

Expenses

(In thousands)	2003	For the Year Ended December 31,		2001	% Change
		2002	% Change		
Interest expense	\$19,859	\$15,823	25.5%	\$13,641	16.0%
Interest expense – distribution to preferred shareholders of subsidiary	9,448	N/A	N/A	N/A	N/A
Recurring fees – securitizations	4,028	3,181	26.6%	2,491	27.7%
General and administrative	40,945	24,506	67.1%	5,209	370.5%
Depreciation and amortization	11,926	8,891	34.1%	865	927.9%
Loss on impairment of assets	1,759	920	91.2%	400	130.0%
Total expenses	\$87,965	\$53,321	65.0%	\$22,606	135.9%

Total expenses increased approximately 65.0% or \$34.6 million for the year ended December 31, 2003 versus 2002, primarily due to increases of 67.1%, or \$16.4 million in General and Administrative expenses and \$9.4 million in interest expense represented by distributions to our preferred shareholders.

The increase in General and Administrative expenses is predominantly due to our acquisition of Related and the associated recognition of approximately \$12.6 million in expenses for the period from November 18, 2003 through December 31, 2003. The largest components of Related's General and Administrative expenses are approximately \$6.4 million in salaries and benefits and approximately \$4.3 million in origination and offering ("O&O") costs. We initially record all O&O costs associated with the set up of new investment partnerships as receivables and immediately charge the total to expense, due to the fact we are not able to reliably quantify the amount of O&O expenses the

investments will reimburse to us. To the extent these costs are reimbursed by the investment funds, we reverse the expense.

The increase in interest expense – distribution to preferred shareholders of subsidiary when compared to the 2002 reclassified amount of income allocated to preferred shareholders is approximately \$1.6 million, attributable to the preferred offering consummated on June 4, 2002.

Total expenses increased approximately 135.9%, or \$30.7 million for the year ended December 31, 2002 versus 2001, primarily due to increases of approximately \$19.3 million in General and Administrative expenses and \$8.0 million in depreciation and amortization.

The increase in General and Administrative expenses was primarily due to our acquisition of PWF and the growth of our Company. Depreciation and amortization increased in 2002 from 2001 primarily due to the amortization of PWF's mortgage servicing rights.