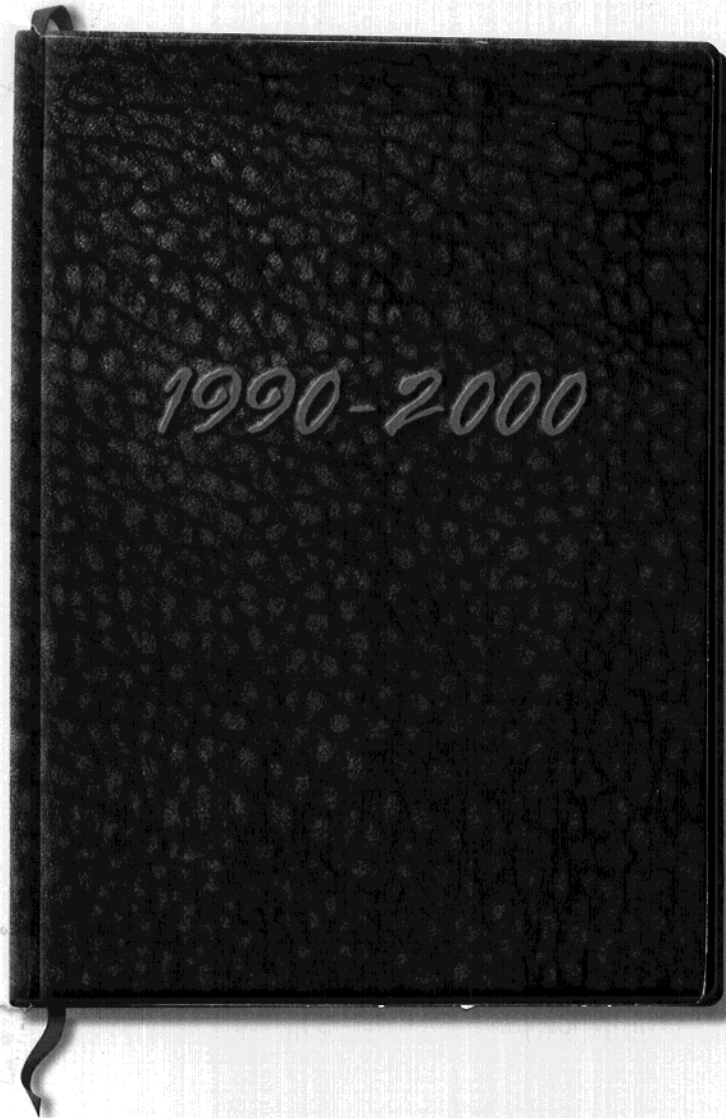
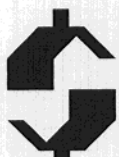


2000 Annual Report

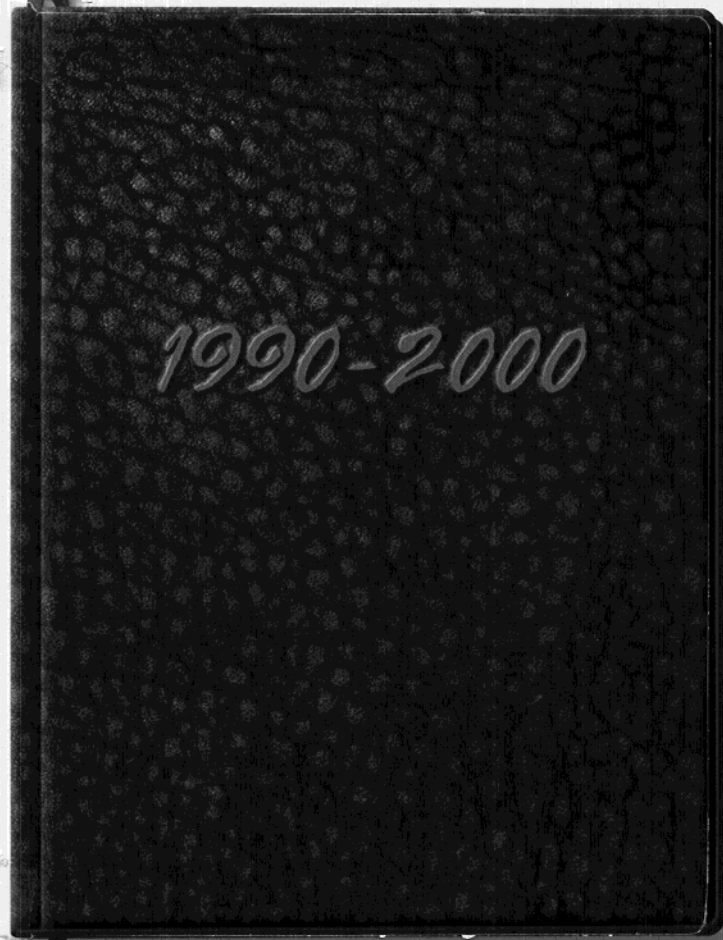


Tenth Anniversary



Massachusetts
**Housing
Investment
Corporation**

2000 Annual Report



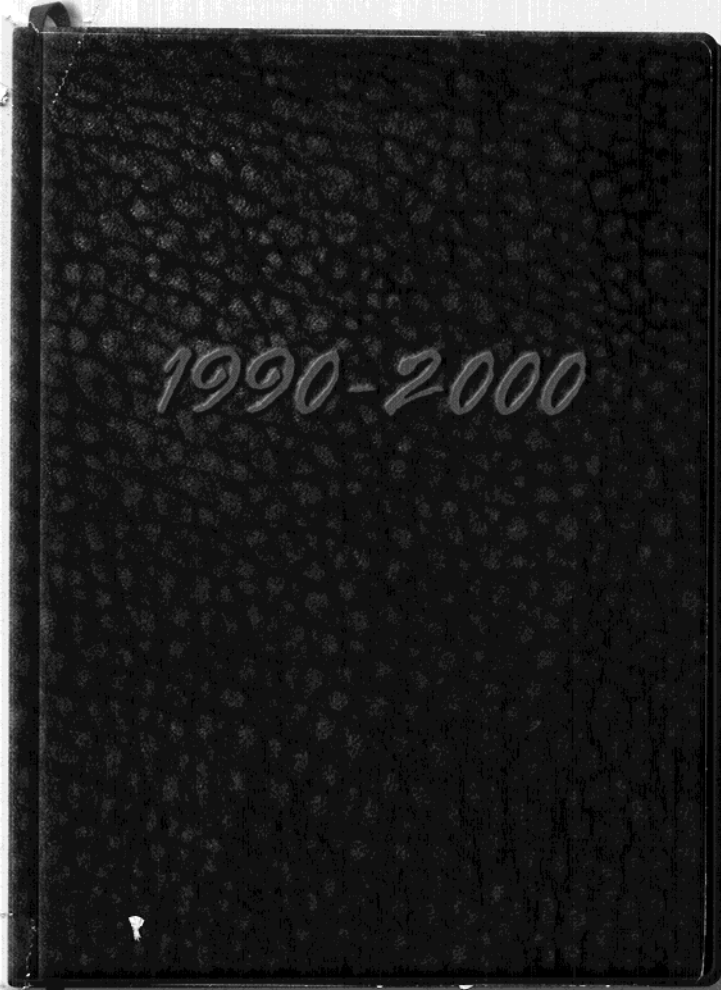
1990-2000

Tenth Anniversary

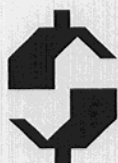


Massachusetts
**Housing
Investment
Corporation**

2000 Annual Report



Tenth Anniversary



Massachusetts
Housing
Investment
Corporation

Our Mission

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

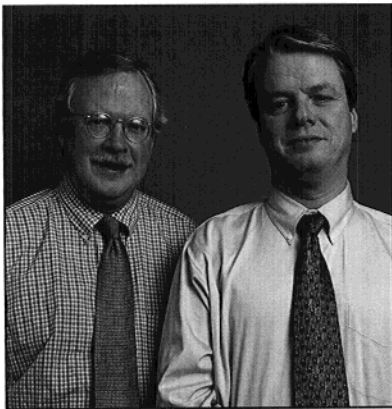
In undertaking this mission, MHIC is founded on six core values:

- 1 Private capital from a broad base of investors can prudently finance community development initiatives on an ongoing basis as self-sustaining ventures.
- 2 The benefits of expanding community investment should flow to the minority workers and the minority-owned businesses in those communities.
- 3 Special effort is required to harness private capital for geographic areas, sponsors and projects that have historically been unable to compete effectively for financing.
- 4 The sponsors of community development projects deserve ongoing support in their efforts to build and maintain sustainable communities.
- 5 The system of financing community development, which is overly fragmented and cumbersome, must be streamlined and improved.
- 6 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, housing 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.

From the Chairman and President

Ten years ago, when MHIC was launched, it was a different world. The economy was weak. Real estate prices were plummeting. The relationship between banks and affordable housing proponents was largely adversarial. In our first annual report, we talked about the need to “diversify risk,” about MHIC’s “supportive” role, and we lamented the “fragmented” system for financing affordable housing.



Guillaem Aertsen (left) and
Joseph L. Flatley

Today we have a strong economy and real estate prices are at an all time high. Banks and affordable housing advocates work as partners, having found new, productive ways to collaborate. MHIC has become an industry leader and, instead of dwelling on risk pooling, we concentrate on sharing investment opportunities. Even the system for affordable housing finance has improved; it is more streamlined and efficient, taking advantage of creative financing strategies, due in part to MHIC’s efforts over the past decade.

In the face of all that we have achieved over those ten years, we must recognize a central and indisputable fact: The need for affordable housing has never been greater. The lack of enough affordable housing has become pervasive as it impacts all segments of our economy. Working families are finding it harder than ever to find affordable housing. Many people who have lived all their lives in city neighborhoods are having to move because they cannot afford to stay. And businesses are seeing the costs incurred when employees can’t find affordable, convenient places to live.

In response to the urgent need for affordable housing, we are seeing an unprecedented coming together of public and private organizations, churches, community leaders, universities, businesses, and many others who are putting their heads and resources together to press for positive action.

In this new dynamic of collective action, MHIC looks to play a leading role. In ten years, we have become the state’s top tax credit investor, a full-service lender, and creator of new loan programs that are transforming the way affordable housing is financed. We have built an infrastructure, a new and flexible foundation on which lasting solutions to the affordable housing problem can be built. We are, to be sure, well aware of the daunting challenges that lie ahead. But we are also confident that in light of what we have been able to achieve, with newly evolving attitudes and an invigorated public spirit, creative solutions will emerge and significant progress will be made. The urgency of the need for affordable housing calls for immediate action. MHIC is prepared to work with its partners to help make it happen in Massachusetts.

A handwritten signature in black ink, appearing to read 'G. Aertsen'.

Guillaem Aertsen
Chairman

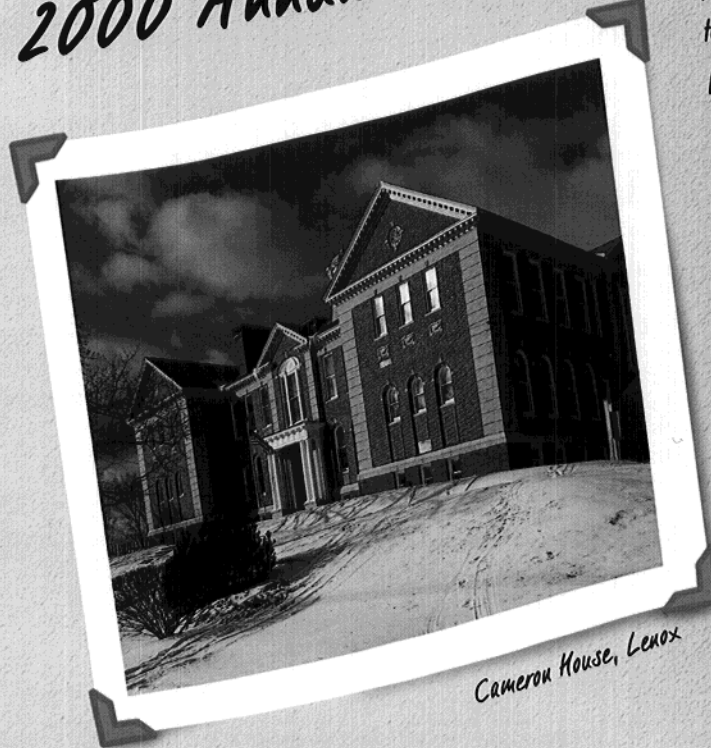
A handwritten signature in black ink, appearing to read 'Joe Flatley'.

Joseph L. Flatley
President and CEO



Auburn Court, Cambridge

2000 Annual Report



Cameron House, Lenox

This year, as MHIC celebrates its tenth anniversary, we had our most productive year ever. Specifically, in 2000 we committed over \$57 million and closed financings of more than \$48 million to finance the development of 25 projects. This brings the amount committed or invested to date by MHIC to \$474 million in 156 projects, representing 7,325 housing units.

Due to a strong market and expansion of MHIC's loan program, a new record was set this year for loan activity. It was also a record year for MHIC's equity program. Once again we captured over half of all the equity investment in Massachusetts or, put another way, more tax credit equity than all other investors combined. As in years past, MHIC's portfolio performed well this year with no loan losses.

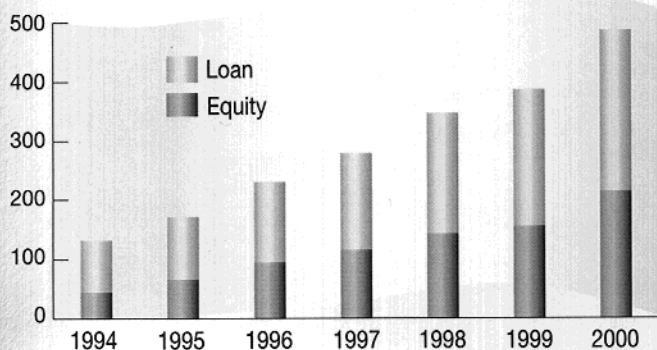
Enhancing Our Ability to Provide Creative Financing.

One of the most important ways that MHIC adds value is the creation of new ways to increase the flow of capital to under-served communities. To do this, we are making substantial structural changes to our financing programs.

In 2000, MHIC completed the groundwork necessary to convert its loan pool to a Limited Liability Company (LLC). This restructuring will enable MHIC to provide creative financing at competitive rates and to deliver a higher rate of return to member corporations. The new structure will enable MHIC to attract new member corporations, to dilute the risk inherent in participation by any one investor, to invest in creative financing ventures with new partners, and to utilize the tax-advantaged UP-REIT structure for acquisition of at-risk properties.

Some major changes were made to the Equity Program this year as well. The Fund has been restructured to provide for investments in the new state low income housing tax credit. It also gives investors the option of investing their funds either in the traditional deferred pay-in model, or in a front-loaded model where funds are contributed as projects need them.

MHIC TOTAL FINANCING TO DATE
(Dollars in millions)



Focusing on Preservation and Market Stabilization.

A major factor currently threatening neighborhood stability is the intense pressure of the surging real estate market and the escalation of acquisition costs. To prevent the loss of affordable properties from the marketplace, MHIC has concentrated on getting as many properties as possible into the hands of owners who intend to maintain them as affordable. We began offering tailored acquisition loans, lines of credit, high loan-to-value financing, and other loan products to facilitate speedy acquisition of at-risk properties.

Expanding the Market and Products to Complement Traditional Lenders.

With many banks, equity syndicators, and other lenders reentering the affordable housing market, MHIC must ensure that its resources address the most challenging and under-served segments of the market. To that end, MHIC will continue to pursue opportunities in preservation projects involving tenant-controlled housing, in assisted living, and in other innovative ventures. We have increased the ceiling for investment in historic tax credits from 5% to 10%. And we are exploring the feasibility of creating, with our partners, a commercial property investment fund.

Developing New Relationships and Funding Sources.

Central to MHIC's mission are our efforts to forge relationships and to integrate our financing with different private and public lenders. In 1999 we received designation as a Community Development Finance Institution and a \$1 million award from the CDFI Fund. That funding will enable us to develop creative new financing products. Over the past year MHIC made plans to expand participation in its programs by inviting insurance companies and community banks to join the MHIC collaborative. MHIC has built relationships with both the Property and Casualty Initiative (a consortium of property and casualty insurance companies) and the Life Initiative (a consortium of life insurance companies). To establish a competitive source of funds for fixed-rate loan products, MHIC has applied for approval to the Federal Home Loan Bank to gain non-member access to their funds. In addition, MHIC applied for and was approved as a HUD/FHA mortgagee.

Finding New Ways to Expand the Reach of Minority Participation.

Our ability to expand minority participation in the projects we finance plays a central role in the value added by MHIC financing. Through the hard work of our sponsors, we were able to realize ambitious minority participation goals this year, especially in projects funded in the Boston area where we achieved 62% participation in construction employment, with 53% of total development costs going to minority-owned businesses. It is critical that the value of investing in housing in minority communities is not only the bricks and mortar that we can so readily see, but also that it translates into increasing incomes and wealth in those communities.

MHIC's Challenge in a Changing Context.

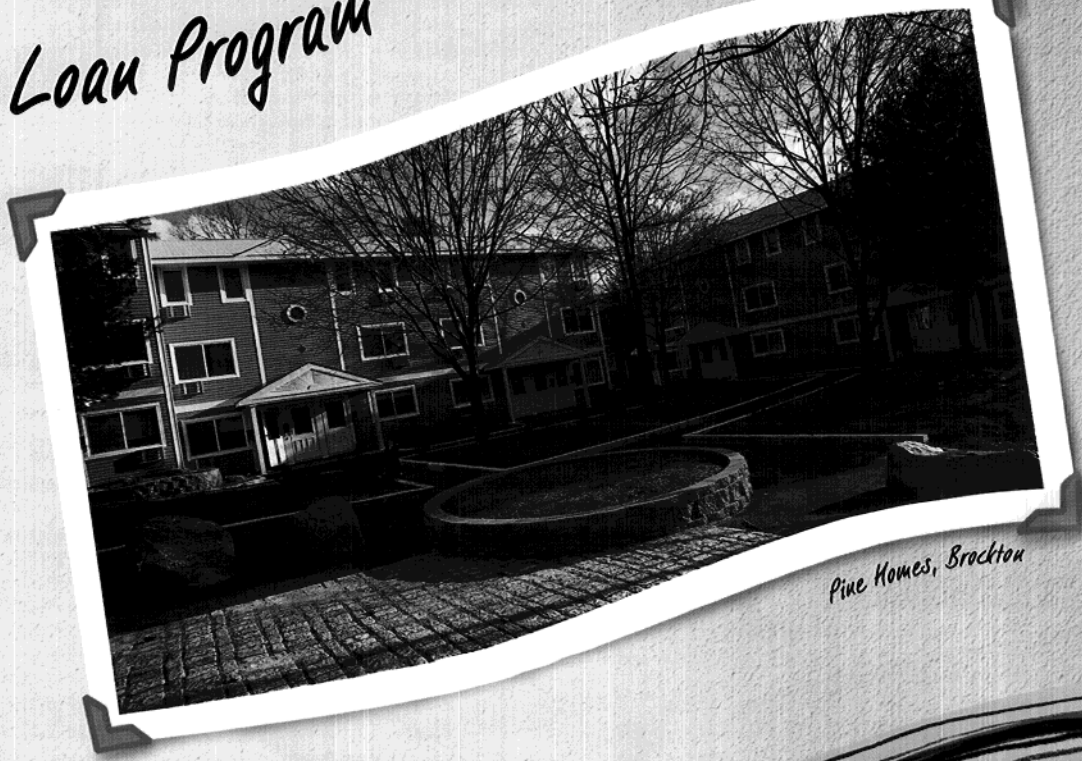
MHIC was founded ten years ago for the express purpose of filling the void left by traditional lenders, to channel capital to the most under-served communities. A lot has changed in those ten years. There are now a number of lending institutions willing to provide financing where they did not a decade ago. At the same time, with the urgency of the affordable housing crisis and MHIC's ability to find new ways to do the most difficult deals in the most needy communities, our role is more important than ever.

MHIC's Loan Program had an outstanding year in FY 2000, with the highest level of activity in any year since MHIC's formation in 1990. MHIC closed \$27.8 million in loans and committed \$59.6 million to finance 33 projects representing 1,294 housing units. Loans were made for both large and small projects, in Boston as well as in cities and towns across Massachusetts. MHIC added several new customers to its client base and, as in previous years, the amount of repeat business was very high.



Windfields Senior Estates, Hadley

Loan Program



Pine Homes, Brockton

Building on a Strong Record of Achievement.

With this year's performance, MHIC has now provided a total of \$208 million or 121 loans, to finance 5,583 units of affordable housing. In its ten-year history, the Loan Program has never experienced a loan loss. This record of performance is the result not only of sensible underwriting through the expertise of the loan department, but also of meticulous monitoring and strong partnerships. This record is all the more remarkable given MHIC's mission of financing projects that have typically been unable to secure financing from traditional sources.

Responding to a Changing Market.

In response to the changing market, MHIC has expanded its construction lending and continues to provide more pre-development and acquisition loans. Acquisition and pre-development loans closed in FY 2000 represented 13 loans and \$5.34 million. The size of MHIC's loans and loan commitments varied greatly, from as little as \$70,000 to a high of \$19 million, with the average loan being \$960,000.

In 2000, tax credit business represented 59% of the dollar amount of the loans closed. This number has decreased over the past two years due to changes in the way that tax credit equity is invested. Specifically, equity is typically now disbursed at the outset or during construction, so construction loans are not necessary as a bridge.

Converting the Loan Pool to a Limited Liability Company.

In FY 2000, MHIC had sixteen member corporations participating in the loan pool, which stood at \$52,275,000. Loan pool utilization at the end of the fiscal year achieved a level of 92%, which included the following:

Project loan balance, as of June 30, 2000	\$ 19,091,371
Loan commitments not yet advanced	26,433,500
Total balances and unfunded commitments	\$ 45,524,871

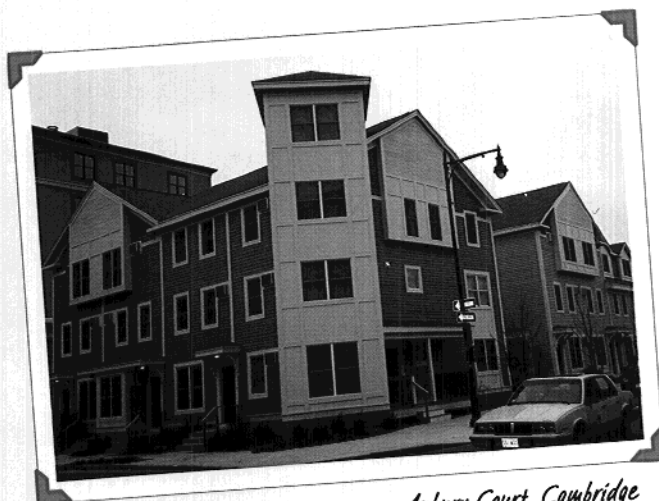
The loan pool structure has served MHIC members and investors well in the first decade of MHIC's existence. But current needs call for more flexible financing to acquire at-risk properties and to finance other innovative loan and equity products. That is why MHIC completed the groundwork and began the process in 2000 to convert to a limited liability company (LLC) structure. The new structure will enable MHIC to offer creative products at competitive rates and provide a higher rate of return to member corporations.

Helping Borrowers Acquire At-Risk Properties Quickly.

One of the most important challenges we face is preventing the loss of affordable housing units from the marketplace. This is particularly true for "at risk" properties such as HUD-financed "expiring use" properties that are eligible for prepayment and that could convert to market rents. In cases such as these, MHIC has provided expeditious acquisition financing, sometimes prior to assembly of subsidy and other resources.

This year MHIC initiated a new product by granting its first two lines of credit to nonprofit customers: one for \$500,000, and another for \$2.5 million. These lines of credit help the recipient organizations to actively seek out opportunities and to move quickly when necessary to preserve existing housing.

MHIC intends to continue to aggressively seek out opportunities to support quick acquisition of at-risk properties. We are exploring the development of a high-loan-to-value loan product for acquisition of rental properties and, where appropriate, MHIC will consider directly acquiring such at-risk properties for later disposition to responsible owners who intend to keep rents affordable.



Auburn Court, Cambridge

Expanding Our Reach.

This year MHIC made extraordinary efforts to provide loans both to communities where it has done business before and to seek out new opportunities in new parts of the state. For example, MHIC financed: rehabilitation of an apartment complex in Brockton, homeownership properties in Provincetown, an assisted living facility in Lenox, elderly housing in Hadley, and an apartment building in Lynn.

Finding New Ways to Add Value to Customers.

True to its mission, MHIC provides loans to projects that may not otherwise be able to receive financing and to developers who sometimes have limited development experience. Most of the projects MHIC funds involve several sources of subordinate financing. That is why MHIC has increasingly become involved – at the outset – in helping borrowers and prospective borrowers assemble or structure their financing. We continue to improve the "One Stop" application form and, along with our partners, offer programs, such as "OneSource," which enable borrowers to obtain construction and permanent financing through one application. This full-service approach helps ensure that all funds – private and public – are optimally utilized and that worthy projects are successfully completed.



Hampshire Pine Apartments, Holyoke



Holborn Terrace, Dorchester

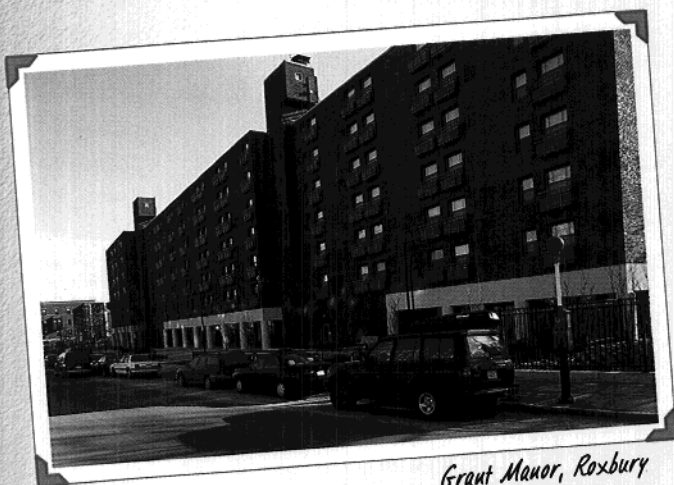
Equity Program

In its tenth anniversary year, MHIC closed its largest equity fund to date, and in turn invested \$38.2 million in 14 affordable housing developments. We brought two new investors into our fund. Our portfolio of investments continues to perform well; as always, we work to anticipate and avoid problems, and to learn from them if they occur. We continue to work to improve the ways in which we do business to accommodate the needs of our customers and our investors.



The Investor of Choice throughout Massachusetts.

Sponsors of affordable housing projects in Massachusetts have many choices of where to place their tax credit investments. Yet MHIC remains the investor of choice for most – MHIC invests more tax credit dollars in Massachusetts than all other investors combined. This year MHIC spread its investment in 14 affordable housing developments across the Boston neighborhoods of Dorchester, Fenway and Roxbury, and Brockton, Cambridge, Hadley, Holyoke, Marlborough, New Bedford, North Adams, Springfield and Worcester. These investments helped to create or retain 929 apartments, the large majority of which are family units. We have maintained a focus on preservation of existing housing, with eight of this year's investments in properties that were already occupied. We serve both the for-profit and non-profit development communities; eight of this year's 14 investments are with for-profit developers. MHIC successfully captures repeat business from customers, as well as establishing new relationships. Eleven of the 14 investments were with existing customers.



Grant Manor, Roxbury

Investing in Strong Partnerships.

We have been heartened to see that an increasing number of large and small cities have begun to make relatively substantial, and repeat, investments in affordable housing. As more communities establish effective partnerships to create and preserve affordable housing, cities such as Holyoke, Lowell, Lawrence, New Bedford, Springfield and Worcester are making investments to strengthen neighborhoods, to broaden locally available housing resources, and to build a stronger foundation for their economic future.

A Successful Program Gets Expanded Resources.

The tax credit program has been recognized for its success in generating private capital to create and preserve affordable housing. Yet demand for tax credit resources far outstrips the available resources allocated to Massachusetts each year. At the end of the year, we received some very welcome news: a 40% increase in federal resources for tax credit development will be available over the next two years. In December, Congress enacted an increase in the federal tax credit allocation cap in the last bill of the 2000 session. The cap will increase from \$1.25 per capita to \$1.50 per capita in 2001, then to \$1.75 in 2002. Beginning in 2003, it will be indexed to inflation. This amount will be coupled for the first time with the initial allocations of the recently enacted State Low Income Housing Tax Credit. This valuable resource of \$4 million in annual state tax credits provides another 17% increase in available tax credit resources – amounting to a total increase of 57% in available tax credit resources.

The Two Sides of a Strong Economy.

These expanded resources could not have come at a better time. The strong economy has been generally good news in terms of increasing incomes and low unemployment. But the other side of that coin has been dramatic increases in housing costs, particularly in Eastern Massachusetts. The impact of rising rents has been particularly difficult for lower income families. The tax credit is an invaluable resource in addressing this challenge – as we work with our partners to preserve and expand the availability of affordable rental housing.

A Focus on Long-Term Asset Management.

The MHIC portfolio has grown to 98 properties and 4,881 units in our ten years of existence. To date, none of these properties has faced a serious problem that we have not been able to resolve satisfactorily, and none has faced foreclosure. Although six of the earliest projects, underwritten directly by our members, face challenges due to the problems of the state-financed SHARP program, they are slowly being worked out, in large part by taking advantage of the strong market. Across our portfolio we show a vacancy rate of well under 5%. Project reserves in most cases have not been touched except for scheduled uses. Uncollected rent and bad debt losses are not an issue. Operating expenses have remained stable. The properties have maintained their "street appeal," projecting the same value and desirability they possessed when they first opened their new or renovated doors.

Ensuring Compliance with Complex and Evolving Regulations.

Through an aggressive program of training, monitoring, and direct involvement, we have been able to maintain a high level of compliance with tax credit regulations. Where problems have arisen, they have been quickly resolved. This solid record of compliance is built upon rigorous attention to the details of managing the occupancy of these properties so that the trail of compliance is self-evident and easily reviewed. MHIC has long required general partners and property managers to be trained in tax credit compliance and to be re-trained annually. We have found that this is the key to maintaining a high level of compliance.



Our Success Depends on the Success of Our Customers.

We believe that the key to our record is the success of the project investments and that of the general partners managing them. MHIC has benefited from the experienced pool of for-profit and non-profit developers with whom we have worked and have established solid relationships.

One of the ways in which MHIC has attempted to build strong relationships has been to focus on the services we can provide our general partners, from sponsoring tax, audit, and compliance seminars, to assisting in securing additional financial resources if a property has extraordinary needs. This year we began to implement an electronic reporting system for collecting partnership financials and project information, so that general partners and property managers can send us the information with a few keystrokes. As we collect and review the data, we in turn can provide web-based access to project and fund information as appropriate to both general partners and investors. We expect to complete the implementation of this system in FY 2001.



Investment Strategies for the Years Ahead.

MHIC has established the foundation – in terms of disciplined underwriting, effective asset management, and strong working relationships with our customers – to help our partners take full advantage of the expanded resources to become available this year. Working with smaller banks and other corporations, we will continue to expand our investor base. By making maximum use of available resources, we will provide our investors with sound investments that achieve competitive returns.

Through all these strategies, we will help our investors and customers meet their goals – and help to build better communities.



Academy Homes, Roxbury



Housing Financed 2000

Having completed its tenth year of operation, MHIC has now committed or invested a total of \$474 million to fund the development of 156 housing projects representing 7,325 units of housing in Massachusetts. MHIC's Loan Program has provided \$208 million to finance 121 projects, and the Equity Program has provided \$266 million to finance 98 tax-credit-eligible housing developments. A listing of all projects financed by MHIC over the past ten years begins on page 26.



Auburn Court, Cambridge



Benjamin Hill Homes, Shirley



BCN Properties, Roxbury

The brief summaries to follow provide an overview of the projects approved or underway during the past year. As mentioned earlier, this was a particularly busy year for MHIC. As these descriptions illustrate, the projects we are financing represent a wide range of housing types and geographic locations.

Academy Homes I, Roxbury

This project involved the 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 the Academy Homes Tenants Council are the co-developers. The property was acquired by the sponsors with an acquisition loan of \$2,750,000, and was rehabilitated with an equity investment of \$7,153,559 from MHIC. Completed and occupied.

Auburn Court, Cambridge

This project represents the second phase of a two-phase affordable housing development in the Cambridgeport neighborhood of Cambridge. The project consists of 60 new mixed-income units constructed in a cluster of 4 buildings within University Park at MIT. Thirty of the 60 units are tax credit eligible and 15 are for moderate-income families. Homeowners Rehab, Inc. developed this project with an equity investment of \$3,906,447 and a construction loan of \$5,061,049 from MHIC. Completed and occupied.

Austin Court, New Bedford

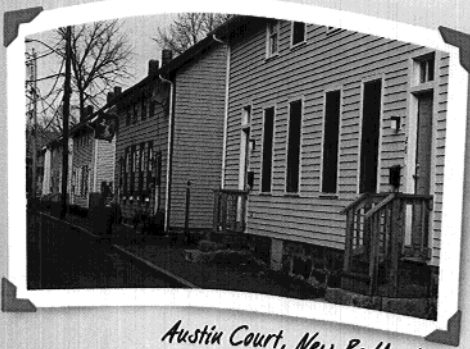
Located in the Upper Weld Square neighborhood and within the Acushnet Heights Historic District of New Bedford, this project consisted of the acquisition and substantial renovation of 12 3-bedroom apartments in 6 historic buildings. It was the first of a four-phase neighborhood revitalization effort. The project sponsor is Hall Keen LLC. Equity investment: \$615,024. Acquisition loan amount: \$98,000. Construction loan amount: \$688,000. Completed and occupied.

BCN Properties, Roxbury

This project involved the substantial rehabilitation of 3 properties, Charlene Park Homes II, 25 Nazing Court and 21-23 Center Street, providing 53-units of tax-credit eligible housing. The project sponsor is Cruz Development Corporation. Equity investment: \$4,562,290. Completed and occupied.

Beacon and Oread Neighborhood Redevelopment, Worcester

This is a scattered-site development involving substantial rehabilitation of 4 abandoned multi-family properties, new construction of three, 3-unit townhouses, and demolition of three structures to create open space and parking. Thirty-four units of affordable rental housing will be created. It is being developed by the Main South CDC in partnership with Clark University. Acquisition loan amount: \$409,000. Equity investment: \$3,773,218. Construction loan amount: \$2,550,934. Closed and under construction.



Austin Court, New Bedford



Cameron House, Lenox



Beacon and Dread, Worcester



Benjamin Hill Homes, Shirley

Nine new modular single-family homes have been constructed and are being sold to eligible first-time homebuyers in this rural Massachusetts community. Rural Housing Improvements, Inc., a regional nonprofit corporation, is the project developer. Loan amount: \$935,000. Completed; sales ongoing.

Bristol Communities, Fall River and New Bedford

Cushing Development Corporation acquired and rehabilitated 16 properties to create 60 units of affordable housing. MHIC provided acquisition financing of \$417,600 and \$5,545,233 of tax credit equity. Completed and occupied.

Cameron House, Lenox

The Cameron School, an old schoolhouse, was rehabilitated to create 44 affordable assisted living units for low-income elderly in this western Massachusetts community. The sponsor is Baran Partners, LP. Loan amount: \$2,200,000. Completed; lease-up in process.

Center City, Springfield

This project involves substantial renovation of 4 apartment buildings to create 47 units of affordable housing. It is located in the South End and Old Hill sections of Springfield – two areas of the city that have experienced considerable disinvestment over the past decade. The project sponsor is Center City Housing, Inc. Acquisition and construction loan: \$350,000. Closed and under construction.

Conwell Street Homeownership, Provincetown

This loan is to fund the acquisition and construction of 35 Conwell Street at the far end of Cape Cod, as for-sale homes priced at a mix of low and moderate income, and market rates. The development will include the rehabilitation of an existing single-family residence, the new construction of 17 single and multi-family homes, and the construction of 4 commercial work spaces. Edward Malone is the sponsor. Acquisition loan amount: \$395,250. Construction loan amount: \$1,350,000. Closed and under construction.

Conwell Street Rental, Provincetown

This project involves funding for acquisition of property located at 32 and 34 Conwell Street in Provincetown and subsequent financing for the development of affordable rental housing. The proposed first phase will include the demolition of the existing buildings on the site and the construction of 18 affordable rental units. The sponsor, Edward Malone, was awarded an allocation of tax credits in 2000. Acquisition loan amount: \$488,750. Closed. An MHIC tax credit equity investment is expected to close in March 2001.

Cornerstone Village Co-Housing, Cambridge

This North Cambridge cooperative was created by the families who live in the neighborhood. The loan financed the acquisition of a 57,000 s.f. parcel of land and predevelopment funding for the construction of a 32-unit co-housing community. The developer is the Cornerstone Co-Housing Builders Group LLP. Loan amount: \$1,750,000. Repaid.



Countryside Village, Marlborough



Holborn Terrace, Dorchester

*Countryside Village Apartments,
Marlborough*

The project involved the acquisition and rehabilitation of Countryside Village Apartments, a 118-unit family project originally built in 1973 under the HUD Section 236 program. The sponsor is Trinity Financial, Inc. Equity investment: \$2,902,034. Completed and occupied.

*The Cushing Companies,
Lawrence, Methuen,
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. Closed. Pending sale of a portion of this loan to The Community Builders (see page 19)

*Crocker & Cutlery Buildings,
Turners Falls*

This project involves the acquisition and rehabilitation of two historic buildings to create 48 units of affordable housing and 4,000 square feet of commercial space in the Town of Montague, Village of Turners Falls. This project is a key part of a larger plan to restore the downtown area utilizing historic properties. It is being developed by Rural Development, Inc., an affiliate of the Franklin County Regional Housing Authority. Acquisition loan: \$485,000. Construction loan amount: \$3,700,000. Equity amount: \$5,250,803. Closed and under construction.

Derne Street SRO, Beacon Hill

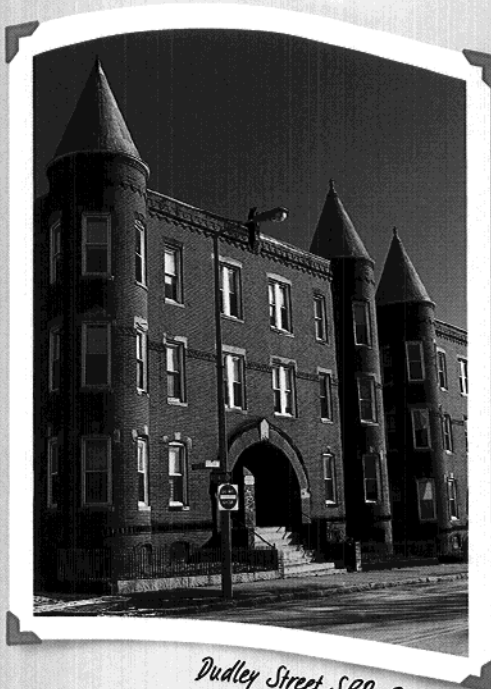
This project involved an acquisition and construction loan for the moderate rehabilitation of a 17-unit single room occupancy rooming house located on Beacon Hill. The sponsor is James C. Wallace. Loan amount: \$450,000. Completed and occupied.

*Dighton Homeownership,
Dighton*

This loan will finance the acquisition of 60 acres of land and predevelopment costs associated with a 50-unit single-family home development in Dighton that will be 100% affordable. The sponsor is South Shore Housing Development Corporation in a joint venture with the private landowners. Loan amount: \$175,000. Approved.

*Dorchester Bay Line of Credit,
Dorchester*

Dorchester Bay Economic Development Corporation has collaborated with MHIC on many successful projects. The line of credit will be used for property acquisition, project predevelopment costs, organizational working capital and construction. Line of credit: \$2,500,000. Closed.



Dudley Street SRO, Roxbury



Dudley Terrace, Dorchester

Dudley Street SRO, Roxbury

The loan for this property is for acquisition and renovation of 68 units of SRO housing on Dudley Street in Roxbury. The units are currently rented at market rates; 67 of the units will be low income housing tax credit eligible upon completion. Caritas Communities, Inc. is the project sponsor. Loan amount: \$1,900,000. Closed and under construction.

Dudley Terrace, Dorchester

This project involves the rehabilitation of 56 units of affordable multi-family housing configured in five buildings that are situated on four scattered sites in the Uphams Corner, Savin Hill and Everett Square neighborhoods of Dorchester. The project sponsor is Dorchester Bay Economic Development Corporation, and the project represents MHIC's sixth tax credit investment in a Dorchester Bay EDC-sponsored project. Equity investment: \$4450,070. Closed and under construction.

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 renovations provide 179 units of substantially upgraded housing. An affiliate of the tenants association and an affiliate of MHIC are the two general partners of the project partnership. Equity investment: \$7,143,845. Completed and occupied.

HAP, Inc. Line of Credit, Springfield

HAP, Inc. is using this revolving line of credit to finance the new construction and rehabilitation of homeownership properties in Springfield and surrounding communities. All borrowings under the line are being used to finance projects with pre-existing commitments of HOME funds. Line of credit: \$500,000. Closed.

Hampshire Pine Apartments, Holyoke

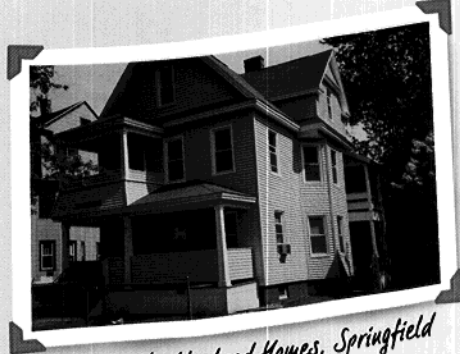
The project involved the acquisition and rehabilitation of Hampshire Pine Apartments, an "expiring use" property. The project consists of 50 apartments in two buildings located in the Churchill neighborhood of Holyoke. The sponsor of this project is River Valley Properties, Inc. Equity investment: \$1,513,535. Completed and occupied.

Hibernian Hall, Roxbury

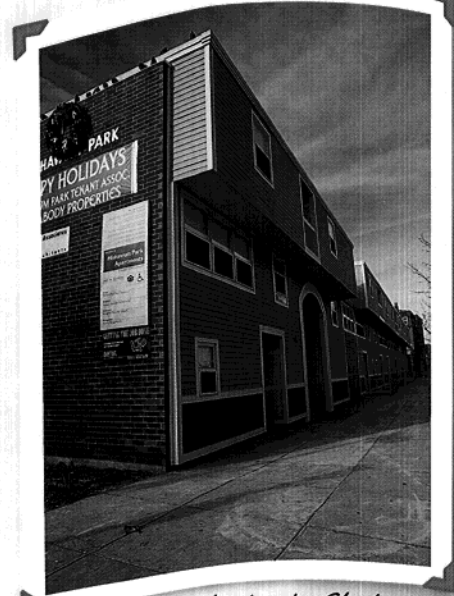
The developers of this property, Madison Park Development Corporation and Peter Roth of New Atlantic Development, plan to convert this 29,000 s.f. building in Dudley Square into 32 units of affordable artist live/work condominiums. Loan amount: \$250,000. Closed.

Holborn Terrace, Dorchester

Eight units of family housing were created by this substantial rehabilitation of a vacant wood-frame structure. The sponsor for this project is the Quincy Geneva Housing Corporation. Loan amount: \$70,000. Equity investment: \$873,353. Completed and occupied.



Neighborhood Homes, Springfield



Mishawum Park Apartments, Charlestown

Homeowners Rehab Line of Credit, Cambridge

This line of credit will be used to bridge various grants obtained by the borrower for affordable housing development, as well as for predevelopment costs, acquisition, rehab and/or new construction of new properties and capital improvements on existing properties. Line of credit: \$2,500,000. Closed.

Hyde Park Avenue Homeownership, Boston

This project involves the acquisition and construction of new condominiums, located on Hyde Park Avenue in Roslindale, that will be marketed to first-time homebuyers. The proposed development consists of 3 townhouses and one duplex and will create a total of 8 units of housing. The sponsor is Urban Edge Housing Corporation. Loan amount: \$984,600. Closed and under construction.

Kalife Apartments, New Bedford

The Kalife Apartment project involves 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: \$792,395. Loan amount: \$969,276. Completed and occupied.

Kimball Court, Woburn

This project represents the third and final phase of a 524-unit mixed-income apartment complex in Woburn. This phase, which is located on an 1145-acre site on the Burlington town line close to Route 128, will provide 174 apartments in two, new 7-story buildings. The project sponsor is Joseph R. Mullins Company. Eastern Bank is participating in the loan and will finance \$7.7 million of the \$20.3 million loan. MHC loan amount: \$12,600,000. Closed and under construction.

Lowell Street, Lynn

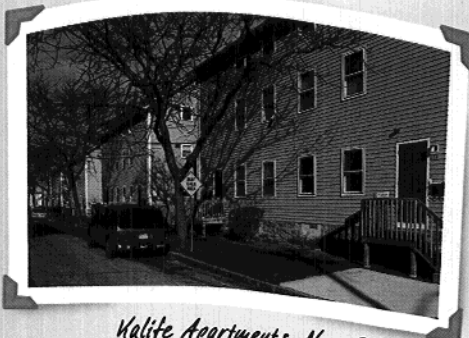
For this project, a permanent loan was extended to a local developer, Tony Kallianiotis, for purchase of 6 housing units to families utilizing the state rental assistance programs. Loan amount: \$201,600. Closed and occupied.

Mandela Homes, Roxbury

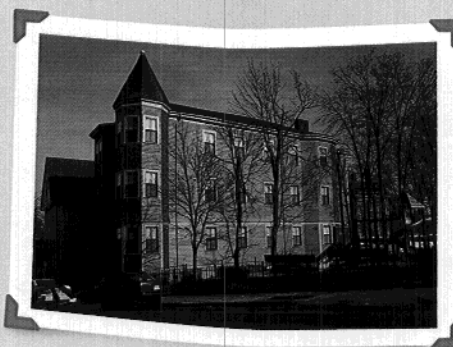
Acquisition and renovation of 276 units in 11 low-and mid-rise brick buildings. Beacon Residential Properties is developer of the property in conjunction with the Mandela Residents Cooperative Association. Loan amount: \$6,354,996. Equity investment: \$11,568,726. Completed and occupied.

Maple Properties, Springfield

This historic renovation of a gracious older apartment building near downtown Springfield was undertaken by a partnership led by Valley Property Management. An equity investment of \$3,144,308 was used to restore the 32 units in this property and contribute to the stability of the Maple/High neighborhood. The construction is completed and the building is occupied.



Kalife Apartments, New Bedford



Mt. Pleasant SRO, Roxbury



Mohawk Forest, North Adams



Northeast Apartments, Holyoke

Middlesex Street, Lowell

These 27 units represent the first low-income-housing tax credit project undertaken by the Cambodian-American League of Lowell (CALL). CALL has chosen to partner with Princeton Properties, which will act as co-general partner and property manager. Equity invested will be \$3,144,684. The investment is expected to close in the Spring of 2001.

Mishawum Park Apartments, Charlestown

This project involves a \$17.5 million loan for the substantial rehabilitation of a 20-building complex containing 337 apartment units in Charlestown. Ten buildings in the complex have already been rehabilitated by a combination of city, state and federal funding. The loan will be shared among the MHP Fund, MHIC and Fleet. MHIC is participating in 50% of the construction loan. The Mishawum Park Tenants Association is the project sponsor. MHIC loan amount: \$8,755,890. Closing is expected to take place in February 2001.

Mohawk Forest, North Adams

This project involved 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. Completed and occupied.

Mt. Pleasant SRO, Roxbury

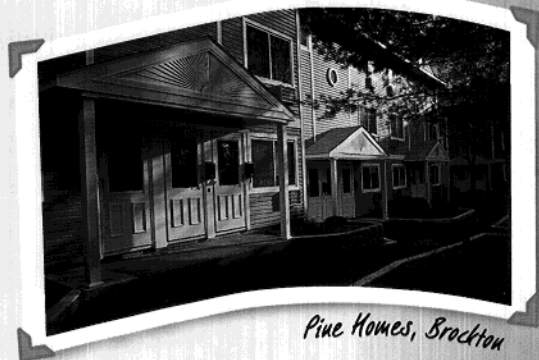
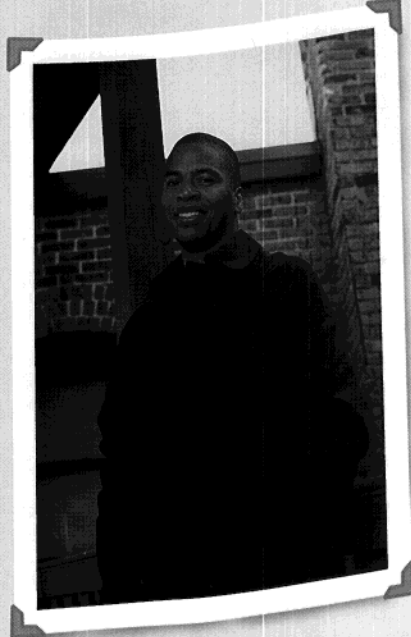
This project involves acquisition and substantial rehabilitation of 20 SRO units in the Dudley Square area of Roxbury. The borrower, Caritas Communities, Inc., will acquire the property and renovate it using a combination of funding sources. All units will be affordable. Acquisition and construction loan: \$268,000. Completed; lease-up in process.

Neighborhood Homes, Springfield

This project involved 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 developer is Better Homes for Springfield, Inc. Loan amount: \$3,077,000. Equity investment: \$3,513,037. Completed and occupied.

Northeast Apartments, Holyoke

This project involves the acquisition and rehabilitation of an existing expiring use property, located in the Flats neighborhood of Holyoke, to preserve 69 units of housing. The project sponsor is River Valley Properties, Inc. Equity investment: \$1,701,690. Closed and in construction.



Pine Homes, Brockton



Talbot Avenue, Dorchester

Nuestra Comunidad Line of Credit, Roxbury

Nuestra Comunidad Development Corporation will use this line of credit to fund predevelopment costs, acquisition, rehab and/or new construction of new properties and capital improvements on existing properties. Line of credit: \$2,500,000. Closed.

Palladio Hall, Roxbury

This project involved the complete renovation and historic restoration of Palladio Hall, a landmark commercial building located in Dudley Square. Palladio Hall consists of 3 floors of office and retail space offering over 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. Completed and occupied.

Palmer/Hardwick Sober House, Palmer/Hardwick

This project involves the purchase and pre-construction financing of 35 units of SRO and studio housing in the Towns of Palmer and Hardwick to provide "sober" housing for individuals who have graduated from the South Middlesex Opportunity Council (SMOC) substance abuse programs. The borrower is South Middlesex Opportunity Council, Inc. Loan amount: \$422,000. 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.

Pine Homes, Brockton

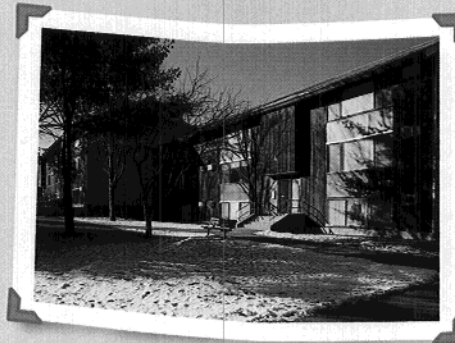
This 114-unit family project was originally built in 1972 under the HUD Section 236 program. This development involved the acquisition and moderate rehabilitation of the property by Beacon Residential Properties Limited Partnership. Equity investment: \$2,872,256. Loan amount: \$1,484,842. Completed and occupied.

Pondview Apartments, Jamaica Plain

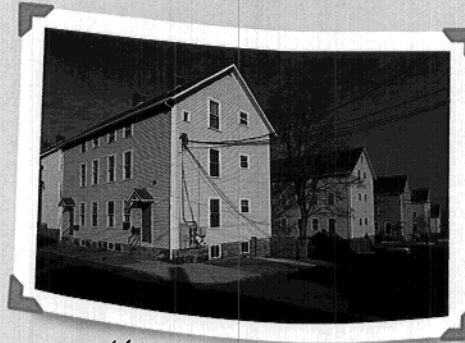
This expiring use project involves the acquisition and rehabilitation of a 60-unit property on Centre Street in the Jamaica Plain neighborhood of Boston. MHIC is providing construction-period financing, through a joint venture with the MHP Fund. The project sponsor is the Neighborhood Development Corporation of Jamaica Plain. Loan guarantee amount: \$2,050,000. Equity investment: \$4,456,953. Closed and under construction.



Squirrel Brand Factory, Cambridge



Richards Apartments, Webster



Wamsutta Apartments, New Bedford

Richards Apartments, Webster

This project involves a loan for the acquisition, renovation and preservation of 54 units of affordable housing in Webster. The project sponsor is the Winn Development Company. Loan amount: \$1,804,000. Approved, not yet closed.

Squirrel Brand Apartments, Cambridge

This project is the historic adaptive reuse and rehabilitation of the Squirrel Brand candy factory as 20 affordable units between Central and Inman Squares in Cambridge. The sponsor, Just-A-Start Corporation, has completed three other tax credit investments. This is their first with MHIC. The equity investment amount will be \$2,136,551. Closing is anticipated in March of 2001.

State Street Apartments, New Bedford

This project represents the fourth phase of the sponsor's development plan to revitalize the Upper Weld Square neighborhood of New Bedford. This phase involves the acquisition of 3 vacant and distressed buildings, comprising 20-units, originally built to house Wamsutta's mill workers. The project sponsor is Hall Keen, LLC. Acquisition loan: \$318,750. Closed.

The Community Builders, Lawrence, Methuen, and Fall River

This acquisition loan was made for the future development of 86 units of affordable housing in 16 properties located in Lawrence, Methuen and Fall River. The properties will be rehabilitated over time as LIHTC reservations are received. Loan amount: \$1,097,401. Approved, not yet closed

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, Russ Gibson, has acquired the property utilizing a combination of funding from the City of Boston's "Hidden Assets" and the MHP Fund's Perm Plus programs, and an acquisition loan from MHIC. This loan was closed under the "One Source" program with MHP. Loan amount: \$373,680. Completed and occupied.

Valley CDC, Northampton

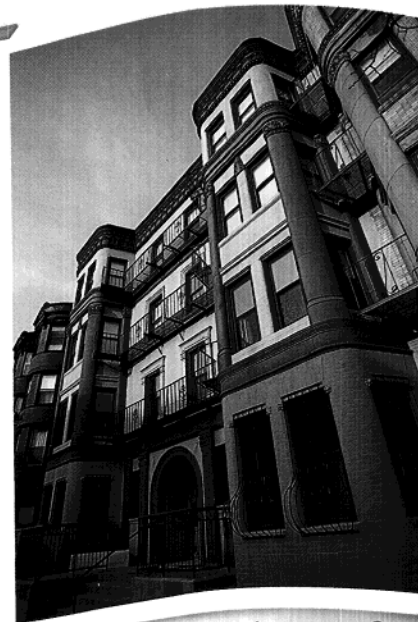
This bridge loan funds pre-development costs associated with the moderate rehabilitation of a 15-unit SRO located in Northampton. The project sponsor is the Valley Community Development Corporation. Loan amount: \$125,000. Closed and under construction.



Wardman Apartments, Boston



Windfields Senior Estates, Hadley



Westland Avenue Apartments, Boston

*Wamsutta Apartments,
New Bedford*

This project involved the moderate rehabilitation of a 78-unit housing complex in 14 buildings located in the Upper Weld Square neighborhood of New Bedford. It 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. Completed and occupied.

Wardman Apartments, Boston

The project involves the acquisition of several apartment buildings, known as Wardman Apartments, in the Egleston Square area of Roxbury. A project-based Section 8 contract that will retain their affordability under new ownership covers the 88 affordable units. MHIC participated 85% of the \$2.9 million acquisition loan to The Property & Casualty Initiative (PCI), resulting in lower interest cost to the borrower. The project sponsor is Urban Edge Housing Corporation. MHIC loan amount: \$313,500. Equity amount: \$3,669,857. Acquisition loan closed. Equity investment expected to close in February 2001.

*West Concord Assisted Living,
Concord*

This new 78-unit assisted living facility involved acquisition of 7.8 acres of land adjacent to the Assabet and Nashoba Rivers in West Concord and pre-development funding for construction. The project is being developed by Volunteers of America, Inc., a nonprofit human services agency. Loan amount: \$1,286,000. Closed and repaid.

*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: \$1,542,737. Closed and under construction.

*Wheel House Apartments,
Roxbury*

This loan is the first part of an acquisition program involving 6 lots and the eventual construction of 13 new apartment units. It is located on a land parcel adjacent to the borrower's 15-unit building. The developer is Eugene Barry. Acquisition loan amount: \$60,000. Closed.

*Windfields Senior Estates,
Hadley*

This project consists of 80 units of affordable housing for seniors in two new buildings. Each building includes its own community room complete with a kitchen. The sponsor is Amhad Development Corporation, Inc. Loan amount: \$4,700,000. Equity investment: \$4,664,440. Completed and in initial lease-up.

1990-2000



MHIC is paving a way for affordable housing

By JOHN P. MELLO JR. SPECIAL TO JOURNAL

Two years ago, when the banking industry began meeting with community groups to develop ways to meet their investment needs, a common complaint was heard. "Community members were very frustrated with the banks not understanding their projects," explained Joseph L. Flatley.

Why not, the banks asked, have an agency where knowledgeable people could smooth out deals between bankers and communities, and increase the state's affordable housing pool in the process?

The result was the Massachusetts Housing Investment Corp., a nonprofit corporation sponsored by 15 banks and pledged to finance quality affordable housing throughout the state.

"The goal is not only to make the process easier for the banks," said Flatley, who is president of MHIC, "but to make it accessible for the project sponsors—people in the community, providing a bridge between the banks and community."

"Banks can build that knowledge themselves; they can have loan officers that have that sort of knowledge. I think at MHIC we're institutionalizing a lot of very focused knowledge on lending for low-income housing."

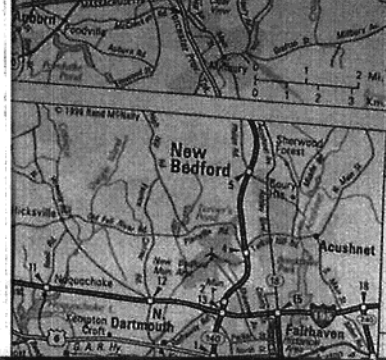
The expertise the staff at MHIC has in the development of affordable housing extends to Aaron Gornstein, executive director of the Massachusetts Housing Association.

single agency can be harmful to community groups. "I don't think MHIC has been particularly effective," said Bruce Marks, executive director of the Union Neighborhood Assistance Corp. "I think banks use it as an excuse not to do their own lending."

Marks said it is easier for a community group to pressure a single bank to meet its community lending obligations than to deal with an independent third party.

During its two years of operation, MHIC has committed more than \$70 million to 37 projects throughout the state.

MHIC has gotten money to projects in many construction loan programs.



THE WALL STREET JOURNAL.
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 CHICOPET, MASSACHUSETTS
 MONDAY, JANUARY 15, 1990
 EASTERN EDITION

Massachusetts Bank Group to Unveil Plan To Stimulate Loans in Low-Income Areas

...of people will be watching" the implementation, says Richard ... of the Federal Reserve ... "I don't think anything is ... the world locally," but the ... very promising.

...al Reserve last year pub ... black Boston neighborhoods received sig ... and only fewer mortgage loans than other

... says Willie Jones, spokesman for a coalition of community groups from the Boston neighborhoods of Roxbury, Dorchester and Mattapan.

... "There's been a gradual drawing apart" of banks and lower-income communities all over the country," acknowledges Robert Fichter, spokesman for the bankers' association. "It's especially a very important market for banks, but both sides need to re-educate themselves about each

... A \$100 million mortgage program that will allow individuals to buy homes with down payments of just 5% and monthly payments that amount to 10% of their income. By obtaining mortgage insurance, the banks will be able to sell the loans to the Federal National Mortgage Association, which normally imposes tighter credit limits.

... About \$10 million in capital and \$50 million in lines of credit for a new corporation that will be used to fund a variety

Joe, FYI

In the spirit of the season



Real Estate

BOSTON GLOBE • SATURDAY, OCTOBER 30, 1998

...kidding. We prayed so hard that we would get this. When I went down and looked at the houses, I just couldn't believe that I might have the chance to live there.
CAROL LYNN WILSON, one of first tenants

Affordable apartments come on line



Wilson, 84, and moved from her home in Mattapan, daughter at bad, the com- ber asthma as- istant at the tent Living. infested with sen no heat for the only source hen stove, said se burners that it's watch the pot, hat's dangerous, ad," she said. ber mother's levement, said Wil- ough room for her son, a steward at is still living in ain on my family o. It's been especially said Wilson. na her excitement at les, out of 600 that tenants at the new oughe development

Federal boost needed in housing

DAVID A. SPINA

WHILE THE RECENT NATIONAL election focused considerable attention on the economy, little has been said about the specific housing policies we might expect from the new Clinton administration.

One idea President Clinton has proposed is a national...
...ishment during the unparalleled turmoil in the Massachusetts real estate market. The projects financed are soundly underwritten, and risks are carefully managed. MHIC has the specialized expertise necessary to be successful.

Clearly more needs to be done, and we can improve on this model. To expand the pool of financing, additional banks and other corporations need to participate. We must continue to streamline and simplify the financing system, to make it more "user friendly," and to reduce...
...work with government at...
...public support for affordable...
...op secondary markets for...
...projects.
...if we are thoughtful, we...
...housing in urban areas...
...of the banking industry...
...not afford to do otherwise...
...unities depends upon legal...
...ing...
...model he would like to see...
...country. From what we have...
...be a sound model. To be...
...nger support from the fed...
...ot require any additional...
...we offer three ideas that...
...ment lenders meet the...
...ederal Low-Income Hou-



COMMERCIAL SPACE FOR LEASE
The Sargent Prince House
37-51 Roxbury, Dudley Square

HISTORIC
PALLADIO HALL

DUDLEY SQUARE, ROXBURY

OFFICE / RETAIL

READY FOR IP
SPRING



Massachusetts
Housing
Equity
Fund
1997
Limited
Partnership

Bankable Shots



Chatting it up at a breakfast meeting on affordable housing, sponsored last week at the Hotel Meridian by the Real Estate Finance Association of the Greater Boston Real Estate Board, are Marianne Votta of Fleet Bank and Christopher Gahler of the Massachusetts Housing Investment Corp.



BAKER & TRADESMAN

JULY 17, 1998

Residential Real Estate

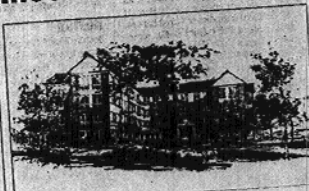
REAL ESTATE DEEDS

For the
clip file

ASSISTED LIVING Assisted-Living Units In Works For Mixed-Income Residents

By Karen Levins

CONSTRUCTION WILL BEGIN next month on an innovative elderly housing project that will accommodate residents of all income levels.
The Chelsea assisted-living facility, scheduled to be completed by August 1999, will be the first new construction for mixed-income elderly tenants. Fifty percent of its residents will be Medicaid-eligible, low-income; 20 percent, moderate-income;



departments... improve the quality housing for the residents who live in the development. Through this pilot effort, 1,000 units of HUD-subsidized rental housing in Roxbury, Dorchester and the South End have been targeted for rehabilitation and sale to resident-selected owners.



JANUARY 15, 1998
BUILDING DEDICATION CEREMONY



Developer:
Unidad Development Corporation
125 St. Roxbury, MA 02119



For more information call 989-1206



FOR AFFORDABLE RENTAL HOUSING

1

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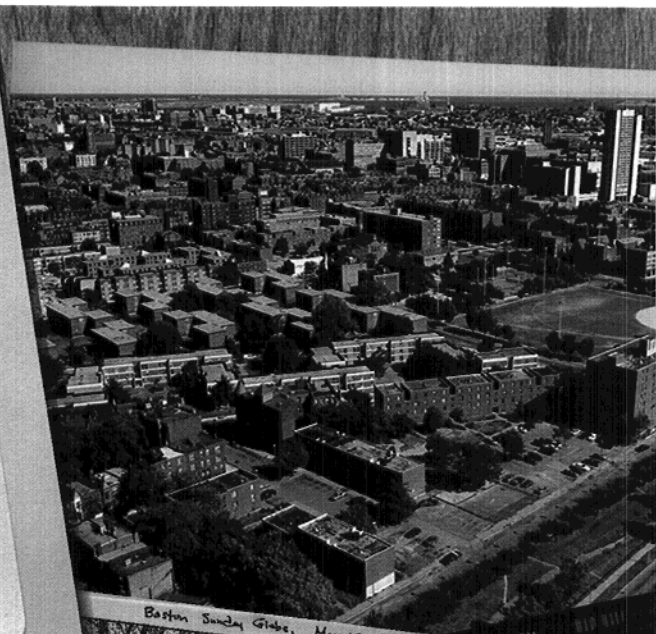
Massachusetts
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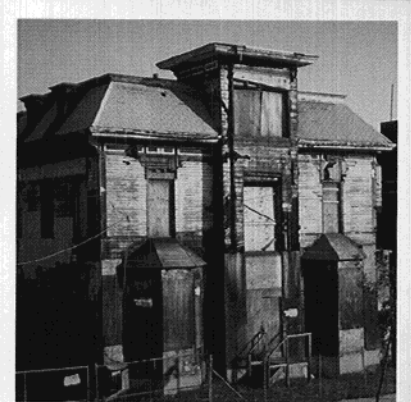
(617) 338-6886

70 Federal Street
Boston, MA 02110

Fax: (617) 338-8916



Boston Sunday Globe, May 10, 1992



Leaders and neighborhood residents join forces at a wall-raising yesterday at the Jacobs Place housing area.

After 6 years, almost home

Developer celebrates low-priced units a long time in the making

By Steve Marinitz
GLOBE STAFF

New low-priced housing celebration yesterday in a neighborhood of Dorchester, priced at \$75,000 to \$88,000 income restricted mortgages as to \$38,000 income restriction, named after...

BOSTON HERALD
BOSTON, MA
DAILY 284,365
MONDAY
MAY 4 1992
NEW ENGLAND NEWS SERVICE

...after the first media event at the site. It took the biggest efforts of the city agency, the help of several nonconventional financing and the tenacity of several single-minded individuals to... other hand, state participation was evident in the subsidy packages being offered by the Massachusetts Housing Finance Agency and federal involvement was felt in a block grant available by the city. Boston Five Cent Savings Bank of the Massachusetts Housing Investment Corporation each of the \$1.8 million construction financing... serious effort, measured against the modest result and the need, posed an equation yesterday that was true and encouraging to others.



State's Flatley to run banks' housing plan

By Peter S. Canellos
GLOBE STAFF



Loan co. cornerstone of project

MHIC boosts affordable housing in Mass.

By Steven Syre

Sion Brook Garden, an affordable housing complex in Jamaica Plain, is in the early stages of construction backed by an influential leader with a low profile.

Homes completed at Dorchester Bay

Yasu Miller

Dorchester housing activists celebrated a transformation of vacant lots into a neighborhood with the completion of a community center at the Alexander-Magnolia cooperative housing development... City officials and residents of the Dorchester Bay Economic Development waited past the ribbon-cutting ceremony.

Real Estate

THE BOSTON GLOBE • SATURDAY, OCTOBER 16, 1992

MHIC sets up \$30m equity fund

Massachusetts Housing Investment Corp. sets up \$30 million equity fund to support affordable housing development.

"It was quite a challenge just to assemble the property."



BAY STATE BANNER • Thursday, May 25, 1995 • 13



MHIC Emeritus Board

Board members who have served
MHIC over the past 10 years.



David A. Spina,
Chairman Emeritus



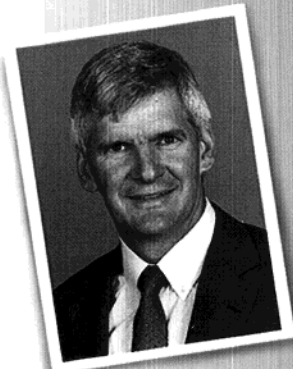
Royal Dunham



Joan Gully



Ron Homer



David Officer



Susan Winston Leff



Sylvia Watts McKinney



Mary Hee



John Taylor



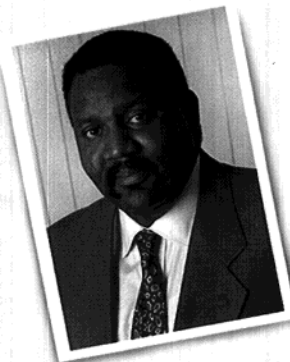
Thomas J. O'Malley



Peter Sargent



Marvin Siftinger



Ken Wade



John Warren



John Vogel

Past Board members not pictured:
Lisa Chapnick
Charles Dahm
Ellen Essenfeld
Thomas McColgan
John Shea
Warren Smith

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

**MHIC PROJECT INVESTMENT AND
LOAN PIPELINE, CLOSED AND COMMITTED (continued)**

PROJECTS	UNITS	LOAN	EQUITY	YEAR CLOSED
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
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	\$470,200		1997

**MHIC PROJECT INVESTMENT AND
LOAN PIPELINE, CLOSED AND COMMITTED (continued)**

PROJECTS	UNITS	LOAN	EQUITY	YEAR CLOSED
Cabot Street House, Beverly	45	\$1,117,000	\$2,066,106	1997
Caborville 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	0	\$1,862,567		1997
Commerce Apartments 2, Roxbury	60	\$638,188		1997
Academy Homes I, Roxbury	202	\$2,750,000	\$7,153,559	1998
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
Commerce 3, Roxbury	60	\$500,000		1998
Cushing Companies, Fall River & New Bedford	120	\$1,332,709		1998
Freeland Apartments, Worcester	21	\$845,843	\$968,511	1998
Grant Manor, Roxbury	179		\$7,143,845	1998
Harborlight House, Beverly	27	\$1,879,046	\$2,309,112	1998
Hubbard Trust, Cambridge	7	\$415,000		1998
I&R IV, Peabody/Newburyport	8	\$380,000		1998

**MHIC PROJECT INVESTMENT AND
LOAN PIPELINE, CLOSED AND COMMITTED (continued)**

PROJECTS	UNITS	LOAN	EQUITY	YEAR CLOSED
Neighborhood Homes, Springfield	102	\$3,077,000	\$3,513,037	1998
Prospect Estates, Webster	25	\$1,210,000	\$1,383,483	1998
Rourke Realty, Brighton	13	\$529,000		1998
Warren Avenue, Boston	30		\$1,869,343	1998
Wilder Gardens, Dorchester	61	\$4,866,000	\$5,698,003	1998
Auburn Court (Phase II), Cambridge	60	\$5,061,049	\$3,906,447	1999
Austin Court	12	\$98,000	\$615,024	1999
Austin Court 2, New Bedford	12	\$688,000		1999
BCN Properties, Roxbury	53		\$4,562,290	1999
Concord Realty Trust, Concord	6	\$308,000		1999
Conwell Street Homeownership, Provincetown	18	\$395,200		1999
Conwell Street Rental, Provincetown	18	\$488,750		1999
Cornerstone Village CoHousing, Cambridge	32	\$1,750,000		1999
Countryside Village Apartments, Marlborough	118		\$2,902,034	1999
Crocker & Cutlery Buildings, Turner Falls	48	\$485,000		1999
Derne Street SRO, Beacon Hill	17	\$450,000		1999
Hampshire Pine Apartments, Holyoke	50		\$1,513,535	1999
HAP Line of Credit, Springfield	14	\$500,000		1999
Hyde Park Ave. Homeownership, Hyde Park	8	\$984,600		1999
Kalife Apartments, New Bedford	36	\$969,276	\$792,395	1999
Lowell Street, Lynn	6	\$201,600		1999
Melbourne Street, Roxbury	9	\$510,000		1999
Mohawk Forest, North Adams	190		\$2,462,563	1999
Palladio Hall, Roxbury			\$541,735	1999
Palumbo Properties, Fall River	34	\$656,000		1999
Pine Homes, Brockton	114	\$1,484,842	\$2,872,256	1999
Roxbury Place I, Roxbury	7	\$552,813		1999
Roxbury Place II, Roxbury		\$212,000		1999
Talbot Avenue, Dorchester	9	\$373,680		1999
Valley CDC, Northampton	15	\$125,000		1999
Wamsutta Apartments, New Bedford	78	\$516,156	\$1,168,063	1999
West Concord Assisted Living, W. Concord	78	\$1,286,000		1998
Windfields Senior Estates, Hadley	80	\$4,700,000	\$4,664,440	1999

**MHIC PROJECT INVESTMENT AND
LOAN PIPELINE, CLOSED AND COMMITTED (continued)**

PROJECTS	UNITS	LOAN	EQUITY	YEAR CLOSED
Beacon & Oread, Worcester	34	\$2,550,934	\$3,773,218	2000
Cameron House, Lenox	44	\$2,200,000		2000
Center City I & II, Springfield	47	\$350,000		2000
Conwell Street Homeownership, Provincetown	18	\$1,350,000		2000
Crocker and Cutlery Buildings, Turners Falls	48	\$3,700,000	\$5,250,803	2000
Dighton Homeownership, Dighton	60	\$175,000		2000
Dorchester Bay Line of Credit, Dorchester		\$2,500,000		2000
Dudley Street SRO, Roxbury	67	\$1,900,000		2000
Dudley Terrace, Roxbury	56		\$4,450,070	2000
Hibernian Hall, Roxbury	32	\$250,000		2000
Holborn Terrace, Dorchester	8	\$70,000	\$873,353	2000
Homeowners Rehab Line of Credit, Cambridge		\$2,500,000		2000
Kimball Court, Woburn	174	\$12,600,000		2000
Maple Properties, Springfield	32		\$3,144,308	2000
Mishawum Park Apartments, Charlestown	337	\$8,755,890		2000
Mount Pleasant SRO, Roxbury	20	\$268,000		2000
Northeast Apartments, Holyoke	69		\$1,701,690	2000
Nuestra Comunidad Line of Credit, Roxbury		\$2,500,000		2000
Palmer/Hardwick Sober Housing, Palmer, Hardwick	35	\$422,000		2000
Pondview Apartments, Jamaica Plain	60	\$2,050,000	\$4,456,953	2000
Richards Apartments, Webster	54	\$1,804,000		2000
State Street Apartments, New Bedford	20	\$318,750		2000
The Community Builders, Lawrence, Methuen, Fall River	86	\$1,097,401		2000
Wardman Apartments, Roxbury	88	\$313,500	\$3,669,857	2000
Westland Avenue Apartments, Boston	20		\$1,542,737	2000
Wheel House Apartments I, Roxbury		\$60,000		2000
Middlesex Street Apartments, Lowell	27		\$3,144,684	
Squirrel Brand Apartments, Cambridge	20		\$2,136,551	
Totals	7,325	\$208,222,825	\$265,547,341	

SUMMARY OF CORPORATE COMMITMENTS AND AMOUNTS INVESTED

The member banks and corporate investors participating in MHIC have collectively committed \$414 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	41,500	165,939	162,704	157,775	204,204	323,714
State Street Bank and Trust Company	4,600	18,393	55,404	53,896	60,004	72,289
Freddie Mac			50,550	50,550	50,550	50,550
Mellon New England			27,773	27,773	27,773	27,773
Citizens Bank	1,975	7,897	15,917	15,917	17,892	23,814
Fannie Mae			10,681	10,681	10,681	10,681
PNC Bank	1,500	5,998	6,399	6,399	7,899	12,397
Eastern Bank			5,680	5,680	5,680	5,680
First Massachusetts Bank	250	1,000	7,940	6,683	8,190	7,683
Boston Private Bank & Trust Company	300	1,200	2,130	2,130	2,430	3,300
The Bank of Western Massachusetts			1,065	846	1,065	846
Flagship Bank and Trust Company			355	282	355	282
Compass Bank			1,595	1,595	1,595	1,595
Wainwright Bank	400	1,599			400	1,599
Fall River Five Cents Savings Bank			568	568	568	568
Peoples Savings Bank of Holyoke			1,420	1,420	1,420	1,420
Boston Bank of Commerce	250	1,000	179	179	429	1,178
Hyde Park Savings Bank	250	1,000	55	55	305	1,055
TeleCom Cooperative Bank	300	1,200			300	1,200
Capital Crossing Bank	250	1,000			250	1,000
First Trade Union Bank	250	1,000			250	1,000
Stoneham Savings Bank	250	1,000			250	1,000
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	52,075	208,224	363,477	354,363	415,552	562,587

*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.

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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 tenth year of operation with a surplus of income over expenses. The attached consolidated financial statements provide additional detail of the Corporation's finances.

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

The Corporation has allocated \$300,000 for a reserve against potential future loan losses. A Credit Review Committee comprised of members of the Board 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 ten 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 receives investor-servicing fees that relate to contractual agreements established prior to MHEF. As of June 30, 2000, MHIC has capitalized MHEF in the amount of \$2,567,044.

REPORT OF INDEPENDENT AUDITORS

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, 2000 and 1999, 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, 2000 and 1999, 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
October 27, 2000

CONSOLIDATED BALANCE SHEETS

	June 30	
	2000	1999
ASSETS		
Cash	\$ 505,336	\$ 446,192
Loan fund:		
Project loans, net of allowance for loan losses of \$300,000 and \$275,000 in 2000 and 1999, respectively	11,012,849	15,616,672
Money market deposits at member corporations	40,762,151	36,383,328
Total loan fund	<u>51,775,000</u>	<u>52,000,000</u>
Loan guarantee fund:		
Loan guarantee funds on deposit	63,510	79,214
Loan guarantee loans	5,267,497	6,167,195
Total loan guarantee fund	<u>5,331,007</u>	<u>6,246,409</u>
Notes receivable	9,184,646	7,612,332
Amounts receivable and other assets	1,165,199	865,383
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$650,245 and \$510,391 in 2000 and 1999, respectively	177,566	263,695
Total assets	<u><u>\$ 68,138,754</u></u>	<u><u>\$ 67,434,011</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Notes payable to member corporations	\$ 52,075,000	\$ 52,275,000
Notes payable — loan guarantee program	4,918,453	6,051,173
Unearned fees	8,051,464	6,629,015
Accrued interest and other liabilities	862,654	636,667
Total liabilities	<u>65,907,571</u>	<u>65,591,855</u>
Net assets	2,231,183	1,842,156
Total liabilities and net assets	<u><u>\$ 68,138,754</u></u>	<u><u>\$ 67,434,011</u></u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF
REVENUES AND EXPENDITURES

	Year ended June 30	
	2000	1999
REVENUES		
Interest revenue:		
Interest on deposits	\$ 1,297,921	\$ 1,403,507
Interest on project loans	1,648,653	1,472,492
Total interest revenue	<u>2,946,574</u>	<u>2,875,999</u>
Interest expense on notes payable	(2,069,980)	(1,938,724)
Net interest revenue before provision for loan losses	876,594	937,275
Provision for loan losses	(25,000)	(25,000)
Net interest revenue after provision for loan losses	<u>851,594</u>	<u>912,275</u>
Equity program revenue:		
Fees related to MHEF limited partnerships	3,446,239	3,043,928
Other equity program fees	46,667	44,778
Gain on sale of interest in MHEF limited partnerships	251,743	
Total revenues	<u>4,596,243</u>	<u>4,000,981</u>
EXPENDITURES		
Salaries and employee benefits	2,612,834	2,164,170
Occupancy, equipment and furniture	406,652	383,899
Professional services	655,839	468,379
Other expenditures	531,891	647,533
Total expenditures	<u>4,207,216</u>	<u>3,663,981</u>
Excess of revenues over expenditures before extraordinary item	389,027	337,000
Extraordinary item		
Gain on extinguishing of debt		315,000
Excess of revenues over expenditures	<u>389,027</u>	<u>652,000</u>
Net assets at beginning of year	1,842,156	1,190,156
Net assets at end of year	<u>\$ 2,231,183</u>	<u>\$ 1,842,156</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2000	1999
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 389,027	\$ 652,000
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	139,854	131,957
(Increase) decrease in amounts receivable and other assets	(299,815)	149,835
Increase in unearned fees	(1,543,194)	(1,338,965)
Increase (decrease) in accrued interest and other liabilities	225,987	(8,766)
Total adjustments	<u>(1,452,168)</u>	<u>(1,355,939)</u>
Net cash used for operating activities	<u>(1,063,141)</u>	<u>(703,939)</u>
INVESTING ACTIVITIES		
Project loan advances	(18,724,859)	(25,922,980)
Project loan repayments	23,303,682	16,164,938
Decrease (increase) to loan guarantee funds on deposit	15,703	(49,113)
Increase (decrease) in money market deposits at member corporations	(4,378,823)	10,958,042
Loan guarantee advances	(674,296)	(1,842,750)
Loan guarantee repayments	1,573,994	489,166
Payments received on notes receivable	1,393,329	734,669
Purchases of furniture, equipment and leasehold improvements	<u>(53,725)</u>	<u>(75,352)</u>
Net cash provided by investing activities	<u>2,445,005</u>	<u>456,620</u>
FINANCING ACTIVITIES		
Amortization of notes payable to member corporations	(200,000)	(885,000)
Proceeds from notes payable to loan guarantee lenders	201,600	1,370,813
Payments of notes payable to loan guarantee lenders	<u>(1,334,320)</u>	<u>(159,202)</u>
Net cash provided by (used for) financing activities	<u>(1,332,720)</u>	<u>326,611</u>
Net increase in cash	59,144	79,292
Cash at beginning of year	446,192	366,900
Cash at end of year	<u>\$ 505,336</u>	<u>\$ 446,192</u>
Supplemental information:		
Unearned fees recorded in exchange for notes receivable	<u>\$ 2,231,389</u>	<u>\$ 823,200</u>
Cash paid for interest	<u>\$ 2,109,407</u>	<u>\$ 1,890,646</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 six 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.

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 operating partnership and is recognized over the estimated construction period. During 2000 and 1999, MHIC recognized fees of approximately \$3,446,000 and \$3,044,000, 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. MHEF

As of June 30, 2000, MHIC has capitalized MHEF in the amount of \$2,567,044. MHEF, as general partner of the aforementioned Partnerships, has interests (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.

The Partnerships, as limited partners in the various Operating Partnerships, are subject to risks inherent in the ownership of property which are beyond their 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, 2000 and 1999, the Partnerships have combined total assets of \$127,135,558 and \$103,838,520, respectively, and combined cumulative deficits of \$46,067,243 and \$28,973,453, respectively.

In December 1999 MHEF sold 99% of its 1% interest in the MHEF 1993-94 and 1995 limited partnerships for \$251,743. MHEF had contributed \$200 to obtain its interest in the aforementioned partnerships. The sale resulted in a gain \$251,543. As of December 1, 1999, MHEF had a .01% interest in the MHEF 1993-94 and 1995 limited partnerships.

3. PROJECT LOANS

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

Project loan activity was as follows:

	2000	1999
Beginning balance	\$ 15,891,672	\$ 6,133,630
Loan disbursements	18,724,859	25,922,980
Loan repayments	<u>(23,303,682)</u>	<u>(16,164,938)</u>
Project loans outstanding	11,312,849	15,891,672
Allowance for loan losses	<u>(300,000)</u>	<u>(275,000)</u>
Project loans, net	\$ 11,012,849	\$ 15,616,672

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, 2000 and 1999, MHIC had no delinquent or non-performing project loans and there have been no charge-offs recorded to date.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)

4. 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.

Loan guarantee activity was as follows:

	2000			1999		
	Third Party	Direct	Total	Third Party	Direct	Total
Beginning balance - loans	\$ 0	\$6,167,195	\$6,167,195	\$ 0	\$4,813,611	\$4,813,611
Loan disbursements	3,630,474	674,296	4,304,770	0	1,842,750	1,842,750
Loan repayments	(923,942)	(1,573,994)	(2,497,936)	0	(489,166)	(489,166)
Loans outstanding	<u>\$2,706,532</u>	<u>\$5,267,497</u>	<u>\$7,974,029</u>	<u>\$ 0</u>	<u>\$6,167,195</u>	<u>\$6,167,195</u>

5. 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, 2000 and 1999, the average rate payable by MHIC for proceeds lent to projects was 6.75% and 7.5%, respectively. For the years ended June 30, 2000 and 1999, interest expense paid to member corporations totaled approximately \$1,732,000 and \$1,686,000, 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, 2000 and 1999, outstanding borrowings under these agreements totaled \$52,075,000 and \$52,275,000, respectively.

6. 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 for its loan guarantee program. 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, 2000 and 1999, borrowings under the line totaled \$2,184,222 and \$2,099,929, respectively. In addition, MHIC has borrowed \$2,734,231 and \$3,951,244 at June 30, 2000 and 1999, respectively. These borrowings have been used to fund the loan guarantee program (see note 4, loan guarantee program).

7. 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, 2000 and 1999, notes receivable included accrued interest of \$734,254 and \$447,814, 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, 2000 and 1999, unearned equity fees were \$7,555,954 and \$6,305,144, respectively. Other unearned fees include development monitoring and loan commitment fees.

8. COMMITMENTS

At June 30, 2000 and 1999, MHIC had unfunded commitments to originate loans of \$40,101,885. These commitments have been established pursuant to MHIC's loan policy.

9. 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, 2000:

2001	\$ 252,155
2002	261,014
2003	248,218
2004	60,460
Total	\$ 821,847

MHIC incurred lease expenses associated with office space and equipment of \$255,076 and \$239,722 in 2000 and 1999, respectively.

10. 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 employer contribution is based upon a percentage of employee salary. In July 1999, MHIC amended the Plan to include a 100% match of employee contributions up to 3% of a given employee's salary. MHIC contributed and charged to expense approximately \$141,000 and \$87,000 in 2000 and 1999, respectively.

11. SUBSEQUENT EVENT

During fiscal year 2000, MHIC initiated the process of converting its loan pool to a limited liability company, MHIC LLC (the "LLC"). The process will involve members converting their existing loans to MHIC into equity investments in the new LLC. All project loans and allowance for loan losses on the books of MHIC will be transferred to the LLC as part of the conversion. MHIC will be the manager of the LLC. MHIC expects the conversion to occur during January 2001.

OTHER FINANCIAL INFORMATION
CONSOLIDATING BALANCE SHEETS

	June 30, 2000			
	MHIC	MHEF	Elimination	Consolidated
ASSETS				
Cash	\$ 293,999	\$ 211,337	\$	\$ 505,336
Loan fund:				
Project loans, net of allowance for loan losses of \$300,000	11,012,849			11,012,849
Money market deposits at member corporations	40,762,151			40,762,151
Total loan fund	51,775,000			51,775,000
Loan guarantee fund:				
Loan guarantee funds on deposit	63,510			63,510
Loan guarantee loans	5,053,815	213,682		5,267,497
Total loan guarantee fund	5,117,325	213,682		5,331,007
Investment in MHEF	2,873,032		(2,873,032)	
Notes receivable	9,184,646			9,184,646
Amounts receivable and other assets	1,152,067	13,131		1,165,199
Due from parent		2,454,881	(2,454,881)	
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$650,245	177,566			177,566
Total assets	<u>\$70,573,635</u>	<u>\$2,893,032</u>	<u>\$(5,327,913)</u>	<u>\$68,138,754</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Notes payable to member corporations	\$52,075,000			\$52,075,000
Notes payable — loan guarantee program	4,918,453			4,918,453
Due to subsidiary	2,454,881		(2,454,881)	
Unearned fees	8,051,464			8,051,464
Accrued interest and other liabilities	842,654	20,000		862,654
Total liabilities	68,342,452	20,000	(2,454,881)	65,907,571
Net assets	2,231,183	2,873,032	(2,873,032)	2,231,183
Total liabilities and net assets	<u>\$70,573,635</u>	<u>\$2,893,032</u>	<u>\$(5,327,913)</u>	<u>\$68,138,754</u>

See accompanying notes to consolidated financial statements.

OTHER FINANCIAL INFORMATION
CONSOLIDATING STATEMENT OF REVENUES AND EXPENDITURES

	Year ended June 30, 2000			
	MHIC	MHEF	Elimination	Consolidated
REVENUES				
Interest revenue:				
Interest on bank deposits	\$1,294,440	\$ 3,481	\$	\$1,297,921
Interest on project loans	1,634,448	14,205		1,648,653
Total interest revenue	2,928,888	17,686		2,946,574
Interest expense on notes payable	(2,069,980)			(2,069,980)
Net interest revenue before provision for loan losses	858,908	17,686		876,594
Provision for loan losses	(25,000)			(25,000)
Net interest revenue after provision for loan losses	833,908	17,686		851,594
Equity program revenue:				
Fees related to MHEF limited partnerships	3,446,239			3,446,239
Other equity program fees	46,667			46,667
Income from investment in MHEF	269,429		(269,429)	
Gain on sale of interest of MHEF limited partnerships		251,743		251,743
Total revenues	4,596,243	269,429	(269,429)	4,596,243
EXPENDITURES				
Salaries and employee benefits	2,612,834			2,612,834
Occupancy, equipment and furniture	406,652			406,652
Professional services	655,839			655,839
Other expenditures	531,891			531,891
Total expenditures	4,207,216			4,207,216
Excess of revenues over expenditures	389,027	269,429	(269,429)	389,027
Additional capitalization of MHEF		380,000	(380,000)	
Net assets at beginning of year	1,842,156	2,223,603	(2,223,603)	1,842,156
Net assets at end of year	\$2,231,183	\$2,873,032	\$(2,873,032)	\$2,231,183

See accompanying notes to consolidated financial statements.



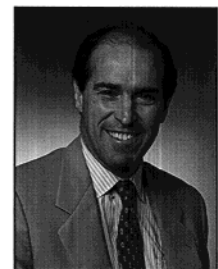
Guillaem Aertsen
Chairman



Gail Snowden
Vice Chairman
Fleet Bank



Walter Mercer
Spaulding & Slye



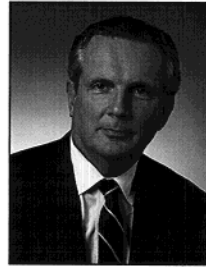
Paul Calhoun
Mellon New England



Howard E. Cohen
Beacon Residential
Properties



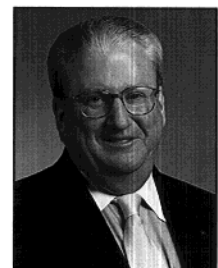
Daniel Cruz, Jr.
JB Cruz Construction
Company



B. John Dill
The Colebrook
Corporation



Evelyn Friedman
Nuestra Comunidad



Robert Griffin
Eastern Bank



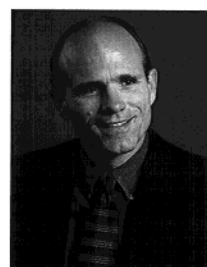
Charles Grigsby
The Life Initiative



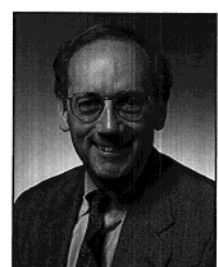
Charlotte Golar Richie
Department of
Neighborhood
Development



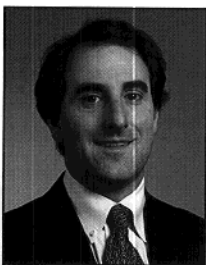
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Martin Rogosa
State Street Bank and
Trust Company



Eleanor G. White
Housing Partners, Inc.



Susan M. Wolkoff
Fleet Bank



Joseph L. Flatley

PARTICIPATING BANKS AND CORPORATIONS

Fleet Bank
State Street Bank and Trust Company
Freddie Mac
Mellon New England
Citizens Bank
Fannie Mae
PNC Bank
Eastern Bank
First Massachusetts Bank
Boston Private Bank & Trust Company
The Bank of Western Massachusetts

Flagship Bank and Trust Company
Compass Bank
Fall River Five Cents Savings Bank
Wainwright Bank
Boston Bank of Commerce
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Martin Rogosa, State Street Bank and Trust
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Gregory Badger, Fleet Bank



Joseph L. Flatley
President & CEO



Carolyn S. Anderson
Investment Officer



Sandra Blackman
Senior Asset Management Officer



Paul K. Chan
Senior Investment Officer



Eugene Clerkin
Senior Lender



Desirée A. Coleman
Senior Loan Administration Specialist



Ellen P. Connolly
Finance Officer



Andrea R. Daskalakis
Senior Equity Investment Officer



Daniel Devin
Senior Asset Management Officer



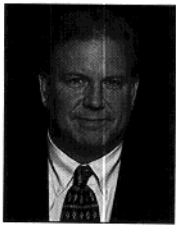
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Associate Finance Officer



Deborah Favreau
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Eunice Harps
Senior Lender



Joseph P. Henefield
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Marianne M. Horan
Director of Administration



Bryant Jackson
Information Technology Specialist



Carolyn M. Jackson
Executive Assistant



Shalini Konduri
Information Technology Specialist



Rosemarie Lynch
Loan Administrative Assistant



David Pérez
Senior Asset Management Officer



Yadira Rodriguez
Administrative and Technical Services Specialist



Garrett R. Spellman
Network Services Administrator



Henry A. Terrones
Associate Asset Management Officer



William A. Thompson
Director of Finance



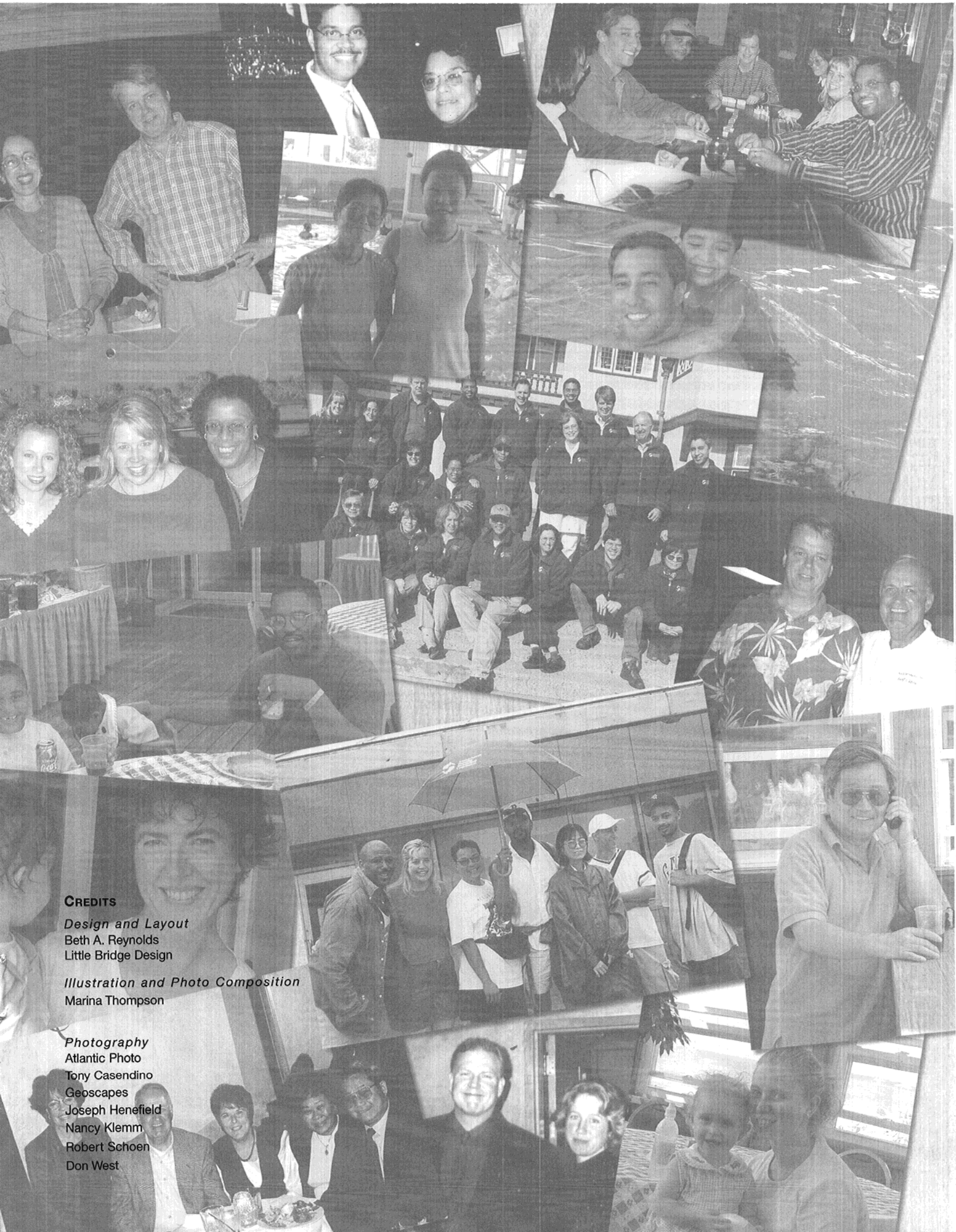
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Administrative Assistant



Raymond H. Weaving
Director of Lending



Michelle Witham
Offices Services Coordinator



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