



Massachusetts
**Housing
Investment
Corporation**



ANNUAL REPORT 2009

strengthening
communities



MISSION STATEMENT

Our mission at MHIC is to be an innovative private financier of affordable housing and community development, providing financing that would not otherwise be available, and extending the impact of that financing to ensure the broadest possible benefit.

In undertaking this mission, MHIC is founded on six core values:

- Private capital from a broad base of investors can prudently finance community development initiatives on an ongoing basis as self-sustaining ventures.
- The benefits of expanding community investment should flow to the minority workers and the minority-owned businesses in those communities.
- Special effort is required to harness private capital for geographic areas, sponsors and projects that have historically been unable to compete effectively for financing.
- The sponsors of community development projects deserve ongoing support in their efforts to build and maintain sustainable communities.
- The system of financing community development, which is overly fragmented and cumbersome, must be streamlined and improved.
- The communities we serve must see MHIC in a leadership position in advancing these values and not as merely another player.

As an institution established by private corporations in collaboration with community leaders, MHIC's mission depends on a partnership among corporate investors, project sponsors, and public agencies. Through it all, MHIC is committed to maintaining its industry leadership, on the cutting edge, expanding the envelope, inspiring confidence in what can be done. This role places demands on MHIC, but it also forms the very foundation for the value MHIC creates.



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Opposite: Residents of Leonard Florence Center for Living in Chelsea experience a new kind of skilled nursing home care. The Center deinstitutionalizes long-term care by creating a home within a community setting. This project, the first of its kind in the country, was financed by MHIC using New Markets Tax Credits.

Above: Children at Zumix in East Boston are empowered to use music to make positive change in their lives and in their communities. In late 2009, the nonprofit moved into its new home, a restored historic firehouse, made possible with MHIC's New Markets financing.

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By most measures, 2009 was an extremely challenging year — for our customers and for the communities they serve. At the same time, 2009 was a transitional year with encouraging signs that better times lie ahead.

The challenges faced in 2008 continued in 2009 as we saw further stagnation of capital markets, the inability of some of our partners to move forward with planned investments and projects, and the displacement of families because of the continuing foreclosure crisis. However, we also saw positive evidence, particularly in the second half of 2009, that markets had begun to stabilize. We believe the process of rebuilding has begun.

Given market conditions, MHIC was active on many fronts and ended 2009 having made measurable progress. We had a strong year in terms of overall activity, providing over \$90 million in financing, and we completed the year with a strong pipeline of projects across all our business lines. We expect a stronger year in 2010.


MHIC's receipt of \$90 million in New Markets Tax Credit authority from the U.S. Treasury Department in November was one of our most important achievements of the year. We have now received six awards in seven years of national competition, bringing our total allocation to \$454 million. With these financial resources MHIC has been able to continue to focus on financing new projects, and to complete many projects that had been underway for some time.

With the problem of foreclosures still threatening communities throughout Massachusetts, neighborhood stabilization remained one of MHIC's major goals. The Neighborhood Stabilization Loan Fund, organized in 2008, found numerous opportunities to deploy our capital effectively, principally by teaming up with nonprofit and for-profit developers committed to improving neighborhoods by acquiring foreclosed properties and returning them to productive use.

As in years past, MHIC's successful record in 2009 was attributable to several basic operating principles. We concentrate on hard-to-finance projects where we can leverage our capital. And we believe that MHIC excels at devising innovative financing structures and at creating new products that serve the immediate needs of the marketplace.

In 2010, as we move forward into our twentieth year, we are keenly aware of the challenges that lie ahead. But we are genuinely encouraged by increased interest among our investors, new starts for construction of affordable rental housing, and a renewed sense of confidence in our communities. We see real opportunities to access capital markets, and we remain confident that MHIC is uniquely positioned to finance projects that promise to have lasting impact.


Guillaem Aertsen
Chairman


Joseph L. Flatley
President

SUMMARY OF ACHIEVEMENTS 2009

In an extraordinarily challenging environment, MHIC had a strong year in 2009 in terms of overall financing activity, utilizing our core operating programs as well as new initiatives launched in 2008. We completed our nineteenth year with a surplus of revenue over expenses.

MHIC's record of achievements in 2009 is testimony to our resilience, to our ability to resolve challenges and to our continuing efforts to find opportunity in an uncertain market. Focusing on our core goals of affordable housing, economic development, job creation, and neighborhood stabilization, MHIC financed credit-worthy opportunities that promise to have a lasting impact.

Specifically, in 2009 MHIC provided \$90.5 million in financing, with \$51.4 million in New Markets Tax Credit investment, \$17 million in Low Income Housing Tax Credit investment, \$8.3 million in loan financing, and \$13.6 million in loan financing under the Neighborhood Stabilization Loan Fund. These investments supported 380 housing units, 24 projects and more than 700,000 square feet of commercial space for a variety of businesses and programs.

The November award of \$90 million in New Markets Tax Credit allocation by the U.S. Treasury Department was a major achievement. MHIC has received awards in six of the seven rounds of national competition, bringing our total allocation to \$454 million. With this financing, MHIC was able to pursue a broad range of high impact projects in Massachusetts, New Hampshire, Vermont, Connecticut and Rhode Island.

In 2009 MHIC significantly advanced use of the \$22 million Neighborhood Stabilization Loan Fund it had launched in 2008 to help address the problems caused by foreclosures in urban communities throughout Massachusetts. By the end of the year, we had targeted nine communities most in need, approved 20 sponsors, and had financed restoration

of at least 29 properties. (More detail about MHIC's NSLF activity can be found below and on pages 18-20.)

In order to maintain, and indeed grow, our pipeline of Low Income Housing Tax Credit and New Markets Tax Credit business, MHIC has proactively responded to investor requirements. Historically, we focused on the multi-investor/multi-property model for delivery of capital to the marketplace. We now offer several additional platforms including single-investor funds, as well as managing direct investments by investors who operate under a comprehensive Investment and Management Agreement with MHIC.

In the nineteen years since our founding, MHIC has provided a total of \$1.32 billion to finance 338 projects, representing the preservation or creation of 13,686 housing units and more than 2.1 million square feet of commercial space. Broken down by program, total investment to date is: \$443.9 million in loans, \$551.4 million in Low Income Housing Tax Credit investment, \$309.9 million in New Markets Tax Credit investment, and \$13.6 million of investment under MHIC's Neighborhood Stabilization program.

New Markets Tax Credit Program

- As noted above, MHIC learned in late November that it was one of 99 organizations nationwide that had been selected to receive an award of New Markets Tax Credit authority under the seventh round of the New Markets Tax Credit program.
- MHIC was one of only three Massachusetts entities to receive an award, and at \$90 million, our award represented the largest allocation in New Markets Tax Credit authority awarded in Massachusetts. We were also one of the five awardees to receive the seventh largest award amount in the country.



- Drawing on its cumulative NMTC allocation of \$454 million, at year end MHIC had financed a total of 38 projects and had invested \$309.9 million under the New Markets program.
- As noted earlier, in 2009 MHIC financed six NMTC projects for a total of \$51.4 million. Projects financed include: expansion of a medical facility serving low-income residents in Springfield; renovation of a performing arts school in a low-income Boston neighborhood; construction of an innovative skilled nursing facility for primarily low-income elderly residents in Chelsea using the “Green House” model; renovation of five historic buildings that will transform downtown Greenfield; and financing to further the development of new product lines for a Pittsfield high technology company.
- In 2009, MHIC financed its first out-of-state project under the NMTC program. We provided \$4.7 million in New Markets and historic tax credit financing that will provide a new headquarters for a youth center dedicated to ending violence in Providence, Rhode Island. In 2009, MHIC also approved other out-of-state projects in New England that will close in 2010.
- The projects financed by MHIC have required increasingly complex and sophisticated financing structures. Many projects that were completed in 2009, for example the Beacon Cinema in Pittsfield, took several years to bring to fruition. Several of the projects financed by MHIC represent the first of its kind financing in the nation (see Arts Block/Pushkin and Bank Row, page 12).

Low Income Housing Tax Credit Investment

- In 2009, the affordable housing equity market continued to experience fallout from the previous year’s deterioration of the financial markets, the departure of Fannie Mae and

Freddie Mac and the generally depressed economic conditions. Notwithstanding those challenges, MHIC financed three projects for a total of \$17 million. Two of the projects financed involve construction of a total of 206 units of new housing that will serve the elderly population. Another project involved rehabilitation of a historic school and a former industrial building to preserve 37 units of affordable housing in the Dudley Square neighborhood of Boston, an area where MHIC has invested in numerous projects. One LIHTC project — Shillman House — also benefited from funds received under the American Recovery and Reinvestment Act.

- Most investors, MHIC included, approached 2010 with cautious optimism that 2010 will be a year of recovery and that we will continue to see more investment as the market stabilizes.

Lending Activity

- Under its lending program, MHIC in 2009 provided \$8.2 million for construction and bridge loans to support creation of 59 new units of housing being built in a former box factory in Chelsea — a project that completes the first phase of what is called “Chelsea Box District” redevelopment plan. MHIC refinanced a three-unit building used as transitional housing for families displaced by homelessness, and we provided financing for rehabilitation of eight units of housing for individuals with intellectual and developmental disabilities.
- The numbers above are lower than in previous years as they reflect the slow activity and other problems that confronted the real estate market in much of 2009. By year end, however, MHIC saw strong demand for loans, particularly for much-needed rental housing. We built a healthy pipeline and approved many projects before the end of the year, so we expect to close financing on many high impact projects throughout 2010.

Neighborhood Stabilization Loan Fund

- In 2009, MHIC Neighborhood Stabilization efforts gained considerable momentum. MHIC approved 22 nonprofit and for-profit developers, to enable them to acquire and rehabilitate properties in the most distressed communities in Massachusetts. By the end of the year, MHIC had provided \$13.6 million to 14 sponsors for the rehabilitation of at least 29 properties.



- MHIC also began to finance receivership loan programs in Worcester and Springfield. These programs, managed by local nonprofits, will support stabilization efforts by providing small rehab loans to court appointed receivers of occupied distressed properties.

Asset Management

- MHIC places great emphasis on building and strengthening its Asset Management capabilities and continually devises new strategies for enhancing performance. In 2009, these efforts yielded positive results. MHIC's portfolio of "Watch List" properties was at the lowest level in a decade. With a strong emphasis on oversight of property management, MHIC saw occupancy percentages increase. Through bulk purchasing of energy, and implementation of other energy savings efforts, heating and other utility costs declined.
- The Asset Management department continued to transition properties that are nearing or have reached their 15-year compliance period. In 2009, 14 properties were fully transitioned and 14 are in the transition period.
- MHIC's four New Markets Tax Credit (NMTC) funds and single investor direct investments continue to perform well. In terms of NMTC data collection, an on-line reporting protocol that had been developed in 2008 was rolled out during the first quarter of 2009. The reports help us gather key information to meet our reporting requirements to the CDFI Fund and our investors and to track project outcomes.
- In 2009, MHIC launched a creative, new initiative that has helped property owners to significantly reduce maintenance and repair costs. Through "Gifts in Kind" — a charity dedicated to "linking corporate donor resources with communities and people in need" — MHIC developed a partnership with Home Depot. Under this program, Home Depot donates certain types of surplus products (tools, appliances and items) that can be used by property owners. We have established an inventory system



that allows us to track our inventory of Home Depot goods and to make them available to property owners based on their needs.

Minority Participation and Diversity Initiatives

- MHIC continues to pursue ambitious minority participation goals, for both minority employment and the use of minority-owned businesses, for all of the projects we finance. Working with our customers, we look for new strategies to expand minority participation throughout all our markets.
- We have taken a number of proactive steps to enhance results. For example, MHIC meets with sponsors, general contractors and architects to discuss potential MBE hiring and steps that can be taken to improve performance on a case-by-case basis. Our Construction Liaison Officer makes available a minority sub-contractor list for all sponsors and general contractors of MHIC projects, and is providing more aggressive oversight and assistance to general contractors regarding the hiring of MBEs. This approach is yielding results.
- In 2009, Boston-area projects achieved results of 41% for minority employment and 18% for minority business utilization. Projects outside of Boston achieved results of 25% and 9% respectively. Again, MHIC is proactively looking at each individual project to see how those numbers can be enhanced.

Charles E. Dahm Memorial Scholarship Fund

- Building on the legacy of the late Chuck Dahm, MHIC continues to raise funds and make awards to deserving students who live in MHIC-financed housing. In 2009 MHIC made two additional awards to students who had previously been granted awards under the Scholarship Fund. Thirty-seven scholarships have been awarded under this program since inception.





The Beacon Cinema, a six-screen complex (concession stand pictured here), has been called “the cornerstone of economic development in Pittsfield.” This project, and others in Pittsfield financed by MHIC using New Markets Tax Credits, are tangible examples of how private and public investment can be used to further the goals of economic development, job creation and, in this case, the pivotal revitalization of downtown Pittsfield.

Over the past year, MHIC provided construction loans, low-income housing tax credit equity, and federal historic tax credit equity to finance housing projects for senior citizens, for individuals and families, and for those with special needs.



Shillman House

FRAMINGHAM

MHIC's \$3.2 million low-income housing and energy tax credit equity investment will help finance the new construction of a 150-unit mixed-income housing development for seniors. The Morton and Etta Shillman House (Shillman House) is being developed by the Jewish Community Housing for the Elderly (JCHE), a nonprofit founded in 1965. Based in Brighton, the nonprofit is dedicated to "building and managing affordable, non-sectarian housing in Greater Boston." Ninety of the 150 units at Shillman House will be reserved for low income households, and 60 units will be rented at market rates.

Situated on an 8.8-acre campus, this housing community for seniors in the Nobscot Village area of Framingham will have amenities such as a fitness center, computer room, library, convenience store and community space. It will offer a dining program and access to a full range of support

services. In 2009, Shillman House received \$2.9 million in federal stimulus funds through the American Recovery and Reinvestment Act. To be eligible for that funding, the project had to be "shovel ready" and promise to have a significant economic impact both in terms of number of affordable units developed and jobs created.

Brookline Bank, in a side-by-side-equity investment with MHIC, is also providing \$3.2 million in tax credit equity to the project. MHIC is acting as the Investment and Asset Manager for Brookline Bank. Financing sources for the \$42 million project also include JCHE's capital campaign, the U.S. Department of Housing and Urban Development, MassHousing, the state Department of Housing and Community Development, and the City of Framingham. The project will be completed in 2011.

Fairways at LeBaron Hills

LAKEVILLE

Using \$7.5 million in low income housing tax credits, MHIC financed the new construction of 56 new units of housing for low income seniors in the small, southeastern Massachusetts Town of Lakeville. All of the units are reserved for tax credit eligible households. The project is the second phase of a 386-unit mixed-income and age-restricted project, developed by Edward A. Fish Associates, under Chapter 40B. The project was also financed in part by \$1 million in Affordable Housing Trust Funds, local and state HOME funds, and a \$1.74 million permanent financing from MassHousing. MHIC has financed several projects of E.A. Fish, either providing construction financing or housing tax credit financing.



Atlas Lofts

CHELSEA

The historic Russell Box Factory, a three-story brick building with 54,000 square feet of space, will soon be transformed into 53 modern loft-style apartments in Chelsea. For this project, MHIC provided a \$3.4 million construction loan, in participation with Boston Private Bank, which also provided \$3.4 million. Eleven of the units will be affordable (six units for households at or below 80% Area Median Income and five units for households at or below 110% of AMI) with the remainder of the units at market rents. Completion of the project is expected in late 2010. This will mean completion of phase one of the Chelsea Box District development plan. Mitchell Properties is the developer.





Lithgow BOSTON

MHIC helped preserve this 31-unit expired tax credit project through an innovative recapitalization plan that included a \$1.4 million low income housing tax credit investment. The project was financed by MHIC in 2008 and completed in 2009. Codman Square Neighborhood Development Corporation recapitalized and rehabilitated the property, which includes two buildings located in Codman Square in the Dorchester neighborhood of Boston. The financing plan included: tax-exempt bond financing from the MHP Fund; CIPF Funds from the Department of Housing and Community Development; and financing from the City of Boston.

Canal Bluffs BOURNE

In 2009, Housing Assistance Corporation completed construction of this new, 28-unit affordable rental housing project on Cape Cod. The project is the first phase of a multi-phase project that will later include additional affordable rental units. MHIC provided a \$4.8 million low income housing tax credit investment (2008) for the project, being developed under Chapter 40B.



Schoolhouse Kenilworth Williams BOSTON

With a \$6.5 million low-income housing tax credit investment from MHIC, a historic school and a former industrial building were acquired and rehabilitated to preserve 37 affordable housing units for families in the Dudley Square neighborhood of Boston. Madison Park Development Corporation and Edward A. Fish Associates acquired the two buildings from HUD in 2008 and completed rehabilitation of them in 2009. The buildings provide 37 units of Section 8 subsidized housing and one market rate unit. The project was financed through the sale of taxable bonds. It also received state and federal historic tax credits.

Worthen Street LOWELL

MHIC provided \$294,900 to refinance this rehabilitated historic triple decker that serves as transitional housing for homeless families. The property is owned and operated by Community Teamwork, Inc.



Community Teamwork's Mission is to assist low-income people to become self-sufficient, to alleviate the effects of poverty, and to assist low-income people to participate in the decisions that affect their lives.

Economic and Commercial Development Projects

MHIC excels at using innovative New Markets Tax Credit financing to drive business expansion, private investment and job creation.

Beacon Cinema/North Street Cinema Center PITTSFIELD

The excitement was electric when the project developer, city officials and business leaders gathered outside this building in October to announce that the six-screen cinema complex in downtown Pittsfield would open in November. Ten years in the making, the \$22.4 million project involved the conversion and expansion of the long vacant, historic Kinnell-Kresge building into a state-of-the-art movie house.



Called the “cornerstone of economic development of Pittsfield,” Beacon Cinema was developed by Richard Stanley, a Berkshire County entrepreneur who is credited with helping to revitalize nearby Great Barrington. It took a decade to plan and navigate the obstacles and complications of putting this project together, but throughout that process the

project enjoyed the support of city and state officials, civic groups and business leaders who knew what a project of this nature could do for downtown Pittsfield. The financing package took five years to structure; the critical piece of the puzzle — the piece that filled the gap in financing and enabled the project to move forward — was MHIC’s

\$17.2 million in New Markets and historic tax credit financing. MHIC has invested in five other projects in Pittsfield, including the recent restoration of the then vacant Colonial Theatre, also financed through the use of New Markets Tax Credits. These developments are tangible examples of how private and public investment can be used to further the goals of economic development, job creation and, in this case, pivotal revitalization of downtown Pittsfield as a center for arts and culture.

Apex Resource Technologies PITTSFIELD

This privately-owned company in western Massachusetts recently got an infusion of \$5 million, giving the company the working capital it needs to expand its business and workforce. MHIC teamed up with Pittsfield Cooperative Bank to craft an innovative loan structure combining a bank loan with gap financing available through the use of the New Markets Tax Credit program. The bank provided a \$1 million working capital loan to Apex Resource Technologies (Apex), and a \$3 million loan to MHIC that was used to access an additional \$1 million in tax credit capital, which was, in turn, loaned directly to Apex.



Apex provides engineering, design and manufacture of injection molding products, including plastic components used in the medical, industrial and communications fields. It recently added a promising new product line of implantable medical devices for use in surgical procedures. Apex

sought financing so that it could exploit opportunities for growth in the medical device and implantable industry. A company with world-wide sales, Apex currently employs approximately 60 people; it expects to grow 20-30 percent over the next two years.

This project is notable because the New Markets program most often has been used by MHIC to finance debt associated with real estate development. In this case, it was used to provide permanent working capital for business expansion.

MHIC has financed five other projects in Pittsfield, including the Beacon Cinema, described on the previous page. These projects have added significantly to the City's on-going economic and community development efforts.

Nobis Engineering Company/ Nokode Holdings

LOWELL



When Nobis Engineering Company found its Lawrence office too small to accommodate its anticipated growth in New England, the company sought a new home in the region. The professional services company now operates out of the newly-renovated, historic Davis and Sargent Mill building in the Lowell Historic District.

The rehabilitation and adaptive reuse of the mill building was made possible with \$3.5 million in New Markets and historic tax credit financing provided by MHIC. The rehabilitated building, which had been vacant for two years, provides Nobis Engineering with new office space that is certified under the Leadership in Energy and Environmental Design (LEED) standards. The new space has allowed the

company to create more than 25 new permanent jobs at the new location to generate construction jobs, and to create new full-time spin-off jobs in companies that supply services to Nobis.

Commonwealth Dairy

BRATTLEBORO, VERMONT

With \$18 million in New Markets Tax Credit financing, provided by MHIC and Coastal Enterprises, Inc., a new, 32,500 square-foot yogurt processing facility is being built



on 5.9 acres of land in Brattleboro. The project involves the construction, equipping, start-up, and operations of a yogurt plant which will consume 30 million pounds of milk and produce 50 million

pounds of yogurt annually. The plant will be the only private-label and co-pack producer of yogurt in New England, and has received a strong response from potential customers.

Sponsors of the project are: Tom Moffit and Ben Johnson, two entrepreneurs with many years of private label experience purchasing yogurt and dairy products for large supermarket companies; Dieter Dobousek, an Austrian businessman with 40 years of experience in the yogurt-making business; and Ehrmann AG, a major international dairy company based in Germany.

The business concept responds to the growing demand for yogurt, increasing interest in locally produced foods, and a shortage of production capacity, particularly for quality private label, organic and Greek yogurts. Commonwealth Dairy will support Vermont's struggling dairy farmers by boosting the demand for skim milk, paying more for milk, and returning 5% of its net operating income annually to farmers who supply its milk. The plant makes an important contribution to the local economy by creating 50 new jobs at capacity at above average wages for the region. Financing for the project was approved in 2009; the project broke ground in April 2010.

As the first major dairy processing facility to open in Vermont in many years, Commonwealth Dairy helps to advance a key component of the state's strategy for stabilizing its dairy industry.

Downtown & Neighborhood Revitalization Projects

12
MHIC

The developments on these pages, made possible with gap financing provided under MHIC's New Markets Tax Credit program, will breathe new life into Main Streets in Massachusetts.



Bank Row and Arts Block/Pushkin

GREENFIELD

This is the first project of its kind to package the work of smaller local developers into a catalytic force for community transformation.

The two projects shown on this page involve renovation of five historic, mostly vacant buildings, totaling nearly 40,000 square feet. The buildings are clustered around the main intersection in downtown Greenfield, a small western Massachusetts town that serves as the business center of its rural region. These projects are part of a larger plan involving redevelopment of a total of nine buildings that, all told, will transform and revitalize the downtown area.

The first phase of this ambitious downtown renewal plan involved the historic renovation of three buildings (Bank Row) being developed by Jordi Herald, a Northampton-based real estate developer and music entrepreneur, and

two buildings (Arts Block and Pushkin) being developed by Ed Wierzbowski, a long-time Greenfield resident, sculptor and entrepreneur. For these projects, MHIC provided New Markets and historic tax credit financing totaling \$7.55 million and \$798,363 in bridge loans to rehabilitate four 19th-century mercantile buildings and an early 20th-century bank building. When completed they will serve as mixed-use retail/office including: a new café, book store, and casual-dining restaurant, six loft-style apartments, a recording studio, bakery, shared office space for small entrepreneurs, a new home for the Greenfield Community College art department, and integrated restaurant, music and gallery space.

The financing for this project represents a unique model that aggregates numerous smaller-scale development projects into a uniform tax credit finance structure. It is believed to be the first project of its kind to allow a downtown to package the work of smaller local developers into a



470 Main Street
FITCHBURG



In September 2009, Twin Cities Community Development Corporation celebrated the Grand Opening of its new headquarters, a renovated historic five-story building in the center of downtown Fitchburg. The event marked completion of the CDC's adaptive re-use of a historic office building for



31 units of housing (8 of which are affordable) on the upper floors, a TD Bank branch on the ground floor and Twin Cities' offices and program space on the ground floor and basement levels. MHIC financed this project in 2007 and 2009 with \$11.65 million in New Markets and federal historic tax credits and a bridge loan against the sale of state historic tax credits. Completion of this project adds considerably to the revitalization of downtown Fitchburg by advancing the City's strategy to increase residential uses and accompanying pedestrian traffic. The building had been nearly vacant for many years. The project adds vitally needed rental housing units to a city hard hit by the foreclosure crisis. In its new space, Twin Cities plans to expand its homeownership and small business assistance counseling centers.

catalytic force for community transformation. Four additional buildings are slated to close in 2010 and 2011, including restoration of the town's historic theater now used as a 7-screen cinema complex, moving five of the movie auditoriums to a neighboring, vacant historic bank building and restoring the theater's original use as a performing arts center. This ambitious redevelopment plan will create a critical mass necessary for the lasting revitalization of this county seat of rural Franklin County.

In 2009, using the New Markets Tax Credit program, MHIC financed or completed projects that promise to expand opportunity and build community through music, education and youth programs.

Boston Conservatory BOSTON

MHIC's \$9.5 million in New Markets Tax Credit financing closed the funding gap to make possible The Boston Conservatory's first major facilities initiative in 40 years. The financing is being used for the renovation and a major expansion of an existing building that will dramatically improve the performance venue and expand instructional space for one of the nation's top performing arts colleges. The project addresses TBC's urgent need for additional performance, practice and rehearsal space in the college's major performing arts disciplines — music, dance and theater. Adding new space is considered a key component of TBC's ongoing efforts to maintain its reputation as one of the finest performing arts schools in the country. Considering the high costs related to historic theater preservation and new construction, the project would not have been



feasible without the financial resources of the New Markets Tax Credit program.

Scheduled for completion in August 2010 the project encompasses an existing theater building as well as new construction of a four-story addition. When completed, the 40,000 square-foot facility will include two new large



volume dance studios, a new theater studio that will double as a reception area for special events, new music rehearsal and performance space, an orchestra pit, and other state-of-the-art amenities. This project has created construction jobs and will also help retain and create full-time, part-time and spin-off jobs.

Institute for the Study and Practice of Nonviolence PROVIDENCE, RHODE ISLAND

This project, MHIC's first to close outside of Massachusetts, involves the use of New Markets and historic tax credit financing for the adaptive reuse and historic rehabilitation of a former convent to create new headquarters for a nonprofit dedicated to reducing teen violence.

The Institute for the Study and Practice of Nonviolence (ISPN) was created in 2000 to combat teen violence. The nonprofit offers programs that teach the principles and practices of nonviolence, based on the teachings of Dr. Martin Luther King, Jr. The Institute has rapidly outgrown its quarters as it has expanded program offerings and staff. By the



Dedicated to empowering youth through music and the arts, Zumix was founded in 1991 in response to a violent period for East Boston youth. The nonprofit has experienced great demand for its top quality cultural programming. It has steadily increased the number of children it serves to more than 350 youth per year in after-school and summer programs and more than 6,000 additional children and adults through community events. In 2005, having outgrown its space, Zumix teamed up with the East Boston Community Development Corporation to acquire the 1923 brick building from the City of Boston through a highly competitive process. Together, the two organizations have worked to turn the vacant building into a vibrant cultural center and community asset. Zumix will now be able to continue to grow, to more than double the number of children it serves. Zumix officially opened its doors to the public on March 23, 2010.

end of 2010, it will move into new headquarters, a long vacant building on a site that used to be a convent. MHIC provided a \$3.4 million bridge loan, and with investment funds from U.S.



Bancorp Community Development Corporation, MHIC provided \$3.9 million in New Markets and federal historic tax credit financing, which is being used to finance rehabilitation of the building. The project will provide over 14,000 square feet of space and will include offices, community and program space, a music studio, a library, a fitness room, and other space for enhanced programs. When complete, ISPN will have the capacity to expand programs and serve an estimated 3,000 clients per year.

Zumix BOSTON

After five years of hard work, the transformation of the long vacant Engine Company 40 Firehouse in East Boston has been completed, and Zumix has moved into its new home. MHIC's \$3.9 million in New Markets Tax Credit financing made possible the total adaptation and restoration of the historic firehouse into a facility with a stage, sound-proof music rooms, a studio for its youth-run radio station, 1630AM, offices and other space for lessons and performances. It is especially noteworthy that by using NMTC financing, Zumix was able to avoid any hard debt in the project.



In its new facility, Zumix can grow and vastly increase the number of children it serves. In addition, restoration of a long vacant firehouse enhances this East Boston neighborhood and provides a great community asset.

State-of-the-art health care facilities are being developed with MHIC's New Markets Tax Credit financing.



Baystate Medical Center SPRINGFIELD

In 2009, MHIC provided \$19.9 million in New Markets Tax Credit financing for construction of a new, seven-story, in-patient medical facility with 126 beds for the Baystate Medical Center (BMC). The largest of the hospitals in the Baystate Health System, BMC is an academic teaching hospital that serves as the western campus of Tufts University School of Medicine. The new, state-of-the-art medical facility, which will feature the latest advances in health care and sustainable construction, will enable BMC to significantly expand and update medical services available in western Massachusetts. It is expected to create 550 permanent full-time jobs, increase local economic activity,

Baystate Medical Center was recently ranked as one of the top 100 integrated health networks in the country.

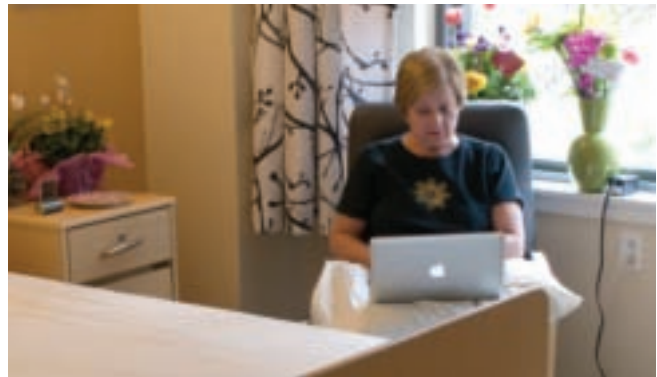
and help stabilize the neighborhood. BMC is located in South Springfield, one of the most economically disadvantaged communities in the Commonwealth.

MHIC was one of six Community Development Entities that together are providing \$107 million in New Markets Tax Credit financing. The \$246 million project is also utilizing tax-exempt bond financing.

Leonard Florence Center for Living CHELSEA

In February 2010, the Leonard Florence Center for Living (LFCL) opened its doors to the first residents of a new kind of skilled nursing home — the Green House® model — a unique concept that deinstitutionalizes long-term care by eliminating large nursing facilities and creating a home within a community setting. The LFCL was developed by the Chelsea Jewish Nursing Home Foundation, Inc. (CJNHF) and is the first of its kind in the country. MHIC's \$19.2 million New Markets Tax Credit investment (provided in 2008 and 2009) helped make this project come to fruition.

The LFCL represents a radical departure from traditional skilled nursing homes and assisted living facilities. Here, the emphasis is on “home” and “community,” and on creating an atmosphere where residents live in a setting that reflects their personal interests, values and needs. Overlooking Boston Harbor, the facility consists of ten 7,000 square-foot condo-style Green Houses, with each “home” containing ten private bedrooms and baths, arranged around a common dining area, open kitchen and living room where residents can relax and develop a sense of community. Residents include the elderly, those requiring short-term rehabilitation, as well as those with disabling medical conditions such as multiple sclerosis and Lou Gehrig’s disease (ALS). The LFCL is located adjacent to two mixed-income assisted living facilities previously financed by MHIC through its low-income housing tax credit program. In addition to fulfilling the need for skilled nursing home care for low-income elderly residents of Chelsea and surrounding cities and towns, this project has created new full and part time jobs, makes available 70 of its beds to very low-income, Medicaid-eligible households, and it will serve as a pioneer in a new and more personalized type of skilled nursing care.



Neighborhood Stabilization Loan Fund Projects

MHIC began its neighborhood stabilization efforts in 2008 in response to the growing foreclosure crisis affecting neighborhoods across Massachusetts. These efforts help address the problems of property abandonment, increased crime, and declining property values by rescuing properties and returning them to productive use.

MHIC took a leading role and teamed up with the Massachusetts Housing Partnership Fund (MHP) to establish a Neighborhood Stabilization Loan Fund, making available \$22 million in low interest funds for acquisition of foreclosed properties in targeted neighborhoods.

In 2009, MHIC's efforts gained considerable momentum. The Commonwealth of Massachusetts awarded MHIC \$10 million in federal Neighborhood Stabilization Program (NSP) funds, and MHIC approved 20 nonprofit and for-profit developers to acquire and rehabilitate distressed properties in nine cities. By the end of the year, MHIC had provided \$13.6 million to 14 sponsors to acquire and rehabilitate 29 properties.

Some of the key neighborhoods in which MHIC has funded stabilization projects include Shurtleff-Bellingham in Chelsea, North Dorchester in Boston, Main South in Worcester, and Old Hill in Springfield. Efforts in each of these areas are being led by nonprofit developers that have long-term strategies for revitalizing these areas, working collaboratively with local governments and often with private developers. Cities have targeted code enforcement and other city resources alongside the acquisition and rehab work of the developers.

Another key ingredient for addressing the problems posed by distressed, foreclosed properties is receivership. In 2009 MHIC provided loans to Worcester Community Housing Resources and HAP, Inc., which are both administering receivership revolving loan funds for the repair and maintenance of properties that are under the control of court appointed housing receivers. The cities of Worcester and Springfield have also contributed financing and other city resources to support these innovative receivership programs.

To support ongoing efforts to stabilize neighborhoods across the Commonwealth, MHIC collaborated with MHP and DHCD on a joint application to HUD in 2009 for additional NSP funds, and received an award of \$22 million in 2010.



189 Beacon Street WORCESTER

This house, located in the Gardner/Kilby/Hammond neighborhood of Worcester, is a single family property that was purchased and rehabilitated by Main South Community Development Corporation. Main South engaged YouthBuild to undertake a portion of the construction. MHIC committed \$230,000 to this project.



15 Kilby Street

WORCESTER

This three-family property, also being rehabilitated by Main South CDC, is in the Gardner/Kilby/Hammond area. MHIC committed \$505,000 to this project; Main South CDC will retain it as affordable rental housing.



94 Topliff Street

DORCHESTER

Dorchester Bay Economic Development Corporation (DBEDC) acquired this property in collaboration with Doug George of Urban Neighborhood Homes, a private developer who has separately acquired and stabilized over a dozen other foreclosed properties in Dorchester. Once completed, DBEDC intends to sell the entire property to a homebuyer, who will rent out two of the units. The project, to which MHIC committed \$380,000 in loan funds, and \$180,000 in NSP subsidy, is an example of a successful collaboration between a nonprofit and for-profit developer/contractor.

98 Marlborough Street

CHELSEA

Chelsea Neighborhood Developers (CND) acquired this three-family property, located in Chelsea's Shurtleff-Bellingham neighborhood in 2009 along with several other foreclosed and distressed properties on the same street. The stabilization of Marlborough Street is critical to the success of CND's larger redevelopment plan in the adjacent Box District. MHIC committed \$440,000 in loan funds and \$227,000 in NSP subsidy to the project.



102 Grove Street
CHELSEA

This three-family property is also located in Chelsea’s Shurtleff-Bellingham neighborhood adjacent to the Box District, where CND and a private developer are in the midst of converting a dormant industrial area into a vibrant new residential neighborhood. CND started rehabilitating this property in 2009 and, like most of the other foreclosed properties it has acquired, will retain the property as mixed-income rental housing. MHIC committed \$700,000 in loan funds to this project.

12–14 Lagrange Street
WORCESTER

This eight-unit condominium property in Worcester was placed under control of a receiver, Worcester Community Housing Resources (WCHR), by the local housing court. WCHR completed critical health and safety repairs to the property and stabilized the occupancy of six tenants. MHIC approved a \$550,000 loan for this project so that WCHR could purchase the property when it was eventually auctioned. WCHR plans to convert the property back to rental and hold it for long-term ownership.



Greenfield Coffee recently opened its doors in downtown Greenfield and is shown here welcoming new customers. MHIC's New Markets Tax Credit financing, used to restore five buildings in the center of downtown, is helping to create new jobs, new opportunities, new housing, and to revitalize this western Massachusetts community.

PROJECTS FINANCED IN 2009

PROJECT	UNITS	LOAN	HOUSING TAX CREDITS	NEW MARKETS	NSLF	TOTAL
470 Main Street, Fitchburg		\$	\$	\$ 805,987	\$	\$ 805,987
Apex Resource Technologies, Inc., Pittsfield				3,948,000		3,948,000
ArtsBlock/Pushkin, Greenfield		437,113		4,254,034		4,691,147
Atlas Lofts, Chelsea	53	3,425,000				3,425,000
Bank Row, LLC, Greenfield	6	361,250		3,326,575		3,687,825
Baystate Total Home Care, Springfield				19,902,500		19,902,500
Boston Conservatory, Boston				9,500,000		9,500,000
Fairways at LeBaron Hills, Lakeville	56		7,485,318			7,485,318
I and R Group Homes IV, Newburyport, Peabody		360,000				360,000
Institute for the Study & Practice of Nonviolence, Providence		3,395,943		3,863,847		7,259,790
Leonard Florence Center for Living, Chelsea				5,820,000		5,820,000
Neighborhood Stabilization — Chelsea Neighborhood Developers, Chelsea	13				3,721,000	3,721,000
Neighborhood Stabilization — Coalition for a Better Acre, Lowell					440,000	440,000
Neighborhood Stabilization — Codman Square NDC, Boston	7				835,000	835,000
Neighborhood Stabilization — David Zisskind, Worcester	7				840,000	840,000
Neighborhood Stabilization — Debra Katz, Springfield	5				180,000	180,000
Neighborhood Stabilization — Dorchester Bay EDC, Boston	20				1,291,500	1,291,500
Neighborhood Stabilization Eric Berke, Boston	3				842,000	842,000
Neighborhood Stabilization — HAP Inc., Springfield	4				1,483,000	1,483,000
Neighborhood Stabilization — Main South CDC, Worcester	6				560,000	560,000
Neighborhood Stabilization — Nuestra Comunidad Development, Boston	5				1,840,000	1,840,000
Neighborhood Stabilization — Stephen Bryan, Boston	6				745,000	745,000
Neighborhood Stabilization — The Resource Inc., New Bedford	1				50,000	50,000
Neighborhood Stabilization — Worcester Community Housing, Worcester					600,000	600,000
Neighborhood Stabilization — Worcester East Side, Worcester					150,000	150,000
Schoolhouse Kenilworth Williams, Boston	38		6,459,989			6,459,989
Shillman House, Framingham	150		3,240,641			3,240,641
Worthen Street, Lowell		294,900				294,900
TOTAL	380	\$8,274,206	\$17,185,948	\$51,420,943	\$13,577,500	\$90,458,597

MEMBER PARTICIPATION

MHIC's 29 member corporations have collectively committed nearly \$756 million to finance the development of affordable housing and community development. The status of these commitments as of December 31, 2009 is displayed below.

MEMBER CORPORATION	LOAN	HOUSING TAX CREDITS	NEW MARKETS	TOTAL
Bank of America*	\$13,750,000	\$179,079,260	\$	\$192,829,260
State Street	4,850,000	96,613,278	14,000,000	115,463,278
Freddie Mac		99,730,000		99,730,000
TD Bank	1,750,000	56,574,506	21,000,000	79,324,506
Fannie Mae		77,255,600		77,255,600
Citizens Bank	4,000,000	36,886,658	9,000,000	49,886,658
AEGON USA Realty Advisors, Inc.			24,000,000	24,000,000
Eastern Bank	750,000	15,761,975	5,000,000	21,511,975
Dudley Ventures			20,000,000	20,000,000
BNY Mellon		15,535,600		15,535,600
Citibank			15,000,000	15,000,000
Berkshire Bank		2,000,000	8,000,000	10,000,000
PNC Bank	1,500,000	6,358,900		7,858,900
TD Bank USA, N.A.		6,000,000		6,000,000
Boston Private Bank and Trust	300,000	4,150,000	1,500,000	5,950,000
Sovereign Bank	1,000,000	2,440,000		3,440,000
United Commercial Bank			2,500,000	2,500,000
Peoples Savings Bank		1,420,000	1,000,000	2,420,000
Cathay Bank		1,100,000		1,100,000
Bank of Western Massachusetts		1,038,496		1,038,496
Flagship Savings Bank		1,038,496		1,038,496
First Trade Union Bank	1,000,000			1,000,000
Hyde Park Savings Bank	350,000	500,000		850,000
BankFive		568,000		568,000
The Life Initiative	500,000			500,000
Danvers Bank	300,000			300,000
Capital Crossing Bank	250,000			250,000
Stoneham Bank	250,000			250,000
Wainwright Bank	200,000			200,000
Total	\$30,750,000	\$604,050,769	\$121,000,000	\$755,800,769

*In addition, Bank of America is providing a Program-Related Investment (PRI) loan of \$7,000,000 to MHIC.

FINANCIAL SUMMARY

Balance Sheets

	DECEMBER 31, 2009	DECEMBER 31, 2008
Assets		
Cash	\$ 4,877,344	\$ 9,457,993
Investments in marketable securities	6,861,646	7,293,671
Notes receivable	22,483,697	16,749,445
Amounts receivable and other assets	1,119,108	2,443,010
Total assets	<u>\$35,341,795</u>	<u>\$35,944,119</u>
Liabilities and net assets		
Unearned fees	\$ 7,551,386	\$ 8,525,257
Notes payable and other liabilities	21,992,691	21,816,461
Net assets — temporarily restricted	142,994	488,013
Net assets — unrestricted	5,654,724	5,114,388
Total liabilities and net assets	<u>\$35,341,795</u>	<u>\$35,944,119</u>

Statements of Activities

Revenues		
Loan program revenue	\$ 577,541	\$ 1,854,648
Equity program revenue	2,500,283	2,400,034
New markets program revenue	3,163,837	2,317,785
Total revenue	<u>6,241,661</u>	<u>6,572,467</u>
Expenditures		
Salaries and benefits	3,902,259	3,979,799
Professional services	421,858	630,682
Other expenditures	1,722,227	1,452,088
Total expenditures	<u>6,046,344</u>	<u>6,062,569</u>
Change in net assets	195,317	509,898
Net assets at beginning of year	5,602,401	5,092,503
Net assets at end of year	<u>\$5,797,718</u>	<u>\$5,602,401</u>

These are unaudited financial statements. Certain amounts in this presentation have been recharacterized for presentation purposes. Audited financial statements are available on MHIC's web site: www.mhic.com.

Assets Under Management

as of December 31, 2009

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MHIC

By Fund	HOUSING TAX CREDITS	NEW MARKETS	LOANS	NSLF	TOTAL
LLC	\$	\$	\$28,326,216	\$	\$28,326,216
MHEF 1993-1994 LP	21,426,888				21,426,888
MHEF 1995 LP	24,018,462				24,018,462
MHEF 1996 LP	30,087,904				30,087,904
MHEF 1997 LP	32,523,864				32,523,864
MHEF 1998 LP	35,897,851				35,897,851
MHEF 1999 LP	30,631,853				30,631,853
MHEF 2000 LLC	41,324,444				41,324,444
MHEF 2001 LLC	44,106,928				44,106,928
MHEF 2002 LLC	44,923,546				44,923,546
MHEF 481 Corp. Fund	2,994,127				2,994,127
MHEF X LLC	39,756,806				39,756,806
MHEF XI	17,460,010				17,460,010
MHEF XII	20,291,309				20,291,309
MHEF XIII	40,289,269				40,289,269
MHEF XIV	22,487,320				22,487,320
MHEF XVI	10,951,180				10,951,180
MHEF XVII	3,240,641				3,240,641
MHIC New Markets Fund I		26,030,011			26,030,011
MHIC New Markets Fund II		123,774,551			123,774,551
MHIC New Markets Fund III		118,122,589			118,122,589
MHIC New Markets Fund IV		11,528,609			11,528,609
Neighborhood Stabilization Loan Fund				12,232,501	12,232,501
MHIC New Markets US Bank		29,747,671			29,747,671
Total	\$462,412,402	\$309,203,431	\$28,326,216	\$12,232,501	\$812,174,550
By Location					
Other	\$10,105,015	\$4,727,671	\$3,260,577	\$	\$18,093,263
Greater Boston	238,367,234	153,397,545	4,830,846	8,219,500	404,815,125
North	43,085,752	16,695,657	292,814	600,000	60,674,223
South	51,096,990	12,589,016	1,334,582	50,000	65,070,588
West	119,757,411	121,793,542	18,607,398	3,363,001	263,521,352
Total	\$462,412,402	\$309,203,431	\$28,326,216	\$12,232,501	\$812,174,550
By Development Type					
Assisted Living	\$21,543,259	\$19,236,496	\$1,316,043	\$	\$42,095,798
Commercial (including non-profit)	12,997,136	245,587,343	2,355,463		260,939,942
Cooperative	4,699,925	12,388,306	2,913,240		20,001,471
Other			825,021		825,021
Ownership	7,718,628	4,800,422	2,626,037		15,145,087
Rental	374,645,083	27,190,864	18,242,896		420,078,843
Rental, Senior Housing	23,695,564				23,695,564
Rental, Single Room Occupancy	17,112,807		47,515		17,160,322
Foreclosure Stabilization Initiative				12,232,501	12,232,501
Total	\$462,412,402	\$309,203,431	\$28,326,216	\$12,232,501	\$812,174,550

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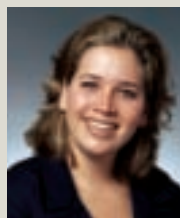
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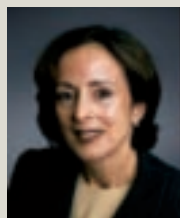
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Officer*



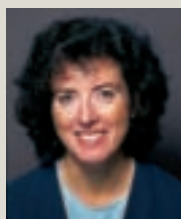
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Chief Investment Officer



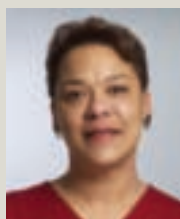
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Administrator*



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Asset Management Officer



William A. Thompson
Director of Finance



Yinghua Tian
*Senior Development
Assistant*



Christine M. Vincenti
Associate Finance Officer



DESIGN
Anne Read

PHOTOGRAPHY
Robert Schoen
Photography
and various project
sponsors and
developers

For Boston
Conservatory:
Handel Architects



Massachusetts
**Housing
Investment**
Corporation

Massachusetts Housing Investment Corporation

70 Federal Street
Boston, Massachusetts 02110

t: 617-850-1000
f: 617-850-1100
e: info@mhic.com

www.mhic.com