Should our analysis of risk of loss change in the future, a provision for probable loss might be required; such provision could be material.

Fees related to the credit enhancement transaction for the years ended December 31, 2003 and 2002, included in other income, was approximately $1,131,000 and $1,251,000, respectively. Income is recognized monthly as the fees are received.

Yield Guarantee Transaction

On October 31, 2003, we entered into two agreements with Merrill Lynch (the "Primary Guarantor") to guarantee an agreed upon rate of return for a pool of seven multi-family properties owned by RCGCP II, an investment fund sponsored by Related prior to our acquisition of Related.

The transaction was structured as two separate guarantees, one primarily guaranteeing the return through the lease-up phase of the properties and the other guaranteeing the return through the operating phase of the properties. The fee for the first guarantee, in the amount of approximately $2.0 million, was paid in October 2003 at closing. The fee for the second guarantee will be paid in two installments. The first installment, in the amount of approximately $1.0 million, will be paid in October 2004, and the final installment, in the amount of approximately $341,000, will be paid in April 2005. These fees will be recognized in income on a straight line basis over the period of the respective guarantees.

In connection with the transaction, we posted $3.9 million in bonds for approximately ten years and $4.8 million in bonds until the earlier of lease-up to 90% occupancy or LIHTC Certification. The release of the $4.8 million in collateral can occur in two steps with 50% being released when at least 50% of the assets in the fund have reached the occupancy or certification hurdle and with the remaining 50% being released when all of the properties have met the hurdle.

In addition, we agreed to subordinate approximately 50% of the approximately $112.3 million in bonds it acquired that are secured by the properties in this fund. The Class A Certificates, which total approximately $56.15 million in par value, have been securitized through the P-Floats/RITES program. The Class B Certificates, which total approximately $56.15 million in par value, are currently being held at CharterMac as excess collateral to support our obligations to the Primary Guarantor.

On September 24, 2003, we entered into two agreements with Primary Guarantor to guarantee an agreed-upon rate of return for a pool of 14 multi-family properties each owned by a local partnership which in turn, is majority-owned by RCGCP – Series B, an investment fund sponsored by Related prior to our acquisition of Related for which we will receive two guarantee fees totaling approximately $5.9 million.

The transaction was structured as two separate guarantees, one primarily guaranteeing the return through the lease-up phase of the properties and the other guaranteeing the return through the operating phase of the properties. The fee for the first guarantee, in the amount of approximately $3.6 million, was paid in September 2003 at closing. The fee for the second guarantee will be paid in two installments. The first installment, in the amount of approximately $1.7 million, will be paid in July 2004, and the final installment, in the amount of approximately $562,000, will be paid in January 2005. These fees will be recognized in income on a straight line basis over the period of the respective guarantees.

Of the 14 local partnerships, 13 financed their properties with the proceeds of revenue bonds acquired by an affiliate of CharterMac. In connection with the transaction, the Primary Guarantor required that those revenue bonds be deposited into a trust pursuant to which the revenue bonds were divided into senior and subordinated interests with 50% of each revenue bond being subordinated. We have financed the senior trust interest as part of the Merrill Lynch P-FloatsSM/RitesSM program. The subordinate trust interests are being used as collateral in other of our financing programs.

In connection with the transaction, we posted $14.5 million of revenue bonds as collateral to the Primary Guarantor in the form of either cash or Revenue bonds.

On July 18, 2002, we entered into two agreements with Primary Guarantor to guarantee an agreed-upon rate of return for a pool of 11 multi-family properties owned by RCGCP, an investment fund sponsored by Related prior to our acquisition of Related.

In connection with the transaction, we posted $18.2 million of revenue bonds as collateral to the Primary Guarantor, which will be reduced to $1.4 million over a period of up to 20 years as the properties reach certain operating benchmarks. In addition, we agreed to subordinate 25% of each of the bonds it acquired that are secured by the properties and to not use the subordinated portion of such bonds as collateral in connection with any borrowings.

The total potential liability to us pursuant to these guarantees is approximately $228 million. We have analyzed the expected operations of the Underlying Properties and believe there is no risk of loss at this time. Should our analysis of risk of loss change in the future, a provision for probable losses might be required; such provision could be material.

Other

During December 2002, we entered into three transactions related to three properties, Coventry Place, Canyon Springs and Arbor Ridge. Pursuant to the terms of these deals, we will provide credit support to the construction lender for project completion and Fannie Mae conversion and acquire subordinated bonds to the extent the construction period bonds do not fully convert.

Up until the point of completion, we will guaranty the con-