TrovaGene Inc.
Form S-3
January 25, 2013
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As filed with the Securities and Exchange Commission on January 25, 2013

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Trovagene, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-2004382**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11055 Flintkote Avenue, Suite B
San Diego, CA 92121

(858) 952-7570

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Antonius Schuh, Ph.D
Chief Executive Officer
11055 Flintkote Avenue, Suite B
San Diego, CA 92121

(858) 952-7570

(Name, address including zip code, and telephone number, including area code, of agent for service)

With copies to:

Jeffrey J. Fessler, Esq.

Sichenzia Ross Friedman Ference LLP

61 Broadway, 32nd Floor

New York, New York 10006

(212) 930-9700

(212) 930-9725 - Facsimile

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

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 the definitions of *large accelerated filer*, *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 (do not check if smaller reporting company)	Smaller reporting companyx

Title of Each Class of Securities to be Registered	**Amount to be Registered(1)**	**Proposed Maximum Offering Price Per Unit**	**Proposed Maximum Aggregate Offering Price (2)**	**Amount of Registration Fee (3)**
Common Stock, $.0001 par value per share				
Preferred Stock, $.001 par value per share				
Warrants				
Units (4)				
Total			$ 150,000,000	$ 20,460

(1) There are being registered under this registration statement such indeterminate number of shares of common stock and preferred stock; such indeterminate number of warrants to purchase common stock, preferred stock, and/or units; and such indeterminate number of units as may be sold by the registrant from time to time, which together shall have an aggregate initial offering price not to exceed $150,000,000. Any securities registered hereunder may be sold separately or as units with other securities registered hereunder. The securities registered hereunder also include such indeterminate number of shares of common stock and preferred stock, and warrants as may be issued upon conversion of or exchange for preferred stock, upon exercise of warrants; or pursuant to the anti-dilution provisions of any such securities. In addition, pursuant to Rule 416 under the Securities Act of 1933, as amended (the Securities Act), the shares being registered hereunder include such indeterminate number of shares of common stock and preferred stock as may be issuable with respect to the shares being registered hereunder as a result of stock splits, stock dividends, or similar transactions.

(2) The proposed maximum offering price per unit will be determined from time to time by the Registrant in connection with, and at the time of, the issuance of the securities and is not specified as to each class of security pursuant to General Instruction II.D. of Form S-3, as amended.

(3) Calculated pursuant to Rule 457(o) under the Securities Act based on the proposed maximum aggregate offering price of all securities listed.

(4) Each unit will represent an interest in two or more other securities, which may or may not be separable from one another.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities or accept an offer to buy these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 25, 2013

PROSPECTUS

TROVAGENE, INC.

$150,000,000

Common Stock

Preferred Stock

Warrants

Units

We may offer and sell, from time to time in one or more offerings, any combination of common stock, preferred stock, warrants, or units having an aggregate initial offering price not exceeding $150,000,000. The preferred stock, warrants, and units may be convertible or exercisable or exchangeable for common stock or preferred stock or other securities of ours.

Each time we sell a particular class or series of securities, we will provide specific terms of the securities offered in a supplement to this prospectus. The prospectus supplement may also add, update or change information in this prospectus. You should read this prospectus and any prospectus supplement, as well as the documents incorporated by reference or deemed to be incorporated by reference into this prospectus, carefully before you invest in any securities.

This prospectus may not be used to offer or sell our securities unless accompanied by a prospectus supplement relating to the offered securities.

Our common stock, units and warrants are presently listed on The NASDAQ Capital Market under the symbols TROV, TROVU and TROVW, respectively. On January 24, 2013, the last reported sale price of our common stock, units and warrants was $8.46, $20.02 and $3.35, respectively.

These securities may be sold directly by us, through dealers or agents designated from time to time, to or through underwriters or dealers or through a combination of these methods on a continuous or delayed basis. See Plan of Distribution in this prospectus. We may also describe the plan of distribution for any particular offering of our securities in a prospectus supplement. If any agents, underwriters or dealers are involved in the sale of any securities in respect of which this prospectus is being delivered, we will disclose their names and the nature of our arrangements with them in a prospectus supplement. The net proceeds we expect to receive from any such sale will also be included in a prospectus supplement.

Investing in our securities involves various risks. See Risk Factors contained herein for more information on these risks. Additional risks will be described in the related prospectus supplements under the heading Risk Factors . You should review that section of the related prospectus supplements for a discussion of matters that investors in our securities should consider.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or passed upon the adequacy or accuracy of this prospectus or any accompanying prospectus supplement. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2013.

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ABOUT THIS PROSPECTUS

This prospectus is part of a shelf registration statement that we filed with the Securities and Exchange Commission (the SEC) using a shelf registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings from time to time having an aggregate initial offering price of $150,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we offer securities, we will provide you with a prospectus supplement that describes the specific amounts, prices and terms of the securities we offer. The prospectus supplement also may add, update or change information contained in this prospectus. You should read carefully both this prospectus and any prospectus supplement together with additional information described below under the caption Where You Can Find More Information.

This prospectus does not contain all the information provided in the registration statement we filed with the SEC. You should read both this prospectus, including the section titled Risk Factors, and the accompanying prospectus supplement, together with the additional information described under the heading Where You Can Find More Information.

You should rely only on the information contained or incorporated by reference in this prospectus or a prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell securities, and it is not soliciting an offer to buy securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus or any prospectus supplement, as well as information we have previously filed with the SEC and incorporated by reference, is accurate as of the date on the front of those documents only. Our business, financial condition, results of operations and prospects may have changed since those dates.

OUR BUSINESS

Trovagene, Inc. is referred to throughout this prospectus as Trovagene, we or us.

We are a development stage molecular diagnostic company that focuses on the development and commercialization of proprietary, *in-vitro* diagnostic technologies for use in patient/disease screening and monitoring across a variety of medical disciplines. Our primary internal focus is to leverage our novel urine-based molecular diagnostic platform to facilitate improvements in field of oncology, while our external focus includes developing collaborations in the areas of infectious disease, transplant medicine and prenatal diagnostics.

Our proprietary urine-based molecular diagnostic tests are designed to detect specific nucleic acids in urine which are known as transrenal DNA (TrDNA) and RNA (TrRNA). These are cell-free nucleic acids found in urine as result of normal cell death when DNA and RNA are released to circulate in the bloodstream as fragments and are eventually filtered through the kidneys to allow for the detection and measurement in urine. These transrenal nucleic acids (TrNAs) can be used as genetic markers of disease. The contents of the urine sample, by virtue of the collection pathway, make up a liquid biopsy and provide a simple, non-invasive sample collection method. The company believes that its transrenal molecular diagnostic technology will open significant new markets in the molecular diagnostics field.

Our fundamental intellectual property is focused on the discovery that cell-free DNA, RNA and other types of nucleic acids pass through the kidney into the urine. Cell free fragments of nucleic acids from normal cell death that circulate in the blood can cross the kidney barrier and be detected in urine. These transrenal nucleic acids can be diagnostic of diseases such as cancer and infection. Through this proprietary technology, we are attempting to change the way diagnostic medicine is practiced, using simple, non-invasive sampling and analysis of these nucleic acids which we believe will ultimately lead to earlier detection, more effective treatment monitoring, and better management of serious illnesses.

We intend to develop and expand our transrenal molecular technology into a pipeline of potentially groundbreaking commercial medical testing and screening products. The recent acquisition and expansion of our Clinical Laboratory

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Improvement Amendments of 1998 (CLIA)-certified, College of American Pathologists (CAP)-accredited laboratory in San Diego provides an ideal platform from which to commercialize our testing services and launch our growing pipeline of innovative diagnostic tests. Transrenal molecular diagnostics can provide relevant diagnostic information across multiple therapeutic and clinical areas, and may lead to improvements in patient management.

Targeting transrenal markers will allow for the development of genetic tests that use non-invasive and easy-to-obtain urine samples rather than other more traditional, more invasive methods. These methods include blood testing, bone marrow and tissue biopsy. We are exploring a broad range of clinical utilities where transrenal nucleic acid technology holds the potential to replace complex and less robust earlier technologies based on circulating cells and nucleic acids in blood. We are leveraging our technology to develop faster, more effective, non-invasive diagnostics, aligned with the current industry shift into personalized medicine. Transrenal molecular tests can make it easier to address important health problems worldwide - and may lead to significant advancements in patient care.

Our patented technology uses safe, non-invasive, cost effective and simple urine collection and can be applied to a broad range of testing including tumor detection and monitoring, infectious disease screening, transplantation monitoring and prenatal diagnostics. We believe that our technology is ideally suited to be used in developing molecular diagnostic assays that will allow physicians to provide very simple, non-invasive and convenient screening and monitoring tests for their patients by identifying specific biomarkers involved in a disease process. Our novel assays will facilitate much improved testing compliance resulting in earlier diagnosis of disease, more targeted treatment which can be more cost-effective, and improvements in the quality of life for the patient.

In order to facilitate early availability and use of our products and technologies, on February 1, 2012, we acquired the CLIA laboratory assets of MultiGEN Diagnostics, Inc., or MultiGEN, which included CLIA approval and licensing documentation, laboratory procedures, customer lists and marketing materials. A CLIA lab is a clinical reference laboratory that can perform high complexity diagnostic assays (e.g. those requiring PCR amplification). Through this CLIA laboratory we are able to offer laboratory developed tests, or LDTs, in compliance with CLIA guidelines, and, depending on the diagnostic assay, without the need for FDA review. This will make our tests and technology available to physicians to order for their patient management.

We will determine on a case-by-case basis whether an eventual FDA review of a given diagnostic assay is necessary. This decision will, amongst other factors, be based on the desired route of commercialization (e.g., in vitro diagnostic product vs. laboratory testing service) and the specific nature of the respective diagnostic test. We plan to make and sell our products and services in the U.S. with our own direct commercial sales force. In order to provide our products globally, we plan to establish business partnerships with diagnostic or pharmaceutical companies in Europe, Asia, South America, and other international markets.

Corporate Information

We were incorporated in the State of Florida on April 26, 2002 under the name Used Kar Parts, Inc. Our name was changed to Trovagene, Inc. and we redomesticated our state of incorporation from Florida to Delaware in January 2010. Our principal executive offices are located at 11055 Flintkote Avenue, Suite B, San Diego, CA 92121, and our telephone number is 858-952-7570. Our website address is www.trovagene.com. The information on our website is not part of this prospectus. We have included our website address as a factual reference and do not intend it to be an active link to our website.

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RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks described below are not the only ones we face. Additional risks we are not presently aware of or that we currently believe are immaterial may also impair our business operations. Our business could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our financial statements and related notes.

Risks Related to Our Business

We are a development stage company and may never commercialize any of our products or services or earn a profit.

We are a development stage company and have incurred losses since we were formed. As of December 31, 2011 and September 30, 2012, we have an accumulated total deficit of $43,598,431 and $48,866,386, respectively. For the fiscal year ended December 31, 2011 and the nine months ended September 30, 2012, we had net losses and comprehensive losses attributable to common stockholders of $2,277,452 and $5,267,955, respectively. To date, we have experienced negative cash flow from development of our transrenal molecular technology. We currently have no products ready for commercialization, have not generated any revenue from operations except for licensing and royalty income and expect to incur substantial net losses for the foreseeable future to further develop and commercialize the transrenal molecular technology. We cannot predict the extent of these future net losses, or when we may attain profitability, if at all. If we are unable to generate significant revenue from the transrenal molecular technology or attain profitability, we will not be able to sustain operations.

Because of the numerous risks and uncertainties associated with developing and commercializing our transrenal molecular technology and any future tests, we are unable to predict the extent of any future losses or when we will become profitable, if ever. We may never become profitable and you may never receive a return on an investment in our common stock. An investor in our common stock must carefully consider the substantial challenges, risks and uncertainties inherent in the attempted development and commercialization of tests in the medical diagnostic industry. We may never successfully commercialize transrenal molecular technology or any future tests, and our business may fail.

Our independent registered public accounting firm has expressed doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.

In their report dated March 30, 2012 our independent registered public accountants stated that our financial statements for the year ended December 31, 2011 were prepared assuming that we would continue as a going concern. Our ability to continue as a going concern, which may hinder our ability to obtain future financing, is an issue raised as a result of recurring losses from operations. We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, increasing sales or obtaining loans and grants from various financial institutions where possible. Our continued net operating losses increase the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

We will need to raise substantial additional capital to commercialize our transrenal molecular technology, and our failure to obtain funding when needed may force us to delay, reduce or eliminate our product development programs or collaboration efforts.

As of December 31, 2012 our cash balance was $10.8 million and our working capital was $10.3 million. At our current burn rate, we estimate that our existing capital resources will fund our operations for at least the next 12 months. We estimate that we will require approximately $8.0 million over the next 12 months in order to sustain our operations and implement our business strategy. Consequently, we will be required to raise additional capital to complete the development and commercialization of our current product candidates. This amount will be sufficient to launch our products in the marketplace currently under development as LDTs. We have historically relied upon private sales of our equity and issuances of notes to fund our operations. We currently have no credit facility or committed sources of capital. During the next 12 months, we will have to raise additional funds to continue the development and commercialization of our transrenal molecular technology. When we seek additional capital, we may seek to sell additional equity and/or debt securities or to obtain a credit facility, which we may not be able to do on favorable terms, or at all. Our ability to obtain additional financing will be subject to a number of factors, including market conditions, our operating performance and investor sentiment. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development and/or commercialization of one or more of our product candidates, restrict our operations or obtain funds by entering into agreements on unattractive terms.

Our ability to successfully commercialize our technology will depend largely upon the extent to which third-party payors reimburse our tests.

Physicians and patients may decide not to order our products unless third-party payors, such as managed care organizations as well as government payors such as Medicare and Medicaid pay a substantial portion of the test price.

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Reimbursement by a third-party payor may depend on a number of factors, including a payor s determination that our product candidates are:

- not experimental or investigational;
- effective;
- medically necessary;
- appropriate for the specific patient;
- cost-effective;
- supported by peer-reviewed publications; and
- included in clinical practice guidelines.

Market acceptance, sales of products based upon the TrDNA or TrRNA technology, and our profitability may depend on reimbursement policies and health care reform measures. Several entities conduct technology assessments of medical tests and devices and provide the results of their assessments for informational purposes to other parties. These assessments may be used by third-party payors and health care providers as grounds to deny coverage for a test or procedure. The levels at which government authorities and third-party payors, such as private health insurers and health maintenance organizations, may reimburse the price patients pay for such products could affect whether we are able to commercialize our products. Our product candidates may receive negative assessments that may impact our ability to receive reimbursement of the test. Since each payor makes its own decision as to whether to establish a policy to reimburse our test, seeking these approvals may be a time-consuming and costly process. We cannot be sure that reimbursement in the U.S. or elsewhere will be available for any of our products in the future. If reimbursement is not available or is limited, we may not be able to commercialize our products.

If we are unable to obtain reimbursement approval from private payors and Medicare and Medicaid programs for our product candidates, or if the amount reimbursed is inadequate, our ability to generate revenues could be limited. Even if we are being reimbursed, insurers may withdraw their coverage policies or cancel their contracts with us at any time, stop paying for our test or reduce the payment rate for our test, which would reduce our revenue. Moreover, we may depend upon a limited number of third-party payors for a significant portion of our test revenues and if these or other third-party payors stop providing reimbursement or decrease the amount of reimbursement for our test, our revenues could decline.

The commercial success of our product candidates will depend upon the degree of market acceptance of these products among physicians, patients, health care payors and the medical community.

The use of the transrenal molecular technology has never been commercialized for any indication. Even if approved for sale by the appropriate regulatory authorities, physicians may not order diagnostic tests based upon the TrDNA or TrRNA technology, in which event we may be unable to generate significant revenue or become profitable. Acceptance of the transrenal molecular technology will depend on a number of factors including:

- acceptance of products based upon the TrDNA or TrRNA technology by physicians and patients;
- successful integration into clinical practice;
- adequate reimbursement by third parties;
- cost effectiveness;
- potential advantages over alternative treatments; and
- relative convenience and ease of administration.

We will need to make leading physicians aware of the benefits of tests using our technology through published papers, presentations at scientific conferences and favorable results from our clinical studies. In addition, we will need to gain support from thought leaders who believe that testing a urine specimen for these molecular markers will provide superior performance. Ideally, we will need these individuals to publish support papers and articles which will be necessary to gain acceptance of our products. There is no guarantee that we will be able to obtain this support. Our failure to be successful in these efforts would make it difficult for us to convince medical practitioners to order TrDNA tests for their patients and consequently our revenue and profitability will be limited.

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If our potential medical diagnostic tests are unable to compete effectively with current and future medical diagnostic tests targeting similar markets as our potential products, our commercial opportunities will be reduced or eliminated.

The medical diagnostic industry is intensely competitive and characterized by rapid technological progress. In each of our potential product areas, we face significant competition from large biotechnology, medical diagnostic and other companies. The technologies associated with the molecular diagnostics industry are evolving rapidly and there is intense competition within such industry. Certain molecular diagnostics companies have established technologies that may be competitive to our product candidates and any future tests that we develop. Some of these tests may use different approaches or means to obtain diagnostic results, which could be more effective or less expensive than our tests for similar indications. Moreover, these and other future competitors have or may have considerably greater resources than we do in terms of technology, sales, marketing, commercialization and capital resources. These competitors may have substantial advantages over us in terms of research and development expertise, experience in clinical studies, experience in regulatory issues, brand name exposure and expertise in sales and marketing as well as in operating central laboratory services. Many of these organizations have financial, marketing and human resources greater than ours; therefore, there can be no assurance that we can successfully compete with present or potential competitors or that such competition will not have a materially adverse effect on our business, financial position or results of operations.

Since the transrenal molecular diagnostic (TrDNA or TrRNA) technology is under development, we cannot predict the relative competitive position of any product based upon the transrenal molecular technology. However, we expect that the following factors will determine our ability to compete effectively: safety and efficacy; product price; turnaround time; ease of administration; performance; reimbursement; and marketing and sales capability.

We believe that many of our competitors spend significantly more on research and development-related activities than we do. Our competitors may discover new diagnostic tools or develop existing technologies to compete with the transrenal molecular diagnostic technology. Our commercial opportunities will be reduced or eliminated if these competing products are more effective, are more convenient or are less expensive than our products.

Our failure to obtain human urine samples from medical institutions for our clinical studies will adversely impact the development of our transrenal molecular technology.

We will need to establish relationships with medical institutions in order to obtain urine specimens from patients who are testing positive for a relevant infectious disease or from patients that have been diagnosed with solid tumors. We must obtain a sufficient number in order to statistically prove the equivalency of the performance of our assays versus existing assays that are already on the market.

If our clinical studies do not prove the superiority of our technologies, we may never sell our products and services.

The results of our clinical studies may not show that tests using our transrenal molecular technology are superior to existing testing methods. In that event, we will have to devote significant financial and other resources to further research and development, and commercialization of tests using our technologies will be delayed or may never occur. Our earlier clinical studies were small and included samples from high-risk patients. The results from these earlier studies may not be representative of the results we obtain from any future studies, including our next two clinical studies, which will include substantially more samples and a larger percentage of normal-risk patients.

Our inability to establish strong business relationships with leading clinical reference laboratories to perform TrDNA/TrRNA tests using our technologies will limit our revenue growth.

A key step in our strategy is to sell diagnostic products that use our proprietary technologies to leading clinical reference laboratories that will perform TrDNA or TrRNA tests. We currently have no business relationships with these laboratories and have limited experience in establishing these business relationships. If we are unable to establish these business relationships, we will have limited ability to obtain revenues beyond the revenue we can generate from our limited in-house capacity to process tests.

We depend upon our officers, and if we are not able to retain them or recruit additional qualified personnel, the commercialization of our product candidates and any future tests that we develop could be delayed or negatively impacted.

Our success is largely dependent upon the continued contributions of our officers such as our current key employee, Dr. Antonius Schuh, Chief Executive Officer. Our success also depends in part on our ability to attract and retain highly

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qualified scientific, commercial and administrative personnel. In order to pursue our test development and commercialization strategies, we will need to attract and hire, or engage as consultants, additional personnel with specialized experience in a number of disciplines, including assay development, bioinformatics and statistics, laboratory and clinical operations, clinical affairs and studies, government regulation, sales and marketing, billing and reimbursement and information systems. There is intense competition for personnel in the fields in which we operate. If we are unable to attract new employees and retain existing employees, the development and commercialization of our product candidates and any future tests could be delayed or negatively impacted.

We will need to increase the size of our organization, and we may experience difficulties in managing growth.

We are a small company with ten full-time employees as of January 24, 2013. Future growth will impose significant added responsibilities on members of management, including the need to identify, attract, retain, motivate and integrate highly skilled personnel. We may increase the number of employees in the future depending on the progress of our development of transrenal molecular technology. Our future financial performance and our ability to commercialize TrDNA and TrRNA assays and to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we must be able to:

- manage our clinical studies effectively;
- integrate additional management, administrative, manufacturing and regulatory personnel;
- maintain sufficient administrative, accounting and management information systems and controls; and
- hire and train additional qualified personnel.

We may not be able to accomplish these tasks, and our failure to accomplish any of them could harm our financial results.

If we do not receive regulatory approvals, we may not be able to develop and commercialize our transrenal molecular technology.

We may need FDA approval to market products based on the transrenal molecular technology for diagnostic uses in the United States and approvals from foreign regulatory authorities to market products based on the TrDNA or TrRNA technology outside the United States. We have not yet filed an application with the FDA to obtain approval to market any of our proposed products. If we fail to obtain regulatory approval for the marketing of products based on the TrDNA or TrRNA technology, we will be unable to sell such products and will not be able to sustain operations.

We believe the estimated molecular diagnostics market for many diseases in Europe is approximately as large as that of the United States. If we seek to market products or services such as a urine-based HPV test in Europe, we need to receive a CE Mark. If we do not obtain a CE Mark for our urine-based HPV DNA test, we will be unable to sell this product in Europe and countries that recognize the CE Mark.

The regulatory review and approval process, which may include evaluation of preclinical studies and clinical trials of products based on the TrDNA or TrRNA technology, as well as the evaluation of manufacturing processes and contract manufacturers facilities, is lengthy, expensive and uncertain. Securing regulatory approval for products based upon the transrenal molecular technology may require the submission of extensive preclinical and clinical data and supporting information to regulatory authorities to establish such products safety and effectiveness for each indication. We have limited experience in filing and pursuing applications necessary to gain regulatory approvals.

Regulatory authorities generally have substantial discretion in the approval process and may either refuse to accept an application, or may decide after review of an application that the data submitted is insufficient to allow approval of any product based upon the transrenal molecular technology. If regulatory authorities do not accept or approve our applications, they may require that we conduct additional clinical, preclinical or manufacturing studies and submit that data before regulatory authorities will reconsider such application. We may need to expend substantial resources to conduct further studies to obtain data that regulatory authorities believe is sufficient. Depending on the extent of these studies, approval of applications may be delayed by several years, or may require us to expend more resources than we may have available. It is also possible that additional studies may not suffice to make applications approvable. If any of these outcomes occur, we may be forced to abandon our applications for approval, which might cause us to cease operations.

In addition, if we do not comply with various state and federal licensing requirements and accreditation standards, our CLIA certification could be put at risk, which would have a detrimental impact on our operations.

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Changes in healthcare policy could subject us to additional regulatory requirements that may delay the commercialization of our tests and increase our costs.

The U.S. government and other governments have shown significant interest in pursuing healthcare reform. Any government-adopted reform measures could adversely impact the pricing of our diagnostic products and tests in the United States or internationally and the amount of reimbursement available from governmental agencies or other third party payors. The continuing efforts of the U.S. and foreign governments, insurance companies, managed care organizations and other payors of health care services to contain or reduce health care costs may adversely affect our ability to set prices for our products and services which we believe are fair, and our ability to generate revenues and achieve and maintain profitability.

New laws, regulations and judicial decisions, or new interpretations of existing laws, regulations and decisions, that relate to healthcare availability, methods of delivery or payment for products and services, or sales, marketing or pricing, may limit our potential revenue, and we may need to revise our research and development programs. The pricing and reimbursement environment may change in the future and become more challenging due to several reasons, including policies advanced by the current executive administration in the United States, new healthcare legislation or fiscal challenges faced by government health administration authorities. Specifically, in both the United States and some foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the health care system in ways that could affect our ability to sell our products profitably.

For example, in March 2010, President Obama signed the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or the PPACA. This law will substantially change the way health care is financed by both government health plans and private insurers, and significantly impact the pharmaceutical industry. The PPACA contains a number of provisions that are expected to impact our business and operations in ways that may negatively affect our potential revenues in the future. While it is too early to predict all the specific effects the PPACA or any future healthcare reform legislation will have on our business, they could have a material adverse effect on our business and financial condition.

In September 2007, the Food and Drug Administration Amendments Act of 2007 was enacted, giving the FDA enhanced post-marketing authority, including the authority to require post-marketing studies and clinical trials, labeling changes based on new safety information, and compliance with risk evaluations and mitigation strategies approved by the FDA. The FDA s exercise of this authority could result in delays or increased costs during product development, clinical trials and regulatory review, increased costs to assure compliance with post-approval regulatory requirements, and potential restrictions on the sale and/or distribution of approved products.

If the FDA were to begin regulating LDTs, or if we decide to market our products as a medical device rather than a LDT, we could be forced to delay commercialization of our current product candidates, experience significant delays in commercializing any future tests, incur substantial costs and time delays associated with meeting requirements for pre-market clearance or approval and/or experience decreased demand for or reimbursement of our test.

We intend to develop products that are considered to be medical devices and are subject to federal regulations including those covering Quality System Regulations (QSR) and Medical Device Reporting (MDR).

The QSR includes requirements related to the methods used in and the facilities and controls used for designing, purchasing, manufacturing, packaging, labeling, storing, installing and servicing of medical devices. Manufacturing facilities undergo FDA inspections to assure compliance with the QS requirements. The quality systems for FDA-regulated products are known as current good manufacturing practices (cGMPs) as described in the Code of Federal Regulations, part 820 (21 CFR part 820). Among the cGMP requirements are those requiring manufacturers to have sufficient appropriate personnel to implement required design controls and other portions of the QSR guidelines.

Design controls include procedures that describe the product design requirements (design goals) and compare actual output to these requirements, including documented Design Reviews. Required Design History Files (DHFs) for each device will document the records necessary to demonstrate that the design was developed in accordance with the approved design plan and the requirements of the QSRs.

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QSRs also include stipulation for control of all documents used in design and production, including history of any changes made. Production and process controls include stipulations to ensure products are in fact produced as specified by controlled documents resulting from the controlled design phase, using products and services purchased under controlled purchasing procedures.

Incidents in which a device may have caused or contributed to a death or serious injury must to be reported to FDA under the Medical Device Reporting (MDR) program. In addition, certain malfunctions must also be reported. The MDR regulation is a mechanism for FDA and manufacturers to identify and monitor significant adverse events involving medical devices. The goals of the regulation are to detect and correct problems in a timely manner.

We may be required to participate in MDR through two routes. As a manufacturer of products for sale within the United States, we would be required to report to the FDA any deaths, serious injuries and malfunctions, and events requiring remedial action to prevent an unreasonable risk of substantial harm to the public health. Our CLIA lab offering services for sale is already currently required to report suspected medical device related deaths to both the FDA and the relevant manufacturers of products we purchase and use.

Clinical laboratory tests like our current product offerings are regulated in the United States under CLIA as well as by applicable state laws. Diagnostic kits that are sold and distributed through interstate commerce are regulated as medical devices by the FDA. Clinical laboratory tests that are developed and validated by a laboratory for its own use are called LDTs. Most LDTs currently are not subject to FDA regulation, although reagents or software provided by third parties and used to perform LDTs may be subject to regulation. We expect that, upon the commencement of commercialization, our product candidates will be an LDT and not a diagnostic kit. As a result, we believe that our product candidates should not be subject to regulation under current FDA policies, however there is no assurance that it will not be subject to such regulation in the future. Further, if we decide to market our products as a diagnostic kit rather than a LDT, our products would be subject to FDA regulation as a medical device. The container we expect to provide for collection and transport of tumor samples from a pathology laboratory to our clinical reference laboratory may be a medical device subject to FDA regulation and while we expect that it will be exempt from pre-market review by FDA, there is no certainty in that respect.

We cannot provide any assurance that FDA regulation, including pre-market review, will not be required in the future for our LDT product candidates, either through new policies adopted by the FDA or new legislation enacted by Congress. It is possible that legislation will be enacted into law and may result in increased regulatory burdens for us to offer or continue to offer our product as a clinical laboratory service.

If pre-market review is required, our business could be negatively impacted until such review is completed and clearance to market or approval is obtained, and the FDA could require that we stop selling. If pre-market review of our LDTs is required by the FDA, there can be no assurance that our product offerings will be cleared or approved on a timely basis, if at all. Ongoing compliance with FDA regulations, such as the Quality System Regulation and Medical Device Reporting, would increase the cost of conducting our business, and subject us to inspection by the FDA and to the requirements of the FDA and penalties for failure to comply with these requirements. We may also decide voluntarily to pursue FDA pre-market review of our product offerings if we determine that doing so would be appropriate. Some competitors may develop competing tests cleared for marketing by the FDA. There may be a marketing differentiation or perception that an FDA-cleared test is more desirable than our product offerings, and that could discourage adoption and reimbursement of our test.

Should any of the reagents obtained by us from vendors and used in conducting our clinical laboratory service be affected by future regulatory actions, our business could be adversely affected by those actions, including increasing the cost of testing or delaying, limiting or prohibiting the purchase of reagents necessary to perform testing.

If the FDA decides to regulate our LDTs, it may require that we conduct extensive pre-market clinical studies prior to submitting a regulatory application for commercial sales. If we are required to conduct pre-market clinical studies, whether using retrospectively collected and banked samples or prospectively collected samples, delays in the commencement or completion of clinical studies could significantly increase our test development costs and delay commercialization. Many of the factors that may cause or lead to a delay in the commencement or completion of clinical studies may also ultimately lead to delay or denial of regulatory clearance or approval.

The commencement of clinical studies may be delayed due to insufficient patient enrollment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites and the

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eligibility criteria for the clinical trial. We may find it necessary to engage contract research organizations to perform data collection and analysis and other aspects of our clinical studies, which might increase the cost of the studies. We will also depend on clinical investigators, medical institutions and contract research organizations to perform the studies properly. If these parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, or if the quality, completeness or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, FDA requirements or for other reasons, our clinical studies may have to be extended, delayed or terminated. Many of these factors would be beyond our control. We may not be able to enter into replacement arrangements without undue delays or considerable expenditures. If there are delays in testing as a result of the failure to perform by third parties, our research and development costs would increase, and we may not be able to obtain regulatory clearance or approval for our test. In addition, we may not be able to establish or maintain relationships with these parties on favorable terms, if at all. Each of these outcomes would harm our ability to market our test, or to become profitable.

If we are unable to protect our intellectual property effectively, we may be unable to prevent third parties from using our technologies, which would impair our competitive advantage.

We rely on patent protection as well as a combination of trademark, copyright and trade secret protection, and other contractual restrictions to protect our proprietary technologies, all of which provide limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. If we fail to protect our intellectual property, we will be unable to prevent third parties from using our technologies and they will be able to compete more effectively against us.

We cannot assure you that any of our currently pending or future patent applications will result in issued patents, or that any patents issued to us will not be challenged, invalidated or held unenforceable. We cannot guarantee you that we will be successful in defending challenges made in connection with our patents and patent applications.

In addition to our patents, we rely on contractual restrictions to protect our proprietary technology. We require our employees and third parties to sign confidentiality agreements and employees to also sign agreements assigning to us all intellectual property arising from their work for us. Nevertheless, we cannot guarantee that these measures will be effective in protecting our intellectual property rights.

We cannot guarantee that the patents issued to us will be broad enough to provide any meaningful protection nor can we assure you that one of our competitors may not develop more effective technologies, designs or methods without infringing our intellectual property rights or that one of our competitors might not design around our proprietary technologies.

If we are not able to protect our proprietary technology, trade secrets and know-how, our competitors may use our inventions to develop competing products. We own certain patents relating to the transrenal molecular technology. However, these patents may not protect us against our competitors, and patent litigation is very expensive. We may not have sufficient cash available to pursue any patent litigation to its conclusion because currently we do not generate revenues.

We cannot rely solely on our current patents to be successful. The standards that the U.S. Patent and Trademark Office and foreign patent office s use to grant patents, and the standards that U.S. and foreign courts use to interpret patents, are not the same and are not always applied predictably or uniformly and can change, particularly as new technologies develop. As such, the degree of patent protection obtained in the U.S.

may differ substantially from that obtained in various foreign countries. In some instances, patents have been issued in the U.S. while substantially less or no protection has been obtained in Europe or other countries.

We cannot be certain of the level of protection, if any, that will be provided by our patents if we attempt to enforce them and they are challenged in court where our competitors may raise defenses such as invalidity, unenforceability or possession of a valid license. In addition, the type and extent of any patent claims that may be issued to us in the future are uncertain. Any patents which are issued may not contain claims that will permit us to stop competitors from using similar technology.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights and we may be unable to protect our rights to, or use, our transrenal molecular technology.

Third parties may challenge the validity of our patents and other intellectual property rights, resulting in costly litigation or other time-consuming and expensive proceedings, which could deprive us of valuable rights. If we become involved in any

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intellectual property litigation, interference or other judicial or administrative proceedings, we will incur substantial expenses and the diversion of financial resources and technical and management personnel. An adverse determination may subject us to significant liabilities or require us to seek licenses that may not be available from third parties on commercially favorable terms, if at all. Further, if such claims are proven valid, through litigation or otherwise, we may be required to pay substantial financial damages, which can be tripled if the infringement is deemed willful, or be required to discontinue or significantly delay development, marketing, selling and licensing of the affected products and intellectual property rights. In our European patent application that covers mutations in the NPM-1 gene related to acute myeloid leukemia, an anonymous third party has filed Observations against the claims prior to allowance of the patent. Observations concern the patentability of the invention to which a European patent application or patent relates and are considered by the examining or opposition division of the European Patent Office.

Our competitors may have filed, and may in the future file, patent applications covering technology similar to ours. Any such patent application may have priority over our patent applications and could further require us to obtain rights to issued patents covering such technologies. There may be third-party patents, patent applications and other intellectual property relevant to our potential products that may block or compete with our products or processes. If another party has filed a United States patent application on inventions similar to ours, we may have to participate in an interference proceeding declared by the United States Patent and Trademark Office to determine priority of invention in the United States. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful, resulting in a loss of our United States patent position with respect to such inventions. In addition, we cannot assure you that we would prevail in any of these suits or that the damages or other remedies if any, awarded against us would not be substantial. Claims of intellectual property infringement may require us to enter into royalty or license agreements with third parties that may not be available on acceptable terms, if at all. We may also become subject to injunctions against the further development and use of our technology, which would have a material adverse effect on our business, financial condition and results of operations.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

Risks Related to Ownership of our Common Stock

In preparing our consolidated financial statements, our management determined that our disclosure controls and procedures and internal controls were ineffective as of December 31, 2011 and continue to be ineffective which could result in material misstatements in our financial statements.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, or the Exchange Act. As of December 31, 2011, our management has determined that our disclosure controls and procedures and internal controls were ineffective due to weaknesses in our financial closing process.

We intend to implement remedial measures designed to address the ineffectiveness of our disclosure controls and procedures and internal controls. If these remedial measures are insufficient to address the ineffectiveness of our disclosure controls and procedures and internal controls, or if material weaknesses or significant deficiencies in our internal control are discovered or occur in the future and the ineffectiveness of our disclosure controls and procedures and internal controls continues, we may fail to meet our future reporting obligations on a timely basis, our consolidated financial statements may contain material misstatements, we could be required to restate our prior period financial results, our operating results may be harmed, we may be subject to class action litigation, and our common stock could be delisted from The NASDAQ

Capital Market. Any failure to address the ineffectiveness of our disclosure controls and procedures could also adversely affect the results of the periodic management evaluations regarding the effectiveness of our internal control over financial reporting and our disclosure controls and procedures that are required to be included in our annual report on Form 10-K. Internal control deficiencies and ineffective disclosure controls and procedures could also cause investors to lose confidence in our reported financial information. We can give no assurance that the measures we plan to take in the future will remediate the ineffectiveness of our disclosure controls and procedures or that any material weaknesses or restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or

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adequate disclosure controls and procedures or circumvention of these controls. In addition, even if we are successful in strengthening our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements.

If we continue to fail to comply with the rules under the Sarbanes-Oxley Act of 2002 related to disclosure controls and procedures, or, if we discover material weaknesses and other deficiencies in our internal control and accounting procedures, our stock price could decline significantly and raising capital could be more difficult.

If we fail to comply with the rules under the Sarbanes-Oxley Act of 2002 related to disclosure controls and procedures, or, if we discover additional material weaknesses and other deficiencies in our internal control and accounting procedures, our stock price could decline significantly and raising capital could be more difficult. Moreover, effective internal controls are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock could drop significantly. In addition, we cannot be certain that additional material weaknesses or significant deficiencies in our internal controls will not be discovered in the future.

We have not filed any Federal, state or foreign tax returns since fiscal year 2006, except for Delaware franchise tax returns and we do not know the amount of any tax liability, interest and penalties we may owe.

We have not filed any federal, state or foreign tax returns since fiscal year 2006, except for Delaware franchise tax returns. The amount of any tax liability, interest and penalties that could arise since inception is undetermined as of December 31, 2012. We intend to file all tax returns that are currently due as soon as possible.

Our Series A Convertible Preferred Stock contains a covenant that limits our ability to pay dividends.

Our Series A Convertible Preferred Stock includes a covenant limiting our ability to pay dividends while the Series A Convertible Preferred Stock is outstanding. This covenant may limit us in raising additional capital, competing effectively, or taking advantage of new business opportunities.

The rights of the holders of common stock may be impaired by the potential issuance of preferred stock.

Our certificate of incorporation gives our board of directors the right to create new series of preferred stock. As a result, the board of directors may, without stockholder approval, issue preferred stock with voting, dividend, conversion, liquidation or other rights which could adversely affect the voting power and equity interest of the holders of common stock. Preferred stock, which could be issued with the right to more than one vote per share, could be utilized as a method of discouraging, delaying or preventing a change of control. The possible impact on takeover attempts could adversely affect the price of our common stock. Although we have no present intention to issue any additional shares of preferred stock or to create any new series of preferred stock and the certificate of designation relating to the Series A Convertible Preferred Stock restricts

our ability to issue additional series of preferred stock, we may issue such shares in the future. Without the consent of the holders of the outstanding shares of Series A Convertible Preferred Stock we may not alter or change adversely the rights of the holders of the Series A Convertible Preferred Stock or increase the number of authorized shares of Series A Convertible Preferred Stock, create a class of stock which is senior to or on a parity with the Series A Convertible Preferred Stock, amend our certificate of incorporation in breach of these provisions or agree to any of the foregoing.

Our stockholders may experience significant dilution as a result of the sale of securities offered by this prospectus.

To the extent that we raise additional funds through the sale of securities offered by this prospectus, our stockholders may experience significant dilution. Sale of additional equity and/or convertible securities at prices below certain levels will trigger anti-dilution provisions with respect to certain securities we have previously sold. If additional funds are raised through a credit facility or the issuance of preferred stock, lenders under the credit facility or holders of preferred stock would likely have rights that are senior to the rights of holders of our common stock, and any credit facility or additional securities could contain covenants that would restrict our operations.

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Our common stock price may be volatile and could fluctuate widely in price, which could result in substantial losses for investors.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including:

- technological innovations or new products and services by us or our competitors;
- clinical trial results relating to our tests or those of our competitors;
- commercial acceptance of our products, if approved or cleared;
- coverage and reimbursement decisions by third party payors, such as Medicare and other managed care organizations;
- FDA, CMS and comparable ex-U.S. agency regulation and oversight of our products and services;
- the establishment of partnerships with clinical reference laboratories;
- health care legislation;
- intellectual property disputes;
- additions or departures of key personnel;
- sales of our common stock;
- our ability to integrate operations, technology, products and services;

- our ability to execute our business plan;
- operating results below expectations;
- loss of any strategic relationship;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

Because we are a development stage company with no revenues to date, you should consider any one of these factors to be material. Our stock price may fluctuate widely as a result of any of the above.

Because certain of our stockholders control a significant number of shares of our common stock, they may have effective control over actions requiring stockholder approval.

As of January 24, 2013, our directors, executive officers and principal stockholders, and their respective affiliates, beneficially own approximately 24.1% of our outstanding shares of common stock. As a result, these stockholders, acting together, would have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, acting together, would have the ability to control the management and affairs of our company. Accordingly, this concentration of ownership might harm the market price of our common stock by:

- delaying, deferring or preventing a change in corporate control;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

We have not paid dividends on our common stock in the past and do not expect to pay dividends on our common stock for the foreseeable future. Any return on investment may be limited to the value of our common stock.

No cash dividends have been paid on our common stock. We expect that any income received from operations will be devoted to our future operations and growth. We do not expect to pay cash dividends on our common stock in the near future. Payment of dividends would depend upon our profitability at the time, cash available for those dividends, and other factors as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on an investor s investment will only occur if our stock price appreciates. Investors in our common stock should not rely on an investment in our company if they require dividend income.

If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by industry or

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financial analysts. If no or few analysts commence coverage of us, the trading price of our stock would likely decrease. Even if we do obtain analyst coverage, if one or more of the analysts who cover us downgrade our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Delaware law and our corporate charter and bylaws will contain anti-takeover provisions that could delay or discourage takeover attempts that stockholders may consider favorable.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. For example, our board of directors have the authority to issue up to 20,000,000 shares of preferred stock in one or more series and to fix the powers, preferences and rights of each series without stockholder approval. The ability to issue preferred stock could discourage unsolicited acquisition proposals or make it more difficult for a third party to gain control of our company, or otherwise could adversely affect the market price of our common stock. Our bylaws require that any stockholder proposals or nominations for election to our board of directors must meet specific advance notice requirements and procedures, which make it more difficult for our stockholders to make proposals or director nominations.

Furthermore, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law. These provisions may prohibit or restrict large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us. These provisions in our certificate of incorporation and bylaws and under Delaware law could discourage potential takeover attempts and could reduce the price that investors might be willing to pay for shares of our common stock in the future and result in our market price being lower than it would without these provisions.

A sale of a substantial number of shares of our common stock may cause the price of our common stock to decline and may impair our ability to raise capital in the future.

Our common stock is traded on The NASDAQ Capital Market and, despite certain increases of trading volume from time to time, there have been periods when it could be considered thinly-traded, meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent. Finance transactions resulting in a large amount of newly issued shares that become readily tradable, or other events that cause current stockholders to sell shares, could place downward pressure on the trading price of our stock. In addition, the lack of a robust resale market may require a stockholder who desires to sell a large number of shares of common stock to sell the shares in increments over time to mitigate any adverse impact of the sales on the market price of our stock.

If our stockholders sell, or the market perceives that our stockholders intend to sell for various reasons, including the ending of restriction on resale, substantial amounts of our common stock in the public market, including shares issued upon the exercise of outstanding options or warrants, the market price of our common stock could fall. Sales of a substantial number of shares of our common stock may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate. We may become involved in securities class action litigation that could divert management s attention and harm our business.

Our common stock is subject to volatility.

There can be no assurance that the market price for our common stock will remain at its current level and a decrease in the market price could result in substantial losses for investors. The market price of our common stock may be significantly affected by one or more of the following factors:

- announcements or press releases relating to the industry or to our own business or prospects;
- regulatory, legislative, or other developments affecting us or the industry generally;
- sales by holders of restricted securities pursuant to effective registration statements or exemptions from registration; and
- market conditions specific to biopharmaceutical companies, the healthcare industry and the stock market generally.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements.

In some cases, you can identify forward-looking statements by terminology, such as expects, anticipates, intends, estimates, plans, believes seeks, may, should , could or the negative of such terms or other similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus.

You should read this prospectus and any accompanying prospectus supplement and the documents that we reference herein and therein and have filed as exhibits to the registration statement, of which this prospectus is part, completely and with the understanding that our actual future results may be materially different from what we expect. You should assume that the information appearing in this prospectus and any accompanying prospectus supplement is accurate as of the date on the front cover of this prospectus or such prospectus supplement only. Because the risk factors referred to above, as well as the risk factors referred to on page 3 of this prospectus and incorporated herein by reference, could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this prospectus and any accompanying prospectus supplement, and particularly our forward-looking statements, by these cautionary statements.

USE OF PROCEEDS

Except as otherwise provided in the applicable prospectus supplement, we intend to use the net proceeds from the sale of the securities offered by this prospectus for general corporate purposes, which may include working capital, capital expenditures, research and development expenditures, regulatory affairs expenditures, clinical trial expenditures, acquisitions of new technologies and investments, and the repayment, refinancing, redemption or repurchase of future indebtedness or capital stock.

The intended application of proceeds from the sale of any particular offering of securities using this prospectus will be described in the accompanying prospectus supplement relating to such offering. The precise amount and timing of the application of these proceeds will depend on our funding requirements and the availability and costs of other funds.

THE SECURITIES WE MAY OFFER

The descriptions of the securities contained in this prospectus, together with the applicable prospectus supplements, summarize all the material terms and provisions of the various types of securities that we may offer. We will describe in the applicable prospectus supplement relating to any securities the particular terms of the securities offered by that prospectus supplement. If we indicate in the applicable prospectus supplement, the terms of the securities may differ from the terms we have summarized below. We will also include in the prospectus supplement information, where applicable, about material United States federal income tax considerations relating to the securities, and the securities exchange, if any, on which the securities will be listed.

We may sell from time to time, in one or more offerings:

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- shares of our common stock;
- shares of our preferred stock;
- warrants to purchase any of the securities listed above; and/or
- units consisting of any of the securities listed above.

The terms of any securities we offer will be determined at the time of sale. We may issue securities that are exchangeable for or convertible into common stock or any of the other securities that may be sold under this prospectus. When particular securities are offered, a supplement to this prospectus will be filed with the SEC, which will describe the terms of the offering and sale of the offered securities.

DESCRIPTION OF CAPITAL STOCK

General

The following description of common stock and preferred stock, together with the additional information we include in any applicable prospectus supplements, summarizes the material terms and provisions of the common stock and preferred stock that we may offer under this prospectus but is not complete. For the complete terms of our common stock and preferred stock, please refer to our certificate of incorporation, as amended, (the Certificate of Incorporation) which may be further amended from time to time, any certificates of designation for our preferred stock, and our amended and restated bylaws, as amended from time to time (the Bylaws). Delaware General Corporation Law (DGCL) may also affect the terms of these securities. While the terms we have summarized below will apply generally to any future common stock or preferred stock that we may offer, we will describe the particular terms of any series of these securities in more detail in the applicable prospectus supplement. If we so indicate in a prospectus supplement, the terms of any common stock or preferred stock we offer under that prospectus supplement may differ from the terms we describe below.

As of December 31, 2012, our authorized capital stock consisted of 150,000,000 shares of common stock, $0.0001 par value per share, and 20,000,000 shares of preferred stock, $0.001 par value per share. Our board of directors may establish the rights and preferences of the preferred stock from time to time. As of December 31, 2012, there are 15,478,386 shares of our common stock issued and outstanding and 95,600 shares of Series A Convertible Preferred Stock are issued and outstanding.

Common Stock

Holders of our common stock are entitled to one vote per share. Our certificate of incorporation does not provide for cumulative voting. Holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared by our board of directors out of legally available funds. However, the current policy of our board of directors is to retain earnings, if any, for the operation and expansion of the company and, the consent of the holders of our Series A Convertible Preferred Stock is required for the payment of any such dividends on our common stock. Upon liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all of our assets which are legally available for distribution, after payment of or provision for all liabilities and the liquidation preference of any outstanding Series A Convertible Preferred Stock. The holders of our common stock have no preemptive, subscription, redemption or conversion rights.

Preferred Stock

Our certificate of incorporation provides that our board of directors is authorized to provide for the issuance of shares of preferred stock in one or more series and, by filing a certificate of designations pursuant to the applicable law of the State of Delaware (hereinafter referred to as a Preferred Stock Designation), to establish from time to time for each such series the number of shares to be included in each such series and to fix the designations, powers, rights and preferences of the shares of

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each such series, and the qualifications, limitations and restrictions thereof. The authority of the board of directors with respect to each series of Preferred Stock includes, but is not limited to, determination of the following:

- the designation of the series, which may be by distinguishing number, letter or title;

- the number of shares of the series, which number the board of directors may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding);

- whether dividends, if any, shall be paid, and, if paid, the date or dates upon which, or other times at which, such dividends shall be payable, whether such dividends shall be cumulative or noncumulative, the rate of such dividends (which may be variable) and the relative preference in payment of dividends of such series;

- the redemption provisions and price or prices, if any, for shares of the series;

- the terms and amounts of any sinking fund or similar fund provided for the purchase or redemption of shares of the series;

- the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of our corporation;

- whether the shares of the series shall be convertible into shares of any other class or series, or any other security, of our corporation or any other corporation, and, if so, the specification of such other class or series of such other security, the conversion price or prices, or rate or rates, any adjustments thereto, the date or dates on which such shares shall be convertible and all other terms and conditions upon which such conversion may be made;

- restrictions on the issuance of shares of the same series or of any other class or series; and

- the voting rights, if any, of the holders of shares of the series.

On July 13, 2005, we closed a private placement of 277,100 shares of Series A Convertible Preferred Stock (the Series A Convertible Preferred Stock) and 64,442 warrants to certain investors for aggregate gross proceeds of $2,771,000 pursuant to a Securities Purchase Agreement dated as

of July 13, 2005. The warrants sold to the investors were immediately exercisable at $19.50 per share and were exercisable at any time within five years from the date of issuance. These investor warrants had a fair value of $567,085 on the date of issuance using a market price of $14.40 on that date. In addition we paid an aggregate $277,102 and issued an aggregate 17,572 warrants to purchase common stock to certain selling agents. The warrants issued to the selling agents are immediately exercisable at $15.00 per share and will expire five years after issuance. The material terms of the Series A Convertible Preferred Stock consist of:

1) *Dividends.* Holders of the Series A Convertible Preferred Stock shall be entitled to receive cumulative dividends at the rate per share of 4% per annum, payable quarterly on March 31, June 30, September 30 and December 31, beginning with September 30, 2005. Dividends shall be payable, at our sole election, in cash or shares of common stock. As of December 31, 2011 and 2010, we had recorded $152,960 and $114,720, respectively, in accrued cumulative unpaid preferred stock dividends, included in Accrued Expenses in our consolidated balance sheets, and $38,240 was recorded for each of the years ended December 31, 2011 and 2010.

2) *Voting Rights.* Shares of the Series A Convertible Preferred Stock shall have no voting rights. However, so long as any shares of Series A Convertible Preferred Stock are outstanding, we shall not, without the affirmative vote of the holders of the shares of Series A Convertible Preferred Stock then outstanding, (a) adversely change the powers, preferences or rights given to the Series A Convertible Preferred Stock, (b) authorize or create any class of stock senior or equal to the Series A Convertible Preferred Stock, (c) amend our articles of incorporation or other charter documents, so as to affect adversely any rights of the holders of Series A Convertible Preferred Stock, or (d) increase the authorized number of shares of Series A Convertible Preferred Stock.

3) *Liquidation.* Upon any liquidation, dissolution or winding-up of our company, the holders of the Series A Convertible Preferred Stock shall be entitled to receive an amount equal to the Stated Value per share, which is equal to $10 per share plus any accrued and unpaid dividends.

4) *Conversion Rights.* Each share of Series A Convertible Preferred Stock shall be convertible at the option of the holder into that number of shares of common stock determined by dividing the Stated Value, currently $10 per share, by the conversion price, originally $12.90 per share.

5) *Automatic Conversion.* Beginning July 13, 2006, if the price of the common stock equals $25.80 per share for 20 consecutive trading days, and an average of 8,333 shares of common stock per day shall have been traded

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during the 20 trading days, we shall have the right to deliver a notice to the holders of the Series A Convertible Preferred Stock, to convert any portion of the shares of Series A Convertible Preferred Stock into shares of Common Stock at the conversion price

Anti-Takeover Effects of Certain Provisions of our Certificate of Incorporation, Bylaws and the DGCL

Delaware Law

We are subject to Section 203 of the Delaware General Corporation Law. This provision generally prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date the stockholder became an interested stockholder, unless:

- prior to such date, the board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual meeting or special meeting of stockholders and not by written consent, by the affirmative vote of at least 662/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of a corporation, or an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of a corporation at any time within three years prior to the time of determination of interested stockholder status; and any entity or person affiliated with or controlling or controlled by such entity or person.

These statutory provisions could delay or frustrate the removal of incumbent directors or a change in control of our company. They could also discourage, impede, or prevent a merger, tender offer, or proxy contest, even if such event would be favorable to the interests of stockholders.

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Our amended and restated certificate of incorporation and bylaws contain provisions that could have the effect of discouraging potential acquisition proposals or making a tender offer or delaying or preventing a change in control, including changes a stockholder might consider favorable. In particular, the certificate of incorporation and bylaws, as applicable, among other things:

- provide our board of directors with the ability to alter its bylaws without stockholder approval; and

- provide that vacancies on our board of directors may be filled by a majority of directors in office, although less than a quorum.

Such provisions may have the effect of discouraging a third-party from acquiring us, even if doing so would be beneficial to our stockholders. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by them, and to discourage some types of transactions that may involve an actual or threatened change in control of our company. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal and to discourage some tactics that may be used in proxy fights. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure our company outweigh the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms.

However, these provisions could have the effect of discouraging others from making tender offers for our shares that could result from actual or rumored takeover attempts. These provisions also may have the effect of preventing changes in our management.

Transfer Agent and Registrar

The Transfer Agent and Registrar for our common stock is Philadelphia Stock Transfer, Inc.

DESCRIPTION OF WARRANTS

The following description, together with the additional information we may include in any applicable prospectus supplements, summarizes the material terms and provisions of the warrants that we may offer under this prospectus and the related warrant agreements and warrant certificates. While the terms summarized below will apply generally to any warrants that we may offer, we will describe the particular terms of any series of warrants in more detail in the applicable prospectus supplement. If we indicate in the prospectus supplement, the terms of any warrants offered under that prospectus supplement may differ from the terms described below. If there are differences between that prospectus supplement and this prospectus, the prospectus supplement will control. Thus, the statements we make in this section may not apply to a particular series of warrants. Specific warrant agreements will contain additional important terms and provisions and will be incorporated by reference as an exhibit to the registration statement which includes this prospectus.

General

We may issue warrants for the purchase of common stock and/or preferred stock in one or more series. We may issue warrants independently or together with common stock and/or preferred stock, and the warrants may be attached to or separate from these securities.

We will evidence each series of warrants by warrant certificates that we may issue under a separate agreement. We may enter into the warrant agreement with a warrant agent. Each warrant agent may be a bank that we select which has its principal office in the United States and a combined capital and surplus of at least $50,000,000. We may also choose to act as out own warrant agent. We will indicate the name and address of any such warrant agent in the applicable prospectus supplement relating to a particular series of warrants.

We will describe in the applicable prospectus supplement the terms of the series of warrants, including:

- the offering price and aggregate number of warrants offered;

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- the currency for which the warrants may be purchased;

- if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

- if applicable, the date on and after which the warrants and the related securities will be separately transferable;

- in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon the exercise of one warrant and the price at which these shares may be purchased upon such exercise;

- the warrant agreement under which the warrants will be issued;

- the effect of any merger, consolidation, sale or other disposition of our business on the warrant agreement and the warrants;

- anti-dilution provisions of the warrants, if any;

- the terms of any rights to redeem or call the warrants;

- any provisions for changes to or adjustments in the exercise price or number of securities issuable upon exercise of the warrants;

- the dates on which the right to exercise the warrants will commence and expire or, if the warrants are not continuously exercisable during that period, the specific date or dates on which the warrants will be exercisable;

- the manner in which the warrant agreement and warrants may be modified;

- the identities of the warrant agent and any calculation or other agent for the warrants;

- federal income tax consequences of holding or exercising the warrants;

- the terms of the securities issuable upon exercise of the warrants;

- any securities exchange or quotation system on which the warrants or any securities deliverable upon exercise of the warrants may be listed; and

- any other specific terms, preferences, rights or limitations of or restrictions on the warrants.

Before exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including in the case of warrants to purchase common stock or preferred stock, the right to receive dividends, if any, or, payments upon our liquidation, dissolution or winding up or to exercise voting rights, if any.

Exercise of Warrants

Each warrant will entitle the holder to purchase the securities that we specify in the applicable prospectus supplement at the exercise price that we describe in the applicable prospectus supplement. Unless we otherwise specify in the applicable prospectus supplement, holders of the warrants may exercise the warrants at any time up to 5:00 p.m. Eastern Time on the expiration date that we set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

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Holders of the warrants may exercise the warrants by delivering the warrant certificate representing the warrants to be exercised together with specified information, and paying the required amount to the warrant agent in immediately available funds, as provided in the applicable prospectus supplement. We will set forth on the reverse side of the warrant certificate, and in the applicable prospectus supplement, the information that the holder of the warrant will be required to deliver to the warrant agent.

Until the warrant is properly exercised, no holder of any warrant will be entitled to any rights of a holder of the securities purchasable upon exercise of the warrant.

Upon receipt of the required payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement, we will issue and deliver the securities purchasable upon such exercise. If fewer than all of the warrants represented by the warrant certificate are exercised, then we will issue a new warrant certificate for the remaining amount of warrants. If we so indicate in the applicable prospectus supplement, holders of the warrants may surrender securities as all or part of the exercise price for warrants.

Enforceability of Rights By Holders of Warrants

Any warrant agent will act solely as our agent under the applicable warrant agreement and will not assume any obligation or relationship of agency or trust with any holder of any warrant. A single bank or trust company may act as warrant agent for more than one issue of warrants. A warrant agent will have no duty or responsibility in case of any default by us under the applicable warrant agreement or warrant, including any duty or responsibility to initiate any proceedings at law or otherwise, or to make any demand upon us. Any holder of a warrant may, without the consent of the related warrant agent or the holder of any other warrant, enforce by appropriate legal action its right to exercise, and receive the securities purchasable upon exercise of, its warrants in accordance with their terms.

Warrant Agreement Will Not Be Qualified Under Trust Indenture Act

No warrant agreement will be qualified as an indenture, and no warrant agent will be required to qualify as a trustee, under the Trust Indenture Act. Therefore, holders of warrants issued under a warrant agreement will not have the protection of the Trust Indenture Act with respect to their warrants.

Governing Law

Each warrant agreement and any warrants issued under the warrant agreements will be governed by New York law.

Calculation Agent

Calculations relating to warrants may be made by a calculation agent, an institution that we appoint as our agent for this purpose. The prospectus supplement for a particular warrant will name the institution that we have appointed to act as the calculation agent for that warrant as of the original issue date for that warrant. We may appoint a different institution to serve as calculation agent from time to time after the original issue date without the consent or notification of the holders.

The calculation agent s determination of any amount of money payable or securities deliverable with respect to a warrant will be final and binding in the absence of manifest error.

DESCRIPTION OF UNITS

We may issue units comprised of one or more of the other securities described in this prospectus in any combination. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is

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issued may provide that the securities included in the unit may not be held or transferred separately, at any time or at any time before a specified date.

The applicable prospectus supplement will describe:

- the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately;

- any unit agreement under which the units will be issued;

- any provisions for the issuance, payment, settlement, transfer or exchange of the units or of the securities comprising the units; and

- whether the units will be issued in fully registered or global form.

The applicable prospectus supplement will describe the terms of any units. The preceding description and any description of units in the applicable prospectus supplement does not purport to be complete and is subject to and is qualified in its entirety by reference to the unit agreement and, if applicable, collateral arrangements and depositary arrangements relating to such units.

PLAN OF DISTRIBUTION

We may sell the securities being offered pursuant to this prospectus through underwriters or dealers, through agents, or directly to one or more purchasers or through a combination of these methods. The applicable prospectus supplement will describe the terms of the offering of the securities, including:

- the name or names of any underwriters, if any, and if required, any dealers or agents;

- the purchase price of the securities and the proceeds we will receive from the sale;

- any underwriting discounts and other items constituting underwriters compensation;

Net unrealized holding gains (losses) arising during the period

(66.6
)

(18.0
)

(10.7
)

(138.9
)
Reclassification of gain on sale included in investment income

—

(0.7
)

—

(0.7
)
Income tax benefit (expense)

(5.0
)

17.1

(6.5
)

23.0

Investment securities, net

(71.6
)

(1.6

)

(17.2
)

(116.6
)
Defined benefit plans:

Net change in defined benefit plans arising during the period

—

(0.2
)

(3.2
)

0.9

Amortization of net actuarial (gains) losses included in compensation and benefits expense

—

0.8

0.2

2.3

Income tax benefit (expense)

—

(0.6
)

1.1

(1.5
)
Defined benefit plans, net

—

—

(1.9
)

1.7

Derivative investments:

Net unrealized holding gains (losses) arising during the period

—

43.5

—

128.8

Amortization of effective portion of net (gain) loss on cash flow hedges included in interest expense

(0.4
)

0.5

(1.1
)

1.9

Income tax benefit (expense)

0.1

(17.4
)

0.4

(49.0
)

Derivative investments, net

(0.3
)

26.6

(0.7
)

81.7

Foreign currency translation:

Foreign currency translation adjustments

(6.9
)

(1.5
)

(2.7
)

1.7

Income tax benefit (expense)

2.6

0.5

1.0

(0.6
)
Foreign currency translation, net

(4.3
)

(1.0
)

(1.7
)

1.1

Other comprehensive income, net of tax

(76.2
)

24.0

(21.5
)

(32.1
)
Comprehensive income

213.8

260.3

798.9

752.9

Less: comprehensive income attributable to non-controlling interests

—

(0.4
)

(0.2
)

1.3

Comprehensive Income Attributable to CME Group

$
213.8

$
260.7

$
799.1

$
751.6

See accompanying notes to unaudited consolidated financial statements.

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CME GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(dollars in millions, except per share data; shares in thousands)
(unaudited)

	Class A Common Stock (Shares)	Class B Common Stock (Shares)	Common Stock and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total CME Group Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2013	333,852	3	$17,508.2	$3,494.6	$ 152.0	$21,154.8	$ 5.7	$21,160.5
Net income attributable to CME Group and non-controlling interest				820.6		820.6	(0.2)	820.4
Other comprehensive income attributable to CME Group					(21.5)	(21.5)		(21.5)
Dividends on common stock of $1.41 per share				(473.2)		(473.2)		(473.2)
Tax effect and gain related to purchase of non-controlling interests			(1.5)			(1.5)	(5.5)	(7.0)
Exercise of stock options	590		26.6			26.6		26.6
Excess tax benefits from option exercises and restricted stock vesting			3.3			3.3		3.3
Vesting of issued restricted Class A common stock	496		(16.2)			(16.2)		(16.2)
Shares issued to Board of Directors	34		2.4			2.4		2.4
Shares issued under Employee Stock Purchase Plan	13		0.9			0.9		0.9
Stock-based compensation			40.9			40.9		40.9
Balance at September 30, 2014	334,985	3	$17,564.6	$3,842.0	$ 130.5	$21,537.1	$ —	$21,537.1

See accompanying notes to unaudited consolidated financial statements.

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CME GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY (continued)
(dollars in millions, except per share data; shares in thousands)
(unaudited)

	Class A Common Stock (Shares)	Class B Common Stock (Shares)	Common Stock and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total CME Group Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2012	331,832	3	$17,216.4	$3,993.4	$ 209.3	$21,419.1	$ 5.8	$21,424.9
Net income attributable to CME Group and non-controlling interest				783.7		783.7	(0.2)	783.5
Other comprehensive income attributable to CME Group					(32.1)	(32.1)		(32.1)
Dividends on common stock of $1.35 per share				(450.6)		(450.6)		(450.6)
Tax effect and gain related to purchase of non-controlling interest			167.9			167.9		167.9
Exercise of stock options	1,155		53.6			53.6		53.6
Excess tax benefits from option exercises and restricted stock vesting			5.4			5.4		5.4
Vesting of issued restricted Class A common stock	415		(17.9)			(17.9)		(17.9)
Shares issued to Board of Directors	27		2.1			2.1		2.1
Shares issued under Employee Stock Purchase Plan	9		0.7			0.7		0.7
Stock-based compensation			40.4			40.4		40.4
Balance at September 30, 2013	333,438	3	$17,468.6	$4,326.5	$ 177.2	$21,972.3	$ 5.6	$21,977.9

See accompanying notes to unaudited consolidated financial statements.

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CME GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Nine Months Ended September 30,	
	2014	2013
Cash Flows from Operating Activities		
Net income	$820.4	$785.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	40.9	40.4
Amortization of purchased intangibles	75.7	77.4
Depreciation and amortization	101.1	100.8
Undistributed net (gains) losses of unconsolidated subsidiaries	(39.2)	(8.3)
Deferred income taxes	63.1	45.1
Change in:		
Accounts receivable	(41.9)	(45.0)
Other current assets	(9.4)	6.9
Other assets	(10.9)	(19.9)
Accounts payable	(1.2)	(0.7)
Income taxes payable	(141.4)	(85.9)
Other current liabilities	(62.6)	(8.7)
Other liabilities	(11.2)	4.3
Other	5.5	7.2
Net Cash Provided by Operating Activities	788.9	898.6
Cash Flows from Investing Activities		
Proceeds from maturities of available-for-sale marketable securities	28.5	27.5
Purchases of available-for-sale marketable securities	(29.3)	(27.6)
Purchases of property	(104.2)	(94.7)
Proceeds from sale of building property	7.9	—
Investments in business ventures	(10.5)	—
Settlement of derivative related to debt issuance	—	127.8
Net Cash Provided by (Used in) Investing Activities	(107.6)	33.0
Cash Flows from Financing Activities		
Proceeds from debt, net of issuance costs	—	748.7
Repayment of debt	(750.0)	(750.0)
Cash dividends	(1,339.2)	(449.6)
Purchase of noncontrolling interest	(4.7)	(80.0)
Proceeds from exercise of stock options	26.6	53.6
Excess tax benefits related to employee option exercises and restricted stock vesting	3.3	5.4
Other	0.9	0.6
Net Cash Used in Financing Activities	(2,063.1)	(471.3)
Net change in cash and cash equivalents	(1,381.8)	460.3
Cash and cash equivalents, beginning of period	2,469.7	1,604.7
Cash and Cash Equivalents, End of Period	$1,087.9	$2,065.0

Supplemental Disclosure of Cash Flow Information		
Income taxes paid	$523.9	$534.6
Interest paid	111.4	133.4

See accompanying notes to unaudited consolidated financial statements.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The consolidated financial statements consist of CME Group Inc. (CME Group) and its subsidiaries (collectively, the company), including Chicago Mercantile Exchange Inc. (CME), Board of Trade of the City of Chicago, Inc. (CBOT), New York Mercantile Exchange, Inc. (NYMEX), Commodity Exchange, Inc. (COMEX), and their respective subsidiaries (collectively, the exchange).

The accompanying interim consolidated financial statements have been prepared by CME Group without audit. Certain notes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. In the opinion of management, the accompanying consolidated financial statements include all normal recurring adjustments considered necessary to present fairly the financial position of the company at September 30, 2014 and December 31, 2013 and the results of operations and cash flows for the periods indicated. Quarterly results are not necessarily indicative of results for any subsequent period. Certain reclassifications have been made to the prior years' financial statements to conform to the presentation in the current year.

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in CME Group’s Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission (SEC) on February 28, 2014.

2. Performance Bonds and Guaranty Fund Contributions

Performance Bonds and Guaranty Fund Contributions. At September 30, 2014, performance bonds and guaranty fund contributions assets on the consolidated balance sheets include cash and U.S. Treasury securities with maturity dates of 60 days or less. U.S. Treasury securities are purchased by CME, at its discretion, using cash collateral. The benefits, including interest earned, and risks of ownership accrue to CME. Interest earned is included in investment income on the consolidated statements of income. At September 30, 2014, the amortized cost and fair value of the U.S. Treasury securities were both $5.5 billion. The U.S. Treasury securities matured in October 2014.

Clearing House Contract Settlement. CME and CMECE (CME Clearing Europe Limited) mark-to-market open positions for all products at least once a day (twice a day for futures and options contracts). Based on values derived from the mark-to-market process, CME and CMECE require payment from clearing firms whose positions have lost value and make payments to clearing firms whose positions have gained value. Under the extremely unlikely scenario of simultaneous default by every clearing firm who has open positions with unrealized losses, the maximum exposure related to positions other than over-the-counter credit default and interest rate swap contracts would be one half day of changes in fair value of all open positions, before considering the clearing houses' ability to access defaulting clearing firms' collateral deposits. For CME's cleared over-the-counter credit default swap and interest rate swap contracts, the maximum exposure related to CME's guarantee would be one full day of changes in fair value of all open positions, before considering CME's ability to access defaulting clearing firms' collateral. During the first nine months of 2014, CME and CMECE transferred an average of approximately $2.7 billion a day through their clearing systems for settlement from clearing firms whose positions had lost value to clearing firms whose positions had gained value. CME and CMECE reduce the guarantee exposure through initial and maintenance performance bond requirements and mandatory guaranty fund contributions. The company believes that the guarantee liability is immaterial and therefore has not recorded any liability at September 30, 2014.

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3. Intangible Assets

Intangible assets consisted of the following at September 30, 2014 and December 31, 2013:

(in millions)	September 30, 2014 Assigned Value	Accumulated Amortization	Net Book Value	December 31, 2013 Assigned Value	Accumulated Amortization	Net Book Value
Amortizable Intangible Assets:						
Clearing firm, market data and other customer relationships	$2,838.8	$(634.9)	$2,203.9	$2,838.8	$(563.2)	$2,275.6
Technology-related intellectual property	29.4	(22.5)	6.9	33.8	(19.8)	14.0
Other	2.4	(0.9)	1.5	2.4	(0.8)	1.6
Total amortizable intangible assets	$2,870.6	$(658.3)	2,212.3	$2,875.0	$(583.8)	2,291.2
Indefinite-Lived Intangible Assets:						
Trade names			450.0			450.0
Total intangible assets – other, net			$2,662.3			$2,741.2
Trading products[(1)]			$17,175.3			$17,175.3

(1) Trading products represent futures and options products acquired in our business combinations with CBOT Holdings, Inc., NYMEX Holdings, Inc. and The Board of Trade of Kansas City, Missouri, Inc. Clearing and transaction fees are generated through the trading of these products. These trading products, most of which have traded for decades, require authorization from the CFTC. Product authorizations from the CFTC have no term limits.

Total amortization expense for intangible assets was $25.3 million and $25.6 million for the quarters ended September 30, 2014 and 2013, respectively. Total amortization expense for intangible assets was $75.7 million and $77.4 million for the nine months ended September 30, 2014 and 2013, respectively. As of September 30, 2014, the future estimated amortization expense related to amortizable intangible assets is expected to be as follows:

(in millions)	Amortization Expense
Remainder of 2014	$24.9
2015	99.5
2016	96.1
2017	95.5
2018	94.7
2019	94.7
Thereafter	1,706.9

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4. Debt

Short-term debt consisted of the following at September 30, 2014 and December 31, 2013:

(in millions)	September 30, 2014	December 31, 2013
$750.0 million fixed rate notes due February 2014, stated rate of 5.75%	$—	$749.9
Total short-term debt	$—	$749.9

Long-term debt consisted of the following at September 30, 2014 and December 31, 2013:

(in millions)	September 30, 2014	December 31, 2013
$612.5 million fixed rate notes due March 2018, stated rate of 4.40%[1]	$610.9	$610.5
$750.0 million fixed rate notes due September 2022, stated rate of 3.00% [2]	748.1	748.0
$750.0 million fixed rates notes due September 2043, stated rate of 5.30% [3]	748.7	748.7
Total long-term debt	$2,107.7	$2,107.2

(1) In February 2010, CME Group entered into a forward-starting interest rate swap agreement that modified the interest obligation associated with these notes so that the interest payable on the notes effectively became fixed at a rate of 4.46%.

(2) In August 2012, CME Group entered into a forward-starting interest rate swap agreement that modified the interest obligation associated with these notes so that the interest payable on the notes effectively became fixed at a rate of 3.32%.

(3) In August 2012, CME Group entered into a forward-starting interest rate swap agreement that modified the interest obligation associated with these notes so that the interest payable on the notes effectively became fixed at a rate of 4.73%.

Long-term debt maturities, at par value, were as follows as of September 30, 2014:

(in millions)	Par Value
2015	$—
2016	—
2017	—
2018	612.5
2019	—
Thereafter	1,500.0

The fair value of the fixed rate notes due 2018, which are classified as level 3 under the fair value hierarchy, was derived using a standard valuation model with market-based observable inputs including U.S. Treasury yields and interest rate spreads. The fair values of the fixed rate notes due 2022 and 2043, which are classified as level 2 under the fair value hierarchy, were estimated using quoted market prices. For more information about the fair value hierarchy, see note 8. At September 30, 2014, the fair values of the fixed rate notes were as follows:

(in millions)	Fair Value
$612.5 million fixed rate notes due March 2018, stated rate of 4.40%	$655.7
$750.0 million fixed rate notes due September 2022, stated rate of 3.00%	748.4
$750.0 million fixed rates notes due September 2043, stated rate of 5.30%	869.2

5. Contingencies

Legal and Regulatory Matters. In 2008, Fifth Market, Inc. (Fifth Market) filed a complaint against CME Group and CME in the Delaware District Court seeking a permanent injunction against CME's Globex system and unquantified enhanced damages for what the plaintiff alleges is willful infringement of two patents, in addition to costs, expenses and attorneys' fees. The case was stayed pending the outcome of CME's request for reexamination by the U.S. Patent and Trademark Office (USPTO). The reexaminations resulted in some claims being rejected and others being confirmed. In June 2013, the court lifted the stay. The validity of the patents, however, remains subject to further review by the USPTO. Based on its investigation to date and advice from legal counsel, the company believes this suit is without merit and intends to defend itself vigorously against these charges.

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In 2009, CME and CBOT filed a complaint against Howard Garber in the Northern District of Illinois seeking a declaratory judgment that neither CME nor CBOT infringed the Garber patent, which relates to electronic market makers, and that the patent is invalid and unenforceable. The Technology Research Group (TRG) was substituted for Mr. Garber in 2009 and TRG filed counterclaims alleging patent infringement and other related claims. In 2011, the case was dismissed with the right to reinstate pending the outcome of a reexamination by the USPTO. In August and October 2013, the USPTO issued actions resulting in the rejection of all TRG's claims completing the reexamination process. In January 2014, TRG appealed the decision of the USPTO. Based on its investigation to date and advice from legal counsel, the company believes this suit is without merit and intends to defend itself vigorously against these charges.

The foregoing legal matters involve alleged infringements of intellectual property which, due to their nature, involve potential liability that is uncertain, difficult to quantify and involves a wide range of potential outcomes. The company believes that the matters are without merit, and the company intends to defend itself vigorously against the claims. We expect the re-examinations by the USPTO in the Fifth Market and Garber matters, including any appeals thereof, to result in a determination of the validity of the patents at issue which we expect will have an impact on the merits of the matters. Given the uncertainty of factors which may potentially impact the resolution of these matters, at this time the company is unable to estimate the reasonably possible loss or range of reasonably possible loss in the unlikely event it were found to be liable at trial in these matters.

In February 2013, the CFTC filed suit against NYMEX and two former employees alleging disclosure of confidential customer information in violation of the Commodity Exchange Act. NYMEX's motion to dismiss was denied on September 30, 2014. Based on its investigation to date and advice from legal counsel, the company believes that it has strong factual and legal defenses to the claim.

In the normal course of business, the company discusses matters with its regulators raised during regulatory examinations or otherwise subject to their inquiry and oversight. These matters could result in censures, fines, penalties or other sanctions. Management believes the outcome of any resulting actions will not have a material impact on its consolidated financial position or results of operations. However, the company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential fines, penalties or injunctive or other equitable relief, if any, that may result from these matters.

In addition, the company is a defendant in, and has potential for, various other legal proceedings arising from its regular business activities. While the ultimate results of such proceedings against the company cannot be predicted with certainty, the company believes that the resolution of any of these matters on an individual basis will not have a material impact on its consolidated financial position or results of operations.

At September 30, 2014 and December 31, 2013, the company had accrued $4.3 million and $11.3 million, respectively, for legal and regulatory matters that were probable and estimable.

Intellectual Property Indemnifications. Certain agreements with customers and other third parties related to accessing the CME platforms; utilizing market data services; and licensing CME SPAN software may contain indemnifications from intellectual property claims that may be made against them as a result of their use of the applicable products and/or services. The potential future claims relating to these indemnifications cannot be estimated and therefore no liability has been recorded.

6. Guarantees

Mutual Offset Agreement. CME and Singapore Exchange Limited (SGX) have a mutual offset agreement with a current term through October 2015. This agreement enables market participants to open a futures position on one exchange and liquidate it on the other. The term of the agreement will automatically renew for a one-year period unless either party provides advance notice of their intent to terminate. CME can maintain collateral in the form of U.S. Treasury securities or irrevocable, standby letters of credit. At September 30, 2014, CME was contingently liable to SGX on letters of credit totaling $410.0 million. Regardless of the collateral, CME guarantees all cleared transactions submitted through SGX and would initiate procedures designed to satisfy these financial obligations in the event of a default, such as the use of performance bonds and guaranty fund contributions of the defaulting clearing firm. The company believes that its guarantee liability is immaterial and therefore has not recorded any liability at September 30, 2014.

Family Farmer and Rancher Protection Fund. In 2012, the company established the Family Farmer and Rancher Protection Fund (the Fund). The Fund is designed to provide payments, up to certain maximum levels, to family farmers, ranchers and other agricultural industry participants who use the company's agricultural products and who suffer losses to their segregated account balances due to their CME clearing member becoming insolvent. Under the terms of the Fund, farmers and ranchers are eligible for up to $25,000 per participant. Farming and ranching cooperatives are eligible for up to $100,000 per cooperative. The Fund was established with a maximum payment amount of $100.0 million. Since its establishment, the Fund has made payments of approximately $2.0 million, which leaves $98.0 million available for future claims. If payments to participants were to exceed the amount remaining in the fund at the time of insolvency, payments would be pro-rated. Clearing members and customers must register in advance with the company and provide certain documentation in order to substantiate

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their eligibility. The company believes that its guarantee liability is immaterial and therefore has not recorded any liability at September 30, 2014.

7. Accumulated Other Comprehensive Income

The following tables present changes in the accumulated balances for each component of other comprehensive income attributable to CME Group, including current period other comprehensive income and reclassifications out of accumulated other comprehensive income:

(in millions)	Investment Securities	Defined Benefit Plans	Derivative Investments	Foreign Currency Translation	Total
Balance at December 31, 2013	$98.9	$(12.8)	$65.0	$0.9	$152.0
Other comprehensive income before reclassifications and income tax benefit (expense)	(10.7)	(3.2)	(1.1)	(2.7)	(17.7)
Amounts reclassified from accumulated other comprehensive income	—	0.2	—	—	0.2
Income tax benefit (expense)	(6.5)	1.1	0.4	1.0	(4.0)
Net current period other comprehensive income attributable to CME Group	(17.2)	(1.9)	(0.7)	(1.7)	(21.5)
Balance at September 30, 2014	$81.7	$(14.7)	$64.3	$(0.8)	$130.5

(in millions)	Investment Securities	Defined Benefit Plans	Derivative Investments	Foreign Currency Translation	Total
Balance at December 31, 2012	$256.7	$(32.4)	$(16.4)	$1.4	$209.3
Other comprehensive income before reclassifications and income tax benefit (expense)	(138.9)	0.9	128.8	1.7	(7.5)
Amounts reclassified from accumulated other comprehensive income	(0.7)	2.3	1.9	—	3.5
Income tax benefit (expense)	23.0	(1.5)	(49.0)	(0.6)	(28.1)
Net current period other comprehensive income attributable to CME Group	(116.6)	1.7	81.7	1.1	(32.1)
Balance at September 30, 2013	$140.1	$(30.7)	$65.3	$2.5	$177.2

8. Fair Value Measurements

The company uses a three-level classification hierarchy of fair value measurements for disclosure purposes.

- Level 1 inputs, which are considered the most reliable evidence of fair value, consist of quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs consist of observable market data, such as quoted prices for similar assets and liabilities in active markets, or inputs other than quoted prices that are directly observable.
- Level 3 inputs consist of unobservable inputs which are derived and cannot be corroborated by market data or other entity-specific inputs.

Level 1 assets generally include U.S. Treasury securities and investments in publicly traded stocks and mutual funds with quoted market prices. In general, the company uses quoted prices in active markets for identical assets to determine the fair value of marketable securities and equity investments. If quoted prices are not available to determine fair value, the company uses other inputs that are directly observable.

Assets included in level 2 generally consist of asset-backed securities. Asset-backed securities are measured at fair value based on a price matrix using prices of similar securities with similar inputs such as maturity dates, interest rates and credit ratings.

The company determined the fair value of its contingent consideration liabilities, considered level 3 liabilities, using a discounted cash flow model to calculate the present value of future payouts. The liabilities are included in level 3

because management uses significant unobservable inputs, including a discount rate of 20% and payout probabilities ranging from 0% to 90%. Significant increases or decreases in any of those inputs in isolation would result in a significantly different fair value.

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Financial assets and liabilities recorded in the consolidated balance sheet as of September 30, 2014 were classified in their entirety based on the lowest level of input that was significant to each asset or liability's fair value measurement. The following presents financial instruments measured at fair value on a recurring basis:

	September 30, 2014			
(in millions)	Level 1	Level 2	Level 3	Total
Assets at Fair Value:				
Marketable securities:				
U.S. Treasury securities	$19.2	$—	$—	$19.2
Mutual funds	53.2	—	—	53.2
Asset-backed securities	—	0.4	—	0.4
Total Marketable Securities	72.4	0.4	—	72.8
Performance bonds and guaranty fund contributions:				
U.S. Treasury securities [1]	5,500.0	—	—	5,500.0
Equity investments	489.1	—	—	489.1
Total Assets at Fair Value	$6,061.5	$0.4	$—	$6,061.9
Liabilities at Fair Value:				
Contingent consideration	$—	$—	$21.1	$21.1
Total Liabilities at Fair Value	$—	$—	$21.1	$21.1

(1) Performance bonds and guaranty fund contributions on the consolidated balance sheet at September 30, 2014 include cash collateral that has been invested in U.S. Treasury securities.

There were no transfers of assets or liabilities between level 1, level 2 or level 3 during the first nine months of 2014. The following is a reconciliation of level 3 liabilities valued at fair value on a recurring basis. There were no level 3 assets valued at fair value on a recurring basis during the first nine months of 2014.

(in millions)	Contingent Consideration
Fair value of liability at December 31, 2013	$15.7
Realized and unrealized (gains) losses:	
Included in other expenses	5.4
Fair value of liability at September 30, 2014	$21.1

There were no level 3 assets or level 3 liabilities valued at fair value on a nonrecurring basis during the first nine months of 2014.

9. Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to the company by the weighted average number of shares of all classes of CME Group common stock outstanding for each reporting period. Diluted earnings per share reflects the increase in shares using the treasury stock method to reflect the impact of an equivalent number of shares of common stock if stock options were exercised and restricted stock awards were converted into common stock. Anti-dilutive stock options and restricted stock awards were as follows for the periods presented:

	Quarter Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2014	2013	2014	2013
Stock options	1,461	1,540	1,463	1,593
Stock awards	700	—	700	824
Total	2,161	1,540	2,163	2,417

The following table presents the earnings per share calculation for the periods presented:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Income Attributable to CME Group (in millions)	$290.0	$236.7	$820.6	$783.7
Weighted Average Number of Common Shares (in thousands):				
Basic	334,424	332,763	334,144	332,355
Effect of stock options and restricted stock awards	1,748	1,911	1,676	1,700
Diluted	336,172	334,674	335,820	334,055
Earnings per Common Share Attributable to CME Group:				
Basic	$0.87	$0.71	$2.46	$2.36
Diluted	0.86	0.71	2.44	2.35

10. Subsequent Events

The company has evaluated subsequent events through the date the financial statements were issued and has determined that there are no subsequent events that require disclosure.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is provided as a supplement to, and should be read in conjunction with, the accompanying unaudited consolidated financial statements and notes in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2013.

References in this discussion and analysis to "we," "us" and "our" are to CME Group Inc. (CME Group) and its consolidated subsidiaries, collectively. References to "exchange" are to Chicago Mercantile Exchange Inc. (CME), Board of Trade of the City of Chicago, Inc. (CBOT), New York Mercantile Exchange, Inc. (NYMEX), Commodity Exchange, Inc. (COMEX), CME Clearing Europe Limited (CMECE) and CME Europe Limited (CME Europe), collectively, unless otherwise noted. In addition, CME serves as a swap execution facility, which is a regulated platform for swap trading, and serves as a swap data repository, which provides public data on swap transactions and stores confidential swap data for regulatory purposes.

RESULTS OF OPERATIONS

Financial Highlights

The following summarizes significant changes in our financial performance for the periods presented.

	Quarter Ended September 30,			Nine Months Ended September 30,		
(dollars in millions, except per share data)	2014	2013	Change	2014	2013	Change
Total revenues	$762.4	$714.6	7 %	$2,271.4	$2,249.3	1 %
Total expenses	332.0	314.1	6	974.5	935.5	4
Operating margin	56.5 %	56.0 %		57.1 %	58.4 %	
Non-operating income (expense)	$(1.3)	$(1.6)	16	$0.7	$(19.8)	104
Effective tax rate	32.4 %	40.8 %		36.8 %	39.3 %	
Net income attributable to CME Group	$290.0	$236.7	23	$820.6	$783.7	5
Diluted earnings per common share attributable to CME Group	0.86	0.71	21	2.44	2.35	4
Cash flows from operating activities				788.9	898.6	(12)

Revenues

	Quarter Ended September 30,			Nine Months Ended September 30,		
(dollars in millions)	2014	2013	Change	2014	2013	Change
Clearing and transaction fees	$641.8	$597.9	7 %	$1,903.3	$1,883.6	1 %
Market data and information services	87.7	78.6	12	266.7	238.9	12
Access and communication fees	20.8	20.3	3	61.6	62.4	(1)
Other	12.1	17.8	(32)	39.8	64.4	(38)
Total Revenues	$762.4	$714.6	7	$2,271.4	$2,249.3	1

Clearing and Transaction Fees

The following table summarizes our total contract volume, revenue and average rate per contract. Total contract volume includes contracts that are traded on our exchange and cleared through our clearing houses as well as cleared-only contracts. Volume is measured in round turns, which is considered a completed transaction that involves a purchase and an offsetting sale of a contract. Average rate per contract is determined by dividing total clearing and transaction fees by total contract volume. Volume and average rate per contract disclosures exclude our CME interest rate swap, CME credit default swap, CMECE and CME Europe contracts.

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	Quarter Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Total contract volume (in millions)	863.4	769.1	12 %	2,492.6	2,436.3	2 %
Clearing and transaction fees (in millions)	$626.3	$586.2	7	$1,861.6	$1,861.8	—
Average rate per contract	$0.725	$0.762	(5)	$0.747	$0.764	(2)

We estimate the following increases (decreases) in clearing and transaction fees based on change in total contract volume and change in average rate per contract during the third quarter and first nine months of 2014 when compared with the same periods in 2013.

(in millions)	Quarter Ended	Nine Months Ended
Increases due to changes in total contract volume	$68.4	$42.0
Decreases due to changes in average rate per contract	(28.3)	(42.2)
Increase (decrease) in clearing and transaction fees	$40.1	$(0.2)

Average rate per contract is impacted by our rate structure, including volume-based incentives; product mix; trading venue, and the percentage of volume executed by customers who are members compared with non-member customers. Due to the relationship between average rate per contract and contract volume, the change in clearing and transaction fees attributable to the change in each is only an approximation.

Clearing and transaction fees as presented on the consolidated statements of income include revenues for our cleared-only CME interest rate swap and CME credit default swap contracts. In the third quarter and first nine months of 2014 when compared with the same periods in 2013, clearing and transaction fees generated from these contracts increased by $3.9 million and $20.1 million, respectively. The increases in revenues were largely attributable to increases in CME interest rate swap contract volumes resulting from the over-the-counter clearing mandate required to be implemented starting in mid-2013 by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Contract Volume

The following table summarizes average daily contract volume. Contract volume can be influenced by many factors, including political and economic conditions, the regulatory environment and market competition.

	Quarter Ended September 30,			Nine Months Ended September 30,		
(amounts in thousands)	2014	2013	Change	2014	2013	Change
Average Daily Volume by Product Line:						
Interest rate	7,181	5,839	23 %	6,861	6,117	12 %
Equity	2,586	2,409	7	2,644	2,700	(2)
Foreign exchange	797	792	1	750	947	(21)
Agricultural commodity	1,058	1,009	5	1,103	1,074	3
Energy	1,562	1,609	(3)	1,573	1,711	(8)
Metal	309	360	(14)	328	410	(20)
Aggregate average daily volume	13,493	12,018	12	13,259	12,959	2
Average Daily Volume by Venue:						
Electronic	11,627	10,199	14	11,404	11,203	2
Open outcry	1,208	1,173	3	1,162	1,068	9
Privately negotiated [1]	658	646	2	693	688	1
Aggregate average daily volume	13,493	12,018	12	13,259	12,959	2

(1) Privately negotiated venue average daily volume includes both traditional block trades as well as what was historically categorized as CME ClearPort.

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Interest Rate Products

The following table summarizes average daily contract volume for our key interest rate products. Eurodollar Front 8 futures include contracts expiring in two years or less. Eurodollar Back 32 futures include contracts with expirations after two years through ten years.

	Quarter Ended September 30,			Nine Months Ended September 30,		
(amounts in thousands)	2014	2013	Change	2014	2013	Change
Eurodollar futures and options:						
Front 8 futures	1,619	1,188	36 %	1,502	1,202	25 %
Back 32 futures	1,082	860	26	1,046	880	19
Options	919	761	21	841	594	42
U.S. Treasury futures and options:						
10-Year	1,671	1,498	12	1,683	1,704	(1)
5-Year	914	767	19	888	833	7
Treasury bond	437	388	13	418	492	(15)
2-Year	308	219	41	281	252	12

Overall interest rate volumes increased in the third quarter and first nine months of 2014 when compared with the same periods in 2013. We believe volumes for U.S. Treasury contracts and Eurodollar futures and options contracts increased in the third quarter of 2014 as a result of increased volatility driven by changing expectations regarding near-term Federal Reserve actions.

U.S. Treasury contract volumes remained flat in the first nine months of 2014 when compared with the same period in 2013 despite the increase in volumes during the third quarter of 2014. We believe volumes were higher in the first half of 2013 due to short periods of high volatility created by the Federal Reserve's activities with respect to their quantitative easing program.

Equity Products

The following table summarizes average daily contract volume for our key equity products.

	Quarter Ended September 30,			Nine Months Ended September 30,		
(amounts in thousands)	2014	2013	Change	2014	2013	Change
E-mini S&P 500 futures and options	2,035	1,931	5 %	2,057	2,173	(5)%
E-mini NASDAQ 100 futures and options	278	222	25	301	236	27

Overall equity volumes increased in the third quarter of 2014 when compared with the same period in 2013. We believe this resulted primarily due to geopolitical events that led to a short period of relatively high volatility in late July 2014 as well as a more gradual increase in broad market volatility in September 2014.

Equity volumes decreased slightly in the first nine months of 2014 when compared with the same period in 2013 despite the increase in the third quarter of 2014. The decrease was primarily due to a decrease in E-mini S&P 500 contract volumes resulting from lower volatility in early 2014. Equity market volatility was very low in the first half of 2014 compared with the short periods of high volatility in the first half of 2013. We believe the infrequency of significant events, as well as the cautionary stance of the Federal Reserve with respect to interest rates, contributed to gradual, upward movement in the equity market over the first nine months of 2014.

Foreign Exchange Products

The following table summarizes average daily contract volume for our key foreign exchange products.

	Quarter Ended September 30,			Nine Months Ended September 30,		
(amounts in thousands)	2014	2013	Change	2014	2013	Change
Euro	231	235	(2)%	219	287	(24)%
Japanese yen	144	149	(3)	144	201	(28)
British pound	120	120	—	113	130	(13)

Australian dollar	105	107	(2)	91	119	(24)	
Canadian dollar	65	67	(4)	64	78	(18)	

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The overall decreases in foreign exchange contract volumes in the first nine months of 2014 when compared with the same period in 2013 were attributable to decreases in exchange rate volatility across all major currencies. We believe subdued expectations regarding interest rate changes across European countries and Japan led to decreases in exchange rate volatility throughout these regions. Additionally, allegations regarding possible collusion by certain foreign exchange market participants in other marketplaces had a continued negative impact on overall global foreign exchange product trading during the first nine months of 2014.

Agricultural Commodity Products

The following table summarizes average daily contract volume for our key agricultural commodity products.

	Quarter Ended September 30,			Nine Months Ended September 30,		
(amounts in thousands)	2014	2013	Change	2014	2013	Change
Corn	321	327	(2)%	356	352	1 %
Soybean	249	242	3	243	241	1
Wheat	135	125	8	154	147	5
Soybean oil	92	89	3	98	100	(3)

The overall agricultural commodity contract volume increased in the third quarter of 2014 when compared with the same period in 2013. We believe that geopolitical concerns in Russia and Ukraine contributed to higher wheat contract volumes in the first nine months of 2014. Hedgers seeking protection against falling prices may have also contributed to the increase in volumes in the third quarter of 2014 when compared to the same period in 2013.

Energy Products

The following table summarizes average daily contract volume for our key energy products.

	Quarter Ended September 30,			Nine Months Ended September 30,		
(amounts in thousands)	2014	2013	Change	2014	2013	Change
Crude oil	811	840	(3)%	754	813	(7)%
Natural gas	383	420	(9)	449	524	(14)
Refined products	294	276	7	289	302	(4)

Overall energy contract volumes decreased in the third quarter and first nine months of 2014 when compared with the same periods of 2013. We believe the declines in crude oil and natural gas contract volumes were attributable to low overall price levels due to increasing U.S. energy production. Refined products contract volumes decreased in the first nine months of 2014 when compared with the same periods in 2013 due to decreases in demand in the underlying physical market.

Metal Products

The following table summarizes average daily volume for our key metal products.

	Quarter Ended September 30,			Nine Months Ended September 30,		
(amounts in thousands)	2014	2013	Change	2014	2013	Change
Gold	177	216	(18)%	187	247	(24)%
Silver	56	64	(12)	63	69	(10)
Copper	54	61	(12)	58	72	(19)

Overall metal contract volumes decreased in the third quarter and first nine months of 2014 when compared with the same periods of 2013 due to lower metals price volatility. In early 2013, short periods of high volatility were caused by improved macroeconomic data. In addition, demand for gold continued to slow due to lower economic growth rates in India and China, which are both large consumers of gold. Prices remained stable due to a strengthening U.S. dollar and the expectation of an increase in U.S. interest rates.

Average Rate per Contract

The average rate per contract decreased in the third quarter and first nine months of 2014 when compared with the same periods in 2013 due to shifts in the relative mix of product volume. Interest rate product volume, when measured as a percentage of total volume, increased by 5 percentage points in the third quarter and first nine months of 2014,

while nearly all other product lines decreased. Interest rate contracts have a lower average rate per contract compared with other product lines.

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In addition, increases in incentives and discounts on our energy contracts as well as increases in tier discounts on Eurodollar products also resulted in decreases in the average rate per contracts in the third quarter and first nine months of 2014 when compared with the same periods in 2013.

Concentration of Revenue

We bill a substantial portion of our clearing and transaction fees directly to our clearing firms. The majority of clearing and transaction fees received from clearing firms represent charges for trades executed and cleared on behalf of their customers. One firm represented 12% of our clearing and transaction fees in the first nine months of 2014. Should a clearing firm withdraw, we believe that the customer portion of the firm's trading activity would likely transfer to another clearing firm of the exchange. Therefore, we do not believe we are exposed to significant risk from the ongoing loss of revenue received from or through a particular clearing firm.

Other Sources of Revenue

The increases in market data and information services revenues in the third quarter and first nine months of 2014 were attributable to a $15 fee increase for basic real-time market data services at the beginning of 2014. The increases were partially offset by continuing declines in market data subscriber counts attributable to cost-cutting initiatives at customer firms.

The two largest resellers of our market data represented approximately 43% of our market data and information services revenue in the first nine months of 2014. Despite this concentration, we consider exposure to significant risk of revenue loss to be minimal. In the event that one of these vendors no longer subscribes to our market data, we believe the majority of that vendor's customers would likely subscribe to our market data through another reseller. Additionally, several of our largest institutional customers that utilize services from our two largest resellers report usage and remit payment of their fees directly to us.

The decrease in other revenues in the first nine months of 2014 was partly attributable to $8.7 million of fees earned under our technology agreement with BM&FBOVESPA S.A. and $5.1 million of insurance proceeds related to Hurricane Sandy, both of which were recognized in the first quarter of 2013. Additionally, we sold the NYMEX building in the fourth quarter of 2013, which resulted in decreases in other revenues of $1.0 million and $5.4 million in the third quarter and first nine months of 2014, respectively, due to lost rental income. Lastly, trading revenues generated by GFX Corporation declined by $2.8 million and $3.8 million in the third quarter and first nine months of 2014, respectively, when compared to the same periods in 2013.

Expenses

	Quarter Ended September 30,			Nine Months Ended September 30,		
(dollars in millions)	2014	2013	Change	2014	2013	Change
Compensation and benefits	$132.1	$134.0	(1)%	$407.3	$392.3	4 %
Communications	7.8	9.2	(14)	24.3	26.7	(9)
Technology support services	13.8	13.4	3	42.3	39.6	7
Professional fees and outside services	32.2	35.6	(10)	99.3	85.4	16
Amortization of purchased intangibles	25.3	25.6	(2)	75.7	77.4	(2)
Depreciation and amortization	32.7	35.0	(7)	101.1	100.8	—
Occupancy and building operations	24.7	19.2	29	71.1	56.7	25
Licensing and other fee agreements	25.5	25.7	—	80.2	73.8	9
Other	37.9	16.4	131	73.2	82.8	(12)
Total Expenses	$332.0	$314.1	6	$974.5	$935.5	4

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Operating expenses increased by $17.9 million and $39.0 million in the third quarter and first nine months of 2014 when compared with the same periods in 2013. The following table shows the estimated impacts of key factors resulting in changes in operating expenses:

	Quarter Ended, September 30, 2014		Nine Months Ended, September 30, 2014	
(dollars in millions)	Amount of Change	Change as a Percentage of Total Expenses	Amount of Change	Change as a Percentage of Total Expenses
Salaries, benefits and employer taxes	$6.5	2 %	$21.1	2 %
Business enhancements and platform development	1.4	—	12.1	1
Merger and acquisition costs	2.6	1	9.8	1
Foreign currency exchange rate fluctuation	24.8	8	5.8	1
Bonus expense	(3.1)	(1)	(4.3)	—
Non-qualified deferred compensation	(3.9)	(1)	(4.3)	—
Litigation accruals	—	—	(8.0)	(1)
Security breach	(8.0)	(2)	(8.0)	(1)
MF Global bankruptcy claim	—	—	(14.5)	(2)
Other expenses, net	(2.4)	(1)	29.3	3
Total increase	$17.9	6 %	$39.0	4 %

Operating expenses increased in the third quarter and first nine months of 2014 when compared with the same periods in 2013 due to increases as follows:

- Compensation and benefits expenses increased as a result of increases in average headcount related to efforts to expand our product offerings and geographic reach as well as to meet additional regulatory requirements. In October 2014, the company reduced its global workforce by approximately 150 positions as part of a recently announced reorganization. Severance and other costs related to the reorganization are expected to impact primarily the fourth quarter of 2014.
- Professional fees and depreciation and amortization expense rose due to the development and continued enhancement of our product offerings and our electronic platforms.
- We recognized professional fees and other expenses related to our proposed transaction with GFI Group Inc.
- In the third quarter of 2014, we recognized a net loss of $12.8 million due to an unfavorable change in exchange rates on foreign cash balances, compared with a net gain of $12.0 million in the third quarter of 2013. In the first nine months of 2014, we recognized a net loss of $4.2 million due to an unfavorable change in exchange rates on foreign cash balances, compared with a net gain of $1.6 million in the first nine months of 2013. Gains and losses from exchange rate fluctuations result when subsidiaries with a U.S. dollar functional currency hold cash as well as certain other monetary assets and liabilities denominated in foreign currencies. We expect to continue to incur gains and losses from exchange rate fluctuations as long as this is the case.

Increases in overall operating expenses in the third quarter and first nine months of 2014 when compared with the same periods in 2013 were partially offset by decreases as follows:

- Bonus expense decreased due to performance relative to our 2014 cash earnings target when compared with 2013 performance relative to our 2013 cash earnings target.
- A decrease in our non-qualified deferred compensation liability, the impact of which does not affect net income because of an equal and offsetting change in investment income, contributed to a decrease in operating expenses.
- A reduction in litigation accruals due to a favorable court ruling and a denial for a rehearing in the first quarter of 2014 also contributed to a decrease in operating expenses in the first nine months of 2014.
- A decrease in legal and other consulting services related to a security breach in 2013 partially offset the increase in overall expenses in the third quarter and first nine months of 2014.
- In the second quarter of 2014, we recognized the settlement of our claim in the MF Global bankruptcy filing as a reduction to other expenses.

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Non-Operating Income (Expense)

(dollars in millions)	Quarter Ended September 30, 2014	2013	Change	Nine Months Ended September 30, 2014	2013	Change
Investment income	$7.4	$12.6	(41)%	$25.7	$34.9	(26)%
Interest and other borrowing costs	(28.7)	(34.6)	(17)	(90.7)	(112.8)	(20)
Equity in net gains (losses) of unconsolidated subsidiaries	20.0	20.4	(2)	63.9	58.1	10
Other non-operating income (expense)	—	—	—	1.8	—	nm
Total Non-Operating	$(1.3)	$(1.6)	16	$0.7	$(19.8)	104

n.m. not meaningful

The overall decreases in investment income in the third quarter and first nine months of 2014 when compared with the same periods in 2013 were largely due to decreases in dividend income and reduced gains on marketable securities related to our non-qualified deferred compensation plan. Gains and losses from securities in the non-qualified deferred compensation plan are offset by an equal amount of compensation and benefits expense. These decreases were partially offset by increases in earnings from cash performance bond and guaranty fund contributions that are reinvested. The increase in cash performance bond and guaranty fund contributions was due to an increase in open interest as well as a shift in clearing firm collateral preferences towards cash.

The following table shows the key impacts in the overall decreases in interest expense and other borrowing costs in the third quarter and first nine months of 2014 when compared with the same periods in 2013:

	Quarter Ended September 30, 2014	2013	Change	Nine Months Ended September 30, 2014	2013	Change
Weighted average borrowings outstanding (in millions)	$2,112.5	$2,537.5	$(425.0)	$2,236.6	$2,754.2	$(517.6)
Weighted average effective yield	4.15%	4.61%	(0.46)%	4.24%	4.72%	(0.48)%
Average cost of borrowings [1]	4.36	4.81	(0.45)	4.42	4.91	(0.49)

(1) Average cost of borrowings includes interest, the effective portion of interest rate hedges, discount accretion and debt issuance costs. Commitment fees on line of credit agreements are not included in the average cost of borrowing.

In the first quarter of 2014, we repaid the 5.75% fixed rate notes due February 2014. In the third quarter of 2013, we repaid $750.0 million of 5.4% fixed rate notes due August 2013 and issued $750.0 million of 5.3% fixed rate notes due September 2043. We entered into an interest rate swap agreement that resulted in an effective interest rate of 4.73% on the 5.3% fixed rate notes due September 2043. These factors contributed to decreases in weighted average borrowings outstanding, weighted average effective yield and average cost of borrowings in the third quarter and first nine months of 2014 when compared with the same periods in 2013.

Higher income generated from our S&P/DJI business venture contributed to an increase in equity in net gains (losses) of unconsolidated subsidiaries in the first nine months of 2014 when compared with the same period in 2013.

Income Tax Provision

The following table summarizes the effective tax rates for the periods presented:

	2014	2013
Quarter Ended September 30	32.4%	40.8%
Nine Months Ended September 30	36.8	39.3

The overall effective tax rate for the third quarter and the first nine months of 2014 includes a deferred income tax benefit resulting from a change in our state and local apportionment factors as well as a benefit related to a favorable settlement of various state income tax audits. The overall effective tax rate for the third quarter and the first nine months of 2013 included a tax benefit of the domestic production activities being recorded for 2008 through 2013 in the third quarter of 2013 offset by increases in reserves for uncertain tax positions, as well as deferred income tax

expense resulting from a change in our state and local apportionment factors.

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Liquidity and Capital Resources

Sources and Uses of Cash. Net cash provided by operating activities decreased in the first nine months of 2014 when compared with the same period of 2013. The decrease in net cash provided by operating activities was largely attributable to higher payments of accrued expenses in the first nine months of 2014 when compared with the same period in 2013. We paid a higher bonus in 2014 when compared with the bonus payment in 2013. Additionally, payments in 2014 for legal and other consulting services, primarily related to remediation efforts for an information security breach that occurred in 2013, contributed to the overall decrease in cash from operating activities.

Net cash used in investing activities increased in the first nine months of 2014 when compared with the same period of 2013 due to proceeds from the settlement of a derivative related to debt issued in the third quarter of 2013.

Cash used in financing activities was higher in the first nine months of 2014 when compared with the same period in 2013. The increase in cash used was attributable to an increase in cash dividends of $0.9 billion in the first nine months of 2014 when compared with the same period in 2013. The annual variable dividend from 2013 operations was paid in the first quarter of 2014. The annual variable dividend from 2012 operations was paid in the fourth quarter of 2012 due to uncertainty surrounding dividend income tax treatment beginning in 2013. The increase in cash used was also due to the repayment of the fixed rate notes due February 2014.

Debt Instruments. The following table summarizes our debt outstanding at September 30, 2014:

(in millions)	Par Value
Fixed rate notes due March 2018, stated rate of 4.40% [1]	$612.5
Fixed rate notes due September 2022, stated rate of 3.00% [2]	750.0
Fixed rate notes due September 2043, stated rate of 5.30% [3]	750.0

(1) In February 2010, we entered into a forward-starting interest rate swap agreement that modified the interest obligation associated with these notes so that the interest payable on the notes effectively became fixed at a rate of 4.46%.

(2) In August 2012, we entered into a forward-starting interest rate swap agreement that modified the interest obligation associated with these notes so that the interest payable effectively became fixed at a rate of 3.32%.

(3) In August 2012, we entered into a forward-starting interest rate swap agreement that modified the interest obligation associated with these notes so that the interest payable effectively became fixed at a rate of 4.73%.

We maintain a $1.8 billion multi-currency revolving senior credit facility with various financial institutions, which matures in January 2016. The proceeds from this facility can be used for general corporate purposes, which includes providing liquidity for our CME clearing house in certain circumstances at CME Group's discretion and, if necessary, for maturities of commercial paper. As long as we are not in default under this facility, we have the option to increase it up to $2.5 billion with the consent of the agent and lenders providing the additional funds. This facility is voluntarily prepayable from time to time without premium or penalty. Under this facility, we are required to remain in compliance with a consolidated net worth test, which is defined as our consolidated shareholders' equity at September 30, 2012, giving effect to share repurchases made and special dividends paid during the term of the agreements (and in no event greater than $2.0 billion in aggregate), multiplied by 0.65. We currently do not have any borrowings outstanding under this facility.

We maintain a 364-day multi-currency revolving secured credit facility with a consortium of domestic and international banks to be used in certain situations by our CME clearing house. The facility provides for borrowings of up to $7.0 billion. We may use the proceeds to provide temporary liquidity in the unlikely event of a clearing firm default, in the event of a liquidity constraint or default by a depositary (custodian for our collateral), or in the event of a temporary disruption with the domestic payments system that would delay payment of settlement variation between us and our clearing firms. CME clearing firm guaranty fund contributions received in the form of cash or U.S. Treasury securities as well as the performance bond assets of a defaulting firm can be used to collateralize the facility. At September 30, 2014, guaranty funds available to collateralize the facility totaled $6.7 billion. We have the option to request an increase in the line from $7.0 billion to $10.0 billion. In addition to the 364-day facility, we also have the option to use the $1.8 billion multi-currency revolving senior credit facility to provide liquidity for our clearing houses in the unlikely event of default in certain circumstances. In addition, our 364-day facility contains a requirement that CME remain in compliance with a consolidated tangible net worth test, defined as CME consolidated shareholder's

equity less intangible assets (as defined in the agreement) of not less than $800.0 million.

The indentures governing our fixed rate notes, our $1.8 billion multi-currency revolving senior credit facility and our 364-day multi-currency revolving secured credit facility for $7.0 billion do not contain specific covenants that restrict the ability to pay dividends. These documents, however, do contain other customary financial and operating covenants that place restrictions on the operations of the company that could indirectly affect the ability to pay dividends.

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At September 30, 2014, we have excess borrowing capacity for general corporate purposes of approximately $1.8 billion under our multi-currency revolving senior credit facility.

At September 30, 2014, we were in compliance with the various covenant requirements of all our debt facilities.

To satisfy our performance bond obligation with Singapore Exchange Limited, we may pledge CME-owned U.S. Treasury securities in lieu of, or in combination with, irrevocable letters of credit. At September 30, 2014, the letters of credit totaled $410.0 million.

The following table summarizes our credit ratings at September 30, 2014:

Rating Agency	Short-Term Debt Rating	Long-Term Debt Rating	Outlook
Standard & Poor's	A1+	AA-	Stable
Moody's Investors Service	P1	Aa3	Stable

Given our cash flow generation, our ability to pay down debt levels and our ability to refinance existing debt facilities if necessary, we expect to maintain an investment grade rating. If our ratings are downgraded below investment grade due to a change of control, we are required to make an offer to repurchase our fixed rate notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest.

Liquidity and Cash Management. Cash and cash equivalents totaled $1.1 billion at September 30, 2014 and $2.5 billion at December 31, 2013. The balance retained in cash and cash equivalents is a function of anticipated or possible short-term cash needs, prevailing interest rates, our investment policy and alternative investment choices. A majority of our cash and cash equivalents balance is invested in money market mutual funds that invest only in U.S. Treasury securities or U.S. government agency securities. Our exposure to credit and liquidity risk is minimal given the nature of the investments. Cash that is not available for general corporate purposes because of regulatory requirements or other restrictions is classified as restricted cash and is included in other current assets or other assets in the consolidated balance sheets.

Net current deferred tax assets of $34.2 million and $52.3 million were included in other current assets at September 30, 2014 and December 31, 2013, respectively. Total net current deferred tax assets are primarily attributable to stock-based compensation and accrued expenses.

Net long-term deferred tax liabilities were $7.3 billion and $7.2 billion at September 30, 2014 and December 31, 2013, respectively. Net deferred tax liabilities are principally the result of purchase accounting for intangible assets in our various mergers, including CBOT Holdings, Inc. and NYMEX Holdings, Inc.

Valuation allowances of $58.5 million and $47.5 million have been provided on deferred tax assets at September 30, 2014 and December 31, 2013, respectively. At September 30, 2014 and December 31, 2013, valuation allowances were related to domestic net operating losses, foreign net operating losses as well as built in capital losses for which we do not believe that we currently meet the more-likely-than-not-threshold for recognition.

Regulatory Requirements. CME is regulated by the U.S. Commodity Futures Trading Commission (CFTC) as a U.S. Derivatives Clearing Organization (DCO). DCOs are required to maintain capital, as defined by the CFTC, in an amount at least equal to one year of projected operating expenses as well as cash, liquid securities, or a line of credit at least equal to six months of projected operating expenses. CME was designated by the Financial Stability Oversight Council as a systemically important DCO under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a result, CME must comply with the requirements for financial resources and liquidity resources. CME is in compliance with all DCO financial requirements.

CME, CBOT, NYMEX and COMEX are regulated by the CFTC as Designated Contract Markets (DCM). DCMs are required to maintain capital, as defined by the CFTC, in an amount at least equal to one year of projected operating expenses as well as cash, liquid securities, or a line of credit at least equal to six months of projected operating expenses. Our DCMs are in compliance with DCM financial requirements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued a new standard on revenue recognition that replaces numerous, industry-specific requirements and converges U.S. accounting with International Financial Reporting Standards. The new standard introduces a framework for recognizing revenue that focuses on the transfer of control rather than risks and rewards. The new standard also requires significant additional disclosures about the nature,

amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments, changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. The new standard will become effective in the first annual period beginning

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after December 15, 2016. It may be adopted using one of two transition methods, which we are still evaluating along with the impact of the new standard on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to various market risks, including those caused by changes in interest rates, credit, foreign currency exchange rates and equity prices. There have not been material changes in our exposure to market risk since December 31, 2013. Refer to Item 7A. of CME Group's Annual Report on Form 10-K for the year ended December 31, 2013 for additional information.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

(b) Changes in Internal Control Over Financial Reporting. As required by Rule 13a-15(d) under the Exchange Act, the company's management, including the company's Chief Executive Officer and Chief Financial Officer, have evaluated the company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to determine whether any changes occurred during the quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting. There were no changes in the company's internal control over financial reporting during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See "Legal and Regulatory Matters" in Note 5. Contingencies to the Consolidated Financial Statements for updates to CME Group's existing legal proceedings disclosure which is incorporated herein by reference. Note 5. Contingencies includes updates to the legal proceedings disclosed in the company's Annual Report on Form 10-K, filed with the SEC on February 28, 2014.

ITEM 1A. RISK FACTORS

There have been no material updates to the Risk Factors disclosure included in the company's Annual Report on Form 10-K, filed with the SEC on February 28, 2014. In addition to the other information contained in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in our Annual Report on Form 10-K, which are the risks that we believe are material at this time. These risks could materially and adversely affect our business, financial condition and results of operations. These risks and uncertainties are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business in the future.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer Purchases of Equity Securities

Period	(a) Total Number of Class A Shares Purchased (1)	(b) Average Price Paid Per Share	(c) Total Number of Class A Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Value) that May Yet Be Purchased Under the Plans or Programs (in millions)
July 1 to July 31	78	$ 71.04	—	$—
August 1 to August 31	90	76.55	—	—
September 1 to September 30	169,069	79.68	—	—
Total	169,237	$ 79.68	—	

(1) Shares purchased consist of an aggregate of 169,237 shares of Class A common stock surrendered in the third quarter of 2014 to satisfy employees' tax obligations upon the vesting of restricted stock.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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ITEM 6. EXHIBITS

10.1*	James E. Parisi Retention Agreement, made as of September 29, 2014 (incorporated by reference to Exhibit 10.1 to CME Group's Current Report on Form 8-K, filed with the SEC on October 3, 2014, File No. 001-31553)
31.1	Section 302 Certification—Phupinder S. Gill
31.2	Section 302 Certification—James E. Parisi
32.1	Section 906 Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

SIGNATURES

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

CME Group Inc.
(Registrant)

Dated: November 3, 2014

By: /s/ James E. Parisi
Chief Financial Officer & Senior Managing Director Finance

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