MUNICIPAL MORTGAGE & EQUITY LLC
Form 10-K/A
March 25, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended December 31, 2013
OR

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

For the transition period from __________________ to __________________

Commission File Number 000-55051
MUNICIPAL MORTGAGE & EQUITY, LLC
(Exact name of registrant as specified in its charter)

Delaware	**52-1449733**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
621 East Pratt Street, Suite 600	
Baltimore, Maryland	**(443) 263-2900**
(Address of principal executive offices)	(Registrant's telephone number, including area code)
21202	
(Zip Code)	

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þNo o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes þNo o

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

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

Large accelerated filer o Accelerated filer o
Non-accelerated filer o Smaller reporting company þ

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

The aggregate market value of our common shares held by non-affiliates was $47,060,605 based on the last sale price as reported in the over the counter market on June 30, 2013.

There were 38,801,812 shares of common shares outstanding at March 13, 2014.

Portions of the Registrant's Proxy Statement to be filed on or about April 7, 2014 have been incorporated by reference into Part II of this report.

EXPLANATORY NOTE

The sole purpose of this Amendment No. 1 (this “Amendment”) to Municipal Mortgage & Equity, LLC’s Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission on March 21, 2014 (the “Form 10-K”), is to file a signed Report of Independent Registered Public Accounting Firm. The original Form 10-K included the Report of Independent Registered Public Accounting firm, but inadvertently omitted the conformed signature of KPMG.

No other modifications or changes have been made to the Form 10-K. This Amendment speaks as of the original filing date of the Form 10-K, does not reflect events that may have occurred subsequent to the original filing date and does not modify or update in any way disclosures made in the original Form 10-K.

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certificates by our principal executive officer and principal financial officer are filed herewith as exhibits to this Amendment.

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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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.

(signed) KPMG LLP

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.

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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.

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 Number	Amount	Accumulated Other Comprehensive Income	Total Common Shareholders' Equity	Perpetual Preferred Shareholders' Equity	Noncontrolling Interest in CFVs and IHS	Total Equity
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.

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.

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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.

	December 31, 2013				
(in thousands)	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

	December 31, 2012				
(in thousands)	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.

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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

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.

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.

NOTE 4 REAL ESTATE

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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Note 6 DEBT

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.

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Note 7 DERIVATIVE FINANCIAL INSTRUMENTS

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

	Fair Value	
(in thousands)	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.

	Notional	
(in thousands)	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.

	Realized/Unrealized (Losses) Gains for the year ended December 31,	
(in thousands)	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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	December 31, 2013				December 31, 2012	
(in thousands)	Carrying Amount	Fair Value Level 1	Level 2	Level 3	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).

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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

		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.

During 2013, through a series of actions, our Board of Directors authorized a stock repurchase program of 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.

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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:

	For the year ended December 31,			
(in thousands)	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.

The Company recognized $0.3 million of additional compensation expense related to employee deferred shares, ma

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.

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.

Stock options awarded in 2012 were valued at $25,000 at the date of issuance and vested in four equal installments

(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

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.

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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

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."

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(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.

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	Incorporated by reference from the Company's Current Report on Form 8-K filed on July 3, 2013

	Management, Inc., Municipal Mortgage & Equity, LLC, MuniMae TEI Holdings, LLC and MuniMae TE Bond 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	

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

* These exhibits were previously included in Municipal Mortgage & Equity, LLC's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission on March 21, 2014.

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

Name: Michael L. Falcone

Dated: March 25, 2014

Title: Chief Executive Officer and President

(Principal Executive Officer)