 2015. The stock awards granted on November 1, 2013 cliff vest 60% on November 1, 2016 and the remaining 40% on November 1, 2018.

(2) The vesting of the restricted stock granted to Messrs. Walsh and Frankenfield on February 9, 2010 may be accelerated if certain ASV and EPS targets are achieved prior to the end of the six year service condition. As of August 31, 2014, the Company estimated that the targets will not be achieved prior to the end of the six year service condition, thus no accelerated vesting will occur. However, a change in the actual financial performance levels

achieved by FactSet could result in a change to the Company's current timing of the vesting percentage and related expense.

(3) The market value of the restricted stock awards that have not vested is calculated by multiplying the number of shares that have not vested by the closing price of FactSet common stock on August 31, 2014, which was $127.40.

Outstanding Equity Awards (Stock Options) at Fiscal Year-end

The table below shows each NEOs outstanding option grants at August 31, 2014. For each outstanding option grant, the table shows the stock options that have vested (or that are "Exercisable") and those not yet vested (or that are "Unexercisable").

	Grant Date	Number of Options Exercisable (1)(2)(3)	Unexercisable	Exercise Price	Expiration Date
Philip A. Hadley	4/20/05	35,000	-	$ 29.00	4/20/15
	8/14/08	19,533	-	$ 65.67	8/14/15
	10/24/08	9,524	-	$ 35.80	10/24/15
	10/23/09	32,237	1,096	$ 66.46	10/23/16
	11/1/11	10,713	8,203	$ 94.84	11/1/21
	11/1/12	6,900	18,068	$ 92.22	11/1/22
Philip Snow	10/24/08	2,116	-	$ 35.80	10/24/15
	10/23/09	6,036	214	$ 66.46	10/23/16
	11/8/10	5,492	1,842	$ 88.40	11/8/17
	11/1/11	2,661	2,068	$ 94.84	11/1/21
	11/1/12	2,619	6,869	$ 92.22	11/1/22
Peter G. Walsh	8/14/08	18,991	-	$ 65.67	8/14/15
	10/24/08	9,259	-	$ 35.80	10/24/15
	10/23/09	24,178	822	$ 66.46	10/23/16
	2/9/10	70,393	70,392	$ 63.09	2/9/17
	11/1/11	5,345	4,113	$ 94.84	11/1/21
	11/1/12	4,136	10,844	$ 92.22	11/1/22
Michael D. Frankenfield	10/23/09	834	822	$ 66.46	10/23/16
	2/9/10	70,393	70,392	$ 63.09	2/9/17
	11/1/11	5,345	4,113	$ 94.84	11/1/21
	11/1/12	4,136	10,844	$ 92.22	11/1/22
Maurizio Nicolelli	8/14/08	181	-	$ 65.67	8/14/15
	10/24/08	189	-	$ 35.80	10/24/15
	10/23/09	6,440	227	$ 66.46	10/23/16
	11/8/10	20,429	-	$ 88.40	11/8/17
	11/1/11	3,203	2,472	$ 94.84	11/1/21
	11/1/12	2,889	7,598	$ 92.22	11/1/22

(1) 20% of each option grant is exercisable one year after the grant date, with the remainder vesting at a rate of 1.67% per month.

(2) Options granted to Messrs. Walsh and Frankenfield on February 9, 2010 cliff vest 50% after four years and 100% after six years of service.

(3) Included in the options granted on November 1, 2012 are performance-based options. Based upon the achievement of certain ASV and EPS growth targets as of August 31, 2014, 20% of the performance-based options became eligible to vest. These performance-based options will vest 40% on November 1, 2014 and then 1.67% per month thereafter. The remaining performance-based options that did not become eligible to vest (representing 80% of the original grant) were recorded as pre-vesting forfeitures as of August 31, 2014.

Option Exercises and Stock Vested

The following table sets forth information regarding the number and value of stock options exercised and stock awards vested for each NEO during fiscal 2014.

Name	Option Awards Number of Shares Acquired On Exercise	Option Awards Value Realized on Exercise (1)	Stock Awards Number of Shares Acquired On Vesting (2)(3)	Stock Awards Value Realized on Vesting (4)
Philip A. Hadley	17,867	$862,797	2,844	$313,352
Philip Snow	14,341	$989,096	888	$97,840
Peter G. Walsh	35,881	$2,448,224	8,615	$889,326
Michael D. Frankenfield	51,594	$2,908,508	8,615	$889,326
Maurizio Nicolelli	-	$-	711	$78,338

(1) Based upon the market price of the purchased shares on the exercise date less the option exercise price paid for such shares.

(2) 60% of the stock awards granted on November 8, 2010 to Messrs. Hadley, Snow, and Nicolelli vested on November 8, 2013 with the remaining 40% scheduled to cliff vest on November 8, 2015.

(3) 50% of the stock awards granted on February 9, 2010 to Messrs. Walsh and Frankenfield vested on February 9, 2014 with the remaining 50% scheduled to cliff vest on February 9, 2016.

(4) Value realized represents the closing value of the underlying stock on the vesting date.

Nonqualified Deferred Compensation

The Company does not have a Compensation Deferral Program, thus the nonqualified deferred compensation table has been omitted for fiscal 2014.

Pension Benefits

The Company does not have a Pension Program thus no pension retirement benefits were paid to executives in fiscal 2014.

Potential Payments upon Termination or Change in Control

On March 1, 2005 an agreement between the Company and Mr. Peter Walsh became effective that amended an existing letter agreement with the Company dated September 20, 1999 (the "Letter Agreement"). The amendment reaffirmed the Letter Agreement, which remains in effect and which is to be superseded by a written agreement only if all other officers of the Company ranked more highly than Mr. Walsh also enter into written employment agreements with the Company. The Letter Agreement grants to Mr. Walsh: (i) an estimated payment of $0.9 million, which is equal to his compensation in the prior twelve months and benefits for 12 months if his employment is terminated without cause; and (ii) an estimated payment of $1.8 million, which is equal to twice his compensation in the prior twelve months and benefits for 24 months in the event of a change in control of the Company and involuntary termination.

At the end of fiscal 2014, the Company did not have employment agreements with Messrs. Hadley, Snow, Frankenfield or Nicolelli.

The Company sponsors equity incentive compensation plans that provide the NEOs with additional compensation in connection with a termination of employment and/or change of control under the following circumstances.

Change in Control

Upon the occurrence of a Change in Control, (i) all option awards granted to a NEO which have not been exercised, which have not expired by their terms, or for which restrictions have not yet lapsed shall immediately be fully exercisable for the remainder of their respective terms and all restrictions shall lapse and conditions deemed satisfied, and (ii) the Compensation Committee may, in its sole discretion, determine that such option awards be immediately terminated in which case the NEO will be paid an amount in cash (subject to any applicable withholding taxes) in respect of each option award equal to the difference between the fair market value of a share and the exercise price of such option award.

Death or Disability

Upon the NEO's death, any unexercised option award to the extent exercisable on the date of the NEO's death may be exercised in whole or in part, at any time within one year after the NEO's death by a beneficiary or an estate. If a NEO becomes disabled, any unexercised option award to the extent exercisable at the date of such termination of employment due to disability may be exercised in whole or in part, at any time within one year after the date of termination.

Termination without Cause

If the Company's terminates the NEO for any reason other than cause, death or disability, then any unexercised option award, to the extent exercisable at the date of such termination of employment, may be exercised, in whole or in part, at any time within three months after such termination of employment; provided, however, that if the NEO dies within the three-month period following such termination of employment, the option award may be exercised by the deceased NEO's personal representative or by the person to whom the option award is transferred by will or the applicable laws of descent and distribution within 180 days of the NEO's death, but in no event beyond the scheduled expiration of the option award.

Termination with Cause

Upon termination with cause, all unexercised awards terminate immediately.

Employee Stock Purchase Plan

Upon termination of employment, all amounts in the participant's account are paid to the participant.

Potential Payments upon Termination of Employment or a Change in Control Table

The information in the table below summarizes the compensation that would be paid under plans and contractual arrangements in effect as of August 31, 2014 to each of the NEOs in the event of termination of such executive's employment with the Company and/or change of control of the Company as of that date. The amounts assume that the listed officer left FactSet effective August 31, 2014 and that the price per share of FactSet common stock on that date was $127.40. The amounts are based upon the difference between $127.40 and the exercise price of the unvested award held by the NEO at August 31, 2014.

Name of Officer	Death or Disability	Termination Without Cause	Termination With Cause	Change in Control[1]

Philip A. Hadley	$ -	$ -	$ -	$2,220,955
Philip Snow	$ -	$ -	$ -	$606,630
Peter G. Walsh	$ -	$ 900,000	$ -	$8,656,910
Michael D. Frankenfield	$ -	$ -	$ -	$6,856,910
Maurizio Nicolelli	$ -	$ -	$ -	$798,594

(1) The Change in Control payout is applicable to (a) all option awards granted to Company employees which have not been exercised, which have not expired by their terms, or for which restrictions have not yet lapsed shall immediately be fully exercisable and (b) all stock awards granted to Company employees which have not vested or for which restrictions have not yet lapsed shall immediately be fully vested.

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Proposal 3: Advisory Vote on the Fiscal 2014 Compensation of the Company's Named Executive Officers

As required by Section 14A of the Securities and Exchange Act of 1934, FactSet is seeking an advisory, non-binding stockholder vote with respect to compensation awarded to its NEOs.

As previously discussed in the Compensation Discussion and Analysis, FactSet designs its compensation programs to maintain a performance and achievement-oriented environment throughout the Company. FactSet's compensation programs are overseen by the Company's Compensation Committee and reflect its philosophy to pay all employees, including the NEOs, in ways that support the following primary business objectives:

Provide appropriate incentives for both individual and business performance.

Link the long-term financial interests of key employees and FactSet's stockholders via stock-based incentives.

Maintain executive compensation at levels relative with other members of senior management.

Attract and retain talented personnel by considering compensation offered for similar positions by other companies in the technology and financial information industries.

Required Vote

FactSet is asking its stockholders to indicate their support for the compensation awarded to its NEOs as described in this proxy statement. This proposal, commonly known as a "say-on-pay" proposal, gives the Company's stockholders the opportunity to express their views on FactSet's NEO compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of the NEOs and the philosophy, policies and practices described in this proxy statement. Accordingly, the Company asks its stockholders to vote "FOR" the following resolution at the meeting:

"RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's proxy statement for the 2014 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and related notes and narrative."

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee, or its Board. The Company's Board and its Compensation Committee value the opinions of the stockholders and will take into account the outcome of this vote in considering future compensation arrangements.

FactSet's Board Recommends an Advisory Vote FOR the Fiscal 2014 Compensation of the Named Executive Officers as Disclosed in the Proxy Statement.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth information known to FactSet with respect to beneficial ownership of the Company's common stock as of October 20, 2014 for (i) each director and nominee, (ii) each holder of 5.0% or greater of FactSet common stock, (iii) FactSet's Principal Executive Officer, Principal Financial Officer and the three most highly compensated executive officers (other than the Principal Executive Officer and Principal Financial Officer) named in the table entitled "Summary Compensation Table" and (iv) all executive officers and directors as a group.

Beneficial ownership is determined under the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, to FactSet's knowledge the persons named in the table below have sole voting and investment power with respect to all shares of FactSet common stock beneficially owned. The number of shares beneficially owned by each person or group as of October 20, 2014 includes shares of FactSet common stock that such person or group had the right to acquire on or within 60 days after October 20, 2014, including, but not limited to, upon the exercise of options or the vesting of restricted stock awards.

For each beneficial owner and individual included in the tables below, percentage ownership of common stock is calculated by dividing the number of shares beneficially owned by the 41,747,436 shares of FactSet common stock outstanding at October 20, 2014. Any securities that were not outstanding but subject to options exercisable within 60 days after October 20, 2014 were deemed to be outstanding in determining the percentage owned by such person, but were not deemed to be outstanding in determining the percentage owned by any other person.

Principal Holders

The only persons known by the Company to be beneficial owners of more than 5% of FactSet's common stock are the following:

Name and Address of Beneficial Owner*	Number of Shares Beneficially Owned at October 20, 2014	Percentage of Common Stock
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	5,054,502	12.1%
	3,663,466	8.8 %

Baron Capital Group, Inc.
(BAMCO)
767 Fifth Avenue, 49th Floor
New York, NY 10153

Total asset related debt and other debt	350,361	5.3
Debt related to CFVs	91,602	4.3
Total debt	$ 441,963	5.1

(1) *Asset related debt is debt which finances interest-bearing assets and the interest expense from this debt is included in "Net interest income" on the consolidated statements of operations. Other debt is debt which does not finance interest-bearing assets and the interest expense from this debt is included in "Interest expense" under" Operating and other expenses" on the consolidated statements of operations.*

(2) *Included in notes payable and other debt were unamortized discounts of $1.6 and $1.7 million at December 31, 2013 and 2012, respectively.*

(3) *Included in the subordinate debt balance were $3.0 million and $7.1 million of net premiums and effective interest rate payable (i.e., the difference between the current pay rate and the effective interest rate) at December 31, 2013 and 2012, respectively.*

(4) *This amount includes $3.2 million of debt that has come due and remains payable; however, the Company has a forbearance agreement with the lender such that it is not pursuing any remedies.*

Asset Related Debt

Notes Payable and Other Debt Bond Related

This debt is primarily comprised of TRS financing agreements on bonds available-for-sale ($102.3 million at December 31, 2013). This amount also includes secured borrowings of $30.7 million related to two bonds transferred with a performance guarantee that failed to receive accounting sale treatment.

Other Debt

Subordinate debt

At December 31, 2013, the Company had $141.4 million of subordinate debt (principal) with a carrying value of $144.4 million and a weighted average effective interest rate of 7.2%.

During March of 2013, the Company repurchased the remaining unpaid principal balance ($45.5 million) of MMA Financial Holdings, Inc. ("**MFH**") subordinate debt due May 2034 for a cash payment of $17.4 million plus accrued interest. As a result of this transaction, the Company recognized a gain on debt extinguishment of $37.9 million, comprised of the difference between the cash payment of $17.4 million and the carrying value of the debt of $56.9 million, reduced by the acceleration of $1.6 million of debt issuance costs. The gain on debt extinguishment is recorded in "Net gains on early extinguishment of liabilities" on the consolidated statements of operations for the year ended December 31, 2013.

See "Notes to Consolidated Financial Statements - Note 6, Debt" for further information.

Notes payable and other debt

At December 31, 2013, this debt includes $36.6 million related to the TRS entered into during March of 2013 in connection with the Company's sale of its preferred stock investment. See "Notes to Consolidated Financial Statements - Note 3, Investment in Preferred Stock" for more information. The debt is non-amortizing, matures on March 31, 2015 and bears an interest rate of 3-month LIBOR plus 400 bps (4.24% at December 31, 2013) and resets quarterly. The Company recorded debt issuance costs of $0.8 million associated with the transaction, of which $0.4 million was paid at inception and $0.4 million is payable at termination.

See "Notes to Consolidated Financial Statements - Note 6, Debt" for further information.

Covenant Compliance and Debt Maturities

At December 31, 2013, the Company had $3.2 million of debt that had come due that continues to be governed by a forbearance agreement that expires April 30, 2015. The Company is complying with the terms of the agreement such that the lender is not pursuing any remedies.

Letters of Credit

On July 1, 2013, $0.1 million in a letter of credit expired unused and $2.9 million was canceled unused on July 31, 2013. As a result, the Company had no letters of credit outstanding at December 31, 2013.

Guarantees

The following table summarizes guarantees by type at December 31, 2013:

(in thousands)	December 31, 2013 Maximum Exposure	Carrying Amount
Indemnification contracts	$ 20,224	$ 1,198

The indemnification contracts are with the purchaser of the tax credit equity ("**TCE**") business and are related to the guarantees of investor yields on their investment in certain LIHTC Funds and indemnifications related to property performance on certain Lower Tier Property Partnerships. We made no cash payments under these indemnification agreements for the year ended December 31, 2013.

Our maximum exposure under the indemnification contracts represents the maximum loss the Company could incur under its guarantee agreements and is not indicative of the likelihood of the expected loss under the guarantees. The carrying amount represents the amount of unamortized fees received related to these guarantees with no additional amounts recognized as management does not believe it is probable that it will have to make payments under these indemnifications.

In addition to the above guarantees, the Company has guaranteed the investor yields on certain LIHTC Funds in which the Company continues to hold general partner interests and as a result, the Company consolidates these funds. The maximum exposure under these guarantees is estimated to be approximately $614.4 million at December 31, 2013. The Company does not expect to have any payouts related to these guarantees as the funds are now meeting and are expected in the future to meet investor yield requirements. See "Notes to Consolidated Financial Statements Note 17, Consolidated Funds and Ventures."

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Debt Related to CFVs

The creditors of CFVs do not have recourse to the assets or general credit of MuniMae. At December 31, 2013, the debt related to CFVs had the following terms:

	December 31, 2013			
(in thousands)	Carrying Amount	Face Amount	Weighted-average Interest Rates	Maturity Dates
SA Fund	$ 49,886	$ 49,886	2.6 %	April 2018
Consolidated Lower Tier Property Partnerships	41,716	40,987	6.32	Various dates through March 2049
Total debt	$ 91,602	$ 90,873		

SA Fund

The SA Fund has an agreement with the Overseas Private Investment Corporation, an agency of the US, to provide loan financing not to exceed $80.0 million. The SA Fund has drawn a total of $49.1 million of debt against this financing arrangement as of December 31, 2013. This debt is an obligation of the SA Fund and there is no recourse to the Company.

This debt is denominated in US dollars; however, the SA Fund's functional currency is the South African rand. Therefore, the SA Fund is exposed to foreign currency risk. In order to hedge this risk, from an economic standpoint, the SA Fund has entered into certain foreign exchange derivative contracts. As required, these derivative instruments are carried at fair value. The SA Fund does not designate these derivatives as accounting hedges and therefore, changes in fair value are recognized through "Net gains related to CFVs" on the consolidated statements of operations. The change of value in the debt obligation due to currency fluctuation is recognized through "Expenses from CFVs" on the consolidated statements of operations.

Consolidated Lower Tier Property Partnerships

During the third quarter of 2013, the Company sold 10 bonds that were not on our balance sheet at the time of sale because a non-profit entity that we consolidate is deemed to be the primary beneficiary of the associated Lower Tier Property Partnerships ("**Consolidated Lower Tier Property Partnerships**"). This non-profit held the real estate serving as collateral to these bonds. Therefore, upon the sale of TEB, the cash proceeds received on these 10 bonds were recorded as debt owed by the Consolidated Lower Tier Property Partnerships of $75.2 million. Subsequent to the TEB sale and during the third and fourth quarters of 2013, we repurchased five of these bonds thereby causing the outstanding debt obligation to decline by $33.6 million.

Company Capital

Common Shares

During 2013, through a series of actions, our Board of Directors authorized a stock repurchase program of up to 5 million shares at a price of up to 100% of the Company's reported common shareholders' equity per share as shown on the Company's most current filed periodic report at the time of repurchase. During the year ended December 31, 2013, the Company repurchased 2,066,305 shares at an average price of $1.29. On March 12, 2014, the Board of Directors authorized an amendment to the stock repurchase program whereby the maximum repurchase price was set to a price of up to 95% of the Company's last reported common shareholders' equity per share. The Company's common equity at December 31, 2013 was $65.3 million resulting in an equity per common share of $1.61. As a result the maximum price the Company may pay to repurchase stock upon the filing of this Report until the maximum price is reset upon the filing of its 2014 first quarter filing, or the plan is amended, is $1.53.

Dividend Policy

Our Board makes determinations regarding dividends based on management's recommendation, which is based on an evaluation of a number of factors, including our common shareholders' equity, business prospects and available cash. Our Board has not declared a dividend since the fourth quarter of 2007. In the future our Board will determine whether and in what amounts to declare dividends based on our earnings and cash flows, cash needs and any other factors our Board deems appropriate. It is unlikely that we will pay a dividend for the foreseeable future.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of MuniMae, together with the report thereon of KPMG LLP dated March 21, 2014, are in Item 15. Exhibits and Financial Statement Schedules at the end of this Report and are incorporated by reference herein.

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our filings and submissions to the SEC under the Exchange Act is recorded, processed, and reported within the time periods specified in the SEC's rules and forms. Such controls include those designed to ensure that information is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

An evaluation was conducted under the supervision and with the participation of management, including the CEO and CFO, on the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2013.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with GAAP; (3) provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. It is a process that involves human diligence and compliance and is therefore subject to human error and misjudgment. In general, evaluations of effectiveness for future periods are subject to risk as controls may become inadequate due to changes in conditions or the degree of compliance with key processes or procedures could deteriorate.

A "material weakness" as defined by Public Accounting Oversight Board ("**PCAOB**") Auditing Standard No. 5, "An Audit of Internal Control over Financial Reporting That is Integrated with an Audit of Financial Statements" ("**Auditing Standard No. 5**") is "a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis." A "deficiency" in internal control over financial reporting as defined by Auditing Standard No. 5 "exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis." As a result of management's internal control evaluation conducted as of December 31, 2013, management concluded that a material weakness existed within its consolidation accounting and reporting processes and because of this material weakness management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2013, based on criteria described in the original *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992. Based on additional procedures and controls performed and put into place after December 31, 2013, but before the filing of this Report, management believes that the financial statements presented in this Report are presented fairly, in all material respects, in accordance with US GAAP. Management believes that the additional controls procedures should result in effective internal control over financial reporting going forward, but plans to evaluate the effectiveness of such control procedures for several quarters before concluding that the material weakness has been remediated.

Item 9B. OTHER INFORMATION

None

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company has a Code of Ethics that applies to Officers, Employees and Directors, a copy of which is available on the Company’s website at www.munimae.com.

The remaining information required to be furnished by this Item 10 is contained in the Company’s Proxy Statement for its 2014 Annual Shareholders’ Meeting under the captions “Information about the Company’s Directors,” “Board of Directors Matters,” “Identification of Executive Officers,” and “Section 16(a) Beneficial Ownership Reporting Compliance” and is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

The information required to be furnished by this Item 11 is contained in the Company’s Proxy Statement for its 2014 Annual Shareholders’ Meeting under the heading “Executive Compensation” and is incorporated herein by reference.

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Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required to be furnished by this Item 12 is contained in the Company's Proxy Statement for its 2014 Annual Shareholders' Meeting under "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required to be furnished by this Item 13 is contained in the Company's Proxy Statement for its 2014 Annual Shareholders' Meeting under "Related Party and Affiliate Transactions" and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required to be furnished by this Item 14 is contained in the Company's Proxy Statement for its 2014 Annual Shareholders' Meeting under "Independent Registered Public Accounting Firm" and is incorporated herein by reference.

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PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The following is a list of the consolidated financial statements included at the end of this Report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2013 and 2012

Consolidated Statements of Operations for the Years Ended December 31, 2013 and 2012

Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2013 and 2012

Consolidated Statements of Equity for the Years Ended December 31, 2013 and 2012

Consolidated Statements of Cash Flows for the Years Ended December 31, 2013 and 2012

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

Schedule II Valuation and Qualifying Accounts (The information required is presented within the notes to the Consolidated Financial Statements)

(3) Exhibit Index

See Exhibit Index immediately preceding the exhibits

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Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MUNICIPAL MORTGAGE & EQUITY, LLC

	By:	/s/ Michael L. Falcone
Dated: March 21, 2014		Name: Michael L. Falcone
		Title: Chief Executive Officer and President
		(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

By:	/s/ Michael L. Falcone	March 21, 2014
Name:	Michael L. Falcone	
Title:	Chief Executive Officer, President and Director (Principal Executive Officer)	
By:	/s/ Lisa M. Roberts	March 21, 2014
Name:	Lisa M. Roberts	
Title:	Chief Financial Officer and Executive Vice President (Principal Financial Officer)	
By:	/s/ Francis X. Gallagher	March 21, 2014
Name:	Francis X. Gallagher	
Title:	Chairman of the Board of Directors (effective March 17, 2014)	
By:	/s/ Steven S. Bloom	March 21, 2014
Name:	Steven S. Bloom	
Title:	Director	
By:	/s/ J.P. Grant	March 21, 2014
Name:	J.P. Grant	
Title:	Director	
By:	/s/ Douglas A. McGregor	March 21, 2014
Name:	Douglas A. McGregor	
Title:	Director	
By:	/s/ Frederick W. Puddester	March 21, 2014
Name:	Frederick W. Puddester	
Title:	Director	

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Municipal Mortgage and Equity, LLC:

We have audited the accompanying consolidated balance sheets of Municipal Mortgage and Equity, LLC and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Municipal Mortgage and Equity, LLC and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years then ended in conformity with U.S. generally accepted accounting principles.

Baltimore, Maryland
March 21, 2014

Municipal Mortgage & Equity, LLC

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 31, 2013		December 31, 2012	
ASSETS				
Cash and cash equivalents (includes $41,634 at December 31, 2012 in a consolidated subsidiary that had restrictions on distributions)	$	66,794	$	50,857
Restricted cash (includes $52,897 and $53,957 related to CFVs)		87,903		55,313
Bonds available-for-sale (includes $134,769 and $925,346 pledged as collateral and/or restricted)		195,332		969,394
Investments in Lower Tier Property Partnerships related to CFVs		286,007		333,335
SA Fund investments related to CFVs		158,325		161,433
Real estate held-for-use, net (includes $15,644 and $17,756 pledged as collateral and $102,314 and $111,931 related to CFVs)		120,576		129,687
Real estate held-for-sale, net (includes $15,338 at December 31, 2012 related to CFVs)		24,090		15,338
Investment in preferred stock		31,371		31,371
Other assets (includes $11,907 and $14,691 pledged as collateral and $23,664 and $17,568 related to CFVs)		44,960		55,024
Total assets	$	1,015,358	$	1,801,752
LIABILITIES AND EQUITY				
Debt (includes $91,602 and $55,433 related to CFVs)	$	441,963	$	1,042,959
Derivative liabilities		626		3,544
Accounts payable and accrued expenses		8,723		12,498
Unfunded equity commitments to Lower Tier Property Partnerships related to CFVs		13,461		15,881
Other liabilities (includes $4,043 and $6,150 related to CFVs)		11,726		15,145
Total liabilities	$	476,499	$	1,090,027
Commitments and contingencies				
Equity:				
Perpetual preferred shareholders' equity in a subsidiary company, liquidation preference of $159,000 at December 31, 2012	$		$	155,033
Noncontrolling interests in CFVs and IHS (net of $575 and $1,533 of subscriptions receivable)		473,513		511,791
Common shareholders' equity:				
Common shares, no par value (39,279,596 and 40,638,614 shares issued and outstanding and 1,281,080 and 1,873,348 non-employee directors' and employee		28,687		(93,786)

deferred shares issued at December 31, 2013 and 2012, respectively)				
Accumulated other comprehensive income		36,659		138,687
Total common shareholders' equity		65,346		44,901
Total equity		538,859		711,725
Total liabilities and equity	$	1,015,358	$	1,801,752

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

Municipal Mortgage & Equity, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands)

	For the year ended December 31, 2013	2012
Interest income		
Interest on bonds	$ 37,280	$ 64,916
Interest on loans and short-term investments	648	875
Total interest income	37,928	65,791
Interest expense (1)		
Bond related debt	22,996	24,233
Non-bond related debt	1,256	2,426
Total interest expense	24,252	26,659
Net interest income	13,676	39,132
Non-interest revenue		
Income on preferred stock investment	5,260	5,749
Other income	2,650	2,525
Revenue from CFVs	21,310	11,212
Total non-interest revenue	29,220	19,486
Total revenues, net of interest expense	42,896	58,618
Operating and other expenses		
Interest expense (2)	14,988	18,542
Salaries and benefits	12,318	10,428
General and administrative	4,699	5,025
Professional fees	8,492	6,764
Impairment on bonds:		
Total other-than-temporary impairment on bonds	2,619	7,217
Portion of other-than-temporary impairment recognized in AOCI	(547)	
Net impairment of bonds recognized in earnings	2,072	7,217
Net loan loss (recovery)	5	(5,647)
Other expenses	6,245	6,446
Expenses from CFVs	53,708	28,124
Total operating and other expenses	102,527	76,899
Net gains on assets and derivatives	78,783	81
Net gains (losses) on early extinguishment of liabilities	36,583	(1,774)
Net gains due to initial real estate consolidation and foreclosure	10,895	5,404
Net gains related to CFVs	31,795	12,441
Equity in losses from Lower Tier Property Partnerships of CFVs	(26,609)	(39,391)
Net income (loss) from continuing operations before income taxes	71,816	(41,520)
Income tax benefit (expense)	1,304	(101)
Income from discontinued operations, net of tax	26,727	2,960
Net income (loss)	99,847	(38,661)
Income allocable to noncontrolling interests:		
Income allocable to perpetual preferred shareholders of a subsidiary company	(3,714)	(9,443)

Net losses (income) allocable to noncontrolling interests in CFVs and IHS:				
Related to continuing operations		33,058		48,825
Related to discontinued operations		(1,351)		2,394
Net income to common shareholders	$	127,840	$	3,115

(1) *Represents interest expense related to debt which finances interest-bearing assets. See Note 6, "Debt."*

(2) *Represents interest expense related to debt which does not finance interest-bearing assets. See Note 6, "Debt."*

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

Municipal Mortgage & Equity, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS (continued)

(in thousands, except per share data)

	For the year ended December 31, 2013		2012	
Basic income per common share:				
Income (loss) from continuing operations	$	2.44	$	(0.06)
Income from discontinued operations		0.60		0.13
Income per common share	$	3.04	$	0.07
Diluted income per common share:				
Income (loss) from continuing operations (adjusted for liability classified awards)	$	2.38	$	(0.06)
Income from discontinued operations		0.58		0.13
Income per common share	$	2.96	$	0.07
Weighted-average common shares outstanding:				
Basic		42,118		42,259
Diluted		43,587		42,443

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

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Municipal Mortgage & Equity, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	For the year ended December 31, 2013		2012	
Net income to common shareholders	$	127,840	$	3,115
Net loss allocable to noncontrolling interests		(27,993)		(41,776)
Net income (loss)	$	99,847	$	(38,661)
Other comprehensive (loss) income allocable to common shareholders:				
Bond related changes:				
Net unrealized (losses) gains arising during the period	$	(16,104)	$	34,255
Reversal of net unrealized gains on sold/redeemed bonds		(77,226)		(1,420)
Reclassification of unrealized bond losses to operations due to impairment		2,072		7,217
Reclassification of unrealized bond gains to operations due to consolidation of funds and ventures		(10,895)		(5,404)
Net changes in other comprehensive income due to bonds		(102,153)		34,648
Foreign currency translation adjustment		125		(15)
Other comprehensive (loss) income allocable to common shareholders	$	(102,028)	$	34,633
Other comprehensive loss allocable to noncontrolling interests:				
Foreign currency translation adjustment for SA Fund and IHS	$	(26,552)	$	(5,875)
Comprehensive income to common shareholders	$	25,812	$	37,748
Comprehensive loss to noncontrolling interests		(54,545)		(47,651)
Comprehensive loss	$	(28,733)	$	(9,903)

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

Municipal Mortgage & Equity, LLC

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands)

	Common Equity Before Accumulated Other Comprehensive Income		Accumulated Other Comprehensive Income	Total Common Shareholders' Equity	Perpetual Preferred Shareholders' Equity	Noncontrolling Interest in CFVs and IHS	Total Equity
	Number	Amount					
Balance, January 1, 2012	42,119	$ (99,222)	$ 104,054	$ 4,832	$ 155,033	$ 545,185	$ 705,050
Net income (loss)		3,115		3,115	9,443	(51,219)	(38,661)
Other comprehensive income			34,633	34,633		(5,875)	28,758
Distributions					(9,443)		(9,443)
Contributions						20,462	20,462
Common shares (restricted and deferred) issued under employee and non-employee director share plans	393	126		126			126
Mark-to-market activity for liability classified awards previously classified as equity		(7)		(7)			(7)
Net change due to consolidation		2,202		2,202		3,238	5,440
Balance, December 31, 2012	42,512	$ (93,786)	$ 138,687	$ 44,901	$ 155,033	$ 511,791	$ 711,725
Net income (loss)		127,840		127,840	3,714	(31,707)	99,847
Other comprehensive loss			(102,028)	(102,028)		(26,552)	(128,580)
Distributions					(3,714)	(631)	(4,345)
Contributions						13,465	13,465
Common shares (restricted and deferred) issued under employee and non-employee director share plans	147	205		205			205
Mark-to-market activity for liability		(15)		(15)			(15)

classified awards previously classified as equity							
Net change due to consolidation		(695)		(695)		7,147	6,452
Employee and non-employee shares cancelled	(32)						
Common share repurchases	(2,066)	(2,682)		(2,682)			(2,682)
Preferred share repurchases		842		842	(37,055)		(36,213)
Preferred shares transferred to TEB purchaser		(3,022)		(3,022)	(117,978)		(121,000)
Balance, December 31, 2013	40,561	$ 28,687	$ 36,659	$ 65,346	$	$ 473,513	$ 538,859

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

Municipal Mortgage & Equity, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the year ended December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 99,847	$ (38,661)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net gains on sales of bonds and loans	(78,765)	(1,729)
Net gains due to real estate consolidation and foreclosure	(10,895)	(5,404)
Net gains related to CFVs	(36,625)	(14,019)
Provisions for credit losses and impairment	24,548	14,889
Equity in losses from Lower Tier Property Partnerships of CFVs	26,884	40,070
Interest rate swap termination payments	(1,967)	(10,452)
Subordinate debt effective yield amortization and interest accruals	7,902	10,263
Net gains on early extinguishment of liabilities	(36,583)	-
Net gains on sales of real estate and other investments	(19,577)	(40)
Depreciation and other amortization	18,343	9,775
Foreign currency loss	11,691	1,377
Stock-based compensation expense	1,823	300
Other	(3,760)	(1,422)
Net cash provided by operating activities	2,866	4,947
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances on and purchases of bonds	-	(6,189)
Principal payments and sales proceeds received on bonds	16,383	45,782
Advances on and originations of loans held for investment	(512)	(550)
Principal payments received on loans held for investment	598	7,981
Insurance recoveries on real estate	-	753
Investments in property partnerships and real estate	(30,927)	(58,425)
Proceeds from the sale of real estate and other investments	87,154	24,134
Proceeds received on redemption of investment in preferred stock	-	5,000
Net proceeds from the sale of a subsidiary company	19,151	-
Increase in restricted cash and cash of CFVs	(22,832)	(3,575)
Capital distributions received from investments in partnerships	16,784	9,142
Net cash provided by investing activities	85,799	24,053
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing activity	116,494	593,570
Repayment of borrowings	(157,323)	(619,686)
Payment of debt issuance costs	(1,202)	(5,271)
Contributions from holders of noncontrolling interests	13,465	20,462
Distributions paid to holders of noncontrolling interests	(631)	-
Purchase of treasury stock	(2,682)	-
Distributions paid to perpetual preferred shareholders of a subsidiary company	(4,636)	(9,334)
Redemption of perpetual preferred shares	(36,213)	-
Net cash used in financing activities	(72,728)	(20,259)

Net increase in cash and cash equivalents	15,937	8,741
Cash and cash equivalents at beginning of period	50,857	42,116
Cash and cash equivalents at end of period	$ 66,794	$ 50,857

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

Municipal Mortgage & Equity, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(in thousands)

	For the year ended December 31, 2013	2012
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 31,668	$ 40,917
Income taxes paid	254	135
Non-cash investing and financing activities:		
Unrealized (losses) gains included in other comprehensive income	(128,580)	28,758
Debt and liabilities extinguished through sales and collections on bonds and loans	4,252	11,420
Increase in real estate assets due to initial consolidation of funds and ventures	43,943	47,058
Decrease in bond assets due to initial consolidation of funds and ventures	37,833	34,110
Increase in noncontrolling interests due to consolidation of funds and ventures	6,737	5,775
Decrease in loan investments due to foreclosure	-	7,711
Increase in common equity due to purchase of noncontrolling interests	-	2,203
Decrease in noncontrolling interests due to sale of common equity	-	2,203
Net change in assets and liabilities due to the sale of a subsidiary company:		
Net decrease in interest receivable	4,612	-
Net decrease in interest payable	(1,052)	-
Net decrease in bonds available-for-sale	678,983	-
Net increase in restricted cash	(14,672)	-
Increase related to new borrowing activities	169,601	-
Net decrease in perpetual preferred shares and related distributions	(122,669)	-
Decrease related to borrowings transferred to purchaser	(695,652)	-

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

Municipal Mortgage & Equity, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 description of the business and BASIS OF PRESENTATION

Municipal Mortgage & Equity, LLC, the registrant, was organized in 1996 as a Delaware limited liability company. When used in this report, the "**Company,**" "**MuniMae,**" "**we,**" "**our,**" or "**us**" may refer to the registrant, the registrant and its subsidiaries, or one or more of the registrant's subsidiaries depending on the context of the disclosure.

Description of the Business

The Company operates through two reportable segments: US Operations and International Operations.

We own and manage a portfolio of real estate related assets. Our primary holdings include a portfolio of bonds and bond-related investments ("**bonds**"), a substantial portion of which are tax-exempt and backed by affordable multifamily rental properties. We also manage tax credit equity funds for third party investors which invest in similar affordable multifamily rental properties. Finally, we own a variety of direct investments in multifamily rental properties and land. Outside of the United States ("**US**"), we are in the business of raising, investing in and asset managing private real estate funds which invest primarily in affordable for-sale and rental housing primarily in South Africa.

US Operations

The Company's bond portfolio consisted of 36 bonds totaling $245.6 million (based on fair value and including $50.3 million of bonds eliminated due to consolidation), collateralized by 23 real estate properties at December 31, 2013. This bond portfolio is comprised primarily of multifamily tax-exempt bonds as well as community development district ("**CDD**") bonds.

MuniMae is also the general partner ("**GP**") and manager of 13 low-income housing tax credit funds ("**LIHTC Funds**") which had $852.5 million of capital invested at December 31, 2013. These funds hold limited partnership interests in 117 affordable multifamily rental properties in the US. The Company's ownership interest in the LIHTC Funds is nominal (ranging from 0.01% to 0.04%); however, the Company is entitled to asset management fees as well as contingent asset management fees based on several factors including the residual value of the LIHTC Funds' underlying multifamily rental properties.

As a result of the third quarter 2013 sale of our common shares of MuniMae TE Bond Subsidiary, LLC ("**TEB**") described in Note 2 "Bonds Available-For-Sale," we significantly reduced our exposure to long-term interest rate risk; however, TEB constituted a substantial portion of our cash flow, and we no longer receive net interest spread generated by TEB. As a result, to cover operating costs and grow shareholder value over the long term, we will need to find and make new investments that generate sufficient returns to achieve these goals.

International Operations

Substantially all of the Company's International Operations take place through a subsidiary, International Housing Solutions S.à r.l. ("**IHS**") which is in the business of raising, investing in and asset managing private real estate funds that invest in affordable for-sale and rental housing primarily in South Africa. At December 31, 2013, the Company's ownership interest in IHS is approximately 83%. In addition to earning asset management fees, IHS, as the managing member, is entitled to special distributions based on returns generated by the funds it sponsors. IHS currently manages one multi-investor fund (South Africa Workforce Housing Fund SA I - "**SA Fund**") and a real estate partnership for a single-investor (International Housing Solutions Residential Partners Partnership "**SA Partnership"**), and is in the process of raising capital for a second multi-investor fund.

Use of Estimates

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

Basis of Presentation and Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and of entities that are considered to be variable interest entities in which the Company is the primary beneficiary, as well as those entities in which the Company has a controlling financial interest, including wholly owned subsidiaries of the Company. All intercompany transactions and balances have been eliminated in consolidation. Investments in unconsolidated entities where the Company has the ability to exercise significant influence over the operations of the entity are accounted for using the equity method of accounting.

At December 31, 2012, the majority of the Company's bond portfolio was financed through securitization transactions. The securitization trusts that were created as part of the financing arrangements were consolidated by the Company because the Company was deemed to be the primary beneficiary. Therefore, at December 31, 2012, the assets of these trusts were included within "Bonds available-for-sale" and the debt of these trusts was reported within "Debt." Subsequent to the sale of TEB and at December 31, 2013, there were no bond securitization trusts.

The Company consolidates IHS and eliminates all intercompany transactions and balances in consolidation. The activity and balances for IHS are reflected in the Company's consolidated financial statements. Because the Company has a majority interest in IHS, the activity and balances for IHS are not identified as part of the Company's CFVs. The balances and activity items identified as part of the Company's CFVs are for funds and ventures for which the Company has minimal to no ownership interests, but the Company has consolidated them due to the Company being the primary beneficiary.

The Company consolidates the SA Fund because IHS is deemed to be the primary beneficiary, and we therefore eliminate all intercompany transactions balances in consolidation. The activity and balances for the SA Fund are identified as part of the Company's CFVs because the Company has a minimal ownership interest in the SA Fund.

Consolidated Funds and Ventures

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

The determination as to whether an entity is a variable interest entity ("**VIE**").

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

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

Because the Company generally has a minimal or no ownership interest in these entities, all assets, liabilities, revenues, expenses, equity in losses from unconsolidated entities and net losses allocable to noncontrolling interest holders related to these entities are separately identified on the consolidated balance sheets and on the statements of operations. See Note 17, "Consolidated Funds and Ventures."

Cash, cash equivalents and restricted cash

Cash, cash equivalents and restricted cash of CFVs is considered restricted cash to the Company.

LIHTC Funds

Investment in Lower Tier Property Partnerships

At December 31, 2013, the Company had GP interests in 11 LIHTC Funds that are consolidated by the Company, as the Company was deemed to be the primary beneficiary. The LIHTC Funds have limited partner investments in affordable housing property partnerships, which are the entities that own the affordable housing properties. The GPs of these affordable housing property partnerships are considered the primary beneficiaries; therefore, the Company does not consolidate these property partnerships. These property partnerships are accounted for under the equity method and classified as "Investments in Lower Tier Property Partnerships" on the consolidated balance sheets. A lower tier property partnership ("**Lower Tier Property Partnership**" or **"LTPP"**) is defined as a partnership formed by a developer to develop or hold and operate real estate investments for investors.

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Under the equity method, the Company's investment in the partnership is recorded at cost and is subsequently adjusted to recognize the Company's allocable share of the earnings or losses from the partnership and the amortization of any investment basis differences after the date of acquisition. On a quarterly basis, the Company assesses the appropriateness of the carrying amount of its equity method investments to ensure the investment amount is not other-than-temporarily impaired. The Company estimates the future gross (undiscounted) tax benefits and cash flows associated with the investments to determine if the investments' carrying amounts are recoverable. These tax benefits and cash flows include future tax credits and tax benefits from net operating losses and any annual cash flow and residual value of the properties. If the investment balance is greater than the aggregate estimated future tax benefits and cash flows, then the investment is deemed to be impaired, with an impairment charge taken for the difference between the carrying value and the estimated future tax benefits and cash flows for each investment.

For investments accounted for under the equity method of accounting, the Company classifies distributions received on such investments as cash flows from operating activities when cumulative equity in earnings is greater than or equal to cumulative cash distributions. The Company classifies distributions as cash flows from investing activities when cumulative equity in earnings is less than cumulative cash distributions.

Unfunded Equity Commitments

The LIHTC Funds have entered into partnership agreements as the limited partners of Lower Tier Property Partnerships that require future contribution of capital. The Company recognizes a liability when it is probable that the equity commitment will be funded in the future. These unfunded equity contributions are classified as "Investments in Lower Tier Property Partnerships" and "Unfunded equity commitments to Lower Tier Property Partnerships," respectively.

SA Fund

SA Fund Investments

These investments are private real estate investments made by the SA Fund in housing development projects in South Africa. These investments are carried at fair value with changes in fair value reported through "Net gains related to CFVs" on the consolidated statements of operations. See Note 17, "Consolidated Funds and Ventures."

Derivative Financial Assets

The SA Fund holds foreign currency derivative contracts that are carried at fair value. The SA Fund has not designated its derivatives as hedging instruments for accounting purposes. As a result, changes in the fair value of these derivatives are recorded through current period earnings in "Net gains related to CFVs" on the consolidated statements of operations. See Note 17, "Consolidated Funds and Ventures." The fair value of these derivatives are reflected in our balance sheet as "Other assets."

Consolidated Lower Tier Property Partnerships and Non-profit Entities

Real Estate Owned ("**REO**")

The Company consolidates two non-profit entities for which it is deemed the primary beneficiary. These non-profit entities consolidate certain Lower Tier Property Partnerships because they are deemed to be the primary beneficiary ("**Consolidated Lower Tier Property Partnerships**"). The Company does not have an equity interest in the Consolidated Lower Tier Property Partnerships or the non-profit entities. Generally, the assets held by these Consolidated Lower Tier Property Partnerships are affordable multifamily housing properties financed with tax credit equity and/or tax-exempt bonds. In many cases, the Company owns an interest in the tax credit equity investment and/or the bond used to finance the property. The REO, which is the primary asset of the Consolidated Lower Tier Property Partnerships is reported in "Real estate held-for-use, net" and "Real estate held-for-sale related to CFV" on the consolidated balance sheets. See Note 17, "Consolidated Funds and Ventures."

Cash and Cash Equivalents

Cash and cash equivalents comprised of short-term marketable securities with original maturities of three months or less, all of which are readily convertible to cash.

Restricted Cash

Restricted cash represents cash and cash equivalents restricted as to withdrawal or usage. The Company may be required to pledge cash collateral in connection with secured borrowings, derivative obligations or other liabilities.

Bonds

Bonds are classified as available-for-sale securities and are carried at fair value. We evaluate bonds in an unrealized loss position as of the end of each quarter for other-than-temporary impairment ("**OTTI**"). An unrealized loss exists when the fair value of an individual bond is less than its amortized cost basis. We recognize OTTI in earnings if one of the following conditions exists: (a) we have the intent to sell the bond; (b) it is more likely than not that we will be required to sell prior to recovery of the bond's amortized cost basis; or (c) we do not expect to recover the amortized cost basis of the bond. If we do not intend to sell the bond and we believe it is not more likely than not that we will be required to sell prior to recovery of the bond's amortized basis, then we recognize only the credit component of the OTTI in earnings and the amounts attributable to other factors are recognized, net of tax, in "Accumulated other comprehensive income" (**"AOCI"**). The credit component represents the amount by which the present value of cash flows expected to be collected discounted at the bond's original effective rate is less than the bond's amortized cost basis.

For our bonds in an unrealized loss position at December 31, 2013, we have asserted that we have no intent to sell and that we believe it is not more likely than not that we will be required to sell the security before recovery of its amortized cost basis. Therefore, during the fourth quarter of 2013, only the credit component of unrealized losses considered to be other-than-temporary is recognized through earnings with the remaining amount recognized in AOCI. Between fourth quarter of 2007 and third quarter of 2013, we recognized all unrealized losses through earnings because we deemed it more likely than not that we would be required to sell prior to the recovery of the bond's amortized cost basis primarily due to our liquidity constraints.

Realized gains and losses on sales of these investments are measured using the specific identification method and are recognized in earnings at the time of disposition. For most of our performing bonds at December 31, 2013, the Company estimated fair value using a discounted cash flow methodology; specifically, the Company discounted contractual principal and interest payments, adjusted for expected prepayments. The discount rate for each bond was based on expected investor yield requirements adjusted for bond attributes such as the expected term of the bond, debt service coverage ratio, geographic location and bond size. If observable market quotes were available, the Company estimated the fair value based on such quoted prices. For non-performing bonds (*i.e.,* defaulted bonds as well as certain non-defaulted bonds where payment of full principal and interest is deemed at risk) at December 31, 2013, the Company estimated the fair value by discounting the property's cash flows and residual proceeds using estimated market discount and capitalization rates, less estimated selling costs. However, to the extent available, the Company may estimate fair value based on a sale agreement, a letter of intent to purchase, an appraisal or other indications of fair value.

The Company recognizes interest income over the contractual terms of the bonds using the effective interest method, including the effects of premiums and discounts, as well as deferred fees and costs. Contingent interest on participating bonds is recognized when the contingencies are resolved. Bonds are placed on non-accrual status when any portion of principal or interest is 90 days past due or the date after which collectability of principal or interest is not reasonably assured. The Company applies interest payments received on non-accrual bonds first to accrued interest and then as interest income. Bonds return to accrual status when principal and interest payments become current and future payments are anticipated to be fully collectible. Proceeds from the sale or repayment of bonds greater or less than their amortized cost (which would include any previously recorded impairment charges) are recorded as realized gains or losses and any previously unrealized gains included in accumulated other comprehensive income are reversed.

Investment in Preferred Stock

The Company accounts for the investment in preferred stock using the historical cost approach and tests for impairment at each balance sheet date. An impairment loss is recognized if the carrying amount of the preferred stock is not considered recoverable and exceeds its fair value.

Real Estate Owned

The Company's REO properties are generally obtained when a delinquent borrower chooses to transfer the mortgaged property to us in lieu of going through a foreclosure process.

The Company classifies REO as either held-for-use or held-for-sale on the consolidated balance sheet. The Company records REO as held-for-use initially at fair value and then evaluates for impairment. An impairment loss is recognized if the carrying amount is not recoverable and exceeds fair value. The carrying amount is not considered recoverable if it exceeds the sum of the undiscounted cash flows that result from the use of the asset. The Company records REO held-for-sale at the lower of its fair value less cost to sell or its carrying value.

Derivative Financial Liabilities

The Company recognizes all derivatives liabilities on the consolidated balance sheets and records these instruments at their fair values. The Company has not designated any of its derivative investments as hedging instruments for accounting purposes. As a result, changes in the fair value of derivatives are recorded through current period earnings in "Net gains on assets and derivatives" on the consolidated statements of operations.

Guarantee Obligations

The Company has indemnification contracts with the purchaser of the tax credit equity ("**TCE**") business related to the guarantees of the investor yields on their investment in certain LIHTC Funds and indemnifications related to property performance on certain Lower Tier Property Partnerships. See Note 10, "Guarantees and Collateral."

Stock-Based Compensation

The Company accounts for its employee stock-based compensation plans using the liability method of accounting. Compensation expense is based on the fair value of the instrument as of the reporting date, adjusted to reflect the vesting schedule. Subsequent compensation expense is determined by changes in the fair value of the instrument at subsequent reporting dates, continuing through the settlement date. The Company accounts for its director stock-based compensation plans using the equity method of accounting. Compensation expense is based on the fair value of the instrument at the grant date.

Income (Loss) per Common Share

Basic income (loss) per share is computed by dividing net income (loss) to common shareholders by the weighted-average number of common shares issued and outstanding during the period (this includes director and employee deferred and vested shares). The numerator used to calculate diluted income (loss) per share includes net income (loss) to common shareholders adjusted to remove the difference in income or loss associated with reporting the dilutive employee share awards classified as liabilities as opposed to equity awards. The denominator used to calculate diluted income (loss) per share includes the weighted-average number of common shares issued and outstanding during the period adjusted to add in common stock equivalents associated with unvested share awards as well as in the money option awards unless they are contingent upon a certain share price that has not yet been achieved.

Income Taxes

Through July 9, 2013, the Company was a publicly traded-partnership ("**PTP**") for income tax purposes and, as such, was taxed as a partnership for federal and state income tax purposes. Effective July 10, 2013, the Company converted from a partnership to a corporation for federal and state income tax purposes by making an entity classification election ("**check-the-box**") with the Internal Revenue Service ("**IRS**"). As a result of the conversion, the Company will (i) be a direct corporate tax payer, (ii) no longer pass through its income and loss to its shareholders for tax purposes, and (iii) no longer issue each shareholder an annual tax statement on Schedule K-1. This change will also eliminate the ongoing costs of operating as a partnership and is consistent with changes in the nature of the Company's activities.

As a result of the partnership treatment prior to the check-the-box election, all activity of the Company's pass-through entities prior to July 10, 2013 was passed-through directly to the Company's shareholders. During February 2014, those shareholders that held shares as of July 9, 2013 received a final Schedule K-1 for the partial year January 1, 2013 through July 9, 2013, including potential capital gains from the sale of the Company's common shares in TEB. Effective July 10, 2013, all activity of the Company's pass-through entities will be included on the Company's corporate tax return. However, we have significant net operating loss ("**NOL**") carryforwards that we expect will be sufficient to offset federal taxable income and gains for the foreseeable future. Any basis differences in assets that were previously held by the pass-through entity were transferred to the corporation following the election, including any basis differences that were the result of the Company's Section 754 election.

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

Reclassifications

The Company made reclassifications to discontinued operations on its previously issued 2012 consolidated statements of operations as a result of certain discontinued operations occurring in 2013.

Note 2 BONDS AVAILABLE-FOR-SALE

Sale of the Company's common shares in TEB

On July 3, 2013, the Company sold the common shares of TEB to Merrill Lynch Portfolio Management, Inc. (together with its affiliates, the "**Purchaser**"), an affiliate of Bank of America Merrill Lynch, pursuant to a Share Purchase Agreement, dated as of July 1, 2013 ("**Share Purchase Agreement**"), by and among the Purchaser, MuniMae TEI Holdings, LLC, the Company and TEB. Immediately prior to the closing, TEB distributed to the Company, and the Company retained, approximately $146.7 million of bonds and bond related investments on an unleveraged basis comprised of TEB's bonds that were non-performing (*i.e.,* bonds that are 30 days or greater past due in either principal or interest) as well as certain performing bonds with debt service coverage below 1.0x, its participating multifamily bonds, and all but one of its CDD bonds.

Following TEB's distribution of the foregoing bonds and bond-related investments, the Purchaser paid the Company $78.7 million for the TEB common shares, reflecting (a) the value of the bonds and bond related investments remaining in TEB, consisting of fixed rate performing multifamily bonds and one CDD bond (aggregate fair value of $848.6 million) as well as cash, restricted cash and accrued interest of approximately $51.5 million, net of (b) TEB's contractual debt and preferred share obligations of $821.4 million including interest and distributions due and payable of $4.8 million, which will remain the obligation of TEB. As a result of the transaction, the Company eliminated $816.7 million of debt and preferred equity financing (liquidation preference). See Note 6, "Debt" and Note 12, "Equity" for more information.

Even though the Company sold bonds with a fair value of $848.6 million, the Company derecognized from its balance sheet only $679.0 million of bonds because bonds totaling $94.4 million did not receive sale accounting and $75.2 million were not reported as "Bonds available-for-sale" on our balance sheet because the Company consolidated the real estate serving as collateral to these bonds.

On July 3, 2013, the Company also entered into two Total Return Swap ("**TRS**") agreements with the Purchaser using the July 3, 2013 fair value of two bond assets of $30.6 million to set the notional amount for the TRS. Under the terms of the TRS, the Purchaser is required to pay the Company an amount equal to the interest payments received on the two assets, currently a weighted average rate of 6.9%, and the Company is required to pay the Purchaser an index rate plus a spread of 150 basis points ("**bps**") on the notional amount of the TRS. The index rate is based on the Securities Industry and Financial Markets Association ("**SIFMA**") 7-day municipal swap index. The Company also agreed with the Purchaser to pledge $16.3 million of cash as additional collateral against the Company's new and existing TRS borrowings with the Purchaser. Because the Company retains the economic risk and rewards associated with these bonds, they do not receive sale accounting (these bonds are included in the $94.4 million described above). Also included in the $94.4 million of bonds were nine senior certificates in bonds valued at $63.8 million where the Company retained the subordinate certificates and therefore did not receive sale accounting for the sale of the senior interests.

The following table summarizes the third quarter 2013 impact of the transactions described above.

(in thousands)		
Increase in MuniMae's cash (including $16,337 of restricted cash)	$ 78,664	
Reduction in bonds	(678,983)	(1)
Reduction in other assets (bond interest receivable)	(4,612)	(2)
Reduction in TEB's cash (including $1,665 of restricted cash)	(44,841)	(2)
Net reduction in assets	$ (649,772)	
Reduction in senior interests and debt owed to securitization trusts	$ 574,652	
Reduction in mandatorily redeemable preferred shares	121,000	
Reduction in perpetual preferred shares ($121,000 liquidation preference)	117,978	
Reduction in accounts payable and accrued expenses and other liabilities (interest and distributions payable)	4,781	
Increase in debt (resulting from bonds and interests in bonds that did not qualify for sale treatment)	(94,410)	(1)
Increase in debt (due from CFVs)	(75,191)	(1)
Increase in accounts payable and accrued expenses (interest payable resulting from failed sales)	(618)	(2)
Increase in accounts payable and accrued expense (interest payable due from CFVs)	(1,442)	(2)
Net reduction in liabilities	$ 646,750	
Net reduction in common shareholders' equity	$ (3,022)	(3)

(1) *The sum of these amounts total $848.6 million and represents the fair value of the bonds sold on July 3, 2013.*

(2) *Represents the total cash, restricted cash and interest receivable of $51.5 million transferred to the Purchaser as part of the sale of TEB.*

(3) *Represents the difference between the Company's carrying value of the perpetual preferred shares on June 30, 2013 of $118.0 million as compared to the liquidation preference amount assumed in the sale on July 3, 2013 of $121.0 million.*

In addition to the net $3.0 million reduction to common equity as described above, the bonds transferred to the Purchaser (that received sale accounting) resulted in a gain on sale of bonds of $75.7 million reported through "net gains (losses) on assets and derivatives" on the Consolidated Statement of Operations. These gains were offset by a corresponding reduction to "reversal of unrealized gains on sold/redeemed bonds" on the Consolidated Statements of Comprehensive loss resulting in no changes to common equity.

Repurchase of senior certificates

During the fourth quarter of 2013, the Company repurchased three senior certificates from the Purchaser for $12.7 million and entered into TRS agreements with the Purchaser with a notional amount of $50.4 million on six senior certificates, which had been previously sold to the Purchaser during the third quarter of 2013. The three repurchased certificates were used to collateralize the TRS agreements and resulted in the extinguishment of the related secured borrowing of $12.7 million resulting in a de minimis gain on debt extinguishment. Under the terms of the TRS agreements, the Purchaser is required to pay the Company an amount equal to the interest payments received on the six senior certificates (a weighted average rate of 6.4% at December 31, 2013) and the Company is required to pay the Purchaser a rate of SIFMA plus a spread of 135 bps on the notional amount of the TRS (a weighted average rate of 1.4% at December 31, 2013). As a result of the TRS transactions, the Company extinguished the related secured borrowing of $50.8 million and replaced that with the TRS financings of $50.4 million, the fair value of the senior certificates at closing, resulting in a gain on extinguishment of debt of $0.4 million. In addition, on January 2, 2014, the Company bought an interest rate cap that terminates on January 2, 2019 for $0.8 million to protect the Company against rising interest rates associated with the six TRS agreements. The notional amount on the interest rate cap is $45.0 million and protects us in the event SIFMA rises to 250 bps or higher. These transactions will allow us to increase our net interest margin and limit our risk to rising rates in a manner that could not have been achieved within TEB in light of its operating agreement constraints.

Bonds-Available-for-Sale

The following table summarizes the Company's bonds and related unrealized losses and unrealized gains at December 31, 2013 and 2012.

(in thousands)	December 31, 2013 Unpaid Principal Balance	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses (2), (3)	Fair Value
Mortgage revenue bonds	$ 143,617	$ 103,194	$ 19,245	$ (1,085)	$ 121,354
Other bonds	79,970	55,270	19,540	(832)	73,978
Total	$ 223,587	$ 158,464	$ 38,785	$ (1,917)	$ 195,332

(in thousands)	December 31, 2012 Unpaid Principal Balance	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses (2)	Fair Value
Mortgage revenue bonds	$ 898,209	$ 768,962	$ 115,196	$	$ 884,158
Other bonds	86,113	61,410	23,826		85,236
Total	$ 984,322	$ 830,372	$ 139,022	$	$ 969,394

(1) *Represents the unpaid principal balance, net of discounts, deferred costs and fees as well as impairments recognized in earnings.*

(2) *At December 31, 2013, the majority of this amount represents unrealized losses arising during the fourth quarter for 2013 that were not considered other-than temporarily impaired; however, this amount includes the non-credit loss component for certain unrealized losses deemed to be other-than-temporarily impaired. During 2012, all unrealized losses were recorded through earnings as discussed in Note 1, "Description of Business and Basis of Presentation."*

(3) *These bonds have been in a gross unrealized loss position for less than 12 consecutive months. The fair value associated with the bonds was $16.2 million for mortgage revenue bonds and $23.9 million for other bonds.*

In addition, the Company had bonds with an unpaid principal balance ("**UPB**") of $68.0 million ($50.3 million fair value) and $123.9 million ($125.1 million fair value) at December 31, 2013 and 2012, respectively, which were eliminated due to consolidation of the real estate partnerships where the real estate served as collateral for the Company's bonds and thus not included in the table above. See Note 17, "Consolidated Funds and Ventures" for more information.

Mortgage Revenue Bonds

Mortgage revenue bonds are issued by state and local governments or their agencies or authorities to finance multifamily rental housing; typically however, the only source of recourse on these bonds is the collateral, which is either a first mortgage or a subordinate mortgage on the underlying properties. The Company's rights under the mortgage revenue bonds are defined by the contractual terms of the underlying mortgage loans, which are pledged to the bond issuer and assigned to a trustee for the benefit of bondholders to secure the payment of debt service (any combination of interest and/or principal as set forth in the trust indenture) on the bonds.

The payment of debt service on our subordinate bonds occurs only after payment of senior obligations which have priority to the cash flow of the underlying collateral. At December 31, 2013, the Company's subordinate bonds had an aggregate unpaid principal balance of $9.5 million.

At December 31, 2013, the Company had no participating bonds (*i.e.,* bonds that allow the Company to receive additional interest from net property cash flows in addition to the base interest rate) on its balance sheet.

The interest income from the mortgage revenue bonds is exempt from federal income tax. However, a significant portion of the tax-exempt income generated from the mortgage revenue bonds is subject to the alternative minimum tax ("**AMT**") calculation for federal income tax purposes.

Other Bonds

Other bonds consists primarily of municipal bonds issued by community development districts or other municipal issuers to finance the development of community infrastructure supporting single-family housing and mixed-use and commercial developments such as storm water management systems, roads and utilities. In some cases these bonds are secured by specific payments or assessments pledged by the issuers or incremental tax revenue generated by the underlying properties. The income on these bonds is exempt from federal income tax and is generally not included in the AMT calculation.

Maturity

Principal payments on bonds are based on amortization tables set forth in the bond documents. If no principal amortization is required during the bond term, the outstanding principal balance is required to be paid in a lump sum payment at maturity or at such earlier time as may be provided under the bond documents. At December 31, 2013 only two bonds (amortized cost of $1.4 million and fair value of $1.5 million) were non-amortizing with principal due in full during 2030 and 2033. The remaining bonds are amortizing with stated maturity dates between September 2017 and June 2056.

Bonds with Lockouts, Prepayment Premiums or Penalties

Substantially all of the Company's bonds include provisions that allow the borrowers to prepay the bonds at a premium or at par after a specified date that is prior to the stated maturity date. The following table provides the amount of bonds that were prepayable without restriction, premium or penalty at December 31, 2013 as well as the year in which the remaining portfolio becomes prepayable without restriction, premium or penalty at each period presented.

(in thousands)	December 31, Amortized Cost		Fair Value	
2013	$		$	456
2014				
2015				
2016		10,223		13,589
2017		5,651		6,439
Thereafter		105,322		128,878
Bonds that may not be prepaid		37,268		45,970
Total	$	158,464	$	195,332

Non-Accrual Bonds

The carrying value of bonds on non-accrual was $77.7 million and $103.8 million at December 31, 2013 and 2012, respectively (or $110.0 million at December 31, 2013 including those bonds eliminated in consolidation). During the period in which these bonds were on non-accrual, the Company recognized interest income on a cash basis of $3.7 million and $3.1 million for the years ended December 31, 2013 and 2012, respectively (or $4.6 million for the year ended December 31, 2013 including those bonds eliminated in consolidation). Interest income not recognized on the non-accrual bonds was $4.8 million and $5.3 million for the years ended December 31, 2013 and 2012, respectively (or $7.3 million for the year ended December 31, 2013 including those bonds eliminated in consolidation).

Bond Aging Analysis

The following table provides an aging analysis for the fair value of bonds available-for-sale at December 31, 2013 and 2012.

(in thousands)	December 31, 2013		December 31, 2012	
Total current	$	117,666	$	850,155
30-59 days past due				8,013
60-89 days past due				7,471
Greater than 90 days		77,666		103,755
Total	$	195,332	$	969,394

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Bond Sales and Redemptions

The Company recorded cash proceeds on sales and redemptions of bonds of $11.5 million and $36.1 million for the years ended December 31, 2013 and 2012, respectively.

Provided in the table below are unrealized losses and realized gains and losses recorded through "Net impairment on bonds recognized in earnings" and "Net gains on assets and derivatives," respectively for bonds sold or redeemed during the years ended December 31, 2013 and 2012, as well as for bonds still in the Company's portfolio at December 31, 2013 and 2012, respectively.

	For the year ended December 31,			
(in thousands)	2013		2012	
Bond impairment recognized on bonds held at each period-end	$	(1,531)	$	(7,217)
Bond impairment recognized on bonds sold/redeemed during each period		(541)		
Gains recognized at time of sale/redemption		77,230		1,397
Total net gains (losses) on bonds	$	75,158	$	(5,820)

Other-Than-Temporary Impairments

Beginning with fourth quarter of 2013, only the credit component of unrealized losses deemed to be other-than-temporary was recognized through earnings with the remaining amount recognized in AOCI. For the year ended December 31, 2013, the Company recognized $0.3 million related to credit losses for which OTTI was not previously recognized. Between fourth quarter of 2007 and third quarter of 2013, the Company recognized all unrealized losses through earnings.

Note 3 INVESTMENTS IN PREFERRED STOCK

These investments are prepayable at any time and are comprised of preferred stock investments in a private national mortgage lender and servicer specializing in affordable and market rate multifamily housing, senior housing and healthcare. At December 31, 2013, the carrying value of the preferred stock investments was $31.4 million and the UPB and estimated fair value was $36.6 million with a weighted average distribution rate of 14.4%. These investments were obtained as part of the Company's sale of its Agency Lending business in May 2009. As part of the sale, the Company agreed to reimburse the purchaser for potential losses up to a maximum of $30.0 million over the first four years after the sale date. This reimbursement agreement expired on May 15, 2013 and over the course of the obligation period the Company used $3.4 million of shares to settle loss obligations. The Company accounts for the preferred stock using the historical cost approach and tests for impairment at each balance sheet date. An impairment loss is recognized if the carrying amount of the preferred stock is not deemed recoverable. The Company did not have impairments on the preferred stock for the years ended December 31, 2013 and 2012.

The Company was obligated to fund losses on specific loans identified at the sale date that were not part of the $30.0 million loss reimbursement discussed above. During the first quarter of 2013, the Company paid the purchaser $0.2 million to fully satisfy the guarantee obligation related to the specific loans and over the course of the entire obligation period, the Company paid the purchaser $1.8 million to cover losses on the specific loans. See Note 10, "Guarantees and Collateral."

On March 28, 2013, the Company sold 100% of its interests in the preferred stock investments for $36.6 million plus accrued interest. Separately, the Company entered into three TRS agreements with an affiliate of the purchaser of the preferred stock investments. The notional amount of the TRS was set based on the preferred stock investments as the reference asset. Under the terms of the TRS, the Company receives an amount equal to the distributions on the preferred stock, a weighted average rate of 14.4% at December 31, 2013, and the Company pays a quarterly rate of 3-month London Interbank Offered Rate ("**LIBOR**") plus a spread of 400 bps, 4.2% at December 31, 2013, on the notional amount, currently an aggregate of $36.6 million. The TRS interest payments settle on a "net" basis. If and when the preferred stock is redeemed in part or in full, the notional amount on the TRS will be reduced by the same amount. At December 31, 2013 the Company held $12.4 million in a restricted collateral account as security for the TRS.

The TRS agreements have a termination date of March 31, 2015, and a termination fee equal to 1% of the notional amount. The Company may elect to terminate any or all of the TRS at any time. The counterparty to the TRS has the right to terminate the TRS upon the occurrence of certain events. Under any termination event, if the fair values of the preferred stock are above par, the Company will receive the premium value above par. If the fair values of the preferred stock are below par, the Company will be required to pay the difference between fair value and par.

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The Company recorded the $36.6 million of proceeds from the transfer of its interest in the preferred stock investments as debt on the consolidated balance sheets secured by the preferred stock as the sale transaction did not meet the criteria for sale accounting. See Note 6, “Debt.”

NOTE 4 REAL ESTATE

The following table summarizes real estate at December 31, 2013 and 2012.

(in thousands)	December 31, 2013		December 31, 2012	
Real estate held-for-use				
MuniMae’s real estate held-for-use(1)	$	18,262	$	17,756
Real estate held-for-use related to CFVs (2)		102,314		111,931
Total real estate held-for-use		120,576		129,687
Real estate held-for-sale				
MuniMae’s real estate held-for-sale(3)		24,090		
Real estate held-for-sale related to CFVs (2)				15,338
Total real estate held-for-sale	$	24,090	$	15,338

(1) *MuniMae’s real estate held-for-use was comprised of three investments in undeveloped land with a carrying value of $7.9 million at December 31, 2013 and December 31, 2012, and an affordable multifamily property with a carrying value of $10.4 million and $9.9 million, at December 31, 2013 and 2012, respectively.*

(2) *For more information see Note 17, “Consolidated Funds and Ventures.”*

(3) *As discussed below, MuniMae sold this real estate in the first quarter of 2014 for proceeds of $35.8 million resulting in a gain on sale of real estate of $13.6 million and thereby increasing common shareholders' equity accordingly.*

During the fourth quarter of 2013, the Company assumed the general partner and limited partner interests in four real estate partnerships from a non-profit that the Company consolidates even though it has no equity in the non-profit. The real estate owned by these four real estate partnerships serves as collateral to eight of the Company’s bonds, which have been eliminated in consolidation. Prior to the transfer, these properties had been reported as real estate held-for-sale related to Consolidated Funds and Ventures. At the time of transfer, the four real estate properties had a carrying amount of $52.4 million and a net equity deficit attributable to a non-controlling interest holder in Consolidated Funds and Ventures of $0.7 million. As a result of this transfer, the Company reclassified the real estate from real estate related to Consolidated Funds and Ventures to real estate related to MuniMae and also reclassified the equity deficit from a non-controlling interest holder to the common shareholders.

Subsequent to the transfer and during the fourth quarter of 2013, the Company sold two of the four real estate properties and related assets and obligations for $47.2 million which resulted in a gain on sale of real estate of $19.1 million reported through discontinued operations. The sales proceeds covered the Company’s related unpaid bond principal in full and a portion of the interest due on these debt financings.

During the first quarter of 2014, the Company sold the remaining two real estate properties and related assets and obligations, with net assets consisting primarily of the $24.1 million of real estate reflected in the table above, for $35.8 million which resulted in a gain on sale of real estate of $13.6 million and will be reported through discontinued operations during the first quarter of 2014. The sales proceeds covered the Company’s related unpaid bond principal in full and a portion of the interest due on these debt financings.

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Note 5 OTHER ASSETS

The following table summarizes other assets at December 31, 2013 and 2012:

(in thousands)	December 31, 2013	December 31, 2012
Other assets:		
Investments in real estate partnerships	$ 7,464	$ 6,266
Solar facilities (includes other assets such as cash and other receivables)	5,344	7,960
Accrued interest receivable	1,250	6,035
State tax receivables, net	222	2,403
Debt issuance costs, net	3,579	10,199
Loans receivable	1,210	1,165
Other assets	2,227	3,428
Other assets held by CFVs (1)	23,664	17,568
Total other assets	$ 44,960	$ 55,024

(1) *For more information see Note 17, "Consolidated Funds and Ventures."*

Investments in Real Estate Partnerships

During the fourth quarter of 2013, IHS and a third party entered into a partnership agreement related to the SA Partnership for the purpose of making investments in residential rental housing properties in South Africa. IHS and its related parties hold a 5% interest in the partnership while the third party limited partner holds a 95% interest in the partnership. IHS and the third party concurrently became the owner of an entity formed to serve as general partner to the partnership. The general partner and IHS also entered into a management agreement whereby IHS has agreed to provide asset management services in return for asset management fees. IHS also has rights to investment returns on its 5% equity interest as well as carried interest which is contingent upon the residual values of the assets held by the partnership. The Company consolidates IHS because of its controlling majority interest in IHS. However, IHS and the Company account for its interest in the SA Partnership as an equity investment and do not consolidate the SA Partnership or the general partner because neither IHS nor the Company was deemed to be the primary beneficiary. During the fourth quarter of 2013, IHS made capital contributions of $1.2 million to the SA Partnership.

At December 31, 2013, the Company's investments in real estate partnerships of $7.5 million included our investment in the SA Partnership of $1.2 million. The remaining $6.3 million represents a 33% interest in a partnership that was formed to take a deed-in-lieu of foreclosure on land that was collateral for a loan held by the Company. The Company accounts for its 33% interest as an equity investment and does not consolidate the partnership because the Company was not deemed to be the primary beneficiary.

The following table displays the total assets and liabilities held by the real estate partnership in which the Company held an equity investment at December 31, 2013 and 2012:

(in thousands)	December 31, 2013	December 31, 2012
Investment in a real estate partnership:		
Total assets (primarily real estate)	$ 86,439	$ 18,820
Total liabilities (primarily debt)	44,538	

The following table displays the net loss for the years ended December 31, 2013 and 2012 for the real estate partnership:

	For the year ended December 31,			
(in thousands)	2013		2012	
Net loss	$	(1,565)	$	(1,241)

Solar Facilities

At December 31, 2013, the Company had a solar investment fund and four solar facilities with a carrying value of $4.7 million. These facilities generate energy that is sold under long-term power contracts to the owner or lessee of the properties on which the projects are built. The useful life of these solar facilities is generally twenty years.

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During the fourth quarter of 2013, the Company repaid $1.6 million of outstanding debt relating to three of the four solar facilities. The lender also agreed to forgo its rights to outstanding contingent interest of $1.2 million which had no affect on the Company’s reported financial results. At December 31, 2013, the Company had non-recourse debt of $0.7 million on its balance sheet related to one remaining solar facility. The Company has a contingent liability of up to $0.2 million and should this facility generate enough cash to pay the contingent interest, the Company will begin to record the associated contingent interest expense.

Accrued Interest Receivable

As part of the Company’s sale of its common shares in TEB, the Purchaser acquired the accrued interest receivable associated with the purchased bonds ($4.4 million at date of sale).

State Tax Receivables, net

State tax receivables represent the net refund position as reflected on the Company’s various state tax returns, net of any taxes due as of December 31, 2013 but that will be paid in calendar year 2014.

As further described in Note 14 “Income Taxes,” the Company’s tax positions may be subject to challenge by tax authorities and therefore a liability for uncertain tax positions of $0.7 million and $2.3 million at December 31, 2013 and 2012, respectively, has been recorded through “Other liabilities.”

On March 20, 2013, the Company entered into a closing agreement with the Commonwealth of Massachusetts for all tax years and entities subject to audit by the Commonwealth of Massachusetts at that time. Pursuant to the closing agreement, the Commonwealth of Massachusetts agreed to issue a refund of $1.8 million to the Company. The Company received the refund on April 8, 2013. This agreement also resolved $1.6 million of the Company’s uncertain tax positions recorded at December 31, 2012. As a result, during the first quarter of 2013 the Company recorded a $1.6 million benefit on the consolidated statements of operations for the reduction of the liability for unrecognized tax benefits reflected in “Income tax (expense) benefit” for the year ended December 31, 2013. The significant decrease in both the state tax receivable and the uncertain tax position liability are the result of the settlement and the subsequent cash collection of the receivable.

Debt issuance costs, net

As part of the Company’s sale of its common shares in TEB, the Purchaser assumed the debt obligations held by TEB ($695.7 million of unpaid principal on the Company’s balance sheet at date of sale). As a result, the Company accelerated the recognition of unamortized debt issuance costs associated with this debt and increased its bond-related debt interest expense by $5.5 million during the second quarter of 2013.

Note 6 DEBT

The table below summarizes outstanding debt balances, the weighted-average interest rates and term dates at December 31, 2013 and 2012:

(dollars in thousands)	December 31, 2013	Weighted-Average Effective Interest Rate at December 31, 2013	December 31, 2012	Weighted-Average Effective Interest Rate at December 31, 2012
Asset Related Debt (1)				
Senior interests in and debt owed to securitization trusts				
Due within one year	$ -	- %	$ -	- %
Due after one year	-	-	589,592	2.1
Mandatorily redeemable preferred shares				
Due within one year	-	-	4,901	7.5
Due after one year	-	-	83,819	7.4
Notes payable and other debt bond related (2)				
Due within one year	21,261	1.8	-	-
Due after one year	111,705	3.2	57,729	5.0
Notes payable and other debt non-bond related				
Due within one year	1,667	9.1	17,617	9.9
Due after one year	6,613	9.9	8,290	9.8
Total asset related debt	141,246	3.4	761,948	3.2
Other Debt (1)				
Subordinate debentures (3)				
Due within one year	757	8.1	529	8.1
Due after one year	143,664	7.2	193,971	6.9
Notes payable and other debt				
Due within one year (4)	4,521	9.6	10,444	13.5
Due after one year	60,173	5.2	20,634	6.4
Total other debt	209,115	6.7	225,578	7.2
Total asset related debt and other debt	350,361	5.3	987,526	4.1
Debt related to CFVs (5)				
Due within one year	14	6.0	5,908	10.0
Due after one year	91,588	4.3	49,525	2.7
Total debt related to CFVs	91,602	4.3	55,433	3.5
Total debt	$ 441,963	5.1	$ 1,042,959	4.1

(1) *Asset related debt is debt which finances interest-bearing assets and the interest expense from this debt is included in "Net interest income" on the consolidated statements of operations. Other debt is debt which does not finance interest-bearing assets and the interest expense from this debt is included in "Interest expense" under "Operating and other expenses" on the consolidated statements of operations.*

(2) *Included in notes payable and other debt were unamortized discounts of $1.6 and $1.7 million at December 31, 2013 and 2012, respectively.*

(3) *Included in the subordinate debt balance were $3.0 million and $7.1 million of net premiums and effective interest rate payable (i.e., the difference between the current pay rate and the effective interest rate) at December 31, 2013 and 2012, respectively.*

(4) *This amount includes $3.2 million of debt that has come due and remains payable; however, the Company has a forbearance agreement with the lender such that it is not pursuing any remedies.*

(5) *See Note 17, "Consolidated Funds and Ventures" for more information.*

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Covenant Compliance and Debt Maturities

The following table summarizes principal payment commitments across all debt agreements at December 31, 2013:

(in thousands)	Asset Related Debt and Other Debt	CFVs Related Debt	Total Debt
2014	$ 28,206	$ 319	$ 28,525
2015	66,870	258	67,128
2016	33,944	275	34,219
2017	3,576	294	3,870
2018	54,289	50,200	104,489
Thereafter	162,126	38,979	201,105
Net premium	1,350	1,277	2,627
Total	$ 350,361	$ 91,602	$ 441,963

Included in the 2014 principal payments for asset related debt and other debt is $3.2 million of debt that has come due and remains payable; however, the Company has a forbearance agreement with the lender such that it is not pursuing any remedies. The Company is not in default under any of its other debt arrangements.

Asset Related Debt

Senior Interests in and Debt Owed to Securitization Trusts

During the third quarter of 2013, all of the Company’s senior interests in and debt owed to securitization trusts were either transferred to the purchaser of the Company’s common shares in TEB or repaid.

Interest expense on the senior interests in and debt owed to securitization trusts totaled $11.3 million (including $4.6 million related to the acceleration of the unamortized debt issuance costs as a result of the Company’s sale of TEB) and $13.0 million for the years ended December 31, 2013 and 2012, respectively.

Mandatorily Redeemable Preferred Shares

All of the Company’s mandatorily redeemable preferred shares were transferred to the purchaser of the Company’s common shares in TEB at the liquidation amount of $121.0 million.

Interest expense on mandatorily redeemable preferred shares totaled $6.5 million (including $3.2 million related to the acceleration of debt issuance costs and issuance discounts as a result of the Company’s sale of TEB) and $8.2 million for the years ended December 31, 2013 and 2012, respectively.

Notes Payable and Other Debt Bond Related

This debt is primarily comprised of TRS financing agreements on bonds available-for-sale ($102.3 million at December 31, 2013). This amount also includes secured borrowings of $30.7 million related to two bonds transferred with a performance guarantee that failed to receive accounting sale treatment.

Interest expense on notes payable and other debt bond related totaled $5.1 million and $3.0 million for the years ended December 31, 2013 and 2012, respectively.

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Other Debt

Subordinate Debt

The table below provides a summary of the key terms of the subordinate debt issued by MMA Financial Inc. ("**MFI**") and MMA Financial Holdings, Inc. ("**MFH**") and held by third parties at December 31, 2013:

(dollars in thousands)

Issuer	Principal	Net Premium	Carrying Value	Interim Principal Payments	Maturity Date	Coupon Interest Rate
MFI	$ 29,471	$ -	$ 29,471	-	Various dates through December 2033	8.0%
MFH	33,286	1,085	34,371	$4,689 due April 2015	March 30, 2035	0.75% to March 2015, then 3-month LIBOR plus 3.3% (1)
MFH	30,116	798	30,914	$4,242 due May 2015	April 30, 2035	0.75% to April 2015, then 3-month LIBOR plus 3.3% (1)
MFH	17,219	404	17,623	$2,305 due May 2015	July 30, 2035	0.75% to April 2015, then 3-month LIBOR plus 3.3% (1)
MFH	31,308	734	32,042	$4,191 due May 2015	July 30, 2035	0.75% to April 2015, then 3-month LIBOR plus 3.3% (1)
	$ 141,400	$ 3,021	$ 144,421			

(1) *The pay rate on this debt is currently 75 bps; however, we recognize interest expense on an effective yield basis which was approximately 5.4% at December 31, 2013. See the first table within this note that provides weighted-average effective rate information for all of our debt.*

Interest expense on the subordinate debt totaled $10.7 million and $14.8 million for the years ended December 31, 2013 and 2012, respectively.

During March of 2013, the Company repurchased the remaining unpaid principal balance ($45.5 million) of MFH subordinate debt due May 2034 for a cash payment of $17.4 million plus accrued interest. As a result of this transaction, the Company recognized a gain on debt extinguishment of $37.9 million, comprised of the difference between the cash payment of $17.4 million and the carrying value of the repurchased debt of $56.9 million, reduced by the acceleration of $1.6 million of debt issuance costs. The gain on debt extinguishment is recorded in "Net (losses) gains on early extinguishment of liabilities" on the consolidated statements of operations for the year ended December 31, 2013.

Notes Payable and Other Debt

At December 31, 2013, this debt includes $36.6 million related to the TRS entered into during March of 2013 in connection with the Company's sale of its preferred stock investment. See Note 3, "Investment in Preferred Stock" for more information. The debt is non-amortizing, matures on March 31, 2015 and bears an interest rate of 3-month LIBOR plus 400 bps (4.24% at December 31, 2013), which resets quarterly. The Company recorded debt issuance costs of $0.8 million associated with the transaction, of which $0.4 million was paid at inception and $0.4 million is payable at termination.

Letters of Credit

On July 1, 2013, $0.1 million in a letter of credit expired unused and $2.9 million was canceled unused on July 31, 2013. As a result, the Company had no letters of credit outstanding at December 31, 2013.

Note 7 DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the Company's derivative liabilities fair value balances at December 31, 2013 and 2012.

(in thousands)	Fair Value December 31, 2013	December 31, 2012
Interest rate swaps	$ 626	$ 3,184
Other		360
Total derivative financial instruments	$ 626	$ 3,544

The following table summarizes the derivative notional amounts at December 31, 2013 and 2012.

(in thousands)	Notional December 31, 2013	December 31, 2012
Interest rate swaps	$ 7,820	$ 24,885

The following table summarizes derivative activity for the years ended December 31, 2013 and 2012.

(in thousands)	Realized/Unrealized (Losses) Gains for the year ended December 31, 2013	2012
Interest rate swaps [1]	$ (196)	$ (1,968)
Other	214	320
Total	$ 18	$ (1,648)

(1) *The cash paid and received on interest rate swaps is settled on a net basis and recorded through "Net gains (losses) on assets and derivatives." Net cash interest paid was $0.8 million and $4.2 million for the years ended December 31, 2013 and 2012, respectively.*

Note 8 Financial Instruments

The following table provides information about financial assets and liabilities not carried at fair value on the consolidated balance sheets. This table excludes non-financial assets and liabilities.

The fair value estimates are made at a discrete point in time based on relevant market information and information about the financial instruments. A description of how the Company estimates fair values is provided below. These estimates are subjective in nature, involve uncertainties and significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

As required by generally accepted accounting principles ("**GAAP**"), assets and liabilities are classified into levels based on the lowest level of input that is significant to the fair value measurement. The determination of which level an asset or liability gets classified into is based on the following fair value hierarchy:

- Level 1: Quoted prices in active markets for identical instruments.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs or significant value drivers are observable in active markets.
- Level 3: Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

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(in thousands)	December 31, 2013 Carrying Amount	Fair Value Level 1	Level 2	Level 3	December 31, 2012 Carrying Amount	Fair Value
Assets:						
Investments in preferred stock	$ 31,371	$	$	$ 36,613	$ 31,371	$ 35,807
Loans receivable	1,200			271	1,072	383
Liabilities:						
Senior interests in and debt owed to securitization trusts					589,592	589,778
Mandatorily redeemable preferred shares					88,720	91,517
Notes payable and other debt, bond related	132,966			131,321	57,729	59,001
Notes payable and other debt, non-bond related	72,974			65,253	56,985	48,696
Notes payable and other debt related to CFVs	91,602		50,338	40,178	55,433	55,580
Subordinate debt issued by MFH	114,950			42,869	164,500	47,219
Subordinate debt issued by MFI	29,471			29,471	30,000	30,000

Investment in preferred stock The Company estimates fair value by using the terms and conditions of the preferred stock as compared to other, best available market benchmarks. At December 31, 2012, the fair value also included the obligation related to the embedded loss-sharing feature contained in the Series B and C preferred stock agreements. These loss reimbursement agreements expired on May 15, 2013.

Loans receivable The Company estimates fair value by discounting the expected cash flows using current market yields for similar loans. Loans receivable is recorded through "Other assets."

Notes payable and other debt The Company estimates fair value by discounting contractual cash flows using a market rate of interest or by estimating the fair value of the collateral supporting the debt arrangement, taking into account credit risk.

Subordinate debt The Company estimates fair value by using best available market benchmarks, taking into account credit risk. There can be no assurance that the Company could repurchase the subordinated debt issued by MFH at the estimated fair value reflected in the table above.

Note 9 FAIR VALUE MEASUREMENTS

Recurring Valuations

The following tables present assets and liabilities that are measured at fair value on a recurring basis at December 31, 2013 and 2012.

(in thousands)	December 31, 2013	Fair Value Measurement Levels at December 31, 2013 Level 1	Level 2	Level 3
Assets:				
Bonds available-for-sale	$ 195,332	$	$	$ 195,332
Liabilities:				
Derivative liabilities	$ 626	$	$	$ 626

(in thousands)	December 31, 2012	Fair Value Measurement Levels at December 31, 2012 Level 1	Level 2	Level 3
Assets:				
Bonds available-for-sale	$ 969,394	$	$	$ 969,394
Liabilities:				
Derivative liabilities	$ 3,544	$	$ 2,477	$ 1,067

The following table presents activity for assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for the year ended December 31, 2013.

(in thousands)	Bonds Available-for-sale	Derivative Liabilities
Balance, January 1, 2013	$ 969,394	$ (1,067)
Net (losses) gains included in earnings	(5,224)	295
Net losses included in other comprehensive income [1]	(91,258)	
Impact from sales/redemptions	(613,285)	
Bonds eliminated due to real estate consolidation and foreclosure	(55,275)	
Impact from settlements	(9,020)	146
Balance, December 31, 2013	$ 195,332	$ (626)

(1) *This amount includes $16.1 million of unrealized net holding losses arising during the period, which is then reduced by $2.1 million of unrealized bond losses reclassified into operations. This amount is then increased by $77.2 million of unrealized gains related to bonds that were redeemed.*

The following table provides the amount included in earnings related to the activity presented in the table above, as well as additional realized (losses) gains recognized at bond sale or redemption and derivative settlement for the year ended December 31, 2013.

(in thousands)	Net gains on bonds [1]	Equity in Losses from Lower Tier Property	Net losses on derivatives [2]

			Partnerships			
Change in realized gains related to assets and liabilities held at January 1, 2013, but settled during 2013	$	(541)	$		$	
Change in unrealized losses related to assets and liabilities still held at December 31, 2013		(1,531)		(3,152)		295
Additional realized gains (losses) recognized		77,230				(307)
Total gains (losses) reported in earnings	$	75,158	$	(3,152)	$	(12)

(1) *Amounts are reflected through "Impairment on bonds" and "Net gains on assets and derivatives" on the consolidated statements of operations.*

(2) *Amounts are reflected through "Net gains on assets and derivatives" on the consolidated statements of operations.*

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The following table presents activity for assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for the year ended December 31, 2012.

(in thousands)	Bonds Available-for-sale		Derivative Liabilities	
Balance, January 1, 2012	$	1,021,628	$	(558)
Net losses included in earnings		(11,524)		(27)
Net gains included in other comprehensive income [1]		40,052		
Impact from purchases		6,189		
Impact from redemption		(34,718)		
Bonds eliminated due to real estate consolidation and foreclosure		(34,108)		
Impact from settlements		(18,125)		127
Transfer into Level 3				(609)
Balance, December 31, 2012	$	969,394	$	(1,067)

[1] *This amount includes $34.3 million of unrealized net holding gains arising during the period, which is then increased by $7.2 million of unrealized bond losses reclassified into operations. This amount is then reduced by $1.4 million of unrealized gains related to bonds that were either sold or redeemed.*

The following table provides the amount included in earnings related to the activity presented in the table above, as well as additional realized (losses) gains recognized at bond redemption and derivative settlement for the year ended December 31, 2012.

(in thousands)	Net losses on bonds [1]		Equity in Losses from Lower Tier Property Partnerships		Net losses on derivatives [2]	
Change in realized gains related to assets and liabilities held at January 1, 2012, but settled during 2012	$		$		$	403
Change in unrealized losses related to assets and liabilities still held at December 31, 2012		(7,217)		(4,307)		(430)
Additional realized gains (losses) recognized		1,397				(319)
Total losses reported in earnings	$	(5,820)	$	(4,307)	$	(346)

[1] *Amounts are reflected through "Impairment on bonds" and "Net gains on assets and derivatives" on the consolidated statements of operations.*

[2] *Amounts are reflected through "Net gains on assets and derivatives" on the consolidated statements of operations.*

The following methods or assumptions were used to estimate the fair value of these recurring financial instruments:

Bonds Available-for-sale If a bond is performing and payment of full principal and interest is not deemed at risk, then the Company estimates fair value using a discounted cash flow methodology; specifically, the Company discounts contractual principal and interest payments, adjusted for expected prepayments. The discount rate is based on expected investor yield requirements adjusted for bond attributes such as the expected term of the bond, debt service coverage ratio, geographic location and bond size. The weighted average discount rate for the performing bond portfolio was 6.48% and 7.02% at December 31, 2013 and 2012, respectively for performing bonds still held in the portfolio at December 31, 2013. If observable market quotes are available, the Company will estimate the fair value based on such quoted prices.

For non-performing bonds and certain performing bonds where payment of full principal and interest is deemed at risk, the Company estimates fair value by discounting the property's expected cash flows and residual proceeds using estimated market discount and capitalization rates, less estimated selling costs. The discount rate averaged 8.5% and 8.2% at December 31, 2013 and 2012, respectively for these bonds still in the portfolio at December 31, 2013. The capitalization rate averaged 6.7% and 6.9% at December 31, 2013 and 2012, respectively, for these bonds still in the portfolio at December 31, 2013. However, to the extent available, the Company may estimate fair value based on a sale agreement, a letter of intent to purchase, an appraisal or other indications of fair value.

The discount rates and capitalization rates as discussed above are significant inputs to bond valuations and are unobservable in the market. To the extent discount rates and capitalization rates were to increase (decrease) in isolation the corresponding estimated bond values would decrease (increase).

Derivative Financial Instruments At December 31, 2013, the Company had one interest rate swap contract. This contract was valued using an internal valuation model, taking into consideration credit risk.

Non-recurring Valuations

At December 31, 2013 and 2012, the Company had assets that were measured at fair value using a Level 3 Fair Value measurement on a non-recurring basis. At each year end, the Company held loans with non-recurring valuations; however, these loans were de minimis. At December 31, 2012, the Company had an equity investment with a carrying value and fair value of $6.3 million with non-recurring valuation losses reported during 2012 of $0.7 million. The Company did not have any non-recurring valuation adjustments for its equity investments during 2013.

Note 10 GUARANTEES AND COLLATERAL

Guarantees

Guarantee obligations are recorded through “Other liabilities.”

The following table summarizes guarantees, by type, at December 31, 2013 and 2012:

(in thousands)	December 31, 2013 Maximum Exposure	December 31, 2013 Carrying Amount	December 31, 2012 Maximum Exposure	December 31, 2012 Carrying Amount
Indemnification contracts	$ 20,224	$ 1,198	$ 26,178	$ 1,531
Other			376	34
Total	$ 20,224	$ 1,198	$ 26,554	$ 1,565

Indemnification Contracts

The Company entered into indemnification contracts with the purchaser of the TCE business related to the guarantees of the investor yields on their investment in certain LIHTC Funds and indemnifications related to property performance on certain Lower Tier Property Partnerships. The Company made no cash payments related to these indemnification agreements for the years ended December 31, 2013 and 2012. The carrying amount represents the amount of unamortized fees received related to these guarantees with no additional amounts recognized as management does not believe it is probable that it will have to make payments under these indemnifications.

The Company’s maximum exposure under its indemnification contracts represents the maximum loss the Company could incur under its guarantee agreements and is not indicative of the likelihood of the expected loss under the guarantee. The Company also has guarantees associated with LIHTC Funds that were not sold to the purchaser of the TCE business. See Note 17, “Consolidated Funds and Ventures” for information on these guarantees.

Other

In 2009, the Company entered into a loss sharing agreement with the purchaser of the Agency Lending business which was settled during the first quarter of 2013. See Note 3, “Investments in Preferred Stock” for information on this guarantee.

Collateral and restricted assets

The following table summarizes assets that are either pledged or restricted for the Company's use at December 31, 2013 and 2012. This table also reflects certain assets held by CFVs in order to reconcile to the Company's consolidated balance sheets.

		December 31, 2013					
(in thousands)	Note Ref.	Restricted Cash	Bonds Available-for-sale	Real Estate Held-for-Use	Investment in Preferred stock	Other Assets	Total Assets Pledged
Notes payable	(1)	$	$	$ 1,735	$	$ 11,613	$ 13,348
Other	(2)	35,006	134,769	13,909	31,371	294	215,349
CFVs	(3)	52,897		102,314		23,664	178,875
Total		$ 87,903	$ 134,769	$ 117,958	$ 31,371	$ 35,571	$ 407,572

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		December 31, 2012					
(in thousands)	Note Ref.	Restricted Cash	Bonds Available-for-sale	Real Estate Held-for-Use	Real Estate Held-for-Sale	Other Assets	Total Assets Pledged
Notes payable	(1)	$ 13	$	$ 1,735	$	$ 14,302	$ 16,050
Other	(2)	1,341	59,354	13,402		389	74,486
Senior interests in and debt owed to securitization trusts	(4)	2	865,992	2,619			868,613
CFVs	(3)	53,957		111,931	15,338	17,568	198,794
Total		$ 55,313	$ 925,346	$ 129,687	$ 15,338	$ 32,259	$ 1,157,943

(1) *The Company pledges loans and investments in solar facilities reported through "Other assets," and an investment in a mixed-use real estate development as collateral for notes payable.*

(2) *The Company pledges collateral in connection with secured borrowings, investment in preferred stock, derivative transactions, other liabilities, guarantee exposure and leases.*

(3) *These are assets held by CFVs. The real estate serves as collateral to bonds eliminated in consolidation.*

(4) *Includes assets held by bond securitization trusts as well as assets pledged as collateral for bond securitizations.*

Note 11 Commitments and Contingencies

Operating Leases

The Company has various operating leases that expire at various dates through 2018. These leases require the Company to pay property taxes, maintenance and other costs.

The following table summarizes rental expense and rental income from operating leases for the years ended December 31, 2013 and 2012:

	Reported through General and Administrative		Reported through Discontinued Operations	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Rental expense	$ (2,076)	$ (2,195)	$ (492)	$ (1,476)
Rental income	1,449	1,501	492	1,476
Net rental expense	$ (627)	$ (694)	$	$

The following table summarizes the future minimum rental commitments on non-cancelable operating leases at December 31, 2013:

(in thousands)

2014	$ 1,179
2015	1,143
2016	672
2017	105
2018	39
Total minimum future rental commitments	$ 3,138

At December 31, 2013, the Company expects to receive $1.5 million in future rental payments from non-cancelable subleases, which is not netted against the commitments above.

During the first quarter of 2014, the Company terminated an office lease and a related sublease. The office lease termination will reduce the minimum future rental commitments of $3.1 million reflected above to $1.5 million. The related sublease termination will reduce our future rental payments from subleases from $1.5 million at December 31, 2013 as referred above to $0.1 million.

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Litigation

From time to time, the Company and its subsidiaries are named as defendants in various litigation matters arising in the ordinary course of business. These proceedings may include claims for substantial or indeterminate compensatory or punitive damages, or for injunctive or declaratory relief.

The Company establishes reserves for litigation matters when those matters present loss contingencies that are probable and can be reasonably estimated. Once established, reserves may be adjusted when new information is obtained.

It is the opinion of the Company's management that adequate provisions have been made for losses with respect to litigation matters and other claims that existed at December 31, 2013. Management believes the ultimate resolution of these matters is not likely to have a material effect on its financial position, results of operations or cash flows. Assessment of the potential outcomes of these matters involves significant judgment and is subject to change, based on future developments, which could result in significant changes.

Shareholder Matters

The Company is a defendant in a purported class action lawsuit and two derivative suits originally filed in 2008. The plaintiffs in the class action lawsuit claim to represent a class of investors in the Company's shares who allegedly were injured by misstatements in press releases and SEC filings between May 3, 2004, and January 28, 2008. The plaintiffs seek unspecified damages for themselves and the shareholders of the class they purport to represent. In the derivative suits, the plaintiffs claim, among other things, that the Company was injured because its directors and certain named officers did not fulfill duties regarding the accuracy of its financial disclosures. Both the class action and the derivative cases are pending in the United States District Court for the District of Maryland. The Company filed a motion to dismiss the class action and in June 2012, the Court issued a ruling dismissing all of the counts alleging any knowing or intentional wrongdoing by the Company or its affiliates, directors and officers. The plaintiffs appealed the Court's ruling and on March 7, 2014, the United States Court of Appeals for the Fourth Circuit unanimously affirmed the lower Court's ruling. As a result of these rulings, the only counts remaining in the case relate to the Company's dividend reinvestment plan. As of December 31, 2013, and before this ruling on March 7, 2014, the Company deemed it probable that it would settle this case for at least $0.5 million and as such the Company had a contingent liability for $0.5 million at December 31, 2013. As a result of the subsequent ruling, the Company's litigation exposure was significantly reduced. The Company will evaluate the impact of this ruling to its contingent liability as part of its first quarter 2014 financial reporting process.

On September 27, 2013, the Company entered into a settlement agreement with the Securities and Exchange Commission ("**SEC**") intended to resolve claims as to filing deficiencies of the Company from 2006 through 2010. Pursuant to the settlement, the SEC issued an order revoking registration of our common shares ("**Deregistration Order**") effective September 30, 2013. Once the Deregistration Order was effective, the Company was eligible to re-register its common shares with the SEC and immediately filed a Registration Statement on Form 8-A to re-register its common shares under Section 12(g) of the Exchange Act. This filing took effect immediately upon filing which resulted in the Company's common shares once again being registered under the Exchange Act. As a result of the deregistration, and subsequent re-registration, of the Company's common shares, the Company believes it has resolved the historical filing deficiencies.

Note 12 EQUITY

Common Share Information

The following table provides a summary of net income to common shareholders as well as information pertaining to weighted average shares used in the per share calculations as presented on the consolidated statements of operations for the years ended December 31, 2013 and 2012.

(in thousands)	For the year ended December 31, 2013		2012	
Net income (loss) from continuing operations	$	102,464	$	(2,239)
Net income from discontinued operations		25,376		5,354
Net income to common shareholder	$	127,840	$	3,115
Basic weighted-average shares (1)		42,118		42,259
Common stock equivalents (2) (3) (4)		1,469		184
Diluted weighted-average shares		43,587		42,443

(1) *Includes common shares issued and outstanding, as well as non-employee directors' and employee deferred shares that have vested, but are not issued and outstanding.*

(2) *At December 31, 2013, 2,128,125 stock options were in the money and had a dilutive impact of 1,377,661 shares. In addition, 260,417 unvested employee deferred shares had a dilutive impact of 91,610 shares for the year ended December 31, 2013.*

(3) *At December 31, 2012, 850,000 stock options were in the money and had a dilutive impact of 183,651 shares. There were no unvested employee deferred shares at December 31, 2012.*

(4) *For the years ended December 31, 2013 and 2012, the average number of options excluded from the calculations of diluted earnings per share was 417,540 and 1,177,029, respectively, because of their anti-dilutive effect.*

Common Shares

During 2013, through a series of actions, our Board of Directors authorized a stock repurchase program of up to 5 million shares at a price of up to 100% of the Company's reported Common shareholders' equity per share as shown on the Company's most current filed periodic report at the time of repurchase. During the year ended December 31, 2013, the Company repurchased 2,066,305 shares at an average price of $1.29. On March 12, 2014, the Board of Directors authorized an amendment to the stock repurchase program whereby the maximum repurchase price was set to a price of up to 95% of the Company's last reported common shareholders' equity per share. The Company's common equity at December 31, 2013 was $65.3 million resulting in an equity per common share of $1.61. As a result the maximum price the Company may pay to repurchase stock upon the filing of this Report until the maximum price is reset upon the filing of its 2014 first quarter filing, or the plan is amended, is $1.53.

Perpetual Preferred Shareholders' Equity in a Subsidiary Company

On July 3, 3013 the perpetual preferred shares were assumed at their liquidation preference amount by the purchaser of the Company's common shares in TEB. As a result, the Company recorded a reduction to common shareholders' equity of \$3.0 million representing the difference between the \$118.0 million carrying value of the preferred shares and the liquidation preference amount assumed by the Purchaser.

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During 2013, through a series of actions, our Board of Directors authorized a stock repurchase program up to 5 r

Noncontrolling Interests

A significant component of equity is comprised of outside investor interests in entities that the Company consolidates. In addition to the preferred shares discussed above, the Company reported the following noncontrolling interests within equity in entities that the Company did not wholly own at December 31, 2013 and 2012:

(in thousands)	December 31, 2013		December 31, 2012	
Noncontrolling interests in:				
LIHTC Funds	$	328,236	$	379,407
SA Fund		130,839		122,641
Consolidated Lower Tier Property Partnerships		16,086		10,777
IHS		(1,648)		(1,034)
Total	$	473,513	$	511,791

Substantially all of these interests represent limited partner interests in partnerships or the equivalent of limited partner interests in limited liability companies. In allocating income between the Company and the noncontrolling interest holders of the consolidated entities, the Company takes into account the legal agreements governing ownership, and other contractual agreements and interests the Company has with the consolidated entities. See Note 17, "Consolidated Funds and Ventures" for further information.

LIHTC Funds

The noncontrolling interest in the LIHTC Funds is comprised primarily of the LIHTC Funds' investment in Lower Tier Property Partnerships as well as operating cash partially offset by the LIHTC Funds' obligations, which primarily consist of unfunded equity commitments to Lower Tier Property Partnerships. At December 31, 2013, there were $13.5 million of unfunded equity commitments. The vast majority of the equity in the LIHTC Funds is held by third parties as the Company's equity interest is nominal (ranging from 0.01% to 0.04%). A LIHTC Fund's investment in Lower Tier Property Partnerships is accounted for under the equity method, which means the investment balance is impacted by its share of Lower Tier Property Partnership income or loss. By design, the Lower Tier Property Partnerships typically generate net losses which are generally driven by depreciation of the rental property. The investment balance is also impacted by impairment charges as well as investment disposition activity. The decline in the noncontrolling interest balance was primarily a result of the decline in the LIHTC Funds' investment balance mainly due to net operating losses and impairment charges recognized in 2013. During 2013, the Funds' investment balance declined by $47.3 million and the noncontrolling interest balance declined by $51.2 million. See Note 17, "Consolidated Funds and Ventures" for further information.

SA Fund

The noncontrolling interest in the SA Fund is comprised primarily of the SA Fund's investment in for-sale and rental properties as well as operating cash partially offset by the SA Fund's debt obligations. The vast majority of the equity in the SA Fund is held by third parties as the Company's equity interest is 2.7%. The SA Fund's investments in for-sale and rental properties are accounted for at fair value. During 2013, the SA Fund's noncontrolling interest balance increased by $8.2 million, which was due to $12.3 million of capital contributions from third party equity holders and $22.5 million of net operating income offset by $26.6 million of foreign currency translation loss adjustments for the year ended December 31, 2013. Because the SA Fund's functional currency is the South African rand and the Company's functional currency is the US dollar, the Company translates the SA Fund's rand balance sheet into a dollar denominated balance sheet as part of consolidating the SA Fund into the Company's balance sheet. The translation losses recorded for 2013 were a result of the weakening of the South African rand as compared to the US dollar. The Company recorded foreign currency translation losses of $0.8 million through OCI allocable to common shareholders for the year ended December 31, 2013.

Consolidated Lower Tier Property Partnerships

At December 31, 2013 and 2012, two non-profit entities (which are consolidated by the Company) consolidated certain Lower Tier Property Partnerships because they were either the GP or the owner of rental properties.

These non-profits consolidated 11 and 12 Lower Tier Property Partnerships at December 31, 2013 and 2012, respectively, of which 11 were classified as held-for-use at both periods. At December 31, 2012, one property was classified as held-for-sale.

IHS

At December 31, 2013 and 2012, 17% of IHS was held by third parties.

Accumulated Other Comprehensive Income Allocable to Common Shareholders

The following table summarizes the net change in accumulated other comprehensive income allocable to common shareholders and amounts reclassified out of accumulated other comprehensive income for the year ended December 31, 2013.

(in thousands)	Net Unrealized Gains on Bonds Available-for-Sale		Foreign Currency Translation	Accumulated Other Comprehensive Income
Balance at January 1, 2013	$ 139,021		$ (334)	$ 138,687
Unrealized net holding (losses) gains arising during period	(16,104)		125	(15,979)
Reversal of unrealized gains on sold/redeemed bonds	(77,226)	(1)		(77,226)
Reclassification of unrealized losses to income	2,072			2,072
Reclassification of unrealized gains to operations due to consolidation of funds and ventures	(10,895)			(10,895)
Net current period other comprehensive (loss) income	(102,153)		125	(102,028)
Balance at December 31, 2013	$ 36,868		$ (209)	$ 36,659

(1) *Realized gains on bond redemptions included in "Net gains on assets and derivatives" on the consolidated statements of operations.*

NOTE 13 STOCK-BASED COMPENSATION

The Company has stock-based compensation plans ("**Plans**") for Non-employee Directors ("**Non-employee Directors' Stock-Based Compensation Plan**") and stock-based incentive compensation plans for employees ("**Employees' Stock-Based Compensation Plan**").

Total compensation expense recorded for these Plans was as follows for the years ended December 31, 2013 and 2012:

(in thousands)	For the year ended December 31, 2013	2012
Employees' Stock-Based Compensation Plan	$ 1,686	$ 175
Non-employee Directors' Stock-Based Compensation Plan	275	250
Total	$ 1,961	$ 425

Employees' Stock-Based Compensation Plan

As of December 31, 2013, there were approximately 1.9 million share awards available to be issued under Employees' Stock-Based Compensation Plans. Of that 1.9 million shares available only 50,233 represent available awards from prior Plans approved by shareholders. As a result, only those 50,233 shares are available to be issued in the form of either stock options or shares; all remaining share awards must be issued in the form of stock options. While each existing Employees' Stock-Based Compensation Plan has been approved by the Company's Board of Directors, not all of the Plans have been approved by the Company's shareholders; the non-shareholder approved Plans are currently restricted to the issuance of stock options.

Employee Common Stock Options

The Company measures the fair value of options granted with solely time-based vesting and options granted with a specific stock price that have vested because the performance condition has been achieved, using a lattice model for purposes of recognizing compensation expense. The Company believes the lattice model provides a better estimate of the fair value of time-based options as, according to FASB's Accounting Standards Codification Topic 718, "the design of a lattice model more fully reflects the substantive characteristics of a particular employee share option." The Company measures the fair value of unvested options granted with specific stock price targets using a Monte Carlo simulation for purposes of recognizing compensation expense. Because the options granted with stock price targets contain a "market condition" under FASB's Accounting Standards Codification Topic 718, a Monte Carlo simulation is used to simulate future stock price movements for the Company. The Company believes a Monte Carlo simulation provides a better estimate of the fair value of performance-based options as the model's flexibility allows for the fair value to account for the vesting provisions as well as the different probabilities of stock price outcomes.

The following table summarizes option activity under the Employees' Stock-Based Compensation Plans:

(in thousands, except per option data)	Number of Options	Weighted-average Exercise Price per Option	Weighted-average Remaining Contractual Life per Option (in years)	Aggregate Intrinsic Value [1]	Period End Liability [2]
Outstanding at January 1, 2012 [1]	1,145	$ 7.01	7.2	$	$ 181
Granted in 2012	1,200	0.36			
Outstanding at December 31, 2012 [1]	2,345	3.61	7.8	58	355
Forfeited/Expired in 2013	(264)	26.50			
Outstanding at December 31, 2013 [1]	2,081	0.70	7.3	1,644	1,785
Number of options that were exercisable at:					
December 31, 2012	1,333	6.08	6.6		
December 31, 2013	1,436	0.86	6.9		

(1) *Intrinsic value is based on outstanding shares.*

(2) *Only options that were amortized based on a vesting schedule have a liability balance. These options were 1,890,863; 1,486,345; and 818,556 at December 31, 2013, December 31, 2012 and January 1, 2012, respectively.*

The value of employee options increased by $1.4 million in 2013 and was recognized as additional compensation expense.

Employee Deferred Shares

The following table summarizes the deferred shares granted to employees. The deferred shares granted to employees in 2013 have both time and price vesting requirements. Half of the shares vest in three equal tranches over the next three years. The other half vest in three equal tranches when certain average stock prices have been met. The first tranche with a price requirement vested in 2013 when the average price requirement of $1.50 per share was met. The remaining two tranches will vest if the average price requirement of $2.00 per share and $2.50 per share is met, respectively.

(in thousands, except per share data)	Deferred Share Grants	Weighted-average Grant Date Share Price	Period End Liability
Balance, January 1, 2013	29	$ 24.98	$ 14
Granted in 2013	312	0.88	
Issued in 2013	(52)	0.88	
Balance, December 31, 2013	289	3.29	218

The Company recognized $0.3 million of additional compensation expense related to employee deferred shares, mainly driven by new awards granted in the second quarter of 2013.

Non-employee Directors' Stock-Based Compensation Plan

The Non-employee Directors' Stock-based Compensation Plans authorize a total of 5,650,000 shares for issuance, of which 2,243,000 were available to be issued at December 31, 2013. The Non-employee Directors' Stock-based Compensation Plans provide for grants of non-qualified common stock options, common shares, restricted shares and deferred shares.

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The following table summarizes option activity under the Non-employee Directors' Stock-based Compensation Plan:

(in thousands, except per option data)	Number of Options	Weighted-average Exercise Price per Option		Weighted-average Remaining Contractual Life per Option (in years)	Aggregate Intrinsic Value	
Outstanding at January 1, 2012	27.0	$	24.69	1.1	$	
Expired/Forfeited in 2012	(10.0)		24.74			
Granted in 2012	78.1		0.36	9.8		
Outstanding at December 31, 2012	95.1		4.70	8.3		
Expired/Forfeited in 2013	(17.0)		24.67			
Outstanding at December 31, 2013	78.1		0.36	9.0		59
Number of options that were exercisable at:						
December 31, 2012	17.0		24.67	0.4		
December 31, 2013	78.1		0.36	9.0		

Stock options awarded in 2012 were valued at $25,000 at the date of issuance and vested in four equal installments on the last day of each quarter during 2013. See the table below which summarizes the director options that vested during the period presented as well as the common shares and deferred shares granted to the directors for services rendered during the years ended December 31, 2013 and 2012. The directors are fully vested in the deferred shares at the grant date.

(in thousands, except share price data)	Common Shares Granted	Deferred Shares Granted	Weighted-average Grant Date Share Price	Options Vested	Directors’ Fees Expense
December 31, 2013	10	84	$ 1.19	78	$ 275
December 31, 2012		391	0.32		250

For the years ended December 31, 2013 and 2012, the Company recognized $275,000 and $250,000 in Director fees, of which $137,500 and $125,000 was paid in cash and the balance in common shares, deferred shares and vested options. Director fees are reflected in “General and administrative” on the consolidated statements of operations.

The Company appointed a new Director in August 2013. The Company incurred Director fees for six and five independent directors during the years ended December 31, 2013 and 2012, respectively.

Note 14 Income taxes

The following table summarizes the components of the income tax benefit (expense) for the years ended December 31, 2013 and 2012:

	For the year ended December 31,			
(in thousands)	2013		2012	
Federal income tax expense:				
Current	$		$	
Deferred				
State income tax benefit (expense):				
Current		1,304		(101)
Deferred				
Income tax benefit (expense)	$	1,304	$	(101)

Through July 9, 2013, the Company was a PTP and, as such, was taxed as a partnership for federal and state income tax purposes. Effective July 10, 2013, the Company converted from a partnership to a corporation for federal and state income tax purposes by making a check-the-box election with the IRS. As a result of the conversion, the Company will (i) be a direct corporate tax payer, (ii) no longer pass through its income and loss to its shareholders for tax purposes, and (iii) no longer issue each shareholder an annual tax statement on Schedule K-1. This change will also eliminate the ongoing costs of operating as a partnership and is consistent with changes in the nature of the Company's activities.

As a result of the partnership treatment prior to the check-the-box election, all activity of the Company's pass-through entities prior to July 10, 2013 was passed-through directly to the Company's shareholders. During February 2014, those shareholders that held shares as of July 9, 2013 received a final Schedule K-1 for the partial year January 1, 2013 through July 9, 2013, including potential capital gains from the sale of the Company's common shares in TEB. Effective July 10, 2013, all activity of the Company's pass-through entities will be included on the Company's corporate tax return. However, we have significant NOLs related to the Company's corporate entities that we expect will be sufficient to offset federal taxable income and gains for the foreseeable future. Any basis differences in assets that were previously held by the pass-through entity were transferred to the corporation following the election, including any basis differences that were the result of the Company's Section 754 election. All basis differences are included in the table of deferred tax assets and liabilities included below.

The following table reflects the effective income tax reconciliation for the years ended December 31, 2013 and 2012:

(in thousands)	For the year ended December 31, 2013		2012	
Income (loss) from continuing operations before income taxes	$	71,816	$	(41,520)
Income tax (expense) benefit at federal statutory rate (35%)		(25,136)		14,531
Permanent differences:				
Impact on taxes from entities not subject to tax		16,046		(15,350)
State income taxes, net of federal tax effect		703		(1,654)
Foreign losses		(1,226)		(1,058)
Impact from other comprehensive income		9,799		
Other		1,799		6
Net decrease in the valuation allowance		(681)		3,424
Income tax benefit (expense)	$	1,304	$	(101)

The following table summarizes the deferred tax assets and deferred tax liabilities, net of valuation allowance at December 31, 2013 and 2012:

(in thousands)	December 31, 2013		December 31, 2012	
Deferred tax assets:				
Net operating loss, tax credits and other tax carryforwards	$	172,063	$	185,364
Guarantee fees		5,429		6,053
Asset management fees		12,532		10,955
Cancellation of subordinated debt		5,464		13,132
Basis of loans and bonds		21,718		15,229
Other		6,631		8,147
Total deferred tax assets		223,837		238,880
Less: valuation allowance		(223,837)		(230,414)
Total deferred tax assets, net	$		$	8,466
Deferred tax liabilities:				
Investments in preferred stock	$		$	8,466
Total deferred tax liabilities	$		$	8,466
Net deferred tax liability	$		$	

The following table summarizes the change in the valuation allowance for the years ended December 31, 2013 and 2012:

(in thousands)	For the year ended December 31, 2013		2012	
Balance-January 1,	$	230,414	$	233,838
Net reductions due to discontinued operations		(7,258)		
Net reductions due to continuing operations		681		(3,424)
Balance-December 31,	$	223,837	$	230,414

At December 31, 2013 and 2012, the Company determined that it was more likely than not that the deferred tax assets would not be fully realized and therefore, the Company continued to record a deferred tax asset valuation allowance of $223.8 million and $230.4 million, respectively. The Company considered information such as forecasted earnings, future taxable income and tax planning strategies in measuring the required valuation allowance. The Company will continue to assess whether the deferred tax assets are realizable and will adjust the valuation allowance as needed.

As a result of net operating losses and amended income tax returns from tax years ending December 31, 2004, 2005 and 2006, the Company had state income taxes receivable (net of current taxes payable) of $0.2 million and $2.4 million at December 31, 2013 and 2012, respectively, reported through “Other assets.” During 2013 and 2012, the Company received $2.1 million and $0.5 million respectively, in state tax refunds.

At December 31, 2013 and 2012, the Company had pre-tax federal NOLs of $405.9 million and $445.9 million, respectively, which are available to reduce future federal income taxes. The NOLs begin to expire in 2027. At both December 31, 2013 and 2012, the Company had $6.4 million of unused investment tax credit and affordable housing tax credit carryforwards for federal income tax purposes, which begin to expire in 2027.

Significant judgment is required in determining and evaluating income tax positions. The Company establishes additional provisions for income taxes when there are certain tax positions that could be challenged and that may not be supportable upon review by taxing authorities. At December 31, 2013 and 2012, the Company had a liability for unrecognized tax benefits, including potential interest and penalties should the Company's tax position not be sustained by the applicable reviewing authority. This liability is reported in "Other liabilities" in the consolidated balance sheets. A reconciliation of the beginning and ending amount for unrecognized tax benefits is as follows:

	For the year ended December 31,			
(in thousands)	2013		2012	
Balance-January 1,	$	2,626	$	2,679
Net (reductions) increases for tax positions of prior years		(1,614)		42
Net increases (reductions) due to tax positions that only affect timing		130		(95)
Balance-December 31,	$	1,142	$	2,626

Of the uncertain tax position presented above, $0.7 million and $2.3 million would have an impact on the effective tax rate for the periods ended December 31, 2013 and 2012, respectively in the event an unfavorable settlement occurs with the respective tax authorities. This amount includes the accrued liability for interest and penalties of $0.3 million for the years ended December 31, 2013 and 2012. The changes to tax positions that only affect timing are comprised of temporary differences that, if recognized, would increase the amount of the net operating loss carryforwards and would be subject to a full valuation allowance.

On March 20, 2013, the Company and certain of its subsidiaries entered into a closing agreement with the Commonwealth of Massachusetts for all years covered by the audit. Pursuant to the closing agreement, the Commonwealth of Massachusetts agreed to issue a refund of $1.8 million to the Company. This agreement also resolves $1.6 million of the Company's uncertain tax positions recorded at December 31, 2012. The release of the uncertain tax position resulted in a $1.6 million tax benefit in the first quarter of 2013.

Note 15 Related Party Transactions And Transactions with Affiliates

Transactions with The Shelter Group, LLC ("The Shelter Group")

Mark Joseph (Chairman of MuniMae's Board of Directors at December 31, 2013) has direct and indirect minority ownership interests in The Shelter Group. During 2012 and through December 17, 2013, The Shelter Group provided property management services for certain properties that served as collateral for the Company's bonds. During the years ended December 31, 2013 and 2012, there were two and three such property management contracts, respectively, securing the Company's bonds (including those bonds eliminated in consolidation). Fees paid by the properties to The Shelter Group under these contracts were $0.2 million and $0.5 million for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013, the Company no longer owned the bonds relating to these property management contracts.

NOTE 16 DISCONTINUED OPERATIONS

The table below reflects the activity related to the Company's discontinued operations. The revenues, expenses and all other statement of operations activity in discontinued operations, including the gains and losses on dispositions, have been classified as "Income (loss) from discontinued operations, net of tax" and "Net losses (income) allocable to noncontrolling interests from CFVs and IHS related to discontinued operations" on the consolidated statements of operations.

Two rental properties with a carrying value of $24.1 million were classified as real estate held-for-sale at December 31, 2013. The revenues, expenses and all other statement of operations amounts were reclassified to "Income (loss) from discontinued operations, net of tax."

During the fourth quarter of 2013, the Company sold two properties that were classified as held-for-sale. The sale generated $47.2 million of net cash proceeds. The properties had $28.1 million in net assets, resulting in a gain on sale of real estate of $19.1 million.

During the first quarter of 2013, a non-profit entity consolidated by the Company sold a property that was classified as held-for-sale on the consolidated balance sheet at December 31, 2012. The sale generated $20.1 million of net cash proceeds. As a result of the sale, the Company recognized a gain on sale of the real estate of $5.0 million of which $1.4 million was allocable to noncontrolling interests as reflected in the year ended December 31, 2013.

(in thousands)	For the year ended December 31, 2013	2012
Sublease income	$ 492	$ 1,476
Income from CFVs (primarily rental income)	11,948	20,035
Income from REO operations	718	57
Rent expense	(492)	(1,476)
Expenses from CFVs (primarily operating expenses)	(10,928)	(22,712)
Other income	459	400
Other expense	(548)	
Net gains on property acquisition	320	
Net income (loss) before disposal activity	1,969	(2,220)
Disposal:		
Net gains related to REO	19,257	
Net gains related to CFVs	5,501	5,180
Net income from discontinued operations	26,727	2,960
(Income) loss from discontinued operations allocable to noncontrolling interests	(1,351)	2,394
Net income to common shareholders from discontinued operations	$ 25,376	$ 5,354

The details of net income to common shareholders from discontinued operations for the years ended December 31, 2013 and 2012 are as follows:

(in thousands)	For the year ended December 31, 2013	2012
Interest income	$ 1,273	$ 3,097
Other income	1,989	1,976
Other expense	(1,297)	(3,040)
Net gains on disposal of REO	19,257	
Net gains on redemption of bonds	4,154	3,321
Net income to common shareholders from discontinued operations	$ 25,376	$ 5,354

NOTE 17 CONSOLIDATED FUNDS AND VENTURES

Due to the Company's minimal equity ownership interests in certain consolidated entities, the assets, liabilities, revenues, expenses, equity in losses from those entities' unconsolidated Lower Tier Property Partnerships and the losses allocated to the noncontrolling interests of the consolidated entities have been separately identified on the consolidated balance sheets and statements of operations. Third-party ownership in these CFVs is recorded in equity as "Noncontrolling interests in CFVs and IHS."

The total assets, by type of consolidated fund or venture, at December 31, 2013 and 2012 are summarized as follows:

(in thousands)	December 31, 2013	December 31, 2012
LIHTC Funds	$ 329,033	$ 381,394
SA Fund	184,649	175,572
Consolidated Lower Tier Property Partnerships	107,362	135,674
Other consolidated entities	2,163	922
Total assets of CFVs	$ 623,207	$ 693,562

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The following provides a detailed description of the nature of these entities.

LIHTC Funds

In general, the LIHTC Funds invest in limited partnerships that develop or rehabilitate and operate affordable multifamily housing rental properties. These properties generate tax operating losses and federal and state income tax credits for their investors, enabling them to realize a return on their investment through reductions in income tax expense. The LIHTC Funds' primary assets are their investments in Lower Tier Property Partnerships, which are the owners of the affordable housing properties (see Investments in Lower Tier Property Partnerships in the Asset Summary below). The LIHTC Funds account for these investments using the equity method of accounting. At December 31, 2013 and 2012, the Company owned the GP interest in thirteen LIHTC Funds. The Company continues to consolidate 11 of these funds at December 31, 2013 and 2012. The Company's GP ownership interests of the funds remaining at December 31, 2013 ranges from 0.01% to 0.04%. The Company has guarantees associated with these funds. These guarantees, along with the Company's ability to direct the activities of the funds, have resulted in the Company being the primary beneficiary for financial reporting purposes. At December 31, 2013 and 2012, the Company's maximum exposure under these guarantees is estimated to be approximately $614.4 million; however, the Company does not anticipate any losses under these guarantees.

SA Fund

The Company is the majority owner of the GP of the SA Fund, which is an investment fund formed to invest directly or indirectly in affordable for-sale and rental housing primarily in South Africa (see SA Fund investments in the Asset Summary below). The SA Fund has $120.5 million in equity commitments from investors, of which $115.1 million has been funded at December 31, 2013. As a 2.7% limited partner of the SA Fund, the Company's portion of this equity commitment is $3.2 million. At December 31, 2013, the Company had funded $3.2 million of this equity commitment. The SA Fund also has an agreement with Overseas Private Investment Corporation ("**OPIC**"), an agency of the US, to provide loan financing not to exceed $80.0 million, of which $49.1 million has been funded at December 31, 2013. Because the Company is deemed the primary beneficiary of the SA Fund through its majority owned GP interest in the SA Fund, the Company's 2.7% equity investment is eliminated and the SA Fund is consolidated. The Company is allocated 2.7% of the SA Fund's operating activities through an income or loss allocation.

Consolidated Lower Tier Property Partnerships

The Company consolidates two non-profit entities for which it is deemed the primary beneficiary (see Other Consolidated Entities below). These non-profit entities consolidate certain Lower Tier Property Partnerships because they are deemed to be the primary beneficiary. The Company does not have an equity interest in the Consolidated Lower Tier Property Partnerships or the non-profit entities. Generally, the assets held by these Consolidated Lower Tier Property Partnerships are affordable multifamily housing properties financed with tax credit equity and/or tax-exempt bonds. In many cases, the Company owns an interest in the tax credit equity investment and/or the bond used to finance the property. The REO, which is the primary asset of the Consolidated Lower Tier Property Partnerships is reported in "Real estate held-for-use, net" and "Real estate held-for-sale related to CFV" on the consolidated balance sheets. See the Asset Summary below.

Other Consolidated Entities

The Company also has other consolidated entities where it has been deemed to be the primary beneficiary or the Company has a controlling interest. At December 31, 2013, these entities include two non-profit entities that provide charitable services and programs for the affordable housing market.

The following section provides more information related to the assets of the CFVs at December 31, 2013 and 2012.

Asset Summary:

(in thousands)	December 31, 2013	December 31, 2012
Cash, cash equivalents and restricted cash	$ 52,897	$ 53,957
Investments in Lower Tier Property Partnerships	286,007	333,335
SA Fund investments	158,325	161,433
Real estate held-for-use, net	102,314	111,931
Real estate held-for-sale		15,338
Other assets	23,664	17,568
Total assets of CFVs	$ 623,207	$ 693,562

Substantially all of the assets of the CFVs are restricted for use by the specific owner entity and are not available for the Company's general use.

LIHTC Funds' Investments in Lower Tier Property Partnerships

The Lower Tier Property Partnerships of the LIHTC Funds are considered variable interest entities; although in most cases it is the third party GP who is the primary beneficiary. Therefore, substantially all of the LIHTC Funds' investments in Lower Tier Property Partnerships are accounted for under the equity method. The following table provides the LIHTC Funds' investment balances in the unconsolidated Lower Tier Property Partnerships as well as the assets and liabilities of the Lower Tier Property Partnerships at December 31, 2013 and 2012:

(in thousands)	December 31, 2013		December 31, 2012	
LIHTC Funds' investment in Lower Tier Property Partnerships	$	286,007	$	333,335
Total assets of Lower Tier Property Partnerships [(1)]	$	1,324,704	$	1,371,880
Total liabilities of Lower Tier Property Partnerships [(1)]		1,038,983		1,041,961

[(1)] *The assets of the Lower Tier Property Partnerships are primarily real estate and the liabilities are predominantly mortgage debt.*

The Company's maximum exposure to loss from the LIHTC Funds and the underlying Lower Tier Property Partnerships relate to the guarantee exposure associated with the LIHTC Funds discussed above and the Company's bonds which represent the primary mortgage debt obligation owed by certain LTPPs of the LIHTC Funds. The fair value of the Company's bonds secured by properties owned by the Lower Tier Property Partnerships at December 31, 2013 and 2012, was $64.9 million and $421.3 million, respectively.

SA Fund Investments

The SA Fund was organized under South African law in a similar manner to US investment companies and therefore follows accounting guidance specific to investment companies which requires fair value accounting for investments. The Company calculates such fair value based on estimates because there are no readily available market values. In establishing fair values of its investments, the Company considers financial conditions and operating results, local market conditions, market values of comparable companies and real estate, the stage of each investment, and other factors as appropriate, including obtaining appraisals from independent third-party licensed appraisers.

As required by GAAP, assets and liabilities are classified into levels based on the lowest level of input that is significant to the fair value measurement, see Note 9, "Fair Value Measurements." The SA Fund investments are carried at their fair value of $158.3 million and $161.4 million at December 31, 2013 and 2012, respectively and are considered Level 3 valuations. As noted in the following table, during 2013, the Fund recorded fair value gains of $22.5 million based on internal fair value estimates; however, these gains were more than offset by $34.1 million of foreign currency translation losses. Because the SA Fund's functional currency is the South African rand and the Company's functional currency is the US dollar, the Company translates the SA Fund's rand balance sheet into a dollar denominated balance sheet as part of consolidating the SA Fund into the Company's balance sheet. The translation losses recorded in 2013 were a result of the weakening of the South African rand as compared to the US dollar. The Company's economic share of the SA Fund's operating activities and the related foreign currency translation loss was 2.7%, representing a $0.1 million loss for 2013.

The following table presents the activity for the SA Fund investments at fair value on a recurring basis using Level 3 inputs for the years ended December 31, 2013 and 2012:

(in thousands)	For the year ended December 31, 2013	2012

Balance, January 1,	$	161,433	$	108,329
Net gains included in earnings related to CFVs		22,530		13,144
Net foreign currency translation losses included in other comprehensive income attributable to CFVs		(34,143)		(6,143)
Impact from purchases		23,852		53,633
Impact from sales		(15,347)		(7,530)
Balance, December 31,	$	158,325	$	161,433

The SA Fund has committed $169.4 million of capital to the project entities who in turn invest that capital into affordable for-sale and rental properties of which $134.6 million was funded at December 31, 2013.

Consolidated Lower Tier Property Partnerships' Real estate held-for-use, net

The real estate held-for-use by Consolidated Lower Tier Property Partnerships was comprised of the following at December 31, 2013 and 2012:

(in thousands)	December 31, 2013		December 31, 2012	
Building, furniture and fixtures	$	108,424	$	116,320
Accumulated depreciation		(17,997)		(15,598)
Land		11,887		11,209
Total	$	102,314	$	111,931

Depreciation expense was $8.3 million and $7.8 million for the years ended December 31, 2013 and 2012, respectively, of which $2.0 million and $4.5 million was recorded in discontinued operations for the years ended December 31, 2013 and 2012, respectively. Buildings are depreciated over a period of 40 years. Furniture and fixtures are depreciated over a period of six to seven years. The Company did not recognize any impairment losses for the years ended December 31, 2013 and 2012.

The Consolidated Lower Tier Property Partnerships which own the real estate held-for-use (affordable multifamily properties) were consolidated by non-profit entities that are in turn consolidated by the Company. The Company does not have an equity interest in the Consolidated Lower Tier Property Partnerships or the non-profit entities. However, the Company provided debt financing to the Consolidated Lower Tier Property Partnerships. In consolidation, because the Company consolidates the Lower Tier Property Partnerships, the real estate held by the Consolidated Lower Tier Property Partnerships is reflected on the Company's balance sheet. The Company's bonds have been eliminated against the related mortgage debt obligations of the Consolidated Lower Tier Property Partnerships. The Company's maximum loss exposure is the fair value of its bonds. At December 31, 2013, the fair value of these bonds was $50.3 million, including $2.5 million of net unrealized gains occurring since consolidation that have not been reflected in the Company's common shareholders' equity given that the Company is required to consolidate and account for the real estate, which prohibits an increase in value from its original cost basis until the real estate is sold.

At September 30, 2013, four rental properties were reclassified from held-for-use to held-for-sale and then during the fourth quarter of 2013, the non-profit entity that owned these four rental properties transferred them to a wholly owned subsidiary of the Company, which had provided bond financing to these properties. See Note 4, "Real Estate" for more details. At the time of transfer, these four rental properties had a carrying value of $52.4 million. The decrease in real estate held-for-use related to CFVs due to this transfer was partially offset by the consolidation of five rental properties during the second quarter of 2013, with a carrying value of $42.3 million at December 31, 2013.

Consolidated Lower Tier Property Partnership's Real estate held-for-sale

At December 31, 2012, one Consolidated Lower Tier Property Partnership had real estate classified as held-for-sale. The real estate had a carrying value of $15.3 million at December 31, 2012 and was sold during first quarter of 2013 and reported through discontinued operations accordingly. See Note 16, "Discontinued Operations," for further information.

Liability Summary:

The following section provides more information related to the liabilities of the CFVs at December 31, 2013 and 2012.

	December 31,	December 31,

(in thousands)	2013		2012	
Liabilities of CFVs:				
Debt	$	91,602	$	55,433
Unfunded equity commitments to unconsolidated Lower Tier Property Partnerships		13,461		15,881
Other liabilities		4,043		6,150
Total liabilities of CFVs	$	109,106	$	77,464

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Debt

At December 31, 2013 and 2012, the debt of the CFVs had the following terms:

	December 31, 2013			
(in thousands)	Carrying Amount	Face Amount	Weighted-average Effective Interest Rates	Maturity Dates
SA Fund	$ 49,886	$ 49,886	2.6 %	April 2018
Consolidated Lower Tier Property Partnerships	41,716	40,987	6.32	Various dates through March 2049
Total	$ 91,602	$ 90,873		

	December 31, 2012			
(in thousands)	Carrying Amount	Face Amount	Weighted-average Effective Interest Rates	Maturity Dates
SA Fund	$ 49,352	$ 49,352	2.6 %	April 2018
Consolidated Lower Tier Property Partnerships	6,081	7,289	10.4	Various dates through October 2021
Total	$ 55,433	$ 56,641		

SA Fund

The SA Fund has an agreement with OPIC to provide loan financing not to exceed $80.0 million. The SA Fund has drawn a total of $49.1 million of debt against this financing arrangement as of December 31, 2013. This debt is an obligation of the SA Fund and there is no recourse to the Company.

This debt is denominated in US dollars; however, the SA Fund's functional currency is the South African rand. Therefore, the SA Fund is exposed to foreign currency risk. In order to hedge this risk, from an economic standpoint, the SA Fund has entered into certain foreign exchange derivative contracts. As required, these derivative instruments are carried at fair value. The SA Fund does not designate these derivatives as accounting hedges and therefore, changes in fair value are recognized through "Net gains related to CFVs" on the consolidated statements of operations. The change of value in the debt obligation due to currency fluctuation is recognized through "Expenses from CFVs" on the consolidated statements of operations.

As required by GAAP, assets and liabilities are classified into levels based on the lowest level of input that is significant to the fair value measurement, see Note 9, "Fair Value Measurements." The SA Fund derivative assets are carried at $8.5 million and $1.0 million at December 31, 2013 and 2012, respectively based on Level 2 Fair Value measurements as determined by a third party. The SA Fund derivatives appreciate in value when the South African rand declines in value in comparison to the US dollar. During 2013, the Fund recorded $8.6 million of gains on its derivatives; however, these gains were offset by foreign currency translation losses of $1.1 million. The South African rand is the functional currency of the Fund; as such, the derivatives are subject to foreign currency translation adjustment when translated to the Company's dollar denominated balance sheet and lose value as the South African rand declines in value in comparison to the US dollar.

At December 31, 2013 the SA Fund had $3.3 million of cash pledged as collateral for the foreign exchange derivative contracts.

Consolidated Lower Tier Property Partnerships

Included in the sale of TEB were 10 bonds that were not on our balance sheet at the time of sale because a non-profit entity that we consolidate was deemed to be the primary beneficiary of the Consolidated Lower Tier Property Partnerships that held the real estate serving as collateral to these bonds. Therefore, upon the sale of TEB, the cash proceeds received on these 10 bonds were recorded as debt owed by the Consolidated Lower Tier Property Partnerships of $75.2 million. Subsequent to the TEB sale and during the third and fourth quarters of 2013, we repurchased five of these bonds thereby causing the outstanding debt obligation to decline by $33.6 million.

Other

The following section provides more information related to the income statement of the CFVs for the years ended December 31, 2013 and 2012.

Income Statement Summary:

(in thousands)	For the year ended December 31, 2013	2012
Revenue:		
Rental and other income from real estate	$ 12,839	$ 5,860
Interest and other income	8,471	5,352
Total revenue from CFVs	21,310	11,212
Expenses:		
Depreciation and amortization	8,494	5,846
Interest expense	3,263	1,699
Other operating expenses	9,632	6,739
Foreign currency loss	10,534	1,200
Asset impairments	21,785	12,640
Total expenses from CFVs	53,708	28,124
Net gains (losses) related to CFVs:		
Investment gains	23,201	13,143
Derivative gains (losses)	8,594	(532)
Net loss on sale of properties		(170)
Equity in losses from Lower Tier Property Partnerships of CFVs	(26,609)	(39,391)
Net loss	(27,212)	(43,862)
Net losses allocable to noncontrolling interests in CFVs [1]	32,368	48,301
Net income allocable to the common shareholders related to CFVs	$ 5,156	$ 4,439

[1] *Net losses allocable to noncontrolling interests in CFVs have been adjusted to exclude noncontrolling interests related to IHS because the Company's equity interest in IHS is substantial. The Company has little to no equity interest in the other CFVs including the two non-profits, the LTPPs, the LIHTC Funds and the SA Fund.*

The details of Net income allocable to the common shareholders related to CFVs for the years ended December 31, 2013 and 2012 are as follows:

(in thousands)	For the year ended December 31, 2013	2012
Interest income	$ 2,214	$ 3,150
Asset management fees	4,556	5,459
Guarantee fees	1,324	1,373
Equity in losses from Lower Tier Property Partnerships	(3,157)	(4,312)
Equity in income from SA Fund	684	336
Other expense	(465)	(1,567)
Net income allocable to the common shareholders	$ 5,156	$ 4,439

NOTE 18 segment Information

The Company currently operates through two reportable segments: US Operations and International Operations.

US Operations

The Company owns and manages a portfolio of tax-exempt bonds, a substantial majority of which are backed by affordable multifamily rental properties. The Company also manages low-income housing tax credit equity funds for third party investors which invest in similar affordable multifamily rental properties.

International Operations

Outside of the US, we are in the business of raising, investing in and asset managing private real estate funds which invest in affordable for-sale and rental housing primarily in South Africa. The Company's International Operations take place through a subsidiary, IHS.

Consolidated Funds and Ventures

CFVs are entities for which the Company is deemed to be the primary beneficiary. The Company earns revenue from these CFVs mainly through asset management fees, interest income (primarily from interest on bonds) and guarantee fees.

The following tables reflect the results of the business segments for the years ended December 31, 2013 and 2012. The segment results have been adjusted to include revenues and expenses related to transactions between CFVs and the two reportable segments that are eliminated in consolidation and are provided for through an allocation of income. We have revised the presentation for the year ended December 31, 2012. This presentation change had no impact on "Net income (loss) to common shareholders."

(in thousands)	December 31, 2013 US Operations		International Operations	CFVs		Income Allocation Reclasses		MMA Consolidated
Total interest income	$ 40,106		$ 36	$		$ (2,214)	(1)	$ 37,928
Total interest expense	(24,252)							(24,252)
Net interest income	15,854		36			(2,214)		13,676
Total fee and other income	10,672		3,118			(5,880)	(2)	7,910
Revenue from CFVs				21,310				21,310
Total non-interest revenue	10,672		3,118	21,310		(5,880)		29,220
Total revenues, net of interest expense	26,526		3,154	21,310		(8,094)		42,896
Operating and other expenses:								
Interest expense	(14,850)		(138)					(14,988)
Operating expenses	(19,229)		(6,280)					(25,509)
Impairment on bonds and provision for loan losses	(2,072)		(5)					(2,077)
Other expenses, net	(5,534)		(1,176)			465	(3)	(6,245)
Expenses from CFVs				(62,021)		8,313	(5)	(53,708)
Total operating and other expenses	(41,685)		(7,599)	(62,021)		8,778		(102,527)
Net gains on assets, derivatives and extinguishment of liabilities	115,350		16					115,366
Net gains due to real estate consolidation and foreclosure	10,895							10,895
Net gains related to CFVs				31,795				31,795
Equity in (losses) and gains from Lower Tier Property Partnerships of CFVs	(3,157)	(6)	684	(23,452)	(6)	(684)	(4)	(26,609)
Income (loss) from continuing operations before income taxes	107,929		(3,745)	(32,368)				71,816
Income tax benefit	1,304							1,304
Income from discontinued operations, net of tax	25,376			1,351				26,727

Net income (loss)	134,609	(3,745)	(31,017)		99,847
Income allocable to noncontrolling interests:					
Income allocable to perpetual preferred shareholders of a subsidiary company	(3,714)				(3,714)
Net losses (income) allocable to noncontrolling interests in CFVs:					
Related to continuing operations operations		690	32,368		33,058
Related to discontinued operations operations			(1,351)		(1,351)
Net income (loss) to common shareholders shareholders	$ 130,895	$ (3,055)	$	$	$ 127,840

(1) *Represents interest on bonds that the Company recognized through an allocation of income (see Note 17, "Consolidated Funds and Ventures") and for purposes of the table above, the $2.2 million is reflected in total interest income for the US Operations.*

(2) *This amount includes $2.8 million of asset management fees recognized by IHS through an income allocation (see Note 17, "Consolidated Funds and Ventures") and for purposes of the table presentation above, the $2.8 million is reflected in total fee and other income for the International Operations. This amount also includes $1.7 million of asset management fees and $1.3 million of guarantee fees both related to the Company's LIHTC Funds and both recognized during 2013 through an allocation of income (see Note 17, "Consolidated Funds and Ventures") and for purposes of the table presentation above, both are included in total fee and other income for the US Operations.*

(3) *Represents net expenses recognized by the Company through an allocation of income (see Note 17, "Consolidated Funds and Ventures") and for purposes of the table above, the $0.5 million in reflected as additional other expenses for the US Operations.*

(4) *Represents the Company's share of its equity interest in the SA Fund (i.e., 2.7% of the SA Fund's 2013 net income) which is recognized through an allocation of income (see Note 17, "Consolidated Funds and Ventures") and for purposes of the table above, the $0.7 million is reflected as equity in income of unconsolidated ventures for the International Operations.*

(5) *The sum of the income highlighted in notes 1, 2 and 4 above, partially offset by the expenses discussed in note 3 above total $8.3 million of net income to the Company which is then reflected as an overall net expense to the CFVs.*

(6) *Represents equity in losses from the Lower Tier Property Partnerships that the Company recognized as an allocation (see Note 17, "Consolidated Funds and Ventures") because of bonds held by the Company*

associated with the Lower Tier Property Partnerships in situations where the carrying amount of the limited partnership investment had reached zero. For purposes of this table presentation above, the Company recognized $3.2 million of losses in US Operations and reduced the CFVs losses by the same amount.

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(in thousands)	December 31, 2012 US Operations		International Operations	CFVs		Income Allocation Reclasses		MMA Consolidated
Total interest income	$ 68,904		$ 37	$		$ (3,150)	(1)	$ 65,791
Total interest expense	(26,521)		(138)					(26,659)
Net interest income	42,383		(101)			(3,150)		39,132
Total fee and other income	11,390		3,716			(6,832)	(2)	8,274
Revenue from CFVs				11,212				11,212
Total non-interest revenue	11,390		3,716	11,212		(6,832)		19,486
Total revenues, net of interest expense	53,773		3,615	11,212		(9,982)		58,618
Operating and other expenses:								
Interest expense	(18,542)							(18,542)
Operating expenses	(15,714)		(6,503)					(22,217)
Impairment on bonds and recovery of loan losses	(1,570)							(1,570)
Other expenses	(7,788)		(225)			1,567	(3)	(6,446)
Expenses from CFVs				(36,875)		8,751	(5)	(28,124)
Total operating and other expenses	(43,614)		(6,728)	(36,875)		10,318		(76,899)
Net (losses) gains on assets, derivatives and extinguishment of liabilities	(1,693)							(1,693)
Net gains due to real estate consolidation and foreclosure	5,404							5,404
Net gains related to CFVs				12,441				12,441
Equity in (losses) gains from Lower Tier Property Partnerships of CFVs	(4,312)	(6)	336	(35,079)	(6)	(336)	(4)	(39,391)
Income (loss) from continuing operations before income taxes	9,558		(2,777)	(48,301)				(41,520)
Income tax expense	(101)							(101)
Income (loss) from discontinued operations, net of tax	5,354			(2,394)				2,960
Net income (loss)	14,811		(2,777)	(50,695)				(38,661)

Income allocable to noncontrolling interests:					
Income allocable to perpetual preferred shareholders of a subsidiary company	(9,443)				(9,443)
Net losses (income) allocable to noncontrolling interests in CFVs:					
Related to continuing operations operations		524	48,301		48,825
Related to discontinued operations operations			2,394		2,394
Net income (loss) to common shareholders shareholders	$ 5,368	$ (2,253)	$	$	$ 3,115

(1) *Represents interest on bonds that the Company recognized through an allocation of income (see Note 17, "Consolidated Funds and Ventures") and for purposes of the table above, the $3.2 million is reflected in total interest income for the US Operations.*

(2) *This amount includes $3.6 million of asset management fees recognized by IHS through an income allocation (see Note 17, "Consolidated Funds and Ventures") and for purposes of the table presentation above, the $3.6 million is reflected in total fee and other income for the International Operations. This amount also includes $1.8 million of asset management fees and $1.4 million of guarantee fees both related to the Company's LIHTC Funds and both recognized during 2012 through an allocation of income (see Note 17, "Consolidated Funds and Ventures") and for purposes of the table presentation above, both are included in total fee and other income for the US Operations.*

(3) *Represents net expenses recognized by the Company through an allocation of income (see Note 17, "Consolidated Funds and Ventures") and for purposes of the table above, the $1.6 million in reflected as additional other expenses for the US Operations.*

(4) *Represents the Company's share of its equity interest in the SA Fund (i.e., 2.7% of the SA Fund's 2013 net income) which is recognized through an allocation of income (see Note 17, "Consolidated Funds and Ventures") and for purposes of the table above, the $0.3 million is reflected as equity in income of unconsolidated ventures for the International Operations.*

(5) *The sum of the income highlighted in notes 1, 2 and 4 above, partially offset by the expenses discussed in note 3 above total $8.8 million of net income to the Company which is then reflected as an overall net expense to the CFVs.*

(6) *Represents equity in losses from the Lower Tier Property Partnerships that the Company recognized as an allocation (see Note 17, "Consolidated Funds and Ventures") because of bonds held by the Company associated with the Lower Tier Property Partnerships in situations where the carrying amount of the limited partnership investment had reached zero. For purposes of this table presentation above, the Company*

recognized $4.3 million of losses in US Operations and reduced the CFVs losses by the same amount.

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The total assets by segment at December 31, 2013 and 2012 are presented in the table below:

(in thousands)	December 31, 2013		December 31, 2012	
ASSETS				
US Operations	$	443,664	$	1,236,288
International Operations		6,681		4,644
Total segment assets		450,345		1,240,932
Bonds eliminated in consolidation		(47,745)		(114,529)
Net unrealized mark-to-market gains not recorded in consolidation		(2,543)		(10,585)
Other adjustments		(7,906)		(7,628)
Assets of CFVs		623,207		693,562
Total MMA consolidated assets	$	1,015,358	$	1,801,752

Note 19 Subsequent events

Sale of Real Estate

During the first quarter of 2014, the Company sold two real estate properties and related assets and obligations for $35.8 million which resulted in a gain on sale of real estate of $13.6 million and will be reported through discontinued operations during the first quarter of 2014. The sales proceeds covered the Company's related unpaid bond principal in full and a portion of the interest due on these debt financings. See Note 4, "Real Estate" for more information.

Shareholder Matters

The Company is a defendant in a purported class action lawsuit and two derivative suits originally filed in 2008. The plaintiffs in the class action lawsuit claim to represent a class of investors in the Company's shares who allegedly were injured by misstatements in press releases and SEC filings between May 3, 2004, and January 28, 2008. The plaintiffs seek unspecified damages for themselves and the shareholders of the class they purport to represent. In the derivative suits, the plaintiffs claim, among other things, that the Company was injured because its directors and certain named officers did not fulfill duties regarding the accuracy of its financial disclosures. Both the class action and the derivative cases are pending in the United States District Court for the District of Maryland. The Company filed a motion to dismiss the class action and in June 2012, the Court issued a ruling dismissing all of the counts alleging any knowing or intentional wrongdoing by the Company or its affiliates, directors and officers. The plaintiffs appealed the Court's ruling and on March 7, 2014, the United States Court of Appeals for the Fourth Circuit unanimously affirmed the lower Court's ruling. As a result of these rulings, the only counts remaining in the case relate to the Company's dividend reinvestment plan. As of December 31, 2013, and before this ruling on March 7, 2014, the Company deemed it probable that it would settle this case for at least $0.5 million and as such the Company had a contingent liability for $0.5 million at December 31, 2013. As a result of the subsequent ruling, the Company's litigation exposure was significantly reduced. The Company will evaluate the impact of this ruling to its contingent liability as part of its first quarter 2014 financial reporting process.

EXHIBIT INDEX

Exhibit No.	Description	Incorporation by Reference
2	Agreement of Merger, dated as of August 1, 1996, by and between SCA Tax Exempt Fund Limited Partnership and the Company	Incorporated by reference from the Company's Registration Statement on Form S-4 (No. 33 - 99088)
3.1	Second Amended and Restated Certificate of Formation and Operating Agreement of the Company	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012
3.2	Third Amended and Restated Bylaws.	Incorporated by reference from the Company's Current Report on Form 8-K filed on September 12, 2007
4.1	Specimen Common Share Certificate	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005
10.1	Municipal Mortgage & Equity, L.L.C. 1996 Share Incentive Plan	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996
10.2	Municipal Mortgage & Equity, L.L.C. 1998 Share Incentive Plan	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005
10.3	Municipal Mortgage & Equity, L.L.C. 1998 Non-Employee Directors' Share Incentive Plan	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005
10.4	Municipal Mortgage & Equity, L.L.C. 2001 Share Incentive Plan	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005
10.5	Municipal Mortgage & Equity, L.L.C. 2004 Share Incentive Plan	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005
10.6	Municipal Mortgage & Equity, LLC 2004 Non-Employee Directors' Share Plan	Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004
10.7	Exchange Agreement between MMA Financial Holdings, Inc. and Taberna Preferred Funding I, Ltd. and Taberna Preferred Funding III, Ltd., dated June 30, 2009	Incorporated by reference from the Company's Current Report on Form 8-K filed on July 2, 2009
10.8		

	Exchange Agreement between MMA Financial Holdings, Inc. and Taberna Preferred Funding II, Ltd., dated July 30, 2009	Incorporated by reference from the Company's Current Report on Form 8-K filed on August 5, 2009
10.9	Exchange Agreement between MMA Financial Holdings, Inc. and certain holders of trust preferred securities, dated July 31, 2009	Incorporated by reference from the Company's Current Report on Form 8-K filed on August 5, 2009
10.10	Municipal Mortgage & Equity L.L.C. 2009 Non-Employee Directors' Compensation Plan	Incorporated by reference from the Company's Current Report on Form 8-K filed on February 18, 2010
10.11	Municipal Mortgage & Equity L.L.C. 2010 Share Incentive Plan	Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2010
10.12	Municipal Mortgage & Equity L.L.C. 2010 Non-Employee Directors' Compensation Plan	Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2010

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Exhibit No.	Description	Incorporation by Reference
10.13	Employment Agreement by and between the Company and Michael L. Falcone dated as of November 26, 2012	Incorporated by reference from the Company's Current Report on Form 8-K filed on November 27, 2012
10.14	Purchase Agreement between MuniMae TEI Holdings, LLC and certain holders of Junior Subordinated Indentures, dated November 26, 2012	Incorporated by reference from the Company's Current Report on Form 8-K filed on November 27, 2012
10.15	Amendment to the Junior Subordinated Indenture by MMA Financial Holdings, Inc. dated July 31, 2009 and certain holders of Junior Subordinated Indentures	Incorporated by reference from the Company's Current Report on Form 8-K filed on November 27, 2012
10.16	Repurchase Agreement between MMA Financial Holdings, Inc. and certain holders of Junior Subordinated Indentures (formerly trust preferred securities), dated November 20, 2012	Incorporated by reference from the Company's Current Report on Form 8-K filed on November 27, 2012
10.17	Municipal Mortgage & Equity L.L.C. 2012 Non-Employee Directors' Compensation Plan	Incorporated by reference from Company's Annual Report on Form 10-K/A filed on April 1, 2013
10.18	Pledge, Security and Custody Agreement, dated December 6, 2012, by and between TEB Credit Enhancer, LLC, Merrill Lynch Pierce Fenner & Smith, Incorporated, and U.S. Bank National Association	Incorporated by reference from the Company's Current Report on Form 8-K filed on December 8, 2012
10.19	Master Trust Agreement, dated December 6, 2012, by and among TEB Credit Enhancer, LLC, Merrill Lynch Pierce Fenner & Smith, Incorporated, and U.S. Bank National Association	Incorporated by reference from the Company's Current Report on Form 8-K filed on December 8, 2012
10.20	Standby Credit Enhancement Agreement, dated December 6, 2012, by and between TEB Credit Enhancer, LLC and U.S. Bank National Association	Incorporated by reference from the Company's Current Report on Form 8-K filed on December 8, 2012
10.21	Employment Agreement by and between the Company and Gary A. Mentesana dated as of March 27, 2013	Incorporated by reference from the Company's Current Report on Form 8-K filed on April 1, 2013
10.22	Amendment to Forbearance Agreement with Merrill Lynch Capital Services, Inc. dated June 17, 2013	Incorporated by reference from the Company's Current Report on Form 8-K filed on June 18, 2013
10.23	Share Purchase Agreement, dated as of July 1, 2013, by and among Merrill Lynch Portfolio Management, Inc., Municipal Mortgage & Equity, LLC, MuniMae TEI Holdings, LLC and MuniMae TE Bond	Incorporated by reference from the Company's Current Report on Form 8-K filed on July 3, 2013

	Subsidiary, LLC	
10.24	Employment Agreement by and between the Company and Lisa M. Roberts dated as of January 1, 2014	Incorporated by reference from the Company's Current Report on Form 8-K filed on February 21, 2014
21	List of Subsidiaries	
31 .1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
31 .2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
32 .1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
32 .2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema	
101.CAL	XBRL Taxonomy Extension Calculation	

Exhibit No.	Description	Incorporation by Reference
101.LAB	XBRL Taxonomy Extension Labels	
101.PRE	XBRL Taxonomy Extension Presentation	
101.DEF	XBRL Taxonomy Extension Definition	

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