CEDAR FAIR L P
Form DEF 14A
April 22, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-12

CEDAR FAIR, L.P.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required:

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

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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One Cedar Point Drive

Sandusky, Ohio 44870-5259

NOTICE OF ANNUAL MEETING OF LIMITED PARTNER UNITHOLDERS

TO BE HELD ON JUNE 3, 2015

The annual meeting of the limited partner unitholders of Cedar Fair, L.P. will be held on Wednesday, June 3, 2015 at 9:00 a.m. (Pacific Time) at the Knott s Berry Farm Hotel in Buena Park, California. All unitholders are invited to attend the meeting. The meeting is called for the following purposes:

1. To elect three (3) Class II Directors of the general partner to serve for a three-year term expiring in 2018 from those nominees nominated in accordance with our Partnership Agreement.

2. To confirm the appointment of Deloitte & Touche LLP as our independent registered public accounting firm.

3. To hold an advisory vote to approve the compensation of our named executive officers.

4. To transact such other business as may properly come before the meeting.

Only limited partners who held units as of the close of business on April 10, 2015, are entitled to notice of and to vote at the annual meeting and at any adjournments or postponements of the meeting.

CEDAR FAIR MANAGEMENT, INC.
Matthew A. Ouimet
President and Chief Executive Officer

Sandusky, Ohio

April 22, 2015

Your vote is important and we encourage you to vote promptly, even if you plan to attend the annual meeting. You may vote your units via a toll-free telephone number or over the Internet or you may sign, date and mail the proxy card in the envelope provided. If you attend the meeting, you may revoke the proxy and vote in person on all matters brought before the meeting.

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THE ANNUAL MEETING

General

This proxy statement is furnished in connection with the solicitation of proxies from the limited partner unitholders of Cedar Fair, L.P. (the Partnership) by the Board of Directors of its general partner, Cedar Fair Management, Inc. (CFMI), for use at the annual meeting. We intend to mail a printed copy of this proxy statement and proxy card to our unitholders of record entitled to vote at the annual meeting on or about April 22, 2015.

Time and Place

The annual meeting will be held at the Knott s Berry Farm Hotel located at 7675 Crescent Ave, Buena Park, California on Wednesday, June 3, 2015, at 9:00 a.m. (Pacific Time). Attendees must present a personal form of identification and, if you hold units through a brokerage account, bank or other nominee, you must present a recent statement or other proof of ownership to be admitted.

Matters to be Considered

At the annual meeting, the limited partners will be asked to:

- elect three (3) Class II Directors of the general partner to serve for a three-year term expiring in 2018 from those nominees nominated in accordance with our Partnership Agreement;
- confirm the appointment of Deloitte & Touche LLP as our independent registered public accounting firm;
- hold an advisory vote to approve the compensation of our named executive officers; and
- vote on any other matters that may be properly raised at the annual meeting.

It is not anticipated that any other matters will be raised at the annual meeting.

Important Notice Regarding the Availability of Proxy Materials for the Unitholder Meeting To Be Held on June 3, 2015

The proxy statement and our annual report on Form 10-K are available free of charge at http://ir.cedarfair.com/financial-reports/Proxy-Information.

Voting Process

You may vote in person at the annual meeting or through a proxy. However, even if you plan to attend the annual meeting in person, the Board urges you to submit your vote as soon as possible by mail, telephone or the Internet. The telephone and Internet voting procedures are designed to authenticate votes cast by use of a personal identification number. These procedures allow unitholders to appoint a proxy to vote their units and to confirm that their instructions have been properly recorded. Instructions for voting by telephone and over the Internet are included on the accompanying proxy card, which solicits proxies on behalf of the Board of CFMI. All of the Partnership units represented by proxies properly received prior to or at the annual meeting and not revoked will be voted in accordance with the instructions indicated in the proxies. If you own units directly and submit a proxy, on or as instructed in the accompanying form, but do not provide voting instructions on your proxy, the units represented by your proxy will be voted for the election as Class II Directors of the Board s nominees, Mr. Hanrahan, Ms. Shanahan, and Ms. Smithart-Oglesby, and in favor of each of Proposals 2 and 3 and in the discretion of the proxies upon such other business as may properly come before the meeting, in each case whether or not any other nominations are properly made at the meeting.

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If you hold units indirectly in a brokerage account or through a bank or other nominee, you are considered to be the beneficial owner of units held in street name and these proxy materials are being forwarded to you by your broker or nominee. As the beneficial owner, you have the right to direct your broker how to vote. Under New York Stock Exchange rules, unless you furnish specific voting instructions, your broker is not permitted to vote your units on the election of a director or on the advisory vote on executive compensation. Your broker is permitted to vote your units on the appointment of our independent registered public accounting firm, even if you do not furnish voting instructions. If your units are held in street name, your broker or other nominee may have procedures that will permit you to vote by telephone or electronically through the Internet.

Any proxy given on the accompanying form or through the Internet or telephone may be revoked by the person giving it at any time before it is voted. Proxies may be revoked, or the votes reflected in the proxy changed, by submitting a properly executed later-dated proxy to our Corporate Secretary at One Cedar Point Drive, Sandusky, Ohio, 44870, before the vote is taken at the annual meeting or attending the annual meeting and voting in person. If your units are voted through your broker or other nominee, you must follow directions received from your broker or other nominee to change your voting instructions.

If you have more questions about the proposals or if you would like additional copies of this document you should call or write:

Morrow & Co., LLC

470 West Avenue

Stamford, CT 06902

Please call: (203) 658-9400 or

Call toll free at: (800) 662-5200 or (800) 607-0088

email: FUN.team@morrowco.com

web address: www.morrowco.com

Record Date; Voting Rights; Quorum; Vote Required

CFMI has fixed the close of business on April 10, 2015 as the record date for unitholders entitled to notice of and to vote at the annual meeting. Only holders of record of units on the record date are entitled to notice of the annual meeting and to vote at the annual meeting. Each holder of record of limited partner units as of the record date is entitled to cast one vote per unit on each of the proposals. You may obtain directions on attending the annual meeting and voting in person by calling our Investor Relations Department at (419) 627-2233.

The presence in person or by proxy of holders of a majority of the units entitled to vote at the annual meeting will constitute a quorum for the transaction of any business. In case a quorum is not present, the meeting may be adjourned without notice other than an announcement at the time of the adjournment of the date, time and place of the adjourned meeting. The nominees receiving the greatest number of votes cast for the election of Directors by the units represented at the annual meeting in person or by proxy will be elected. The affirmative vote of a majority of the units represented at the annual meeting in person or by proxy is required to confirm the Audit Committee s appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2015. The advisory vote to approve the compensation of our named executive officers requires the affirmative vote of a majority of units represented in person or by proxy and voting at the annual meeting. The vote is advisory, and therefore not binding on the Company, the Compensation Committee or our Board. However, the Compensation Committee will consider the voting results when making future decisions regarding executive compensation as it deems appropriate.

Abstentions will be counted for purposes of establishing a quorum at the annual meeting, will be counted as votes cast and will have the effect of a vote against a proposal. Broker non-votes will be counted for purposes of establishing a quorum but will not be counted as votes cast.

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As of April 10, 2015, there were approximately 55,951,761 units outstanding and entitled to vote at the annual meeting, held by approximately 6,000 holders of record. As of April 10, 2015, the Directors and executive officers of the general partner and their affiliates beneficially owned 987,853 units (which includes 363,841 vested options), or approximately 1.8% of the total units outstanding on that date. See Security Ownership of Certain Beneficial Owners and Management.

PROPOSAL ONE. ELECTION OF DIRECTORS

The Board of Directors of CFMI currently is comprised of nine directors. The Directors are divided into three classes: Class I, Class II, and Class III, and each class consists of three Directors. The terms of the Directors in Class II expire at this annual meeting. Our current Class II Directors are Daniel J. Hanrahan, Lauri M. Shanahan, and Debra Smithart-Oglesby.

At this meeting, Daniel J. Hanrahan, Lauri M. Shanahan, and Debra Smithart-Oglesby are nominated by the Board for election as Class II Directors to serve for three-year terms expiring at the annual meeting in 2018 and until their respective successors are duly elected and qualified. The Nominating and Corporate Governance Committee has recommended, and the Board of Directors unanimously has approved, the nomination of Mr. Hanrahan, Ms. Shanahan, and Ms. Smithart-Oglesby, to whom we refer to in this proxy statement as the Board s nominees.

The Board believes that the attributes, skills and qualifications that Mr. Hanrahan, Ms. Shanahan, and Ms. Smithart-Oglesby have developed through their extensive leadership experience across finance, travel, leisure and consumer-facing industries and their unique insights and perspectives make them exceptionally qualified to serve on the Board. Mr. Hanrahan, Ms. Shanahan, and Ms. Smithart-Oglesby will qualify as independent directors under the NYSE rules and our Corporate Governance Guidelines.

Each nominee has agreed to stand for election and has consented to being named in this proxy statement and to serve if elected. While the Partnership has no reason to believe that any of its nominees will be unable or unwilling to serve as a Director at the time of the annual meeting, in the unlikely event that any of them does not stand for election, the Board may reduce the number of Directors standing for election, or the proxies may use the accompanying proxy to vote for a replacement nominee recommended by the Board, whether or not any other nominations are properly made at the meeting. The nominees who receive the greatest number of votes cast for the election of Directors at the annual meeting by the units present in person or by proxy and entitled to vote will be elected. Set forth below is biographical and other information about the Board s nominees and the continuing Directors, including information concerning the particular experience, qualifications, attributes and skills that led the Nominating and Corporate Governance Committee and the Board to determine that each should serve as a Director.

The Board of Directors unanimously recommends a vote FOR these nominees.

Nominees recommended by the Board for election as Class II Directors serving until 2018:

Daniel J. Hanrahan, age 57, brings more than 30 years of experience, including a variety of sales and marketing, general manager, president and chief executive officer roles across the consumer packaged goods, retail, travel and hospitality sectors. Since August 2012 he has served as the president and chief executive officer and director of the Regis Corporation (NYSE: RGS) a global leader in beauty salons and cosmetology. Prior to joining Regis he served as president and CEO of Celebrity Cruises, a cruise line and division of Royal Caribbean Cruises (NYSE: RCL) from 2007 to 2012. He was promoted to president in 2005 and to CEO in 2007 after his highly successful management of the sales and marketing division for Royal Caribbean. Prior to joining Royal Caribbean, Mr. Hanrahan served in executive-level positions with Polaroid Corporation and Reebok International Ltd. In 2004, he was named one of the Top 25 Extraordinary Minds in Hospitality Sales and Marketing by Hospitality and Sales Marketing Association International. Mr. Hanrahan has served as a Director since June 2012 and is a member of the Audit and Compensation Committees. Mr. Hanrahan is qualified to serve on the

Board of Directors primarily as a result of his significant executive-level experience across a wide spectrum of consumer-facing brands, including in the retail, travel and hospitality sectors, as well as his over 30 years of experience in sales and marketing.

Lauri M. Shanahan, age 52, is a seasoned retail executive with more than 20 years of broad-based experience across global, multi-channel, multi-brand enterprises as well as other retail and consumer product companies, including Gap, Inc. (NYSE: GPS). She joined Gap, Inc., a leading global apparel retail company, in 1992 and served in numerous leadership roles including chief administrative officer, chief legal officer and corporate secretary during her 16-year career with the company. She currently serves on the board of directors and chairs the Compensation Committees of both Deckers Brands (NYSE: DECK), a footwear, accessories and apparel lifestyle company with a portfolio of premium brands and $1.8B in revenues, and Charlotte Russe Holding, Inc., a retailer of fashionable, value-priced women s apparel, footwear and accessories with over 500 stores. In addition, Ms. Shanahan is a principal with Maroon Peak Advisors, which provides a broad range of advisory services in the retail and consumer products sector. Ms. Shanahan also serves on the California State Personnel Board, which oversees the recruitment, selection and promotion process for prospective and current state employees who provide critical services to the citizens of California. Ms. Shanahan has served as a Director since June 2012 and is a member of the Nominating and Corporate Governance Committee. Ms. Shanahan is qualified to serve on the Board of Directors primarily as a result of her substantial public company management and leadership experience in the consumer goods and retail industries, which includes strategic, operational, legal and risk oversight experience, as well as her experience on the two boards on which she currently serves.

Debra Smithart-Oglesby, age 60, is a former certified public accountant with more than 30 years of financial and corporate leadership experience in the food service and retail industries. Since 2006, she has served as the chair of the Board of Directors of Denny s Corporation (NASDAQ: DENN), a full-service, family-style restaurant chain with approximately 1,700 eateries throughout the United States and nine countries. She joined the Denny s Board in 2003 and was the company s interim chief executive officer in 2010-2011. Since 2000, she has been the president of O&S Partners, an investment capital and consulting services firm that invests in and provides consulting services to early-stage and transitioning hospitality and retail companies. Prior to joining O&S, Ms. Smithart-Oglesby helped to launch Dekor, Inc., a start-up company in the home improvement and decorating retail segment, as its chief financial officer. From 1997 to 1999, she was the president, corporate services and chief financial officer of First America Automotive, Inc., a new and used car retailer sold to Sonic Automotive. Prior to that, she spent 13 years as the executive vice president and chief financial officer for Brinker International (NASDAQ: EAT), one of the world s leading casual dining restaurant companies. She held the position of chief financial officer and served on the Brinker Board from 1991 to 1997. Ms. Smithart-Oglesby has served as a Director since June 2012 and is a member of the Audit and Compensation Committees. Ms. Smithart-Oglesby is qualified to serve on the Board of Directors primarily as a result of the extensive management and leadership skills she has developed through her executive and board-level experience in the hospitality and retail industry, as well as her experience as a former certified public accountant for more than 30 years.

Class I Directors serving until 2016:

Eric L. Affeldt, age 57, has been president and chief executive officer of ClubCorp Inc. (NYSE: MYCC), which owns or operates a network of golf and country clubs, business clubs, sports clubs and alumni clubs, since 2006. Prior to joining ClubCorp, he was a principal of KSL Capital Partners, the private equity firm that purchased ClubCorp in 2006. Mr. Affeldt also previously served as president and CEO of KSL s former golf division, KSL Fairways, vice president and general manager of Doral Golf Resort and Spa in Miami and the combined PGA West and La Quinta Resort and Club in California and was a founding partner of KSL Recreation. In addition, he was president of General Aviation Holdings, Inc. Mr. Affeldt was selected as the non executive Chairman of the Board in 2012 and has served as a Director since 2010. Mr. Affeldt is an ex-officio member of the Audit, Compensation, and Nominating and Corporate Governance Committees. Mr. Affeldt is qualified to serve on the Board of Directors primarily as a result of his experience as president and CEO of a nationally recognized company that conducts business in the entertainment and leisure industry.

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John M. Scott, III, age 49, has served as president and chief executive officer and a director of Belmond Ltd. (NYSE: BEL), (previously Orient-Express Hotels Ltd. (NYSE: OEH)), a company engaged in the luxury hotel, restaurant, tourist train and cruise businesses, since November of 2012. Prior to joining Belmond Ltd., he served as president and chief executive officer of Rosewood Hotels & Resorts, an international luxury hotel and resort company, from 2003 through August 2011. Prior to that he was the managing director of acquisitions and asset management for Maritz, Wolff & Co., a private equity real estate investment group. Mr. Scott began his career with the Interpacific Group where he held senior hotel management positions in the Asia Pacific region and in 1994 joined the Walt Disney Company (NYSE: DIS) as manager of business development and strategic planning for both Disney Development Company and Walt Disney Attractions groups. Mr. Scott served on the board of Kimpton Hotels and Restaurants, a private company until 2012. At Cedar Fair Mr. Scott is the Chairman of the Nominating and Corporate Governance Committee and has served as a Director since 2010. Mr. Scott is qualified to serve on the Board of Directors primarily as a result of his past experience and current role as president and CEO of a nationally recognized company that conducts business in the hotel industry.

D. Scott Olivet, age 52, is the chief executive officer of Renegade Brands, an investment company that primarily invests in apparel and other consumer companies, and an operating partner at Altamont Capital Partners, a private equity firm. He also serves as the executive chairman of RED Digital Cinema, an American manufacturer of digital cinematography tools, a position he has held since July 2009. Mr. Olivet was the non-executive chairman of Collective Brands, a parent company that owns shoe retailers and manufacturers, from June 2011 to October 2012. From 2005 to July 2009, Mr. Olivet served as chief executive officer and director of Oakley, a manufacturer of sports performance equipment, and from July 2009 to February 2011 served as its chairman of the board. Prior to joining Oakley, Mr. Olivet served as vice president of NIKE Subsidiaries and New Business Development where he was responsible for the Hurley, Converse, Cole Haan, Bauer Hockey, and Starter brands; senior vice president of Real Estate, Store Design, and Construction with Gap Inc. with responsibility across Gap, Banana Republic, and Old Navy brands; and as a partner with Bain & Company where he was also the leader of the worldwide practice in organizational effectiveness and change management. He has served as a director of RED Digital Cinema Camera Company since 2006, a director of Skullcandy (NASDAQ: SKUL) serving as a member of its audit committee and chair of the compensation committee since 2011, a trustee of Pomona College since 2009 and vice-chair of its audit committee since 2011, and a director of the Pacific Council on International Policy since July 2010. He also serves as chairman of the board for both Dakine and Mervin Manufacturing since November 2013 and is a member of the boards of HUF Worldwide, Inc., since October 2014, Brixton Manufacturing, since October 2014, Fox Head, Inc., since December 2014, and Hybrid Apparel, since December 2014. He served as a director of Collective Brands from 2006 to 2012. Mr. Olivet has served as a Director since 2013 and is a member of the Audit Committee. Mr. Olivet is qualified to serve on the Board of Directors primarily as a result of his particular knowledge and professional experience in retail, merchandising, marketing, finance, strategy, technology, international business, and his multi-division general management experience from his past public board experience and service as president and CEO of a nationally recognized company that conducts business in the retail industry.

Class III Directors serving until 2017:

Gina D. France, age 56, is president and CEO of France Strategic Partners LLC, a private strategic planning and transaction advisory firm. Before founding France Strategic Partners, Ms. France was a Managing Director with Ernst & Young LLP and led the firm s Center for Strategic Transactions® (CST) in Cleveland, Ohio. Ms. France previously served as a managing director of Ernst & Young Corporate Finance LLC and as an investment banker with Lehman Brothers. Ms. France also serves on the Corporate Board of FirstMerit Corporation (NYSE: FMER), a $24 billion bank holding company, where she is chair of the Governance and Nominating Committee and serves as an SEC-designated financial expert on the Audit Committee; was appointed to the Board of Directors of CBIZ, Inc. (NYSE: CBZ) in February 2015; and has served as a Director of Dawn Food Products, Inc., one of the world s largest manufacturers and distributors of bakery products. Ms. France, who has served as a Director since 2011, is the Chairperson of the Audit Committee and is a member of the Nominating and Corporate Governance Committee. Ms. France is qualified to serve on the Board of

Directors because of her leadership experiences in the investment banking, accounting and financial services field and her experiences as a board member of several nationally recognized companies.

Matthew A. Ouimet, age 57, has been president of the Partnership s General Partner since June 2011 and chief executive officer since January 2012, and a member of the Board of Directors since August 2011. Mr. Ouimet was president and chief operating officer for Corinthian Colleges, a publicly traded company that owns and manages for-profit colleges throughout the United States and Canada, from July 2009 to October 2010 and was executive vice president-operations for Corinthian Colleges from January 2009 to June 2009. Prior to joining Corinthian Colleges, he served as president, Hotel Group for Starwood Hotels and Resorts Worldwide from August 2006 to September 2008. Before joining Starwood, Mr. Ouimet spent 17 years at The Walt Disney Company, where he last served as President of the Disneyland Resort. He also served in a variety of other business development and financial positions during his employment with Disney, including president of Disney Cruise Line and executive general manager of Disney Vacation Club. This experience, Mr. Ouimet s leadership and management skills and his insights as Cedar Fair s president and chief executive officer provide guidance, operational knowledge and management perspective to the Board.

Tom Klein, age 52, has served as chief executive officer and president and a director of Sabre Holdings (NASDAQ: SABR), a technology solutions provider to the global travel and tourism industry, since August 2013. Its subsidiaries include Sabre Travel Network and Sabre Airline and Hospitality Solutions. Prior to becoming CEO, Mr. Klein served in a number of leadership roles at Sabre, including company president since January 2010 and group president of Sabre Travel Network and Sabre Airline Solutions. Before joining Sabre in 1994, he held a variety of sales, marketing and operations roles at American Airlines (NASDAQ: AAL) and Consolidated Freightways, Inc. In 2010, he was appointed to the Board of Directors for Brand USA by the U.S. Secretary of Commerce and currently serves as vice chairman. He also serves on the executive committee of the World Travel and Tourism Council. Mr. Klein has served as a Director since January 2012 and is Chairman of the Compensation Committee. Mr. Klein is qualified to serve on the Board of Directors primarily as a result of his experience as president and chief executive officer of a company in the technology and travel industry and brings an understanding of distribution and technology solutions to the Board.

PROPOSAL TWO. APPOINTMENT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed Deloitte & Touche LLP (Deloitte) as our independent registered public accounting firm to audit our consolidated financial statements for 2015 and requests that our unitholders confirm that appointment. Deloitte audited our consolidated financial statements and our internal control over financial reporting for 2014. A representative of Deloitte will be present at the annual meeting and will be given an opportunity to make a statement and to respond to appropriate questions.

If our unitholders do not confirm our appointment of Deloitte, the Audit Committee will reconsider whether to retain Deloitte, and may retain that firm or another firm without re-submitting the matter to our unitholders. In all cases, the Audit Committee retains its right to appoint a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and the interests of our unitholders. The affirmative vote of a majority of the units represented in person or by proxy at the annual meeting is required for ratification.

The Board of Directors unanimously recommends a vote FOR Proposal Two to confirm the Audit Committee s appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2015.

PROPOSAL THREE. ADVISORY VOTE ON OUR NAMED EXECUTIVE OFFICER COMPENSATION

We are seeking an advisory vote of our unitholders on the compensation of our named executive officers, which we are providing as required pursuant to Section 14A of the Securities and Exchange Act of 1934, as amended. As recommended by our unitholders and approved by the Board, we provide this opportunity annually, and the next unitholder advisory vote on the compensation of our named executive officers will occur at our 2016 annual meeting. We encourage you to review the detailed information regarding our named executive officer compensation provided in the Compensation Discussion and Analysis section and the executive compensation tables and related narratives included in this proxy statement.

Cedar Fair has a long-standing tradition of delivering results for our unitholders, and we believe that our compensation program is structured to best support that continued growth and success. The compensation of our named executive officers for 2014 reflected several years of record results, including the results that we achieved in 2014, and the strong performance of our executive team. Performance highlights for 2014 are provided in detail on page 12 in the Compensation Discussion and Analysis section.

In 2013, we undertook an annual review of our executive compensation program to identify ways to further improve our program and to maintain best practices and the integrity of our compensation process. For 2014, we instituted the following modifications to our compensation program to enhance our current performance based approach and to emphasize long-term value creation:

- Increased the performance threshold for the payout under our short-term incentive program from 85% to 90% of target consolidated Adjusted EBITDA goal for the annual cash incentive program with no payout under such program if the threshold is not met or if we are unable to pay distributions to our unitholders due to loan covenants.

- Improved share usage efficiency and increased alignment of management s financial interest with unitholders interests through long-term incentive program modifications, including adjusting the mix of long-term incentive compensation to eliminate the utilization of unit options and increase performance units to 60% and time based restricted units to 40% of the equity compensation mix.

- Further enhanced the performance focus of the compensation for our CEO, CFO, & COO in 2014 by making a significant portion of their increased compensation opportunities incentive based.

- Made a supplemental award to our CEO tied to relative total unitholder return to recognize his key role in our growth and to incentivize his continued stewardship and focus on our strategic plan.

- Standardized our executive employment contracts (except with our CEO) and entered into multi-year employment agreements with our named executive officers. We believe that these multi-year agreements foster long-term retention while still allowing the Compensation Committee to exercise considerable discretion in designing incentive compensation programs.

We ask that you support the compensation of our named executive officers. Although this vote is advisory and nonbinding in nature, the Board and the Compensation Committee value the opinion of our unitholders and will consider the voting results when determining our compensation policies, philosophy and arrangements in the future.

The Board of Directors unanimously recommends a vote FOR Proposal Three to approve, on an advisory basis, the compensation of our named executive officers, as described in the Compensation Discussion and Analysis section, the compensation tables and the related narratives in this proxy statement.

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BOARD MATTERS AND CORPORATE GOVERNANCE

Board of Directors

The Board met five times in 2014. Committees of the Board met from time to time upon call of the Chairman of the Board or individual Committee Chairs. During 2014, each Director attended at least 75% of all of the meetings of the Board, inclusive of applicable committee meetings. Directors are expected to attend all meetings of the Board, meetings of the Committees on which they serve and the annual meeting absent occasional, unavoidable circumstances. All current board members attended the 2014 annual meeting.

Executive sessions of all non-employee independent Directors are scheduled in conjunction with each regularly scheduled board meeting and were held five times during 2014. These executive sessions are attended by non-employee Directors only, and the non-executive independent Chairman presided at each executive session.

In addition to the independence criteria contained in the NYSE listing standards, the Board has adopted additional standards to determine Director independence. These standards are located in the Corporate Governance Guidelines, which are available on the Partnership s Investor Relations website at http://ir.cedarfair.com/. The Board has affirmatively determined that current Board members Gina D. France, Lauri Shanahan, Daniel Hanrahan, Debra Smithart-Oglesby, Eric L. Affeldt, John M. Scott III, D. Scott Olivet and Tom Klein meet the independence criteria of the NYSE listing standards and our Corporate Governance Guidelines. The Board has determined Mr. Ouimet is not independent because he is an executive officer of the Partnership.

Communication with the Board

Unitholders and interested parties may communicate directly with the Board by sending communications to the attention of Duffield Milkie, Corporate Secretary, One Cedar Point Drive, Sandusky, Ohio 44870-5259. The correspondence will be forwarded to the Chair of the Nominating and Corporate Governance Committee who will review the correspondence and take action accordingly.

We have a toll-free hot-line that is available to anyone, including unitholders, who wishes to bring a matter to the attention of the non-employee Directors. The telephone number of the hot-line is 800-650-0716. The Audit Committee of the Board of Directors is charged with reviewing information received and taking appropriate action as necessary.

Board Leadership Structure and Risk Oversight

The Board is committed to strong leadership and effective corporate governance, including appropriate oversight of management. As part of our planning process for CEO succession and transition, as well as in response to our unitholders advisory vote on the leadership structure in January 2011, we modified our Board leadership structure at the beginning of 2011 to separate the roles of the Chief Executive Officer and the Chairman. Mr. Affeldt serves as our non-executive, independent Chairman. The Board reviews and evaluates the appointment of the non-executive, independent Chairman on a periodic basis.

The Board plays a direct role in monitoring and mitigating risks to the Partnership broadly and also administers its risk oversight role through its committee structure and the committees reports to the Board. The Board regularly reviews information regarding credit, liquidity and operational risk, and management identifies and prioritizes other material risks. The Audit Committee meets frequently during the year (five times in 2014) and discusses with management and the Partnership s independent registered public accountant: (1) current business trends affecting the Partnership; (2) major risks facing the Partnership; (3) steps management has taken to monitor and control such risks; and (4) adequacy of internal controls that could significantly affect the

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Partnership s financial statements. The Audit Committee also reviews the Partnership s enterprise risk management process for identification of and response to major risks. The Audit Committee Chairperson provides the Board with regular reports concerning its risk oversight activities. In addition, the Compensation Committee annually assesses the Partnership s compensation programs to ensure they do not encourage excessive risk taking by employees which could result in a material adverse impact on the Partnership. The Board of Directors is kept abreast of the Compensation Committee s risk oversight and other activities via regular reports of the Committee Chairperson to the full Board.

Board Committees

The Board has three committees: an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. Each Committee is composed entirely of independent Directors, as that term is defined in the NYSE listing standards and CFMI s Corporate Governance Guidelines, and each member of the Audit Committee is independent as required under Section 301 of the Sarbanes-Oxley Act of 2002. Each Committee s charter, the Corporate Governance Guidelines and the Code of Conduct and Ethics are available on the Partnership s Investor Relations website at http://ir.cedarfair.com/ and available in print to any unitholder upon request. Each Committee conducts an annual evaluation of its performance, and the Nominating and Corporate Governance Committee annually conducts an evaluation of the Board and its Committees.

The members of the Board and the Committees of the Board on which they serve as of the date of this proxy statement are identified below.

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Matthew A. Ouimet			
Eric Affeldt (1)	*	*	*
Daniel Hanrahan	*	*	
Gina D. France	**		*
Tom Klein		**	
Lauri Shanahan			*
John M. Scott III			**
Debra Smithart-Oglesby	*	*	
D. Scott Olivet	*		

* Member
** Committee Chair
(1) Chairman

The Audit Committee is responsible for appointing and meeting with the Partnership s independent registered public accounting firm and for assisting the Board in its oversight of the financial statement reporting, internal audit and risk management functions. The Audit Committee met five times in 2014. The Board has determined that each Committee member is financially literate, and Gina D. France and Debra Smithart-Oglesby are the designated financial experts. The Audit Committee s report is on page 64 of this proxy statement.

The Compensation Committee is responsible for reviewing the Partnership s compensation and employee benefit policies and programs, and recommending related actions, as well as executive compensation decisions and succession planning matters, to the Board of Directors. The Compensation Committee is also responsible for recommending the fees paid to the Directors and Board Committee members for services in those capacities. The Compensation Committee met four times in 2014. The Compensation Committee Report is on page 60 of this proxy statement. Compensation decisions for the chief executive officer are made by the Compensation Committee, together with the Board of Directors, based upon its review of his performance and the performance of the Partnership. The Committee makes recommendations to the Board of Directors with respect to non-CEO compensation, incentive compensation plans and equity-based compensation based on discussions with and recommendations of the chief executive officer. On an annual basis, the chief executive officer reviews all of his direct reports, including the other named executive officers, and all of the executive vice presidents and park general managers. See Compensation Discussion and Analysis Determining Executive Compensation for additional detail.

The Nominating and Corporate Governance Committee is responsible for recommending criteria for service as a director, identifying qualified Director nominees to enhance the Board and for playing a leadership role in shaping the governance of CFMI. The Committee considers diversity of experience and background when selecting candidates. The Committee believes candidates for the Board should have the ability to exercise objectivity and independence in making informed business decisions; the highest integrity; extensive knowledge, experience and judgment; loyalty to the interests of the Partnership and its unitholders; and a willingness to devote the extensive time necessary to fulfill a Director s duties. Although CFMI does not have a formal policy on diversity in the selection of candidates for the Board, the Committee considers diversity in its nominating process, including factors such as education, career and professional experience, independence, skills and personal characteristics, and understanding of and experiences in management, finance and marketing in the Partnership s industry as well as other industries. The Committee reviews these factors as well as the other qualifications outlined above and strives to create a Board of Directors with a variety of complementary skills and experiences, both personal and professional. The Committee conducts appropriate inquiries into the background and qualifications of Board candidates meeting these criteria. In 2014, the Nominating Committee met three times.

The Nominating and Corporate Governance Committee will consider qualified nominees recommended by unitholders for membership on the Board. If a unitholder wishes to recommend an individual for membership on the Board, that recommendation can be sent to the attention of Duffield Milkie, Corporate Secretary, One Cedar Point Drive, Sandusky, Ohio 44870-5259. In addition, limited partners may nominate one or more persons for election or reelection to the Board at an annual meeting in accordance and compliance with the notice, procedural, informational and other requirements of our Partnership Agreement. See Unitholder Proposals and Nominations for the 2016 Annual Meeting for additional information.

Compensation Committee Interlocks and Insider Participation

None of our Directors who served on the Compensation Committee during 2014 were current or former officers or employees of the Partnership or had any relationship with us that would be required to be disclosed by us under applicable related party requirements. There are no interlocking relationships between the Partnership s executive officers or Directors and the board or compensation committee of another entity.

Unit Ownership Guidelines

The Board adopted unit ownership guidelines in March 2012 for our chief executive officer and his direct reports. The chief executive officer is required to hold units having a value of four times his base salary, and his direct reports are required to hold units with a value of two times their base salaries. The chief executive officer s direct reports currently include the chief operating officer, the executive vice president and chief financial officer, the senior vice president of planning & design, the executive vice president and general counsel, the executive vice president and chief marketing officer and the senior vice president of administration. Executives have five years from the adoption of the guidelines (for current executive officers) and five years from becoming an executive officer (for new executive officers) to gain compliance with the guidelines. The Board reviews compliance with the guidelines annually. As of April 2015, the chief executive

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officer and his direct reports were all in compliance with the guidelines. Units held directly or beneficially owned, units held in benefit plans (e.g., in 401(k) accounts), performance units (as if earned at 100% of target), vested and unvested restricted units and phantom units will be counted for purposes of determining compliance with the unit ownership guidelines.

The Board also revised the unit ownership guidelines for the Directors in March 2012. Under the current guidelines, Directors are required to accumulate units equal to four times the annual cash retainer within four years of January 1, 2011 (for Directors serving on the Board at that date) and within four years of becoming a Director (for new Directors). As of April 2015, all directors were in compliance with the guidelines.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes our compensation philosophy and objectives, our methods for determining the elements and mix of executive compensation, and the reasons that we have elected to pay these particular elements of compensation. The following summary highlights our 2014 business results and the impact of those results on our compensation decisions as well as actions we have taken recently to update and enhance our compensation programs. This information should be read in conjunction with the compensation tables, related narratives, and notes contained later in this proxy statement.

Following the summary is a detailed discussion of our philosophy and practices regarding the compensation awarded to, earned by, and paid to the following individuals, who were our named executive officers for 2014:

- Matthew A. Ouimet, our President and Chief Executive Officer
- Brian C. Witherow, our Executive Vice President and Chief Financial Officer
- Richard A. Zimmerman, our Chief Operating Officer
- Duffield E. Milkie, our Executive Vice President, Secretary and General Counsel
- H. Phillip Bender, our Executive Vice President, Operations

Summary

We believe that our compensation should be closely tied to Company and individual performance. To that end, in 2014:

- We increased total compensation opportunities in light of several years of record results and the strong performance of our executive team;
- We set challenging annual targets that resulted in us paying lower cash incentives than the prior year despite record breaking results;
- We exceeded our three-year performance targets and paid our long-term incentives above target consistent with the over-performance; and
- We made a supplemental award to our CEO tied to relative total unitholder return to recognize his key role in our growth and to incentivize his continued stewardship and focus on the execution of the Company s strategic plan.

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Company Financial Performance

The graphs below illustrate some of the key indicators of the Company s financial health and performance over the five-year fiscal period, 2010 2014

Cumulative Total Return[1] (448% 5-year total return)

1 Based upon initial investment of $100 on December 31, 2009 with dividends reinvested and calculated as a straight cumulative return.

Net Revenues

Adjusted EBITDA[(2)]

2 See Note 6 in Item 6, Selected Financial Data, on pages 15 to 16 of the Company s Form 10-K for fiscal 2014 for additional information regarding Adjusted EBITDA, including how we define and use Adjusted EBITDA, as well as a reconciliation from net income.

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Some of our financial results and other accomplishments we achieved for our unitholders in fiscal year 2014 include the following:

- Achieved fifth consecutive year of record net revenues, up 2% from 2013 to $1.16 billion;
- Record Adjusted EBITDA of $431 million representing a 1% increase from 2013;
- We refinanced a portion of our debt with a 10-year unsecured bond resulting in annual cash interest savings of approximately $13 million going forward;
- In November of 2014 we announced that in 2015 our annual cash distribution would increase 7% to $3.00 per limited partner unit, up from $2.80 per unit in 2014.

In 2014 we also advanced a number of important long-term initiatives that support our ability to grow our business in the years to come. These included:

- The introduction of FunTV and a new partnership with Time Warner Cable signed in July of 2014;
- Completion of the first phase of our two-year renovation project of the historic Hotel Breakers on Cedar Point s mile-long beach;
- Initiation of the first phase of a multi-year growth plan for Carowinds, our park located in the fast-growing Charlotte market;
- The completion of a new catering facility at California s Great America, which serves the park and the newly opened Levi s stadium;
- The testing of an All-Season Dining program at three parks which will now be rolled out across all of our parks in 2015; and
- The first edition of our Amusement Dark portfolio Wonder Mountain s Guardian at Canada s Wonderland, a new 4-D interactive dark ride, which has received multiple industry awards for innovation, including International Association of Amusement Parks and Attractions IMPACT award given to a new product judged to have the greatest impact on the industry.

Our Pay Governance Reflects Best Practices

We have been listening to our unitholders and maintaining and adopting best practices in pay governance. The Company maintains the following compensation and pay governance best practices:

- A majority of named executive officer compensation is contingent on corporate performance;

We have mandatory unit ownership guidelines of four times salary for our Chief Executive Officer and two times salary for his direct reports;

Incentive compensation is subject to clawback provisions for our Chief Executive Officer and his direct reports;

We do not provide excise tax gross ups ;

- We have an anti-hedging policy that restricts executive officers and directors from engaging in certain transactions such as puts or calls relating to the Partnership s securities;

- Our Compensation Committee is composed solely of directors who are independent under the standards of the SEC and the NYSE, including the heightened standards applicable to Compensation Committee members;

- Our independent Compensation Committee has retained Hay Group to advise and report directly to the Committee;

- We conduct an annual risk assessment of our compensation programs, which is led by Hay Group; and

- We offer our unitholders the opportunity to cast an advisory vote on our executive compensation every year.

Consideration of Last Year s Advisory Unitholder Vote on Executive Compensation

At the 2014 Annual Meeting of Limited Partner Unitholders, more than 96% of the units cast were voted to approve the compensation of the Company s named executive officers. The Compensation Committee believes that the strong unitholder support for the Company s pay practices in 2014 was a clear endorsement of our current performance-based approach, focused on long-term value creation. Therefore, the Compensation Committee has decided generally to continue its approach to executive compensation for 2015 and to maintain our emphasis on performance in the Company s executive compensation structure. The advisory vote at this Annual Meeting and future advisory votes on executive compensation will serve as an additional tool to inform the Compensation Committee in evaluating the alignment of the Company s executive compensation programs with the interests of the Company and its unitholders.

2014 Compensation Updates

For 2014, the Board of Directors instituted the following modifications to our compensation program to enhance our current performance-based approach and emphasize long-term value creation:

- Increased the minimum threshold from 85% to 90% for the target consolidated Adjusted EBITDA goal for our annual cash incentive program, with no payout under the program if the threshold is not met or if we are unable to pay distributions to our unitholders due to loan covenants;

- Modified the Long-Term Incentive Program to eliminate the utilization of options and change the long-term incentive mix in 2014 to 60% performance units and 40% time-based restricted units;

- Further enhanced the performance focus of the compensation for our CEO, CFO and COO in 2014 by making a significant portion of their increased compensation opportunities incentive-based;

- Supplemented Mr. Ouimet s 2014 Long-Term Incentive Program awards with a performance-based retention unit award tied to unitholder return versus our peer group and with a longer vesting schedule; and

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Standardized our executive employment contracts (other than with our CEO) and entered into multi-year employment agreements with Mr. Zimmerman, Mr. Witherow, Mr. Bender and Mr. Milkie. We believe that these multi-year agreements foster long-term retention while still allowing the Compensation Committee to exercise considerable discretion in designing incentive compensation programs.

Our executive compensation decisions continue to reflect our desire to attract and retain highly-qualified individuals while at the same time aligning executive compensation with unitholders interests, emphasizing performance-based compensation, directly tying compensation to Company performance and increasing insider equity ownership. As further explained below, each of our executive compensation decisions for 2014, including our decisions to increase base salary compensation for our executives, enhance long-term and short-term performance-based incentive awards to each of our named executive officers and to standardize our executive employment contracts, were made to further demonstrate our commitment to these goals.

Compensation Philosophy and Objectives

Our compensation program is designed to incentivize our key employees to drive superior results, to give key employees a proprietary and vested interest in our growth and performance, and to enhance our ability to attract and retain exceptional managerial talent upon who, in large measure, our sustained growth, progress and profitability depend. Our executive compensation structure rewards both successful individual performance and the consolidated operating results of the Company. Our executive compensation program is in large part designed around Adjusted EBITDA as the key performance objective. Adjusted EBITDA represents earnings before interest, taxes, depreciation, amortization, other non-cash items, and adjustments as defined in our current credit agreement. We use Adjusted EBITDA as the key measure of performance because it tracks core operating performance closely, it crosses park operating units, it is easy to track and report to our unitholders on a regular basis, and because it is helpful to evaluating free cash flow available for distributions which we believe is one of the key investment areas of focus for our unitholders. In the compensation context, for purposes of measuring performance against the targeted level of Adjusted EBITDA we use the functional currency of the country where the income or loss was earned (i.e. the Canadian dollar for our Canadian operations) in order to eliminate the impact of currency fluctuations on the results. For our cash plan, the target and performance calculations are based on earnings before incentive based compensation expenses.

Overall, our unitholder-approved incentive plan allows us to provide a mix of compensation that drives our management team to achieve strong annual results as well as deliver long-term value for all unitholders. Our compensation structure provides us with the flexibility to evolve our compensation philosophy and program from year to year, as the market, our business or the industry requires.

Determining Executive Compensation

We combine the compensation elements discussed below in a manner that we believe will optimize each executive s contribution to the Company. We recognize and consider many factors in assessing an individual s value. In general, we work within ranges of base salary commensurate with the executive s scope of responsibilities and use our cash incentive and unit-based award programs to challenge the executive to achieve superior annual and long-term results for the benefit of the Company and its unitholders. Because a significant portion of this compensation is dependent on performance results, an executive s actual total compensation can vary considerably if we have a year that exceeds, or fails to meet, expectations. We believe that this is a fair result and appropriately motivates our executives to achieve peak corporate performance over the long term. The range of targeted compensation is position dependent and may reflect how difficult we believe it would be to replace a particular person.

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Role of the Compensation Consultant

The Compensation Committee engaged Hay Group, an independent executive compensation consulting firm, to provide information on competitive practices and trends in our industry and make recommendations regarding the design of our compensation program and to assist with the annual review of compensation practices and an assessment of the effectiveness of these practices. Hay Group was retained by and reports directly to the Compensation Committee. Since their engagement in 2011, Hay Group has participated in almost all Compensation Committee meetings and has performed no other services for the Company or for management other than to provide advice and counsel to the Compensation Committee in accordance with the Compensation Committee s instructions from time to time.

Compensation Consultant Conflicts Assessment

In February of 2014, the Compensation Committee assessed the independence of the compensation consultant in accordance with the Securities and Exchange Commission (SEC) rules and concluded that the compensation consultant s work for the Compensation Committee does not raise any conflicts of interest.

In accordance with applicable SEC rules, the Committee took certain factors, which it believes may affect the independence of a compensation consultant, into consideration when selecting Hay Group. In particular, at the February 2014 meeting of the Committee, the Committee discussed: (i) whether any other services had been or were being provided by Hay Group to the Company, (ii) the amount of fees paid by our Company to Hay Group as a percent of Hay Group s total revenues, (iii) Hay Group s policies and procedures designed to prevent conflicts, a copy of which was provided to the Committee, (iv) Hay Group s ownership of Company units, and (v) any business or personal relationships between Hay Group and any Committee members or our Company s executive officers. Following the consideration of these factors the Committee made an affirmative determination that Hay Group is independent and unanimously approved the engagement of Hay Group.

2014 Plan Review

Per the Compensation Committee s instructions, Hay Group completed a market assessment and participated in a risk assessment of our executive compensation program for 2014 compensation strategy planning and made recommendations on possible changes to the program structure. The Hay Group analysis included a review of our cash incentive program and long-term incentive program. In August of 2013 Hay Group also conducted a study of compensation levels for certain of our executive positions as compared to compensation levels for similar positions at comparable companies, including levels of base salaries, target total cash compensation (i.e., base salary and target bonus) and total direct compensation (i.e., base salary, target bonus and long-term incentive).

The Hay Group study compared our current programs, practices and compensation levels to market data from published and private survey sources as well as proxy statement information on the then-current programs, practices and compensation levels of 19 peer companies. The selection of peer group members focused on U.S. publicly traded companies with a significant focus on recreation and entertainment, with similar business models to ours, with annual revenues between $^{1}/_{2}$ to 2 $^{1}/_{2}$ times our revenues and with a market capitalization comparable to ours. The goal was for peer group companies to meet the majority of these criteria. The Compensation

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Committee believes that the following peer group presented an accurate picture of industry practices for the 2014 fiscal year:

Bob Evans Farms	DSW, Inc.	Pinnacle Entertainment, Inc.
Buckle, Inc.	Finish Line, Inc.	Sea World Entertainment Inc.
Carmike Cinemas, Inc.	International Speedway Corp.	Six Flags Entertainment Corp.
Choice Hotels International, Inc.	Madison Square Garden Co.	Speedway Motorsports, Inc.
Cinemark Holdings, Inc.	Marcus Corporation	Texas Roadhouse, Inc.
DreamWorks Animation, Inc.	Marriott Vacations Worldwide	Vail Resorts, Inc.
*CEC Entertainment, Inc.		

* Removed from peer group in February 2014 due to acquisition by privately-held entity

The peer group meets the Company s established peer group criteria and the desired level of balance among the peer group companies in terms of revenue and market capitalization, and our review of compensation for fiscal year 2014 was based on this peer group. The Compensation Committee reviews this peer group periodically and, at a minimum, biannually. Therefore, we expect that the members of this group will be updated from time to time to ensure that they provide us with the most accurate picture of current industry practices. In keeping with the stated objective of a bi annual review the Compensation Committee, with the assistance of Hay Group, will undertake a peer group review in 2015.

While the Compensation Committee relies on compensation information from the peer group as a starting point in its executive compensation decision-making process, the Committee also continues to exercise its judgment and retains considerable discretion. In particular, the Committee considers a variety of additional factors when setting compensation levels, including recent and projected Company performance, growth and returns to unitholders, the significant industry expertise of the team, recent individual performance, individual performance expectations, survey data, general industry practices and general economic conditions and retention goals.

In determining 2014 executive compensation, we used the data from the peer group and survey data to assess market practices for executive pay. Our objective was to provide base salaries within a competitive range relative to the 50^{th} percentile of our peer group and to provide total direct compensation that is between the 50^{th} and 75^{th} percentiles of our peer group and aligned with survey based data. In 2013, the target total direct compensation of certain of our named executive officers fell below the targeted percentile range for the identified peer group. As a result, in the fall of 2013 the Compensation Committee in consultation with Hay Group reviewed and made adjustments to executive compensation levels of certain officers in order to better align executive pay with the targeted percentile range and in light of the other considerations discussed above.

The Compensation Committee and Hay Group together reviewed the peer group and survey data and interacted extensively, discussing the appropriate mix of compensation to retain executives and drive performance, certain unique features of our company, our goal to increase alignment with our unitholders through required executive unit ownership guidelines and the mechanics and costs of various compensation features. At the request of the Compensation Committee, Hay Group reviewed and recommended certain modifications to our cash incentive and long-term incentive programs, including the utilization of a different mix of unit-based award opportunities than what has been used in recent years and the Compensation Committee adopted the recommended enhancements, all of which were in place for 2014.

Roles of the Board of Directors, the Compensation Committee and Our Chief Executive Officer

Although our Board makes the final compensation decisions for the named executive officers, the process of determining compensation is a collaborative one between the Board, Compensation Committee and the chief executive officer. Our chief executive officer dedicates time annually to review all of his direct reports, including the other named executive officers, as well as all of the executive vice presidents and the park general managers. He reviews each individual against budget targets (for the named executive officers), operational targets (for park managers) and achievement of individual performance objectives established before the operating season begins (where applicable) and he makes recommendations to the Compensation Committee regarding the compensation of each individual. The Compensation Committee then makes compensation determinations and adjustments when determined to be appropriate to the chief executive officer s recommendations in accordance with the applicable compensation plans and in turn reports its recommendations to the Board for its approval. Decisions regarding the chief executive officer s compensation are made by the Compensation Committee, together with the Board of Directors, based upon its review of his performance and the Company s performance.

The Board reviews compensation matters after the seasonal parks have closed and financial results for the season are available. The chief executive officer finalizes his evaluations of the other named executive officers performance against their established targets and achievement of their individual performance objectives and based upon that determination, prepares calculations with respect to cash incentive payouts and equity compensation awards for the current year, as well as recommendations for compensation adjustments for the coming year. The chief executive officer generally presents this report to the Compensation Committee and to the Board in October, and provides a final review in February of the subsequent year when financial results have been finalized and final review of the achievement of individual goals has been completed. Based on Company performance, park performance and individual performance, the Compensation Committee makes final calculations with regard to cash incentive payouts, equity compensation awards and recommends any compensation adjustments, subject to Board approval and final audited results.

Elements of 2014 Executive Compensation

Overview

Our executive compensation program is designed around total direct compensation-that is, the combination of base salary, annual cash incentive awards and long-term incentive compensation. In setting the appropriate level of targeted total direct compensation, the Compensation Committee seeks to establish each compensation element at a level that is both competitive and will attract and motivate top talent, while keeping the overall pay levels aligned with unitholders interests and job responsibilities.

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The following table sets forth each element of our executive compensation program and the principal objectives of that element:

Compensation Element	Principal Objectives
Base Salary	Fixed compensation element intended to reward core competencies, experience and required skills in senior leadership positions.
Annual Cash Incentive Awards Cash Incentive Compensation *Cash Bonus	Variable compensation element intended to reward contributions to our short-term business objectives and, achievement of individual goals.
Long-Term Incentive Compensation Restricted Unit Awards Performance Unit Awards *Unit Options *Time-Based Phantom Unit Awards	Variable compensation element intended to reward contributions to our long-term success, the achievement of our mission and key business objectives, and each named executive officer s commitment to the interests of our unitholders.
Retirement Benefits Section 401(k) Plan	The named executive officers may participate in the Company s 401(k) plan which is available to all our eligible employees.
Executive Perquisites and Health, Life and Disability Benefits	The named executive officers participate in employee benefit plans available to all our eligible employees, including health, life and disability plans. Perquisites and supplemental compensation believed to be reasonable and intended to enhance the competitiveness of compensation packages.
Change in Control and Termination Protection in Employment Agreements	Ensures continuity of management in the event of a change in control of the Company and protection if the executive s employment terminates for a qualifying event or circumstance.

*   No new awards in 2014

We seek to balance the compensation for each executive among the above elements in a manner designed to achieve our overall compensation objectives. In setting cash incentive and equity incentive components of compensation for each executive, we look to the relationship of those components to the executive s salary and consider the total direct compensation that is represented by salary, cash incentive awards and unit-based awards. The mix of compensation and relative levels of each element is position dependent and may vary year-to-year.

Compensation Mix 2014

For 2014, the Compensation Committee focused on the long-term incentive compensation plan design and was committed to adjusting the relative weighting of the incentive components to ensure that it continued to be consistent with market practices and was performance-based. In October of 2013, in consultation with Hay Group, we reviewed the total compensation of our executive officers in an effort to ensure alignment of the total direct compensation with applicable peer group and survey data. As a result of this review increases were made to the total compensation packages for the CEO, CFO and COO so that their targeted 2014 total direct compensation was better aligned with the established range of the 50th to 75th percentile of the peer group and survey data.

The Compensation Committee also reviewed the updates to the program made in 2012 and 2013 and identified additional refinements to our program for 2014. The Committee focused in particular on the long-term incentive compensation plan design and the short-term incentive performance goal scale. As a result of its October 2013 review, the Committee revised the mix of long-term incentive compensation to increase the relative percentage of performance-based units from 50% to 60%, to increase the relative percentage of time-based restricted units from 25% to 40% as part of the equity compensation mix for 2014. In addition, in the interest of efficient equity management, we also discontinued the use of options. The performance awards continue to have three-year performance periods, and payouts are based on the achievement of cumulative Adjusted EBITDA versus the target established for the 2014-2016 period based on the same payout scale as applied to the 2013 performance awards. The 2014 time-based restricted units vest in annual increments over a three-year period a change from the cliff-vesting that occurs at the end of the three-year restricted period applicable to the 2012 and 2013 restricted unit awards. Both the performance unit awards and restricted unit awards accrue distribution equivalents. The Committee decided to retain the cash incentive award program in substantially the same form, except to increase the threshold level of performance to 90% of the targeted level of Adjusted EBITDA and to increase the related threshold payout to 80% of the target award for 2014.

The graphic below illustrates the 2014 targeted total direct compensation mix for Mr. Ouimet. This chart includes the full grant date value of Mr. Ouimet s 2014 performance-based retention award and may not be reflective of the relative percentage mix of elements for a year in which he does not receive a similar award. Excluding Mr. Ouimet s 2014 performance-based retention award, the relative percentages of the other elements of his 2014 targeted total direct compensation mix would have been: salary (17%); target cash incentive (21%); restricted units (25%); and target 2014-2016 Adjusted EBITDA-based performance units (37%).

The graphics that follow illustrate the 2014 targeted total direct compensation mix for our CFO and COO and the 2014 targeted total direct compensation mix for our Executive Vice President and General Counsel and our Executive Vice President, Operations.

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Compensation Mix 2015

In light of the strong unitholder support of the compensation paid to our executive officers as evidenced by the results of the 2014 advisory vote and the continued delivery of strong results, we believe that our compensation program is structured to best support our continued growth and success. As a result the Compensation Committee decided to retain our general approach to executive compensation and did not make significant changes to our executive compensation programs for 2015.

Base Salary

We pay base salaries to provide a fixed amount of compensation that is not subject to performance-related risk commensurate with the executive s scope of responsibilities, performance, current compensation levels, tenure with the Company and other experience. We do not consider the earnings of prior long-term incentive awards or retirement plans when determining base salary compensation, as awards earned in prior years were earned for prior performance, and we do not believe they should be a factor in current compensation. Base salaries may be reviewed and adjusted from time to time, subject to the terms of applicable employment agreements. Based on the factors identified above, the Board, or the Compensation Committee, as the case may be, reviews and may adjust the base salary for each of the named executive officers on an annual basis and in connection with promotions or a substantial change in responsibilities. See Narrative to Summary Compensation and Grants of Plan Based Awards Tables Employment Agreements for additional information on the terms of the employment agreements.

The base salary for each named executive officer falls within a range, when considered together with the other elements of compensation, that the chief executive officer and Compensation Committee believe is appropriate on an individual basis. In reviewing the named executive officer s salary, the Compensation Committee generally considers, among other things:

- market data provided by our compensation consultant with respect to comparable positions;
- the individual named executive officer s performance, experience, skills and time in position; and
- the company s overall performance, returns to our unitholders and continued expectations for growth.

In light of such considerations, our named executive officers received merit based increases in base salary for 2014 to, among other things, recognize continued success in their executive roles, reward the executive s contribution to a fourth-straight record year of Adjusted EBITDA in 2013, and better align base pay with market-based comparables. The base pay increases were intended to move the base salaries for our named executive officers closer to the market-based percentile objective of 50% of our peer group. Base salaries have been further adjusted for 2015 following a similar review process. Base salaries for our named executive officers for 2015 and 2014 are indicated below:

Named Executive Officer	2014 Annual Salary	2015 Annual Salary
Ouimet	$900,000	$927,000
Witherow	$400,000	$416,000
Zimmerman	$525,000	$550,000
Milkie	$350,000	$368,000
Bender	$350,000	$361,000

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Cash Incentive Program

Our cash incentive awards provide a component of compensation that is contingent on the achievement of annual performance objectives and is designed to reward achievement of annual financial and operational goals. The performance objectives and percentage of base salary that may be earned as a cash incentive are determined for each named executive officer and approved by the Compensation Committee by March of the applicable year, unless revised during the negotiation of an employment agreement. The performance objectives may be individualized for each position and individual, may be expressed in multiple measures of performance, including individual, business unit, management unit and Partnership performance, and may be weighted differently between positions and individuals.

In 2012, upon the recommendation of the Compensation Committee the Board adopted a short-term cash incentive award program that included individual performance goals and Company performance goals, and that required that awards not be paid out if Company financial performance falls below a threshold level. For 2014, 85% of the target cash incentive awards for our named executive officers were based on an approved target consolidated Adjusted EBITDA for the fiscal year of $438 million and 15% of the target awards were based on the achievement of individual performance goals.

Payouts of the Company performance-based portion of the award were based on specified threshold, target and maximum levels of performance as compared to the targeted level of Adjusted EBITDA of $438 million and were interpolated for performance between those levels. Payouts of the company performance-based portion of the 2014 cash awards were calculated at the following scale (with amounts interpolated between the various levels): Adjusted EBITDA of less than 90% of the target will result in a 0% payout; Adjusted EBITDA of 90% of the target, 80% payout; Adjusted EBITDA of 100% of the target, 100% payout; and Adjusted EBITDA of 105% or more, payout at 150%. For purposes of measuring performance against the targeted level of Adjusted EBITDA, we adjusted the target and actual performance to exclude the cost of our performance-based incentive plans and used the Canadian dollar for income or loss from our Canadian operations (i.e. the functional currency). Payout of the individual performance-based portion of the award was dependent on the achievement of a specified threshold, target or maximum number of individual performance goals, with payout at 50%, 100% and 150% for the 2014 awards. Maximum payout of the cash incentive awards were limited to 150% of the target award, and no cash incentive awards were eligible to be paid to the executives in the event that Adjusted EBITDA fell below the threshold level of performance or the Company was not able to pay a distribution during the applicable year due to loan covenants.

Our employment agreements generally require the executive to be employed at year end to receive a cash incentive for that year, but protect the executives against forfeiting these awards in qualifying termination scenarios. As a result, these awards are designed not only to motivate performance but also to encourage retention of key employees.

For 2014, the cash incentive opportunities for our chief executive officer and his direct reports included a clawback provision. This clawback provision has a 24-month look back and is triggered upon a financial restatement that results in lower bonus payouts than originally delivered. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 contained a provision, which when made effective through final SEC rulemaking and exchange listing standards, may require modifications to our clawback provisions.

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The 2014 target award opportunities for the named executive officers, reflected as a percentage of 2014 base salary, were as follows:

Named Executive Officer	Target Award in Dollars	Target Award as a Percentage of Base Salary*
Ouimet	$1,080,000	120%
Witherow	$400,000	100%
Zimmerman	$525,000	100%
Milkie	$227,500	65%
Bender	$227,500	65%

* The target awards as a percentage of base salary for 2014 were increased from the 2013 percentages for Mr. Ouimet (pursuant to his employment agreement, from 115% for 2013), for Messrs. Witherow and Zimmerman (from 75% for 2013) and for Mr. Milkie (from 60% for 2013).

In 2014, the Company achieved Adjusted EBITDA of $431 million, which represented a 1% increase from the Company s 2013 record Adjusted EBITDA and based on this level of performance achievement, the payouts of the Company performance-based portion of the cash incentive awards to each of the named executive officers who received awards were at 94% of their respective targets. In addition, four of the executives successfully achieved all of their individual performance goals with one executive achieving four out of five of the individual performance goals, which was a significant contributing factor to our record results in 2014. As a result, Messrs. Ouimet, Witherow, Bender and Milkie were eligible for the payment of 150% and Mr. Zimmerman was eligible for 100% of the individual performance-based portion of their respective targets.

The 2014 cash incentive payouts for the named executive officers are set forth below:

Named Executive Officer	**2014 Cash Incentive**	**Cash Incentive as a Percentage of 2014 Annual Salary**
Ouimet	$1,108,674	123%
Witherow	$410,620	103%
Zimmerman	$499,563	95%
Milkie	$233,541	67%
Bender	$233,541	67%

Bonuses

In consideration of our overall compensation objectives and the mix of different types of compensation that were awarded this year, no additional cash bonuses were paid to our named executive officers in fiscal year 2014.

Long-Term Incentive Compensation

We provide long-term incentive compensation awards to senior management under our 2008 Omnibus Incentive Plan which allows us to grant options, units, unit appreciation rights, performance awards and other types of unit-based awards. We utilized these types of awards because we believe they give key employees a proprietary and vested interest in our growth and performance and align key employees interests with those of our unitholders, while providing us a cost effective means of compensation. We also believe that the vesting schedule for these awards aids us in retaining executives and motivates superior performance over the long term.

Over the past few years the Compensation Committee in consultation with Hay Group, has taken steps to modify our long-term incentive program to realign the elements of the equity plan reflective of the Compensation Committee s desire to migrate to a more performance-based approach with a continuing emphasis on alignment with unitholder interests. In furtherance of that performance based approach, the 2014 unit based awards to each named executive officer included a mix of performance unit awards and time-based restricted units and the elimination of unit based options (in the interest of efficient equity management). The target awards were allocated 60% performance based and 40% time based restricted units representing an increased emphasis on performance units versus 2013 (and excluding Mr. Ouimet s supplemental retention grant discussed separately below). The target long-term incentive award value was determined as a percentage of base salary and then converted to a number of units for each named executive officer, based on the unit price on the day before the grant date. A significant portion of our increases to the total compensation opportunities for our CEO, CFO and COO for 2014 were implemented through increases to their long-term incentive award opportunities, which were effected through increases to the target award opportunities as a percentage of base salary for those executives and the effect of the base salary increases. The dollar value of targeted award opportunities for Messrs. Milkie and Bender also were higher than those in 2013 as a result of their increased salaries for 2014.

The 2014 long-term incentive award opportunities for the named executive officers for 2014 were as follows:

Named Executive Officer	Target LTI Award in Dollars	Target LTI Award as a Percentage of Base Salary*
Ouimet	$3,153,002	350%
Witherow	$559,989	140%
Zimmerman	$735,002	140%
Milkie	$262,493	75%
Bender	$262,493	75%

* The target award opportunities as a percentage of base salary for 2014 were increased from the 2013 percentages for Mr. Ouimet (from 200% in 2013) and for Messrs. Witherow and Zimmerman (from 100% in 2013). The target award opportunities as a percentage of base salary for 2014 for Messrs. Milkie and Bender were the same as for 2013. Chart excludes Mr. Ouimet s 2014 performance-based retention award.

Our long-term performance based awards have rolling three-year performance periods and related cumulative Adjusted EBITDA targets, and payout for the 2014 awards is based on the achievement of cumulative Adjusted EBITDA versus the target established for the 2014-2016 period. The 2014 time-based restricted units vest in annual increments over a three-year period. These performance unit awards and restricted unit awards generally require continuous employment through the payment date, subject to certain exceptions contained in employment and grant agreements that provide for continued vesting in qualifying termination or change in control situations. Restricted units are non-transferable during the restricted period. Under the performance awards, award recipients are eligible to receive up to a specified percentage of the target number of potential performance units for a particular performance period. The number of units payable is dependent on the level of attainment of the performance objectives specified for the performance period, as determined by the Committee, and no awards will be paid if the threshold level of performance is not achieved. Awards for 2014 have a performance period of January 1, 2014 December 31, 2016, and are based on the level of achievement of cumulative Adjusted EBITDA versus the target during that period. Payouts of the 2014 awards will be at the following scale (with amounts interpolated between the various levels): cumulative Adjusted EBITDA of less than 85% of the target, 0% payout; cumulative Adjusted EBITDA of 85% of the target, 50% payout; cumulative

Adjusted EBITDA of 100% of the target, 100% payout; and cumulative Adjusted EBITDA of 105% or more, a maximum payout of 150% of the target.

Restricted Unit Awards

In February of 2014, we made time-based restricted unit awards to each named executive officer. The awards vest incrementally with one third of the award vesting each year over a three year period. The restricted period on the incremental portions of the award lapse upon the executive s continuous employment through the identified restricted periods which expire on February 26, 2015, February 26, 2016, and February 26, 2017 respectively and the awards will thereafter be unrestricted, subject to the employment and grant agreement provisions. These awards accrue distribution equivalents when we make distributions, which will be paid out in cash upon the lapse of the restricted period along with the original awards. The February 2014 time-based restricted unit awards were as follows:

Named Executive Officer	2014 Restricted Unit Awards
Ouimet	23,312
Witherow	4,140
Zimmerman	5,434
Milkie	1,941
Bender	1,941

These time-based restricted unit awards were made in furtherance of the goal of retaining our executive team in order to accomplish our strategic and long-term objectives.

Performance Unit Awards

In February of 2014, we made performance unit awards to each named executive officer. The awards are subject to the achievement of the performance targets set by the Compensation Committee for the performance period of January 1, 2014 December 31, 2016, and are based on the level of achievement of cumulative Adjusted EBITDA versus the target during that period. These awards accrue distribution equivalents when we make distributions, which are deemed to be reinvested and paid out along with the original awards, subject to achievement of the same performance targets. The 2014 awards will be paid in the form of units, cash or a combination of both, after the end of the performance period. The Committee has decided that the similar awards made in 2015 will be paid only in units, consistent with our program s focus on alignment with our unitholders.

The target numbers of units for the February 2014 performance unit awards were as follows:

Named Executive Officer	2014 Performance Unit Awards (Target)
Ouimet	34,969
Witherow	6,211
Zimmerman	8,152
Milkie	2,911
Bender	2,911

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We made similar performance unit awards to our named executive officers in 2013 and 2012, which also were based on the achievement of the performance targets set by the Compensation Committee for the applicable performance period. The performance period for the awards made in 2012 ended on December 31, 2014, and the 2012-2014 performance units vested and were paid out in March 2015. The performance goals for the January 1, 2012 through December 31, 2014 performance period of the 2012 awards and related payout scale were as follows (with amounts interpolated between the various levels): cumulative Adjusted EBITDA of less than $1,023,655,000, no (0%) payout; cumulative Adjusted EBITDA of $1,023,655,000, 50% payout; cumulative Adjusted EBITDA of $1,204,300,000, 100% payout; cumulative Adjusted EBITDA that equals or exceeds $1,264,515,000, 150% payout. Targets were calculated and performance assessed using Canadian dollars where the income or loss was from our Canadian operations (i.e. the functional currency). The 2012-2014 awards paid out at 142% of the target number of performance units based on achievement of cumulative functional currency Adjusted EBITDA of $1,255,031,000 from January 1, 2012 through December 31, 2014.

2014 Performance-Based Retention Grant

In March of 2014, we made a supplemental performance-based retention-unit award to Matthew A. Ouimet, our president and chief executive officer. The size of the payout of the award is subject to the achievement of the performance targets set by the Compensation Committee for the performance period of January 1, 2014 December 31, 2016, and will be based on the level of achievement of the three (3) years total unitholder return compared to our identified peer group during that period and on an annualized basis.

2014-2016 Total Unitholder Return relative to Peer Group	% of Units Earned
Greater than the Median of the Peer Group	100%
Between the 25th Percentile and Median of the Peer Group	90%
Less than the 25th Percentile of the Peer Group	75%

The units earned are payable in units 50% in December 2017 and 50% in December 2018. Mr. Ouimet must maintain continuous employment through the identified payment dates or he will forfeit any unpaid portion of the award, except in the event of death, disability, or change in control (in which circumstances the award will be subject to proration). The units accrue distribution equivalents when we make distributions, which will be paid out in cash in conjunction with the payment of the underlying performance units. The March 2014 performance based retention award consisted of 124,234 potential units, subject to the aforementioned relative total unitholder return performance criteria.

This performance based retention award was granted in consideration of the important role that Mr. Ouimet has played in the Company s record-setting growth and unitholder returns in recent years, our desire to provide an incentive for him to remain at the Company beyond the current term of his employment agreement, and to continue to align our compensation policies with unitholders interests. The award also furthers our stated goals of establishing a foundation of equity ownership to support further enhancement of a performance based approach to equity awards and an increase in overall executive unit ownership.

Employment Agreements

We have entered into multi-year employment agreements with each of our named executive officers. These employment agreements serve as the starting point from which the Compensation Committee then continues the process in setting executive compensation. We believe that it is in the best interests of the Company to enter into multi-year employment agreements with our executive officers because the agreements foster long-term retention while still allowing the Compensation Committee to exercise considerable discretion in designing incentive compensation programs.

In 2014, in connection with the upcoming renewals of executive employment agreements with our named executive officers, and in consultation with our compensation consultant and outside legal counsel, we updated and standardized our executive employment agreements with Mr. Bender, Mr. Milkie, Mr. Witherow and Mr. Zimmerman. The new agreements took effect on December 12, 2014. The executives employment will continue under the new employment agreements through December 31, 2017. The agreements will renew automatically for a 24-month period commencing on January 1, 2018 and on every 24-month anniversary thereafter, unless either party provides written notice of its intent to terminate the agreement at least 60 days prior to the automatic renewal date.

Under the standard agreement, during the employment period, the named executive officers are eligible to participate in our cash incentive compensation plans and equity incentive plans, including our 2008 Omnibus Incentive Plan, at a level appropriate to their position and performance, as determined by the Board.

Post-Employment Compensation and Change in Control Agreement

Each employment agreement provides for certain benefits in termination and change-in-control situations. In addition, certain of our incentive plans contain termination and change-in-control provisions. The agreements that would apply to our named executive officers in a termination and change-in-control situation are discussed in more detail under Potential Payments Upon Termination or Change in Control below.

In connection with standardizing the executive employment agreements with Messrs. Bender, Milkie, Witherow and Zimmerman in December of 2014, we modified the provisions with regard to the vesting of equity awards to provide that if the executive s employment is terminated without cause, if the executive resigns for good reason, or if the Company elects not to renew the employment agreement, the executive becomes fully vested in any equity awards made under Cedar Fair s Omnibus Incentive Plan that are scheduled to vest within 18 months after the termination of employment, unless otherwise specifically exempted from vesting by the terms of the underlying award agreement. We also modified the provisions for benefits in a non-renewal scenario. For further information, see Potential Payments Upon Termination or Change in Control .

Retirement Programs

Our named executive officers participate in our tax-qualified Cedar Fair Retirement Savings Plan. This plan, or a similar plan, is available to all of our eligible employees and contains a 401(k) matching program as well as a profit sharing component. The annual amount of the profit sharing contribution is determined, after consideration of the Compensation Committee s recommendation, by the Board, in its sole discretion. Our contributions to this plan for our named executive officers are included in the All Other Compensation column of the Summary Compensation Table on page 30. In addition, Mr. Milkie has an account under our 2008 Supplemental Retirement Plan, which is described on page 42. Additional contributions to this plan were discontinued in 2011, and we do not intend to have any other executive officers participate in this plan.

Perquisites and Supplemental Compensation

We provide perquisites or supplemental compensation to our named executive officers that we believe are reasonable, competitive and consistent with our overall compensation philosophy. We believe that these benefits generally enhance the competitiveness of our compensation packages and represent a small percentage of overall compensation. Mr. Ouimet s employment agreement provides for supplemental compensation at an annual rate of $50,000, which is intended to provide for an annual amount in lieu of most individual perquisites other than an annual physical exam, de minimis perquisites such as discounts on our products and occasional one-time benefits.

In 2014 we provided Messrs. Zimmerman, Witherow, Bender and Milkie, with automobile allowances. We also offered our named executive officers discounts on Company products and covered certain relocation expenses for Mr. Zimmerman. See Footnote 4 to the Summary Compensation Table on page 30 for a discussion of when the value of perquisites is reported in that table.

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Risk Assessment Process

The Compensation Committee has reviewed our compensation programs and concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on us. This risk assessment process included a review of the design and operation of our compensation programs, consultation with our compensation consultants at Hay Group, review of a risk assessment matrix which aided us in the process of identifying and evaluating situations or compensation elements that may raise material risks, and an evaluation of the controls and processes we have in place to manage those risks. Because we provide different types of compensation, consider various factors in assessing Company and individual performance and retain, at the Compensation Committee level, discretion in certain compensation matters, we believe that our compensation program provides an effective and appropriate mix of incentives to help ensure the Company s performance is focused on long-term value creation and does not encourage our executives to take unreasonable risks with respect to our business.

Impact of Tax and Accounting Considerations

In adopting various executive compensation plans and packages, as well as in making certain executive compensation decisions, particularly with respect to grants of unit-based long-term incentive awards, the Compensation Committee considers the accounting treatment and the anticipated financial statement impact of such decisions, as well as the anticipated dilutive impact on our unitholders.

As a result of our status as a Partnership, Section 162(m) of the Internal Revenue Code does not apply to Cedar Fair.

Securities Trading Policy

Our Company has a policy that executive officers and non-employee directors may not purchase or sell our units when they may be in possession of nonpublic material information. In addition, this policy restricts short sale transactions and transactions involving put or call options relating to our securities.

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SUMMARY COMPENSATION TABLE FOR 2014

The table below summarizes the total compensation paid to or earned by each of the named executive officers for the fiscal year ended December 31, 2014. The table also summarizes, for each of our named executive officers for 2014 who was also one of our named executive officers for 2013 and 2012, the total compensation paid to or earned by the officer for the fiscal years ended December 31, 2013 and 2012.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary ($)	Bonus ($)	Unit Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($) (4) (5)	Total ($)
Matthew A. Ouimet (6)	2014	$ 900,000	$ -	$ 9,482,724	$ -	$ 1,108,674	$ -	$ 70,171	$ 11,561,569
President and	2013	$ 875,000(6)	$ -	$ 1,274,997	$ 425,047	$ 1,511,250	$ -	$ 81,611	$ 4,167,905
Chief Executive Officer	2012	$ 850,000	$ -	$ 2,274,414	$ 425,024	$ 927,478	$ -	$ 65,654	$ 4,542,570
Brian C. Witherow	2014	$ 400,000	$ -	$ 559,989	$ -	$ 410,620	$ -	$ 31,521	$ 1,402,130
Executive Vice President	2013	$ 376,000	$ -	$ 282,002	$ 94,009	$ 423,000	$ -	$ 31,521	$ 1,206,532
and Chief Financial Officer	2012	$ 346,527(8)	$ -	$ 612,506	$ 87,507	$ 286,427	$ -	$ 19,237	$ 1,352,204
Richard A. Zimmerman	2014	$ 525,000	$ -	$ 735,002	$ -	$ 499,563	$ -	$ 37,486	$ 1,797,051
Chief Operating Officer	2013	$ 457,000	$ -	$ 342,748	$ 114,264	$ 514,125	$ -	$ 30,945	$ 1,459,082
	2012	$ 425,000	$ -	$ 743,744	$ 106,257	$ 347,804	$ -	$ 19,451	$ 1,642,256
Duffield E. Milkie (7)	2014	$ 350,000	$ -	$ 262,493	$ -	$ 233,541	$ 13,098(7)	$ 20,171	$ 879,303
Executive Vice President and General Counsel	2013	$ 335,000	$ -	$ 188,445	$ 62,821	$ 301,500	$ - (7)	$ 20,171	$ 907,937
H. Philip Bender	2014	$ 350,000	$ -	$ 262,493	$ -	$ 233,541	$ -	$ 20,171	$ 866,205
Executive Vice President	2013	$ 335,000	$ -	$ 188,445	$ 62,821	$ 326,625	$ -	$ 20,171	$ 933,062
of Operations	2012	$ 325,000	$ -	$ 507,828	$ 60,939	$ 230,505	$ -	$ 19,451	$ 1,143,723

(1) The amounts in column (e) reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of unit-based awards other than options granted during the fiscal year ended December 31, 2014, 2013 or 2012, as applicable, pursuant to the 2008 Omnibus Incentive Plan. The 2014 amount for each executive includes the grant date fair value of the February 2014 restricted unit awards and the February 2014 Adjusted EBITDA-based performance unit awards for the 2014-2016 performance period. The 2014 amount for Mr. Ouimet also includes the grant date fair value of his March 2014 performance-based retention unit award. The amounts included in the table for the Adjusted EBITDA-based 2014-2016 performance unit awards and Mr. Ouimet s March 2014 performance-based retention grant were computed based on the probable outcome of the performance conditions for the awards on the grant date (i.e., the target level of performance). The ASC Topic 718 grant date fair values of the Adjusted EBITDA-based 2014-2016 performance unit awards by executive assuming target and maximum levels of performance are as follows: Mr. Ouimet $1,891,823 (target), $2,837,761 (maximum); Mr. Witherow $336,015 (target), $504,050 (maximum); Mr. Zimmerman $441,023 (target), $661,535 (maximum); Mr. Milkie $157,485 (target), $236,255 (maximum); and Mr. Bender $157,485 (target), $236,255 (maximum). The ASC 718 grant date fair value of Mr. Ouimet s March 2014 performance-based retention unit award assuming target and maximum level of performance each are $6,329,722.

The 2013 amount for each executive includes the grant date fair value for the February 2013 restricted unit awards and the February 2013 performance unit awards for the 2013-2015 performance period. The amounts included in the table for the 2013-2015 performance unit awards were computed based on the probable outcome of the performance conditions for the awards on the grant date (i.e., the target level of performance). The ASC Topic 718 grant date fair values of the 2013-2015 performance unit awards by executive assuming target and

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maximum levels of performance are as follows: Mr. Ouimet $849,998 (target), $1,274,997 (maximum); Mr. Witherow $188,002 (target), $282,003 (maximum); Mr. Zimmerman $228,499 (target), $342,749 (maximum); Mr. Bender $125,630 (target), $188,445 (maximum); and Mr. Milkie $125,630 (target), $188,445 (maximum).

The 2012 amounts include the grant date fair value for the March 2012 restricted unit awards, the October 2012 restricted unit awards and the March 2012 performance unit awards for the 2012-2014 performance period (computed based on the probable outcome of the performance conditions for the awards on the grant date (i.e., the target level of performance)). The ASC Topic 718 grant date fair values of the 2012-2014 performance unit awards by executive assuming target and maximum levels of performance are as follows: Mr. Ouimet-$424,996 (target), $637,494 (maximum); Mr. Witherow-$87,497 (target), $131,261 (maximum); Mr. Zimmerman-$106,249 (target), $159,373 (maximum); and Mr. Bender-$60,950 (target), $91,425 (maximum).

Assumptions used in the calculation of these amounts are discussed in Note 7 to the Partnership s audited financial statements for the fiscal year ended December 31, 2014, included in the Partnership s Form 10-K filed with the Securities and Exchange Commission on February 26, 2015.

(2) The amounts in column (f) reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of unit options awarded to the named executive officers in the applicable year pursuant to the 2008 Omnibus Incentive Plan. Assumptions used in the calculation of these amounts are discussed in Note 7 to the Partnership s audited financial statements for the fiscal year ended December 31, 2014, included in the Partnership s Form 10-K filed with the Securities and Exchange Commission on February 26, 2015. We did not award any options in 2014.

(3) The amounts in column (g) reflect cash incentive awards to the named executive officers for 2014, 2013 and 2012. See the discussion under Cash Incentive Program Awards and Bonuses on page 35 for additional information.

(4) The amounts shown in column (i) reflect, for each named executive officer, 401(k) matching contributions of 3% of pay and reflect profit sharing contributions of 4% of pay up to the respective limitations imposed under rules of the Internal Revenue Service. The 2014 profit sharing contributions for each named executive officer were $12,521. The amounts in column (i) also reflect, for each named executive officer for whom the total value of perquisites received in a given year was at least $10,000, the aggregate value of perquisites received in that year. The 2014 amount shown in column (i) for Mr. Ouimet includes the supplemental compensation earned for 2014 under Mr. Ouimet s employment agreement ($50,000). See Employment Agreements for additional discussion of Mr. Ouimet s employment agreement. The 2014 amount shown in column (i) for Mr. Witherow includes the cost of a physical exam. The 2014 amount shown in column (i) for Mr. Zimmerman includes the cost of a physical exam, relocation expenses, and a tax gross up on the relocation expenses. For additional discussion of contributions that we make for our named executive officers under our Retirement Savings Plan and of perquisites we provide our named executive officers, see Compensation Discussion and Analysis Elements of 2014 Executive Compensation Retirement Programs and Compensation Discussion and Analysis Elements of 2014 Executive Compensation Perquisites and Supplemental Compensation.

(5) The value attributable to the personal use of company-provided automobiles (calculated in accordance with Internal Revenue Service guidelines) is included as compensation on the W-2 of named executive officers who receive such benefits. This value is included in column (i) for each named executive officer for whom the total value of perquisites for the year was $10,000 or more. Each named executive officer is responsible for paying income tax on such amount.

(6) Mr. Ouimet s 2013 annual salary reflects the mid-year increase in his base salary pursuant to the 2013 amendment to his employment contract.

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(7) The 2014 amount in column (h) reflects the aggregate changes in the actuarial present value of Mr. Milkie s accumulated benefit under the 2008 Supplemental Retirement Plan. Mr. Milkie s pension value decreased by $8,949 during 2013.

(8) Mr. Witherow s 2012 annual salary of $350,000 was effective shortly after the beginning of the year, and the 2012 amount in column (c) of the Summary Compensation Table for him was prorated accordingly.

GRANTS OF PLAN BASED AWARDS TABLE FOR 2014

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Unit Awards: Number of Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($)	Grant Date Fair Value of Unit and Option Awards ($)
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Ouimet	3/31/14	$ -	$ -	$ -	93,176(4)	124,234(4)	124,234(4)	-	-	$ -	$ 6,329,722
	2/26/14	$ -	$ -	$ -	17,485(2)	34,969(2)	52,454(2)	-	-	$ -	$ 1,891,823
	2/26/14	$ -	$ -	$ -	-	-	-	23,312(3)	-	$ -	$ 1,261,179
	-	$ 815,400	$ 1,080,000	$ 1,620,000	-	-	-	-	-	$ -	$ -
Witherow	2/26/14	$ -	$ -	$ -	3,106(2)	6,211(2)	9,317(2)	-	-	$ -	$ 336,015
	2/26/14	$ -	$ -	$ -	-	-	-	4,140(3)	-	$ -	$ 223,974
	-	$ 302,000	$ 400,000	$ 600,000	-	-	-	-	-	$ -	$ -
Zimmerman	2/26/14	$ -	$ -	$ -	4,076(2)	8,152(2)	12,228(2)	-	-	$ -	$ 441,023
	2/26/14	$ -	$ -	$ -	-	-	-	5,434(3)	-	$ -	$ 293,979
	-	$ 396,375	$ 525,000	$ 787,500	-	-	-	-	-	$ -	$ -
Milkie	2/26/14	$ -	$ -	$ -	1,456(2)	2,911(2)	4,367(2)	-	-	$ -	$ 157,485
	2/26/14	$ -	$ -	$ -	-	-	-	1,941(3)	-	$ -	$ 105,008
	-	$ 171,763	$ 227,500	$ 341,250	-	-	-	-	-	$ -	$ -
Bender	2/26/14	$ -	$ -	$ -	1,456(2)	2,911(2)	4,367(2)	-	-	$ -	$ 157,485
	2/26/14	$ -	$ -	$ -	-	-	-	1,941(3)	-	$ -	$ 105,008
	-	$ 171,763	$ 227,500	$ 341,250	-	-	-	-	-	$ -	$ -

(1) These columns show possible payouts under 2014 cash incentive awards that were based on the achievement of the Company and individual performance measures established in February 2014. The threshold, target and maximum opportunities in column (c), (d) and (e), respectively, assume achievement of the threshold, target or maximum level of both the Company performance goals and individual performance goals, as applicable. Actual amounts paid with respect to these awards are reported in column (g) of the Summary Compensation Table for 2014. See Compensation Discussion and Analysis Cash Incentive Program and Narratives to Summary Compensation and Grants of Plan Based Awards Tables Cash Incentive Program Awards and Bonuses.

(2) Amounts reflect a multi-year performance unit award granted under the 2008 Omnibus Incentive Plan for the January 1, 2014 December 31, 2016 performance period. The threshold, target and maximum potential number of performance units that may be earned is set forth in columns (f), (g) and (h). Payouts will be based on the level of achievement of consolidated Adjusted EBITDA versus specified threshold, target and maximum levels of performance over the three-year period. See Compensation Discussion Analysis Elements of 2014 Compensation Performance Unit Awards and Narrative to Summary Compensation and Grants of Plan Based Awards Tables Performance Unit Awards 2012-2014, 2013-2015, and 2014-2016 Adjusted EBITDA-Based Performance Units.

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(3) Amounts reflect time-based restricted units granted under the 2008 Omnibus Incentive Plan. The February 2014 awards vest ratably over a three-year period beginning in February 2015. See Compensation Discussion & Analysis Elements of 2014 Executive Compensation Restricted Unit Awards and Narrative to Summary Compensation and Grants of Plan Based Awards Tables Restricted Unit Awards.

(4) Amounts reflect a multi-year performance performance-based retention unit award granted under the 2008 Omnibus Incentive Plan. The threshold, target, and maximum potential number of performance-based retention units that may be earned is set forth in columns (f), (g), and (h). Payouts will be based on the level of achievement of the three (3) years annualized total unitholder return compared to our identified peer group during the specified performance period. If performance is between the threshold and targeted relative total unitholder return for the period, the award provides for payout at the 90% level (or 111,811 units). See Compensation Discussion & Analysis Elements of 2014 Executive Compensation 2014 Performance-Based Retention Grant and Narratives to Summary Compensation and Grants of Plan Based Awards Tables Performance Unit Awards 2014 Retention Grant.

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NARRATIVE TO SUMMARY COMPENSATION AND

GRANTS OF PLAN BASED AWARDS TABLES

The description that follows summarizes the terms and conditions of our employment agreements with Messrs. Ouimet, Witherow, Zimmerman, Bender and Milkie. It also summarizes the terms of and the programs under which the compensation reflected in the tables for our named executive officers was awarded. Additional information is provided in the Compensation Discussion and Analysis and Potential Payments upon Termination or Change in Control sections.

Employment Agreements

We amended and restated our employment agreement with Matthew A. Ouimet, our president and chief executive officer, in October 2013. The new agreement took effect on October 21, 2013 and will terminate December 31, 2016. Under the agreement, Mr. Ouimet s base salary was increased from $850,000 to $900,000, which increase was retroactive to July 1, 2013. Mr. Ouimet s base salary will be reviewed from time to time but will not be subject to decrease except in the event of salary reductions applicable to substantially all of our senior executives. Under the current agreement, during his employment period, Mr. Ouimet is eligible to participate in our cash incentive compensation plans and equity incentive plans, including our 2008 Omnibus Incentive Plan, at a level appropriate to his position and performance, as determined by the Board. Per the terms of the amended employment contract, the target cash incentive award for 2013 was based on the performance metrics established in February 2013 and the targeted cash award was calculated as a blend of 110% of $850,000 and 120% of $900,000, both prorated for actual time the base salaries were in effect for 2013. For 2014, the target cash incentive award was 120% of his base salary. Also, for 2014 and thereafter, the maximum annual cash incentive payable by Cedar Fair is 180% of his base salary (which represents 150% of the target) and the minimum payment threshold is 90% of the target performance threshold.

The amended and restated agreement also modifies the provisions with regard to the payment owed to Mr. Ouimet upon the termination of his employment without cause, for disability, or by his resignation for good reason (other than following a change in control) to two times his base salary, payable in a single lump sum and further provides that, if Mr. Ouimet s employment is terminated in certain situations, he becomes fully vested in any equity awards made under Cedar Fair s Omnibus Incentive Plan that vest within 18 months after his termination of employment. Any Omnibus Plan awards will immediately vest upon a change in control under the agreement, and any calendar year cash incentive compensation are to be paid to Mr. Ouimet at the same time as our other senior executives and no later than March 15 following the end of the year. Mr. Ouimet generally must be employed on the last day of the year to receive a cash incentive award for that year, but the agreement specifies certain situations where a termination of employment would not result in forfeiture of a cash incentive award. See the Potential Payments Upon Termination or Change in Control section for detailed descriptions of those situations. Mr. Ouimet s agreement provides for supplemental compensation at an annual rate of $50,000, payable in monthly installments and for us to cover the cost of an annual physical exam. The employment agreement does not limit the manner in which Mr. Ouimet may spend his supplemental compensation. In addition, Mr. Ouimet is eligible to participate in any benefit and compensation plans that we offer from time to time, including medical, disability, life insurance, 401(k) and deferred compensation plans, on the same basis as our other senior executives, and he is entitled to four weeks of annual paid vacation days. The agreement contains non-competition, confidentiality, non-disparagement and assignment of inventions provisions and a clawback provision in favor of Cedar Fair that is further described below.

In 2014 we updated and standardized the employment agreements with Mr. Witherow (our executive vice president and chief financial officer), Mr. Zimmerman (our chief operating officer), Mr. Bender (our executive vice president of operations), and Mr. Milkie (our executive vice president and general counsel) which were effective December 12, 2014. The executives employment will continue under these employment agreements through December 31, 2017. The agreements will renew automatically for a 24-month period commencing on January 1, 2018 and on every 24-month anniversary thereafter, unless either party provides written notice of its intent to terminate the agreement at least 60 days prior to the automatic renewal date. The agreements entitle each executive to receive a specified annual base salary, which will be reviewed from time to time but will not be subject to decrease except in the event of salary reductions applicable to substantially all of our senior executives. The minimum annual base salary amounts specified in the agreements, which were effective beginning January 2015, are: Mr. Witherow, $416,000; Mr. Zimmerman, $550,000; Mr. Milkie $368,000; and Mr. Bender, $361,000. During the employment period, each executive is eligible to participate in our cash incentive compensation plans and equity incentive plans, including our 2008 Omnibus Incentive Plan, at a level appropriate to his position and performance, as determined by the Board. Any Omnibus Plan awards will immediately vest upon a change in control under the agreement, and any calendar year cash incentive awards are to be paid to the executive at the same time as our other senior executives and no later than March 15 following the end of the year. The executives generally must be employed on the last day of the year to receive a cash incentive award for that year, but the agreement specifies certain situations where a termination of employment would not result in forfeiture of a cash incentive award. In addition the agreement further provides that, if employment is terminated in certain situations, the executive will become fully vested in any equity awards made under Cedar Fair s Omnibus Incentive Plan that vest within 18 months after the termination of employment. See the Potential Payments Upon Termination or Change in Control section for detailed descriptions of those situations. In addition, each executive is eligible to participate in any benefit and compensation plans that we offer from time to time, including medical, disability, life insurance, 401(k) and deferred compensation plans, on the same basis as our other senior executives (other than the CEO), and he is entitled to annual vacation days and reimbursement for reasonable business expenses incurred in performing his duties in accordance with policies that we maintain from time to time. Each agreement contains non-competition, confidentiality, non-disparagement and assignment of inventions provisions and a clawback provision in favor of Cedar Fair that is further described below.

Under the clawback provisions of our employment agreements, our Board may require an executive to return his incentive compensation paid or granted within the preceding twenty-four months, if (i) the payment was predicated upon achieving certain financial results that were subsequently the subject of a substantial restatement of Cedar Fair s financial statements filed with the Securities and Exchange Commission, (ii) the Board determines that the executive engaged in intentional misconduct that caused or substantially caused the need for the substantial restatement, and (iii) a lower payment would have been made based upon the restated financial results. For a discussion of the benefits that would be provided by the employment agreements in the event of each executive s death, retirement, disability or other terminations or upon a change in control, see Potential Payments Upon Termination or Change in Control in this proxy statement.

Cash Incentive Program Awards and Bonuses

The amounts reported in column (g) of the Summary Compensation Table represent final payouts of cash incentive awards made pursuant to our 2008 Omnibus Incentive Plan for 2014, 2013 and 2012, which were tied to the achievement of performance measures and target award opportunities established by March of the applicable year, except for Mr. Ouimet s 2013 target award opportunity, which was established in February 2013 and later increased in connection with his employment agreement amendment. For 2014, 2013, and 2012, 85% of the target cash incentive award opportunities were based on an approved target for consolidated Adjusted EBITDA for the year, and 15% of the target cash incentive awards were based upon the achievement of individual performance goals. Payouts could range from 0% up to a maximum of 150% of the target award, and specific threshold, target and maximum levels of performance and related payout scales were established for both the Company and individual portions of the awards. The threshold, target and maximum cash incentive awards for 2014 are reported in columns (c), (d) and (e), respectively, of the Grants of Plan-Based Awards Table for 2014. For additional detail regarding our cash incentive award program and the 2014 cash incentive awards (including the percentage of 2014 base salary represented by each executive s target award opportunity, payout scales established, and the payout levels for 2014 for the Company and individual portions of the awards and the payout received as a percentage of base salary for each executive for 2014), see Compensation Discussion and

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Analysis Elements of 2014 Executive Compensation Cash Incentive Program. No additional cash bonuses were awarded to our named executive officers for 2014.

Option Grants

We did not award options to our named executive officers in 2014. The grant date fair values of the 2012 and 2013 option awards are set forth in the Option Awards column (f) of the Summary Compensation Table for the applicable year. These options vest in three equal annual installments on the anniversary of the grant date and will expire on the earlier of the ten year anniversary of the grant date or the date that is thirty (30) days after a separation from service, as defined in the 2008 Omnibus Incentive Plan. Any outstanding unvested options will vest and become fully exercisable in the event of a change in control, as defined in the 2008 Omnibus Incentive Plan. The named executive officers will become fully vested in any options that are scheduled to vest within eighteen months following certain terminations, and those options will expire thirty calendar days after the vesting date.

Restricted Unit Awards

We made time-based restricted unit grants to our named executive officers in February 2014, February 2013, October 2012, and March 2012. The grant date fair values of these restricted units are included in the applicable year s amounts in the Unit Awards column (e) of the Summary Compensation Table. The numbers of units granted and grant date fair values of the 2014 awards are set forth in columns (i) and (l) of the Grants of Plan-Based Awards Table. The restricted period on these awards will lapse upon the executive s continuous employment through the applicable vesting dates. The restricted period for the February 2014 grants ends for one-third of the units each year with the first tranche having vested in February 2015 and the remaining two tranches to vest in February of 2016 and 2017, respectively. The restricted period for the February 2013 grants ends December 31, 2015. The restricted period for October 2012 grants ends October 24, 2015. The restricted period for the March 2012 awards ended December 31, 2014. The executive is unable to sell, transfer, pledge or assign restricted units during the applicable restricted period and will not receive any payments or distributions during that period, but the executive may vote the restricted units during the restricted period. The restricted units will accumulate distribution equivalents if and to the extent that we make distributions on our units during the restricted period in the same form as any such distributions. Upon the expiration of the applicable restricted period, the units will thereafter be unrestricted and any accrued distribution equivalents will be paid promptly. Our employment agreements provide for 18 month continued vesting of these restricted units for qualifying terminations. Otherwise, executives will forfeit their restricted units and any distribution equivalents if they do not satisfy the continuous employment requirement, except in the cases of death, disability, retirement and change in control. See Compensation Discussion and Analysis Elements of 2014 Executive Compensation Long-Term Incentive Compensation 2014 and Compensation Discussion and Analysis Elements of 2014 Executive Compensation Restricted Unit Awards for additional information.

Performance Unit Awards

2012-2014, 2013-2015, and 2014-2016 Adjusted EBITDA-Based Performance Units

We made performance unit awards to each of our named executive officers in February 2014, February 2013, and March 2012, which are subject to the level of achievement of cumulative Adjusted EBITDA versus the target set by the Compensation Committee for the respective performance periods of January 1, 2014 December 31, 2016, January 1, 2013 December 31, 2015, and January 1, 2012 December 31, 2014. Executives are eligible to receive up to 150% of the target number of potential performance units for the applicable performance period. Payouts will be made based on a sliding scale of performance objectives, and no awards will be paid if the threshold performance level is not achieved. The threshold, target and maximum numbers of units for the named executive officers 2014-2016 performance unit awards are set forth in columns (f), (g) and (h), respectively, of the Grants of Plan-Based Awards Table for 2014. The grant date fair values of the 2014-2016 performance unit awards, calculated in accordance with ASC Topic 718 and based upon the probable outcome of the performance conditions, are reported in column (l) of the Grants of Plan-Based Awards Table for 2014 and are included in the 2014 amounts set forth in the Unit Awards column (e) of the Summary Compensation Table. The grant date fair values of the 2013-2015 performance unit awards, calculated in accordance with ASC Topic 718 and based upon the probable outcome of the performance conditions, are included in the 2013 amounts set forth in the Unit Awards column (e) of the Summary Compensation Table. The grant date fair values of the 2012-2014 performance unit awards, calculated in accordance with ASC 718 and based upon the probable outcome of the performance conditions, are included in the 2012 amounts set forth in the Summary Compensation Table. Distribution equivalents are earned on the number of performance units that become payable if and to the extent we make distributions on our units after the grant date and before the payment date of the award. Awards will be paid in the form of units, cash or a combination of both, as determined by the Compensation Committee, after the end of the performance period and by March of the following year. Our employment agreements provide for 18 month continued vesting of these performance awards following qualifying terminations. Otherwise, an executive must remain in continuous employment with us through the payment date or will forfeit the entire award, except that awards will be prorated in the event of death, disability or retirement, and that awards will be deemed earned and payable in full at the target level in the event of a change in control. For additional detail regarding the 2014-2016 performance units (including the payout scale for the awards), see Compensation Discussion and Analysis Elements of 2014 Executive Compensation Long-Term Incentive Compensation 2014 and Compensation Discussion and Analysis Elements of 2014 Executive Compensation Performance Unit Awards.

2014 Performance-Based Retention Grant

We made a performance-based retention unit award to Mr. Ouimet in March 2014. Mr. Ouimet is eligible to receive up to 124,234 potential performance units under the award, and the award payout will be based on the level of achievement of the three (3) years total unitholder return, calculated on an annualized basis, compared to our identified peer group for the January 1, 2014 December 31, 2016 period. The applicable performance targets and possible payouts are set forth in the CD&A. The performance units earned are payable in units 50% in December 2017 and 50% in December 2018, so long as Mr. Ouimet maintains continuous employment through the identified payment dates. If not, Mr. Ouimet will forfeit any unpaid portion of the award, except in the event of death, disability, or change in control (in which circumstances the award will be subject to proration). The threshold, target and maximum numbers of units for Mr. Ouimet s 2014 performance-based retention unit award are set forth in columns (f), (g), and (h), respectively, of the Grants of Plan-Based Awards Table for 2014. The grant date fair value of the 2014 performance-based retention unit award, calculated in accordance with ASC Topic 718 and based upon the probable outcome of the performance conditions, is reported in column (l) of the Grants of Plan-Based Awards Table for 2014 and is included in the 2014 amount set forth in the Unit Awards column (e) of the Summary Compensation Table for Mr. Ouimet. The performance units accrue distribution equivalents when we make distributions, which will be paid out in cash in conjunction with the payment of the underlying performance units. The provision in Mr. Ouimet s employment agreement providing for the vesting of any equity award made under our omnibus incentive plan that is scheduled to vest or be paid within 18 months after his termination in certain situations is not applicable to this award. For additional detail regarding this award, see Compensation Discussion and Analysis Elements of 2014 Executive Compensation 2014 Performance-Based Retention Grant.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END FOR 2014

			Option Awards				Unit Awards		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name	Number of Securities Underlying Unexercised Options Exercisable #	Number of Securities Underlying Unexercised Options Unexercisable #	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options #	Option Exercise Price ($)	Option Expiration Date	Number of Units That Have Not Vested # (1)	Market Value of Units That Have Not Vested ($) (2)	Equity Incentive Plan Awards: Number of Unearned Units or Other Rights That Have Not Vested #	Equity Incentive Plan Awards: Market or Payout Value of Unearned Units or Other Rights That Have Not Vested($)
Ouimet	57,591	28,796(5)	-	$ 29.53	03/27/2022	-	-	-	-
	40,831	81,661(6)	-	$ 36.95	02/26/2023	-	-	-	-
	-	-	-	-	-	28,137(10)	$ 1,509,691	-	-
	-	-	-	-	-	11,502(11)	$ 612,539	-	-
	-	-	-	-	-	23,312(12)	$ 1,181,452	-	-
	-	-	-	-	-	33,277(7)	$ 1,591,638	-	-
	-	-	-	-	-	15,237(9)	$ 728,766	-	-
	-	-	-	-	-	23,874(3)	$ 1,148,877(3)	-	-
	-	-	-	-	-	-	-	124,234(8)	$ 6,209,215(8)
	-	-	-	-	-	-	-	38,778(4)	$ 1,854,767(4)
	-	-	-	-	-	-	-	55,557(13)	$ 2,657,305(13)
Witherow	11,857	5,929(5)	-	$ 29.53	3/27/2022	-	-	-	-
	9,031	18,061(6)	-	$ 36.95	2/26/2023	-	-	-	-
	-	-	-	-	-	9,854(10)	$ 528,716	-	-
	-	-	-	-	-	2,544(11)	$ 135,481	-	-
	-	-	-	-	-	4,140(12)	$ 209,815	-	-
	-	-	-	-	-	4,915(3)	$ 235,074(3)	-	-
	-	-	-	-	-	-	-	8,577(4)	$ 410,236(4)
	-	-	-	-	-	-	-	9,868(13)	$ 471,976(13)
			-						
Zimmerman	14,398	7,199(5)	-	$ 29.53	3/27/2022	-	-	-	-
	10,976	21,953(6)	-	$ 36.95	2/26/2023	-	-	-	-
	-	-	-	-	-	11,965(10)	$ 641,982	-	-
	-	-	-	-	-	3,092(11)	$ 164,664	-	-
	-	-	-	-	-	5,434(12)	$ 275,395	-	-
	-	-	-	-	-	1,524(9)	$ 72,877	-	-
	-	-	-	-	-	5,969(3)	$ 285,483(3)	-	-
	-	-	-	-	-	-	-	10,425(4)	$ 498,604(4)
	-	-	-	-	-	-	-	12,952(13)	$ 619,473(13)
Milkie	8,257	4,129(5)	-	$ 29.53	3/27/2022	-	-	-	-
	6,035	12,069(6)	-	$ 36.95	2/26/2023	-	-	-	
	-	-	-	-	-	9,150(10)	$ 490,943	-	-
	-	-	-	-	-	1,700(11)	$ 90,534	-	-
	-	-	-	-	-	1,941(12)	$ 98,370	-	-
	-	-	-	-	-	3,809(9)	$ 182,192	-	-
	-	-	-	-	-	3,423(3)	$ 163,731(3)	-	-
	-	-	-	-	-	-	-	5,731(4)	$ 274,135(4)
	-	-	-	-	-	-	-	4,625(13)	$ 221,208(13)
Bender	8,257	4,129(5)	-	$ 29.53	3/27/2022	-	-	-	-
	6,035	12,069(6)	-	$ 36.95	2/26/2023	-	-	-	-
	-	-	-	-	-	9,150(10)	$ 490,943	-	-

	-	-	-	-	-	1,700(11)	$ 90,534	-	-
	-	-	-	-	-	1,941(12)	$ 98,370	-	-
	-	-	-	-	-	2,590(9)	$ 123,890	-	-
	-	-	-	-	-	3,423(3)	$ 163,731(3)		-
	-	-	-	-	-	-	-	5,731(4)	$ 274,135(4)
	-	-	-	-	-	-	-	4,625(13)	$ 221,208(13)

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(1) Column includes phantom units, restricted units, and 2012-2014 performance units. Phantom unit and performance unit amounts in this column include additional units that are credited as a result of the reinvestment of distribution equivalents.

(2) The market values for phantom units and the 2012-2014 performance units were calculated by multiplying the closing market price of our units as of December 31, 2014 as reported on the NYSE ($47.83), by the applicable number in column (g). The market values for restricted units were calculated by multiplying the closing market price of our units as of December 31, 2014 by the number of restricted units in column (g), and adding to that the amount of cash distribution equivalents accumulated on the restricted units from the grant date of the award through December 31, 2014. See Narratives to Summary Compensation and Grants of Plan Based Awards Table Restricted Unit Awards for additional detail.

(3) Amounts represent performance units awarded in March 2012 that were contingent upon the level of achievement of cumulative Adjusted EBITDA versus the target during the period from January 2012 through December 2014. The amounts set forth in column (g) are the actual number of units earned and include the reinvestment in distribution equivalent units of distributions on such number. These awards vested and were paid in March 2015. For additional information regarding these awards, see Compensation Discussion and Analysis Elements of 2014 Compensation Performance Unit Awards and Narratives to Summary Compensation and Grants of Plan Based Awards Table Performance Unit Awards.

(4) Amounts represent performance units awarded in February 2013 that are contingent upon the level of achievement of cumulative Adjusted EBITDA versus the target during the period from January 2013 through December 2015. The amounts set forth in column (i) assume that the maximum number of units are earned and assume the reinvestment in distribution equivalent units of distributions on such maximum number from the grant date of the award through December 31, 2014. The actual number of units and distribution equivalents earned will be determined following the end of the performance period and will vest and will be payable, either in cash equivalent, units or a combination of both in March 2016. Market value reported in column (j) was calculated by multiplying the maximum number of units and distribution equivalent units through December 31, 2014 that may be earned set forth in column (i) by the closing market price of our units as of December 31, 2014. For additional information regarding these awards, see Narratives to Summary Compensation and Grants of Plan Based Awards Table Performance Unit Awards.

(5) These options that were unvested at fiscal year-end vested and became exercisable on March 27, 2015.

(6) One half of these options vested and became exercisable on February 26, 2015, with the remaining options vesting and becoming exercisable on February 26, 2016.

(7) These phantom units vest and will be payable either in cash equivalent, units or a combination of both, in June 2015.

(8) Amounts represent Mr. Ouimet s March 2014 performance-based retention units. The number of units to be earned will depend on the level of achievement of our three (3) years annualized total unitholder return compared to our identified peer group during the January 1, 2014 December 31, 2016 period. The performance units earned are payable in units 50% in December 2017 and 50% in December 2018. The performance units accrue distribution equivalents, which will be paid out in cash in conjunction with the payment of the underlying performance units. The amount set forth in column (i) assumes that the target number of units is earned. Market value reported in column (j) was calculated by multiplying the amount set forth in column (i) by the closing market price of our units as of December 31, 2014, and adding to that the amount of cash distribution equivalents accumulated on the performance-based

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retention units from the grant date of the award through December 31, 2014. Distribution equivalents accumulated as of the fiscal year-end are reflected only in column (j) as all distribution equivalents on the performance based retention units have accrued in cash.

(9) These phantom units vested and were paid either in cash equivalent, units or a combination of both in March 2015.

(10) Amount represents restricted units awarded in October 2012. These restricted units vest on October 24, 2015. These restricted units accumulate distribution equivalents during the restricted period that will be payable in the same form as accrued when the awards vest. Distribution equivalents accumulated as of fiscal year-end are reflected only in column (h), as all distribution equivalents on the restricted units have been accrued in cash.

(11) Amount represents restricted units awarded in February 2013. These restricted units vest on December 31, 2015. These restricted units accumulate distribution equivalents during the restricted period that will be payable in the same form as accrued when the awards vest. Distribution equivalents accumulated as of the fiscal year-end are reflected only in column (h) as all distribution equivalents on the restricted units have been accrued in cash.

(12) Amount represents restricted units awarded in February 2014. One-third of these restricted units vested February 26, 2015, and one-third will vest on February 26 of each of 2016 and 2017. These restricted units accumulate distribution equivalents during the restricted period that will be payable in the same form as accrued when the awards vest. Distribution equivalents accumulated as of the fiscal year-end are reflected only in column (h) as all distribution equivalents on the restricted units have been accrued in cash.

(13) Amounts represent performance units awarded in February 2014 that are contingent upon the level of achievement of cumulative Adjusted EBITDA versus the target during the period from January 2014 through December 2016. The amounts set forth in column (i) assume that the maximum number of units are earned and assume the reinvestment in distribution equivalent units of distributions on such maximum number from the grant date of the award through December 31, 2014. The actual number of units and distribution equivalents earned will be determined following the end of the performance period and will vest and will be payable, either in cash equivalent, units or a combination of both in March 2017. Market value reported in column (j) was calculated by multiplying the maximum number of units and distribution equivalent units through December 31, 2014 that may be earned set forth in column (i) by the closing market price of our units as of December 31, 2014. For additional information regarding these awards, see Compensation Discussion and Analysis Elements of 2014 Compensation Performance Unit Awards and Narratives to Summary Compensation and Grants of Plan Based Awards Table Performance Unit Awards.

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OPTION EXERCISES AND UNITS VESTED IN 2014

	Option Awards		Unit Awards	
(a)	(b)	(c)	(d)	(e)
Name	Number of Units Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Units Acquired on Vesting (#) (1)	Value Realized on Vesting ($)
Ouimet	-	$ -	28,784(2)	$ 1,376,739(2)
			14,377(3)	$ 750,062(3)
			32,268(4)	$ 1,709,875(4)
Witherow	-	$ -	5,926(2)	$ 283,441(2)
Zimmerman	-	$ -	7,196(2)	$ 344,185(2)
			3,783(3)	$ 197,671(3)
Milkie	-	$ -	4,127(2)	$ 197,394(2)
			8,925(3)	$ 466,300(3)
Bender	-	$ -	4,127(2)	$ 197,394(2)
			4,704(3)	$ 245,716(3)

(1) The amounts in column (d) reflect the total number of phantom units or restricted units that vested for each executive in 2014, plus additional units credited as a result of reinvestment of distribution equivalents.

(2) Reflects the vesting and related value of restricted unit grants made in 2012 pursuant to the 2008 Omnibus Incentive Plan.

(3) Reflects the vesting and related value of phantom-based unit grants made from 2010 through 2011 pursuant to the 2008 Omnibus Incentive Plan, plus additional units credited as a result of reinvestment of distribution equivalents. Mr. Ouimet and Mr. Zimmerman each received 100% of the value in units. Mr. Milkie received 55% of the value in units and 45% in cash. Mr. Bender received 100% of the value in cash.

(4) Reflects the vesting and related value of the first half of the phantom-based unit grants made in 2011 in connection with Mr. Ouimet s employment with the Partnership, plus additional units credited as a result of reinvestment of distribution equivalents. He received 48% of the value in units and 52% in cash.

PENSION BENEFITS FOR 2014

(a)	(b)	(c)	(d)	(e)
Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($) (1)	Payments During Last Fiscal Year ($)
Ouimet	-	-	$ -	$ -
Witherow	-	-	$ -	$ -
Zimmerman	-	-	$ -	$ -
Milkie		7	$ 89,468	$ -

	2008 Supplemental Retirement Plan					
Bender		-	$	-	$	-

(1) The estimated present value amount is based on projected benefits earned through age 62 assuming (i) an annual interest rate of 3.25% and (ii) a discount rate of 5.18%.

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We adopted the 2008 Supplemental Retirement Plan (the 2008 SERP) in February 2008 to provide supplemental retirement benefits to certain of our executive officers, and accounts were established and credited in prior years for some of our executive officers under the 2008 SERP. Credits under the 2008 SERP were made on the basis of base salary, with no participant account being credited more than $100,000 in any plan year, and no more than $250,000 being credited in the aggregate to all participant accounts in any plan year. Accounts earn interest at the prime rate of our bank, as adjusted each December.

Mr. Milkie is the only named executive officer for 2014 to participate in the 2008 SERP. Mr. Milkie will become fully vested in his account upon the earliest of his retirement (provided that he has at least twenty years of service with the Partnership), or if while employed by the Partnership, upon his death, disability, or change in control. Distribution of the accrued balance generally will be made as a lump sum amount at the time specified in the plan. Participants may elect to receive the lump sum at a different time or to receive the accrued balance in a number of future payments over a specified period if certain conditions are satisfied. In general, the delay elected by a participant may not exceed 10 years or 5 years depending on when the distribution election is made. Additional contributions to the 2008 SERP were discontinued in 2011, and we do not intend to have any other executive officers participate in this plan.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following summaries describe and quantify the payments that each named executive officer would receive if his employment with us were terminated or if we had a change in control. These payments and benefits derive from a combination of employment agreements, our 2008 Omnibus Incentive Plan and related award agreements and our supplemental retirement plan. In all cases, the timing and amount of payments will comply with the requirements of Section 409A of the Code. The summaries assume that the termination or change in control occurred on December 31, 2014 and the relevant unit price is the closing market price of our units on the NYSE on December 31, 2014, which was $47.83 per unit.

Payments Pursuant to Employment Agreements (other than in connection with a Change in Control)

The following information summarizes payments that our named executive officers will receive in the event of terminations with or without cause, as a result of death or disability, in connection with non-renewals of their employment agreements and in general. Descriptions of release requirements, restrictions and certain key defined terms are provided at the end of this section. For information regarding payments in the event of a change in control, see Payments Upon a Change in Control under Employment Agreements and Incentive Plan and Supplemental Retirement Plan Payments upon a Change of Control below. For additional information regarding payments in the event of death, disability or retirement, see Payments Upon Death, Disability or Retirement under our Incentive and Supplemental Retirement Plans below.

Terminations without Cause or due to Disability and Resignations for Good Reason

If we terminate the employment of Mr. Ouimet, Mr. Witherow, Mr. Zimmerman, Mr. Milkie or Mr. Bender without cause or because of a disability, or if any of those executives resign for good reason (in each case, other than in connection with a change in control), each executive will be entitled to:

- Payment of accrued and unpaid base salary (together with accrued and unpaid supplemental compensation for Mr. Ouimet), reimbursement of business expenses and payment for accrued and unused vacation days, each as accrued as of the termination date, in a lump sum within 30 days following termination;

- An amount equal to two times his base salary for Mr. Ouimet (and for the other executives, an amount equal to one times base salary). This amount will be payable:

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for Mr. Ouimet, in a single lump sum on the first regularly scheduled payroll date following the 60th day after the termination; or

for the other executives, at the same time salary otherwise would be paid over the 12-month period following termination, but with the first payment being made on the first regularly scheduled payroll date following the 60th day after the termination and including any payments that otherwise would be due earlier;

and will be reduced by any payments received from any short- or long-term disability plan maintained by us, where applicable;

Any unpaid annual cash incentive award earned with respect to a calendar year ending on or before the date of termination, payable at the same time payment would have been made had the executive continued to be employed;

A pro-rata portion of his annual cash incentive award for the calendar year of termination, based on actual performance (with certain qualitative performance criteria being deemed satisfied in full), which amount will be prorated based on the number of days the executive is employed during the applicable year and payable at the same time payment is made to other senior executives and no later than March 15 of the next calendar year;

Payment of the after-tax monthly COBRA continuation coverage premium under our medical plan (less the amount of the executive s contribution as if he was an active employee), until the earliest of twelve months after termination, the date the executive is no longer eligible for COBRA or the date that he obtains other employment with medical benefits, with the first COBRA premium payment being made following the timely delivery of a general release and including any amounts due prior thereto;

Full vesting in any equity awards made under Cedar Fair s Omnibus Incentive Plan that vest within 18 months after his termination of employment without cause or his resignation for good reason unless otherwise specifically exempted from vesting by the terms of the underlying award agreement. Equity awards other than options that vest under this provision will be paid or vest on the scheduled payment date under the award agreement without regard to the continuous employment requirements or proration. Options that vest within the 18 month period will terminate 30 calendar days after the vesting date unless exercised; and

All other accrued amounts or benefits the executive is due under our benefit plans, programs or policies (other than severance).

Death

If the employment of any of Mr. Ouimet, Mr. Witherow, Mr. Zimmerman, Mr. Milkie or Mr. Bender is terminated by reason of death, the executive or his legal representatives shall be entitled to:

Payment of accrued and unpaid base salary (together with accrued and unpaid supplemental compensation for Mr. Ouimet), reimbursement of business expenses and payment for accrued and unused vacation days, each as accrued as of the termination date, in a lump sum within 30 days following termination;

Any unpaid cash incentive award earned with respect to a calendar year ending on or before the date of termination, payable at the same time payment would have been made had the executive continued to be employed;

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A pro-rata portion of his cash incentive award for the calendar year of termination, based on actual performance (with certain qualitative performance criteria being deemed satisfied in full), which amount will be prorated based on the number of days the executive is employed during the applicable year and payable at the same time payment is made to other senior executives and no later than March 15 of the next calendar year;

Payment of the after-tax monthly COBRA continuation coverage premium under our medical plan for the executive s spouse and eligible dependents (less the amount of the executive s contribution as if he was an active employee) for a period of up to twelve months after executive s death, if permitted under applicable law; and

All other accrued amounts or benefits the executive is due under our benefit plans, programs or policies (other than severance).

Non-Renewal

If: (i) we are not willing to renew the executive s employment agreement, and, in Mr. Ouimet s case, he has provided a timely renewal notice, (or, for Mr. Ouimet only, we fail to provide a timely renewal notice), and the executive chooses to terminate his employment agreement immediately following the employment period; or (ii) for Mr. Ouimet only, if the parties desire to enter into a new employment agreement, but the new agreement is not executed before expiration of the current employment period, and Mr. Ouimet s employment is terminated immediately following expiration, the executive will be entitled to:

Payment of accrued and unpaid base salary (together with accrued and unpaid supplemental compensation for Mr. Ouimet), reimbursement of business expenses and payment for accrued and unused vacation days, each as accrued as of the termination date, in a lump sum within 30 days following termination;

An amount equal to his base salary, payable at the same time salary otherwise would be paid over the 12-month period following termination, but with the first payment being made on the first regularly scheduled payroll date following the 60^{th} day after the termination and including any payments that otherwise would be due earlier;

Any unpaid cash incentive award earned with respect to a calendar year ending on or before the date of termination, payable at the same time payment would have been made had the executive continued to be employed;

Payment of the after-tax monthly COBRA continuation coverage premium under our medical plan (less the amount of the executive s contribution as if he was an active employee), until the earliest of twelve months after termination, the date the executive is no longer eligible for COBRA or the date that he obtains other employment with medical benefits, with the first COBRA premium payment being made following the timely delivery of a general release and including any amounts due prior thereto;

All other accrued amounts or benefits the executive is due under our benefit plans, programs or policies (other than severance); and

Full vesting in any equity awards made under Cedar Fair s Omnibus Incentive Plan that vest within 18 months after his termination of employment unless otherwise specifically exempted from vesting by the terms of the underlying award agreement, with such awards vesting and being paid as described above for terminations without cause or resignations for good reason.

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Other Terminations

If the executive s employment is terminated for any reason other than those described above or those described under Payments Upon a Change in Control Under Employment Agreements, which we refer to in the tables below as All Terminations, the executive or his legal representatives will be entitled to receive a lump sum payment within 30 days following termination consisting of accrued and unpaid base salary (together with accrued and unpaid supplemental compensation for Mr. Ouimet), reimbursement of business expenses and payment for accrued and unused vacation days, each as accrued as of the date of termination. The executive also will be entitled to any unpaid cash incentive award earned with respect to a calendar year ending on or before the date of termination, payable at the same time payment would have been made had the executive continued to be employed, and all other accrued amounts or benefits the executive is due under our benefit plans, programs or policies (other than severance).

Releases and Restrictions; Certain Definitions

Any termination payments under the executives respective employment agreements are subject to execution, timely delivery, and non-revocation of a general release in favor of Cedar Fair. In addition, each executive is subject to non-competition, non-solicitation, confidentiality, non-disparagement and cooperation provisions contained in his employment agreement, with the non-competition and non-solicitation obligations lasting for a minimum of twelve months (regardless of the reason for termination) or, if longer, for the period in or with respect to which he is receiving severance payments or 18-month continued equity vesting.

Under the employment agreements, cause means: (i) the executive s willful and continued failure to perform his duties or follow the lawful direction of the Board (or, for the executives other than Mr. Ouimet, the chief executive officer or the Board) or a material breach of fiduciary duty after written notice of the breach; (ii) theft, fraud, or dishonesty with regard to Cedar Fair or in connection with the executive s duties; (iii) indictment for or conviction of (or guilty or no contest plea to) a felony or any lesser offense involving fraud or moral turpitude; (iv) material violation of our code of conduct or similar written policies after written notice specifying the violation; (v) willful misconduct unrelated to us that has, or is likely to have, a material negative impact on us after written notice specifying the failure or breach; (vi) gross negligence or willful misconduct relating to our affairs; (vii) material breach by the executive of his employment agreement; (viii) a final and non-appealable determination by a court or other governmental body that the executive has materially violated federal or state securities laws; or (ix) a breach or contravention of another employment agreement or other agreement or policy by virtue of the executive s employment with us or performance of his duties, or the existence of any other limitation on his activities on our behalf except for confidentiality obligations to former employers.

Disability means a physical or mental incapacity or disability that renders or is likely to render the executive unable to perform his material duties for either 180 days in any twelve-month period or 90 consecutive days, as determined by a physician selected by us.

Good reason means, without the executive s express consent: (i) any material diminution in his responsibilities, authorities or duties; (ii) any material reduction in the executive s (x) base salary (or, for Mr. Ouimet, in the aggregate amount of his base salary and supplemental compensation), or (y) target cash incentive opportunity (except in the event of an across the board reduction in base salary or cash incentive opportunity applicable to substantially all of our senior executives); (iii) a forced relocation of his place of employment by the greater of seventy (70) miles or the distance constituting a material change in the geographic location of the executive s place of employment under Section 409A; or (iv) a material breach of the employment agreement by us. The events described in (i), (ii) and (iii) will not constitute good reason unless the executive notifies us in writing and we fail to cure the situation within the time periods specified in the agreement.

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Payments upon Death, Disability or Retirement under our Incentive and Supplemental Retirement Plans

If any named executive officer dies, becomes disabled or retires at age 62 or over while employed by us, any unvested phantom unit awards under our Amended and Restated Senior Management Long-Term Incentive Compensation Plan and any unvested time-based phantom units awarded under our 2008 Omnibus Incentive Plan will be paid in full in a lump sum cash payment within ninety days of the event (or such period of time as required by Section 409A of the Code). In the event of death or disability during employment, actual performance-based phantom unit awards under the 2008 Omnibus Incentive Plan for that year, as well as any unpaid awards for prior years, will be paid in a lump sum cash payment within ninety days of the event (subject to Section 409A). Performance-based phantom unit awards under the 2008 Omnibus Incentive Plan will be prorated in the event of retirement after age 62 and paid, together with any unpaid such awards for prior years, in a lump sum cash payment within ninety days of the end of the performance period or retirement date, respectively (subject to Section 409A).

All amounts accrued under our 2008 SERP will also become fully vested and payable upon an executive s death, disability or retirement at age 62 or over with at least 20 years of service. Any cash incentive awards outstanding at the time of death or retirement will be paid on a prorated basis. Our EBITDA-based performance unit awards under the 2008 Omnibus Incentive Plan will be payable in the event of death or disability while employed by us, or retirement at age 62 or over from employment with us, with amounts being prorated where the death, separation from service due to disability or retirement occurs during the performance period. Restrictions on our outstanding restricted unit awards will lapse upon death, disability or retirement. Options awarded under the 2008 Omnibus Incentive Plan will expire on the earlier of the ten year anniversary of the grant date or the date that is thirty (30) days after a separation from service under the plan. Mr. Ouimet s 2014 performance-based retention award would be payable in a lump sum upon death or separation from service due to disability occurring prior to either or both payment dates, based on the performance through the end of the most recently completed year and with one-half prorated based on the first, and the remainder prorated based on the second, payment date. The named executive officers also will receive payments in these situations as described above under Payments Pursuant to Employment Agreements (other than in connection with a Change in Control).

Payments upon a Change in Control under Employment Agreements

In the event of certain terminations following a change in control, Mr. Ouimet, Mr. Witherow, Mr. Zimmerman, Mr. Milkie and Mr. Bender will receive benefits and payments in accordance with the terms of their employment agreements. Our incentive plans and our 2008 SERP also contain change-in-control provisions. Each of our incentive plans and employment agreements uses the change in control definition provided by Section 409A of the Code or a definition based on the 409A definition. As a result, if a change in control occurs under one plan or agreement, it will trigger payment under the other plans and agreements as well. Change-in-control events include:

- a change in ownership of the Partnership which generally would occur when a person or group acquires units representing more than 50 percent of the total fair market value or total voting power of the Partnership;

- a change in the effective control of the Partnership, which could occur even if a change in ownership has not occurred, and would occur if either (i) a person or group acquires units, all at once or over a period of 12 months, representing 30 percent or more of the total voting power of the Partnership, or (ii) a majority of our directors will have been replaced during a 12-month period by directors not endorsed by a majority of the board before the date of appointment or election; or

- a change in ownership of a substantial portion of the assets of the Partnership, which would occur if a person or group acquires, all at once or over a period of 12 months, assets from us that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of our assets immediately before the acquisition(s), determined without regard to any liabilities associated with such assets.

Section 409A and its rules contain detailed provisions for determining whether a change-in-control event has occurred. The above descriptions of change-in-control events are general summaries only, and we refer you to Section 409A and its rules for additional detail.

All of our employment agreements and our supplemental retirement plans contain a double trigger change in control provision, which means that two events must occur for a participant to receive payments under the change in control provision. First, a change in control must occur. The second trigger under the employment agreements is that the executive s employment must be terminated within 24 months following the change in control. Terminations for good reason (as defined above) by the executive qualify for change in control protection in addition to involuntary terminations. The second trigger under our supplemental retirement plans is the occurrence of a separation from service under the plan. Our incentive plans under which we have awarded phantom units, performance units and unit options contain single trigger change in control provisions.

If we terminate the employment of Mr. Ouimet, Mr. Witherow, Mr. Zimmerman, Mr. Milkie or Mr. Bender without cause or because of a disability within 24 months following a change in control, or if any of those executives resign for good reason within 24 months following a change in control, the executive is entitled to the payments and benefits described above under Payments Pursuant to Employment Agreements (other than in connection with a Change in Control) Terminations without Cause or due to Disability and Resignations for Good Reason, except that:

- in lieu of his non-change in control severance or base salary continuation, as applicable, the executive will receive severance as follows:

  - Mr. Ouimet will receive a lump sum amount equal to three times annual cash compensation for the year preceding the calendar year in which the change in control occurred, less US$1; and

  - each executive other than Mr. Ouimet will receive a lump sum amount equal to two and one-half times the executive s annual cash compensation for the year preceding the calendar year in which the change in control occurred, less US$1; and

- the executive will have the right to continue medical and dental insurance coverage under COBRA during the 30 month period following the termination, and to receive monthly reimbursement of such COBRA continuation coverage premiums from us, if permitted by applicable law.

For purposes of our employment agreements, cash compensation with respect to any calendar year is defined as (a) the total salary payable, (b) target annual cash incentive compensation with respect to that calendar year, even if not paid during the year, (c) with respect to any multi-year cash bonus, the amount actually paid and (d) for Mr. Ouimet, his annual supplemental compensation. Any lump sum payments made pursuant to the employment agreements in connection with a change in control will be paid within sixty days following the termination, subject to the requirements of Section 409A.

Our executive employment agreements cap the present value of the aggregate payments, distributions and benefits provided to or for the executive s benefit which constitute parachute payments under Section 280G of the Code at 299% of the base amount (as defined for purposes of Section 280G). If the present value exceeds the cap, the payments, distributions and benefits to the executive will be reduced in the order specified in his employment agreement so that the reduced amount will result in no portion of his payments, distributions and benefits being subject to excise tax. We refer to this type of provision as a 280G cap and cutback provision below.

Payments of change-in-control amounts or provisions of change-in-control benefits under the employment agreements are conditioned upon the execution and non-revocation of a mutually acceptable separation agreement and release.

Incentive Plan and Supplemental Retirement Plan Payments upon a Change in Control

In addition to the payments and benefits outlined above, our incentive plans and our supplemental retirement plans contain change-in-control provisions that may result in payments to participating named executive officers, summarized below. In the event of a change in control:

Unpaid awards from prior years that were made under our Amended and Restated Senior Management Long-Term Incentive Compensation Plan will be paid in a lump sum cash payment within ninety days of the event (or such period of time as may be required by Section 409A of the Code).

Grants made under our Amended and Restated 2000 Equity Incentive Plan, including options, unit appreciation rights, restricted units or performance units, will vest, become fully exercisable and be free of all restrictions or limitations. Option holders may elect to cash out any options for the difference between the price of the option and the change in control price per unit within 60 days of a change in control.

Unless otherwise specified in connection with making a particular award, cash incentive awards made under our 2008 Omnibus Incentive Plan will be deemed to have been earned at 100% of the target level in the year of the change in control and will be paid within 30 days following a change in control.

Unless otherwise specified in connection with making a particular award, all long-term incentive awards made under the 2008 Omnibus Incentive Plan (i.e., performance-based phantom unit awards) will be deemed to have been earned at 100% of the target level. All such awards, including any unpaid awards from prior years, will be paid in a lump sum cash payment within 30 days of the change in control.

Unless otherwise specified in connection with making a particular award, all performance awards made under our 2008 Omnibus Incentive Plan will be deemed to have been earned and payable in full and any other restriction shall lapse. Any such performance awards will be paid within 30 days following a change of control. Our outstanding EBITDA-based performance awards will be deemed earned at the target level. The March 2014 performance-based retention award to Mr. Ouimet would be earned based on the performance through the end of the most recently completed year, with one-half of the units prorated based on the first, and the remainder prorated based on the second, payment date.

Unless otherwise specified in connection with making a particular award, all restrictions, limitations and other conditions applicable to any other unit awards granted under our 2008 Omnibus Incentive Plan, such as the time-based phantom unit awards granted in October 2010, June and October 2011 and February 2012, shall lapse and those awards shall become fully vested and transferable. Any such awards will be issued, settled or distributed, as applicable within 30 days following a change in control.

All restrictions applicable to our outstanding restricted unit awards will lapse and restricted units will become fully vested and transferable.

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Any outstanding unvested options under the 2008 Omnibus Incentive Plan will vest and become fully exercisable. Option holders may elect to cash out any options within 60 days of a change in control for the difference between the price of the option and the fair market value per unit at the time of the election.

All amounts accrued by the named executive officers under our Amended and Restated Supplemental Retirement Program and 2008 SERP will vest and be funded in a trust for the benefit of the executive officers when they retire at or after reaching age 62, die, or become disabled, whichever occurs first.

Matthew A. Ouimet

The payments that would have been made to Mr. Ouimet upon a termination of his employment or a change in control of the Partnership as of December 31, 2014, are as follows:

Executive Benefits and Payments Upon Separation	All Terminations	Termination Other than For Cause or For Good Reason	Termination upon Non-renewal	Disability	Death	Change in Control Only	Termination upon Change in Control
Compensation							
Earned but unpaid salary	$ 39,452	$ 39,452	$ 39,452	$ 39,452	$ 39,452	$ 39,452	$ 39,452
Severance	-	1,800,000	900,000	1,800,000	-	-	501,376(1)
Incentive compensation	374,409(2)	374,409(2)	374,409(2)	374,409(2)	374,409(2)	345,735(3)	374,409(2)
Unit Options	-	1,415,436(4)	1,415,436(4)	-	-	1,415,436	1,415,436
Phantom units	-	2,320,404(4)	2,320,404(4)	2,320,404	2,320,404	2,320,404	2,320,404
Restricted units	-	2,909,865(4)	2,909,865(4)	3,303,682	3,303,682	3,303,682	3,303,682
Performance units	-	2,996,642(5)	2,996,642(5)	4,521,521(6)	4,521,521(6)	5,068,830	5,068,830
Benefits							
Health benefits	-	20,459	20,459	20,459	20,459	-	51,148
Totals	$ 413,861(7)	$ 11,876,667(7)	$ 10,976,667(7)	$ 12,379,927(7)	$ 10,579,927(7)	$ 12,493,539	$ 13,074,737

(1) Amount was decreased by $5,296,123 to comply with the 280G cap and cutback provision of Mr. Ouimet s employment agreement. Pre-capped severance amount based on 2013 cash compensation, as defined in employment agreement and described above on pages 46-48, which reflects the salary, target annual cash bonus, and Mr. Ouimet s annual supplemental compensation for 2013. See Summary Compensation Table for 2014 for increased 2014 salary versus 2013 and Grants of Plan Based Awards Table for 2014 for 2014 target cash incentive opportunity, which would result in higher severance amount for change in control and termination dates on and after January 1, 2015 (subject to the 280G cap and cutback provision).

(2) Amount excludes portion of 2014 cash incentive award paid prior to the assumed termination date.

(3) Amount represents payout of the 2014 cash incentive award at 100% of the target level less the amount of the award paid prior to the assumed date of the change in control.

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(4) Amount includes all unexercisable options awarded to Mr. Ouimet in 2012 and 2013. Amount also includes the unvested phantom units awarded to Mr. Ouimet in 2011, the restricted units awarded in October 2012 and February 2013, and two-thirds of the restricted units awarded in February 2014. Amount based on value of the units, including the value of any accumulated distribution equivalents, as of the assumed termination date. Value of this award to Mr. Ouimet depends on the unit price as of the later applicable payment dates and could differ from that assumed herein. Value of phantom and restricted units also depends on the value of future distributions made prior to the payment date.

(5) Amount includes the performance awards awarded to Mr. Ouimet in 2012 and 2013. This amount is based on the actual number of units earned for the 2012 award, and for the 2013 award assumes that all performance metrics are met over the applicable performance period and that Mr. Ouimet would receive the maximum number of units. The amount represents the value at December 31, 2014 of 62,652 units, which includes the value of distribution equivalents accrued through the assumed termination date. The total units under the 2013 award that would be payable, however, could be lower as a result of performance actually attained. Additionally, as Mr. Ouimet would not receive any payments under the 2013 award until the scheduled payment date in 2016, the value to him of the units would depend on the unit price as of the later applicable payment date and on the value of future distributions made prior to the payment date.

(6) If Mr. Ouimet had died or had become disabled on December 31, 2014, he would be entitled to receive payment in 2015, 2016 and 2017, respectively, as provided in his 2012-2014, 2013-2015 and 2014-2016 adjusted EBITDA-based performance unit awards as if he were employed on the applicable payment date and he would be entitled to receive payment within thirty days as provided in his 2014 performance-based retention award. Any such payments from the adjusted EBITDA-based performance awards and the 2014 performance-based retention award would be prorated as of December 31, 2014, the date of death or disability, and would depend upon the level of attainment of the performance metrics. This amount assumes that all performance metrics are met over the applicable performance period (except for the 2012 award, which is based on actual performance) and that Mr. Ouimet would receive the maximum number of units. Accordingly, this amount includes the value at December 31, 2014 of 23,874 units (i.e., the actual number of units earned under the 2012 award), 25,852 units (i.e., 2/3 of the maximum units under the 2013 award) and 18,519 units (i.e., 1/3 of the maximum units under the 2014 award), plus the value of distribution equivalents accrued on those units through the assumed termination date. This amount also includes the value at December 31, 2014 of 25,157 units (the prorated portion of the 2014 performance-based retention award assuming a 90% payout as defined in the award agreement), plus the value of distribution equivalents accrued on those units through the assumed termination date. The total units under the 2013 and 2014 adjusted EBITDA-based performance unit awards that would be payable, however, could be lower as a result of performance actually attained. Additionally, as Mr. Ouimet would not receive any payments until the scheduled payment dates in 2016 and 2017, respectively, for the 2013 and 2014 adjusted EBITDA-based performance unit awards, the value to him of the units would depend on the unit price as of the later applicable payment dates and on the value of future distributions made prior to the payment dates.

(7) Total value could be higher or lower depending upon the factors described in footnotes 4, 5, and 6.

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Brian C. Witherow

The payments that would have been made to Mr. Witherow upon a termination of his employment or a change in control of the Partnership as of December 31, 2014, are as follows:

Executive Benefits and Payments Upon Separation	All Terminations	Termination Other than For Cause or For Good Reason	Termination upon Non-renewal	Disability	Death	Change in Control Only	Termination upon Change in Control
Compensation							
Earned but unpaid salary	$ 17,534	$ 17,534	$ 17,534	$ 17,534	$ 17,534	$ 17,534	$ 17,534
Severance	-	400,000	400,000	400,000	-	-	632,141(1)
Incentive compensation	138,670(2)	138,670(2)	138,670(2)	138,670(2)	138,670(2)	128,050(3)	138,670(2)
Unit Options	-	305,002(4)	305,002(4)	-	-	305,002	305,002
Restricted units	-	804,074(4)	804,074(4)	874,012	874,012	874,012	874,012
Performance units	-	645,309(5)	645,309(5)	665,890(6)	665,890(6)	753,547	753,547
Benefits							
Health benefits	-	20,459	20,459	20,459	20,459	-	51,148
Totals	$ 156,204	$ 2,331,048(7)	$ 2,331,048(7)	$ 2,116,565(7)	$ 1,716,565(7)	$ 2,078,145	$ 2,772,054

(1) Amount was decreased by $1,012,858 to comply with the 280G cap and cutback provision of Mr. Witherow s employment agreement. Pre-capped severance amount based on 2013 cash compensation, as defined in employment agreement and described above on pages 46-48, which reflects the salary and target annual cash bonus for 2013. See Summary Compensation Table for 2014 for increased 2014 salary versus 2013 and Grants of Plan Based Awards Table for 2014 for 2014 target cash incentive opportunity, which would result in higher severance amount for change in control and termination dates on and after January 1, 2015 (subject to the 280G cap and cutback provision).

(2) Amount excludes portion of 2014 cash incentive award paid prior to the assumed termination date.

(3) Amount represents payout of the 2014 cash incentive award at 100% of the target level less the amount of the award paid prior to the assumed date of the change in control.

(4) Amount includes all unexercisable options awarded to Mr. Witherow in 2012 and 2013. Amount also includes the restricted units awarded to Mr. Witherow in October 2012 and February 2013, and two-thirds of the restricted units awarded in February 2014.

Amount based on value of the units, including the value of any accumulated distribution equivalents, as of the assumed termination date. Value of this award to Mr. Witherow depends on the unit price as of the later applicable payment dates and could differ from that assumed herein. Value of restricted units also depends on the value of future distributions made prior to the payment date.

(5) Amount includes the performance awards awarded to Mr. Witherow in 2012 and 2013. This amount is based on the actual number of units earned for the 2012 award, and for the 2013 award assumes that all

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performance metrics are met over the applicable performance period and that Mr. Witherow would receive the maximum number of units. The amount represents the value at December 31, 2014 of 13,492 units, which includes the value of distribution equivalents accrued through the assumed termination date. The total units under the 2013 award that would be payable, however, could be lower as a result of performance actually attained. Additionally, as Mr. Witherow would not receive any payments under the 2013 award until the scheduled payment date in 2016, the value to him of the units would depend on the unit price as of the later applicable payment date and on the value of future distributions made prior to the payment date.

(6) If Mr. Witherow had died or had become disabled on December 31, 2014, he would be entitled to receive payment in 2015, 2016 and 2017, respectively, as provided in his 2012-2014, 2013-2015 and 2014-2016 performance unit awards as if he were employed on the applicable payment date. Any such payments from the performance awards would be prorated as of December 31, 2014, the date of death or disability, and would depend upon the level of attainment of the performance metrics. This amount assumes that all performance metrics are met over the applicable performance period (except for the 2012 award, which is based on actual performance) and that Mr. Witherow would receive the maximum number of units. Accordingly, this amount represents the value at December 31, 2014 of 4,915 units (i.e., the actual number of units earned under the 2012 award), 5,718 units (i.e., 2/3 of the maximum units under the 2013 award) and 3,289 units (i.e., 1/3 of the maximum units under the 2014 award), plus the value of distribution equivalents accrued on those units through the assumed termination date. The total units under the 2013 and 2014 performance unit awards that would be payable, however, could be lower as a result of performance actually attained. Additionally, as Mr. Witherow would not receive any payments until the scheduled payment dates in 2016 and 2017, respectively, for the 2013 and 2014 performance unit awards, the value to him of the units would depend on the unit price as of the later applicable payment dates and on the value of future distributions made prior to the payment dates.

(7) Total value could be higher or lower depending upon the factors described in footnote 4, 5, and 6.

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Richard A. Zimmerman

The payments that would have been made to Mr. Zimmerman upon a termination of his employment or a change in control of the Partnership as of December 31, 2014, are as follows:

Executive Benefits and Payments Upon Separation	All Terminations	Termination Other than For Cause or For Good Reason	Termination upon Non-renewal	Disability	Death	Change in Control Only	Termination upon Change in Control
Compensation							
Earned but unpaid salary	$ 23,014	$ 23,014	$ 23,014	$ 23,014	$ 23,014	$ 23,014	$ 23,014
Severance	-	525,000	525,000	525,000	-	-	1,120,848(1)
Incentive compensation	142,629(2)	142,629(2)	142,629(2)	142,629(2)	142,629(2)	168,066(3)	142,629(2)
Unit Options	-	370,587(4)	370,587(4)	-	-	370,587	370,587
Phantom units	-	72,877(4)	72,877(4)	72,877	72,877	72,877	72,877
Restricted units	-	990,243(4)	990,243(4)	1,082,042	1,082,042	1,082,042	1,082,042
Performance units	-	784,087(5)	784,087(5)	824,376(6)	824,376(6)	939,655	939,655
Benefits							
Health benefits	-	21,977	21,977	21,977	21,977	-	54,941
Totals	$ 165,643	$ 2,930,414(7)	$ 2,930,414(7)	$ 2,691,915(7)	$ 2,166,915(7)	$ 2,656,241	$ 3,806,593

(1) Amount was decreased by $878,524 to comply with the 280G cap and cutback provision of Mr. Zimmerman s employment agreement. Pre-capped severance amount based on 2013 cash compensation, as defined in employment agreement and described above on pages 46-48, which reflects the salary and target annual cash bonus for 2013. See Summary Compensation Table for 2014 for increased 2014 salary versus 2013 and Grants of Plan Based Awards Table for 2014 for 2014 target cash incentive opportunity, which would result in higher severance amount for change in control and termination dates on and after January 1, 2015 (subject to the 280G cap and cutback provision).

(2) Amount excludes portion of 2014 cash incentive award paid prior to the assumed termination date.

(3) Amount represents payout of the 2014 cash incentive award at 100% of the target level less the amount of the award paid prior to the assumed date of the change in control.

(4) Amount includes all unexercisable options awarded to Mr. Zimmerman in 2012 and 2013. Amount also includes the unvested phantom units awarded to Mr. Zimmerman in 2011, the restricted units awarded in October 2012 and February 2013, and two-thirds of the restricted units awarded in February 2014. Amount based on value of the units, including the value of any accumulated distribution equivalents, as of the assumed termination date. Value of this award to Mr. Zimmerman depends on the unit price as of the later applicable payment dates and could differ from that assumed herein. Value of phantom and restricted units also depends on the value of future distributions made prior to the payment date.

(5) Amount includes the performance awards awarded to Mr. Zimmerman in 2012 and 2013. This amount is based on the actual number of units earned for the 2012 award, and for the 2013 award assumes that

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all performance metrics are met over the applicable performance period and that Mr. Zimmerman would receive the maximum number of units. The amount represents the value at December 31, 2014 of 16,394 units, which includes the value of distribution equivalents accrued through the assumed termination date. The total units under the 2013 award that would be payable, however, could be lower as a result of performance actually attained. Additionally, as Mr. Zimmerman would not receive any payments under the 2013 award until the scheduled payment date in 2016, the value to him of the units would depend on the unit price as of the later applicable payment date and on the value of future distributions made prior to the payment date.

(6) If Mr. Zimmerman had died or had become disabled on December 31, 2014, he would be entitled to receive payment in 2015, 2016 and 2017, respectively, as provided in his 2012-2014, 2013-2015 and 2014-2016 performance unit awards as if he were employed on the applicable payment date. Any such payments from the performance awards would be prorated as of December 31, 2014, the date of death or disability, and would depend upon the level of attainment of the performance metrics. This amount assumes that all performance metrics are met over the applicable performance period (except for the 2012 award, which is based on actual performance) and that Mr. Zimmerman would receive the maximum number of units. Accordingly, this amount represents the value at December 31, 2014 of 5,969 units (i.e., the actual number of units earned under the 2012 award), 6,950 units (i.e., 2/3 of the maximum units under the 2013 award) and 4,317 units (i.e., 1/3 of the maximum units under the 2014 award), plus the value of distribution equivalents accrued on those units through the assumed termination date. The total units under the 2013 and 2014 performance unit awards that would be payable, however, could be lower as a result of performance actually attained. Additionally, as Mr. Zimmerman would not receive any payments until the scheduled payment dates in 2016 and 2017, respectively, for the 2013 and 2014 performance unit awards, the value to him of the units would depend on the unit price as of the later applicable payment dates and on the value of future distributions made prior to the payment dates.

(7) Total value could be higher or lower depending upon the factors described in footnote 4, 5, and 6.

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Duffield E. Milkie

The payments that would have been made to Mr. Milkie upon a termination of his employment or a change in control of the Partnership as of December 31, 2014, are as follows:

Executive Benefits and Payments Upon Separation	All Terminations	Termination Other than For Cause or For Good Reason	Termination upon Non-renewal	Disability	Death	Change in Control Only	Termination upon Change in Control
Compensation							
Earned but unpaid salary	$ 15,342	$ 15,342	$ 15,342	$ 15,342	$ 15,342	$ 15,342	$ 15,342
Severance	-	350,000	350,000	350,000	-	-	1,048,812(1)
Incentive compensation	78,869(2)	78,869(2)	78,869(2)	78,869(2)	78,869(2)	72,828(3)	78,869(2)
Unit Options	-	206,869(4)	206,869(4)	-	-	206,869	206,869
Phantom units	-	182,192(4)	182,192(4)	182,192	182,192	182,192	182,192
Restricted units	-	647,057(4)	647,057(4)	679,847	679,847	679,847	679,847
Performance units	-	437,866(5)	437,866(5)	420,224(6)	420,224(5)	445,449	445,449
Supplemental retirement	-	-	-	89,468	89,468	89,468	89,468
Benefits							
Health benefits	-	16,965	16,965	16,965	16,965	-	42,412
Totals	$ 94,211	$ 1,935,160(7)	$ 1,935,160(7)	$ 1,832,907(7)	$ 1,482,907(7)	$ 1,691,995	$ 2,789,260

(1) Amount was decreased by $291,187 to comply with the 280G cap and cutback provision of Mr. Milkie s employment agreement. Pre-capped severance amount based on 2013 cash compensation, as defined in employment agreement and described above on pages 46-48, which reflects the salary and target annual cash bonus for 2013. See Summary Compensation Table for 2014 for increased 2014 salary versus 2013 and Grants of Plan Based Awards Table for 2014 for 2014 target cash incentive opportunity, which would result in higher severance amount for change in control and termination dates on and after January 1, 2015 (subject to the 280G cap and cutback provision).

(2) Amount excludes portion of 2014 cash incentive award paid prior to the assumed termination date.

(3) Amount represents payout of the 2014 cash incentive award at 100% of the target level less the amount of the award paid prior to the assumed date of the change in control.

(4) Amount includes all unexercisable options awarded to Mr. Milkie in 2012 and 2013. Amount also includes the unvested phantom units awarded to Mr. Milkie in 2011, the restricted units awarded in October 2012 and February 2013, and two-thirds of the restricted units awarded in February 2014. Amount based on value of the units, including the value of any accumulated distribution equivalents, as of the assumed termination date. Value of this award to Mr. Milkie depends on the unit price as of the later applicable payment dates and could differ from that assumed herein. Value of phantom and restricted units also depends on the value of future distributions made prior to the payment date.

(5) Amount includes the performance awards awarded to Mr. Milkie in 2012 and 2013. This amount is based on the actual number of units earned for the 2012 award, and for the 2013 award assumes that all performance metrics are met over the applicable performance period and that Mr. Milkie would receive the maximum number of units. The amount represents the value at December 31, 2014 of 9,154 units, which includes the value of distribution equivalents accrued through the assumed termination date. The total units under the 2013 award that would be payable, however, could be lower as a result of performance actually attained. Additionally, as Mr. Milkie would not receive any payments under the 2013 award until the scheduled payment date in 2016, the value to him of the units would depend on the unit price as of the later applicable payment date and on the value of future distributions made prior to the payment date.

(6) If Mr. Milkie had died or had become disabled on December 31, 2014, he would be entitled to receive payment in 2015, 2016 and 2017, respectively, as provided in his 2012-2014, 2013-2015 and 2014-2016 performance unit awards as if he were employed on the applicable payment date. Any such payments from the performance awards would be prorated as of December 31, 2014, the date of death or disability, and would depend upon the level of attainment of the performance metrics. This amount assumes that all performance metrics are met over the applicable performance period (except for the 2012 award, which is based on actual performance) and that Mr. Milkie would receive the maximum number of units. Accordingly, this amount represents the value at December 31, 2014 of 3,423 units (i.e., the actual number of units earned under the 2012 award), 3,821 units (i.e., 2/3 of the maximum units under the 2013 award) and 1,542 units (i.e., 1/3 of the maximum units under the 2014 award), plus the value of distribution equivalents accrued on those units through the assumed termination date. The total units under the 2013 and 2014 performance unit awards that would be payable, however, could be lower as a result of performance actually attained. Additionally, as Mr. Milkie would not receive any payments until the scheduled payment dates in 2016 and 2017, respectively, for the 2013 and 2014 performance unit awards, the value to him of the units would depend on the unit price as of the later applicable payment dates and on the value of future distributions made prior to the payment dates.

(7) Total value could be higher or lower depending upon the factors described in footnote 4, 5, and 6.

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H. Philip Bender

The payments that would have been made to Mr. Bender upon a termination of his employment or a change in control of the Partnership as of December 31, 2014, are as follows:

Executive Benefits and Payments Upon Separation	All Terminations	Termination Other than For Cause or For Good Reason	Termination upon Non-renewal	Disability	Death	Change in Control Only	Termination upon Change in Control
Compensation							
Earned but unpaid salary	$ 15,342	$ 15,342	$ 15,342	$ 15,342	$ 15,342	$ 15,342	$ 15,342
Severance	-	350,000	350,000	350,000	-	-	1,367,810(1)
Incentive compensation	78,869(2)	78,869(2)	78,869(2)	78,869(2)	78,869(2)	72,828(3)	78,869(2)
Unit Options	-	206,869(4)	206,869(4)	-	-	206,869	206,869

			$ 7,213	1	$ 24,327	$ 673
Trust preferred securities	--	--	--	1	2,423	171
	19	$ 426,482	$ 7,213	2	$ 26,750	$ 844
HTM:						
MBS	40	$ 710,291	$ 16,984	--	$ --	$ --
Municipal bonds	3	1,299	14	--	--	--
	43	$ 711,590	$ 16,998	--	$ --	$ --

On a quarterly basis, management conducts a formal review of securities for the presence of an other-than-temporary impairment. Management assesses whether an other-than-temporary impairment is present when the fair value of a security is less than its amortized cost basis at the balance sheet date. For such securities, other-than-temporary impairment is considered to have occurred if the Company intends to sell the security, if it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis, or if the present value of expected cash flows is not sufficient to recover the entire amortized cost.

The unrealized losses at March 31, 2014 and September 30, 2013, excluding the trust preferred security discussed below, are primarily a result of an increase in market yields from the time the securities were purchased. In general, as market yields rise, the fair value of securities will decrease; as market yields fall, the fair value of securities will increase. Management generally views changes in fair value caused by changes in interest rates as temporary; therefore, these securities have not been classified as other-than-temporarily impaired. Additionally, the impairment is also considered temporary because scheduled coupon payments have been made, it is anticipated that the entire principal balance will be collected as scheduled, and management neither intends to sell the securities, nor is it more likely than not that the Company will be required to sell the securities before the recovery of the remaining amortized cost amount, which could be at maturity. As a result of the analysis, management does not believe any other-than-temporary impairments existed at March 31, 2014 or September 30, 2013.

The unrealized losses related to the trust preferred security held by the Bank at March 31, 2014 and September 30, 2013 were primarily a result of a decrease in the security's credit rating since the time of purchase. Management reviews the underlying cash flows of this security on a quarterly basis. As of March 31, 2014 and September 30, 2013, the cash flow analysis indicated the present value of future expected cash flows are adequate to recover the entire amortized cost. In January 2014, five federal agencies, including the Office of the Comptroller of the Currency ("OCC") and the SEC, approved an interim final rule permitting banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities from the investment prohibitions of section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Volcker Rule"). The final rule became effective on April 1, 2014. The Bank's trust preferred security is included on the non-exclusive list of issuers that meet the requirements of the interim and final rule (provided by the federal banking agencies) and is therefore exempt from the provisions of the Volcker Rule. Based on this, management neither intends to sell this security, nor is it more likely than not that the Company will be required to sell the security before the recovery of the remaining amortized cost amount, which could be at maturity. Based on its analysis, management does not believe any other-than-temporary impairments existed related to the trust preferred security at March 31, 2014 or September 30, 2013.

Maturities of MBS depend on the repayment characteristics and experience of the underlying financial instruments. Actual maturities of MBS may differ from contractual maturities because borrowers have the right to prepay obligations, generally without penalties. Additionally, issuers of callable investment securities have the right to call and prepay obligations with or without prepayment penalties prior to the maturity dates of the securities. The amortized cost and estimated fair value of securities by remaining contractual maturity, without consideration for call features or pre-refunding dates, as of March 31, 2014 are shown below.

	AFS		HTM	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
One year or less	$ 201	$ 204	$ 7,225	$ 7,296
One year through five years	531,332	525,271	70,001	73,335
Five years through ten years	142,417	146,593	491,727	490,835
Ten years and thereafter	213,593	223,555	1,151,330	1,163,618
	$ 887,543	$ 895,623	$ 1,720,283	$ 1,735,084

The following table presents the carrying value of MBS in our portfolio by issuer at the dates presented.

	March 31, 2014	September 30, 2013
	(Dollars in thousands)	
Federal National Mortgage Association ("FNMA")	$ 1,166,881	$ 1,250,948

Federal Home Loan Mortgage Corporation ("FHLMC")	666,209	629,216
Government National Mortgage Association	172,048	167,544
	$ 2,005,138	$ 2,047,708

The following table presents the taxable and non-taxable components of interest income on investment securities for the time periods presented.

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Taxable	$ 1,632	$ 2,147	$ 3,439	$ 4,685
Non-taxable	237	310	496	637
	$ 1,869	$ 2,457	$ 3,935	$ 5,322

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The following table summarizes the amortized cost and estimated fair value of securities pledged as collateral as of the dates presented.

	March 31, 2014		September 30, 2013	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Repurchase agreements	$ 345,697	$ 356,488	$ 353,648	$ 364,593
Public unit deposits	273,769	274,775	272,016	274,917
Federal Reserve Bank	29,425	30,351	34,261	35,477
	$ 648,891	$ 661,614	$ 659,925	$ 674,987

4. Loans Receivable and Allowance for Credit Losses

Loans receivable, net at the dates presented is summarized as follows:

	March 31, 2014	September 30, 2013
	(Dollars in thousands)	
Real estate loans:		
One- to four-family	$ 5,840,337	$ 5,743,047
Multi-family and commercial	47,505	50,358
Construction	94,286	77,743
Total real estate loans	5,982,128	5,871,148
Consumer loans:		
Home equity	130,321	135,028
Other	4,991	5,623
Total consumer loans	135,312	140,651
Total loans receivable	6,117,440	6,011,799

Less:		
Undisbursed loan funds	55,505	42,807
ACL	8,967	8,822
Discounts/unearned loan fees	23,653	23,057
Premiums/deferred costs	(24,582)	(21,755)
	$ 6,053,897	$ 5,958,868

Lending Practices and Underwriting Standards - Originating and purchasing loans secured by one- to four-family residential properties is the Bank's primary lending business, resulting in a loan concentration in residential first mortgage loans. The Bank purchases one- to four-family loans, on a loan-by-loan basis, from a select group of correspondent lenders in 24 states. Additionally, the Bank periodically purchases whole one- to four-family loans in bulk packages from nationwide and correspondent lenders. The Bank also originates consumer loans, commercial and multi-family real estate loans, and construction loans secured by residential, multi-family or commercial real estate. As a result of our one- to four-family lending activities, the Bank has a concentration of loans secured by real property located in Kansas and Missouri.

One- to four-family loans - Full documentation to support the applicant's credit and income, and sufficient funds to cover all applicable fees and reserves at closing, are required on all loans. Loans are underwritten according to the "ability to repay" and "qualified mortgage" standards, as issued by the Consumer Financial Protection Bureau, with total debt to income ratios not exceeding 43% of the borrower's verified income. Properties securing one- to four-family loans are appraised by either staff appraisers or fee appraisers, both of which are independent of the loan origination function and approved by our Board of Directors.

The underwriting standards for loans purchased from correspondent and nationwide lenders are generally similar to the Bank's internal underwriting standards. The underwriting of correspondent loans is performed by the Bank's underwriters. Before committing to a bulk loan purchase, the Bank's Chief Lending Officer or Secondary Marketing Manager reviews specific criteria such as loan amount, credit scores, loan-to-value ("LTV') ratios, geographic location, and debt ratios of each loan in the pool. If the specific criteria do not meet the Bank's underwriting standards and compensating factors are not sufficient, then a loan will be removed from the population. Before the bulk loan purchase is funded, an internal Bank underwriter or a third party reviews at least 25% of the loan files to confirm loan terms, credit scores, debt ratios, property appraisals, and other underwriting related documentation. The Bank last made a bulk loan purchase during the fourth quarter of fiscal year 2012. For the tables within this Note, correspondent purchased loans are included with originated loans, and bulk purchased loans are reported as purchased loans.

The Bank also originates construction-to-permanent loans secured by one- to four-family residential real estate. Construction loans are obtained by homeowners who will occupy the property when construction is complete. Construction loans to builders for speculative purposes are not permitted. The application process includes submission of complete plans, specifications, and costs of the project to be constructed. All construction loans are manually underwritten using the Bank's internal underwriting standards. Construction draw requests and the supporting documentation are reviewed and approved by management. The Bank also performs regular documented inspections of the construction project to ensure the funds are being used for the intended purpose and the project is being completed according to the plans and specifications provided.

Multi-family and commercial loans - The Bank's multi-family, commercial real estate and commercial construction loans are originated by the Bank or are in participation with a lead bank. These loans are granted based on the income producing potential of the property and the financial strength of the borrower and/or guarantor. At the time of origination, LTV ratios on multi-family, commercial real estate and commercial construction loans cannot exceed 80% of the appraised value of the property securing the loans. The net operating income, which is the income derived from the operation of the property less all operating expenses, must be in excess of the payments related to the outstanding debt at the time of origination. The Bank generally requires personal guarantees of the borrowers covering a portion of the debt in addition to the security property as collateral for these loans. Appraisals on properties securing these loans are performed by independent state certified fee appraisers.

Consumer loans - The Bank offers a variety of secured consumer loans, including home equity loans and lines of credit, home improvement loans, auto loans, and loans secured by savings deposits. The Bank also originates a very limited amount of unsecured loans. The Bank does not originate any consumer loans on an indirect basis, such as contracts purchased from retailers of goods or services which have extended credit to their customers. The majority of the consumer loan portfolio is comprised of home equity lines of credit for which the Bank also has the first mortgage or the home equity line of credit is in the first lien position.

The underwriting standards for consumer loans include a determination of the applicant's payment history on other debts and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of the applicant is a primary consideration, the underwriting process also includes a comparison of the value of the security in relation to the proposed loan amount.

Credit Quality Indicators – Based on the Bank's lending emphasis and underwriting standards, management has segmented the loan portfolio into three segments: (1) one- to four-family loans; (2) consumer loans; and (3) multi-family and commercial loans. The one- to four-family and consumer segments are further grouped into classes for purposes of providing disaggregated information about the credit quality of the loan portfolio. The classes are: one- to four-family loans – originated, one- to four-family loans – purchased, consumer loans – home equity, and consumer loans – other.

The Bank's primary credit quality indicators for the one- to four-family loan and consumer – home equity loan portfolios are delinquency status, asset classifications, LTV ratios and borrower credit scores. The Bank's primary credit quality indicators for the multi-family and commercial loan and consumer – other loan portfolios are delinquency status and asset classifications.

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The following tables present the recorded investment, by class, in loans 30 to 89 days delinquent, loans 90 or more days delinquent or in foreclosure, total delinquent loans, total current loans, and total recorded investment at the dates presented. The recorded investment in loans is defined as the unpaid principal balance of a loan (net of unadvanced funds related to loans in process), less charge-offs and inclusive of unearned loan fees and deferred costs. At March 31, 2014 and September 30, 2013, all loans 90 or more days delinquent were on nonaccrual status. At March 31, 2014 and September 30, 2013, the balance of loans on nonaccrual status was $28.7 million and $26.4 million, respectively.

	March 31, 2014				
	30 to 89 Days Delinquent	90 or More Days Delinquent or in Foreclosure	Total Delinquent Loans	Current Loans	Total Recorded Investment
	(Dollars in thousands)				
One- to four-family loans - originated	$ 14,111	$ 9,921	$ 24,032	$ 5,238,614	$ 5,262,646
One- to four-family loans - purchased	7,361	10,389	17,750	590,920	608,670
Multi-family and commercial loans	--	--	--	56,236	56,236
Consumer - home equity	665	305	970	129,351	130,321
Consumer - other	52	8	60	4,931	4,991
	$ 22,189	$ 20,623	$ 42,812	$ 6,020,052	$ 6,062,864

	September 30, 2013				
	30 to 89 Days Delinquent	90 or More Days Delinquent or in Foreclosure	Total Delinquent Loans	Current Loans	Total Recorded Investment
	(Dollars in thousands)				
One- to four-family loans - originated	$ 18,889	$ 9,379	$ 28,268	$ 5,092,581	$ 5,120,849
One- to four-family loans - purchased	7,842	9,695	17,537	631,050	648,587
Multi-family and commercial loans	--	--	--	57,603	57,603
Consumer - home equity	848	485	1,333	133,695	135,028
Consumer - other	35	5	40	5,583	5,623
	$ 27,614	$ 19,564	$ 47,178	$ 5,920,512	$ 5,967,690

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In accordance with the Bank's asset classification policy, management regularly reviews the problem loans in the Bank's portfolio to determine whether any loans require classification. Loan classifications are defined as follows:

· Special mention - These loans are performing loans on which known information about the collateral pledged or the possible credit problems of the borrower(s) have caused management to have doubts as to the ability of the borrower(s) to comply with present loan repayment terms and which may result in the future inclusion of such loans in the non-performing loan categories.
· Substandard - A loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans include those characterized by the distinct possibility the Bank will sustain some loss if the deficiencies are not corrected.
· Doubtful - Loans classified as doubtful have all the weaknesses inherent as those classified as substandard, with the added characteristic that the weaknesses present make collection or liquidation in full on the basis of currently existing facts and conditions and values highly questionable and improbable.
· Loss - Loans classified as loss are considered uncollectible and of such little value that their continuance as assets on the books is not warranted.

The following table sets forth the recorded investment in loans classified as special mention or substandard at the dates presented, by class. Special mention and substandard loans are included in the formula analysis model if the loan is not individually evaluated for loss. Loans classified as doubtful or loss are individually evaluated for loss. At the dates presented, there were no loans classified as doubtful, and all loans classified as loss were fully charged-off.

	March 31, 2014		September 30, 2013	
	Special Mention	Substandard	Special Mention	Substandard
	(Dollars in thousands)			
One- to four-family - originated	$ 21,572	$ 28,892	$ 29,359	$ 27,761
One- to four-family - purchased	1,982	14,441	1,871	14,195
Multi-family and commercial	--	--	1,976	--
Consumer - home equity	126	882	87	819
Consumer - other	--	16	--	13
	$ 23,680	$ 44,231	$ 33,293	$ 42,788

The following table shows the weighted average credit score and weighted average LTV for originated and purchased one- to four-family loans and originated consumer home equity loans at the dates presented. Borrower credit scores are intended to provide an indication as to the likelihood that a borrower will repay their debts. Credit scores are updated at least semiannually, with the last update in March 2014, from a nationally recognized consumer rating agency. The LTV ratios provide an estimate of the extent to which the Bank may incur a loss on any given loan that may go into foreclosure. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal, if available. In most cases, the most recent appraisal was obtained at the time of origination.

	March 31, 2014		September 30, 2013	
	Credit Score	LTV	Credit Score	LTV
One- to four-family - originated	764	65 %	762	65 %
One- to four-family - purchased	748	67	747	67
Consumer - home equity	750	19	746	19
	762	64	760	64

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Troubled Debt Restructurings ("TDRs") - The following tables present the recorded investment prior to restructuring and immediately after restructuring for all loans restructured during the periods presented. These tables do not reflect the recorded investment at the end of the periods indicated. Any increase in the recorded investment at the time of the restructuring is generally due to the capitalization of delinquent interest and/or escrow balances.

	For the Three Months Ended March 31, 2014			For the Six Months Ended March 31, 2014		
	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding
	(Dollars in thousands)					
One- to four-family loans - originated	31	$ 4,247	$ 4,220	69	$ 8,072	$ 8,073
One- to four-family loans - purchased	--	--	--	2	198	198
Multi-family and commercial loans	--	--	--	--	--	--
Consumer - home equity	1	15	15	5	80	81
Consumer - other	--	--	--	--	--	--
	32	$ 4,262	$ 4,235	76	$ 8,350	$ 8,352

	For the Three Months Ended March 31, 2013			For the Six Months Ended March 31, 2013		
	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding
	(Dollars in thousands)					
One- to four-family loans - originated	45	$ 6,826	$ 6,857	100	$ 19,404	$ 19,507
One- to four-family loans - purchased	5	983	982	7	1,538	1,580
Multi-family and commercial loans	--	--	--	2	82	79
Consumer - home equity	4	76	81	7	156	161
Consumer - other	--	--	--	--	--	--
	54	$ 7,885	$ 7,920	116	$ 21,180	$ 21,327

The following table provides information on TDRs restructured within the last 12 months that became delinquent during the periods presented.

	For the Three Months Ended				For the Six Months Ended			
	March 31, 2014		March 31, 2013		March 31, 2014		March 31, 2013	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(Dollars in thousands)							
One- to four-family loans - originated	5	$ 665	11	$ 1,106	16	$ 1,481	17	$ 1,511
One- to four-family loans - purchased	--	--	3	1,067	2	338	4	1,114
Multi-family and commercial loans	--	--	--	--	--	--	--	--
Consumer - home equity	1	27	1	5	1	27	2	7
Consumer - other	--	--	--	--	--	--	--	--
	6	$ 692	15	$ 2,178	19	$ 1,846	23	$ 2,632

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Impaired loans – The following information pertains to impaired loans by class as of the dates presented. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan agreement.

	March 31, 2014			September 30, 2013		
	Recorded Investment	Unpaid Principal Balance	Related ACL	Recorded Investment	Unpaid Principal Balance	Related ACL
	(Dollars in thousands)					
With no related allowance recorded						
One- to four-family - originated	$ 14,413	$ 14,996	$ --	$ 12,950	$ 13,543	$ --
One- to four-family - purchased	14,565	17,614	--	13,882	16,645	--
Multi-family and commercial	--	--	--	--	--	--
Consumer - home equity	596	956	--	577	980	--
Consumer - other	8	16	--	2	7	--
	29,582	33,582	--	27,411	31,175	--
With an allowance recorded						
One- to four-family - originated	25,709	25,796	64	35,520	35,619	209
One- to four-family - purchased	1,825	1,801	50	2,034	2,015	29
Multi-family and commercial	--	--	--	73	74	2
Consumer - home equity	526	526	27	492	492	78
Consumer - other	8	8	--	11	11	1
	28,068	28,131	141	38,130	38,211	319
Total						
One- to four-family - originated	40,122	40,792	64	48,470	49,162	209
One- to four-family - purchased	16,390	19,415	50	15,916	18,660	29
Multi-family and commercial	--	--	--	73	74	2
Consumer - home equity	1,122	1,482	27	1,069	1,472	78
Consumer - other	16	24	--	13	18	1
	$ 57,650	$ 61,713	$ 141	$ 65,541	$ 69,386	$ 319

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The following information pertains to impaired loans by class for the periods presented.

	For the Three Months Ended				For the Six Months Ended			
	March 31, 2014		March 31, 2013		March 31, 2014		March 31, 2013	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)							
With no related allowance recorded								
One- to four-family - originated	$ 14,022	$ 102	$ 7,784	$ 63	$ 13,263	$ 199	$ 8,572	$ 139
One- to four-family - purchased	13,706	47	15,058	51	13,645	92	15,108	97
Multi-family and commercial	--	--	--	--	--	--	--	--
Consumer - home equity	611	8	474	15	577	16	596	22
Consumer - other	5	--	29	--	4	--	28	--
	28,344	157	23,345	129	27,489	307	24,304	258
With an allowance recorded								
One- to four-family - originated	28,010	295	42,937	452	31,021	614	42,457	905
One- to four-family - purchased	2,287	12	2,136	21	2,573	28	2,145	46
Multi-family and commercial	--	--	78	--	31	1	44	--
Consumer - home equity	542	6	605	9	581	11	507	14
Consumer - other	11	--	26	--	13	--	28	--
	30,850	313	45,782	482	34,219	654	45,181	965
Total								
One- to four-family - originated	42,032	397	50,721	515	44,284	813	51,029	1,044
One- to four-family - purchased	15,993	59	17,194	72	16,218	120	17,253	143
Multi-family and commercial	--	--	78	--	31	1	44	--
Consumer - home equity	1,153	14	1,079	24	1,158	27	1,103	36
Consumer - other	16	--	55	--	17	--	56	--
	$ 59,194	$ 470	$ 69,127	$ 611	$ 61,708	$ 961	$ 69,485	$ 1,223

Allowance for credit losses - The following is a summary of the ACL activity by segment for the periods presented, and the ending balance of the ACL based on the Company's impairment methodology. Of the $1.3 million of net charge-offs during the six months ended March 31, 2013, $372 thousand was due to loans that were primarily discharged in a prior fiscal year under Chapter 7 bankruptcy that had to be, pursuant to OCC reporting requirements, evaluated for collateral value loss, even if they were current.

	For the Three Months Ended March 31, 2014					
	One- to Four- Family - Originated	One- to Four- Family - Purchased	One- to Four- Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Beginning balance	$ 5,839	$ 2,513	$ 8,352	$ 182	$ 385	$ 8,919
Charge-offs	(52)	(60)	(112)	--	(9)	(121)
Recoveries	--	--	--	--	9	9
Provision for credit losses	950	(636)	314	(39)	(115)	160
Ending balance	$ 6,737	$ 1,817	$ 8,554	$ 143	$ 270	$ 8,967

	For the Six Months Ended March 31, 2014					
	One- to Four- Family - Originated	One- to Four- Family - Purchased	One- to Four- Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Beginning balance	$ 5,771	$ 2,486	$ 8,257	$ 185	$ 380	$ 8,822
Charge-offs	(140)	(387)	(527)	--	(19)	(546)
Recoveries	1	--	1	--	15	16
Provision for credit losses	1,105	(282)	823	(42)	(106)	675
Ending balance	$ 6,737	$ 1,817	$ 8,554	$ 143	$ 270	$ 8,967

	For the Three Months Ended March 31, 2013					
	One- to Four- Family - Originated	One- to Four- Family - Purchased	One- to Four- Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					

Beginning balance	$ 5,639	$ 4,290	$ 9,929	$ 201	$ 347	$ 10,477
Charge-offs	(284)	(153)	(437)	--	(20)	(457)
Recoveries	--	42	42	--	10	52
Provision for credit losses	647	(684)	(37)	7	30	--
Ending balance	$ 6,002	$ 3,495	$ 9,497	$ 208	$ 367	$ 10,072

	For the Six Months Ended March 31, 2013					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Beginning balance	$ 6,074	$ 4,453	$ 10,527	$ 219	$ 354	$ 11,100
Charge-offs	(503)	(685)	(1,188)	--	(135)	(1,323)
Recoveries	--	42	42	--	20	62
Provision for credit losses	431	(315)	116	(11)	128	233
Ending balance	$ 6,002	$ 3,495	$ 9,497	$ 208	$ 367	$ 10,072

The following is a summary of the loan portfolio and related ACL balances, at the dates presented, by loan portfolio segment disaggregated by the Company's impairment method. There was no ACL for loans individually evaluated for impairment at either date, as all potential losses were charged-off.

	March 31, 2014					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Recorded investment in loans collectively evaluated for impairment	$ 5,248,233	$ 594,105	$ 5,842,338	$ 56,236	$ 134,708	$ 6,033,282
Recorded investment in loans individually evaluated for impairment	14,413	14,565	28,978	--	604	29,582
	$ 5,262,646	$ 608,670	$ 5,871,316	$ 56,236	$ 135,312	$ 6,062,864
ACL for loans collectively evaluated for impairment	$ 6,737	$ 1,817	$ 8,554	$ 143	$ 270	$ 8,967

	September 30, 2013					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Recorded investment in loans						
	$ 5,107,899	$ 634,705	$ 5,742,604	$ 57,603	$ 140,072	$ 5,940,279

collectively evaluated for impairment						
Recorded investment in loans individually evaluated for impairment	12,950	13,882	26,832	--	579	27,411
	$ 5,120,849	$ 648,587	$ 5,769,436	$ 57,603	$ 140,651	$ 5,967,690
ACL for loans collectively evaluated for impairment	$ 5,771	$ 2,486	$ 8,257	$ 185	$ 380	$ 8,822

As previously discussed, the Bank has a loan concentration in residential first mortgage loans. Declines in residential real estate values could adversely impact the property used as collateral for the Bank's loans. Adverse changes in economic conditions and increasing unemployment rates may have a negative effect on the ability of the Bank's borrowers to make timely loan payments, which would likely increase delinquencies and have an adverse impact on the Bank's earnings. Further increases in delinquencies would decrease interest income on loans receivable and would likely adversely impact the Bank's loan loss experience, resulting in an increase in the Bank's ACL and provision for credit losses. Although management believes the ACL was at a level adequate to absorb inherent losses in the loan portfolio at March 31, 2014, the level of the ACL remains an estimate that is subject to significant judgment.

5. Fair Value of Financial Instruments

Fair Value Measurements - The Company uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures in accordance with Accounting Standard Codification ("ASC") 820 and ASC 825. The Company did not have any liabilities that were measured at fair value at March 31, 2014 or September 30, 2013. The Company's AFS securities are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets or liabilities on a non-recurring basis, such as OREO and loans individually evaluated for impairment. These non-recurring fair value adjustments involve the application of lower-of-cost-or-fair value accounting or write-downs of individual assets.

The Company groups its assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

· Level 1 — Valuation is based upon quoted prices for identical instruments traded in active markets.
· Level 2 — Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
· Level 3 — Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques. The results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability.

The Company bases its fair values on the price that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

The following is a description of valuation methodologies used for assets measured at fair value on a recurring basis.

AFS Securities - The Company's AFS securities portfolio is carried at estimated fair value, with any unrealized gains and losses, net of taxes, reported as AOCI in stockholders' equity. The majority of the securities within the AFS portfolio are issued by U.S. GSEs. The Company primarily uses prices obtained from third party pricing services and recent trades to determine the fair value of securities. The Company's major security types based on the nature and risks of the securities are:

· GSE Debentures – Estimated fair values are based on a discounted cash flow method. Cash flows are determined by taking any embedded options into consideration and are discounted using current market yields for similar securities. On a quarterly basis, management corroborates a sample of the prices obtained from the pricing service by comparing them to another independent source. (Level 2)

- MBS – Estimated fair values are based on a discounted cash flow method. Cash flows are determined based on prepayment projections of the underlying mortgages and are discounted using current market yields for benchmark securities. On a quarterly basis, management corroborates a sample of the prices obtained from the pricing service by comparing them to another independent source. (Level 2)
- Municipal Bonds – Estimated fair values are based on a discounted cash flow method. Cash flows are determined by taking any embedded options into consideration and are discounted using current market yields for securities with similar credit profiles. On a quarterly basis, management corroborates a sample of the prices obtained from the pricing service by comparing them to another independent source. (Level 2)
- Trust Preferred Securities – Estimated fair values are based on a discounted cash flow method. Cash flows are determined by taking prepayment and underlying credit considerations into account. The discount rates are derived from secondary trades and bid/offer prices. (Level 3)

The following tables provide the level of valuation assumption used to determine the carrying value of the Company's assets measured at fair value on a recurring basis, which consists of AFS securities, at the dates presented.

	March 31, 2014			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)(1)
	(Dollars in thousands)			
AFS Securities:				
GSE debentures	$ 571,540	$ --	$ 571,540	$ --
MBS	320,567	--	320,567	--
Trust preferred securities	2,369	--	--	2,369
Municipal bonds	1,147	--	1,147	--
	$ 895,623	$ --	$ 893,254	$ 2,369

	September 30, 2013			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)(2)
	(Dollars in thousands)			
AFS Securities:				
GSE debentures	$ 702,228	$ --	$ 702,228	$ --
MBS	363,964	--	363,964	--
Municipal bonds	1,352	--	1,352	--
Trust preferred securities	2,423	--	--	2,423
	$ 1,069,967	$ --	$ 1,067,544	$ 2,423

(1) The Company's Level 3 AFS securities had no activity during the six months ended March 31, 2014, except for principal repayments of $81 thousand and reductions in net unrealized losses recognized in other comprehensive income. Reductions in net unrealized losses included in other comprehensive income for the six months ended March 31, 2014 were less than $1 thousand.

(2) The Company's Level 3 AFS securities had no activity during fiscal year 2013, except for principal repayments of $424 thousand and reductions in net unrealized losses recognized in other comprehensive income. Reductions in

net unrealized losses included in other comprehensive income for the year ended September 30, 2013 were $276 thousand.

The following is a description of valuation methodologies used for significant assets measured at fair value on a non-recurring basis.

Loans Receivable - The balance of loans individually evaluated for impairment at March 31, 2014 and September 30, 2013 was $29.5 million and $27.3 million, respectively. Substantially all of these loans were secured by residential real estate and were individually evaluated to ensure that the carrying value of the loan was not in excess of the fair value of the collateral, less estimated selling costs. When no impairment is indicated, the carrying amount is considered to approximate fair value. Fair values were estimated through current appraisals or listing prices. Fair values may be adjusted by management to reflect current economic and market conditions and, as such, are classified as Level 3. Based on this evaluation, the Bank charged-off any loss amounts at March 31, 2014 and September 30, 2013; therefore, there was no ACL related to these loans.

OREO - OREO primarily represents real estate acquired as a result of foreclosure or by deed in lieu of foreclosure and is carried at lower-of-cost or fair value. Fair value is estimated through current appraisals or listing prices, less estimated selling costs. As these properties are actively marketed, estimated fair values may be adjusted by management to reflect current economic and market conditions and, as such, are classified as Level 3. The fair value of OREO at March 31, 2014 and September 30, 2013 was $3.7 million and $3.9 million, respectively.

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The following tables provide the level of valuation assumption used to determine the carrying value of the Company's assets measured at fair value on a non-recurring basis at the dates presented.

	March 31, 2014			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Loans individually evaluated for impairment	$ 29,509	$ --	$ --	$ 29,509
OREO	3,667	--	--	3,667
	$ 33,176	$ --	$ --	$ 33,176

	September 30, 2013			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Loans individually evaluated for impairment	$ 27,327	$ --	$ --	$ 27,327
OREO	3,882	--	--	3,882
	$ 31,209	$ --	$ --	$ 31,209

Fair Value Disclosures - The Company determined estimated fair value amounts using available market information and from a variety of valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amount the Company could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material impact on the estimated fair value amounts. The fair value estimates presented herein were based on pertinent information available to management as of the dates presented.

The carrying amounts and estimated fair values of the Company's financial instruments at the dates presented were as follows:

	March 31, 2014		September 30, 2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(Dollars in thousands)			
Assets:				
Cash and cash equivalents	$ 114,835	$ 114,835	$ 113,886	$ 113,886
AFS securities	895,623	895,623	1,069,967	1,069,967
HTM securities	1,720,283	1,735,084	1,718,023	1,741,846
Loans receivable	6,053,897	6,199,918	5,958,868	6,132,239
BOLI	60,163	60,163	59,495	59,495
Capital stock of FHLB	125,829	125,829	128,530	128,530
OREO	3,667	3,667	3,882	3,882
Liabilities:				
Deposits	4,693,762	4,720,827	4,611,446	4,646,263
FHLB borrowings	2,467,169	2,536,625	2,513,538	2,599,749
Repurchase agreements	320,000	329,513	320,000	333,749

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The following methods and assumptions were used to estimate the fair value of the financial instruments:

Cash and Cash Equivalents - The carrying amounts of cash and cash equivalents are considered to approximate their fair value due to the nature of the financial asset. (Level 1)

HTM Securities - Estimated fair values of securities are based on one of three methods: (1) quoted market prices where available; (2) quoted market prices for similar instruments if quoted market prices are not available; (3) unobservable data that represents the Bank's assumptions about items that market participants would consider in determining fair value where no market data is available. HTM securities are carried at amortized cost. (Level 2)

Loans Receivable - The fair value of one- to four-family mortgages and home equity loans are generally estimated using the present value of expected future cash flows, assuming future prepayments and using discount factors determined by prices obtained from securitization markets, less a discount for the cost of servicing and lack of liquidity. The estimated fair value of the Bank's multi-family, commercial, and consumer loans are based on the expected future cash flows assuming future prepayments and discount factors based on current offering rates. (Level 3)

BOLI - The carrying value of BOLI is considered to approximate its fair value due to the nature of the financial asset. (Level 1)

Capital Stock of FHLB - The carrying value and estimated fair value of FHLB stock equals cost, which is based on redemption at par value. (Level 1)

Deposits - The estimated fair value of demand deposits, savings, and money market accounts is the amount payable on demand at the reporting date. The estimated fair value of these deposits at March 31, 2014 and September 30, 2013 was $2.15 billion and $2.07 billion, respectively. (Level 1) The fair value of certificates of deposit is estimated by discounting future cash flows using current LIBOR rates. The estimated fair value of certificates of deposit at March 31, 2014 and September 30, 2013 was $2.57 billion and $2.58 billion, respectively. (Level 2)

FHLB borrowings and Repurchase Agreements - The fair value of fixed-maturity borrowed funds is estimated by discounting estimated future cash flows using currently offered rates. (Level 2)

6. Subsequent Events

In preparing these financial statements, management has evaluated events occurring subsequent to March 31, 2014, for potential recognition and disclosure. There have been no material events or transactions which would require adjustments to the consolidated financial statements at March 31, 2014.

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

The Company and its wholly-owned subsidiary may from time to time make written or oral "forward-looking statements," including statements contained in documents filed or furnished by the Company with the SEC. These forward-looking statements may be included in this Quarterly Report on Form 10-Q, in the Company's reports to stockholders, in the Company's press releases, and in other communications by the Company, which are made in good faith by us pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements include statements about our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, which are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond our control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause our future results to differ materially from the plans, objectives, goals, expectations, anticipations, estimates, and intentions expressed in the forward-looking statements:

· our ability to continue to maintain overhead costs at reasonable levels;
· our ability to continue to originate a significant volume of one- to four-family mortgage loans in our market areas or to purchase loans through correspondents;
· our ability to invest funds in wholesale or secondary markets at favorable yields as compared to the related funding source;
· our ability to access cost-effective funding;
· future earnings and capital levels of the Bank and the continued non-objection by our primary federal banking regulators, to the extent required, to distribute capital from the Bank to the Company, which could affect the ability of the Company to pay dividends in accordance with its dividend policy and/or repurchase stock in accordance with its stock repurchase program;
· fluctuations in deposit flows, loan demand, and/or real estate values, as well as unemployment levels, which may adversely affect our business;
· the credit risks of lending and investing activities, including changes in the level and direction of loan delinquencies and charge-offs, changes in property values, and changes in estimates of the adequacy of the ACL;
· results of examinations of the Bank and the Company by their respective primary federal banking regulators, including the possibility that the regulators may, among other things, require us to increase our ACL;
· the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations;
· the effects of, and changes in, trade, fiscal policies and laws, and monetary and interest rate policies of the Board of Governors of the Federal Reserve System ("FRB");
· the effects of, and changes in, foreign and military policies of the United States government;
· inflation, interest rate, market and monetary fluctuations;
· the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services;
· the willingness of users to substitute competitors' products and services for our products and services;
· our success in gaining regulatory approval of our products and services and branching locations, when required;
· the impact of changes in laws and regulations and other governmental initiatives affecting the financial services industry;
· implementing business initiatives may be more difficult or expensive than anticipated;
· technological changes;
· acquisitions and dispositions;
· changes in consumer spending and saving habits; and

· our success at managing the risks involved in our business.

This list of important factors is not all inclusive. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company or the Bank.

As used in this Form 10-Q, unless we specify otherwise, "the Company," "we," "us," and "our" refer to Capitol Federal Financial, Inc., a Maryland corporation. "Capitol Federal Savings," and "the Bank," refer to Capitol Federal Savings Bank, a federal savings bank and the wholly-owned subsidiary of Capitol Federal Financial, Inc.

The following discussion and analysis is intended to assist in understanding the financial condition, results of operations, liquidity, and capital resources of the Company. It should be read in conjunction with the consolidated financial statements and notes presented in this report. The discussion includes comments relating to the Bank, since the Bank is wholly-owned by the Company and comprises the majority of its assets and is the principal source of income for the Company. This discussion and analysis should be read in conjunction with Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2013, filed with the SEC.

Executive Summary

The following summary should be read in conjunction with our Management's Discussion and Analysis of Financial Condition and Results of Operations in its entirety.

We have been, and intend to continue to be, a community-oriented financial institution offering a variety of financial services to meet the needs of the communities we serve. We attract retail deposits from the general public and invest those funds primarily in permanent loans secured by first mortgages on owner-occupied, one- to four-family residences. We also originate consumer loans primarily secured by first mortgages on one- to four-family residences, commercial and multi-family real estate loans, and construction loans secured by residential, multi-family, or commercial real estate. While our primary business is the origination of one- to four-family mortgage loans funded through retail deposits, we also purchase whole one- to four-family mortgage loans from correspondent and nationwide lenders, participate in loans with other lenders that are secured by commercial or multi-family real estate, and invest in certain investment securities and MBS using funding from retail deposits, FHLB borrowings, and repurchase agreements. The Company is significantly affected by prevailing economic conditions, including federal monetary and fiscal policies and federal regulation of financial institutions. Retail deposit balances are influenced by a number of factors, including interest rates paid on competing investment products, the level of personal income, and the personal rate of savings within our market areas. Lending activities are influenced by the demand for housing and other loans, our loan underwriting guidelines compared to those of our competitors, as well as interest rate pricing competition from other lending institutions. The primary sources of funds for lending activities include deposits, loan repayments, investment income, borrowings, and funds provided from operations.

The Company's results of operations are primarily dependent on net interest income, which is the difference between the interest earned on loans, MBS, investment securities, and cash, and the interest paid on deposits and borrowings. On a weekly basis, management reviews deposit flows, loan demand, cash levels, and changes in several market rates to assess all pricing strategies. The Bank's pricing strategy for first mortgage loan products includes setting interest rates based on secondary market prices and local competitor pricing for our local lending markets, and secondary market prices and national competitor pricing for our correspondent lending markets. Generally, deposit pricing is based upon a survey of competitors in the Bank's market areas, and the need to attract funding and retain maturing deposits. The majority of our loans are fixed-rate products with maturities up to 30 years, while the majority of our retail deposits have maturity or repricing dates of less than two years.

The Federal Open Market Committee of the Federal Reserve (the "FOMC") noted in their April 2014 statement that economic activity has picked up recently, after having slowed sharply during the winter months reflecting, in part, adverse weather conditions. Although the unemployment rate remains elevated, labor market conditions have shown further signs of improvement. The FOMC stated that household spending continued to advance, but business fixed investment edged down and recovery in the housing sector remained slow. The FOMC believes fiscal policy is restraining economic growth, although the extent of restraint may be diminishing. Inflation has been running below the FOMC's longer-run objective, but longer-term inflationary expectations have remained stable. Given the cumulative progress made toward the FOMC's statutory mandate of maximum employment, as well as to the improvement in the outlook for labor market conditions since the inception of the current asset purchase program, the FOMC decided to further reduce the pace of its asset purchases. The FOMC will continue its existing policy of reinvesting principal payments from its holdings of agency debt and agency MBS in agency MBS and will continue to purchase additional longer-term Treasury securities, but at a pace of $25 billion per month and agency MBS at a pace of $20 billion per month. The FOMC believes that these actions, taken together, should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative, which in turn should promote a stronger economic recovery. The FOMC stated that it will closely monitor incoming information on economic and financial developments in the coming months and will continue its asset purchases until the outlook for the labor market improves substantially in the context of price stability. If incoming information broadly supports the FOMC's expectation of continued improvement in labor market conditions and inflation approaches its longer-run objective, the pace of asset purchases will likely be further reduced. The FOMC insisted, however, that asset purchases are not on a preset course. The FOMC remarked that it anticipates maintaining the federal funds rate at zero to 0.25% for a considerable time after the asset purchase program ends, especially if projected inflation continues to run below the FOMC's 2% longer-run goal and provided that longer-term inflation expectations remain well anchored. Even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the FOMC views as normal in the long run. When the FOMC decides to begin to remove policy accommodation, they stated they will take a balanced approach consistent with their longer-run goals of maximum employment and inflation of 2%.

Economic conditions in the Bank's local market areas have a significant impact on the ability of borrowers to repay loans and the value of the collateral securing these loans. As of March 2014, the unemployment rate was 4.9% for Kansas and 6.7% for Missouri, compared to the national average of 6.7% based on information from the Bureau of Economic Analysis. Our Kansas City market area, which comprises the largest segment of our loan portfolio and deposit base, has an average household income of approximately $80 thousand per annum, based on 2013 estimates from the American Community Survey, which is a statistical survey by the U.S. Census Bureau. The average household income in our combined market areas is approximately $69 thousand per annum, with 91% of the population at or above the poverty level, also based on the 2013 estimates from the American Community Survey. The Federal Housing Finance Agency ("FHFA") price index for Kansas and Missouri has not experienced significant fluctuations during the past 10 years, unlike other market areas of the United States, which indicates relative stability in property values in our local market areas.

Total assets were $9.12 billion at March 31, 2014 compared to $9.19 billion at September 30, 2013. The $71.0 million decrease was due primarily to a $172.1 million decrease in the securities portfolio, partially offset by a $95.0 million increase in the loan portfolio. Loan growth during the current year six month period was primarily funded with cash flows from the securities portfolio. During the current year six month period, the Bank originated and refinanced $256.8 million of loans with a weighted average rate of 3.93%, purchased $219.4 million of loans from correspondent lenders with a weighted average rate of 3.73%, and participated in $19.4 million of commercial real estate loans with a weighted average rate of 4.25%.

Loans 30 to 89 days delinquent decreased $5.4 million, or 19.7%, from $27.6 million at September 30, 2013 to $22.1 million at March 31, 2014. Of the $22.1 million of 30 to 89 day delinquent loans at March 31, 2014, 77% were 59 days or less delinquent. The ratio of loans 30 to 89 days delinquent to total loans receivable, net, decreased nine basis points, from 0.46% at September 30, 2013, to 0.37% at March 31, 2014. Non-performing loans increased $2.3 million, or 8.5%, from $26.4 million at September 30, 2013 to $28.7 million at March 31, 2014. Of the $28.7 million of non-performing loans at March 31, 2014, $8.1 million are less than 90 days delinquent but are required to be reported as nonaccrual pursuant to OCC reporting requirements. The ratio of non-performing loans to total loans receivable, net, increased three basis points, from 0.44% at September 30, 2013, to 0.47% at March 31, 2014.

Total liabilities were $7.59 billion at March 31, 2014 compared to $7.55 billion at September 30, 2013. The $31.1 million increase was due primarily to an $82.3 million increase in deposits, partially offset by a $46.4 million decrease in FHLB borrowings. The increase in deposits was comprised of a $60.2 million increase in the checking portfolio, a $15.2 million increase in the savings portfolio, and an $11.2 million increase in the money market portfolio, partially offset by a $4.3 million decrease in the certificate of deposit portfolio.

Stockholders' equity was $1.53 billion at March 31, 2014 compared to $1.63 billion at September 30, 2013. The $102.1 million decrease was due primarily to the payment of $82.8 million in dividends and the repurchase of $57.2 million of stock, partially offset by net income of $37.5 million. During the current six month period, the Company repurchased 4,770,075 shares of common stock.

Net income for the quarter ended March 31, 2014 was $19.7 million, compared to $17.7 million for the quarter ended March 31, 2013. The $2.0 million, or 11.1%, increase in net income was largely due to a $1.4 million increase in net interest income and $1.4 million decrease in non-interest expense, partially offset by a $446 thousand increase in income tax expense. The net interest margin increased 10 basis points, from 1.97% for the prior year quarter to 2.07% for the current quarter. The Company's efficiency ratio was 42.42% for the current quarter compared to 46.19% for the prior year quarter.

Net income for the six months ended March 31, 2014 was $37.5 million, compared to $35.3 million for the six months March 31, 2013. The $2.2 million, or 6.3%, increase in net income was largely due to a $3.3 million decrease in non-interest expense, partially offset by a $485 thousand decrease in non-interest income and $442 thousand increase in provision for credit losses. The net interest margin increased three basis points, from 1.99% for the prior year six month period to 2.02% for the current year six month period. The Company's efficiency ratio was 44.09% for the current year six month period compared to 47.17% for the prior year six month period.

Available Information

Financial and other Company information, including press releases, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports can be obtained free of charge from our investor relations website, http://ir.capfed.com. SEC filings are available on our website immediately after they are electronically filed with or furnished to the SEC, and are also available on the SEC's website at www.sec.gov.

Critical Accounting Policies

Our most critical accounting policies are the methodologies used to determine the ACL and fair value measurements. These policies are important to the presentation of our financial condition and results of operations, involve a high degree of complexity, and require management to make difficult and subjective judgments that may require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions, and estimates could cause reported results to differ materially. These critical accounting policies and their application are reviewed at least annually by the audit committee of our Board of Directors. For a full discussion of our critical accounting policies, see Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2013.

Financial Condition

The following table presents selected balance sheet information as of the dates presented.

	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
	(Dollars in thousands)				
Total assets	$ 9,115,417	$ 9,111,054	$ 9,186,449	$ 9,239,764	$ 9,393,718
Cash and cash equivalents	114,835	88,665	113,886	131,287	48,574
AFS securities	895,623	993,593	1,069,967	1,167,043	1,245,443
HTM securities	1,720,283	1,668,484	1,718,023	1,819,895	1,953,779
Loans receivable, net	6,053,897	6,024,589	5,958,868	5,792,620	5,715,273
Capital stock of FHLB	125,829	129,095	128,530	134,222	130,680
Deposits	4,693,762	4,620,908	4,611,446	4,628,436	4,693,573
FHLB borrowings	2,467,169	2,515,618	2,513,538	2,611,480	2,634,465
Repurchase agreements	320,000	320,000	320,000	290,000	315,000
Stockholders' equity	1,530,005	1,569,463	1,632,126	1,624,502	1,643,007
Equity to total assets at end of period	16.8 %	17.2 %	17.8 %	17.6 %	17.5 %

Loans Receivable. The loans receivable portfolio, net, increased $95.0 million, or 1.6%, to $6.05 billion at March 31, 2014, from $5.96 billion at September 30, 2013. Loan growth during the current six month period was primarily funded with cash flows from the securities portfolio.

Our portfolio of correspondent purchased loans increased $173.4 million, or 16.6%, from September 30, 2013 to $1.22 billion at March 31, 2014, of which $873.9 million are serviced by the Bank and $343.6 million are serviced by our mortgage sub-servicer. The mortgage sub-servicer has experience servicing loans in the market areas in which we purchase loans and services the loans according to the Bank's servicing standards, which is intended to allow the Bank greater control over servicing and help maintain a standard of loan performance. As of March 31, 2014, the Bank had 27 active correspondent lending relationships operating in 24 states.

Included in the loan portfolio at March 31, 2014 were $103.7 million, or 1.7% of the total loan portfolio, of adjustable-rate mortgage ("ARM") loans that were originated as interest-only. Of these interest-only loans, $87.7 million were purchased in bulk loan packages from nationwide lenders, primarily during fiscal year 2005. Interest-only ARM loans do not typically require principal payments during their initial term, and have initial interest-only terms of either 5 or 10 years. The $87.7 million of bulk purchased interest-only ARM loans held as of March 31, 2014, had a weighted average credit score of 726 and a weighted average LTV ratio of 71% at March 31, 2014. At March 31, 2014, $56.3 million, or 54%, of the interest-only loans were still in their interest-only payment term and $4.3 million, or 15% of non-performing loans, were interest-only ARMs.

As a portfolio lender focused on delivering outstanding customer service while acquiring quality assets, the ability of our borrowers to repay has always been paramount in our business model. Our implementation of the "ability to repay" and "qualified mortgage" rules on January 10, 2014, as issued by the Consumer Financial Protection Bureau, is not anticipated to have a significant impact to our overall book of business.

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The following table presents information related to the composition of our loan portfolio at the dates presented. Within the one- to four-family loan portfolio at March 31, 2014, 68% of the loans had a balance at origination of less than $417 thousand.

	March 31, 2014		September 30, 2013	
	Amount	Average Rate	Amount	Average Rate
	(Dollars in thousands)			
Real estate loans:				
One- to four-family	$ 5,840,337	3.75 %	$ 5,743,047	3.77 %
Multi-family and commercial	47,505	4.83	50,358	5.22
Construction	94,286	3.79	77,743	3.63
Total real estate loans	5,982,128	3.75	5,871,148	3.78
Consumer loans:				
Home equity	130,321	5.22	135,028	5.26
Other	4,991	4.29	5,623	4.41
Total consumer loans	135,312	5.18	140,651	5.23
Total loans receivable	6,117,440	3.79	6,011,799	3.82
Less:				
Undisbursed loan funds	55,505		42,807	
ACL	8,967		8,822	
Discounts/unearned loan fees	23,653		23,057	
Premiums/deferred costs	(24,582)		(21,755)	
Total loans receivable, net	$ 6,053,897		$ 5,958,868	

The following table presents, for our portfolio of one- to four-family loans, the balance, percentage of total, weighted average credit score, weighted average LTV ratio, and the average balance per loan at the dates presented. Credit scores are updated at least semiannually, with the last update in March 2014, from a nationally recognized consumer rating agency. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal. In most cases, the most recent appraisal was obtained at the time of origination.

	March 31, 2014					September 30, 2013				
	Balance	% of Total	Credit Score	LTV	Average Balance	Balance	% of Total	Credit Score	LTV	Average Balance
	(Dollars in thousands)									
Originated	$ 4,017,833	68.8 %	765	64 %	$ 127	$ 4,054,436	70.6 %	763	65 %	$ 127
Correspondent purchased	1,217,524	20.8	764	67	334	1,044,127	18.2	761	67	341

Bulk purchased	604,980	10.4	748	67	312	644,484	11.2	747	67	316
	$ 5,840,337	100.0 %	763	65	157	$ 5,743,047	100.0 %	761	65	155

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The following table presents the annualized prepayment speeds of our one- to four-family loan portfolio for the monthly and quarterly periods ended March 31, 2014. The balances represent the unpaid principal balance of one- to four-family loans, and the terms represent the contractual terms for our fixed-rate loans, and current terms to repricing for our adjustable-rate loans. Loan refinances are considered a prepayment and are included in the prepayment speeds presented below. The annualized prepayment speeds are presented with and without endorsements.

	March 31, 2014					
		Monthly Prepayment Speeds (annualized)		Quarterly Prepayment Speeds (annualized)		Net Premiums/ Deferred Costs & (Discounts/ Unearned Loan Fees)
Term	Unpaid Principal	Including Endorsements	Excluding Endorsements	Including Endorsements	Excluding Endorsements	
	(Dollars in thousands)					
Fixed-rate one- to four-family:						
15 years or less:						
Originated	$ 902,259	7.5 %	7.5 %	7.8 %	7.8 %	$ (2,909)
Correspondent purchased	247,622	7.9	7.9	5.8	5.8	3,030
Bulk purchased	14,260	25.5	25.5	40.8	40.8	92
	1,164,141	7.8	7.8	7.8	7.8	213
More than 15 years:						
Originated	2,828,104	6.4	5.9	5.8	5.3	(13,348)
Correspondent purchased	722,147	3.1	3.1	3.3	3.3	8,055
Bulk purchased	33,567	11.4	11.4	10.9	10.9	1,279
	3,583,818	5.8	5.4	5.4	5.0	(4,014)
Total fixed-rate one- to four-family loans:	4,747,959	6.3	6.0	6.0	5.7	(3,801)
Adjustable-rate one- to four-family:						
36 months or less:						
Originated	173,762	16.9	12.1	14.9	13.1	(281)
Correspondent purchased	62,014	37.2	12.8	23.9	14.5	522
Bulk purchased	559,919	9.4	9.4	9.0	9.0	2,313
	795,695	13.2	10.3	11.3	10.3	2,554
More than 36 months:						
Originated	183,586	7.3	7.3	5.2	5.2	(590)
Correspondent purchased	187,999	5.0	5.0	6.3	6.3	2,877
Bulk purchased	411	0.7	0.7	1.0	1.0	6
	371,996	6.1	6.1	5.7	5.7	2,293
Total adjustable-rate one- to four-family loans:	1,167,691	11.1	9.0	9.6	8.9	4,847
Total one-to four-family loans	$ 5,915,650	7.2	6.6	6.7	6.3	$ 1,046

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The following tables summarize activity in the loan portfolio, along with weighted average rates where applicable, for the periods indicated, excluding changes in undisbursed loan funds, ACL, discounts/unearned loan fees, and premiums/deferred costs. Loans that were paid-off as a result of refinances are included in repayments. Purchased loans include purchases from correspondent and nationwide lenders. Loan endorsements are not included in the activity in the following table because a new loan is not generated at the time of the endorsement. During the three and six months ended March 31, 2014, the Bank endorsed $5.9 million and $13.8 million, respectively, of one-to four-family loans, reducing the average rate on those loans by 84 and 111 basis points, respectively. The endorsed balance and rate are included in the ending loan portfolio balance and rate.

	For the Three Months Ended							
	March 31, 2014		December 31, 2013		September 30, 2013		June 30, 2013	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in thousands)							
Beginning balance	$ 6,095,089	3.80 %	$ 6,011,799	3.82 %	$ 5,839,861	3.86 %	$ 5,763,055	3.94 %
Originated and refinanced:								
Fixed	63,921	4.09	108,829	3.95	217,328	3.70	182,177	3.35
Adjustable	38,790	3.76	45,273	3.76	44,090	3.75	31,713	3.87
Purchased and participations:								
Fixed	65,793	4.00	94,535	4.00	167,490	3.61	132,391	3.36
Adjustable	32,932	3.27	45,541	3.34	41,479	2.75	23,499	2.77
Repayments	(177,411)		(209,931)		(297,318)		(292,110)	
Principal (charge-offs) recoveries, net	(112)		(418)		83		(33)	
Other	(1,562)		(539)		(1,214)		(831)	
Ending balance	$ 6,117,440	3.79	$ 6,095,089	3.80	$ 6,011,799	3.82	$ 5,839,861	3.86

	For the Six Months Ended			
	March 31, 2014		March 31, 2013	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
Beginning balance	$ 6,011,799	3.82 %	$ 5,649,156	4.15 %
Originated and refinanced:				
Fixed	172,750	4.01	389,701	3.26
Adjustable	84,063	3.76	62,640	3.71
Purchased and participations:				
Fixed	160,328	4.00	208,097	3.32
Adjustable	78,473	3.31	40,579	2.67

Repayments		(387,342)			(581,197)	
Principal (charge-offs), net		(530)			(1,261)	
Other		(2,101)			(4,660)	
Ending balance	$	6,117,440	3.79	$	5,763,055	3.94

The Bank's pricing strategy for first mortgage loan products includes setting interest rates based on secondary market prices and local competitor pricing for our local lending markets, and secondary market prices and national competitor pricing for our correspondent lending markets. During the six months ended March 31, 2014, the average rate offered on the Bank's 30-year fixed-rate one- to four-family loans, with no points paid by the borrower, was approximately 160 basis points above the average 10-year Treasury rate, while the average rate offered on the Bank's 15-year fixed-rate one- to four-family loans was approximately 70 basis points above the average 10-year Treasury rate.

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The following tables present loan origination, refinance, and purchase activity for the periods indicated, excluding endorsement activity, along with associated weighted average rates and percent of total. Loan originations, purchases, and refinances are reported together. The fixed-rate one- to four-family loans less than or equal to 15 years have an original maturity at origination of less than or equal to 15 years, while fixed-rate one- to four-family loans greater than 15 years have an original maturity at origination of greater than 15 years. The adjustable-rate one- to four-family loans less than or equal to 36 months have a term to first reset of less than or equal to 36 months at origination and adjustable-rate one- to four-family loans greater than 36 months have a term to first reset of greater than 36 months at origination. Of the $84.0 million of one- to four-family loan originations and refinances during the current quarter, 69% had loan values of $417 thousand or less. Of the $96.1 million of one- to four-family correspondent loans purchased during the current quarter, 45% had loan values of $417 thousand or less.

	For the Three Months Ended					
	March 31, 2014			March 31, 2013		
	Amount	Rate	% of Total	Amount	Rate	% of Total
Fixed-rate:	(Dollars in thousands)					
One- to four-family:						
<= 15 years	$ 35,695	3.39 %	17.7 %	$ 105,724	2.75 %	31.0 %
> 15 years	89,806	4.28	44.6	192,169	3.49	56.4
Multi-family and commercial real estate	3,600	4.13	1.8	497	5.75	0.1
Home equity	444	6.17	0.2	542	6.16	0.1
Other	169	9.10	0.1	230	9.17	0.1
Total fixed-rate	129,714	4.04	64.4	299,162	3.24	87.7
Adjustable-rate:						
One- to four-family:						
<= 36 months	1,480	2.78	0.7	669	2.20	0.2
> 36 months	53,190	3.20	26.4	26,316	2.65	7.7
Multi-family and commercial real estate	2,595	4.75	1.3	--	--	--
Home equity	13,999	4.66	7.0	14,509	4.67	4.3
Other	458	3.26	0.2	327	3.36	0.1
Total adjustable-rate	71,722	3.54	35.6	41,821	3.35	12.3
Total originated, refinanced and purchased	$ 201,436	3.86	100.0 %	$ 340,983	3.25	100.0 %
Purchased and participation loans included above:						
Fixed-rate:						
Correspondent - one- to four-family	$ 65,793	4.00		$ 119,334	3.22	
Adjustable-rate:						
Correspondent - one- to four-family	30,337	3.14		19,145	2.64	
Participations - commercial real estate	2,595	4.75		--	--	
Total adjustable-rate purchased/participations	32,932	3.27		19,145	2.64	
Total purchased/participation loans	$ 98,725	3.75		$ 138,479	3.14	

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	For the Six Months Ended					
	March 31, 2014			March 31, 2013		
	Amount	Rate	% of Total	Amount	Rate	% of Total
Fixed-Rate:	(Dollars in thousands)					
One- to four-family:						
<= 15 years	$ 87,098	3.35 %	17.6 %	$ 218,063	2.80 %	31.1 %
> 15 years	235,865	4.22	47.6	373,910	3.52	53.3
Multi-family and commercial real estate	8,600	4.05	1.7	4,347	5.09	0.6
Home equity	1,177	6.10	0.2	998	6.07	0.1
Other	338	10.09	0.1	480	8.56	0.1
Total fixed-rate	333,078	4.00	67.2	597,798	3.28	85.2
Adjustable-Rate:						
One- to four-family:						
<= 36 months	3,510	2.77	0.7	2,738	2.24	0.4
> 36 months	111,162	3.14	22.4	68,455	2.68	9.8
Multi-family and commercial real estate	14,358	4.34	2.9	--	--	--
Home equity	32,738	4.65	6.6	31,275	4.76	4.5
Other	768	3.11	0.2	751	3.09	0.1
Total adjustable-rate	162,536	3.54	32.8	103,219	3.30	14.8
Total originated, refinanced and purchased	$ 495,614	3.85	100.0 %	$ 701,017	3.28	100.0 %
Purchased and participation loans included above:						
Fixed-Rate:						
Correspondent - one- to four-family	$ 155,328	4.00		$ 204,247	3.28	
Participations - commercial real estate	5,000	4.00		3,850	5.00	
Total fixed-rate purchased/participations	160,328	4.00		208,097	3.32	
Adjustable-Rate:						
Correspondent - one- to four-family	64,115	3.08		40,579	2.67	
Participations - commercial real estate	14,358	4.34		--	--	
Total adjustable-rate purchased/participations	78,473	3.31		40,579	2.67	
Total purchased/participation loans	$ 238,801	3.77		$ 248,676	3.21	

The following tables present originated, refinanced, and correspondent purchased activity in our one- to four-family loan portfolio, excluding endorsement activity, along with associated weighted average LTVs and weighted average credit scores for the periods indicated.

For the Three Months Ended

	March 31, 2014			March 31, 2013		
	Amount	LTV	Credit Score	Amount	LTV	Credit Score
	(Dollars in thousands)					
Originated	$ 70,125	77 %	762	$ 101,576	75 %	759
Refinanced by Bank customers	13,916	67	763	84,823	67	762
Correspondent purchased	96,130	74	762	138,479	70	766
	$ 180,171	75	762	$ 324,878	71	763

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	For the Six Months Ended					
	March 31, 2014			March 31, 2013		
	Amount	LTV	Credit Score	Amount	LTV	Credit Score
	(Dollars in thousands)					
Originated	$ 185,631	77 %	766	$ 224,092	75 %	764
Refinanced by Bank customers	32,561	69	761	194,248	67	767
Correspondent purchased	219,443	74	761	244,826	69	767
	$ 437,635	75	763	$ 663,166	71	766

The following table presents the amount, percentage of total, and weighted average rate, by state, for one- to four-family loan originations and correspondent purchases where originations and purchases in the state exceeded $1.5 million during the six months ended March 31, 2014.

	For the Three Months Ended			For the Six Months Ended		
	March 31, 2014			March 31, 2014		
State	Amount	% of Total	Rate	Amount	% of Total	Rate
	(Dollars in thousands)					
Kansas	$ 85,596	47.5 %	3.81 %	$ 218,510	49.9 %	3.78 %
Missouri	56,261	31.2	3.79	131,620	30.1	3.77
Texas	13,154	7.3	3.70	27,493	6.3	3.77
Tennessee	5,362	3.0	3.91	16,113	3.7	3.77
Alabama	7,206	4.0	3.72	15,268	3.5	3.48
Oklahoma	3,501	1.9	3.95	9,498	2.2	4.05
North Carolina	1,747	1.0	2.93	5,092	1.1	3.28
Other states	7,344	4.1	3.44	14,041	3.2	3.64
	$ 180,171	100.0 %	3.77	$ 437,635	100.0 %	3.76

The following table summarizes our one- to four-family loan origination, refinance, and correspondent purchase commitments as of March 31, 2014, along with associated weighted average rates. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a rate lock fee. A percentage of the commitments are expected to expire unfunded, so the amounts reflected in the table below are not necessarily indicative of future cash requirements.

	Fixed-Rate				
	15 years or less	More than 15 years	Adjustable-Rate	Total Amount	Rate
	(Dollars in thousands)				
Originate:					
< 4.00%	$ 8,082	$ 5,121	$ 19,209	$ 32,412	3.35 %

>= 4.00%	96	29,268	--	29,364	4.42
	8,178	34,389	19,209	61,776	3.86
Correspondent:					
< 4.00%	19,521	1,776	52,455	73,752	3.31
>= 4.00%	--	83,738	--	83,738	4.32
	19,521	85,514	52,455	157,490	3.85
Total:					
< 4.00%	27,603	6,897	71,664	106,164	3.32
>= 4.00%	96	113,006	--	113,102	4.35
	$ 27,699	$ 119,903	$ 71,664	$ 219,266	3.85
Rate	3.43 %	4.31 %	3.22 %		

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Asset Quality – Loans and OREO

The Bank's traditional underwriting guidelines have provided the Bank with generally low delinquencies and low levels of non-performing assets compared to national levels. Of particular importance is the complete and full documentation required for each loan the Bank originates and purchases. Loans are underwritten according to the "ability to repay" and "qualified mortgage" standards, as issued by the Consumer Financial Protection Bureau, with total debt to income ratios not exceeding 43% of the borrower's verified income. This allows the Bank to make an informed credit decision based upon a thorough assessment of the borrower's ability to repay the loan. See additional discussion regarding underwriting standards in "Lending Practices and Underwriting Standards" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2013. In the following asset quality discussion, unless otherwise noted, correspondent purchased loans are included with originated loans and bulk purchased loans are reported as purchased loans.

For one- to four-family originated and correspondent loans and home equity loans, when a borrower fails to make a loan payment 15 days after the due date, a late charge is assessed and a notice is mailed. Collection personnel review all delinquent loan balances more than 16 days past due. Attempts to contact the borrower occur by personal letter and, if no response is received, by telephone, with the purpose of establishing repayment arrangements for the borrower to bring the loan current. Repayment arrangements must be approved by a designated bank employee. Beginning at approximately the 31st day of delinquency and again at approximately the 50th day of delinquency, information notices are mailed to the borrowers to inform them of the availability of payment assistance programs. The borrowers are encouraged to contact the Bank to initiate the process of reviewing such opportunities. Once a loan becomes 90 days delinquent, assuming a loss mitigation solution is not actively in process, a demand letter is issued requiring the loan to be brought current or foreclosure procedures will be implemented. Generally, when a loan becomes 120 days delinquent, and an acceptable repayment plan or loss mitigation solution has not been established, the loan is forwarded to legal counsel to initiate foreclosure. We also monitor whether mortgagors who filed for bankruptcy are meeting their obligation to pay the mortgage debt in accordance with the terms of the bankruptcy petition.

For purchased loans we do not service, we monitor delinquencies using reports we receive from the servicers. We monitor these servicer reports to ensure that the servicer is upholding the terms of the servicing agreement. The reports generally provide total principal and interest due and length of delinquency, and are used to prepare monthly management reports and perform delinquent loan trend analysis. Management also utilizes information from the servicers to monitor property valuations and identify the need to charge-off loan balances. The servicers handle collection efforts per the terms of the servicing agreement.

Delinquent and non-performing loans and OREO

The following tables present the Company's 30 to 89 day delinquent loans, non-performing loans, and OREO at the dates indicated. Of the loans 30 to 89 days delinquent at March 31, 2014, 77% were 59 days or less delinquent. Non-performing loans are loans that are 90 or more days delinquent or in foreclosure or nonaccrual loans less than 90 days delinquent and that are required to be reported as nonaccrual pursuant to OCC reporting requirements, even if the loans are current. The balance of loans that are current or 30 to 89 days delinquent but are required by OCC reporting requirements to be reported as nonaccrual was $8.1 million at March 31, 2014. At all dates presented, there were no loans 90 or more days delinquent that were still accruing interest. OREO primarily includes assets acquired in settlement of loans. Over the past 12 months, OREO properties were owned by the Bank, on average, for approximately four months before the properties were sold. Non-performing assets include non-performing loans and OREO.

	Loans Delinquent for 30 to 89 Days at:									
	March 31, 2014		December 31, 2013		September 30, 2013		June 30, 2013		March 31, 2013	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amo
	(Dollars in thousands)									
One- to four-family:										
Originated	119	$ 13,139	178	$ 16,956	164	$ 18,225	137	$ 12,838	124	$ 13
Correspondent purchased	5	998	4	2,243	5	709	4	704	5	1,(
Bulk purchased	33	7,272	37	7,858	37	7,733	28	6,012	42	9,
Consumer Loans:										
Home equity	35	665	41	721	45	848	40	869	40	71
Other	14	52	17	100	13	35	13	158	14	10
	206	$ 22,126	277	$ 27,878	264	$ 27,550	222	$ 20,581	225	$ 24
30 to 89 days delinquent loans to total loans receivable, net		0.37 %		0.46 %		0.46 %		0.36 %		0.4

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	Non-Performing Loans and OREO at:									
	March 31, 2014		December 31, 2013		September 30, 2013		June 30, 2013		March 31, 2013	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	An
	(Dollars in thousands)									
Loans 90 or More Days Delinquent or in Foreclosure:										
One- to four-family:										
Originated	95	$ 9,508	110	$ 9,931	101	$ 8,579	91	$ 8,017	85	$ 7
Correspondent purchased	2	443	5	635	5	812	4	609	4	6
Bulk purchased	33	10,301	33	10,134	34	9,608	37	9,535	40	9
Consumer loans:										
Home equity	23	305	29	477	29	485	21	295	22	1
Other	4	8	8	11	4	5	7	23	5	2
	157	20,565	185	21,188	173	19,489	160	18,479	156	
Nonaccrual loans less than 90 Days Delinquent:(1)										
One- to four-family:										
Originated	66	7,111	65	6,057	57	5,833	62	7,578	61	6
Correspondent purchased	1	478	--	--	2	740	--	--	1	4
Bulk purchased	4	472	3	392	2	280	2	168	4	7
Consumer loans:										
Home equity	4	74	6	78	6	101	8	174	7	
	75	8,135	74	6,527	67	6,954	72	7,920	73	8
Total non-performing loans	232	28,700	259	27,715	240	26,443	232	26,399	229	2
Non-performing loans as a percentage of total loans(2)		0.47 %		0.46 %		0.44 %		0.46 %		0
OREO:										
One- to four-family:										

Originated(3)	26	$ 1,548	22	$ 1,531	28	$ 2,074	34	$ 3,283	51	$ 4
Correspondent purchased	4	403	1	110	2	71	3	269	2	
Bulk purchased	4	398	6	647	4	380	4	581	5	8
Consumer loans:										
Home equity	1	18	2	57	2	57	3	66	4	6
Other(4)	1	1,300	1	1,300	1	1,300	1	1,300	1	
	36	3,667	32	3,645	37	3,882	45	5,499	63	6
Total non-performing assets	268	$ 32,367	291	$ 31,360	277	$ 30,325	277	$ 31,898	292	$
Non-performing assets as a percentage of total assets		0.36 %		0.34 %		0.33 %		0.35 %		0

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(1) Represents loans required to be reported as nonaccrual pursuant to OCC reporting requirements, even if the loans are current. At March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, this amount was comprised of $881 thousand, $1.1 million, $1.1 million, $1.1 million, and $975 thousand, respectively, of loans that were 30 to 89 days delinquent and are reported as such, and $7.3 million, $5.4 million, $5.9 million, $6.8 million, and $7.2 million, respectively, of loans that were current.
(2) Excluding loans required to be reported as nonaccrual pursuant to OCC reporting requirements, even if the loans are current, non-performing loans as a percentage of total loans were 0.34%, 0.35%, 0.33%, 0.32%, and 0.32% at March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, respectively.
(3) Real estate-related consumer loans where we also hold the first mortgage are included in the one- to four-family category as the underlying collateral is one- to four-family property.
(4) Other represents a single property the Bank purchased for a potential branch site but now intends to sell.

The balance of loans 90 or more days delinquent or in foreclosure was $20.6 million at March 31, 2014, an increase of $1.1 million from September 30, 2013. The majority of the increase was in the originated one- to four-family loan portfolio, of which 73% of the loans were originated in calendar year 2007 or earlier. Of the $10.3 million of bulk purchased one- to four-family loans 90 or more days delinquent or in foreclosure as of March 31, 2014, 97% were originated in calendar year 2004 or 2005. Once a one- to four-family loan is generally 180 days delinquent and/or enters foreclosure, a new collateral value is obtained through an appraisal, less estimated selling costs and anticipated private mortgage insurance ("PMI") receipts. Any loss amounts as a result of this review are charged-off. At March 31, 2014, $16.1 million, or 79%, of the one-to four-family loans 90 or more days delinquent or in foreclosure had been individually evaluated for loss and any losses were charged-off.

The following table presents the top 14 states where the properties securing our one- to four-family loans are located and their corresponding balance of loans 30 to 89 days delinquent, 90 or more days delinquent or in foreclosure, and weighted average LTV ratios for loans 90 or more days delinquent or in foreclosure at March 31, 2014. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal, if available. At March 31, 2014, potential losses, after taking into consideration anticipated PMI proceeds and the costs to sell the property, have been charged-off.

	One- to Four-Family		Loans 30 to 89 Days Delinquent		Loans 90 or More Days Delinquent or in Foreclosure		
State	Amount	% of Total	Amount	% of Total	Amount	% of Total	LTV
	(Dollars in thousands)						
Kansas	$ 3,739,134	64.0 %	$ 9,375	43.8 %	$ 9,858	48.7 %	74 %
Missouri	1,084,360	18.6	4,316	20.1	1,501	7.4	77
California	305,312	5.2	--	--	--	--	n/a
Texas	157,778	2.7	1,615	7.5	518	2.5	58
Tennessee	78,749	1.3	210	1.0	--	--	n/a
Oklahoma	69,235	1.2	27	0.1	524	2.6	58

Alabama	68,543	1.2	--	--	--	--	n/a
Illinois	36,195	0.6	769	3.6	1,268	6.3	67
Nebraska	32,231	0.6	1,221	5.7	209	1.0	70
North Carolina	30,208	0.5	--	--	--	--	n/a
Minnesota	20,712	0.4	472	2.2	--	--	n/a
Colorado	19,634	0.3	252	1.2	--	--	n/a
New York	17,988	0.3	484	2.3	906	4.5	86
Florida	17,609	0.3	--	--	1,458	7.2	73
Other states	162,649	2.8	2,668	12.5	4,010	19.8	72
	$ 5,840,337	100.0 %	$ 21,409	100.0 %	$ 20,252	100.0 %	73

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Troubled Debt Restructurings

At March 31, 2014 and September 30, 2013, the Bank had TDRs with a balance of $41.4 million and $49.5 million, respectively. Of the $41.4 million of TDRs at March 31, 2014, $31.3 million were originated loans, $8.3 million were bulk purchased loans, and $1.8 million were correspondent purchased loans. Additionally, of the $41.4 million of TDRs at March 31, 2014, $3.0 million were 30 to 89 days delinquent and $6.9 million were 90 or more days delinquent or in foreclosure. See “Note 4 – Loans Receivable and Allowance for Credit Losses” for additional information regarding our TDRs.

The following table presents TDR activity, at recorded investment, during the six months ended March 31, 2014. The recorded investment in loans is defined as the unpaid principal balance of a loan (net of unadvanced funds related to loans in process), less charge-offs and inclusive of unearned loan fees and deferred costs. Excluded from the restructuring activity in the table below is $870 thousand of loans that were restructured during the current fiscal year, as well as in a prior fiscal year, and are therefore already presented in the beginning balance. Of the $870 thousand of loans, $424 thousand related to borrowers that endorsed during the current fiscal year in order to obtain a lower market interest rate. Additionally, $183 thousand of loans were restructured more than once during the current fiscal year.

	Concession Granted by the Bank	Loan Endorsement Program	Total
	(Dollars in thousands)		
Beginning balance	$ 35,187	$ 14,245	$ 49,432
Restructurings	5,904	506	6,410
Chapter 7 TDRs	889	--	889
TDRs no longer reported as such(1)	(4,104)	(7,585)	(11,689)
Transfers to OREO	(567)	--	(567)
Principal repayments/payoffs	(2,120)	(954)	(3,074)
Charge-offs, net	(12)	--	(12)
Ending balance	$ 35,177	$ 6,212	$ 41,389

(1) These loans have met certain criteria and are no longer required to be reported as TDRs.

The following table presents the recorded investment in TDRs as of March 31, 2014 by asset classification.

	Concession Granted by the	Loan Endorsement

	Bank	Program	Total
	(Dollars in thousands)		
Not classified(1)	$ 2,929	$ --	$ 2,929
Special mention	2,615	5,583	8,198
Substandard	29,633	629	30,262
	$ 35,177	$ 6,212	$ 41,389

(1) These loans have been discharged under Chapter 7 bankruptcy but the borrower has made 12 consecutive monthly payments subsequent to their discharge date and therefore the loans are no longer classified per the Bank’s asset classification policies.

Impaired Loans

The unpaid principal balance of loans reported as impaired at March 31, 2014 and September 30, 2013 was $61.7 million and $69.4 million, respectively. See “Note 4 – Loans Receivable and Allowance for Credit Losses” for additional information regarding impaired loans.

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Allowance for credit losses and provision for credit losses

Management maintains an ACL to absorb inherent losses in the loan portfolio based on ongoing quarterly assessments of the loan portfolio. Our ACL methodology considers a number of factors including the trend and composition of delinquent loans, results of foreclosed property and short sale transactions, charge-off activity and trends, the current status and trends of local and national economies (particularly levels of unemployment), trends and current conditions in the real estate and housing markets, loan portfolio growth and concentrations, and certain ACL ratios such as ACL to loans receivable, net and annualized historical losses to ACL. See Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2013 and "Note 1 – Summary of Significant Accounting Policies" for a full discussion of our ACL methodology.

The ACL is maintained through provisions for credit losses which are either charged to or credited to income. The provision for credit losses is based upon the results of management's quarterly assessment of the ACL. During the six months ended March 31, 2014, the Company recorded a provision for credit losses of $675 thousand. The $675 thousand provision for credit losses in the current year six month period takes into account net charge-offs of $530 thousand and loan growth. For additional information regarding the provision for credit losses for the six months ended March 31, 2014, see "Comparison of Operating Results for the Six Months Ended March 31, 2014 and 2013."

The following table presents the Company's allocation of the ACL to each respective loan category at the dates presented.

	At March 31, 2014				At September 30, 2013			
	Amount of ACL	% of ACL to Total ACL	Total Loans	% of Loans to Total Loans	Amount of ACL	% of ACL to Total ACL	Total Loans	% of Loans to Total Loans
	(Dollars in thousands)							
One- to four-family:								
Originated	$ 6,699	74.7 %	$ 5,235,357	85.6 %	$ 5,748	65.2 %	$ 5,098,563	84.8 %
Purchased	1,817	20.3	604,980	9.9	2,486	28.2	644,484	10.7
Multi-family and commercial	123	1.4	47,505	0.8	172	1.9	50,358	0.8
Construction	58	0.6	94,286	1.5	36	0.4	77,743	1.3
Consumer:								
Home equity	243	2.7	130,321	2.1	342	3.9	135,028	2.3
Other consumer	27	0.3	4,991	0.1	38	0.4	5,623	0.1
	$ 8,967	100.0 %	$ 6,117,440	100.0 %	$ 8,822	100.0 %	$ 6,011,799	100.0 %

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The following tables present ACL activity and selected ACL ratios for the periods presented. For additional information regarding our ACL activity during the current fiscal year, see "Note 4 – Loans Receivable and Allowance for Credit Losses."

	For the Three Months Ended				
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
	(Dollars in thousands)				
ACL beginning balance	$ 8,919	$ 8,822	$ 9,239	$ 10,072	$ 10,477
Charge-offs	(121)	(425)	(163)	(171)	(457)
Recoveries	9	7	246	138	52
Provision for credit losses	160	515	(500)	(800)	--
ACL ending balance	$ 8,967	$ 8,919	$ 8,822	$ 9,239	$ 10,072
ACL to loans receivable, net at end of period	0.15 %	0.15 %	0.15 %	0.16 %	0.18 %
ACL to non-performing loans at end of period	31.24	32.18	33.36	35.00	38.23
Ratio of net charge-offs (recoveries) during the period to average loans outstanding during the period	--	0.01	--	--	0.01
Ratio of net charge-offs (recoveries) during the period to average non-performing assets	0.35	1.35	(0.27)	0.10	1.19

	For the Six Months Ended	
	March 31, 2014	March 31, 2013
	(Dollars in thousands)	
ACL beginning balance	$ 8,822	$ 11,100
Charge-offs	(546)	(1,323)
Recoveries	16	62
Provision for credit losses	675	233
ACL ending balance	$ 8,967	$ 10,072
Ratio of net charge-offs during the period to average loans outstanding during the period	0.01 %	0.02 %
Ratio of net charge-offs during the period to		

average non-performing assets during the period	1.69		3.46	
ACL to net charge-offs (annualized)	8.5	x	4.0	x

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Securities. The following table presents the distribution of our MBS and investment securities portfolios, at amortized cost, at the dates indicated. Overall, fixed-rate securities comprised 78% of these portfolios at March 31, 2014. The weighted average life ("WAL") is the estimated remaining maturity (in years) after three-month historical prepayment speeds and projected call option assumptions have been applied. The increase in the WAL between September 30, 2013 and March 31, 2014 was due primarily to an increase in market interest rates between periods, which resulted in a decrease in projected call assumptions on GSE debentures and a decrease in realized prepayments on MBS. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis.

	March 31, 2014			December 31, 2013			September 30, 2013		
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)								
Fixed-rate securities:									
MBS	$ 1,423,363	2.41 %	4.1	$ 1,384,297	2.46 %	4.1	$ 1,427,648	2.44 %	3.5
GSE debentures	579,853	1.04	3.5	658,834	1.03	3.3	709,118	1.04	2.8
Municipal bonds	36,830	2.55	2.0	36,304	2.68	1.9	35,587	3.02	1.5
Total fixed-rate securities	2,040,046	2.02	3.9	2,079,435	2.01	3.8	2,172,353	1.99	3.3
Adjustable-rate securities:									
MBS	565,242	2.29	6.3	572,721	2.31	6.0	601,359	2.32	4.9
Trust preferred securities	2,538	1.49	23.2	2,579	1.50	23.5	2,594	1.51	23.7
Total adjustable-rate securities	567,780	2.28	6.4	575,300	2.31	6.1	603,953	2.31	4.9
Total securities portfolio	$ 2,607,826	2.08	4.4	$ 2,654,735	2.07	4.3	$ 2,776,306	2.06	3.7

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Mortgage-Backed Securities. The following tables provide a summary of the activity in our portfolio of MBS for the periods presented. The balance of MBS, which primarily consists of securities of U.S. GSEs, decreased $42.6 million from $2.05 billion at September 30, 2013 to $2.01 billion at March 31, 2014. Repayments from the MBS portfolio not reinvested in the portfolio were used, in part, to fund loan growth. The weighted average yields and WALs for purchases are presented as recorded at the time of purchase. The weighted average yields for the beginning balances are as of the last day of the period previous to the period presented and the weighted average yield for the ending balances are as of the last day of the period presented and are generally derived from recent prepayment activity on the securities in the portfolio as of the dates presented. The decrease in the weighted average yield on the MBS portfolio from September 30, 2013 to March 31, 2014 was due primarily to purchases of MBS with yields less than the average yield on the existing portfolio. The beginning and ending WAL is the estimated remaining maturity (in years) after three-month historical prepayment speeds have been applied. The increase in the WAL between September 30, 2013 and March 31, 2014 was due primarily to an increase in market interest rates between periods, which resulted in a decrease in realized prepayments.

	For the Three Months Ended									
	March 31, 2014			December 31, 2013			September 30, 2013			June
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Am
	(Dollars in thousands)									
Beginning balance - carrying value	$ 1,975,164	2.42 %	4.7	$ 2,047,708	2.40 %	3.9	$ 2,179,539	2.39 %	3.6	$ 2,
Maturities and repayments	(92,609)			(95,864)			(149,555)			(1
Net amortization of (premiums)/discounts	(1,271)			(1,397)			(1,688)			(2
Purchases:										
Fixed	103,730	1.74	3.9	25,272	1.72	3.7	--	--	--	--
Adjustable	21,737	1.92	5.2	--	--	--	22,246	1.80	5.1	--
Change in valuation on AFS securities	(1,613)			(555)			(2,834)			(4
Ending balance - carrying value	$ 2,005,138	2.37	4.7	$ 1,975,164	2.42	4.7	$ 2,047,708	2.40	3.9	$ 2,

	For the Six Months Ended					
	March 31, 2014			March 31, 2013		
	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)					
Beginning balance - carrying value	$ 2,047,708	2.40 %	3.9	$ 2,332,942	2.78 %	4.0
Maturities and repayments	(188,473)			(382,077)		
Net amortization of (premiums)/discounts	(2,668)			(4,248)		
Purchases:						
Fixed	129,002	1.73	3.8	420,272	1.24	3.9
Adjustable	21,737	1.92	5.2	--	--	--
Change in valuation on AFS securities	(2,168)			(8,794)		
Ending balance - carrying value	$ 2,005,138	2.37	4.7	$ 2,358,095	2.45	3.6

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The following table presents the annualized prepayment speeds of our MBS portfolio for the monthly and quarterly periods ended March 31, 2014, along with associated net premium/(discount) information, weighted average rates for the portfolio, and weighted average remaining contractual terms (in years) for the portfolio. The annualized prepayment speeds are based on actual prepayment activity. Prepayments impact the amortization/accretion of premiums/discounts on our MBS portfolio. As prepayments increase, the related premiums/discounts are amortized/accreted at a faster rate. The amortization of premiums decreases interest income while the accretion of discounts increases interest income. The Bank could experience an increase in the premium amortization should prepayment speeds increase significantly, potentially reducing future interest income. The balances in the following table represent the amortized cost of MBS, and the terms represent the contractual terms for our fixed-rate MBS and current terms to repricing for our adjustable-rate MBS.

	March 31, 2014			
		Prepayment		Net
	Amortized	Speed (annualized)		Premium/
Term	Cost	Monthly	Quarterly	(Discount)
	(Dollars in thousands)			
Fixed-rate MBS:				
15 years or less	$ 1,334,109	7.5 %	8.0 %	$ 17,969
More than 15 years	89,254	8.7	10.5	1,012
	1,423,363	7.5	8.2	18,981
Rate	3.63 %			
Remaining contractual term (years)	10.4			
Adjustable-rate MBS:				
36 months or less	$ 481,441	9.3	13.0	935
More than 36 months	83,801	13.1	11.1	1,661
	565,242	9.8	12.7	2,596
Rate	2.94 %			
Remaining contractual term (years)	23.8			
Total MBS	$ 1,988,605	8.2	9.5	$ 21,577
Rate	3.43 %			
Remaining contractual term (years)	14.2			

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Investment Securities. The following tables provide a summary of the activity of investment securities for the periods presented. Investment securities, which consist of U.S. GSE debentures (primarily issued by FNMA, FHLMC, or FHLB) and municipal investments, decreased $129.5 million, from $740.3 million at September 30, 2013 to $610.8 million at March 31, 2014. Cash flows not reinvested in the portfolio were used, in part, to fund loan growth. The weighted average yields and WALs for purchases are presented as recorded at the time of purchase. The weighted average yields for the beginning balances are as of the last day of the period previous to the period presented and the weighted average yields for the ending balances are as of the last day of the period presented. The beginning and ending WALs represent the estimated remaining maturity (in years) of the securities after projected call dates have been considered, based upon market rates at each date presented. The increase in the WAL between September 30, 2013 and March 31, 2014 was due primarily to an increase in market rates between periods, which resulted in a decrease in projected call assumptions. Of the $129.8 million of fixed-rate investment securities purchased during the six months ended March 31, 2014, $123.2 million are callable.

	For the Three Months Ended									
	March 31, 2014			December 31, 2013			September 30, 2013			June 30,
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Amount
	(Dollars in thousands)									
Beginning balance - carrying value	$ 686,913	1.11 %	3.3	$ 740,282	1.14 %	2.9	$ 807,399	1.14 %	3.2	$ 841,12
Maturities and calls	(177,805)			(79,860)			(69,838)			(50,86
Net amortization of (premiums)/discounts	(84)			(114)			(117)			(76)
Purchases:										
Fixed	99,393	0.91	2.0	30,392	1.29	4.4	--	--	--	29,31
Change in valuation of AFS securities	2,351			(3,787)			2,838			(12,09
Ending balance - carrying value	$ 610,768	1.13	3.5	$ 686,913	1.11	3.3	$ 740,282	1.14	2.9	$ 807,39

	For the Six Months Ended					
	March 31, 2014			March 31, 2013		
	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)					
Beginning balance - carrying value	$ 740,282	1.14 %	2.9	$ 961,849	1.23 %	1.0
Maturities and calls	(257,665)			(498,332)		
Net amortization of (premiums)/discounts	(198)			(267)		
Purchases:						
Fixed	129,785	1.00	2.6	379,416	0.96	1.9
Change in valuation of AFS securities	(1,436)			(1,539)		
Ending balance - carrying value	$ 610,768	1.13	3.5	$ 841,127	1.14	2.3

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Liabilities. Total liabilities were $7.59 billion at March 31, 2014 compared to $7.55 billion at September 30, 2013. The $31.1 million increase was due primarily to an $82.3 million increase in deposits, partially offset by a $46.4 million decrease in FHLB borrowings.

Deposits – Deposits were $4.69 billion at March 31, 2014 compared to $4.61 billion at September 30, 2013. The $82.3 million increase was comprised of a $60.2 million increase in the checking portfolio, a $15.2 million increase in the savings portfolio, and an $11.2 million increase in the money market portfolio, partially offset by a $4.3 million decrease in the certificate of deposit portfolio. If interest rates were to rise, it is possible that our customers may move the funds from their checking, savings and money market accounts to higher yielding deposit products within the Bank or withdraw their funds to invest in higher yielding investments outside of the Bank.

The following table presents the amount, weighted average rate, and percentage of total deposits for checking, savings, money market, retail certificates of deposit, and public units/brokered deposits at the dates presented.

	March 31, 2014			December 31, 2013			September 30, 2013		
	Amount	Rate	% of Total	Amount	Rate	% of Total	Amount	Rate	% of Total
	(Dollars in thousands)								
Noninterest-bearing checking	$ 168,276	-- %	3.5 %	$ 155,446	-- %	3.3 %	$ 150,171	-- %	3.2 %
Interest-bearing checking	547,872	0.05	11.7	525,363	0.05	11.4	505,762	0.05	11.0
Savings	298,324	0.10	6.4	285,906	0.10	6.2	283,169	0.13	6.1
Money market	1,139,836	0.23	24.3	1,149,229	0.23	24.9	1,128,604	0.23	24.5
Retail certificates of deposit	2,240,792	1.23	47.7	2,203,775	1.24	47.7	2,242,909	1.27	48.7
Public units/brokered deposits	298,662	0.80	6.4	301,189	0.79	6.5	300,831	0.80	6.5
	$ 4,693,762	0.71	100.0 %	$ 4,620,908	0.71	100.0 %	$ 4,611,446	0.74	100.0 %

At March 31, 2014 and September 30, 2013, brokered deposits totaled $63.7 million. The $63.7 million of brokered deposits at March 31, 2014 had a weighted average rate of 2.78% and a weighted average remaining term to maturity of nine months. The Bank monitors the cost of brokered deposits and considers them as a potential source of funding, provided that investment opportunities are balanced with the funding cost. At March 31, 2014, public unit deposits totaled $235.0 million compared to $237.1 million at September 30, 2013, and had a weighted average rate of 0.26% and a weighted average remaining term to maturity of eight months. Management will continue to monitor the wholesale deposit market for attractive opportunities relative to the use of proceeds for investments.

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The following tables set forth scheduled maturity information for our certificates of deposit, along with associated weighted average rates, at March 31, 2014.

	Amount Due					
Rate range	1 year or less	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years	Total Amount	Rate
	(Dollars in thousands)					
0.00 – 0.99%	$ 841,603	$ 204,367	$ 64,570	$ 27,217	$ 1,137,757	0.46 %
1.00 – 1.99%	220,407	184,985	245,123	314,285	964,800	1.40
2.00 – 2.99%	205,617	181,766	16,255	1,722	405,360	2.52
3.00 – 3.99%	13,246	17,287	257	268	31,058	3.06
4.00 – 4.99%	222	257	--	--	479	4.40
	$ 1,281,095	$ 588,662	$ 326,205	$ 343,492	$ 2,539,454	1.18
Percent of total	50.5 %	23.2 %	12.8 %	13.5 %		
Weighted average rate	0.93	1.47	1.41	1.36		
Weighted average maturity (in years)	0.5	1.4	2.4	3.7	1.4	
Weighted average maturity for the retail certificate of deposit portfolio (in years)					1.5	

	Maturity				
	3 months or less	Over 3 to 6 months	Over 6 to 12 months	Over 12 months	Total
	(Dollars in thousands)				
Retail certificates of deposit less than $100,000	$ 180,885	$ 234,492	$ 340,176	$ 778,824	$ 1,534,377
Retail certificates of deposit of $100,000 or more	57,586	122,275	138,007	388,547	706,415
Public units/brokered deposits less than $100,000	21,805	--	--	41,852	63,657
Public units of $100,000 or more	80,010	54,619	51,240	49,136	235,005
Total certificates of deposit	$ 340,286	$ 411,386	$ 529,423	$ 1,258,359	$ 2,539,454

Borrowings – The following tables present FHLB advance activity, at par, and repurchase agreement activity for the periods shown. Line of credit activity is excluded from the following table due to the short-term nature of the borrowings. The weighted average effective rate includes the net impact of the amortization of deferred prepayment penalties resulting from the prepayment of certain FHLB advances and deferred gains related to interest rate swaps previously terminated. Rates on new borrowings are fixed-rate. The weighted average maturity ("WAM") is the remaining weighted average contractual term in years. The beginning and ending WAMs represent the remaining maturity at each date presented. For new borrowings, the WAMs presented are as of the date of issue.

	For the Three Months Ended									
	March 31, 2014			December 31, 2013			September 30, 2013			June 30, 2
	Amount	Effective Rate	WAM	Amount	Effective Rate	WAM	Amount	Effective Rate	WAM	Amount
	(Dollars in thousands)									
Beginning principal balance	$ 2,845,000	2.71 %	2.7	$ 2,845,000	2.75 %	2.6	$ 2,815,000	2.80 %	2.7	$ 2,965,00
Maturities and prepayments:										
FHLB advances	(200,000)	5.01		(150,000)	3.16		--	--		(225,00
Repurchase agreements	--	--		--	--		(70,000)	4.23		(25,000)
New borrowings:										
FHLB advances	150,000	2.59	7.0	150,000	2.32	6.0	--	--	--	100,000
Repurchase agreements	--	--	--	--	--	--	100,000	2.53	7.0	--
Ending principal balance	$ 2,795,000	2.54	2.9	$ 2,845,000	2.71	2.7	$ 2,845,000	2.75	2.6	$ 2,815,00

	For the Six Months Ended					
	March 31, 2014			March 31, 2013		
	Amount	Effective Rate	WAM	Amount	Effective Rate	WAM
	(Dollars in thousands)					
Beginning principal balance	$ 2,845,000	2.75 %	2.6	$ 2,915,000	3.13 %	2.7
Maturities and prepayments:						
FHLB advances	(350,000)	4.22		(100,000)	4.85	
Repurchase agreements	--	--		(50,000)	3.48	
New borrowings:						
FHLB advances	300,000	2.46	6.5	200,000	1.04	5.0

Ending principal balance	$	2,795,000	2.54	2.9	$	2,965,000	2.92	2.5

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The following table presents the maturity of FHLB advances, at par, and repurchase agreements, along with associated weighted average contractual and weighted average effective rates as of March 31, 2014. Management will continue to monitor the Bank's investment opportunities and balance those opportunities with the cost of FHLB advances and other funding sources.

Maturity by Fiscal Year	FHLB Advances Amount	Repurchase Agreements Amount	Contractual Rate	Effective Rate(1)
	(Dollars in thousands)			
2014	$ 100,000	$ 100,000	3.42 %	3.50 %
2015	600,000	20,000	1.73	1.96
2016	575,000	--	2.29	2.91
2017	500,000	--	2.69	2.72
2018	200,000	100,000	2.90	2.90
2019	100,000	--	1.29	1.29
2020	250,000	100,000	2.18	2.18
2021	150,000	--	2.59	2.59
	$ 2,475,000	$ 320,000	2.35	2.54

(1) The effective rate includes the net impact of the amortization of deferred prepayment penalties resulting from the prepayment of certain FHLB advances and deferred gains related to terminated interest rate swaps.

Maturities – The following table presents the maturity and weighted average repricing rate, which is also the weighted average effective rate, of borrowings and certificates of deposit, split between retail and public unit/brokered deposits, for the next four quarters as of March 31, 2014.

Maturity by Quarter End	Borrowings Amount	Repricing Rate	Retail Certificate Amount	Repricing Rate	Public Unit/ Brokered Deposit Amount	Repricing Rate	Total	Repricing Rate
	(Dollars in thousands)							
June 30, 2014	$ 100,000	2.80 %	$ 238,471	0.83 %	$ 101,815	0.63 %	$ 440,286	1.23 %
September 30, 2014	100,000	4.20	356,767	1.06	54,619	0.27	511,386	1.59
December 31, 2014	250,000	0.84	246,226	1.06	32,909	0.29	529,135	0.91
March 31, 2015	250,000	2.46	231,957	1.16	18,331	0.27	500,288	1.78
	$ 700,000	2.18	$ 1,073,421	1.03	$ 207,674	0.45	$ 1,981,095	1.38

Stockholders' Equity. Stockholders' equity was $1.53 billion at March 31, 2014 compared to $1.63 billion at September 30, 2013. The $102.1 million decrease was due primarily to the payment of $82.8 million in dividends and the repurchase of $57.2 million of stock, partially offset by net income of $37.5 million. Additionally, AOCI decreased $2.2 million from September 30, 2013 to March 31, 2014 due to a decrease in unrealized gains on AFS securities as a result of an increase in market yields.

The $82.8 million in dividends paid during the current year six month period consisted of a $0.25 per share, or $35.7 million, True Blue® Too dividend; an $0.18 per share, or $25.8 million, true-up dividend related to fiscal year 2013 earnings per the Company's dividend policy; and two regular quarterly dividends of $0.075 per share each quarter, totaling $0.15 per share, or $21.3 million. The $35.7 million True Blue® Too dividend was funded by a $36.0 million capital distribution from the Bank to the holding company in December 2013. On April 16, 2014, the Company declared a regular quarterly cash dividend of $0.075 per share, or approximately $10.4 million, payable on May 16, 2014 to stockholders of record as of the close of business on May 2, 2014. Dividend payments depend upon a number of factors including the Company's financial condition and results of operations, regulatory capital requirements, regulatory limitations on the Bank's ability to make capital distributions to the Company, and the amount of cash at the holding company. At March 31, 2014, Capitol Federal Financial, Inc., at the holding company level, had $139.8 million of cash and cash equivalents at the Bank.

The following table presents regular quarterly, true-up, and special dividends paid in calendar years 2014, 2013, and 2012. The amounts represent dividends paid during each period. For the quarter ending June 30, 2014, the amount presented does not represent the actual dividend payout, but rather management's estimate of the dividend payout as of April 23, 2014, based on the number of shares outstanding on that date and the dividend declared on April 16, 2014 of $0.075 per share.

	Calendar Year		
	2014	2013	2012
	(Dollars in thousands)		
Quarter ended March 31			
Total dividends paid	$ 10,513	$ 11,023	$ 12,145
Quarter ended June 30			
Total dividends paid	10,399	10,796	11,883
Quarter ended September 30			
Total dividends paid	--	10,703	11,402
Quarter ended December 31			
Total dividends paid	--	10,754	11,223
True-up dividend			
Total dividends paid	--	25,815	26,585
True Blue® dividends			
Total dividends paid	--	35,710	76,494
Calendar year-to-date dividends paid	$ 20,912	$ 104,801	$ 149,732

In November 2012, the Company announced that its Board of Directors approved the repurchase of up to $175.0 million of the Company's common stock. The Company began repurchasing common stock under this plan during the second quarter of fiscal year 2013 and, as of March 31, 2014, had repurchased 8,596,719 shares at an average price of $11.93 per share, at a total cost of $102.6 million. There were no shares repurchased subsequent to March 31, 2014 through April 28, 2014. This plan, under which $72.4 million remained available as of April 28, 2014, has no expiration date.

Operating Results

The following table presents selected income statement and other information for the quarters indicated.

	For the Three Months Ended				
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
	(Dollars in thousands, except per share data)				
Interest and dividend income:					
Loans receivable	$ 57,117	$ 56,948	$ 56,425	$ 56,627	$ 56,936
MBS	11,597	11,962	12,376	13,419	14,446
Investment securities	1,869	2,066	2,251	2,439	2,457
Other interest and dividend income	1,274	1,258	1,171	1,190	1,141
Total interest and dividend income	71,857	72,234	72,223	73,675	74,980
Interest expense:					
FHLB borrowings	15,311	16,863	16,902	17,377	17,909
Deposits	8,076	8,323	8,614	9,009	9,344
Repurchase agreements	2,743	2,803	2,901	2,885	3,407
Total interest expense	26,130	27,989	28,417	29,271	30,660
Net interest income	45,727	44,245	43,806	44,404	44,320
Provision for credit losses	160	515	(500)	(800)	--
Net interest income (after provision for credit losses)	45,567	43,730	44,306	45,204	44,320
Non-interest income	5,727	5,500	5,756	5,821	5,944
Non-interest expense	21,828	22,787	25,387	23,602	23,217
Income tax expense	9,778	8,630	8,608	9,428	9,332
Net income	$ 19,688	$ 17,813	$ 16,067	$ 17,995	$ 17,715
Efficiency ratio	42.42 %	45.81 %	51.22 %	46.99 %	46.19 %
Basic earnings per share	$ 0.14	$ 0.12	$ 0.11	$ 0.13	$ 0.12
Diluted earnings per share	0.14	0.12	0.11	0.13	0.12

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Comparison of Operating Results for the Six Months Ended March 31, 2014 and 2013

For the six month period ended March 31, 2014, the Company recognized net income of $37.5 million, compared to net income of $35.3 million for the six month period ended March 31, 2013. The $2.2 million, or 6.3%, increase in net income was largely due to a $3.3 million decrease in non-interest expense, partially offset by a $485 thousand decrease in non-interest income and a $442 thousand increase in provision for credit losses. The net interest margin increased three basis points, from 1.99% for the prior year six month period to 2.02% for the current year six month period. Decreases in the cost of funds and a shift in the mix of interest-earning assets from relatively lower yielding securities to higher yielding loans was enough to overcome the negative impact of decreasing asset yields.

Interest and Dividend Income

The weighted average yield on total interest-earning assets decreased 14 basis points from 3.38% for the prior year six month period to 3.24% for the current year six month period and the average balance of interest-earning assets decreased $142.1 million from the prior year six month period. The following table presents the components of interest and dividend income for the time periods presented along with the change measured in dollars and percent. The decrease in interest income on MBS and investment securities was due largely to a decrease in the average balance of each portfolio as cash flows not reinvested in the portfolios were used to fund loan growth, pay dividends, and repurchase Company stock. The decrease in interest income on loans receivable was due to a decrease in the weighted average yield on the portfolio.

	For the Six Months Ended March 31,		Change Expressed in:	
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
INTEREST AND DIVIDEND INCOME:				
Loans receivable	$ 114,065	$ 115,403	$ (1,338)	(1.2) %
MBS	23,559	29,629	(6,070)	(20.5)
Investment securities	3,935	5,322	(1,387)	(26.1)
Capital stock of FHLB	2,425	2,233	192	8.6
Cash and cash equivalents	107	69	38	55.1
Total interest and dividend income	$ 144,091	$ 152,656	$ (8,565)	(5.6)

The weighted average yield on the loans receivable portfolio decreased 29 basis points, from 4.08% for the prior year six month period to 3.79% for the current year six month period. The downward repricing of the loan portfolio largely resulted from loan originations and purchases at market rates less than the weighted average rate of the existing portfolio, along with a significant amount of adjustable-rate loans, refinances, and endorsements repricing to lower rates. The decrease in interest income on loans receivable resulting from the decrease in average yield was partially offset by a $369.1 million increase in the average balance of the portfolio. Included in interest income on loans receivable for the current year six month period was $114 thousand related to the net amortization of premiums/deferred costs and the accretion of discounts/unearned loan fees increasing the average yield of the portfolio by less than one basis point. During the prior year six month period, $1.6 million, net, was accreted and increased the average yield on the portfolio by five basis points.

The average balance of the MBS portfolio decreased $355.7 million between the two periods and the average yield on the MBS portfolio decreased 16 basis points, from 2.55% during the prior year six month period to 2.39% for the current year six month period. The decrease in the average yield was due primarily to the downward repricing of existing adjustable-rate MBS, as well as purchases of MBS between periods with yields less than the average yield on the existing portfolio. Included in interest income on MBS for the current year six month period was $2.7 million from the net amortization of premiums and the accretion of discounts decreasing the average yield of the portfolio by 27 basis points. During the prior year six month period, $4.2 million of net premiums were amortized and decreased the average yield on the portfolio by 36 basis points.

The decrease in interest income on investment securities was due primarily to a $179.4 million decrease in the average balance of the portfolio, along with a nine basis point decrease in the yield, from 1.22% during the prior year six month period, to 1.13% for the current year six month period.

Interest Expense

The weighted average rate paid on total interest-bearing liabilities decreased 22 basis points from 1.68% for the prior year six month period to 1.46% for the current year six month period, while the average balance of interest-bearing liabilities decreased $21.5 million from the prior year six month period. The following table presents the components of interest expense for the time periods presented, along with the change measured in dollars and percent. The decrease in interest expense on FHLB borrowings and deposits was due primarily to a decrease in the weighted average rate paid on the portfolios, while the decrease in interest expense on repurchase agreements was due to both a decrease in the average balance and a decrease in the weighted average rate of the portfolio between the two periods.

	For the Six Months Ended March 31,		Change Expressed in:	
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
INTEREST EXPENSE:				
FHLB borrowings	$ 32,174	$ 36,537	$ (4,363)	(11.9)%
Deposits	16,399	19,193	(2,794)	(14.6)
Repurchase agreements	5,546	6,976	(1,430)	(20.5)
Total interest expense	$ 54,119	$ 62,706	$ (8,587)	(13.7)

The weighted average rate paid on the FHLB borrowings portfolio decreased 32 basis points, from 2.90% for the prior year six month period to 2.58% for the current year six month period. The decrease in the average rate paid was primarily a result of maturities and renewals to lower market rates that occurred between periods.

The decrease in the weighted average rate paid on the deposit portfolio was due primarily to a decrease in the weighted average rate paid on the retail certificate of deposit portfolio. The weighted average rate paid on the retail certificate of deposit portfolio decreased 20 basis points, from 1.44% for the prior year six month period to 1.24% for the current year six month period.

The decrease in interest expense on repurchase agreements was due to a $40.2 million decrease in the average balance between periods, as well as a 40 basis point decrease in the weighted average rate paid between periods, from 3.83% for the prior year six month period to 3.43% for the current year six month period. The decrease in the average balance was due to the maturity of agreements between the two periods, some of which were replaced with FHLB borrowings. The decrease in the average rate paid on repurchase agreements was due to maturities and a new agreement entered into between periods which had a rate less than the existing portfolio.

Provision for Credit Losses

The Bank recorded a provision for credit losses during the current year six month period of $675 thousand, compared to a $233 thousand provision for credit losses for the prior year six month period. The $675 thousand provision for credit losses in the current year six month period takes into account net charge-offs of $530 thousand and loan growth.

Non-Interest Income

The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

	For the Six Months Ended March 31,		Change Expressed in:	
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST INCOME:				
Retail fees and charges	$ 7,264	$ 7,513	$ (249)	(3.3) %
Insurance commissions	1,762	1,550	212	13.7
Loan fees	854	885	(31)	(3.5)
Income from BOLI	668	743	(75)	(10.1)
Other non-interest income	679	1,021	(342)	(33.5)
Total non-interest income	$ 11,227	$ 11,712	$ (485)	(4.1)

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The decrease in other non-interest income was due primarily to a decrease in premium income from Capitol Federal Mortgage Reinsurance Company ("CFMRC") as it is no longer writing new business. The decrease in retail fees and charges was due primarily to a decrease in service charges earned. The increase in insurance commissions was due largely to an increase in annual commissions received from certain insurance providers as a result of favorable claims experience during the prior year.

Non-Interest Expense

The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Six Months Ended March 31,		Change Expressed in:	
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST EXPENSE:				
Salaries and employee benefits	$ 21,450	$ 24,336	$ (2,886)	(11.9)%
Occupancy	5,183	4,709	474	10.1
Information technology and communications	4,612	4,430	182	4.1
Regulatory and outside services	2,553	3,055	(502)	(16.4)
Deposit and loan transaction costs	2,650	2,910	(260)	(8.9)
Federal insurance premium	2,186	2,230	(44)	(2.0)
Advertising and promotional	1,883	2,036	(153)	(7.5)
Other non-interest expense	4,098	4,252	(154)	(3.6)
Total non-interest expense	$ 44,615	$ 47,958	$ (3,343)	(7.0)

The decrease in salaries and employee benefits was due primarily to a decrease in ESOP related expenses resulting largely from the final allocation of ESOP shares acquired in our initial public offering (March 1999) being made at September 30, 2013. In fiscal year 2014, the only ESOP shares to be allocated will be the shares acquired in the Company's corporate reorganization in December 2010. The decrease in regulatory and outside services was due largely to the timing of fees paid for our external audit. The increase in occupancy expense was due largely to an increase in depreciation expense, which was primarily associated with the remodeling of our home office.

The Company's efficiency ratio was 44.09% for the current year six month period compared to 47.17% for the prior year six month period. The decrease in the efficiency ratio was due primarily to a decrease in total non-interest expense. The efficiency ratio is a measure of a financial institution's total non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income. A lower value indicates that the financial institution is generating revenue with a lower level of expense.

Income Tax Expense

Income tax expense was $18.4 million for the current year six month period compared to $18.2 million for the prior year six month period. The effective tax rate for the current year six month period was 32.9% compared to 34.0% for the prior year six month period. The decrease in the effective tax rate between periods was due largely to a lower amount of nondeductible ESOP related expenses due to the final ESOP allocation on September 30, 2013, as discussed in the non-interest expense section above, along with higher tax credits related to our low-income housing partnerships. Management anticipates the effective tax rate for fiscal year 2014 will be approximately 33% to 34%, based on fiscal year 2014 estimates as of March 31, 2014.

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Average Balance Sheet

The following table presents the average balances of our assets, liabilities, and stockholders' equity and the related annualized yields and rates on our interest-earning assets and interest-bearing liabilities for the periods indicated and the weighted average yield/rate on our interest-earning assets and interest-bearing liabilities at March 31, 2014. Average yields are derived by dividing annualized income by the average balance of the related assets and average rates are derived by dividing annualized expense by the average balance of the related liabilities, for the periods shown. Average outstanding balances are derived from average daily balances. The yields and rates include amortization of fees, costs, premiums and discounts which are considered adjustments to yields/rates. Yields on tax-exempt securities were not calculated on a fully taxable equivalent basis.

	At March 31, 2014	For the Six Months Ended					
		March 31, 2014			March 31, 2013		
	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
Assets:		(Dollars in thousands)					
Interest-earning assets:							
Loans receivable(1)	3.78%	$ 6,023,062	$ 114,065	3.79 %	$ 5,653,923	$ 115,403	4.08 %
MBS(2)	2.37	1,968,835	23,559	2.39	2,324,497	29,629	2.55
Investment securities(2)(3)	1.13	695,925	3,935	1.13	875,321	5,322	1.22
Capital stock of FHLB	3.96	129,685	2,425	3.75	131,662	2,233	3.40
Cash and cash equivalents	0.25	85,286	107	0.25	59,506	69	0.23
Total interest-earning assets(1)(2)	3.25	8,902,793	144,091	3.24	9,044,909	152,656	3.38
Other noninterest-earning assets		221,562			237,402		
Total assets		$ 9,124,355			$ 9,282,311		
Liabilities and stockholders' equity:							
Interest-bearing liabilities:							
Checking	0.04	$ 662,600	127	0.04	$ 617,686	$ 119	0.04
Savings	0.10	287,642	148	0.10	267,401	133	0.10
Money market	0.23	1,135,843	1,310	0.23	1,131,513	1,266	0.22
Retail certificates	1.23	2,219,493	13,671	1.24	2,264,723	16,302	1.44
Wholesale certificates	0.80	303,788	1,143	0.75	278,829	1,373	0.99
Total deposits	0.71	4,609,366	16,399	0.71	4,560,152	19,193	0.84
FHLB borrowings(4)	2.42	2,500,530	32,174	2.58	2,531,094	36,537	2.90
Repurchase agreements	3.43	320,000	5,546	3.43	360,192	6,976	3.83
Total borrowings	2.54	2,820,530	37,720	2.68	2,891,286	43,513	3.01
Total interest-bearing liabilities	1.39	7,429,896	54,119	1.46	7,451,438	62,706	1.68

Other noninterest-bearing liabilities	108,070	112,121
Stockholders’ equity	1,586,389	1,718,752
Total liabilities and stockholders’ equity	$ 9,124,355	$ 9,282,311

(Continued)

	At March 31, 2014	For the Six Months Ended					
		March 31, 2014			March 31, 2013		
	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
		(Dollars in thousands)					
Net interest income(5)			$ 89,972			$ 89,950	
Net interest rate spread(6)	1.86%			1.78 %			1.70 %
Net interest-earning assets		$ 1,472,897			$ 1,593,471		
Net interest margin(7)				2.02			1.99
Ratio of interest-earning assets to interest-bearing liabilities				1.20 x			1.21 x
Selected performance ratios:							
Return on average assets (annualized)				0.82 %			0.76 %
Return on average equity (annualized)				4.73			4.11
Average equity to average assets				17.39			18.52
Operating expense ratio (annualized)(8)				0.98			1.03
Efficiency ratio(9)				44.09			47.17

(Concluded)

(1) Calculated net of unearned loan fees, deferred costs, and undisbursed loan funds. Loans that are 90 or more days delinquent are included in the loans receivable average balance with a yield of zero percent. Balances include LHFS.
(2) MBS and investment securities classified as AFS are stated at amortized cost, adjusted for unamortized purchase premiums or discounts.
(3) The average balance of investment securities includes an average balance of nontaxable securities of $36.4 million and $44.0 million for the six months ended March 31, 2014 and 2013, respectively.
(4) The balance and rate of FHLB borrowings are stated net of deferred gains and deferred prepayment penalties.
(5) Net interest income represents the difference between interest income earned on interest-earning assets such as mortgage loans, investment securities, and MBS, and interest paid on interest-bearing liabilities such as deposits, FHLB borrowings, and other borrowings. Net interest income depends on the balance of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.
(6) Net interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(7) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(8) The operating expense ratio represents annualized non-interest expense as a percentage of average assets.

(9) The efficiency ratio represents non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income.

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Rate/Volume Analysis

The table below presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities, comparing the six months ended March 31, 2014 to the six months ended March 31, 2013. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume, which are changes in the average balance multiplied by the previous year's average rate and (2) changes in rate, which are changes in the average rate multiplied by the average balance from the previous year. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

	For the Six Months Ended March 31, 2014 vs. March 31, 2013 Increase (Decrease) Due to		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest-earning assets:			
Loans receivable	$ 7,143	$ (8,481)	$ (1,338)
MBS	(4,335)	(1,735)	(6,070)
Investment securities	(1,034)	(353)	(1,387)
Capital stock of FHLB	(34)	226	192
Cash and cash equivalents	32	6	38
Total interest-earning assets	1,772	(10,337)	(8,565)
Interest-bearing liabilities:			
Checking	9	(1)	8
Savings	10	5	15
Money market	5	40	45
Certificates of deposit	(140)	(2,722)	(2,862)
FHLB borrowings	(456)	(3,907)	(4,363)
Repurchase agreements	(736)	(694)	(1,430)
Total interest-bearing liabilities	(1,308)	(7,279)	(8,587)
Net change in net interest and dividend income	$ 3,080	$ (3,058)	$ 22

Comparison of Operating Results for the Three Months Ended March 31, 2014 and 2013

For the quarter ended March 31, 2014, the Company recognized net income of $19.7 million, compared to net income of $17.7 million for the quarter ended March 31, 2013. The $2.0 million, or 11.1%, increase in net income was due primarily to a $1.4 million increase in net interest income and $1.4 million decrease in non-interest expense, partially offset by a $446 thousand increase in income tax expense. The net interest margin increased 10 basis points, from 1.97% for the prior year quarter to 2.07% for the current quarter. Decreases in the cost of funds and a shift in the mix of interest-earning assets from relatively lower yielding securities to higher yielding loans was enough to overcome the negative impact of decreasing asset yields.

Interest and Dividend Income

The weighted average yield on total interest-earning assets decreased eight basis points from 3.33% for the prior year quarter to 3.25% for the current quarter and the average balance of interest-earning assets decreased $156.5 million between the two periods. The following table presents the components of interest and dividend income for the time periods presented, along with the change measured in dollars and percent. The decrease in the weighted average balance between the two periods was primarily in the lower yielding MBS and investment securities portfolios as cash flows not reinvested in the portfolios were used to fund loan growth, as well as to pay dividends and repurchase Company stock.

	For the Three Months Ended		Change Expressed in:	
	March 31,			
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
INTEREST AND DIVIDEND INCOME:				
Loans receivable	$ 57,117	$ 56,936	$ 181	0.3 %
MBS	11,597	14,446	(2,849)	(19.7)
Investment securities	1,869	2,457	(588)	(23.9)
Capital stock of FHLB	1,229	1,105	124	11.2
Cash and cash equivalents	45	36	9	25.0
Total interest and dividend income	$ 71,857	$ 74,980	$ (3,123)	(4.2)

The increase in interest income on loans receivable was due to a $361.6 million increase in average balance of the portfolio, partially offset by a decrease in the average yield on the portfolio. Cash flows from the securities portfolio were used, in part, to fund loan growth. The weighted average yield on the loans receivable portfolio decreased 23 basis points, from 4.01% for the prior year quarter to 3.78% for the current quarter. The downward repricing of the loan portfolio largely resulted from loan originations and purchases at market rates less than the weighted average rate of the existing portfolio, along with a significant amount of adjustable-rate loans, refinances, and endorsements repricing to lower rates. Included in interest income on loans receivable for the current quarter was $67 thousand related to the net amortization of premiums/deferred costs and the accretion of discounts/unearned loan fees increasing the average yield of the portfolio by less than one basis point. During the prior year quarter, $555 thousand, net, was accreted and increased the average yield on the portfolio by four basis points.

The decrease in interest income on MBS and investment securities was due primarily to decreases in the average balances of the portfolios of $369.6 million and $155.9 million, respectively. The average yield on the MBS portfolio decreased 11 basis points, from 2.50% during the prior year quarter to 2.39% for the current quarter. The decrease in the average yield was due primarily to the downward repricing of existing adjustable-rate MBS, as well as to purchases of MBS between periods with yields less than the average yield on the existing portfolio. Included in interest income on MBS for the current quarter was $1.3 million from the net amortization of premiums and the accretion of discounts decreasing the average yield of the portfolio by 26 basis points. During the prior year quarter, $2.1 million of net premiums were amortized and decreased the average yield on the portfolio by 37 basis points.

Interest Expense

The weighted average rate paid on total interest-bearing liabilities decreased 24 basis points from 1.66% for the prior year quarter to 1.42% for the current quarter, while the average balance of interest-bearing liabilities decreased $53.1 million from the prior year quarter. The decrease in the average balance of interest-bearing liabilities was due to a decrease in the average balances of FHLB borrowings and repurchase agreements, partially offset by an increase in the average balance of deposits.

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The following table presents the components of interest expense for the time periods presented, along with the change measured in dollars and percent. The decrease in interest expense on FHLB borrowings and deposits was due primarily to a decrease in the weighted average rate paid on the portfolios, while the decrease in interest expense on repurchase agreements was due to both a decrease in the average balance and weighted average rate between the two periods.

	For the Three Months Ended March 31,		Change Expressed in:	
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
INTEREST EXPENSE:				
FHLB borrowings	$ 15,311	$ 17,909	$ (2,598)	(14.5)%
Deposits	8,076	9,344	(1,268)	(13.6)
Repurchase agreements	2,743	3,407	(664)	(19.5)
Total interest expense	$ 26,130	$ 30,660	$ (4,530)	(14.8)

The weighted average rate paid on the FHLB borrowings portfolio decreased 37 basis points, from 2.87% for the prior year quarter to 2.50% for the current quarter. The decrease in the average rate paid was primarily a result of maturities and renewals to lower market rates that occurred between periods.

The decrease in the weighted average rate paid on the deposit portfolio was due primarily to a decrease in the weighted average rate paid on the retail certificate of deposit portfolio. The weighted average rate paid on the retail certificate of deposit portfolio decreased 20 basis points, from 1.42% for the prior year quarter to 1.22% for the current quarter.

The decrease in interest expense on repurchase agreements was due to a $35.3 million decrease in the average balance between periods, as well as a 41 basis point decrease in the weighted average rate paid between periods, from 3.84% for the prior year quarter to 3.43% for the current quarter. The decrease in the average balance was due to the maturity of agreements between the two periods, some of which were replaced with FHLB borrowings. The decrease in the average rate paid on repurchase agreements was due to maturities and a new agreement entered into between periods which had a rate less than the existing portfolio.

Provision for Credit Losses

The Bank recorded a provision for credit losses during the current quarter of $160 thousand, compared to no provision for credit losses for the prior year quarter. The $160 thousand provision for credit losses in the current quarter takes into account net charge-offs of $112 thousand and loan growth during the current quarter.

Non-Interest Income

The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended March 31,		Change Expressed in:	
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST INCOME:				
Retail fees and charges	$ 3,454	$ 3,521	$ (67)	(1.9) %
Insurance commissions	1,204	979	225	23.0
Loan fees	404	418	(14)	(3.3)
Income from BOLI	330	361	(31)	(8.6)
Other non-interest income	335	665	(330)	(49.6)
Total non-interest income	$ 5,727	$ 5,944	$ (217)	(3.7)

The decrease in other non-interest income was due primarily to a decrease in premium income from CFMRC as it is no longer writing new business. The increase in insurance commissions was due largely to an increase in annual commissions received from certain insurance providers as a result of favorable claims experience during the prior year.

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Non-Interest Expense

The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended March 31,		Change Expressed in:	
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST EXPENSE:				
Salaries and employee benefits	$ 10,724	$ 12,155	$ (1,431)	(11.8)%
Occupancy	2,634	2,391	243	10.2
Information technology and communications	2,320	2,232	88	3.9
Regulatory and outside services	1,157	1,290	(133)	(10.3)
Deposit and loan transaction costs	1,263	1,384	(121)	(8.7)
Federal insurance premium	1,103	1,116	(13)	(1.2)
Advertising and promotional	877	1,004	(127)	(12.6)
Other non-interest expense	1,750	1,645	105	6.4
Total non-interest expense	$ 21,828	$ 23,217	$ (1,389)	(6.0)

The decrease in salaries and employee benefits was due primarily to a decrease in ESOP related expenses resulting largely from the final allocation of ESOP shares acquired in our initial public offering (March 1999) being made at September 30, 2013. In fiscal year 2014, the only ESOP shares to be allocated will be the shares acquired in the Company’s corporate reorganization in December 2010. The increase in occupancy expense was due largely to an increase in depreciation expense, which was primarily associated with the remodeling of our home office.

The Company’s efficiency ratio was 42.42% for the current quarter compared to 46.19% for the prior year quarter. The decrease in the efficiency ratio was due primarily to a decrease in total non-interest expense and an increase in net interest income.

Income Tax Expense

Income tax expense was $9.8 million for the current quarter compared to $9.3 million for the prior year quarter. The effective income tax rate for the current quarter was 33.2% compared to 34.5% for the prior year quarter. The decrease in the effective tax rate between periods was due largely to a lower amount of nondeductible ESOP related expenses due to the final ESOP allocation on September 30, 2013, as discussed in the non-interest expense section above, along with higher tax credits related to our low-income housing partnerships.

Average Balance Sheet

As previously mentioned, average yields are derived by dividing annualized income by the average balance of the related assets and average rates are derived by dividing annualized expense by the average balance of the related liabilities, for the periods shown. Average outstanding balances are derived from average daily balances. The yields and rates include amortization of fees, costs, premiums and discounts which are considered adjustments to yields/rates. Yields on tax-exempt securities were not calculated on a fully taxable equivalent basis.

	For the Three Months Ended					
	March 31, 2014			March 31, 2013		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
Assets:	(Dollars in thousands)					
Interest-earning assets:						
Loans receivable(1)	$ 6,045,516	$ 57,117	3.78 %	$ 5,683,867	$ 56,936	4.01 %
MBS(2)	1,942,336	11,597	2.39	2,311,938	14,446	2.50
Investment securities(2)(3)	662,266	1,869	1.13	818,147	2,457	1.20
Capital stock of FHLB	128,859	1,229	3.87	130,716	1,105	3.43
Cash and cash equivalents	71,652	45	0.25	62,420	36	0.23
Total interest-earning assets(1)(2)	8,850,629	71,857	3.25	9,007,088	74,980	3.33
Other noninterest-earning assets	222,552			238,232		
Total assets	$ 9,073,181			$ 9,245,320		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Checking	$ 674,447	63	0.04	$ 637,161	$ 61	0.04
Savings	291,106	77	0.11	272,418	62	0.09
Money market	1,139,010	650	0.23	1,146,185	609	0.22
Retail certificates	2,217,967	6,699	1.22	2,259,559	7,937	1.42
Wholesale certificates	305,848	587	0.78	282,276	675	0.97
Total deposits	4,628,378	8,076	0.71	4,597,599	9,344	0.82
FHLB borrowings(4)	2,485,393	15,311	2.50	2,533,961	17,909	2.87
Repurchase agreements	320,000	2,743	3.43	355,278	3,407	3.84
Total borrowings	2,805,393	18,054	2.60	2,889,239	21,316	2.99
Total interest-bearing liabilities	7,433,771	26,130	1.42	7,486,838	30,660	1.66
Other noninterest-bearing liabilities	96,460			99,798		
Stockholders' equity	1,542,950			1,658,684		
Total liabilities and stockholders' equity	$ 9,073,181			$ 9,245,320		

(Continued)

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	For the Three Months Ended					
	March 31, 2014			March 31, 2013		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
	(Dollars in thousands)					
Net interest income(5)		$ 45,727			$ 44,320	
Net interest rate spread(6)			1.83 %			1.67 %
Net interest-earning assets	$ 1,416,858			$ 1,520,250		
Net interest margin(7)			2.07			1.97
Ratio of interest-earning assets to interest-bearing liabilities			1.19 x			1.20 x
Selected performance ratios:						
Return on average assets (annualized)			0.87 %			0.77 %
Return on average equity (annualized)			5.10			4.27
Average equity to average assets			17.01			17.94
Operating expense ratio (annualized)(8)			0.96			1.00
Efficiency ratio(9)			42.42			46.19

(Concluded)

(1) Calculated net of unearned loan fees and deferred costs, and undisbursed loan funds. Loans that are 90 or more days delinquent are included in the loans receivable average balance with a yield of zero percent. Balances include LHFS.
(2) MBS and investment securities classified as AFS are stated at amortized cost, adjusted for unamortized purchase premiums or discounts.
(3) The average balance of investment securities includes an average balance of non-taxable securities of $36.4 million and $42.9 million for the three month periods ended March 31, 2014 and 2013, respectively.
(4) The balance and rate of FHLB borrowings are stated net of deferred gains and deferred prepayment penalties.
(5) Net interest income represents the difference between interest income earned on interest-earning assets, such as mortgage loans, investment securities, and MBS, and interest paid on interest-bearing liabilities, such as deposits, FHLB borrowings, and other borrowings. Net interest income depends on the balance of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.
(6) Net interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(7) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(8) The operating expense ratio represents annualized non-interest expense as a percentage of average assets.
(9) The efficiency ratio represents non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income.

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Rate/Volume Analysis

The table below presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities, comparing the three months ended March 31, 2014 to the three months ended March 31, 2013. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume, which are changes in the average balance multiplied by the previous year's average rate and (2) changes in rate, which are changes in the average rate multiplied by the average balance from the previous year. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

	For the Three Months Ended March 31, 2014 vs. 2013 Increase (Decrease) Due to		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest-earning assets:			
Loans receivable	$ 3,455	$ (3,274)	$ 181
MBS	(2,229)	(620)	(2,849)
Investment securities	(446)	(142)	(588)
Capital stock of FHLB	(16)	140	124
Cash equivalents	6	3	9
Total interest-earning assets	770	(3,893)	(3,123)
Interest-bearing liabilities:			
Checking	4	(1)	3
Savings	4	11	15
Money market	(4)	45	41
Certificates of deposit	(61)	(1,266)	(1,327)
FHLB borrowings	(346)	(2,252)	(2,598)
Repurchase agreements	(320)	(344)	(664)
Total interest-bearing liabilities	(723)	(3,807)	(4,530)
Net change in net interest and dividend income	$ 1,493	$ (86)	$ 1,407

Comparison of Operating Results for the Three Months Ended March 31, 2014 and December 31, 2013

Net income increased $1.9 million, or 10.5%, from $17.8 million for the quarter ended December 31, 2013 to $19.7 million for the quarter ended March 31, 2014. The increase in net income was due primarily to a decrease in interest expense on FHLB borrowings. The net interest margin increased nine basis points, from 1.98% for the prior quarter, to 2.07% for the current quarter. The increase in the net interest margin was largely a result of the partial renewal of a maturing FHLB advance at a lower market rate.

Interest and Dividend Income

The weighted average yield on total interest-earning assets increased two basis points from the prior quarter to 3.25% for the current quarter while the average balance of interest-earning assets decreased $103.2 million between the two periods. The following table presents the components of interest and dividend income for the time periods presented, along with the change measured in dollars and percent. The decrease in interest income on MBS and investment securities was due largely to a decrease in the average balance of each portfolio as cash flows not reinvested in the portfolios were used to pay dividends and repurchase Company stock, as well as to fund loan growth. The increase in interest income on loans receivable was due to an increase in the average balance.

	For the Three Months Ended		Change Expressed in:	
	March 31, 2014	December 31, 2013	Dollars	Percent
	(Dollars in thousands)			
INTEREST AND DIVIDEND INCOME:				
Loans receivable	$ 57,117	$ 56,948	$ 169	0.3 %
MBS	11,597	11,962	(365)	(3.1)
Investment securities	1,869	2,066	(197)	(9.5)
Capital stock of FHLB	1,229	1,196	33	2.8
Cash and cash equivalents	45	62	(17)	(27.4)
Total interest and dividend income	$ 71,857	$ 72,234	$ (377)	(0.5)

The increase in interest income on loans receivable was due to a $44.4 million increase in the average balance of the portfolio, partially offset by a one basis point decrease in the weighted average yield of the portfolio to 3.78% for the current quarter. Included in interest income on loans receivable for the current quarter was $67 thousand related to the net amortization of premiums/deferred costs and the accretion of discounts/unearned loan fees increasing the average yield of the portfolio by less than one basis point. During the prior quarter, $47 thousand, net, was accreted and increased the average yield on the portfolio by less than one basis point.

The decrease in interest income on MBS and investment securities was due primarily to decreases in the average balances of the portfolios of $52.4 million and $66.6 million, respectively. Included in interest income on MBS for the current quarter was $1.3 million from the net amortization of premiums and the accretion of discounts decreasing the average yield of the portfolio by 26 basis points. During the prior quarter, $1.4 million of net premiums were amortized and decreased the average yield on the portfolio by 28 basis points.

Interest Expense

The weighted average rate paid on total interest-bearing liabilities decreased seven basis points from the prior quarter to 1.42% for the current quarter, and the average balance of interest-bearing liabilities increased $7.7 million between the two periods. The following table presents the components of interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended			
	March 31, 2014	December 31, 2013	Change Expressed in: Dollars	Percent
	(Dollars in thousands)			
INTEREST EXPENSE:				
FHLB borrowings	$ 15,311	$ 16,863	$ (1,552)	(9.2) %
Deposits	8,076	8,323	(247)	(3.0)
Repurchase agreements	2,743	2,803	(60)	(2.1)
Total interest expense	$ 26,130	$ 27,989	$ (1,859)	(6.6)

The decrease in interest expense on FHLB borrowings was due primarily to a decrease in the weighted average rate paid on the portfolio. In early February 2014, a $200.0 million FHLB advance with an effective rate of 5.01% matured and was partially replaced with a $150.0 million FHLB advance with a term of 84 months and a fixed-rate of 2.59%.

The decrease in interest expense on deposits was due primarily to a decrease in the weighted average rate paid on the retail certificate of deposit portfolio. The weighted average rate paid on the retail certificate of deposit portfolio decreased three basis points, from 1.25% for the prior quarter to 1.22% for the current quarter.

Provision for Credit Losses

The Bank recorded a provision for credit losses during the current quarter of $160 thousand compared to a provision for credit losses during the prior quarter of $515 thousand. The $160 thousand provision for credit losses in the current quarter takes into account net charge-offs of $112 thousand and loan growth during the current quarter.

Non-Interest Income

The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended		Change Expressed in:	
	March 31, 2014	December 31, 2013	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST INCOME:				
Retail fees and charges	$ 3,454	$ 3,810	$ (356)	(9.3) %
Insurance commissions	1,204	558	646	115.8
Loan fees	404	450	(46)	(10.2)
Income from BOLI	330	338	(8)	(2.4)
Other non-interest income	335	344	(9)	(2.6)
Total non-interest income	$ 5,727	$ 5,500	$ 227	4.1

The increase in insurance commissions was due largely to the receipt of annual commissions from certain insurance providers as a result of favorable claims experience during the prior year. The decrease in retail fees and charges was due primarily to a decrease in debit card income, due in part to seasonality, and a decrease in service charges earned.

Non-Interest Expense

The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended		Change Expressed in:	
	March 31, 2014	December 31, 2013	Dollars	Percent
	(Dollars in thousands)			

NON-INTEREST EXPENSE:				
Salaries and employee benefits	$ 10,724	$ 10,726	$ (2)	(0.0) %
Occupancy	2,634	2,549	85	3.3
Information technology and communications	2,320	2,292	28	1.2
Regulatory and outside services	1,157	1,396	(239)	(17.1)
Deposit and loan transaction costs	1,263	1,387	(124)	(8.9)
Federal insurance premium	1,103	1,083	20	1.8
Advertising and promotional	877	1,006	(129)	(12.8)
Other non-interest expense	1,750	2,348	(598)	(25.5)
Total non-interest expense	$ 21,828	$ 22,787	$ (959)	(4.2)

The decrease in other non-interest expense was due primarily to a decrease in amortization expenses related to low-income housing partnerships. Included in the current quarter amortization expense was approximately $350 thousand of expense reversal from the prior quarter. This item is not expected to recur during fiscal year 2014. The decrease in regulatory and outside services was due primarily to the timing of fees paid for external audit services.

The Company's efficiency ratio was 42.42% for the current quarter compared to 45.81% for the prior quarter. The decrease in the efficiency ratio was due primarily to a decrease in total non-interest expense and an increase in net interest income.

Income Tax Expense

Income tax expense was $9.8 million for the current quarter compared to $8.6 million for the prior quarter. The increase in expense between periods was due primarily to an increase in pretax income. The effective income tax rate for the current quarter was 33.2% compared to 32.6% for the prior quarter.

Average Balance Sheet

As mentioned above, average yields are derived by dividing annualized income by the average balance of the related assets and average rates are derived by dividing annualized expense by the average balance of the related liabilities, for the periods shown. Average outstanding balances are derived from average daily balances. The yields and rates include amortization of fees, costs, premiums and discounts which are considered adjustments to yields/rates. Yields on tax-exempt securities were not calculated on a fully taxable equivalent basis.

	For the Three Months Ended					
	March 31, 2014			December 31, 2013		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
Assets:	(Dollars in thousands)					
Interest-earning assets:						
Loans receivable(1)	$ 6,045,516	$ 57,117	3.78 %	$ 6,001,095	$ 56,948	3.79 %
MBS(2)	1,942,336	11,597	2.39	1,994,759	11,962	2.40
Investment securities(2)(3)	662,266	1,869	1.13	728,853	2,066	1.13
Capital stock of FHLB	128,859	1,229	3.87	130,492	1,196	3.63
Cash and cash equivalents	71,652	45	0.25	98,624	62	0.25
Total interest-earning assets(1)(2)	8,850,629	71,857	3.25	8,953,823	72,234	3.23
Other noninterest-earning assets	222,552			220,628		
Total assets	$ 9,073,181			$ 9,174,451		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Checking	$ 674,447	63	0.04	$ 651,011	63	0.04
Savings	291,106	77	0.11	284,252	72	0.10
Money market	1,139,010	650	0.23	1,132,744	660	0.23
Retail certificates	2,217,967	6,699	1.22	2,220,986	6,972	1.25
Wholesale certificates	305,848	587	0.78	301,773	556	0.73
Total deposits	4,628,378	8,076	0.71	4,590,766	8,323	0.72
FHLB borrowings(4)	2,485,393	15,311	2.50	2,515,339	16,863	2.66
Repurchase agreements	320,000	2,743	3.43	320,000	2,803	3.43
Total borrowings	2,805,393	18,054	2.60	2,835,339	19,666	2.75
Total interest-bearing liabilities	7,433,771	26,130	1.42	7,426,105	27,989	1.49
Other noninterest-bearing liabilities	96,460			119,463		
Stockholders' equity	1,542,950			1,628,883		
Total liabilities and stockholders' equity	$ 9,073,181			$ 9,174,451		

(Continued)

	For the Three Months Ended					
	March 31, 2014			December 31, 2013		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
	(Dollars in thousands)					
Net interest income(5)		$ 45,727			$ 44,245	
Net interest rate spread(6)			1.83 %			1.74 %
Net interest-earning assets	$ 1,416,858			$ 1,527,718		
Net interest margin(7)			2.07			1.98
Ratio of interest-earning assets to interest-bearing liabilities			1.19 x			1.21 x
Selected performance ratios:						
Return on average assets (annualized)			0.87 %			0.78 %
Return on average equity (annualized)			5.10			4.37
Average equity to average assets			17.01			17.75
Operating expense ratio (annualized)(8)			0.96			0.99
Efficiency ratio(9)			42.42			45.81

(Concluded)

(1) Calculated net of unearned loan fees and deferred costs, and undisbursed loan funds. Loans that are 90 or more days delinquent are included in the loans receivable average balance with a yield of zero percent. Balances include LHFS.
(2) MBS and investment securities classified as AFS are stated at amortized cost, adjusted for unamortized purchase premiums or discounts.
(3) The average balance of investment securities includes an average balance of non-taxable securities of $36.4 million and $36.5 million for the three month periods ended March 31, 2014 and December 31, 2013, respectively.
(4) The balance and rate of FHLB borrowings are stated net of deferred gains and deferred prepayment penalties.
(5) Net interest income represents the difference between interest income earned on interest-earning assets, such as mortgage loans, investment securities, and MBS, and interest paid on interest-bearing liabilities, such as deposits, FHLB borrowings, and other borrowings. Net interest income depends on the balance of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.
(6) Net interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(7) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(8) The operating expense ratio represents annualized non-interest expense as a percentage of average assets.
(9) The efficiency ratio represents non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income.

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Rate/Volume Analysis

The table below presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities, comparing the three months ended March 31, 2014 to the three months ended December 31, 2013. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume, which are changes in the average balance multiplied by the previous quarter's average rate and (2) changes in rate, which are changes in the average rate multiplied by the average balance from the previous quarter. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

	For the Three Months Ended March 31, 2014 vs. December 31, 2013		
	Increase (Decrease) Due to		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest-earning assets:			
Loans receivable	$ 380	$ (211)	$ 169
MBS	(313)	(52)	(365)
Investment securities	(188)	(9)	(197)
Capital stock of FHLB	(20)	53	33
Cash and cash equivalents	(17)	--	(17)
Total interest-earning assets	(158)	(219)	(377)
Interest-bearing liabilities:			
Checking	1	(1)	--
Savings	1	4	5
Money market	(9)	(1)	(10)
Certificates of deposit	(3)	(239)	(242)
FHLB borrowings	(233)	(1,319)	(1,552)
Repurchase agreements	(30)	(30)	(60)
Total interest-bearing liabilities	(273)	(1,586)	(1,859)
Net change in net interest and dividend income	$ 115	$ 1,367	$ 1,482

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Liquidity and Capital Resources

Liquidity refers to our ability to generate sufficient cash to fund ongoing operations, to pay maturing certificates of deposit and other deposit withdrawals, to repay maturing borrowings, and to fund loan commitments. Liquidity management is both a daily and long-term function of our business management. The Company's most available liquid assets are represented by cash and cash equivalents, AFS MBS and investment securities, and short-term investment securities. The Bank's primary sources of funds are deposits, FHLB borrowings, repurchase agreements, repayments and maturities of outstanding loans and MBS and other short-term investments, and funds provided by operations. The Bank's borrowings primarily have been used to invest in U.S. GSE debentures and MBS in an effort to manage the Bank's interest rate risk with the intent to improve the earnings of the Bank while maintaining capital ratios in excess of regulatory standards for well-capitalized financial institutions. In addition, the Bank's focus on managing risk has provided additional liquidity capacity by remaining below FHLB borrowing limits and by maintaining the balance of MBS and investment securities available as collateral for borrowings.

We generally intend to maintain cash reserves sufficient to meet short-term liquidity needs, which are routinely forecasted for 10, 30, and 365 days. Additionally, on a monthly basis, we perform a liquidity stress test in accordance with the Interagency Policy Statement on Funding and Liquidity Risk Management. The liquidity stress test incorporates both short-term and long-term liquidity scenarios in order to identify and to quantify liquidity risk. Management also continuously monitors key liquidity statistics related to items such as wholesale funding gaps, borrowings capacity, and available unpledged collateral, along with various liquidity ratios in an effort to further mitigate liquidity risk. In the event short-term liquidity needs exceed available cash, the Bank has access to lines of credit at the FHLB and the Federal Reserve Bank. The FHLB line of credit, when combined with FHLB advances, may generally not exceed 40% of total assets. The outstanding amount of FHLB advances was $2.48 billion at March 31, 2014, of which $600.0 million is scheduled to mature in the next 12 months. At March 31, 2014, the Bank's ratio of the par value of FHLB borrowings to total assets, as reported to the OCC, was 27%. The borrowings are secured by a blanket pledge of our loan portfolio, as collateral, supported by quarterly reporting to the FHLB. Our excess capacity at the FHLB as of March 31, 2014 was $1.80 billion. It is possible that increases in our borrowings or decreases in our loan portfolio or changes in FHLB lending guidelines could require the Bank to pledge securities as collateral on FHLB borrowings. The amount of the Federal Reserve Bank line of credit is based upon the fair values of the securities pledged as collateral and certain other characteristics of those securities, and is used only when other sources of short-term liquidity are unavailable. At March 31, 2014, the Bank had $1.34 billion of securities that were eligible but unused as collateral for borrowing or other liquidity needs. This collateral amount is comprised of AFS and HTM securities with individual fair values greater than $10.0 million, which is then reduced by a collateralization ratio of 10% to account for potential market value fluctuations. Borrowings on the lines of credit are outstanding until replaced by cash flows from long-term sources of liquidity.

If management observes a trend in the amount and frequency of lines of credit utilization, the Bank will likely utilize long-term wholesale borrowing sources such as FHLB advances and/or repurchase agreements to provide permanent fixed-rate funding. The maturity of these borrowings is generally structured in such a way as to stagger maturities in order to reduce the risk of a highly negative cash flow position at maturity. The Bank's internal policy limits total borrowings to 55% of total assets. At March 31, 2014, the Bank had total borrowings, at par, of $2.80 billion, or approximately 31% of total assets. Additionally, the Bank could utilize the repayment and maturity of outstanding loans, MBS, and other investments for liquidity needs rather than reinvesting such funds into the related portfolios.

At March 31, 2014, the Bank had repurchase agreements of $320.0 million, or approximately 4% of total assets, $100.0 million of which were scheduled to mature in the next 12 months. The Bank may enter into additional repurchase agreements as management deems appropriate, not to exceed 15% of total assets. The Bank had pledged securities with an estimated fair value of $356.5 million as collateral for repurchase agreements at March 31, 2014. The securities pledged for the repurchase agreements will be delivered back to the Bank when the repurchase agreements mature.

The Bank has access to and utilizes other sources for liquidity purposes, such as brokered deposits and public unit deposits. As of March 31, 2014, the Bank's policy allows for combined brokered and public unit deposits up to 15% of total deposits. At March 31, 2014, the Bank had brokered and public unit deposits totaling $298.7 million, or approximately 6% of total deposits. Management continuously monitors the wholesale deposit market for opportunities to obtain brokered and public unit deposits at attractive rates. The Bank has pledged securities with an estimated fair value of $274.8 million as collateral for public unit deposits. The securities pledged as collateral for public unit deposits are held under joint custody receipt by the FHLB and generally will be released upon deposit maturity.

While scheduled payments from the amortization of loans and MBS and payments on short-term investments are relatively predictable sources of funds, deposit flows, prepayments on loans and MBS, and calls of investment securities are greatly influenced by general interest rates, economic conditions and competition, and are less predictable sources of funds. To the extent possible, the Bank manages the cash flows of its loan and deposit portfolios by the rates it offers customers.

At March 31, 2014, cash and cash equivalents totaled $114.8 million, an increase of $949 thousand from September 30, 2013. During the six months ended March 31, 2014, loan originations and purchases, net of principal repayments and related loan activity, resulted in a cash outflow of $97.8 million. See additional discussion regarding loan activity in "Financial Condition – Loans Receivable." During the six months ended March 31, 2014, proceeds from called or matured investment securities were $257.7 million and principal payments on MBS were $188.5 million. During the six months ended March 31, 2014, the Company purchased $129.8 million of investment securities and $150.7 million of MBS. Cash flows from the securities portfolio were used, in part, to fund loan growth during the six months ended March 31, 2014.

The following table presents the contractual maturity of our loan, MBS, and investment securities portfolios at March 31, 2014, along with associated weighted average rates. Loans and securities which have adjustable interest rates are shown as maturing in the period during which the contract is due. The table does not reflect the effects of possible prepayments or enforcement of due on sale clauses. As of March 31, 2014, the amortized cost of investment securities in our portfolio which are callable or have pre-refunding dates within one year totaled $439.9 million.

	Loans(1) Amount	Rate	MBS Amount	Rate	Investment Securities Amount	Rate	Total Amount	Rate
	(Dollars in thousands)							
Amounts due:								
Within one year	$ 49,441	3.84 %	$ --	-- %	$ 7,429	3.11 %	$ 56,870	3.74 %
After one year:								
Over one to two	58,071	4.07	--	--	4,407	3.49	62,478	4.03
Over two to three	15,310	5.27	631	6.00	84,684	1.46	100,625	2.07
Over three to five	71,890	4.78	48,118	4.37	457,432	1.09	577,440	1.83
Over five to ten	309,182	4.15	583,873	2.91	54,447	1.29	947,502	3.22
Over ten to fifteen years	1,487,751	3.50	765,648	2.58	--	--	2,253,399	3.19
After fifteen years	4,125,795	3.83	606,868	2.52	2,369	0.52	4,735,032	3.66
Total due after one year	6,067,999	3.79	2,005,138	2.70	603,339	1.18	8,676,476	3.35
	$ 6,117,440	3.79	$ 2,005,138	2.70	$ 610,768	1.20	$ 8,733,346	3.36

(1) Demand loans, loans having no stated maturity, and overdraft loans are included in the amounts due within one year. Construction loans are presented based on the term to complete construction. The maturity date for home

equity loans assumes the customer always makes the required minimum payment.

At March 31, 2014, $1.28 billion of the Bank's $2.54 billion of certificates of deposit was scheduled to mature within one year. Included in the $1.28 billion was $207.7 million of public unit and brokered deposits. Based on our deposit retention experience and our current pricing strategy, we anticipate the majority of the maturing retail certificates of deposit will renew or transfer to other deposit products at the prevailing rate, although no assurance can be given in this regard.

During the six months ended March 31, 2014, the Company paid $82.8 million in cash dividends and repurchased 4,770,075 shares at an average price of $11.99 per share, at a total cost of $57.2 million. See additional discussion regarding dividends and common stock repurchases in "Financial Condition – Stockholders' Equity." At March 31, 2014, Capitol Federal Financial, Inc., at the holding company level, had $139.8 million of cash and cash equivalents at the Bank.

Limitations on Dividends and Other Capital Distributions

Although savings and loan holding companies are not currently subject to regulatory capital requirements or specific restrictions on the payment of dividends or other capital distributions, the OCC does prescribe such restrictions on subsidiary savings associations. The OCC regulations impose restrictions on savings institutions with respect to their ability to make distributions of capital, which include dividends, stock redemptions or repurchases, cash-out mergers and other transactions charged to the capital account.

Generally, savings institutions, such as the Bank, may make capital distributions during any calendar year equal to earnings of the previous two calendar years and current year-to-date earnings under the FRB and OCC safe harbor regulations. It is generally required that the Bank remain well capitalized before and after the proposed distribution. However, an institution deemed to be in need of more than normal supervision by the OCC may have its capital distribution authority restricted. A savings institution, such as the Bank, that is a subsidiary of a savings and loan holding company and that proposes to make a capital distribution must submit written notice to the OCC and FRB 30 days prior to such distribution. The OCC and FRB may object to the distribution during that 30-day period based on safety and soundness or other concerns. Savings institutions that desire to make a larger capital distribution, or are under special restrictions, or are not, or would not be, well capitalized following a proposed capital distribution, however, must obtain regulatory non-objection prior to making such distribution.

The long-term ability of the Company to pay dividends to its stockholders is based primarily upon the ability of the Bank to make capital distributions to the Company. So long as the Bank continues to remain “well capitalized” after each capital distribution and operates in a safe and sound manner, it is management’s belief that the OCC and FRB will continue to allow the Bank to distribute its net income to the Company, although no assurance can be given in this regard.

In connection with the corporate reorganization, a “liquidation account” was established for the benefit of certain depositors of the Bank in an amount equal to Capitol Federal Savings Bank MHC’s ownership interest in the retained earnings of Capitol Federal Financial as of June 30, 2010. Under applicable federal banking regulations, neither the Company nor the Bank is permitted to pay dividends on its capital stock to its stockholders if stockholders’ equity would be reduced below the amount of the liquidation account at that time.

The Company paid cash dividends of $82.8 million during the six months ended March 31, 2014. Dividend payments depend upon a number of factors including the Company’s financial condition and results of operations, regulatory capital requirements, regulatory limitations on the Bank’s ability to make capital distributions to the Company, and the amount of cash at the holding company.

Off-Balance Sheet Arrangements, Commitments and Contractual Obligations

The Company, in the normal course of business, makes commitments to buy or sell assets or to incur or fund liabilities. Commitments may include, but are not limited to:

- the origination, purchase, or sale of loans;
- the purchase or sale of investment securities and MBS;
- extensions of credit on home equity loans, construction loans, and commercial loans;
- terms and conditions of operating leases; and
- funding withdrawals of deposit accounts at maturity.

There have been no material changes in off-balance sheet arrangements, commitments or contractual obligations from September 30, 2013. We anticipate we will continue to have sufficient funds, through repayments and maturities of loans and securities, deposits and borrowings, to meet our current commitments. For additional information, see Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations – Off-Balance Sheet Arrangements, Commitments and Contractual Obligations" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2013.

Contingencies

In the normal course of business, the Company and its subsidiary are named defendants in various lawsuits and counter claims. In the opinion of management, after consultation with legal counsel, none of the currently pending suits are expected to have a materially adverse effect on the Company's consolidated financial statements for the quarter ended March 31, 2014, or future periods.

Capital

Consistent with our goal to operate a sound and profitable financial organization, we actively seek to maintain a "well-capitalized" status for the Bank in accordance with regulatory standards. As of March 31, 2014, the Bank exceeded all regulatory capital requirements. The Company currently does not have any regulatory capital requirements. The following table presents the Bank's regulatory capital ratios at March 31, 2014 based upon regulatory guidelines.

	Bank Ratios	Regulatory Requirement For "Well-Capitalized" Status
Tier 1 leverage ratio	14.6%	5.0%
Tier 1 risk-based capital	34.6	6.0
Total risk-based capital	34.8	10.0

A reconciliation of the Bank's equity under GAAP to regulatory capital amounts as of March 31, 2014 is as follows (dollars in thousands):

Total Bank equity as reported under GAAP	$ 1,337,898
Unrealized gains on AFS securities	(5,026)
Total Tier 1 capital	1,332,872
ACL	8,967
Total risk-based capital	$ 1,341,839

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Item 3. Quantitative and Qualitative Disclosure about Market Risk

For a complete discussion of the Bank's asset and liability management policies, as well as the potential impact of interest rate changes upon the market value of the Bank's portfolios, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset and Liability Management and Market Risk" in the Company's Annual Report to Stockholders for the year ended September 30, 2013, attached as Exhibit 13 to the Company's Annual Report on Form 10-K for the year ended September 30, 2013. The analyses presented in the tables below reflect the level of market risk at the Bank, including the cash the holding company has deposited at the Bank.

The rates of interest the Bank earns on its assets and pays on its liabilities are generally established contractually for a period of time. Fluctuations in interest rates have a significant impact not only upon our net income, but also upon the cash flows and market values of our assets and liabilities. Our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our interest-earning assets and interest-bearing liabilities. Risk associated with changes in interest rates on the earnings of the Bank and the market value of its financial assets and liabilities is known as interest rate risk. Interest rate risk is our most significant market risk and our ability to adapt to changes in interest rates is known as interest rate risk management.

The general objective of our interest rate risk management program is to determine and manage an appropriate level of interest rate risk while maximizing net interest income in a manner consistent with our policy to reduce, to the extent practicable, the exposure of net interest income to changes in market interest rates. The Asset and Liability Committee regularly reviews the interest rate risk exposure of the Bank by forecasting the impact of hypothetical, alternative interest rate environments on net interest income and the market value of portfolio equity ("MVPE") at various dates. The MVPE is defined as the net of the present value of cash flows from existing assets, liabilities, and off-balance sheet instruments. The present values are determined based upon market conditions as of the date of the analysis, as well as in alternative interest rate environments providing potential changes in the MVPE under those alternative interest rate environments. Net interest income is projected in the same alternative interest rate environments with both a static balance sheet and with management strategies considered. The MVPE and net interest income analyses are also conducted to estimate our sensitivity to rates for future time horizons based upon market conditions as of the date of the analysis. In addition to the interest rate environments presented below, management also reviews the impact of non-parallel rate shock scenarios on a quarterly basis. These scenarios consist of flattening and steepening the yield curve by changing short-term and long-term interest rates independent of each other, and simulating cash flows and determining valuations as a result of these hypothetical changes in interest rates to identify rate environments that pose the greatest risk to the Bank. This analysis helps management quantify the Bank's exposure to changes in the shape of the yield curve.

For each period presented in the following table, the estimated percentage change in the Bank's net interest income based on the indicated instantaneous, parallel and permanent change in interest rates is presented. The percentage change in each interest rate environment represents the difference between estimated net interest income in the 0 basis point interest rate environment ("base case," assumes the forward market and product interest rates implied by the yield curve are realized) and the estimated net interest income in each alternative interest rate environment (assumes market and product interest rates have a parallel shift in rates across all maturities by the indicated change in rates). Estimations of net interest income used in preparing the table below were based upon the assumptions that the total composition of interest-earning assets and interest-bearing liabilities do not change materially and that any repricing of assets or liabilities occurs at anticipated product and market rates for the alternative rate environments as of the dates presented. The estimation of net interest income does not include any projected gains or losses related to the sale of loans or securities, or income derived from non-interest income sources, but does include the use of different prepayment assumptions in the alternative interest rate environments. It is important to consider that estimated changes in net interest income are for a cumulative four-quarter period. These do not reflect the earnings expectations of management.

Change (in Basis Points) in Interest Rates(1)	Percentage Change in Net Interest Income At March 31, 2014	December 31, 2013	September 30, 2013
-100 bp	N/A	N/A	N/A
000 bp	--	--	--
+100 bp	(1.17)%	(2.06) %	(2.29) %
+200 bp	(3.02)	(4.17)	(4.76)
+300 bp	(6.07)	(7.39)	(7.89)

(1) Assumes an instantaneous, permanent and parallel change in interest rates at all maturities.

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The Bank's net interest income projections are a reflection of the response to interest rates of the assets and liabilities that are expected to mature or reprice over the next year. Repricing can occur as a result of variable interest rate characteristics of the Bank's assets or liabilities as a result of cash flows that are received or paid on assets or due on liabilities which would be replaced at then current market interest rates. The Bank's borrowings and certificate of deposit portfolios have stated maturities and the cash flows related to the Bank's liabilities do not generally fluctuate as a result of changes in interest rates. Cash flows from mortgage-related assets and callable agency debentures can vary significantly as a result of changes in interest rates. As interest rates decrease, borrowers have an economic incentive to lower their cost of debt by refinancing or endorsing their mortgage to a lower interest rate. Similarly, agency debt issuers are more likely to exercise embedded call options for agency securities and issue new securities at a lower interest rate.

Market interest rates increased slightly from September 30, 2013 to March 31, 2014. The increase in rates resulted in a decrease in the amount of cash flows from assets that were expected to reprice over the coming year at March 31, 2014, compared to September 30, 2013. This would typically result in an increase in our interest rate risk exposure measured by net interest income projections to higher interest rates since fewer assets are expected to benefit from repricing to higher rates. However, during the December 31, 2013 quarter, changes were made to the behavioral characteristics of the adjustable-rate MBS in our interest rate risk model to more accurately reflect the expected behavior of these assets. The change resulted in less sensitivity to changes in rates at March 31, 2014 compared to September 30, 2013. Management continually monitors the performance and assumptions of our interest rate risk model.

The sensitivity of the Bank's one-year net interest income projection decreased at March 31, 2014 compared to December 31, 2013. The Bank's one-year gap amount, the net amount of assets projected to reprice minus the amount of liabilities projected to reprice, went from a positive gap at December 31, 2013 to a negative gap at March 31, 2014. See full discussion of the gap analysis below. A negative gap position means the Bank has more liabilities repricing than assets at March 31, 2014. Periods with a positive gap will typically have more favorable net interest income projections in rising rate scenarios compared to periods with a negative gap due to assets repricing higher at a faster pace than liabilities. This is not the case when comparing March 31, 2014 to December 31, 2013. The slight improvement in the performance of the projected net interest income at March 31, 2014 was primarily driven by the timing of liabilities repricing, specifically a FHLB advance. The within three months gap at December 31, 2013 was negative due primarily to a FHLB advance that was scheduled to mature early in the March 31, 2014 quarter. When the FHLB advance matured during the current quarter, it was partially replaced with a seven year FHLB advance. This means that as interest rates were shocked higher, the negative impact to the Bank occurred almost immediately at December 31, 2013 and impacted a larger percentage of the forecast horizon compared to March 31, 2014, where the new FHLB advance repriced later in the forecast horizon, thus having a smaller impact to the 12-month net interest income projection.

The following table sets forth the estimated percentage change in the MVPE for each period presented based on the indicated instantaneous, parallel and permanent change in interest rates. The percentage change in each interest rate environment represents the difference between the MVPE in the base case and the MVPE in each alternative interest rate environment. The estimations of the MVPE used in preparing the table below were based upon the assumptions that the total composition of interest-earning assets and interest-bearing liabilities do not change, that any repricing of assets or liabilities occurs at current product or market rates for the alternative rate environments as of the dates presented, and that different prepayment rates were used in each alternative interest rate environment. The estimated MVPE results from the valuation of cash flows from financial assets and liabilities over the anticipated lives of each for each interest rate environment. The table below presents the effects of the changes in interest rates on our assets and liabilities as they mature, repay or reprice, as shown by the change in the MVPE for alternative interest rates.

Change (in Basis Points)	Percentage Change in MVPE At		
in Interest Rates(1)	March 31, 2014	December 31, 2013	September 30, 2013
-100 bp	N/A	N/A	N/A
000 bp	--	--	--
+100 bp	(10.64)%	(12.32)%	(11.44)%
+200 bp	(22.71)	(25.54)	(23.86)
+300 bp	(34.86)	(38.53)	(36.36)

(1) Assumes an instantaneous, permanent and parallel change in interest rates at all maturities.

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Changes in the estimated market values of our financial assets and liabilities drive changes in estimates of MVPE. The market value of an asset or liability reflects the present value of all the projected cash flows over its remaining life, discounted at current market interest rates. As interest rates rise, generally the market value for both financial assets and liabilities decrease. The opposite is generally true as interest rates fall. The MVPE represents the theoretical market value of capital that is calculated by netting the market value of assets, liabilities, and off-balance sheet instruments. If the market values of financial assets increase at a faster pace than the market values of financial liabilities, or if the market values of financial liabilities decrease at a faster pace than the market values of financial assets, the MVPE will increase. The magnitude of the changes in the Bank's MVPE represents the Bank's interest rate risk. The market value of shorter term-to-maturity financial instruments is less sensitive to changes in interest rates than are longer term-to-maturity financial instruments. Because of this, the market values of our certificates of deposit (which generally have relatively shorter average lives) tend to display less sensitivity to changes in interest rates than do our mortgage-related assets (which generally have relatively longer average lives). The average life expected on our mortgage-related assets varies under different interest rate environments because borrowers have the ability to prepay their mortgage loans. Therefore, as interest rates decrease, the WAL of mortgage-related assets decrease as well. As interest rates increase, the WAL would be expected to increase, as well as increasing the sensitivity of these assets in higher rate environments.

The MVPE is negatively impacted by higher interest rates for all periods presented. As interest rates rise, projected prepayments decrease as fewer borrowers have an economic incentive to refinance or endorse their mortgage to a lower interest rate. Prepayments in the higher interest rate environments will likely only be realized through changes in borrowers' lives such as divorce, death, job-related relocations, or other life changing events, resulting in an increase in the average life of mortgage-related assets. Also, call projections for the Bank's callable agency debentures decrease as interest rates rise, which results in their cash flows moving towards their contractual maturity dates. The longer expected average lives of these assets, relative to the assumptions in the base case interest rate environment, increased the sensitivity of their market value to changes in interest rates. The negative impact to the Bank's MVPE indicates that the market value of the Bank's assets is more sensitive to changes in rising interest rates than the market value of liabilities.

At March 31, 2014, the percentage change in the Bank's MVPE was less adversely impacted by higher interest rates than at December 31, 2013. This was due primarily to lower interest rates, particularly lower mortgage interest rates, at March 31, 2014 than at December 31, 2013. This resulted in shorter WAL's for the Bank's mortgage-related assets in the base case at March 31, 2014 compared to December 31, 2013. In addition, the Bank replaced a $200.0 million FHLB advance that matured during the current quarter with a $150.0 million seven year fixed-rate advance which lengthen the overall WAL of the Bank's borrowings and reduced the Bank's exposure to higher interest rates compared to December 31, 2013.

The following gap table summarizes the anticipated maturities or repricing periods of the Bank's interest-earning assets and interest-bearing liabilities as of March 31, 2014 based on the information and assumptions set forth in the notes below. Cash flow projections for mortgage-related assets are calculated based on current interest rates. Prepayment projections are subjective in nature, involve uncertainties and assumptions and, therefore, cannot be determined with a high degree of accuracy. Although certain assets and liabilities may have similar maturities or periods to repricing, they may react differently to changes in market interest rates. Assumptions may not reflect how actual yields and costs respond to market changes. The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types of assets and liabilities may lag behind changes in market interest rates. Certain assets, such as ARM loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. In the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the gap table below. For additional information regarding the impact of changes in interest rates, see the preceding Percentage Change in Net Interest Income and Percentage Change in MVPE discussions and tables.

	Within Three Months	Three to Twelve Months	More Than One Year to Three Years	More Than Three Years to Five Years	Over Five Years	Total
Interest-earning assets:	(Dollars in thousands)					
Loans receivable:(1)						
Mortgage loans:						
Fixed-rate	$ 247,839	$ 587,935	$ 1,050,218	$ 682,942	$ 2,221,242	$ 4,790,176
Adjustable-rate	129,376	622,983	284,460	91,864	43,093	1,171,776
Other loans	114,360	11,638	5,189	2,082	1,654	134,923
Investment securities(2)	7,721	10,607	85,637	473,930	41,325	619,220
MBS(3)	265,336	466,835	541,665	303,192	411,577	1,988,605
Other interest-earning assets	93,596	--	--	--	--	93,596
Total interest-earning assets	858,228	1,699,998	1,967,169	1,554,010	2,718,891	8,798,296
Interest-bearing liabilities:						
Deposits:						
Checking(4)	129,468	50,027	112,101	87,918	336,634	716,148
Savings(4)	73,475	14,984	34,549	26,796	148,520	298,324
Money market(4)	194,883	150,554	277,521	154,964	483,998	1,261,920
Certificates	350,912	933,306	912,290	342,653	293	2,539,454
Borrowings(5)	100,000	600,000	795,000	700,000	647,260	2,842,260
Total interest-bearing liabilities	848,738	1,748,871	2,131,461	1,312,331	1,616,705	7,658,106
Excess (deficiency) of interest-earning assets over interest-bearing liabilities	$ 9,490	$ (48,873)	$ (164,292)	$ 241,679	$ 1,102,186	$ 1,140,190
Cumulative excess (deficiency) of interest-earning assets over interest-bearing liabilities	$ 9,490	$ (39,383)	$ (203,675)	$ 38,004	$ 1,140,190	
Cumulative excess (deficiency) of						

interest-earning assets over interest-bearing liabilities as a percent of total Bank assets at										
March 31, 2014	0.10	%	(0.43)	%	(2.23)	%	0.42	%	12.51	%
December 31, 2013	(1.48)		0.72		(5.54)		(3.08)		12.02	
September 30, 2013	(0.88)		4.04		(3.47)		(2.87)		12.59	

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(1) ARM loans are included in the period in which the rate is next scheduled to adjust or in the period in which repayments are expected to occur, or prepayments are expected to be received, prior to their next rate adjustment, rather than in the period in which the loans are due. Fixed-rate loans are included in the periods in which they are scheduled to be repaid, based on scheduled amortization and prepayment assumptions. Balances are net of deferred fees and exclude loans 90 or more days delinquent or in foreclosure, which totaled $20.6 million at March 31, 2014.
(2) Based on contractual maturities, term to call dates or pre-refunding dates as of March 31, 2014, at amortized cost.
(3) Reflects projected prepayments of MBS, at amortized cost.
(4) Although the Bank's checking, savings, and money market accounts are subject to immediate withdrawal, management considers a substantial amount of these accounts to be core deposits having significantly longer effective maturities. The decay rates (the assumed rates at which the balances of existing accounts would decline) used on these accounts is based on assumptions developed from our actual experiences with these accounts. If all of the Bank's checking, savings and money market accounts had been assumed to be subject to repricing within one year, interest-bearing liabilities which were estimated to mature or reprice within one year would have exceeded interest-earning assets with comparable characteristics by $1.70 billion, for a cumulative one-year gap of (18.7)% of total assets.
(5) Borrowings exclude $7.9 million of deferred prepayment penalty costs and $49 thousand of deferred gains on terminated interest rate swap agreements.

The decrease in the one-year gap in the base case at March 31, 2014 compared to December 31, 2013 was due to a decrease in cash flows in the Bank's investment portfolio, caused by a decrease in the amount of callable investment securities with call options during the upcoming year. This was somewhat offset by an increase in anticipated cash flows on fixed-rate mortgage-related assets due to lower interest rates at March 31, 2014 compared to interest rates at December 31, 2013. In addition, at March 31, 2014, more liabilities were projected to reprice over the next 12 months than at December 31, 2013 due to the timing of borrowings scheduled to mature.

If interest rates were to increase 200 basis points, the Bank's one-year gap would become more negative. This indicates that cash flows from the Bank's mortgage-related assets and callable investment securities are projected to decrease over the next 12 months if interest rates were to increase as a result of the diminished economic incentive to prepay mortgages or exercise embedded call option for the debtor. The +200 basis point gap in this scenario would be negative (4.22)% of total assets at March 31, 2014.

The following table presents the weighted average yields/rates and WALs (in years), after applying prepayment, call assumptions, and decay rates, for major categories of our assets and liabilities as of the date presented. Yields presented for interest-earning assets include the amortization of fees, costs, premiums and discounts which are considered adjustments to the yield. The interest rate presented for borrowings is the effective rate, which includes the net impact of the amortization of deferred prepayment penalties resulting from the prepayment of certain FHLB advances and deferred gains related to interest rate swaps previously terminated.

	March 31, 2014				
	Amount	Yield/Rate	WAL	% of Category	% of Total
	(Dollars in thousands)				
Investment securities	$ 610,768	1.13 %	3.5	23.4 %	6.8 %
MBS - fixed	1,431,243	2.41	4.1	54.7	15.9
MBS - adjustable	573,895	2.29	6.3	21.9	6.4
Total investment securities and MBS	2,615,906	2.08	4.4	100.0 %	29.1
Loans receivable:					
Fixed-rate one- to four-family:					
<= 15 years	1,164,135	3.49	4.2	19.0 %	13.0
> 15 years	3,531,611	4.15	6.7	57.8	39.4
All other fixed-rate loans	128,899	4.87	4.6	2.1	1.4
Total fixed-rate loans	4,824,645	4.01	6.0	78.9	53.8
Adjustable-rate one- to four-family:					
<= 36 months	393,135	2.39	3.8	6.4	4.4
> 36 months	751,456	2.91	3.4	12.3	8.4
All other adjustable-rate loans	148,204	4.45	1.5	2.4	1.6
Total adjustable-rate loans	1,292,795	2.93	3.3	21.1	14.4
Total loans receivable	6,117,440	3.78	5.5	100.0 %	68.2
Capital stock of FHLB	125,829	3.96	2.8		1.4
Cash and cash equivalents	114,835	0.25	--		1.3
Total interest-earning assets	$ 8,974,010	3.24	5.0		100.0 %
Transaction deposits	$ 2,154,308	0.15	6.8	45.9 %	28.8 %
Certificates of deposit	2,539,454	1.18	1.4	54.1	33.9
Total deposits	4,693,762	0.71	3.9	100.0 %	62.7
Borrowings	2,795,000	2.54	2.9		37.3
Total interest-bearing liabilities	$ 7,488,762	1.39	3.5		100.0 %

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the “Act”) as of March 31, 2014. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that as of March 31, 2014, such disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Act is accumulated and communicated to the Company’s management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act) identified in connection with the evaluation required by Rule 13a-15(d) of the Act that occurred during the Company’s quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business. We believe that these routine legal proceedings, in the aggregate, are immaterial to our financial condition and results of operations.

Item 1A. Risk Factors

There have been no material changes to our risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2013. For a summary of risk factors relevant to our operations, see Part I, Item 1A. in our 2013 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

See "Liquidity and Capital Resources - Capital" in
"Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the OCC restrictions on dividends from the Bank to the Company.

The following table summarizes our share repurchase activity during the quarter ended March 31, 2014 and additional information regarding our share repurchase program. In November 2012, the Company announced its Board of Directors approved a $175.0 million stock repurchase program. This plan has no expiration date.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans
January 1, 2014 through January 31, 2014	2,163,600	$ 11.99	2,163,600	$ 96,674,417
February 1, 2014 through February 28, 2014	1,990,683	11.95	1,990,683	72,886,472
March 1, 2014 through March 31, 2014	36,912	12.08	36,912	72,440,747
Total	4,191,195	11.97	4,191,195	72,440,747

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

See Index to Exhibits.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on it

CAPITOL FEDERAL FINANCIAL, INC.

Date:	May 5, 2014	By: /s/ John B. Dicus John B. Dicus, Chairman, President and Chief Executive Officer
Date:	May 5, 2014	By: /s/ Kent G. Townsend Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer

INDEX TO EXHIBITS

Exhibit Number	Document
2.0	Amended Plan of Conversion and Reorganization filed on October 27, 2010 as Exhibit 2 to Capitol Federal Financial, Inc.'s Post Effective Amendment No. 2 Registration Statement on Form S-1 (File No. 333-166578) and incorporated herein by reference
3(i)	Charter of Capitol Federal Financial, Inc., as filed on May 6, 2010, as Exhibit 3(i) to Capitol Federal Financial, Inc.'s Registration Statement on Form S-1 (File No. 333-166578) and incorporated herein by reference
3(ii)	Bylaws of Capitol Federal Financial, Inc. as filed on May 6, 2010, as Exhibit 3(ii) to Capitol Federal Financial Inc.'s Registration Statement on Form S-1 (File No. 333-166578) and incorporated herein by reference
10.1(i)	Capitol Federal Financial's Thrift Plan filed on November 29, 2007 as Exhibit 10.1(i) to the Annual Report on Form 10-K for Capitol Federal Financial and incorporated herein by reference
10.1(ii)	Capitol Federal Financial, Inc.'s Employee Stock Ownership Plan, as amended, filed on May 10, 2011 as Exhibit 10.1(ii) to the March 31, 2011 Form 10-Q for Capitol Federal Financial, Inc., and incorporated herein by reference
10.1(iii)	Form of Change of Control Agreement with each of John B. Dicus, Kent G. Townsend, R. Joe Aleshire, and Rick C. Jackson filed on January 20, 2011 as Exhibit 10.1 to the Registrant's Current Report on Form 8-K and incorporated herein by reference
10.1(iv)	Form of Change of Control Agreement with each Natalie G. Haag and Carlton A. Ricketts filed on November 29, 2012 as Exhibit 10.1(iv) to the Registrant's Annual Report on Form 10-K and incorporated herein by reference
10.1(v)	Form of Change of Control Agreement with Frank H. Wright filed on November 29, 2013 as Exhibit 10.1(v) to the Registrant's Annual Report on Form 10-K and incorporated herein by reference
10.2	Capitol Federal Financial's 2000 Stock Option and Incentive Plan (the "Stock Option Plan") filed on April 13, 2000 as Appendix A to Capitol Federal Financial's Revised Proxy Statement (File No. 000-25391) and incorporated herein by reference
10.3	Capitol Federal Financial's 2000 Recognition and Retention Plan filed on April 13, 2000 as Appendix B to Capitol Federal Financial's Revised Proxy Statement (File No. 000-25391) and incorporated herein by reference
10.4	Capitol Federal Financial Deferred Incentive Bonus Plan, as amended, filed on May 5, 2009 as Exhibit 10.4 to the March 31, 2009 Form 10-Q for Capitol Federal Financial and incorporated herein by reference
10.5	Form of Incentive Stock Option Agreement under the Stock Option Plan filed on February 4, 2005 as Exhibit 10.5 to the December 31, 2004 Form 10-Q for Capitol Federal Financial and incorporated herein by reference
10.6	Form of Non-Qualified Stock Option Agreement under the Stock Option Plan filed on February 4, 2005 as Exhibit 10.6 to the December 31, 2004 Form 10-Q for Capitol Federal Financial and incorporated herein by reference
10.7	Form of Restricted Stock Agreement under the Recognition and Retention Plan filed on February 4, 2005 as Exhibit 10.7 to the December 31, 2004 Form 10-Q for Capitol Federal Financial and incorporated herein by reference
10.8	Description of Named Executive Officer Salary and Bonus Arrangements filed on November 29, 2013 as Exhibit 10.8 to the Registrant's Annual Report on Form 10-K and incorporated herein by reference
10.9	

	Description of Director Fee Arrangements filed on February 9, 2011 as Exhibit 10.9 to the December 31, 2010 Form 10-Q and incorporated herein by reference
10.10	Short-term Performance Plan filed on August 4, 2011 as Exhibit 10.10 to the June 30, 2011 Form 10-Q and incorporated herein by reference
10.11	Capitol Federal Financial, Inc. 2012 Equity Incentive Plan (the "Equity Incentive Plan") filed on December 22, 2011 as Appendix A to Capitol Federal Financial, Inc.'s Proxy Statement (File No. 001-34814) and incorporated herein by reference
10.12	Form of Incentive Stock Option Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.12 to the December 31, 2011 Form 10-Q and incorporated herein by reference
10.13	Form of Non-Qualified Stock Option Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.13 to the December 31, 2011 Form 10-Q and incorporated herein by reference
10.14	Form of Stock Appreciation Right Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.14 to the December 31, 2011 Form 10-Q and incorporated herein by reference
10.15	Form of Restricted Stock Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.15 to the December 31, 2011 Form 10-Q and incorporated herein by reference
11	Statement re: computation of earnings per share*
31.1	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 made by John B. Dicus, Chairman, President and Chief Executive Officer
31.2	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 made by Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer

32 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 made by John B. Dicus, Chairman, President and Chief Executive Officer, and Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer

101 The following information from the Company's Quarterly Report on Form 10-Q for the three and six months ended March 31, 2014, filed with the SEC on May 5, 2014, has been formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets at March 31, 2014 and September 30, 2013, (ii) Consolidated Statements of Income for the three and six months ended March 31, 2014 and 2013, (iii) Consolidated Statements of Comprehensive Income for the three and six months ended March 31, 2014 and 2013, (iv) Consolidated Statement of Stockholders' Equity for the six months ended March 31, 2014, (v) Consolidated Statements of Cash Flows for the six months ended March 31, 2014 and 2013, and (vi) Notes to the Unaudited Consolidated Financial Statements

*No statement is provided because the computation of per share earnings can be clearly determined from the Financial Stateme

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