

based on temporary differences between the financial statement and income tax bases of assets and liabilities that existed at December 31, 2003.

Our effective tax rate for CM Corp. is 44.2% and 45.8% for the years ended December 31, 2003 and 2002, respectively, due to State income taxes, net of the Federal benefit.

A reconciliation of the statutory federal tax rate and the effective tax rate is as follows:

Statutory tax rate	34.0%
State and local	10.2%
Effective tax rate	44.2%

The components of the deferred tax liability are as follows:

	2003	2002
Allowance for loan loss reserves	\$ --	\$ (752)
Originated mortgage service rights	11,072	12,314
Deferred guarantee fees	(2,619)	(1,456)
Deferred construction servicing fees	(3,352)	(1,477)
Other deferred costs	(503)	2,161
Intangible asset	57,551	--
Deferred management fee fund	(2,229)	--
	\$60,370	\$10,790

NOTE 11 • Convertible Community Reinvestment Act Preferred Share Offerings

Our Convertible CRA Shares enable financial institutions to receive certain regulatory benefits in connection with their investment. We have developed a proprietary method for specially allocating these regulatory benefits to specific financial institutions that invest in the Convertible CRA Shares. Other than the preferred allocation of regulatory benefits, the preferred investors receive the same economic benefits as common shareholders of our Company, including receipt of the same dividends per share as those paid to common shareholders. The Convertible CRA Shares have no voting rights, except on matters relating to the terms of the Convertible CRA Shares or to amendments to our Trust Agreement which would adversely affect the Convertible CRA Shares. Our earnings are allocated pro rata among the common shares and the Convertible CRA Shares, and the Convertible CRA Shares rank on parity with the common shares with respect to rights upon liquidation, dissolution or winding up of our Company.

The investors, at their option, have the ability to convert their Convertible CRA Shares into common shares at a predetermined conversion price. Upon conversion, the investors will no longer be entitled to a special allocation of the regulatory benefit. The conversion price is the greater of (i) our book value per common

share as set forth in our most recently issued annual or quarterly report filed with the SEC prior to the respective Convertible CRA Share issuance date or (ii) 110% of the closing price of a common share on the respective Convertible CRA Share's pricing date.

During July and November 2002, we issued approximately 1.4 million and 576,000 Series A Convertible CRA Shares, respectively. The shares were priced at \$17.43 and \$17.37 respectively, raising net proceeds for the two issuances of approximately \$32.5 million. These Series A CRA Shares are convertible on a one to one basis. As of December 31, 2002, there were 3,835,002 Convertible CRA Shares outstanding, which are convertible at the holders option into 3,717,301 common shares. Series A Convertible CRA Shares may be converted to common shares on a one-to-one basis.

In August 2003, we issued approximately 3.1 million Series A Convertible CRA Shares, at \$18.48 per share, raising proceeds net of underwriting discounts of approximately \$54.2 million. We used these proceeds to fund additional investments in revenue bonds.

In October 2003, we issued approximately 1.7 million and 239,000 Series A Convertible CRA Shares in two separate offerings, at \$18.67 and \$18.86 per share, respectively, raising proceeds net of underwriting discounts of approximately \$30.2 and \$4.3 million, respectively. We used these proceeds to invest in additional revenue bonds and for our general purposes, including reduction of our indebtedness.

In December 2003, we completed a private placement of approximately 755,000 Series A Convertible CRA Shares, at \$19.87 per share, raising proceeds net of underwriting discounts of approximately \$14.4 million. We used these proceeds to invest in additional revenue bonds.

As of December 31, 2003, we had outstanding 1,351,636 Convertible CRA Shares, which could convert to 1,275,512 common shares, and 6,828,125 Series A Convertible CRA Shares convertible to common at a ratio of one-to-one.

NOTE 12 • Related Parties

Due to our acquisition of Related, our related parties have changed substantially from the period prior to the acquisition to the period after the acquisition.

Prior to the Related Acquisition

Prior to our acquisition of Related, we and our subsidiaries had engaged a subsidiary of Related to provide us with management services.

Pursuant to the terms of our prior management Agreement, the Manager was entitled to receive the fees and other compensation set forth below: