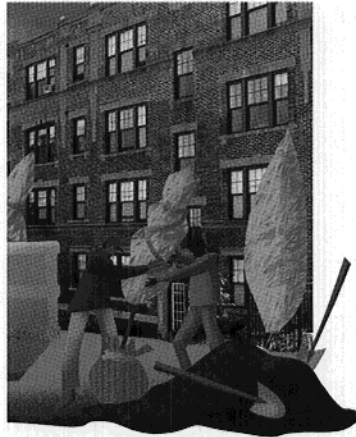


1999 ANNUAL REPORT



Massachusetts
**Housing
Investment
Corporation**



**MASSACHUSETTS HOUSING
INVESTMENT CORPORATION**

1999 annual
1999 ANNUAL REPORT
report

70 Federal Street
Boston, Massachusetts 02110
617-850-1000

Participating Banks and Corporations

Fleet Bank

BankBoston

State Street Bank and Trust Company

Freddie Mac

Boston Safe Deposit and Trust Company

Citizens Bank

Fannie Mae

PNC Bank

Eastern Bank

UStTrust

First Massachusetts Bank

Boston Private Bank & Trust Company

Compass Bank

Fall River Five Cents Savings Bank

Wainwright Bank

United States Trust Company

Boston Bank of Commerce

Hyde Park Savings Bank

TeleCom Cooperative Bank

Capital Crossing Bank

First Trade Union Bank

SIS Bank

Stoneham Savings Bank



*Guillaem Aertsen (left) and
Joseph L. Flatley*

FROM THE
*Chairman
and President*

December 1999

For MHIC, 1999 was a year of consolidating its fundamental strength in financing affordable housing through its loan and equity programs, coupled with pursuit of major, new initiatives that will enable MHIC to even more aggressively address the critical need for more investment in underserved Massachusetts communities.

As MHIC moves into its tenth year of operation, it may be useful to reflect briefly on the changing nature of our environment – as a backdrop to our plans for the future.

Over the past several years, we have watched and we have felt the impact of an unprecedented and ongoing restructuring of the financial services industry. We have witnessed major changes in federal, state and local housing policies. And we have dealt with the ups and downs of the real estate market. In short, we are now dealing with a whole new and constantly changing set of rules, players, competitors, markets, problems and opportunities.

In response to this vibrant environment, MHIC has been quietly undergoing its own transformation. From an organizational standpoint, we have added staff for asset management, underwriting, technology development, and operational support. From a customer-service standpoint, our focus has been on finding new and better ways to invest in communities that need it most. As we move ahead, this will mean expansion of programs to finance neighborhood commercial revitalization and preservation of affordable housing, including acquisition financing for at-risk properties.


Based on our history and the relationships we have built, we are confident that whatever changes or challenges may lie ahead – and to be sure there will be many – MHIC is well positioned to continue on the forefront of affordable housing finance and community development in Massachusetts. We look forward to working with all our project sponsors, corporate investors, public agencies and community leaders to ensure the broadest possible benefit from our efforts.

Sincerely,

Guillaem Aertsen
Chairman

Joseph L. Flatley
President and CEO

1999 Annual Report



Having completed its ninth year of operation, MHIC can point to \$406 million committed or invested to date in 135 projects representing 6,073 housing units. In 1999 alone, MHIC made new financing commitments of over \$40 million, and closed financings totaling over \$43 million.

The number of loan closings and range of loans in MHIC's portfolio this year reflect the changing mix of loan products that MHIC provides. MHIC's equity program, while operating in an increasingly complex and competitive environment, maintained its industry leadership position, as the single largest equity investor in Massachusetts.

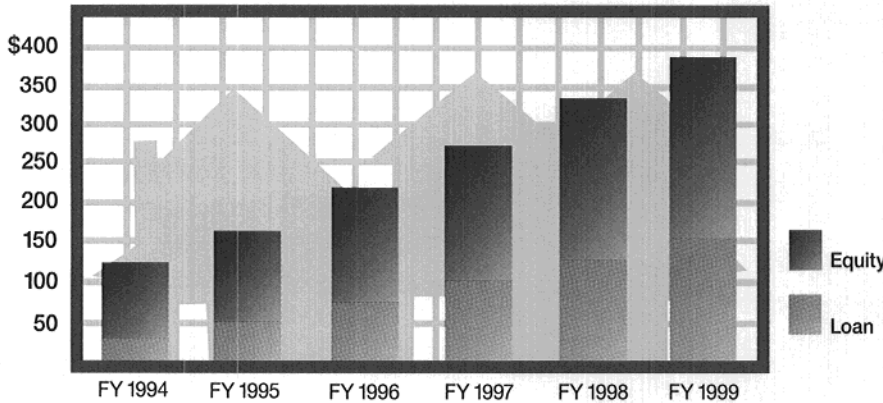
BUILDING ON A RECORD OF ACHIEVEMENT, POSITIONING FOR THE FUTURE. MHIC's programs and portfolios performed well this year, again, with no loan losses to date. Perhaps the most important thing we did was to lay the necessary groundwork to launch several bold new initiatives that will enable us to enhance our position as a leader in providing loans and making investments in the communities that need it most. As a result of work this year, we will be offering lines of credit, high loan-to-value financing and other loan products to facilitate easy acquisition of at-risk properties. We are also working toward the establishment of a Real Estate Investment



Trust (REIT) or similar structure that will allow us to raise equity or convert some of our existing loan capital to equity, so that we can provide more flexible and innovative financing programs to meet evolving community needs.

TAKING ADVANTAGE OF NEW RESOURCES THROUGH THE CDFI FUND. A major milestone for MHIC this year was its designation as a Community Development Financial Institution (CDFI) and news that we will be receiving a \$1 million award from the CDFI Fund. MHIC will use these funds to advance many of our new strategic initiatives relating to acquisition financing, neighborhood commercial revitalization, and preservation.

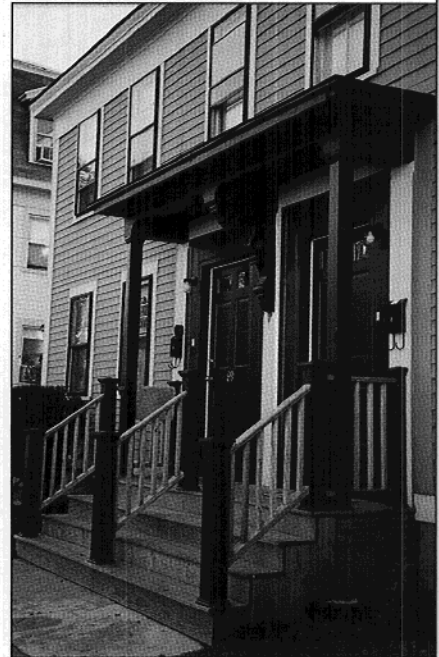
MHIC TOTAL FINANCING TO DATE
(Dollars in millions)



INVESTING IN WHOLE COMMUNITIES. When MHIC was founded in 1990, our mission focused on financing affordable housing. Over the years, we have expanded our mission to a broadened vision of community development, including mixed-use properties and more recently commercial buildings. This evolution grew out of recognition of the unmet needs of our customers to finance commercial and other properties in neighborhood centers that would support neighborhood stability, and ultimately enhance our affordable housing investments. This year we advanced our goal to invest in commercial real estate — with a \$541,735 equity investment in the revitalization of Palladio Hall in Roxbury's Dudley Square. Similarly, MHIC this year will consider expansion of its product line to include debt and equity financing for commercial real estate.

ACHIEVING RESULTS, SETTING NEW, AMBITIOUS GOALS IN MINORITY PARTICIPATION. Over the past few years, MHIC has been successful in achieving ambitious minority participation goals. In the projects we have funded in the Boston area, for example, we have managed to realize 67% participation in construction employment, with 49% of the total project investment going to minority-owned businesses. While we are generally satisfied with these results, we also find that our objectives are in some ways more difficult to realize in a strong labor and construction market where many minority contractors and workers are already active. This year, MHIC plans to focus on geographic areas that are now under-represented in minority participation. We are also finding new and better ways to monitor and enhance minority participation in all of our projects.

CHESTNUT SQUARE, Lowell



ENHANCING SHAREHOLDER BASE. MHIC is working to expand participation in both its loan and equity programs, to further diversify shareholder risk and offer new institutions, such as insurance companies and community banks, its expertise and partnerships in its unique collaborative model.

Looking ahead, MHIC will continue to do what we do best — finding new ways, through creative financing, to make its resources available to the most challenging and under-served segments of the market. We will continue to pursue opportunities in preservation projects involving tenant-controlled housing, assisted living, in historic tax credits in commercial properties, and in other innovative ventures aimed at creating healthy sustainable communities.

LEVERAGING TECHNOLOGY FOR SUPERIOR PROJECT MANAGEMENT AND CUSTOMER SERVICE. Given our mission, information technology helps obtain, analyze and deliver information both to monitor performance and to manage the assets of our partnerships. Given the need for efficient yet innovative program execution, MHIC relies heavily on information technology to deliver high quality disciplined financial management. As one example of improving efficiency and customer service, MHIC will be launching a new electronic operating system to collect financial data for all of its low-income housing tax credit investments. This new reporting system, now in the beta testing stage, is designed to enable partnerships to easily generate and receive data. This new system will let them easily report to MHIC and have benefit of MHIC analysis of data for the best possible project management.



During the past year, MHIC experienced a significant change in the mix of its loan business. On the one hand, we saw a decline in loans tied to MHIC's tax credit equity program. On the other hand, we identified new loan opportunities so that we were able to significantly expand the range of products offered and customers served, effectively making up for any potential loss of business.

THE EVOLVING MIX AND CHANGING NEEDS FOR MHIC'S LOAN PROGRAM. Historically, about 75% of MHIC's loans have been made to projects receiving financing under MHIC's equity program. This year, approximately 58% of MHIC's loans went to such projects. This shift is due primarily to the changing way in which equity investments are being made, with much of the equity now commonly disbursed at the outset or during construction, with a construction loan therefore not being required to bridge that equity.

STRONG DEMAND IN SPITE OF THESE SHIFTS, AND AN INCREASINGLY LARGE AND DIVERSE LOAN PORTFOLIO. MHIC met this challenge by expanding its business in the areas of acquisition and permanent loans, fully recognizing that such loans are often more complicated to underwrite and inherently more risky than typical construction loans on tax credit projects. As a result of this expanded loan activity, the number and diversity of loan closings and the overall loan portfolio reflected a better match for MHIC's unique products and services. MHIC this year made loan commitments for \$13 million in new loans, and closed \$20 million in loans to finance the development of 19 projects, bringing the total loan portfolio to over \$29 million.

UTILIZING OUR POOLED LOAN RESOURCES.

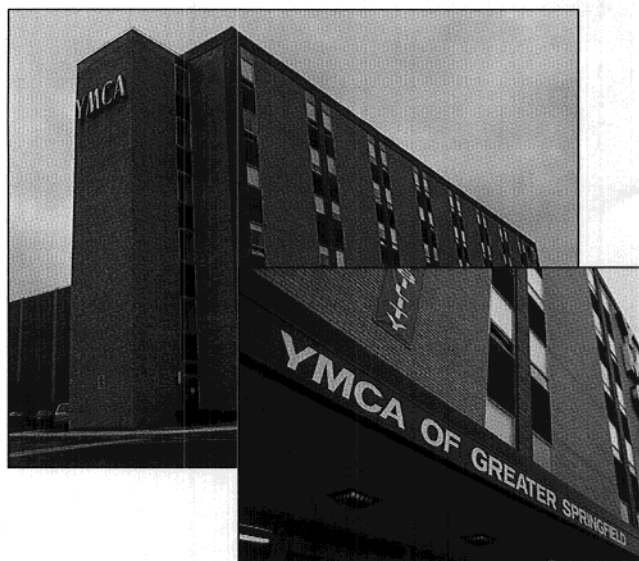
With sixteen member corporations participating, MHIC's loan pool stands at \$52,275,000. At the end of the fiscal year, loan pool utilization achieved a level of 56%, which included the following:

Project loan balance, as of June 30, 1999	\$22,058,867
Loan commitments not yet advanced	6,965,221
Total balances and unfunded commitments	\$29,024,088

PROVIDING "ONE-STOP" SHOPPING FOR CONSTRUCTION AND PERMANENT LOANS. One of the ways in which MHIC has expanded its business is through its partnership with the Massachusetts Housing Partnership Fund in the OneSource Program. Under this program, developers are able to get construction and permanent financing with one attorney, one review of plans and one set of documents. OneSource borrowers enjoy lower legal costs and fast processing, and they can take advantage of the most competitive interest rates available in the industry. Since this program was introduced in 1994, MHIC has provided over \$40 million to finance nearly 1,000 housing units.

FINDING NEW OPPORTUNITIES IN NEW PLACES. Another way MHIC increased its business this year was by making a concentrated effort to provide financing for projects in markets outside the greater Boston area. This resulted in loans to projects in such geographically diverse communities as Provincetown, Turners Falls, New Bedford, Fall River, Lawrence, Springfield and Beverly. While Boston will always be a major source of business for MHIC, the need for investment in underserved communities in various parts of the state is also strong. Since MHIC has the unique ability to serve the needs of those areas and it is our mission to encourage the development of affordable housing throughout the entire state, we are well positioned to continue expansion in an increasingly wider range of territory.

CHESTNUT STREET RESIDENCE, Springfield



PRESERVING AT-RISK PROPERTIES WITH QUICK ACQUISITION LOANS.

In our quest to help preserve at-risk properties, we began this year to offer lines of credit in Springfield and in Boston. The line of credit loan product, like our acquisition loans, enables developers to acquire properties quickly – sometimes as soon as those properties come onto the market and considerably in advance of when the developer might apply for tax credit approval. This ability to move fast is key when a sponsor wants to preserve as affordable housing a property that might otherwise be developed for market rate units. With over 20,000 at-risk housing units in Massachusetts, MHIC intends to continue its concentrated focus on this segment of the market.

WARREN AVENUE, Boston



FINANCING A WIDER RANGE OF PROPERTIES. Historically, MHIC's debt financing has primarily involved multi-family and apartment buildings, the majority of which are properties requiring substantial rehabilitation. Recently, we have been financing a wider range of properties, including assisted living facilities, single room occupancy (SRO) buildings, homeownership projects, co-housing developments, elderly housing, and multi-use properties. As we look ahead, we fully expect to finance an increasingly wide range of properties as needs arise and opportunities present themselves.

CONTINUING TO IDENTIFY UNMET NEEDS AND FILLING THE GAP.

MHIC's loan program has evolved considerably over the last few years. Like the organization as a whole, the loan program is undergoing a transformation, in accordance with the needs of Massachusetts communities and the interests and capabilities of our project sponsors. Over the coming period, we anticipate creation of other new loan products to facilitate quick acquisition of at-risk properties and possibly to finance commercial real estate development, provision of construction and permanent loans, and further exploration of new initiatives, such as restructuring of our loan pool. As in the past, our focus will be on finding, structuring and funding difficult-to-finance properties and adding value to the most challenging segment of the market for affordable housing finance and community development.

Equity Program

MHIC's equity program has had another strong year, as the single largest tax credit investor in Massachusetts. Since its inception, MHIC's equity program has raised \$330 million to invest in 82 properties. Moreover, MHIC's equity program has built strong partnerships with our customers to meet increasingly complex housing and community development challenges.

A GROWING RECOGNITION OF INTENSE HOUSING NEEDS. Much attention has begun to be focused over the past year on the crisis in the Massachusetts affordable housing market. Political, religious, and opinion leaders have all highlighted the difficulties faced by families earning \$50,000 and below in being able to afford a home purchase, or rental in markets that now charge \$1,500 to \$2,000 monthly for modest two or three bedroom apartments. As we begin a new millennium, we should be heartened by this surge of interest, and we should take advantage of this attention to expand the pool of resources available to create affordable housing.

EXPANDING THE RESOURCES AVAILABLE. The federal Low Income Housing Tax Credit program remains the single most important resource available today for the production and preservation of affordable housing. Ongoing efforts to increase the existing limits on the federal tax credit are now showing signs of possible success, with the prospect of a gradual increase beginning in 2000. More locally, MHIC joined with housing advocates, developers, and investors in



this past year to push for the institution of a state housing tax credit modeled after the federal credit, which was included in the recently passed State budget. Taken together these initiatives will be important in bringing more financing to the table.

AGGRESSIVE STRATEGIES TO PRESERVE AFFORDABLE HOUSING. In this context, preservation of existing affordable housing stock has taken on greater significance. MHIC's own equity investments demonstrate this. Seven of the ten equity investments made in the past year were in existing occupied developments. These developments included nearly 800 units that were at risk of being lost from the affordable housing inventory because they were in such poor condition or because they were HUD-financed so-called "expiring use" properties whose owners were in a position to convert them to market rate housing.

BUILDING ON OUR STRENGTH IN A COMPETITIVE MARKET. Because of the fierce competition for the critical public resources, MHIC is playing a more active role in assisting developers in structuring transactions so that the scope of rehabilitation is adequate and to be sure that the transaction maximizes the public funds committed, and the private equity invested. One of the ways in which we have accomplished that this year was to make a substantial amount of our equity investment available during construction to reduce or eliminate the need and the cost of a construction loan. MHIC is committed to continuing to provide the highest level of investment possible in transactions in the coming year.

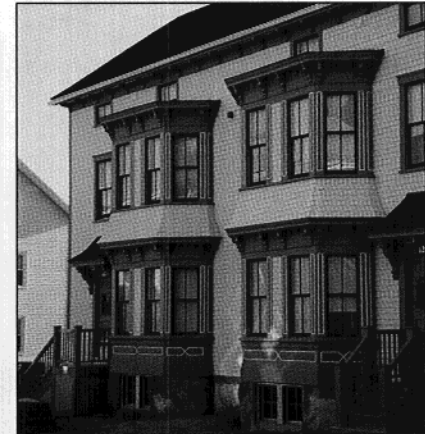


EXPANDING OUR INVESTOR BASE. The 1999 Massachusetts Housing Equity Fund is on target to match the 1998 Fund in size of approximately \$57 million. Because we have been successful in specifying investments for the 1999 Fund, the 2000 Fund is now being prepared for marketing beginning in the first quarter of 2000. MHIC has been fortunate throughout its history in having a dedicated, forward-looking core group of investors. They have helped to shape the policies and investment decisions MHIC has made since its inception. As the financial services industry continues to consolidate, we are challenged in the coming year to secure new investors, and to ensure that our investment product remains competitive and attractive to existing investors. We are increasing our marketing efforts to community banks and have established a goal of adding six new investors in 2000. At the same time, we are exploring ways to tailor our fund structure to respond to the needs of our existing investors. One such change will allow a front-loaded investment option in addition to the long pay-in schedule currently available to investors.

KENT STREET, Somerville



BRISTOL COMMUNITIES, Fall River and New Bedford



MANAGING A LARGE AND GROWING PORTFOLIO. MHIC now has a portfolio of 82 properties, with almost 5,000 units, representing a gross investment of more than \$330 million. Managing this portfolio is the greatest challenge facing the equity program. In the past year, two new asset management positions have been filled, including the position of Director of Asset Management, bringing the number of asset management staff to five. It is anticipated that the asset management staff will continue to expand in 2000. As noted elsewhere in this report, MHIC has invested heavily this year to improve the technology used to monitor these assets. This improvement in technology will free asset managers to spend more time with general partners in identifying areas for improvement, devising solutions for problems as they arise, and developing long-term strategies for asset enhancement. Another focus of our improved technology is to provide tools and information that will make the reporting tasks of asset management easier for our partners.

EFFECTIVE INVESTMENT STRATEGIES FOR 2000 AND BEYOND. Recognizing the enormous need, the potential resources, and the larger challenge, MHIC's focus for 2000 for its equity program will be on:

- *maximizing the value of a state housing tax credit when it is implemented;*
- *maintaining our competitive advantage in pricing and business terms to attract new business and support our existing customers;*
- *continuing to explore new equity investment opportunities;*
- *expanding and diversifying our investor base; and,*
- *continuing to refine and improve our asset management services.*

We are confident that we are well positioned to succeed on all of these fronts.

Housing Financed

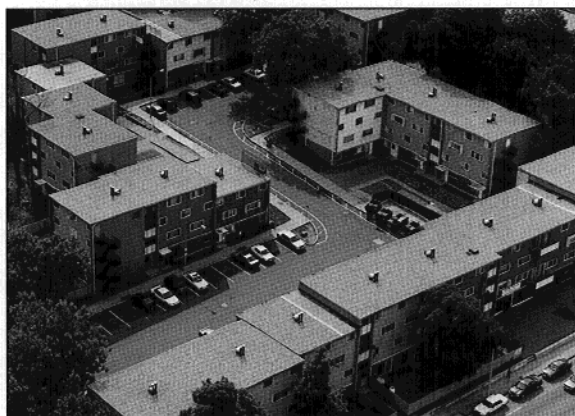
Since 1990, MHIC has committed a total of \$406 million to fund the development of 135 housing projects representing 6,073 units of housing in Massachusetts communities. To date, MHIC's loan program has provided \$168 million to finance 106 projects, and the equity program has provided \$237 million to finance 82 projects. Please see page 19 for a listing of all of the projects financed by MHIC over the past nine years.

The brief project descriptions on the following pages provide an overview of the projects approved or underway during the past year. As you will see, this year MHIC financed a wide range of properties throughout Massachusetts. These projects include housing developments in large cities and small towns, in rural and urban areas – in neighborhoods in Boston, such as Roxbury, and in villages in the western part of the state, such as Turners Falls. MHIC also made its first investment in a commercial property with historic tax credits, Palladio Hall in Roxbury.

ACADEMY HOMES I, ROXBURY

Acquisition and rehabilitation of 202 units of housing in 11 buildings in the Jackson Square area of Roxbury and Jamaica Plain. Urban Edge Housing Corporation and Academy Homes Tenants Council are developing this project. This property was acquired by the sponsors with an acquisition loan of \$2,750,000 and is being rehabbed with an equity investment of \$7,153,559 from MHIC. Closed and under construction.

ACADEMY HOMES I, Roxbury



AUBURN COURT II, CAMBRIDGE

The project will consist of 60 new mixed-income units to be constructed in a cluster of 4 buildings within University Park at MIT in the Cambridgeport neighborhood. Thirty of the 60 units will be tax credit eligible, and 15 will be for moderate-income families. This project represents the second phase of a two-phase affordable housing development at University Park. The project sponsor is Homeowners Rehab, Inc. Equity investment: \$3,906,447. Loan amount: \$5,061,049. Closed and under construction.

BCN PROPERTIES, ROXBURY

This project involves the substantial rehabilitation of 3 properties, Charlame Park Homes II, 25 Nazing Court and 21-23 Center Street, to provide 53 units of housing. The project sponsor is Cruz Development Corporation. Equity investment: \$4,554,749. Closed and under construction.

AUSTIN COURT, NEW BEDFORD

This project consists of the acquisition and substantial renovation of 12 three-bedroom apartments in 6 historic buildings located in the Upper Weld Square neighborhood and within the Acushnet Heights Historic District of New Bedford. It is the first of a four-phase neighborhood revitalization effort. The project sponsor is Hall Keen, LLC. Equity investment: \$615,024. Acquisition loan amount: \$93,000. Construction loan amount: \$688,000. Closed and under construction.

BEACON & OREAD NEIGHBORHOOD REDEVELOPMENT PROJECT, WORCESTER

The project comprises the acquisition and substantial rehabilitation of five abandoned multi-family properties and new construction to create 34 units of affordable rental housing. The project represents a continuation of Main South CDC's ongoing partnership with Clark University (see Freeland Apartments, page 14). Acquisition loan amount: \$409,000. Equity investment: \$3,834,026. Construction loan amount: \$2,600,000. Approved, not yet closed.

BENJAMIN HILL HOMES, SHIRLEY

This project involves the new construction of 9 modular single-family homes for sale to eligible first-time homebuyers in the Town of Shirley and surrounding communities. Rural Housing Improvements, Inc., a regional nonprofit corporation founded in 1969, is the project developer. Loan amount: \$935,000. Closed and under construction.

AUSTIN COURT, New Bedford



BROOK AVENUE, Roxbury



CAMBRIDGE CO-HOUSING, CAMBRIDGE

New construction of a 41-unit co-housing condominium development located in the Porter Square area of Cambridge. This project was developed by Cambridge Co-Housing LLP. The units comprise 12 townhouses and 29 flats. Loan amount: \$6,551,400. Completed and occupied.

CAMERON HOUSE, LENOX

Rehabilitation and construction of property located at the Cameron School in Lenox into 44 affordable assisted living units serving the low-income elderly. The sponsor is Baran Partners, LP. Loan amount: \$2,200,000. Approved, not yet closed.

**BRISTOL COMMUNITIES,
FALL RIVER AND NEW BEDFORD**

Acquisition and rehabilitation of 16 properties by Caleb Clapp of Cushing Development Corporation. A total of 60 units of housing is being created with acquisition financing of \$417,600 and \$5,545,233 of tax credit equity.

These investments closed in June of 1998 and the properties are now being completed and occupied on a phased schedule.

BROOK AVENUE, ROXBURY

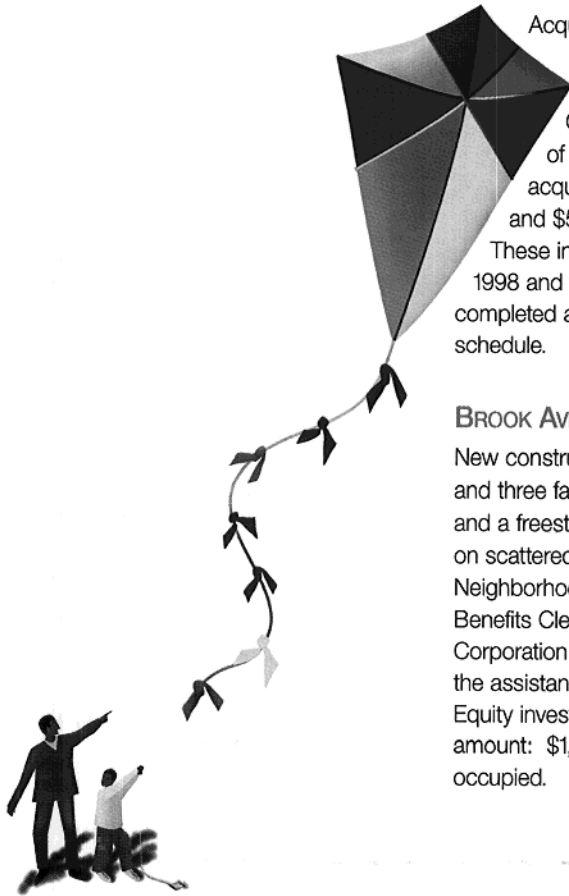
New construction of 36 units in 16 two and three family cooperative homes and a freestanding community building on scattered sites in the Dudley Street Neighborhood Initiative area. Veterans' Benefits Clearinghouse Development Corporation developed this project with the assistance of the Gatehouse Group. Equity investment: \$4,641,299. Loan amount: \$1,938,546. Completed and occupied.

CHESTNUT SQUARE, LOWELL

This project involves the acquisition and rehabilitation of 37 apartments in 9 existing buildings and the new construction of 4 duplex apartments to provide 41 units of affordable housing. The project is located in the Chestnut Square neighborhood of Lowell. The Caleb Foundation, Inc. is the project developer. Acquisition loan amount: \$532,000. Construction loan amount: \$2,934,000. Equity investment: \$3,721,940. Completed and occupied.

**CHESTNUT STREET RESIDENCE,
SPRINGFIELD**

Substantial rehabilitation of an existing YMCA property, developed by the Metropolitan Springfield YMCA, consisting of 104 SRO units. Loan amount: \$1,080,000. Equity investment: \$1,951,766. Completed and occupied.



DERNE STREET SRO, Beacon Hill**CONCORD REALTY TRUST, LOWELL**

This permanent loan provided funds to refinance a 6-unit apartment building on Duane Street, about two miles from downtown Lowell. The sponsor is Concord Realty Trust. Loan amount: \$308,000. Closed and occupied.

CONWELL STREET HOMEOWNERSHIP, PROVINCETOWN

This loan is to fund the acquisition and construction at 35 Conwell Street in Provincetown, as for-sale homes priced at a mix of low and moderate income and market rate. The development will include rehabilitation of an existing single-family residence, the new construction of 11 additional scattered single and multi-family homes and construction of 4 commercial workspaces. The sponsor for this project is Edward Malone. Acquisition loan amount: \$395,250. Construction loan amount: \$1,237,496. Closed and under construction.

CONWELL STREET RENTAL, PROVINCETOWN

This project involves an acquisition loan to fund the acquisition of property located at 32 Conwell Street, Provincetown, for future development of affordable housing. The proposed development will include complete demolition of the existing buildings on the site and construction of 18 affordable rental units. The sponsor is Edward Malone, who is currently seeking an allocation of tax credits in order to begin construction. Acquisition loan amount: \$488,750. Closed.

CORNERSTONE CO-HOUSING, CAMBRIDGE

Acquisition of a 57,000 s.f. parcel of land in North Cambridge and pre-development funding for the construction of a 32-unit co-housing community. The developer is the Cornerstone Co-Housing Builders Group LLP, which is comprised of the member households of the co-housing community. Loan amount: \$1,750,000. Closed.

COUNTRYSIDE VILLAGE APARTMENTS, MARLBOROUGH

The project involves the acquisition and rehabilitation of Countryside Village Apartments, a 118-unit family project built in 1973 under the HUD Section 236 program. The sponsor is Trinity Financial, Inc. Equity investment: \$2,892,177. Approved, not yet closed.

THE CUSHING COMPANIES, FALL RIVER AND NEW BEDFORD

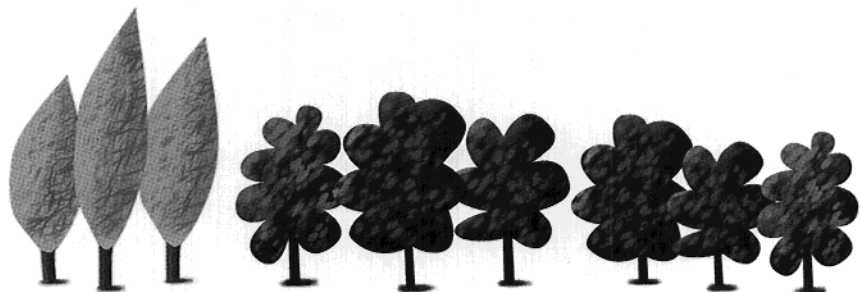
Acquisition and rehabilitation of scattered site properties located in Lawrence, Methuen, Fall River, and New Bedford. The properties consist of 120 units within 22 buildings and represent a large-scale neighborhood revitalization effort spanning over three LIHTC application periods. Acquisition loans: \$1,332,709.

CROCKER & CUTLERY BUILDINGS, TURNERS FALLS

This project involves the acquisition and rehabilitation of two historic buildings to create 60 units of affordable housing and 3,364 square feet of commercial space in the Village of Turners Falls. Franklin County Housing and Redevelopment Authority is the developer. Acquisition and predevelopment loan amounts: \$485,000 and \$110,000, respectively. Closed. Estimated equity amount: \$4,537,095. Under review, not yet approved.

DERNE STREET SRO, BEACON HILL

This project involves an acquisition and construction loan for the moderate rehabilitation of a 17-unit single room occupancy rooming house located on Beacon Hill. The sponsor is James C. Wallace. Loan amount: \$450,000. Completed and occupied.



FREELAND APARTMENTS, WORCESTER

The project involves the acquisition and substantial rehabilitation of 21 units of rental housing in 4 buildings. This project represents one component of Main South CDC's ongoing work to revitalize the Main South neighborhood of Worcester, in conjunction with neighboring Clark University. The two groups have formed the University Park Neighborhood Restoration Partnership. Loan amount: \$845,843. Equity investment: \$968,511. Completed and occupied.

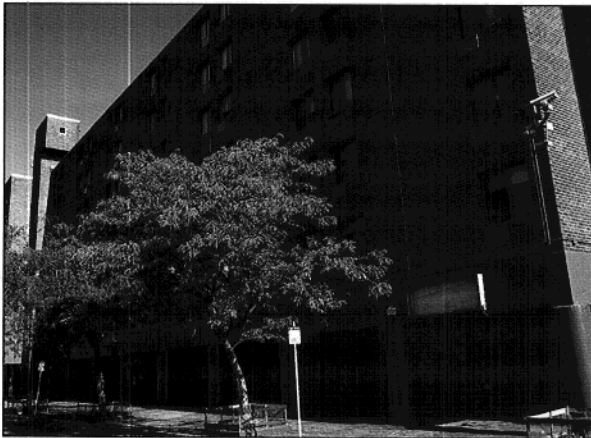
GRANT MANOR, ROXBURY

Grant Manor is part of the Demonstration Disposition Program, a joint HUD-MHFA initiative designed to rehabilitate and sell HUD-foreclosed property to qualified resident-controlled organizations. The property is a 25-year-old mix of 4 townhouses, a mid-rise building, and a high-rise building. The planned renovations, which will provide 179 units of housing, are substantial. An affiliate of the tenants association along with an affiliate of MHIC are the managing general partners for the project. Equity investment: \$7,143,845. Closed and under construction.

HAP, INC., LINE OF CREDIT, SPRINGFIELD

HAP, Inc. is using this revolving line of credit from MHIC to finance new construction and rehabilitation of homeownership properties in Springfield and surrounding communities. HAP, Inc. is a highly regarded nonprofit housing agency serving Hampden and Hampshire counties. All borrowings under the line are being used to finance projects with pre-existing commitments for HOME funds. Line of credit: \$500,000. Closed and under construction.

GRANT MANOR, Roxbury



FREELAND APARTMENTS, Worcester



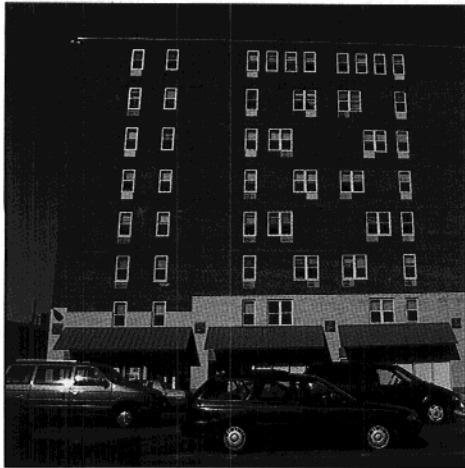
HAMPSHIRE PINE APARTMENTS, HOLYOKE

The project involves the acquisition and rehabilitation of Hampshire Pine Apartments, an existing MHFA "expiring use" property. The project consists of 50 apartments in two buildings located in the Churchill neighborhood of Holyoke. The sponsor of this project is River Valley Properties, Inc. Equity investment: \$1,513,531. Approved, not yet closed.

HARBORLIGHT HOUSE, BEVERLY

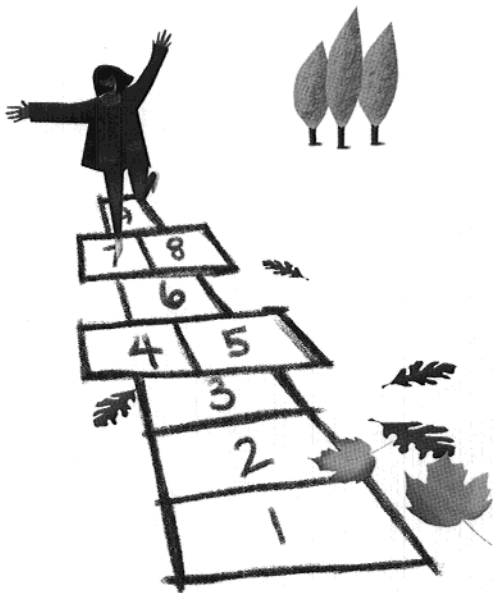
The project involved the substantial rehabilitation of an existing 27-unit congregate care facility located in Monument Square in Beverly to expand its capacity to provide 35 assisted living residences for frail elders. Thirty of the 35 residences are tax credit eligible. The sponsor is First Baptist Church of Beverly, which will continue to operate the facility. Loan amount: \$1,879,046. Equity investment: \$2,309,112. Completed and occupied.

MANDELA HOMES, Roxbury



HOLBORN TERRACE, ROXBURY

This project involves the substantial rehabilitation of a vacant wood-frame structure located in Roxbury. The proposed investment will create 8 family units. The sponsor for this project is the Quincy Geneva Housing Corporation. Equity investment: \$827,019. Approved, not yet closed.



KALIFE APARTMENTS, NEW BEDFORD

The Kalife Apartment project consists of the acquisition and moderate rehabilitation of 36 one-bedroom apartments in 6 physically distressed buildings situated within two blocks of the Upper Weld Square neighborhood. This project represents the third of a four-phase neighborhood revitalization effort. The project sponsor is Hall Keen, LLC. Equity investment: \$735,019. Loan amount: \$900,000. Approved, not yet closed.

KENT STREET, SOMERVILLE

This project consists of the new construction of 40 units of affordable rental housing with supportive services as a long-term solution for helping women and families out of situations of abuse, homelessness, poverty, and emotional distress. The Community Builders, Inc. and Women's Supported Housing and Empowerment, Inc. are the co-sponsors. The project addresses a critical need for service-enriched housing for women who are no longer in crisis, but who still require additional support. Equity investment: \$2,849,434. Completed and occupied.



MANDELA HOMES, ROXBURY

Acquisition and renovation of 276 units in 11 low-and mid-rise brick buildings. Beacon Residential Properties is developing the property in conjunction with the Mandela Residents Cooperative Association. Loan amount: \$6,354,996. Equity investment: \$11,568,726. Completed and occupied.

MELBOURNE STREET, ROXBURY

This project involves a loan for permanent financing of a 9 unit mixed use building. Harold Raymond, Warren Fields, and Carl Hyman are the developers. Loan amount: \$510,000. Completed and occupied.

MOHAWK FOREST, NORTH ADAMS

This project involves the rehabilitation of an existing HUD "expiring use" development consisting of 31 two-story buildings in North Adams. Mohawk Forest provides 190 units for low and moderate-income elderly and family households. The sponsor is the Caleb Foundation. Equity investment: \$2,462,563. Closed and under construction.

PROSPECT ESTATES, Webster



NEIGHBORHOOD HOMES, SPRINGFIELD

This project involves the rehabilitation of 41 two- and three-family homes in the Upper Hill and Bay neighborhoods of Springfield to provide 102 units of affordable housing. The project developers are Better Homes for Springfield, Inc. and Springfield Neighborhood Housing Services, Inc. Loan amount: \$3,077,000. Equity investment: \$3,513,037. Completed and occupied.

PALLADIO HALL, ROXBURY

This project involves the complete renovation and historic restoration of Palladio Hall, a landmark commercial building located in Dudley Square. Palladio Hall will consist of 3 floors of office and retail space offering 11,500 square feet of space for rent. Investment in Palladio Hall is significant for MHIC because it represents the corporation's first investment in a solely commercial property. The sponsor is Nuestra Comunidad Development Corporation. Equity investment: \$541,735. Closed and under construction.

PALUMBO PROPERTIES, FALL RIVER

This project involves a loan to finance the acquisition of 34 units of housing and 3 retail storefronts within 7 multi-family properties in Fall River. The sponsor is Palumbo Properties. Loan amount: \$656,000. Closed.

PERRY STREET, LOWELL

Acquisition and moderate rehabilitation of 18 units in 3 adjacent, three-story walkup buildings, each housing 6 apartments. The sponsor is The Community Builders, Inc. Equity investment: \$1,019,984. Completed and occupied.

PINE HOMES, BROCKTON

This project involves the acquisition and the moderate rehabilitation of Pine Estates II, a 114-unit family project built in 1972 under the HUD Section 236 program. The sponsor for this project is Beacon Residential Properties Limited Partnership. Equity investment: \$2,872,074. Loan amount: \$1,433,993. Approved, not yet closed.

PERRY STREET, Lowell



**PONDVIEW APARTMENTS,
JAMAICA PLAIN**

The project involves an acquisition loan to purchase an expiring use project that consists of 60 apartment units located on Centre Street. The loan will be subordinate to an existing HUD 236 mortgage, and will serve to facilitate the ultimate preservation of this important affordable housing resource. The project sponsor is the Neighborhood Development Corporation of Jamaica Plain. Loan amount: \$2,050,000. Approved not yet closed.

PROSPECT ESTATES, WEBSTER

This project involves the rehabilitation of two buildings of historic importance into 25 units of housing in downtown Webster. The buildings were acquired by the Webster Housing Authority at a foreclosure auction in 1995. The Authority created a subsidiary corporation, Prospect Estates, Inc., to own and rehabilitate the property. Loan amount: \$1,210,000. Equity investment: \$1,383,483. Completed and occupied.



QUADRANGLE COURT, SPRINGFIELD

Substantial rehabilitation of 2 properties, demolition of one building and partial demolition of another. The project provides 33 units of affordable rental housing in the Quadrangle-Armory neighborhood of Springfield. The developer is the Hampden Hampshire Housing Partnership. Equity investment: \$3,544,800. Completed and occupied.

ROXBURY PLACE, ROXBURY

This property consists of 5 rental condominium units and 2 commercial spaces located on Roxbury Street. MHIC provided a \$552,813 permanent loan. Closed and occupied.

TALBOT AVENUE, DORCHESTER

The project represents an acquisition and construction loan for the purchase of a mixed-use building on Talbot Avenue in Dorchester. The building is comprised of 7 residential units and 2 commercial units. The borrower has acquired the property utilizing a combination of funding from the City of Boston's "Hidden Assets" program, and the acquisition loan from MHIC. This loan was closed under the "One Source" program with MHP. Loan amount: \$373,435.

**URBAN EDGE HOMEOWNERSHIP,
ROXBURY**

This project involves 2 construction loans for the acquisition and construction of properties located on Hyde Park Avenue in Roslindale and Westminster Street in Roxbury. Both properties will be marketed to first-time homebuyers. The proposed development will consist of townhouses and duplexes and create a total of 12 units of housing. The sponsor is Urban Edge Housing Corporation. Loan amount: \$1,017,000. Approved, not yet closed.

VALLEY CDC, NORTHAMPTON

This bridge loan funds pre-development costs associated with the moderate rehabilitation of a 15 unit SRO located in Northampton. The project sponsor is the Valley Community Development Corporation. Loan amount: \$125,000. Closed.

QUADRANGLE COURT, Springfield



WAMSUTTA APARTMENTS, NEW BEDFORD

This project involves the moderate rehabilitation of a 78-unit housing complex in 14 buildings located in the Upper Weld Square neighborhood of New Bedford. This project represents the second of a four-phase neighborhood revitalization effort. The project sponsor is Hall Keen, LLC. Equity investment: \$ 1,168,063. Loan amount: \$516,156. Closed and under construction.

WARREN AVENUE, BOSTON

The project involves the acquisition and moderate rehabilitation of a group of 6 Victorian bow-front buildings that included 30 occupied, one-bedroom apartment units in the South End of Boston, all but one of which are tax credit eligible. The development entity represented a joint venture between the Warren Apartments Corporation, a tenant-controlled, non-profit corporation, and Tent City Corporation, working in collaboration to redevelop the project through the financing made available by the federal Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) program. Equity investment: \$1,869,343. Completed and occupied.

WEST CONCORD ASSISTED LIVING, CONCORD

Acquisition of 7.8 acres of land in West Concord and pre-development funding for construction of a 78-unit assisted living facility adjacent to the Assabet and Nashoba Rivers. The project will be developed by Volunteers of America, Inc., a nonprofit human services agency that designs and operates local and national programs for abused and neglected children, homeless people and families at risk. Loan amount: \$1,286,000. Closed.

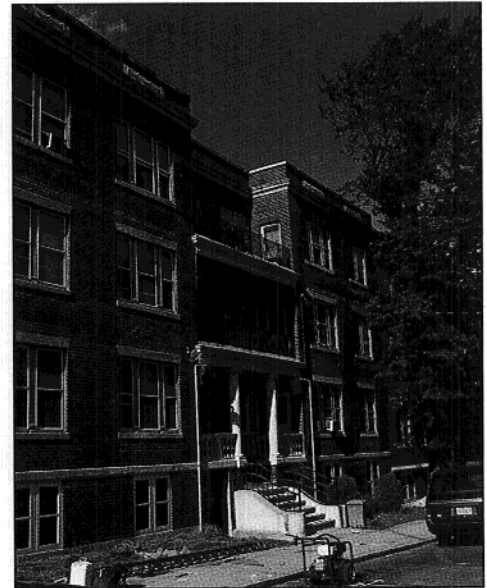
WESTLAND AVENUE APARTMENTS, BOSTON

This project involves the rehabilitation of 20 units of mixed-income rental housing at 71 Westland Avenue near Symphony Hall in Boston. The building is a 4-story brick walk-up with one studio, 8 one bedroom and 11 two bedroom units. Fifteen of the 20 units will be low-income housing tax credit eligible units. The sponsor is the Fenway Community Development Corporation. Equity investment: \$1,509,472. Approved, not yet closed.

WILDER GARDENS APARTMENTS, DORCHESTER

The project involves the substantial rehabilitation and reconfiguration of five apartment buildings to provide 61 units of affordable housing. Dorchester Bay Economic Development Corporation (DBEDC) is the developer of the project. Loan amount: \$4,866,000. Equity investment: \$5,728,035. Completed and occupied.

WILDER GARDENS APARTMENTS, Dorchester



WINDFIELDS SENIOR ESTATES, HADLEY

This project will consist of 80 units of affordable housing for seniors in two new buildings. Each building will have its own community room complete with a kitchen. The sponsor is Amhad Development Corporation, Inc. Loan amount: \$4,600,000. Equity investment: \$4,595,545. Approved, not yet closed.



**MHIC PROJECT INVESTMENT AND
LOAN PIPELINE, CLOSED AND COMMITTED**

PROJECTS	UNITS	LOAN	EQUITY	YEAR CLOSED
1734 Washington Street, Boston	31		\$1,097,500	1990
Langham Court	84		\$4,275,000	1990
Roxbury Corners, Boston	54		\$3,575,000	1990
VBC, Boston	30		\$3,360,000	1990
Brooks School, Boston	56		\$4,030,000	1991
Ridgewood Village, Chicopee	50	\$1,177,500		1991
Waterford Place, Boston	40		\$2,000,000	1991
604 Massachusetts Avenue, Boston	5	\$380,000		1992
800 Main Street, Worcester	5	\$175,000		1992
Dorchester Bay Buildable Lots, Boston	12	\$730,000		1992
Hyde Square Co-op, Boston	41	\$1,200,000	\$3,430,000	1992
Jacob's Place, Dorchester	30	\$952,000		1992
North Hill Homes, Westborough	23	\$1,700,000		1992
Oakwood Senior Estates, Swansea	120	\$3,960,000		1992
Parmelee Court, Boston	74		\$2,800,000	1992
South City, Holyoke	66		\$3,125,000	1992
Stony Brook Gardens, Boston	50	\$1,900,000	\$4,942,000	1992
123 Crawford Street SRO, Boston	17	\$441,000		1993
326 Shawmut Ave. SRO, Boston	11	\$301,500		1993
Alexander Magnolia Co-op, Boston	38	\$1,000,000	\$4,630,500	1993
Beaver Apartments, Worcester	26		\$675,000	1993
Cortes Street, Boston	48		\$1,300,000	1993
Daly House SRO, Roxbury	19	\$450,000		1993
Fr. Walter J. Martin Homes, Boston	34	\$1,600,000	\$4,335,694	1993
Lopes Buildable Lots, Boston	4	\$298,300		1993
Lucerne Gardens, Boston	45		\$3,490,000	1993
Parkview SRO, Boston	63	\$1,195,000	\$1,451,000	1993
Pomeroy Lane, Amherst	25		\$1,436,000	1993
Prang Estates, Roxbury	33	\$1,199,368	\$2,365,000	1993
41 Berkeley Street, Lawrence	38	\$287,200		1994
Arch Project, Roxbury	75	\$1,930,000		1994
Building 104, Boston	46		\$5,330,000	1994
Cherry Hill, Amherst	32	\$2,801,405		1994
Depot Crossing, Wareham	32		\$903,477	1994
Grinnell Mansion, New Bedford	17		\$920,000	1994
JT Housing, Dorchester	12	\$405,000		1994
Kendall SRO, Chicopee	44		\$781,500	1994
Lawrence YMCA SRO, Lawrence	73	\$1,660,000	\$1,438,909	1994
Merriam Village, Weston	32	\$2,691,204		1994
Oak Terrace, Boston	88	\$2,983,700	\$6,400,000	1994
Stafford Heights, Roxbury	41	\$3,100,000	\$4,513,295	1994
Tapley School, Springfield	30	\$1,557,850	\$3,003,700	1994
Bancroft Apartments, J.P.	45	\$1,390,679	\$1,979,322	1995
Burbank Street Apartments, Boston	35	\$1,946,015	\$2,227,597	1995
Cambridge Community Properties	59	\$3,150,000	\$1,914,976	1995
Fairfield Properties, Boston	30		\$1,470,771	1995
Florida Street, Dorchester	7	\$290,000		1995
I & R Group Homes II, Peabody, Danvers	12	\$610,000		1995
I&R Group Homes III, N. Andover, Peabody	8	\$410,500		1995

**MHIC PROJECT INVESTMENT AND
LOAN PIPELINE, CLOSED AND COMMITTED**

(c o n t i n u e d)

PROJECTS	UNITS	LOAN	EQUITY	YEAR CLOSED
Kenwyn Apartments, Springfield	27	\$940,000	\$1,062,259	1995
Nueva Vida Apartments, South Holyoke	24	\$900,000	\$1,398,288	1995
South Canal Apartments, South Holyoke	127	\$1,215,000	\$3,196,659	1995
Symphony Apartments, Springfield	24	\$1,067,834	\$1,929,203	1995
33 Bow Street, Somerville	18	\$1,477,376	\$1,440,150	1996
Cohen Florence Levine Estates, Chelsea	69	\$2,858,032	\$3,681,425	1996
Commerce Apartments, Roxbury	60	\$3,965,721		1996
Danube Associates, J.P., Roxbury, Dorchester	65	\$2,180,000		1996
Gardner Crawford Thane, Roxbury	64	\$832,023	\$1,197,044	1996
Huntington House, Boston	88	\$3,137,105	\$5,501,207	1996
Infill 2, Boston	13	\$813,083	\$1,165,134	1996
Marian Street Duplexes, Framingham	28	\$1,206,000		1996
Memorial Parish House, Springfield	23		\$1,801,557	1996
Sargent Prince SRO, Roxbury	29	\$1,133,575	\$1,580,314	1996
Uphams Corner, Dorchester	36	\$3,752,015	\$3,596,969	1996
Winter Gardens, Weston	61	\$2,186,667		1996
275 River Street, Cambridge	6	\$655,000		1997
Cabot Street House, Beverly	45	\$1,117,000	\$2,066,106	1997
Cabotville Common, Chicopee	38	\$1,905,000	\$2,040,340	1997
Cambridge Co-Housing, Cambridge	41	\$6,551,400		1997
Ceylon Field Apartments, Dorchester	62	\$4,467,894	\$5,480,000	1997
Chestnut Square, Lowell	41	\$3,466,000	\$3,721,940	1997
Chestnut-Marlboro-Grove, Chelsea	43	\$1,808,796	\$2,599,546	1997
Cleaves Court Apartments, Roxbury	36		\$861,509	1997
Garfield Place, Cambridge	8	\$1,072,000		1997
Chestnut Street Residence, Springfield	104	\$1,080,000	\$1,951,766	1997
Kent Street, Somerville	40		\$2,849,434	1997
Mandela Homes, Roxbury	276	\$6,354,996	\$11,568,726	1997
New Port Antonio Apartments, Roxbury	227	\$5,730,000	\$4,054,662	1997
New South St. Apts., Northampton	18	\$1,085,180	\$1,262,071	1997
Perry Street, Lowell	18		\$1,019,984	1997
Quadrangle Court, Springfield	33		\$3,544,800	1997
Savin/Creston, Roxbury and Dorchester	26	\$2,255,701	\$2,675,322	1997
Triangle Rental Apartments, Lowell	36	\$1,901,512	\$2,414,788	1997
Union Rand SRO, N. Adams	41	\$400,000		1997
Voces de Esperanza, Holyoke	36	\$2,039,619	\$3,053,735	1997
Westminster Court Apartments, Roxbury	70	\$871,935	\$3,260,731	1997
New Port Antonio Apartments 2, Roxbury	-	\$1,862,567		1997
Commerce Apartments 2, Roxbury	-	\$638,188		1997
Academy Homes I, Roxbury	202	\$2,750,000	\$7,153,559	1998
Auburn Court II, Cambridge	60	\$5,061,049	\$3,906,447	1999
Austin Court, New Bedford	12	\$786,000		1999
BCN Properties, Roxbury	53		\$4,554,749	1999
Beacon & Oread, Worcester	34	\$2,600,000	\$3,834,026	2000
Benjamin Hill Homes, Shirley	9	\$935,000		1998
Bristol Communities, Fall River & New Bedford	60	\$417,600	\$5,545,233	1998
Brook Avenue, Roxbury	36	\$1,938,546	\$4,641,299	1998

**MHIC PROJECT INVESTMENT AND
LOAN PIPELINE, CLOSED AND COMMITTED**

(c o n t i n u e d)

PROJECTS	UNITS	LOAN	EQUITY	YEAR CLOSED
Cameron House, Lenox	44	\$2,200,000		1999
Commerce 3, Roxbury	-	\$500,000		1998
Concord Realty Trust, Concord	6	\$308,000		1999
Conwell Street Homeownership, Provincetown	12	\$1,632,746		1999
Conwell Street Rental, Provincetown	12	\$488,750		1999
Cornerstone Village Co-Housing, Cambridge	32	\$1,750,000		1998
Countryside Village Apartments, Marlborough	118		\$2,892,177	1999
Crocker & Cutlery Buildings, Turners Falls	60	\$595,000		1999
Cushing Companies, Fall River & New Bedford	120	\$1,332,709		1998
Derne Street SRO, Beacon Hill	17	\$450,000		1999
Freeland Apartments, Worcester	21	\$845,843	\$968,511	1998
Grant Manor, Roxbury	179		\$7,143,845	1998
Hampshire Pine Apartments, Holyoke	50		\$1,513,531	1999
HAP Line of Credit, Springfield	14	\$500,000		1999
Harborlight House, Beverly	27	\$1,879,046	\$2,309,112	1998
Holborn Terrace, Roxbury	8		\$827,019	2000
Hubbard Trust, Cambridge	7	\$415,000		1998
I&R IV, Peabody/Newburyport	8	\$380,000		1998
Kalife Apartments, New Bedford	36	\$900,000	\$735,019	1999
Melbourne Street, Roxbury	9	\$510,000		1999
Mohawk Forest, North Adams	190		\$2,462,563	1999
Neighborhood Homes, Springfield	102	\$3,077,000	\$3,513,037	1998
Palladio Hall, Roxbury	N/A		\$541,735	1998
Palumbo Properties, Fall River	34	\$656,000		1999
Pine Homes, Brockton	114	\$1,433,993	\$2,872,074	1999
Pondview Apartments, Jamaica Plain	60	\$2,050,000		1999
Prospect Estates, Webster	25	\$1,210,000	\$1,383,483	1998
Rourke Realty, Brighton	13	\$529,000		1998
Roxbury Place, Roxbury	5	\$734,813		1999
Talbot Ave, Dorchester	7	\$373,435		1999
Urban Edge Homeownership, Hyde Park	8	\$621,000		1999
Urban Edge Homeownership, Westminster	4	\$396,000		1999
Valley CDC, Northampton	15	\$125,000		1999
Wamsutta Apartments, New Bedford	78	\$516,156	\$1,168,063	1999
Warren Avenue, Boston	30		\$1,869,343	1998
West Concord Assisted Living, Concord	78	\$1,286,000		1998
Westland Avenue, Boston	20		\$1,509,472	2000
Wilder Gardens, Dorchester	61	\$4,866,000	\$5,728,035	1998
Windfields Senior Estates, Hadley	80	\$4,600,000	\$4,595,545	1999
Totals	6,073	\$168,450,126	\$237,459,821	

**SUMMARY OF CORPORATE COMMITMENTS
AND AMOUNTS INVESTED**

The member banks and corporate investors participating in MHIC have collectively committed \$383 million to finance affordable housing developments. The current status of these commitments is outlined in the following table.

(Note: all figures are in \$1,000's)

MEMBER CORPORATION*	LOAN PROGRAM		EQUITY PROGRAM		OVERALL TOTAL	
	Capitalized	Approved/ Closed	Capitalized	Approved/ Closed	Total Commitment	Approved/ Closed
Fleet Bank	20,500	66,059	71,829	68,566	92,329	134,625
BankBoston	21,000	67,670	70,875	68,424	91,875	136,094
State Street Bank and Trust Co.	4,600	14,823	49,284	46,833	53,884	61,656
Freddie Mac			51,970	48,287	51,970	48,287
Boston Safe Deposit and Trust Co.			27,773	27,367	27,773	27,367
Citizens Bank	750	2,417	11,639	10,406	12,389	12,823
Fannie Mae			10,681	10,681	10,681	10,681
PNC Bank	1,500	4,834	6,399	6,399	7,899	11,232
Eastern Bank			5,680	4,868	5,680	4,868
UStTrust	1,000	3,222	4,058	4,058	5,058	7,280
First Massachusetts Bank			2,840	2,840	2,840	2,840
Boston Private Bank & Trust Co.	300	967	2,130	1,405	2,430	2,372
Compass Bank			1,595	1,595	1,595	1,595
Wainwright Bank	600	1,933			600	1,933
Fall River Five Cents Savings Bank			568	568	568	568
United States Trust Company	225	725	220	220	445	945
Boston Bank of Commerce	250	806	179	179	429	984
Hyde Park Savings	250	806	55	55	305	860
TeleCom Cooperative Bank	300	967			300	967
Capital Crossing Bank	250	806			250	806
First Trade Union Bank	250	806			250	806
SIS Bank	250	806			250	806
Stoneham Savings Bank	250	806			250	806
Other Banks*			308	308	308	308
Bell Atlantic*			3,390	3,390	3,390	3,390
Houghton Mifflin*			3,133	3,133	3,133	3,133
Prudential*			2,993	2,993	2,993	2,993
Philip Morris*			1,500	1,500	1,500	1,500
Gillette*			910	910	910	910
John Hancock*			830	830	830	830
Total	52,275	168,450	330,837	315,813	383,112	484,263

*Includes non-member corporations (indicated by asterisk) who have invested in projects financed through MHIC.

Note: Under the Equity Program, the Approved/Closed amount is the gross investment and includes net investment in projects, bridge loan interest, reserves, and fees.

Finances of the Corporation

The Corporation is designed to be self-supporting, covering its expenses with revenue from its two main programs. The Corporation completed its ninth year of operation with a surplus of income over expenses. The attached consolidated financial statements provide additional detail of the Corporation's finances.

In February 1993, the Corporation secured approval from the Internal Revenue Service (IRS) of its status as a 501(c)(3) charitable non-profit corporation.

Under the Loan Program, the corporation earns an interest rate spread of 1% to 1.5%. To support the finances of the Corporation, participating corporations accept a lower return of interest on invested loan balances.

The Corporation has allocated \$275,000 for a reserve against potential future loan losses. A Credit Review Committee comprised of senior officers from member corporations have reviewed the Corporation's portfolio of loans, affirmed the risk rating of each loan, and concluded that there was no need to establish any reserves for specific credits. The Corporation has not experienced any loan losses during its nine years of operation.

Under the Equity Program, MHIC earns fees by providing services to equity funds (limited partnerships structured for investment in low-income housing projects) that it syndicates through its wholly owned subsidiary, Massachusetts Housing Equity Fund, Inc. (MHEF). The services that corporation provides include organization, syndication, underwriting, and long-term asset management and partnership administration, all of which are collectively referred to as investment services. The fees that the corporation receives for these investment services are determined and paid according to an investment and management agreement established for each equity fund. In addition to fees derived from investment services, the corporation charges the low-income housing projects that comprise the funds for construction monitoring services, and receive investor-servicing fees that relate to contractual agreements established prior to MHEF. As of June 30, 1999, MHIC has capitalized MHEF in the amount of \$2,187,044.

R E P O R T O F I N D E P E N D E N T A U D I T O R S

Board of Directors
The Massachusetts Housing Investment Corporation

We have audited the accompanying consolidated balance sheets of the Massachusetts Housing Investment Corporation (the Corporation) as of June 30, 1999 and 1998, and the related consolidated statements of revenues and expenditures, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

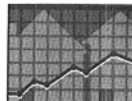
We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Massachusetts Housing Investment Corporation at June 30, 1999 and 1998, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating balance sheets and statements of revenues and expenditures are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst & Young LLP

Boston, Massachusetts
September 30, 1999



C O N S O L I D A T E D B A L A N C E S H E E T S

	June 30	
	1999	1998
A S S E T S		
Cash	\$ 446,192	\$ 366,900
Loan fund:		
Project loans, net of allowance for loan losses of \$275,000 and \$250,000 in 1999 and 1998, respectively	15,616,672	5,883,630
Money market deposits at member corporations	36,383,328	47,341,370
Total loan fund	52,000,000	53,225,000
Loan guarantee fund:		
Loan guarantee funds on deposit	79,214	30,101
Loan guarantee loans	6,167,195	4,813,611
Total loan guarantee fund	6,246,409	4,843,712
Notes receivable	7,612,332	6,911,012
Amounts receivable and other assets	865,383	1,015,218
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$510,391 and \$378,434 in 1999 and 1998, respectively	263,695	320,300
Total assets	\$67,434,011	\$66,682,142
 L I A B I L I T I E S A N D N E T A S S E T S		
Liabilities:		
Notes payable to member corporations	\$ 52,275,000	\$ 53,475,000
Notes payable — loan guarantee program	6,051,173	4,839,562
Unearned fees	6,629,015	6,531,991
Accrued interest and other liabilities	636,667	645,433
Total liabilities	65,591,855	65,491,986
Net assets	1,842,156	1,190,156
Total liabilities and net assets	\$67,434,011	\$66,682,142

See accompanying notes to consolidated financial statements.

C O N S O L I D A T E D S T A T E M E N T S O F
R E V E N U E S A N D E X P E N D I T U R E S

	Year ended June 30	
	1999	1998
R E V E N U E S		
Interest revenue:		
Interest on deposits	\$ 1,403,507	\$ 1,473,303
Interest on project loans	1,472,492	1,458,405
Total interest revenue	<u>2,875,999</u>	<u>2,931,708</u>
Interest expense on notes payable	(1,938,724)	(2,139,673)
Net interest revenue before provision for loan losses	937,275	792,035
Provision for loan losses	(25,000)	(25,000)
Net interest revenue after provision for loan losses	<u>912,275</u>	<u>767,035</u>
Equity program revenue:		
Fees related to MHEF limited partnerships	3,043,928	3,212,152
Other equity program fees	44,778	42,979
Total revenues	<u>4,000,981</u>	<u>4,022,166</u>
 E X P E N D I T U R E S		
Salaries and employee benefits	2,164,170	1,907,993
Occupancy, equipment and furniture	383,899	350,318
Professional services	468,379	483,335
Other expenditures	647,533	595,759
Total expenditures	<u>3,663,981</u>	<u>3,337,405</u>
 Excess of revenues over expenditures before extraordinary item	 337,000	 684,761
Extraordinary item		
Gain on extinguishing of debt	315,000	
Excess of revenues over expenditures	<u>652,000</u>	<u>684,761</u>
 Net assets at beginning of year	 <u>1,190,156</u>	 <u>505,395</u>
Net assets at end of year	<u>\$ 1,842,156</u>	<u>\$ 1,190,156</u>

See accompanying notes to consolidated financial statements.

C O N S O L I D A T E D S T A T E M E N T S O F C A S H F L O W S

	Year ended June 30	
	1999	1998
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 652,000	\$ 684,761
Adjustments to reconcile excess of revenues over expenditures to net cash provided by (used for) operating activities:		
Extraordinary gain on extinguishing of debt	(315,000)	
Provision for loan losses	25,000	25,000
Depreciation and amortization expense	131,957	87,945
Decrease (increase) in amounts receivable and other assets	149,835	(72,356)
Decrease in unearned fees	(1,338,965)	(1,336,208)
(Decrease) increase in accrued interest and other liabilities	(8,766)	191,943
Total adjustments	<u>(1,355,939)</u>	<u>(1,103,676)</u>
Net cash used for operating activities	(703,939)	(418,915)
INVESTING ACTIVITIES		
Project loan advances	(25,922,980)	(23,892,446)
Project loan repayments	16,164,938	27,244,609
(Increase) decrease to loan guarantee funds on deposit	(49,113)	5,163,373
Decrease (increase) in money market deposits at member corporations	10,958,042	(3,402,163)
Loan guarantee advances	(1,842,750)	(6,950,615)
Loan guarantee repayments	489,166	2,137,004
Payments received on notes receivable	734,669	1,020,613
Purchases of furniture, equipment and leasehold improvements	(75,352)	(302,228)
Net cash provided by (used for) investing activities	456,620	1,018,147
FINANCING ACTIVITIES		
Proceeds from notes payable to member corporations		250,000
Amortization of notes payable to member corporations	(885,000)	(200,000)
Proceeds from notes payable to loan guarantee lenders	1,370,813	1,295,000
Payments of notes payable to loan guarantee lenders	(159,202)	(1,648,912)
Net cash provided by (used for) financing activities	326,611	(303,912)
Net increase in cash	79,292	295,320
Cash at beginning of year	366,900	71,580
Cash at end of year	<u>\$ 446,192</u>	<u>\$ 366,900</u>
Supplemental information:		
Unearned fees recorded in exchange for notes receivable	<u>\$ 823,200</u>	<u>\$ 2,200,458</u>
Cash paid for interest	<u>\$ 1,890,646</u>	<u>\$ 1,624,149</u>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BACKGROUND AND ACCOUNTING POLICIES

Purpose

On July 1, 1990, the Massachusetts Housing Investment Corporation (MHIC) was formally established as a Massachusetts-chartered, Chapter 180, not-for-profit corporation. MHIC's mission is to pool the resources of Massachusetts lenders and investors to improve and expand the financing of affordable housing throughout the state. In 1990, MHIC established a loan pool which provides loans for affordable housing on a statewide basis to not-for-profit as well as for-profit developers. Prior to January 1994, MHIC also managed a program that provided assistance to member corporations in underwriting low-income housing tax credit investments. In June 1993, MHIC established a wholly owned subsidiary, Massachusetts Housing Equity Fund, Inc. (MHEF), which is the General Partner of five limited partnerships (the Partnerships) structured for investment in low-income housing projects (Operating Partnerships) in Massachusetts.

Principles of Consolidation

The consolidated financial statements include the accounts of MHIC and its wholly owned subsidiary, MHEF. All significant inter-company transactions and balances have been eliminated in consolidation.

MHEF

MHIC has capitalized MHEF in the amount of \$2,187,044. MHEF, as general partner of the aforementioned Partnerships, has an interest (that ranges between .01% and 1% for a given Partnership) in their respective profits, losses, and distributions. MHEF accounts for its investment in the Partnerships using the equity method. Under the equity method, the investments are carried at cost and adjusted for MHEF's share of income or loss from the Partnerships, additional investments, and cash distributions.

Pursuant to the terms of the Partnership Agreements, the Partnerships, as limited partners in the various Operating Partnerships, have no obligation to the fund liabilities of the Operating Partnerships beyond its investment, including committed investment amounts. Consequently, MHEF does not include its share of cumulative losses from the Operating Partnerships if it results in its investment in a given Partnership being carried below zero. To the extent that equity losses are incurred when a Partnerships' respective asset values have been reduced to a zero balance, the losses will be suspended to be offset against future income.

The Partnerships, as limited partners in the various Operating Partnerships, are subject to risks inherent in the ownership of property which are beyond its control, such as fluctuations in occupancy rates and operating expenses, variations in rental schedules, proper maintenance of facilities and continued eligibility of tax credits. If the cost of operating a property exceeds the rental income earned thereon, the Partnership, or MHEF acting independently as an investor, may deem it in its best interest to voluntarily provide funds in order to protect its investment.

At June 30, 1999 and 1998, the Partnerships have combined total assets of \$103,838,520 and \$85,127,208, respectively, and combined cumulative deficits of \$28,973,453 and \$15,870,456, respectively.

Accrual Basis

The consolidated financial statements of MHIC have been prepared on an accrual basis.

Project Loans and Allowance for Possible Project Loan Losses

Loans are stated at the amount of unpaid principal, net of the allowance for loan losses. Interest on project loans is recognized as income by applying the interest rates to the principal amount outstanding. An allowance for project loan losses is maintained based upon the evaluation of the risks associated with the outstanding loan pool. Any losses or recoveries subsequently realized are charged or credited to the allowance.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is computed by the straight-line method using rates based on estimated useful lives.

Revenue Recognition for Fees Related to MHEF Limited Partnerships

The Partnerships have contracted with MHIC to provide broad services that include organization, syndication, underwriting, long-term asset management and partnership administration. The fees for syndicating and organizing the Partnerships are recognized when syndication is substantially complete. The fees for underwriting investments are recognized according to the percentage of work complete. The fees for asset management and partnership administration are recognized evenly over the life of the Partnerships (estimated to be approximately 15 years). In addition, MHIC monitors the construction process for the project investments in the various Partnerships. The fee for this service is paid by the project's sponsor and is recognized over the estimated construction period. During 1999 and 1998, MHIC recognized fees of approximately \$3,044,000 and \$3,212,000, respectively, for services provided and costs incurred in connection with the formation and operations of the Partnerships.

Income Tax Status

In February 1993 MHIC was granted tax-exempt status as a 501(c)(3) corporation under federal tax law. MHEF is a for-profit corporation and therefore is subject to federal and state income taxes.

Use of Estimates

Financial statements prepared in accordance with generally accepted accounting principles require the use of significant management estimates which affect the amounts and disclosures recorded in the financial statements. Actual results may differ from those estimates.

2. PROJECT LOANS

MHIC provides loans for the development of affordable housing throughout Massachusetts.

Project loan activity was as follows:

	1999	1998
Beginning balance	\$ 6,133,630	\$ 9,485,793
Loan disbursements	25,922,980	23,892,446
Loan repayments	<u>(16,164,938)</u>	<u>(27,244,609)</u>
Project loans outstanding	15,891,672	6,133,630
Allowance for loan losses	<u>(275,000)</u>	<u>(250,000)</u>
Project loans, net	\$ 15,616,672	\$ 5,883,630

Project loans earn a variable rate (that ranges from 8.25% to 12%) of interest pursuant to MHIC's established loan policy and are secured by the underlying real estate. In certain instances, the primary repayment of these loans will be received from the equity syndication payments provided to the project by the MHEF limited partnerships tax credit equity investment program. At June 30, 1999 and 1998, MHIC had no delinquent or non-performing project loans and there have been no charge-offs recorded to date.

3. LOAN GUARANTEE PROGRAM

Under the loan guarantee program, MHIC utilizes its loan pool as collateral to provide guarantees for loans made by other parties or to obtain fixed-rate funding for loans that it directly originates. MHIC offers two products under the program. The first product (the "Third Party" product) is a project loan guarantee, whereby MHIC administers construction loans for third parties, and assumes the construction period risk by guaranteeing repayment of the loan. Such transactions are treated as off-balance sheet liabilities and therefore not presented in the body of the financial statements. The second product (the "Direct" product) consists of direct loans made by MHIC, where its loan pool is used as collateral to secure funding, which is then advanced to borrowers. The corresponding borrowing to fund such loans are invested in short-term government backed securities until the funds are advanced.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)

3. LOAN GUARANTEE PROGRAM (CONTINUED)

Loan guarantee activity was as follows:

	1999			1998		
	Third Party	Direct	Total	Third Party	Direct	Total
Beginning balance - loans	\$ 0	\$4,813,611	\$4,813,611	\$3,965,721	\$ 0	\$3,965,721
Loan disbursements	0	1,842,750	1,842,750	0	6,950,615	6,950,615
Loan repayments	0	(489,166)	(489,166)	(3,965,721)	(2,137,004)	(6,102,725)
Loans outstanding	<u>\$ 0</u>	<u>\$6,167,195</u>	<u>\$6,167,195</u>	<u>\$ 0</u>	<u>\$4,813,611</u>	<u>\$4,813,611</u>

4. NOTES PAYABLE TO MEMBER CORPORATIONS

MHIC funds a loan pool through unsecured notes issued to member corporations pursuant to a Master Membership Agreement. Under this agreement, all note proceeds not currently being used to fund projects are to be deposited in interest-bearing deposit accounts at their respective lending institutions. Note proceeds not currently being used to fund projects accrue interest at 1% less than the annual interest rate earned on the interest-bearing deposit accounts. All proceeds lent to projects bear interest at the prime rate less 1%. At June 30, 1999 and 1998, the average rate paid by MHIC for proceeds lent to projects was 6.75% and 7.5%, respectively. For the years ended June 30, 1999 and 1998, interest expense paid to member corporations totaled approximately \$1,686,000 and \$1,864,000, respectively. These notes are renewable annually. If the notes are not renewed, they require no principal amortization for five years and then amortize over a subsequent five-year period at an amount equal to the stated amount of the note less the member's pro rata share of unfunded losses. At June 30, 1999 and 1998, outstanding borrowings under these agreements totaled \$52,275,000 and \$53,475,000, respectively.

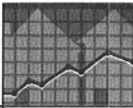
5. NOTES PAYABLE - LOAN GUARANTEE PROGRAM

MHIC obtained a discretionary revolving line of credit of \$2,500,000 that it utilizes as a source of fixed-rate funding. A separate note evidences each advance under this line of credit and accrues interest at a rate of 70 basis points above the 5-year treasury note in effect at the time of the advance. At June 30, 1999 and 1998, borrowings under the line totaled \$2,099,929 and \$791,934, respectively. In addition, MHIC has other borrowings, \$3,951,244 and \$4,047,627 at June 30, 1999 and 1998, respectively. These borrowings have been used to fund the loan guarantee program (see note 3, loan guarantee program).

6. NOTES RECEIVABLE AND UNEARNED FEES

Notes receivable represent the present value (using effective interest rates that range from 8% to 9%) of future cash payments that will be received by MHIC from the MHEF partnerships for asset management and other services it will provide to the Partnerships, as specified in the Partnership Agreements. At June 30, 1999 and 1998, notes receivable included accrued interest of \$447,814 and \$245,376, respectively.

Unearned equity fees reflect MHIC's obligation to provide future services to the Partnerships as consideration for the aforementioned notes receivable. These services include underwriting investments, long-term asset management and partnership administration. This obligation is reduced as services are provided, according to the revenue recognition methodology associated with the particular service (see note 1, revenue recognition). At June 30, 1999 and 1998, unearned equity fees were \$6,305,144 and \$5,844,320, respectively.



7. COMMITMENTS

At June 30, 1999 and 1998, MHIC had unfunded commitments to originate loans of \$6,965,221 and \$21,983,842, respectively. These commitments have been established pursuant to MHIC's loan policy.

8. LEASES

MHIC leases its facilities and certain furniture and equipment under operating leases which expire over future periods and require various minimum rental payments. Future minimum payments, by year and in aggregate, under these non-cancelable operating leases consist of the following at June 30, 1999:

2000	\$ 240,899
2001	249,758
2002	252,711
2003	64,963
Total	\$ 808,321

MHIC incurred lease expenses associated with office space and equipment of \$255,076 and \$239,722 in 1999 and 1998, respectively.

9. EMPLOYEE BENEFIT PLAN

As a tax-exempt 501(c)(3) corporation, MHIC established a noncontributory, defined contribution plan under Section 401(a) of the Internal Revenue Code covering all full-time employees. The only source of contributions under the Plan is the annual employer contribution. The employer contribution is based upon a percentage of employee salary. MHIC contributed and charged to expense approximately \$87,000 and \$80,000 in 1999 and 1998, respectively.

10. GAIN ON EXTINGUISHING OF DEBT

Workingman's Cooperative Bank, a member corporation in MHIC's loan fund, filed for bankruptcy in 1993. MHIC negotiated the repayment of the loan fund proceeds with the Federal Deposit Insurance Corporation (FDIC). The original note between Workingman's Cooperative Bank and MHIC was for \$1,000,000. During 1999, MHIC paid \$685,000 to the FDIC in full settlement to extinguish the debt while recognizing a \$315,000 extraordinary gain. The transaction resulted in a \$1,000,000 reduction in the loan fund.

11. IMPACT OF YEAR 2000 (UNAUDITED)

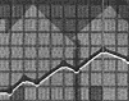
In general, without particular reference to MHIC, certain older computer programs were written using two digits rather than four to define the applicable year. As a result, those computer programs have time-sensitive functions that recognize a date using "00" instead of the year 2000 (the "Year 2000 Issue"). This could result in a system failure or miscalculations that led to disruption of operations, including, among other things, a temporary inability to process transactions or engage in other normal business activities.

MHIC has completed an initial assessment of the Year 2000 Issue and will modify or replace portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. MHIC believes that these modifications to existing software and conversions to new software will be sufficient, and that the Year 2000 Issue will not pose significant operational problems for its computer systems. This assessment is based on MHIC's best estimates, and actual results could differ materially from those anticipated. In addition, there is no guarantee that the systems of other companies on which MHIC's systems rely will be converted timely and would not have an adverse effect on the company.

OTHER FINANCIAL INFORMATION
CONSOLIDATING BALANCE SHEETS

	June 30, 1999			
	MHIC	MHEF	Elimination	Consolidated
ASSETS				
Cash	\$ 297,769	\$ 148,423	\$	\$ 446,192
Loan fund:				
Project loans, net of allowance for loan losses of \$275,000	15,616,672			15,616,672
Money market deposits at member corporations	36,383,328			36,383,328
Total loan fund	52,000,000			52,000,000
Loan guarantee fund:				
Loan guarantee funds on deposit	79,214			79,214
Loan guarantee loans	6,167,195			6,167,195
Total loan guarantee fund	6,246,409			6,246,409
Investment in MHEF	2,223,603		(2,223,603)	
Notes receivable	7,612,332			7,612,332
Amounts receivable and other assets	865,084	299		865,383
Due from parent		2,074,881	(2,074,881)	
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$510,391	263,695			263,695
Total assets	<u>\$69,508,892</u>	<u>\$2,223,603</u>	<u>\$(4,298,484)</u>	<u>\$67,434,011</u>
 LIABILITIES AND NET ASSETS				
Liabilities:				
Notes payable to member corporations	\$52,275,000			\$52,275,000
Notes payable — loan guarantee program	6,051,173			6,051,173
Due to subsidiary	2,074,881		(2,074,881)	
Unearned fees	6,629,015			6,629,015
Accrued interest and other liabilities	636,667			636,667
Total liabilities	67,666,736		(2,074,881)	65,591,855
Net assets	1,842,156	2,223,603	(2,223,603)	1,842,156
Total liabilities and net assets	<u>\$69,508,892</u>	<u>\$2,223,603</u>	<u>\$(4,298,484)</u>	<u>\$67,434,011</u>

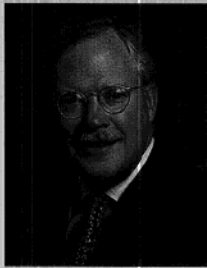
See accompanying notes to consolidated financial statements.



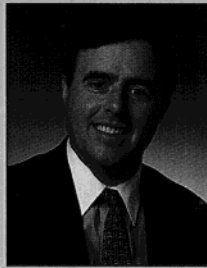
OTHER FINANCIAL INFORMATION
CONSOLIDATING STATEMENT OF REVENUES AND EXPENDITURES

	Year ended June 30, 1999			
	MHIC	MHEF	Elimination	Consolidated
REVENUES				
Interest revenue:				
Interest on bank deposits	\$ 1,403,507	\$	\$	\$ 1,403,507
Interest on project loans	1,455,252	17,240		1,472,492
Total interest revenue	2,858,729	17,240		2,875,999
Interest expense on notes payable	(1,938,724)			(1,938,724)
Net interest revenue before provision for loan losses	920,035	17,240		937,275
Provision for loan losses	(25,000)			(25,000)
Net interest revenue after provision for loan losses	895,035	17,240		912,275
Equity program revenue:				
Fees related to MHEF limited partnerships	3,043,928			3,043,928
Other equity program fees	44,778			44,778
Income from investment in MHEF	14,400		(14,400)	
Total revenues	3,998,141	17,240	(14,400)	4,000,981
EXPENDITURES				
Salaries and employee benefits	2,164,170			2,164,170
Occupancy, equipment and furniture	383,899			383,899
Professional services	468,379			468,379
Other expenditures	644,693	2,840		647,533
Total expenditures	3,661,141	2,840		3,663,981
Excess of revenues over expenditures before extraordinary item	337,000	14,400	(14,400)	337,000
Extraordinary item				
Gain on extinguishing of debt	315,000			315,000
Excess of revenues over expenditures	652,000	14,400	(14,400)	652,000
Additional capitalization of MHEF		140,000	(140,000)	
Net assets at beginning of year	1,190,156	2,069,203	(2,069,203)	1,190,156
Net assets at end of year	<u>\$ 1,842,156</u>	<u>\$2,223,603</u>	<u>\$(2,223,603)</u>	<u>\$ 1,842,156</u>

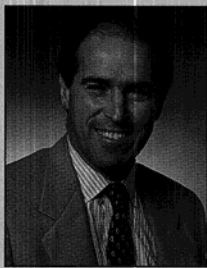
See accompanying notes to consolidated financial statements.



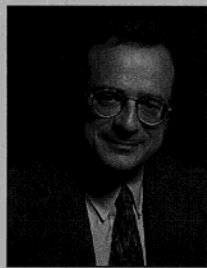
Guilliaem Aertsen
Chairman



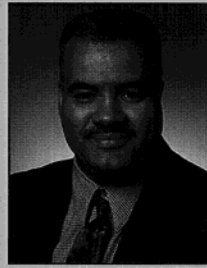
Walter Mercer
Vice Chairman
Spaulding & Slye



Paul Calhoun
Boston Safe Deposit &
Trust Company



Howard E. Cohen
Beacon Residential
Properties



Daniel Cruz, Jr.
JB Cruz Construction
Company



B. John Dill
The Colebrook
Corporation



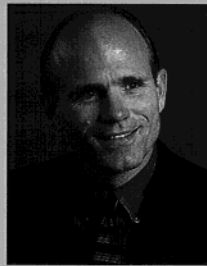
Evelyn Friedman
Nuestra Comunidad



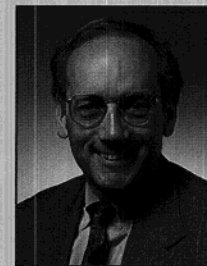
Charlotte Golar Richie
Department of
Neighborhood
Development



Sandra Henriquez
Boston Housing
Authority



Tom Hollister
Citizens Bank



Steven Pierce
Massachusetts Housing
Finance Agency



Peter Sargent
BankBoston



Eleanor G. White
Housing Partners, Inc.



Susan M. Wolkoff
Fleet Bank



Joseph L. Flatley

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Michael Crawford, USTrust
Daniel Cruz, Jr., JB Cruz Construction Company
Robert Fitzpatrick, BankBoston
Elizabeth Gruber, BankBoston
Esther Schlorholtz, Boston Private Bank & Trust Co.
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Joseph L. Flatley

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Margaret Harrison, Boston Safe Deposit and
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Diane Johansen, State Street Bank and Trust Company
Lien Tung, Fleet Bank
Nancy Curry, Citizens Bank
Evelyn Friedman, Nuestra Comunidad
Paul Santanna, Boston Department of
Neighborhood Development
Susan Feig, State Street Bank and Trust Company
Richard Muraida, Eastern Bank
Joseph L. Flatley

M A S S A C H U S E T T S
H O U S I N G E Q U I T Y
F U N D , I N C .

Guilliaem Aertsen, *Chair*, BankBoston
Walter Mercer, *Vice-Chair*, Spaulding & Slye
Evelyn Friedman, Nuestra Comunidad
Steven Pierce, Massachusetts Housing Finance Agency
Peter Sargent, BankBoston
Susan Wolkoff, Fleet Bank
Joseph L. Flatley

A S S I S T A N T
T R E A S U R E R

Gregory Badger, BankBoston

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Lisa Chapnick
Royal Dunham
Charles Grigsby
Joan Gully
Ron Homer
Susan Winston Leff
Thomas McColgan
Sylvia Watts McKinney
Mary Nee
David Officer
Thomas J. O'Malley
John Shea
Marvin Siflinger
Warren Smith
John Taylor
John Vogel
Ken Wade
John Warren



Joseph L. Flatley
President & CEO



Sandra Blackman
Director of Asset Management



Paul K. Chan
Senior Investment Officer



Eugene Clerkin
Senior Lender



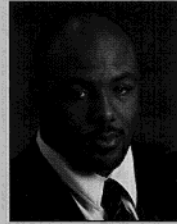
Ellen P. Connolly
Finance Officer



Andrea R. Daskalakis
Senior Equity Investment Officer



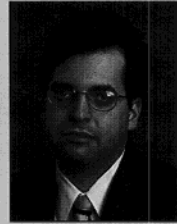
Daniel Devin
Asset Management Officer



Charles Edwards
Finance Specialist



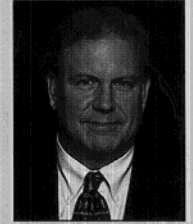
Deborah Favreau
Senior Lender



Alexander Frumkin
Information Technology Specialist



Eunice Harps
Senior Lender



Joseph P. Henefield
Director of Equity Investment



Marianne M. Horan
Manager of Administration



Carolyn M. Jackson
Executive Assistant



Shalini Konduri
Information Technology Specialist



Rosemarie Lynch
Loan Administrative Assistant



Carolyn Anderson Navarro
Investment Officer



Niall J. O'Farrell
Director of Corporate Strategy and Information Technology



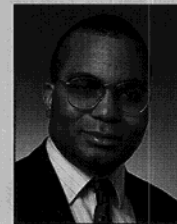
David Pérez
Senior Asset Management Officer



José B. Rodrigues
Office Assistant



Desirée Simonds
Loan Administration Specialist



Garrett R. Spellman
Network Services Administrator



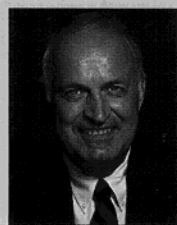
Henry Terrones
Associate Asset Management Officer



William A. Thompson
Director of Finance and Administration



Yinghua Tian
Administrative Assistant



Raymond H. Weaving
Director of Lending



Tracy E. Welch
Offices Services Coordinator

HOUSING HIGHLIGHTED ON THE COVER:

(From left to right, top to bottom)

Prospect Estates, Webster

Freeland Apartments, Worcester

Neighborhood Homes, Springfield

Quadrangle Court, Springfield

Brook Avenue, Roxbury

Mandela Homes, Roxbury

CREDITS

Design and Layout

Beth A. Reynolds

Little Bridge Design