

in equity from institutional investors for its investment funds. This represents a 14% increase over RCC's previous record of \$778.7 million in 2002.

During 2003, RCC welcomed several new investors to its Related Corporate Partners multi-investor fund product line, which represented 56% of the total equity raised. In 2003, RCC also established a new fund for a single institutional investor, which raised more than \$50 million. Working in tandem with CharterMac, RCC increased its guaranteed fund sales by over 100% from 2002 to \$153.8 million.

During the year, RCC made equity investments in 120 properties, representing an 11.0% increase over its investment volume for 2002. Significantly, approximately 27.3% of RCC's acquisition volume was in properties that also received tax-exempt bond financing from CharterMac. This level represents a 16.5% increase over the amount for 2002, further illustrating the valuable synergies between CharterMac and RCC.

### Mortgage Banking

During 2003, PWF originated approximately \$604.8 million in loans on behalf of Fannie Mae, Freddie Mac, the FHA, and insurance companies. While this is a decrease of approximately 13.5% from PWF's investment activity during 2002, approximately

72% of the loans closed during 2003 were new loans as opposed to portfolio refinancings, thereby adding valuable new servicing to the portfolio. In addition, during 2003, PWF took on the day-to-day loan servicing of a \$598 million portfolio of loans subserviced by CreditRe Mortgage Servicing Company, L.L.C., an affiliate of The Related Companies L.P. As a result, PWF's loan servicing portfolio grew to approximately \$4.1 billion by December 31, 2003, which is an increase of approximately 28.1% over the size of the servicing portfolio as of December 31, 2002.

PWF also expanded its product offerings and distinguished itself from its competitors on a number of occasions throughout 2003. During the year, PWF closed its first transaction under Fannie Mae's recently launched Delegated Underwriting and Servicing ("DUST<sup>TM</sup>") Early Rate Lock program, which had been enhanced to reduce interest rate risk to owners during the financing process. Additionally, PWF was the first DUST<sup>TM</sup> lender to rate-lock a loan under Fannie Mae's new "Extended Maturity Option" for conventional DUST<sup>TM</sup> fixed-rate balloon mortgages, or "Extended Maturity Loans", a program which provides for more efficient pricing of a standard fixed-rate term loan with an optional one-year floating rate

period during which there is no prepayment premium. As a result of its past efforts and accomplishments, PWF was recognized during 2003 with the Excellence in Operations Award for 2002 at Fannie Mae's annual DUST<sup>TM</sup> conference.

We believe that PWF represents a real growth opportunity for CharterMac. Fannie Mae and Freddie Mac participated in over 42% of all multifamily financings during 2003, and PWF originated less than 2.5% of that business. We are committed to aggressively growing PWF's market share in the mortgage banking industry and have begun to make significant strides toward that goal. Last year, PWF was selected as one of four Freddie Mac Program Plus Seller/Service providers approved to originate targeted affordable loans for Freddie Mac on a nation-wide basis. This designation is expected to significantly increase the amount of our Freddie Mac deal flow. Year-to-date, PWF is already the number one Freddie Mac originator in the Northeast region. In November, PWF opened an office in Kansas City, which should increase its presence in the Midwest. PWF has also opened a new office in Washington, D.C., and it has recently announced the hiring of a new national sales manager. With these new changes, PWF is in a position

to have a record year during 2004.

### Credit Enhancement

In 2003, CharterMac, through a subsidiary, closed its second and third transactions to guarantee tax benefits to investors in partnerships benefiting from federal LIHTCs. In the transactions, CharterMac agreed to back-up the guarantee of an agreed upon internal rate of return by an investment grade-rated financial institution to the investors in Related Capital Guaranteed Corporate Partners II, L.P. – Series B and Related Capital Guaranteed Corporate Partners II, L.P. – Series C. CharterMac received approximately \$5.6 million of guarantee fees at the closings and will receive fees aggregating approximately \$3.6 million through April 2005, according to the contracted payment schedules.

We believe that the credit enhancement transactions completed by CharterMac in 2003 represent a particularly attractive business line for the Company, as CharterMac receives significant guarantee fees for assuming risks that already are implicit in our core business. CharterMac expects to complete similar transactions in 2004, as they provide a unique opportunity for the Company to realize increased returns.

### Capital Markets

In order to fund all of its investment activities,