SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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KRUPP GOVERNMENT INCOME TRUST
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-19244

Krupp Government Income Trust

Massachusetts

(State or other jurisdiction of incorporation or organization)

04-3089272

(IRS employer identification no.)

One Beacon Street, Boston, Massachusetts

(Address of principal executive offices)

02108

(Zip Code)

(617) 523-0066

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors, including those identified herein.

KRUPP GOVERNMENT INCOME TRUST

BALANCE SHEETS

ASSETS

	March 31, 2002	December 31, 2001
Participating Insured Mortgage Investments ("PIMIs") (Note 2)		
Insured Mortgages	$ 32,426,124	$ 50,811,558
Additional Loans, net of impairment provision of $1,698,811	3,871,180	3,871,180
Participating Insured Mortgages ("PIMs") (Note 2)	39,677,819	46,416,493
Mortgage-Backed Securities and insured mortgage loan ("MBS") (Note 3)	14,616,100	14,971,348

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Total mortgage investments	90,591,223	116,070,579
Cash and cash equivalents	5,619,881	13,154,231
Interest receivable and other assets	576,530	756,832
Prepaid acquisition fees and expenses, net of accumulated amortization of $5,868,356 and $6,249,229 respectively	359,161	541,044
Prepaid participation servicing fees, net of accumulated amortization of $1,906,433 and $1,999,913, respectively	169,355	263,455
Total assets	$ 97,316,150	$ 130,786,141

LIABILITIES AND SHAREHOLDERS' EQUITY

Deferred income on Additional Loans	$ 2,256,063	$ 2,336,154
Other liabilities	51,731	20,485
Total liabilities	2,307,794	2,356,639
Shareholders' equity (Note 4):		
Common stock, no par value; 17,510,000 Shares authorized; 15,053,135 Shares issued and outstanding	94,412,289	127,850,874
Accumulated comprehensive income	596,067	578,628
Total Shareholders' equity	95,008,356	128,429,502
Total liabilities and Shareholders' equity	$ 97,316,150	$ 130,786,141

The accompanying notes are an integral part of the financial statements.

KRUPP GOVERNMENT INCOME TRUST

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	For the Three Months Ended March 31,	
	2002	2001
Revenues:		
Interest income - PIMs and PIMIs:		
Basic interest	$ 1,372,488	$ 2,074,614
Additional loan interest (Note 5)	80,091	185,939
Participation interest (Note 5)	871,625	132,882
Interest income - MBS	291,986	325,589
Interest income - cash and cash equivalents	55,620	76,721
Total revenues	2,671,810	2,795,745
Expenses:		
Asset management fee to an affiliate	170,484	246,076
Expense reimbursements to affiliates	36,811	46,509
Amortization of prepaid fees and expenses	275,983	257,434
General and administrative	101,719	105,347
Total expenses	584,997	655,366
Net income	2,086,813	2,140,379
Other comprehensive income:		
Net change in unrealized gain on MBS	17,439	51,878
Total comprehensive income	$ 2,104,252	$ 2,192,257
Basic earnings per Share	$ .14	$ .14
Weighted average Shares outstanding	15,053,135	15,053,135

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The accompanying notes are an integral
part of the financial statements.

KRUPP GOVERNMENT INCOME TRUST

STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,	
	2002	2001
Operating activities:		
Net income	$ 2,086,813	$ 2,140,379
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of (discounts) and premiums	(788)	1,185
Amortization of prepaid fees and expenses	275,983	257,434
Changes in assets and liabilities:		
Decrease in interest receivable and other assets	180,302	220,560
Decrease in deferred income on Additional Loans	(80,091)	(91,884)
Increase (decrease) in other liabilities	31,246	(14,166)
Net cash provided by operating activities	2,493,465	2,513,508
Investing activities:		
Principal collections on MBS	373,475	383,000
Principal collections on PIMs and Insured Mortgages	25,124,108	214,732
Net cash provided by investing activities	25,497,583	597,732
Financing activity:		
Dividends	(35,525,398)	(2,559,033)
Net increase (decrease) in cash and cash equivalents	(7,534,350)	552,207
Cash and cash equivalents, beginning of period	13,154,231	5,359,041
Cash and cash equivalents, end of period	$ 5,619,881	$ 5,911,248
Non cash activities:		
Increase in Fair Value of MBS	$ 17,439	$ 51,878

The accompanying notes are an integral
part of the financial statements.

KRUPP GOVERNMENT INCOME TRUST

NOTES TO FINANCIAL STATEMENTS

1. Accounting Policies

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in this report on Form 10-Q pursuant to the Rules and Regulations of the Securities and Exchange Commission. However, in the opinion of Berkshire Mortgage Advisors Limited Partnership (the "Advisor"), which is the advisor to Krupp Government Income Trust (the "Trust"), the disclosures contained in this report are adequate to make the information presented not misleading. See Notes to Financial Statements in the Trust's Form 10-K for the year ended December 31, 2001 for additional information relevant to significant accounting policies followed by the Trust.

In the opinion of the Advisor of the Trust, the accompanying unaudited financial statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the Trust's financial position as of March 31, 2002 and the results of its operations and its cash flows for the three months ended March 31, 2002 and 2001.

The results of operations for the three months ended March 31, 2002 are

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not necessarily indicative of the results which may be expected for the full year. See Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report.

2. PIMs and PIMIs

At March 31, 2002, the Trust's PIMs and PIMIs, including Additional Loans, had a fair value of $78,552,670 and gross unrealized gains of $2,577,547. The PIMs and PIMIs have maturities ranging from 2002 to 2034. At March 31, 2002, there are no insured mortgage loans within the Trust's portfolio that are delinquent of principal or interest.

Lifestyles and Mountain View have been adversely affected by their competitive rental housing markets. Based on the Advisor's analysis of market conditions and property operations, the Trust maintains a valuation allowance of $1,032,272 for Mountain View and $666,539 for Lifestyles.

On January 3, 2002, the Trust received $18,330,825 representing the principal proceeds on the first mortgage loan from the Red Run PIMI. On December 31, 2001 the Trust received a prepayment of the Red Run Additional Loan and Subordinated Promissory Note. The Trust received $2,900,000 of Additional Loan Principal, $238,369 of Shared Appreciation Interest, $3,506,952 of Preferred Interest and $67,667 of Base Interest on the Additional Loan. On January 16, 2002, the Trust paid a special dividend of $1.68 per share from the proceeds of the Red Run PIMI prepayment.

On January 2, 2002, the Trust received a prepayment of the Waterford Apartments Subordinate Promissory Note. The Trust received $379,725 of Minimum Additional Interest and $425,643 of Shared Appreciation Interest. On January 17, 2002, the Trust received $6,625,742 representing the principal proceeds on the first mortgage loan. In addition, the Trust received a prepayment premium of $66,257 from the payoff. On March 1, 2002, the Trust paid a special dividend of $0.51 per share from the proceeds of the Waterford Apartments PIM prepayment.

3. MBS

At March 31, 2002, the Trust's MBS portfolio had an amortized cost of $9,179,802 and unrealized gains of $596,067. At March 31, 2002, the Trust's insured mortgage loan had an amortized cost of $4,840,231. The portfolio has maturities ranging from 2008 to 2035.

Continued

4. Changes in Shareholders' Equity

A summary of changes in shareholders' equity for three months ended March 31, 2002 is as follows:

	Common Stock	Retained Earnings	Accumulated Comprehensive Income	Total Shareholders' Equity
Balance at December 31, 2001	$ 127,850,874	$ -	$ 578,628	$ 128,429,502
Net income	-	2,086,813	-	2,086,813
Dividends	(33,438,585)	(2,086,813)	-	(35,525,398)
Change in unrealized gain on MBS	-	-	17,439	17,439
Balance at March 31, 2002	$ 94,412,289	$ -	$ 596,067	$ 95,008,356

5. Related Party Transactions

The Trust received $86,609 of Additional Loan Interest during the first quarter of 2001 from affiliates of the Advisor. The Trust also received participation interest of $50,750 from an affiliate of the Advisor during the three months ended March 31, 2001.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements in this Management's Discussion and Analysis of Financial

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Condition and Results of Operations and elsewhere in this report on Form 10-Q constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Trust's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, among other things, federal, state or local regulations; adverse changes in general economic or local conditions; the inability of the borrower to meet financial obligations on additional loans; pre-payments of mortgages; failure of borrowers to pay participation interests due to poor operating results at properties underlying the mortgages; uninsured losses and potential conflicts of interest between the Trust and its Affiliates, including the Advisor.

Liquidity and Capital Resources

At March 31, 2002, the Trust had liquidity consisting of cash and cash equivalents of approximately $5.6 million as well as the cash inflows provided by PIMs, PIMIs, MBS and cash and cash equivalents. The Trust may also receive additional cash flow from the participation features of its PIMs and PIMIs. The Trust anticipates that these sources will be adequate to provide the Trust with sufficient liquidity to meet its obligations, including providing dividends to its investors.

The most significant demands on the Trust's liquidity are quarterly dividends paid to investors of approximately $2.6 million and special dividends. Funds for dividends come from interest income received on PIMs, PIMIs, MBS and cash and cash equivalents net of operating expenses, and the principal collections received on PIMs, PIMIs and MBS. The portion of dividends funded from principal collections reduces the capital resources of the Trust. As the capital resources of the Trust decrease, the total cash flows to the Trust will also decrease which may result in periodic adjustments to the dividends paid to the investors.

The Advisor periodically reviews the dividend rate to determine whether an adjustment is necessary based on projected future cash flows. The current dividend rate is $.17 per Share per quarter. The Trustees, based on the Advisor's recommendations, generally set a dividend rate that provides for level quarterly dividends. To the extent quarterly dividends do not fully utilize the cash available for distribution and cash balances increase, the Trustees may adjust the dividend rate or distribute such funds through a special dividend.

In addition to providing guaranteed or insured monthly principal and interest payments, the Trust's investments in PIMs and PIMIs also may provide additional income through the interest on the Additional Loan portion of the PIMIs as well as participation interest based on operating cash flow and an increase in the value realized upon the sale or refinance of the underlying properties. However, these payments are neither guaranteed nor insured and depend upon the successful operations of the underlying properties.

On January 3, 2002, the Trust received $18,330,825 representing the principal proceeds on the first mortgage loan from the Red Run PIMI. On December 31, 2001 the Trust received a prepayment of the Red Run Additional Loan and Subordinated Promissory Note. The Trust received $2,900,000 of Additional Loan Principal, $238,369 of Shared Appreciation Interest, $3,506,952 of Preferred Interest and $67,667 of Base Interest on the Additional Loan. On January 16, 2002, the Trust paid a Special dividend of $1.68 per share from the proceeds of the Red Run PIMI prepayment.

On January 2, 2002, the Trust received a prepayment of the Waterford Apartments Subordinate Promissory Note. The Trust received $379,725 of Minimum Additional Interest and $425,643 of Shared Appreciation Interest. On January 17, 2002, the Trust received $6,625,742 representing the principal proceeds on the first mortgage loan. In addition, the Trust received a prepayment premium of $66,257 from the payoff. On March 1, 2002, the Trust paid a special dividend of $0.51 per share from the proceeds of the Waterford Apartments PIM prepayment.

The three remaining PIMI investments all operate under workout agreements with the Trust. Those agreements have modified the borrowers' obligations to make Additional Loan interest payments, regardless of whether the property generated sufficient revenues to do so, to an obligation to pay Additional Loan interest only if the property generates Surplus Cash, as defined by HUD. For the period ending December 31, 2001, Mountain View did not generate any Surplus Cash, although both Windward Lakes and Lifestyles did generate some Surplus Cash. However, due to the need to complete capital projects at both properties, the Trust agreed that the Surplus Cash generated by the two properties will not be used to pay Additional Loan interest. Consequently, the Trust does not expect to receive any Additional Loan interest during 2002. Beginning in 2002, the Trust has amortized and recognized Additional Loan income previously deferred with respect to Windward Lakes as the property generated Surplus Cash during 2001.

Windward Lakes' operating results deteriorated during 1995 and 1996, and in early 1997 the independent Trustees approved a workout with the borrower of the Windward Lakes PIMI, an affiliate of the Advisor of the Trust. In the workout, the Trust agreed to reduce the effective basic interest rate on the insured first mortgage by 2% per annum for 1997 and 1% per annum for 1998, 1999 and 2000. The borrower made an equity contribution of $133,036 to the property and agreed to cap the annual management fee paid to an affiliate at 3% of revenues. The Trust's participation in current operations is 50% of any Surplus Cash as determined under HUD guidelines, and the Additional Loan interest is payable out of its share of Surplus Cash. Any unpaid Additional Loan interest accrues at 7.5% per annum. When the property is sold or refinanced, the Trust will receive 50% of any net proceeds remaining after repayment of the insured mortgage, the Additional Loan, the interest rate relief, accrued and unpaid Additional Loan interest and the Borrower's equity up to the point that the Trust has received a cumulative, non-compounded 10% preferred return on its investment in the PIMI.

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The Additional Loan matures in July of 2002. The Trust anticipates that another workout agreement will be negotiated with the borrower that will extend the maturity date.

In May 1998, the borrower on the Lifestyles PIMI defaulted on its debt service payment on the insured first mortgage. The Trust agreed to a new workout that runs through 2007. Under its terms, the Trust agreed to reduce the effective interest rate on the insured first mortgage by 1.75% retroactively for 1998 to clear the default, by 1.75% for 1999, and by 1.5% each year thereafter until 2007. An affiliate of the Advisor refunds approximately .25% per annum to the Trust related to the interest reduction. The borrower made a $550,000 equity contribution, which was escrowed, for the exclusive purpose of correcting deferred maintenance and making capital improvements to the property. The escrow has been used up for paint, building repairs, parking lot repairs, a new fitness facility, clubhouse remodeling and landscaping. Any Surplus Cash that is generated by property operations will be split evenly between the Trust and the borrower. When the property is sold or refinanced, the first $1,100,000 of any proceeds remaining after the insured mortgage is paid off will be split 50% / 50% between the Trust and the borrower; the next $1,690,220 of proceeds will be split 75% to the Trust and 25% to the borrower; and any remaining proceeds will be split 50% / 50%. The borrower's new equity and the reduction in the effective interest rate on the insured first mortgage have provided funds for repairs and improvements that have helped reposition Lifestyles. As a result of the performance of the property, the Trust had initially established a valuation allowance of $1,130,346 on the Additional Loan in 1998. During 2001, the Trust received a payment of $118,968 which was recorded as a reduction in the principal balance of the Additional Loan and related impairment provision. Based on improved market conditions and property operations, the Trust has further reduced the impairment provision by $344,839 to $666,539 in the fourth quarter of 2001.

Mountain View is similar to Lifestyles with respect to competitive market conditions. In June 1999, the Trust approved a second workout that runs through 2004. Under its terms, the Trust agreed to reduce the effective interest rate on the insured first mortgage by 1.25% retroactively for 1999 and each year thereafter until 2004, and to change the participation terms. The workout eliminated the preferred return feature, forgave $288,580 of previous accruals of Additional Loan interest related to the first workout, and changed the Trust's participation in Surplus Cash generated by the property. The Trust will receive 75% of the first $130,667 of Surplus Cash and 50% of any remaining Surplus Cash on an annual basis to pay Additional Loan interest. Unpaid Additional Loan interest related to the second workout will accrue and be payable if there are sufficient proceeds from a sale or refinancing of the property. In addition, the borrower repaid $153,600 of the Additional Loan and funded approximately $54,000 to a reserve for property improvements. As a result of the factors described above, the Advisor determined that the Additional Loan collateralized by the Mountain View asset was impaired and currently maintains a valuation allowance of $1,032,272.

Whether the operating performance at any of the properties mentioned above provide sufficient cash flow from operations to pay either the Additional Loan interest or participation income will depend on factors that the Trust has little or no control over. Should the properties be unable to generate sufficient cash flow to pay the Additional Loan interest, it would reduce the Trust's distributable cash flow and could affect the value of the Additional Loan collateral.

There are contractual restrictions on the repayment of the PIMs and PIMIs. During the first five years of the investment, borrowers are prohibited from repayment. During the second five years, the PIM borrowers can prepay the insured first mortgage by paying the greater of a prepayment premium or the participation due at the time of the prepayment. Similarly, the PIMI borrowers can prepay the insured first mortgage and the Additional Loan by satisfying the Preferred Return obligation. The participation features and Additional Loans are neither insured nor guaranteed. If the prepayment of the PIM or PIMI results from the foreclosure on the underlying property or an insurance claim, the Trust would probably not receive any participation income or any amounts due under the Additional Loan.

The Trust has the option to call certain PIMs and all the PIMIs by accelerating their maturity if the loans are not prepaid by the tenth year after permanent funding. The Advisor will determine the merits of exercising the call option for each PIM and PIMI as economic conditions warrant. Such factors as the condition of the asset, local market conditions, the interest rate environment and available financing will have an impact on these decisions.

Critical Accounting Policies

The Trust's critical accounting policies relate primarily to revenue recognition related to the participation features of the Trust's PIM and PIMI investments as well as the recognition of deferred interest income on the Additional Loans. The Trust's policies are as follows:

Basic interest is recognized based on the stated rate of the Department of Housing and Urban Development ("HUD") Insured Mortgage loan (less the servicer's fee) or the coupon rate of the Government National Mortgage Association ("GNMA") or Fannie Mae MBS. The Trust recognizes interest related to the participation features when the amount becomes fixed and the transaction that gives rise to such amount is consummated. The Trust defers the recognition of Additional Loan interest payments as income to the extent these interest payments were from escrows established with the proceeds of the Additional Loan. When the properties underlying the PIMI's generate sufficient cash flow to make the required Additional Loan interest payments and the Additional Loan value is deemed collectible, the Trust recognizes income as earned and commences amortization of the deferred interest amounts into income over the remaining

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estimated term of the Additional Loan. During periods where mortgage loans are impaired the Trust suspends amortizing deferred interest.

The Trust also fully reserves the portion of any Additional Loan interest payment satisfied through the issuance of an operating loan and any associated interest due on such operating loan. The Trust will recognize the income related to the operating loan when the borrower repays amounts due under the operating loan.

Results of Operations

Net income of the Trust decreased for the first quarter of 2002 as compared to the same period in 2001 due to decreases in basic interest income on PIMs and PIMIs and Additional Loan interest. This decrease is partially offset by an increase in participation interest and a decrease in asset management fees. Basic interest income on PIMs and PIMIs decreased due primarily to the payoffs of the Season's and Red Run PIMIs in 2001 and the Waterford PIM in January 2002. Additional Loan interest decreased due to the payoffs mentioned above net of the amortization of deferred revenue from the Windward Lakes PIMI in 2002. Participation interest increased due to the collection of interest received from the payoff of the Waterford PIM in January 2002. Asset management fees decreased due primarily to the payoffs mentioned above.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Assessment of Credit Risk

The Trust's investments in insured mortgages and MBS are guaranteed or insured by Fannie Mae, Federal Home Loan Mortgage Corporation ("FHLMC"), the Government National Mortgage Association ("GNMA") and the Department of Housing and Urban Development (" HUD") and therefore the certainty of their cash flows and the risk of material loss of the amounts invested depends on the creditworthiness of these entities.

Fannie Mae is a federally chartered private corporation that guarantees obligations originated under its programs. FHLMC is a federally chartered corporation that guarantees obligations originated under its programs and is wholly-owned by the twelve Federal Home Loan Banks. These obligations are not guaranteed by the U.S. Government or the Federal Home Loan Bank Board. GNMA guarantees the full and timely payment of principal and basic interest on the securities it issues, which represents interest in pooled mortgages insured by HUD. Obligations insured by HUD, an agency of the U.S. Government, are backed by the full faith and credit of the U.S. Government.

The Trust's Additional Loans have similar risks as those associated with higher risk debt instruments, including: reliance on the owner's operating skills, ability to maintain occupancy levels, control operating expenses, ability to maintain the properties and obtain adequate insurance coverage. Operations also may be effected by adverse changes in general economic conditions, adverse local conditions, and changes in governmental regulations, real estate zoning laws, or tax laws, and other circumstances over which the Trust may have little or no control.

The Trust includes in cash and cash equivalents approximately $5.4 million of Agency paper, which is issued by Government Sponsored Enterprises with a credit rating equal to the top rating category of a nationally recognized statistical rating organization.

Interest Rate Risk

The Trust's primary market risk exposure is to interest rate risk, which can be defined as the exposure of the Trust's net income, comprehensive income or financial condition to adverse movements in interest rates. At March 31, 2002, the Trust's PIMs, PIMIs and MBS comprise the majority of the Trust's assets. Decreases in interest rates may accelerate the prepayment of the Trust's investments. The Trust does not utilize any derivatives or other instruments to manage this risk as the Trust plans to hold all of its investments to expected maturity.

The Trust monitors prepayments and considers prepayment trends, as well as distribution requirements of the Trust, when setting regular dividend policy. For MBS, the fund forecasts prepayments based on trends in similar securities as reported by statistical reporting entities such as Bloomberg. For PIMs and PIMIs, the Trust incorporates prepayment assumptions into planning as individual properties notify the Trust of the intent to prepay or as they mature.

KRUPP GOVERNMENT INCOME TRUST

PART II - OTHER INFORMATION

Item 1. Legal Proceedings
None

Item 2. Changes in Securities
None

Item 3. Defaults upon Senior Securities

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None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K
None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Krupp Government Income Trust
(Registrant)

BY: / s / Robert A. Barrows
Robert A. Barrows
Treasurer and Chief Accounting Officer
of Krupp Government Income Trust

Date: May 1, 2002

Unaudited amounts in thousands, except per Share amounts

	3/31/02		Inception Through 3/31/02	
Distributable Cash Flow (a):				
Net income	$ 2,086		$ 151,277	
Items not requiring or providing the use of operating funds:				
Provision for impaired mortgage loan	-		1,818	
Amortization of prepaid fees and expenses and organization costs	276		17,486	
Additional Loan Interest Deferred	(80)		2,256	
Total Distributable Cash Flow ("DCF")	2,282		172,837	
DCF per Share based on Shares outstanding at March 31, 2002	$ .15		$ 11.48	(d)
Dividends:				
Total dividends to Shareholders	$ 10,236	(b)	$ 339,491	(c)
Average dividend per Share based on Shares outstanding at March 31, 2002	$ .68	(b)	$ 22.55	(c)(d)

(a) Distributable Cash Flow consists of income before provision for impaired mortgage loans, amortization of prepaid fees and expenses and organization costs and includes deferred interest on Additional Loans. The Trust believes Distributable Cash Flow is an appropriate supplemental measure of operating performance, however, it should not be considered as a substitute for net income as an indication of operating performance or cash flows as a measure of liquidity.

(b) Represents all dividends paid through March 2002 except the February 2002 quarterly dividend and $1.68 special dividend paid in January 2002 for Red Run. Includes an estimate of the May 2002 quarterly dividend.

(c) Includes as estimate of the May 2002 quarterly dividend.

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(d) Shareholders average per Share return of capital on a cash basis as of March 2002 is $11.07 [$22.55 - $11.48]. Return of capital represents that portion of the dividends which is not funded from DCF such as principal collections received from MBS and PIMs.

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