

The Community Preservation Corporation (CPC) is a nationally recognized leader in the financing of low-, moderate- and middle-income multifamily housing. Founded in 1974, CPC has financed the construction or rehabilitation of more than 96,000 housing units through over \$3.5 billion in investments, stabilizing and restoring towns, neighborhoods and communities.

Our success continued in the 2003 fiscal year, when CPC closed a total of \$438,648,540 in loans in 237 separate transactions, creating or restoring more than 5,800 housing units. These transactions involved financing a wide range of housing, from the preservation of existing rental housing and cooperatively owned properties, to finding ways to help communities meet the needs of seniors, the handicapped and others, to providing financing for single-family homeownership projects.

CPC's efforts had a significant impact this year on communities throughout New York and New Jersey. In Brooklyn, CPC closed more than \$78 million in new construction loans to finance homeownership projects in the emerging residential neighborhoods of Williamsburg, Greenpoint and Fort Greene. In Manhattan, Barnard is building faculty and student housing with a \$26 million CPC construction loan.

The Hudson Valley office continues its work of revitalizing main streets in depressed towns along the Hudson River. Albany had a record production year, lending more than \$69 million in the region. Our Buffalo office continues to develop innovative financing structures despite the lack of capital funding from the city. With a new director in place, the New Jersey office continues to work actively with the State to create a better regulatory climate for tenant-in-occupancy rental rehabilitation. The Syracuse office, also under new leadership, seeks to expand CPC's presence in central New York.

The \$42.5 million equity fund established in 2000 by CPC Resources, Inc., our for-profit subsidiary, is almost fully deployed in a variety of properties throughout New York. We are in the midst of negotiations for a new \$200 million fund to be launched in 2004.

CPC is sponsored by more than 80 banks and insurance companies which supply construction credit lines and provide commitments to purchase long-term loans. The New York State and City pension

funds, as well as the Methodist Pension Fund, have provided additional long-term loan commitments. The insurance provided by the New York City Residential Mortgage Insurance Corporation (REMIC) and the State of New York Mortgage Agency (SONYMA) is integral to attracting private investment to poorer communities.

CPC continues to grow and develop creative and innovative methods of financing decent, affordable housing for our communities. The following pages will give you more details about this remarkable story.

Fiscal Year Performance

Year Ended June 30, 2003 unless otherwise stated

New Construction and Permanent Loans Closed (Dollars)

CPC, Pension Funds	
& Other Private Funds	\$336,457,356
Public Funds	\$102,191,184
Total	\$438,648,540

New Construction and Permanent Loans Closed (Units)

Bronx	630
Brooklyn	1,205
Manhattan	339
Queens	79
Long Island	108
Staten Island	3
Hudson Valley	729
Eastern Region	1,549
Central Region	117
Western Region	212
New Jersey	861
Total	5,832

Permanent Conversions (Dollars)

CPC, Pension Funds &	
Other Private Funds	\$67,685,100
Public Funds	\$29,595,984
Total	\$97,281,084

Lending Record 1974-2003

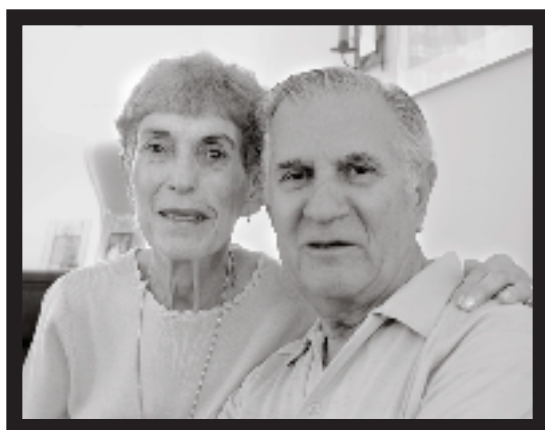
CPC Closed Loans	
(Dollars)	\$3,526,404,694
CPC Closed Loans	
(Units)	96,328



As we begin our 30th year, CPC and its for-profit subsidiary, CPC Resources, Inc., continue to evolve and bring new ways to use private capital for community development. While CPC provides mortgage debt, and CPC Resources provides equity investment, both share a common mission – using capital to build and sustain viable com-

munities. This past year saw many notable achievements.

On the mortgage investment side, CPC provided over \$438 million of funds in 237 transactions for numerous projects that meet a wide variety of affordable housing and community needs throughout New York and New Jersey. In New York City we are

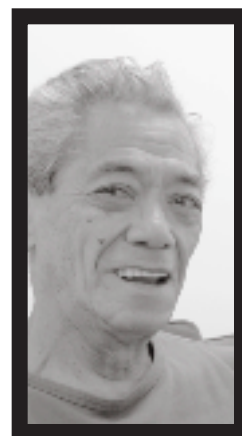


the leading lender for new construction and gut renovations in the outer boroughs, financing the development of more than ten percent of all the new units built in the City this past year. We also provide funds for the renovation and development of rental and for-sale housing, mixed-use housing, special needs housing, and some limited retail development.

This year we made our first foray into the preservation of Mitchell-Lama housing by financing the purchase and renovation of a 309-unit building by its tenant association. This

unique solution will keep the property affordable to its existing residents. And in upstate New York, we are working with Albany, Syracuse, Rochester and Buffalo to provide mortgage capital to help rebuild their inner cities using a variety of programs.

To support the growing demand for CPC's investments, we expect to nearly double our credit facilities for construction financing this coming year. With a combination of new investor subscriptions to our credit lines, and a new leveraged financing program, our construction credit supply will exceed \$400 million. We welcome four new major investors in our construction line: New York City Employees Retirement System, Teachers Retirement System of the City of New York, TIAA-CREF and Bank of America.



This year CPC will renew the agreements with our member institutions for our long-term credit facility. We will also continue to sell packages of our permanent loans to the sec-

ondary markets. Additionally, we will continue to sell whole loans to City and State public employee pension funds.

CPC Resources, our development company, has completed the first phase of the redevelopment of Parkchester in The Bronx, with the renovation of 8,286 apartments and the closing of \$130 million in permanent financing with Freddie Mac, insured by SONYMA. The renovation of the remaining 3,985 apartments is underway, and should be completed during the next two years.

The \$42.5 million equity fund managed by CPC Resources is now almost fully invested. Over 550 housing units are now under construction or completed, with an additional 1,300 units awaiting closing. We have sought to use that fund for a variety of purposes. We developed a model for infill housing that we hope to use throughout New York City. In the Bedford Stuyvesant community, we are working with the City's housing department and Nehemiah churches to build several hundred units of infill housing affordable to low- and moderate-income renters. We are hopeful the same program can work in other urban neighborhoods.



We are purchasing government subsidized properties in an effort to preserve their affordability for existing residents. We are partnering with undercapitalized local owners to

restore deteriorated rental properties. We are building newly constructed rental and for-sale middle-income housing in emerging neighborhoods. In Poughkeepsie, we are working to redevelop the site of a long-vacant State psychiatric hospital.

This coming year, we hope to expand our activities and establish a new fund, seeking to raise up to \$200 million from our investors. Our goals, as in the first fund, will remain: to restore deteriorated properties; to preserve affordability for publicly assisted properties; to explore new ways to develop affordable housing, and to expand developing neighborhoods with both market and subsidized housing – all while providing suitable returns to our investors.



Investment in communities, whether it is debt or equity, does not occur in a vacuum, but through a supportive regulatory environment. In this regard, we are closely monitoring the creation of new lead paint remediation standards in New York City. We are advocating a position that both addresses responsible health concerns about the remediation of lead paint and the need for ongoing investment in the restoration and preservation of older housing stock.

With high hopes for our 30th year, we wish to thank CPC's hardworking staff, our dedicated Board of Directors, and our sponsoring institutions for supporting the work of this remarkable organization.



Sincerely,

George L. Engelke, Jr.

Chair (*right*)

Philip L. Milstein

Chair of the Executive Committee (*left*)

Michael D. Lappin

President & Chief Executive Officer (*center*)



Above: Five friends banded together in 1989 to transform a vacant 1893 walkup in Manhattan Valley into cooperative apartments for themselves and their families. The work is finally being completed with a \$500,000 construction loan.

Center: The owner of this vacant five-story walkup was forced to seal the upper floors

in 1986 because she could not afford necessary repairs. The borrower is gutting the entire building to create 16 new apartments.

Bottom: New Song Community Church is the developer for 2204 Frederick Douglass Boulevard. It will be completely renovated into eight moderate-income apartments.

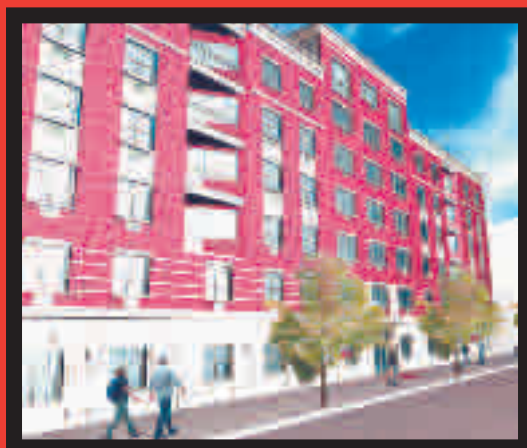
Lending Area	Invested Funds	Units
Bronx	\$56,000,033	630
Manhattan	\$62,798,848	339

The Bronx/Manhattan office helped structure the rescue of two major projects this past year. The Banana Kelly Community Improvement Association is a local development organization, based in the southeast Bronx, internationally known for its community revitalization strategies including developing, renovating and managing of affordable housing. However, financial difficulties two years ago led to the creation of a new Board. The City then approached CPC to refinance Banana Kelly's 24 properties by using a mix of City and CPC funds to remediate tax arrears and pay for long-deferred repairs. Two loans have closed, two more have been committed, and CPC is in the process of underwriting loans for 19 additional buildings for a total investment of over \$50 million.

CPC has been working on solutions to the problems faced by residents of expiring Mitchell-Lama properties when owners opt out of the program. CPC rescued one troubled Mitchell-Lama property in desperate straits—Cathedral Park Towers in Manhattan Valley, a 309-unit complex, which opened in 1975. After inadequate construction and an unresponsive owner forced tenants to go on a rent strike, the tenants negotiated with the owner and won the right to jointly manage the complex and an option to purchase the property. Successfully co-managing the property for the next 20 years, the tenants were to purchase the property in 1997 when a large piece of the façade broke off, causing them to delay the closing. When the owner then tried to sell the building to someone else, the tenants successfully sued the owner.

CPC has provided a \$14.5 million construction loan, which the tenants used to purchase the property and began rebricking the entire façade. The building will remain in the Mitchell-Lama program at affordable rents and is owned by the Cathedral Park Towers Tenants Association. CPC is also providing a \$35 million permanent loan that will pay off all arrears and construction costs, allowing for the refinancing of the current mortgage.





THE TRIANGLE

The triangle starting at 121st Street where St. Nicholas Avenue and Frederick Douglass Boulevard meet, and extending south along those two arteries to 118th Street, had become a target of neighborhood concern because of its precipitously declining housing stock. Community leaders and local officials campaigned for a major renovation effort to preserve and create safe, quality housing to serve the area's diverse economic needs. As a result, Triangle I was built in 1998 with financing from the New York City Housing Development Corporation and The Community Preservation Corporation, the first middle-income housing developed in Central Harlem with the use of City funds. Triangle I includes 50 apartments and two retail stores, and Triangle II, completed in 2002, created 40 units and one retail store. Now, Triangle III, the culmination of this extensive community-based effort, has begun construction. Triangle III will transform eight vacant, city-owned lots into 97 affordable apartments, for a total of 187 new and rehabilitated units.



Above: Through its Homeworks Program, HPD has successfully contributed to a strong homeownership interest in Harlem. 148 West 120th Street is one of 23 vacant brownstones that will be financed by CPC and sold to Harlem residents.

Top right: Bruckner Boulevard between Lincoln and Willis Avenues has become the Arts and Antique District of the South Bronx. This vacant four-story walkup is one of nine properties that CPC recently financed in the area.



Right: This tenant-owned property on 174th Street in Washington Heights was encumbered with deferred repairs, a 7A loan and liens, taxes and water and sewer charges. CPC's loan will restructure the debt and fund an extensive renovation of all 16 apartments, including system repair and replacement.





Above: The three- to five-bedroom condominiums being constructed at 146 Woodpoint Road in Greenpoint are expected to sell for an average of \$230,800.

Left: The City's Third Party Transfer program was designed to expedite the transfer of tax-delinquent properties to responsible private owners. This two-building project at 52-54 Sunnyside Avenue in Cypress Hills will be renovated for approximately \$50,000 per unit.

Bottom left: CPC has financed the construction of 55 three-bedroom townhouse condominiums on Staten Island for \$7.5 million.

Bottom right: The Union Senior Citizen Plaza in Hempstead, Long Island is a fully occupied four-story apartment building with 57 units for low-income seniors. CPC is providing permanent financing of \$1.15 million for this tax credit project.

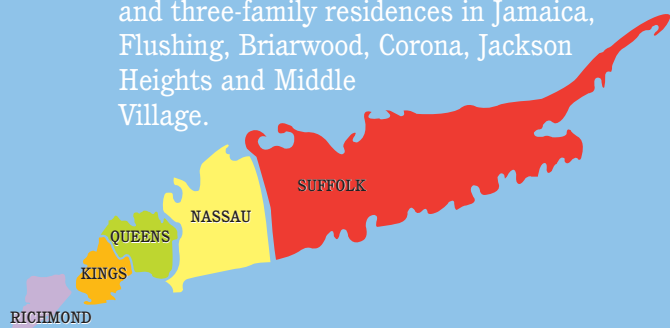


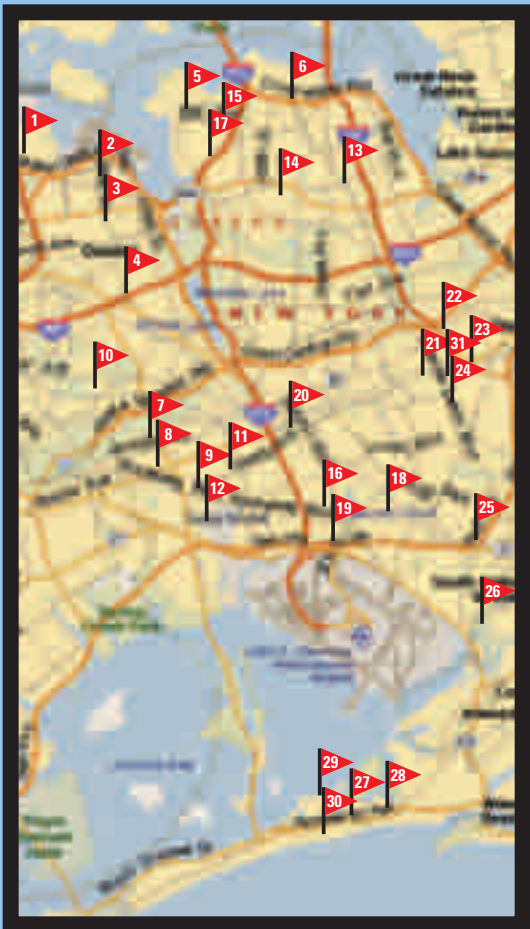
Creating homeownership opportunities has been a focal point of the Brooklyn office's lending during the past fiscal year. The most prominent development has taken place in East New York, where a remarkable resurgence in home ownership has been largely fueled by the development of 2,900 homes under the Nehemiah Program. CPC participated in the final two phases of the recently completed program, funding 700 homes for an investment of more than \$34 million. CPC also administered church and HPD funds totaling \$33 million over the past six years.

This program's success is evident in the nearby Millennium Homes, a \$4.7 million development of 22 three-family homes financed by CPC without subsidy. The Bishop Penn townhomes were completed this past spring with CPC and HPD financing, bringing 19 new two- and three-family homes to the area. With the community's revitalization well underway, a major retail outlet, Gateway Mall, has opened nearby.

In Williamsburg, CPC has worked with many projects in the primarily Hasidic community just south of the Williamsburg Bridge, where much development has been sponsored by community business leaders, many of them new to real estate. CPC recently closed on 417 Flushing Avenue, a five-building, 77-unit project for \$14.6 million. CPC is also reviewing an application to provide construction financing on the site of an abandoned warehouse. The first phase of the 525-unit project is estimated at \$41 million. To date, CPC has invested more than \$146 million in Williamsburg, bringing in nearly 900 new housing units.

CPC often works with nonprofits and smaller groups. On Staten Island, CPC provided construction financing to build 55 three-bedroom townhouse condominiums in the Mariner's Harbor area. CPC has also strengthened communities throughout Queens by constructing numerous two- and three-family residences in Jamaica, Flushing, Briarwood, Corona, Jackson Heights and Middle Village.





31 FORECLOSED HOMES RESCUED BY LOCAL NONPROFIT AND CPC

Asian Americans For Equality (AAFE), a community nonprofit, and CPC spearheaded the rescue of 31 *in rem* foreclosed properties throughout Queens. Through this program known as Community Homes, AAFE is rehabilitating predominantly one- and two-bedroom family homes, of which 25 are currently occupied, located from College Point south to the Rockaways. The 31 buildings were sold by HPD to AAFE, with CPC providing a construction loan in the amount of \$4.125 million to renovate the properties. Tenants who are eligible purchasers will be offered the opportunity to purchase their homes at 80 percent of appraised value, while vacant homes will be sold at 95 percent of appraised value. Moderate repairs and weatherization are slated for the occupied homes, and vacant properties will receive a full gut renovation.



Above: With CPC's help, the borrower will gut rehab two small properties in Oceanhill, Brooklyn.

Above right: This deteriorated Section 8 property in Red Hook is being renovated with a complex plan that includes temporarily transferring residents during the renovation. Construction and permanent financing are being provided by CPC and from State and federal tax credits.

Lending Area	Invested Funds	Units
Brooklyn	\$134,301,808	1,205
Queens	\$ 6,116,000	79
Long Island	\$ 9,032,000	108
Staten Island	\$ 395,000	3



Right: A seven-story elevator apartment building containing 41 units is well underway in the Parkville section of Brooklyn. Financing under HDC's New Housing Opportunities Program includes taxable bonds and a CPC letter of credit issued by the Bank of New York.





Left: CPC's \$11.1 million loan financed Davenport Lofts on Main Street, spurring the revitalization of downtown New Rochelle.

Below: CPC's \$4.8 million loan helped build the St. James Apartments, a mixed-income complex constructed in accordance with the Yonkers Fair Housing court case. Other funders included New York State Housing Trust Fund and the City of Yonkers.



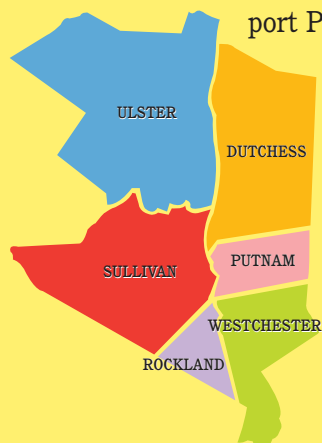
Left: CPC permanent financing will pay off a CPC construction loan, which funded the conversion of 78 Central Avenue in Tarrytown, from a two-story warehouse into seven apartments with ground-floor parking.

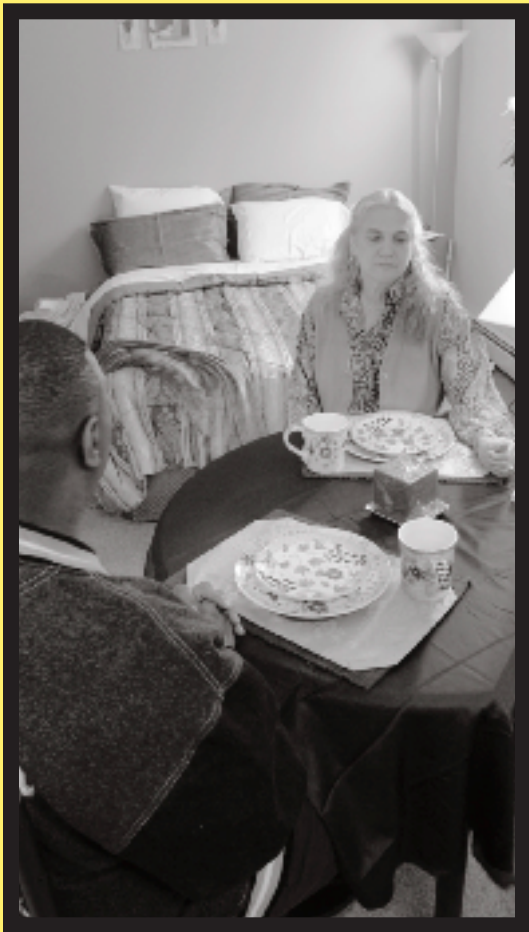
CPC has been involved in the revitalization of the downtowns of many of the depressed cities along the Hudson River for the last thirteen years. After helping to achieve major turn-arounds in Beacon, Highland Falls and southwest Yonkers, CPC faces new challenges in New Rochelle and Poughkeepsie.

The transformation of the former Bloomingdale's building into the Davenport Lofts on Main in New Rochelle is nearly complete, with \$11.1 million in CPC financing bringing 72 loft-style condos to Main Street. As the renovations speed along, the area's Business Improvement District improvement loan program is growing. CPC now has several applications in the pipeline, including one property in construction with a CPC loan to expand a restaurant in the heart of the BID. CPC has provided other owners with technical assistance, paying up to \$2,500 per property for a zoning and construction cost analysis to determine project feasibility for converting vacant commercial spaces to residential use. CPC continues to educate small property owners on the value of converting vacant spaces into apartments to further strengthen the downtown area and businesses along Main Street.

CPC is continuing its revitalization efforts on Main Street in the City of Poughkeepsie. Over the last decade, the City has greatly benefited from the overall economic boom in Dutchess County, and for the first time in 50 years the city's population is growing. CPC is investing substantial capital along Main Street to support Poughkeepsie's growth. Two buildings at 194-196 and 208-212 Main Street have been completed with CPC construction financing and a grant from NYSERDA. Construction is underway on six vacant buildings on the 500 block of Main Street. To support Poughkeepsie's commercial

revitalization, CPC has provided an economic development loan for the Dooley Square Building at the foot of Main Street, a 60,000 square foot retail and office complex.





HOUSING THE HOMELESS

A three-story, concrete block building shell constructed in Newburgh in the late 1980's by our Lady of Comfort, a local not-for-profit charitable organization, is receiving a new mission as housing for the homeless. Started with volunteer labor supplied by the local trade unions, the building shell was never completed because of insufficient funds. Our Lady of Comfort has now agreed to lease the property for \$1 per year to the Middletown-based Emergency Housing Group, which will finish renovating the building. Nolan Shelter will provide eight studio apartments for homeless individuals with AIDS, and the ground floor will be operated as a drop-in shelter with a dozen beds. CPC construction financing of \$240,000 was combined with \$800,000 in Federal, State and local subsidies to build the project. The facility will be operated by Emergency Housing Group and Our Lady of Comfort Church.



Above: Construction financing for this newly constructed 80-unit affordable garden-style senior apartment complex in Yorktown was provided by CPC, tax credits by DHCR, a grant from the Housing Trust Fund and county HOME funds.

Right: As part of the revitalization of downtown Poughkeepsie, construction has begun on four vacant buildings at 553, 555, 557 and 559-561 Main Street.



Lending Area	Invested Funds	Units
Hudson Valley	\$ 53,384,580	729



Left: In Schenectady's Vale neighborhood, a rundown four-block area containing 20 abandoned, boarded-up homes will soon be transformed into a thriving community of affordable housing, thanks to CPC, The Community Builders, and State and local agencies.

Bottom left: Home of the Good Shepherd, a non-profit in existence for more than 100 years, will operate this new 50-unit senior facility in Malta that provides both housing and services for a mix of incomes.

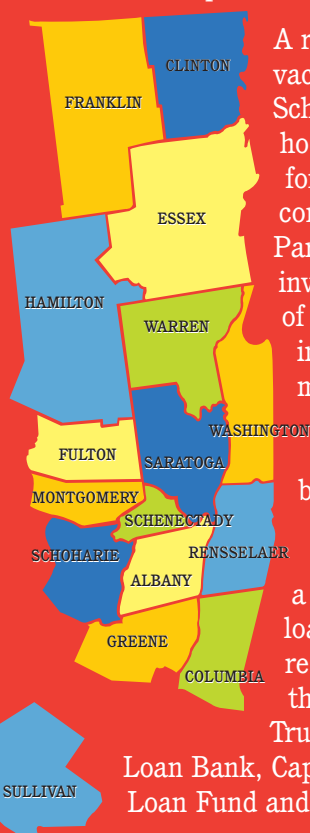


Above: CPC's \$194,000 loan helped turn this 1811 former governor's mansion into an elegant bed-and-breakfast filled with antiques.



The City of Albany has more than 800 vacant or abandoned buildings, according to a study commissioned by the Historic Albany Foundation and conducted by State University of New York. To tackle the problem, Albany Mayor Gerald Jennings announced this summer that the City, CPC and eight financial institutions are retaining the professional services of the Enterprise Foundation to establish a strategy to redevelop abandoned buildings in the City. The initiative will ultimately capitalize an entity to redevelop the properties located in Albany's poorest neighborhoods.

CPC's Albany office has already had an impact in some of those communities, helping to rescue hundreds of vacant buildings throughout the Capital District. One example is Boulevard Apartments, at 266-268 Washington Avenue, comprised of two brick buildings that have been vacant for more than 12 years. 266 Washington Avenue is being renovated into 1,000 square feet of retail space with an apartment above. The adjoining four-story building is being gut renovated into 34 rental apartments. In addition to CPC's \$1.4 million loan, funding is also coming from the City of Albany, and the Community Development Financial Institutions Fund.



A rundown four-block area of vacant boarded-up homes in Schenectady's Vale neighborhood will soon be transformed into a thriving community. The \$5.5 million Parkside View housing project involves the gut rehabilitation of 20 abandoned buildings into 40 affordable apartments with monthly rents ranging from \$475 to \$587. CPC supplied a bridge loan of \$200,000 for site acquisition and predevelopment work, as well as a \$2.5 million construction loan. The project has also received funding from DHCR, the New York State Housing Trust Fund, the Federal Home Loan Bank, Capital District Community Loan Fund and the City of Schenectady.



TAKE STOCK IN YOUR BLOCK

CPC, the Troy Rehabilitation and Improvement Program (TRIP), a not-for-profit community development organization, and the City of Troy launched an innovative pilot program designed to encourage local ownership of rental properties in South Troy and reduce the number of absentee-owned properties this year. Under the new program, called Take Stock in Your Block, local homeowners will be eligible for no interest loans up to \$5,000 per unit when they purchase and rehabilitate small multi-family buildings that are in close proximity to their homes. CPC is funding the program with a pool of \$250,000 in subordinate financing and \$2 million in conventional debt. CPC will also provide technical assistance to the property owners to assist them through the development process. TRIP will market the program and enroll program participants in its Landlord Training Program.



Above: The last phases of Highland Springs Apartments, a major development in Queensbury, have been financed by Evergreen Bank's construction financing and CPC's permanent loan.

Right: CPC recently refinanced the Towers at Colonie, a 603-unit complex in the Town of Colonie, through Freddie Mac.

Below: Vacant for more than 12 years, two buildings on Washington Street in Albany are being transformed into 34 apartments and retail space with a \$1.4 million CPC loan.



Lending Area	Invested Funds	Units
Eastern Region	\$ 68,141,555	1,549

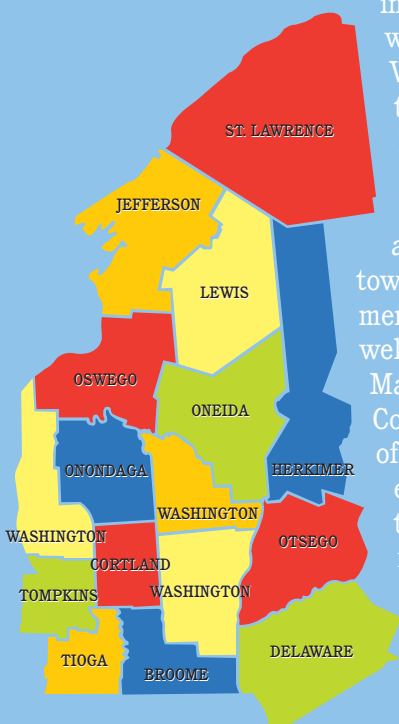


Central New York has been hit with the loss of thousands of manufacturing jobs over the past 15 years. Major employers such as General Motors, Miller Brewing and Marcellus Casket have shut down and moved their operations elsewhere, while Carrier Corporation recently announced that it will move 1,200 manufacturing jobs overseas by June of 2004. Despite dire economic predictions, there still remain many reasons for optimism.

The region continues to grow as its economic base transitions from a dependence on manufacturing jobs to a focus on the service and technology sectors. According to recent press reports, the Syracuse area topped the state in job growth. Area unemployment is 5.6%, below the state's 6.3%. Bristol-Myers Squibb and Lockheed each plan to add 300 high-tech jobs over the next year. And CPC's Syracuse office continues to fund developments throughout central New York.

The City has focused on developing downtown housing to serve young professionals, adding 668 market rate units. In the last two years, CPC has financed two major developments—a 30-unit loft-style development on North Clinton Avenue and the 90-unit Lofts at Franklin Square (featured).

In Utica, there are active discussions for financing through CPC's small building loan program. And in Watertown, the Central region office has entered into an informal agreement with Neighbors of Watertown to market the small building loan program in cooperation with the City, focusing on a target area outside of downtown. CPC has commitments in Oswego, as well as prospects in Madison and Oneida Counties. The Syracuse office has also extended lines of credit to three Syracuse not-for-profits to support homeownership initiatives.





REVIVING DOWNTOWN SYRACUSE

Despite an economic downturn, market interest remains strong for the development of housing in downtown Syracuse. CPC's regional director is on the Downtown Committee's Subcommittee for Housing, providing input on creatively financing downtown residential projects. In addition, CPC has financed two such projects, both in the Franklin Square area, a City priority. One project on North Clinton Street brought 30 new loft-style apartments to the area. The second project, the conversion of the former O.M. Edwards manufacturing building into the Lofts on Franklin Square, will be financed by CPC's \$8 million in construction financing and \$9 million in permanent financing. The Lofts will consist of 90 residential units, including studios and one- and two-bedroom units, and approximately 32,500 square feet of office and retail space. Additional financing has been provided by Fannie Mae, the federal government and the City of Syracuse.



Opposite page: This moderate-income Liverpool property has 15,718 s.f. of commercial space at street level and 32 residential units above. CPC's \$1.2 million loan will be used for the acquisition of the property.

Above: CPC's loan will be used to purchase and make extensive repairs to the ten buildings and 40 units of the Anderson Lane Apartments in Fulton.

Right: A \$49,000 loan allowed the borrower to purchase and renovate this building in Syracuse's Brighton neighborhood, one of the City's target areas.

Below: CPC's loan will allow the developers to purchase and upgrade this stable property in the Washington Square revitalization neighborhood.



Lending Area	Invested Funds	Units
Central Region	\$2,690,500	117





Lending Areas	Invested Funds	Units
Western Region	\$ 21,891,266	212

Left: A new daycare center on Webster Avenue will have a significant impact on the Beechwood neighborhood and all of northeast Rochester by providing 120 childcare slots and a local catering service.

Below: CPC has provided \$2 million to help fund the second phase of the Frederick Douglass redevelopment project in downtown Buffalo's East Side, providing 112 senior apartments.

Opposite page (large): The former Hedstrom Manor estate house is situated on a three-acre lot located in one of the oldest residential areas of Amherst. The Manor will be renovated with a construction loan of \$375,000, and ten townhouse-style apartment units will be added.

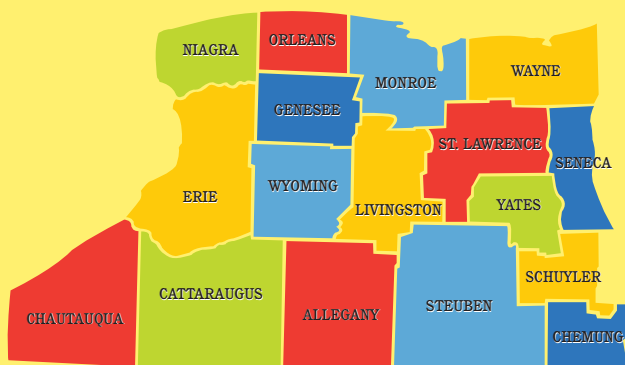
Opposite page (small): CPC closed its first IDA tax-exempt bond deal, underwriting and purchasing a tax-exempt bond that will finance the rehabilitation of Pathfinder Courts Apartments in Fulton.



Western New York State has faced an economic mass exodus, starting in the 1940's with the Curtis Wright Airline plant closing, and continuing today with the announcement that Oneida China will close in December 2003 after 100 years of operations in Buffalo. The deterioration of Buffalo's financial condition has resulted in the appointment of a State Fiscal Control Board. The new "operating plan" calls for a major restructuring of City government and rebuilding of service delivery systems.

Three large State-sponsored projects may provide renewed hope and long-term economic stability. The "Fast-Ferry" project connecting Rochester and Toronto will open in May 2004. The Seneca-Niagara Casino in Niagara Falls opened in January 2003. And the Bio-Informatics Center for Excellence in Buffalo broke ground in August 2003. The potential "ripple effect" of these projects will enable CPC to expand its reach into areas that have previously offered limited investment options.

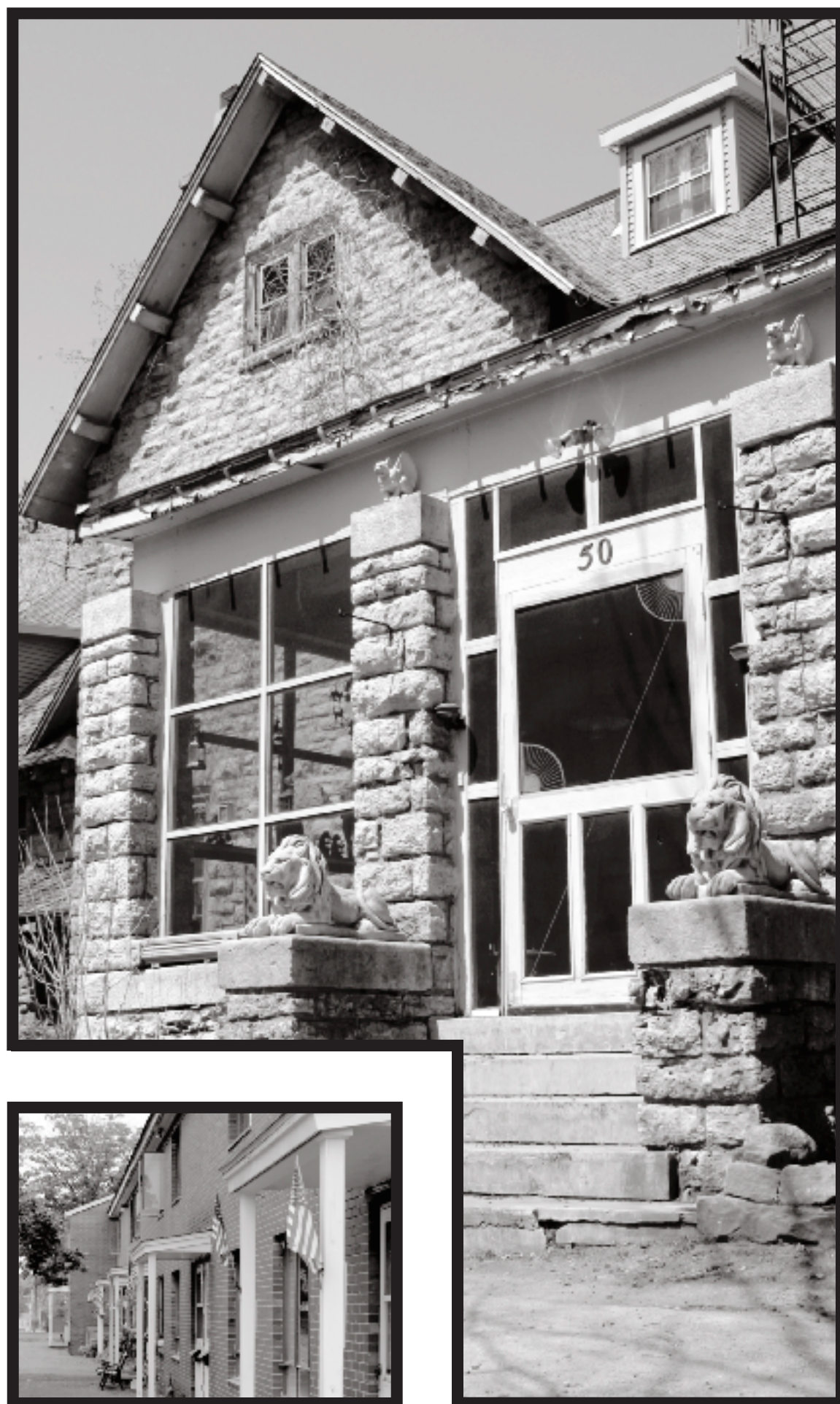
Despite the economic challenges throughout the region, the staff continues to carry forward CPC's mission with innovative, efficient financing structures. CPC closed its first loan under the new HFA-TMI "taxable mortgage initiative" program this spring. This program provides an effective alternative for funding smaller transactions (under \$5MM) typical upstate. The \$4.7 million transaction utilized State, local and FNMA funds. CPC continues its partnership with Rochester and the Greater Rochester Housing Partnership renovating City and/or HUD-foreclosed properties. A revolving credit facility and CDFI grant fund the renovation of these properties into affordable rental units for low-income households. The first transaction of 18 rental units closed in early 2003 and two additional projects totaling 20 units are in the pipeline.





ATTRACTING BUSINESS AND RESIDENTS TO DOWNTOWN BUFFALO

Ellicott Lofts, located in the downtown Flower District, is seen as a crucial step toward the revitalization of Buffalo's downtown core, the focus of several recent residential developments. Located in a neighborhood of 19th-century warehouse buildings that once housed printing and electrical service companies and furniture and flower retailers, the \$4.6 million Ellicott Lofts Apartments project aims to boost the city's economy by providing middle-income workers with a place to live. The development features 38 apartments and 6,800 square feet of ground-floor commercial space. The public-private partnership between the New York State Housing Finance Agency, Fannie Mae, CPC, the City of Buffalo and a local developer has succeeded, where many others have failed, by renovating a turn-of-the-century warehouse into thriving living space.





Above: Four modular homes are being constructed on a former parking lot on Howe Avenue in Passaic.

Left: Three properties in the East Ward of Trenton dating back to the late 1800's will be acquired and renovated with a \$510,000 loan.

Below: The Centre Street Apartments in Merchantville is one of the few senior projects in Camden County that was built using tax credits. CPC's construction loan is \$2.7 million, complemented by an additional \$2 million in subsidy.



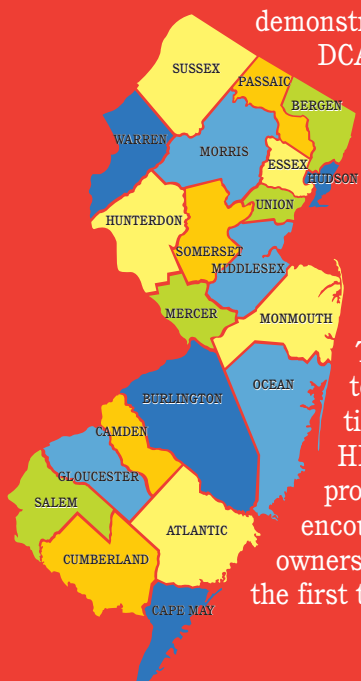
The 2003 fiscal year saw even more progress around the state for CPC. We saw the first closings for infill for-sale housing. We have two deals using historic tax credits—in Camden and Bloomfield—both involving the conversion of abandoned industrial buildings into luxury rental housing. CPC also saw its first senior housing deal in Camden County with Merchantville Seniors, a reclamation of a condemned brownfield in the town's center. This project meets a serious demand, as other senior projects in the county have high occupancy rates and extensive waiting lists. The financing for the \$4.7 million closing included subsidies from DCA and HOME, as well as Low Income Housing Tax Credits.

CPC New Jersey continues to press the State for a user-friendly, rental rehab program that is targeted to occupied multi-family buildings in low- and moderate-income areas without income testing of the residents. In his message to the state housing conference last year, Governor James McGreevey stated that preservation is less costly than new construction, and should be encouraged. CPC is advocating for delegation of underwriting to participating lenders with streamlined processing, standard project documentation and rehab specifications.

Thanks in part to CPC's advocacy efforts, the State now has a program to help fund occupied buildings of five to 25 units with grants available from the State's Housing and Mortgage Finance Agency (HMFA).

We also have one approval under a demonstration project in the DCA's Balanced Housing program. CPC-funded 469 Elizabeth Avenue in Newark is the first New Jersey project to qualify for these DCA funds, with 58 units at \$10,000 per unit.

The CPC office continues to look for small properties of five to 25 units for HMFA's small building program. This effort involves encouraging small building owners to use the subsidy for the first time and to restrict rents.





REVITALIZING THE CAMDEN WATERFRONT

Offering a striking presence to the Camden waterfront, the historic RCA “Nipper” Building is being transformed into The Victor, an elegant 341-unit complex with loft-style apartments and ground-floor retailing. Constructed in 1909, the former RCA Victor manufacturing facility was recently listed on both the National and New Jersey historic registry lists. The building is considered the birthplace of recorded sound. In what may be the largest private financing of a residential development in Camden’s history, CPC closed \$5 million in permanent financing in participation with FleetBoston Financial’s Real Estate Finance Group, which arranged a financing package totaling \$30 million for the building. Other participants include United Bank of Philadelphia and Wilmington Trust of Pennsylvania.



Above: The Greenwood-Hamilton area of Trenton is filled with historic Italianate and Greek Revival-style homes. This property at 434 Greenwood Avenue will be completely refurbished with new windows, façade repair and interior renovations.



Above right: Extensive renovations will rescue this 1917 Newark property to create 34 two- and three-bedroom market rate apartments.

Right: CPC has created a construction revolver for the Episcopal Diocese of Newark to help them renovate small two- and three-family homes for low- and moderate-income families.



Lending Area	Invested Funds	Units
New Jersey	\$23,896,950	861



Above: In the Buffalo suburb of Amherst, CPCR acquired and moderately rehabilitated the 34-unit Creekside Apartments, which consists of five two-story frame houses constructed in 1972 and 1973.

Left: CPCR and its development partners, George Dellapa and Elissa Winzelberg, are converting this vacant warehouse in Brooklyn's Clinton Hill neighborhood into 103 loft-style condominium apartments.

Equity for both projects was provided by the CPCR Opportunity Fund.

Three years ago, CPC Resources, Inc. (CPCR), created the CPCR Opportunity Fund, a \$42.5 million equity investment fund, to acquire and develop distressed residential properties in New York and New Jersey. The Fund has built up significant momentum for investing in underserved areas. To date, the Fund has leveraged over \$76 million representing the creation or renovation of over 600 units of housing throughout New York State with another 1,300 units in the pipeline, leveraging an additional \$135 million. Discussions are now underway for a second equity fund.

CPCR's first condominium project, nine contiguous brownstones along the historic Mt. Morris Park in Harlem, was completed this year. All 36 units have been sold and this historic strip has been returned to its turn of the century elegance.

CPCR, in partnership with East Brooklyn Congregations, has been awarded a number of City-owned vacant sites in Bedford Stuyvesant, Brooklyn. Negotiations are also underway to acquire privately owned sites. CPCR plans to create approximately 200 units of new rental housing on these lots using its infill model.

The renovation of the 60-year old, 8,286-unit Parkchester South Condominium, begun in December 1999, was completed in March 2003. The \$130 million construction loan from CPC's member banks, which financed the window replacement and upgrades to the plumbing and electrical systems, was converted to a Freddie Mac fixed-rate permanent loan in September 2003, insured by SONYMA. The success of the renovation is evidenced not only in the improvements to the physical and financial stability of the condominium, but also in the dramatic increases in value of the individual units and a renewed interest on the part of purchasers and mortgage lenders in Parkchester.

Renovations have also begun in the 4,000-unit Parkchester North Condominium with a \$90 million loan provided by CPC and its member banks. CPCR and its partners, Morton Olshan and Jeremiah O'Connor, acquired the unsold units and commercial space and used those as collateral for both loans.



RESCUING HISTORIC PROPERTIES

A block of historic brick buildings, spared at the last minute from the wrecking ball, will have a new life, thanks to a public-private partnership of nonprofits and community organizations working together to revitalize a key part of the Village of Catskill's downtown. CPC Resources, with the aid and support of local organizations, is developing three 19th-century brick buildings on Main Street that will be converted into 10 loft-style rental apartments and three to four retail stores. Catskill's Main Street is undergoing a renaissance, with efforts underway to restore historic building façades and replace old sidewalks and street lighting. Construction of a new county office building is expected to bring hundreds of employees downtown, further stimulating business activity. The building façades will be restored to New York State Historic Preservation Office standards, including brick pointing and historic storefront restoration.

Below: Fifty-five condominiums will be built on this lot in the Washington Heights section of Manhattan. The CPR Opportunity Fund's equity investment is \$3.4 million.



Right: CPR has invested \$1.6 million to build 14 spacious market rate condominiums in two vacant properties on 116th Street and Manhattan Avenue in Harlem.



For the fiscal year ended June 30, 2003, The Community Preservation Corporation (CPC) closed \$438 million in new financings in 237 separate deals, continuing to fulfill its mission to preserve and develop affordable housing.

CPC continued to be self-sufficient during the year, generating a \$4.9 million surplus of operating revenues over expenses. As a result, the accumulated fund balance increased to \$54.2 million. CPC's financial strength enables it to act as an FHA-approved lender and as a seller/servicer for Fannie Mae and Freddie Mac, protecting against the risk of losses on loans held in its loan portfolio.

The fund balance also enables CPC, through CPC Resources, to continue providing equity investments to pivotal large-scale community projects, such as the renovation of the 12,271-unit Parkchester condominium. As of year-end, approximately \$7.0 million was invested in such projects. CPC also manages a \$42.5 million opportunity fund to which it has committed to provide \$5 million of equity.

The primary source of operating cash continues to be interest spread on construction loans, commitment fees and servicing fees. The servicing portfolio as of the fiscal year-end was approximately \$2.0 billion.

CPC's direct investment in construction and permanent loans at year-end was \$236.2 million and \$68.5 million, respectively. CPC has a revolving credit agreement with certain member banks whereby it can borrow up to \$264 million to finance construction loans and warehoused permanent loans. CPC has also expanded a program that increases its lending capacity by selling participations in its construction and certain permanent loans.

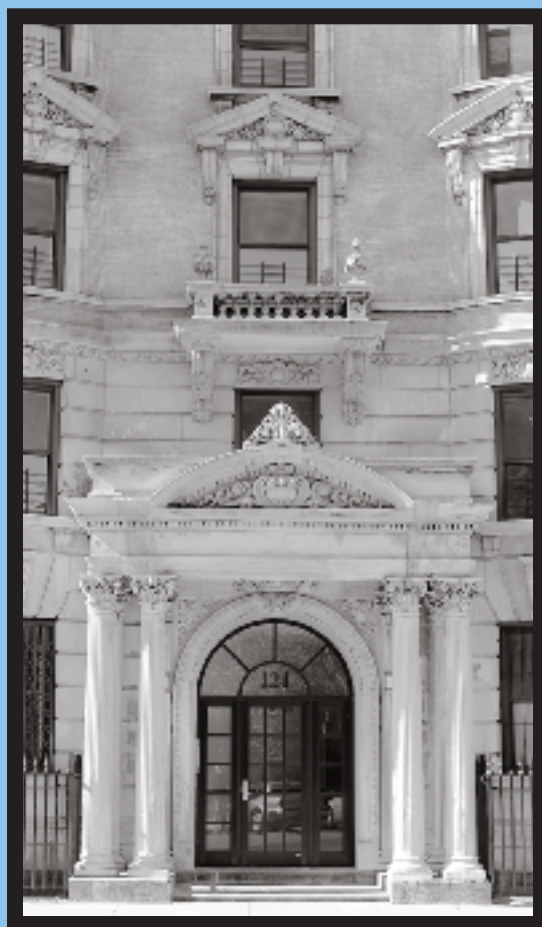
Over its 29-year history, CPC has provided \$3.5 billion in public and private debt to our low- and moderate-income markets, establishing it as a reliable lending partner for property owners and a dependable resource for public and private redevelopment efforts.

A complete copy of the Corporation's Audited Financial Statements will be furnished upon written request.

Written requests should be mailed to:

Gary P. Marini
Treasurer and Chief Financial Officer
The Community Preservation Corporation
28 East 28th Street
New York, NY 10016

A \$3.5 million loan provided by CPC and HPD was used to rehabilitate 121 St. Nicholas Avenue, a beautiful French Baroque 25-unit building on the corner of 116th Street in Manhattan.



The Community Preservation Corporation and Subsidiaries

Consolidated Balance Sheets (\$000) as of June 30, 2003 and 2002

ASSETS	2003	2002
Investment in First Mortgage Loans, Net	\$572,014	\$459,824
Cash and Cash Equivalents		
Unrestricted	32,534	21,988
Restricted	55,300	77,884
Accrued Interest and Other Receivables	3,629	3,159
Other Assets, Net	16,008	12,142
Total Assets	\$679,485	\$574,997
LIABILITIES AND FUND BALANCE		
Notes and Participations Payable	\$470,961	\$369,497
Deposits and Other Liabilities	154,357	156,228
Total Liabilities	625,318	525,725
Fund Balance	54,167	49,272
Total Liabilities and Fund Balance	\$679,485	\$574,997

Consolidated Statement of Revenues, Public Support and Expenses (\$000)

For the Years Ended June 30, 2003 and 2002

REVENUES AND PUBLIC SUPPORT	2003	2002
Interest Income	\$27,895	\$26,165
Servicing Fee Income	3,866	3,691
Other Income	5,202	4,315
Public Support, Exclusive of CDFI Grant	0	30
Total Revenues and Public Support	36,963	34,201
EXPENSES		
Interest Expense	18,606	17,248
Employee Compensation and Benefits	7,821	7,993
Depreciation and Amortization	544	450
Other Operating Expenses and Provisions	5,097	4,330
Total Expenses	32,068	30,021
Excess Revenues and Public Support		
Over Expenses before CDFI grant	\$4,895	\$4,180
CDFI GRANT	\$ 0	\$1,000
Excess Revenues and Public Support		
Over Expenses	\$4,895	\$5,180

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