



MIDWEST HOUSING EQUITY GROUP INC.



2004  
ANNUAL  
REPORT

keeping it

in  
focus





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Sr. Marilyn Ross, Jim Rieker



## MESSAGE FROM THE BOARD CHAIR AND PRESIDENT

2004 started a new era for Midwest Housing Equity Group, Inc. In 2003, we celebrated our 10th anniversary and so we enter the second decade. In 1993 when the company first opened, we figured it would be a steady, growing company. Looking back at where we came from and where we are today, none of us could have imagined that we would grow to this level. This growth is partially at the hands of our Kansas Equity Fund taking off and the Iowa Equity Fund at the cusp of following that trend. Nebraska continues to be a steady producer for the company.

All in all, it is nice to see us break the \$250 million and the 2,500 unit marks, but those are just numbers. The most important factor that we see is the number of lives we continue to impact by housing people that would not normally have a decent and safe place to call home. Stealing the statement from the now famous commercials:

**Equity placed - \$250 million;**  
**Units developed - 2,500;**  
**Lives helped - priceless.**

Over the years, we have been notorious for expecting the most from our staff. We could not ask this of them if they hadn't bought into the mission of Midwest Housing Equity Group. We always say we work hard and hopefully, have time to play hard. Unfortunately, we have probably lost a little focus on our priorities in life and had started looking at work as priority. The Board of Directors and Management staff noticed this change and has set the wheels in motion to make some organizational changes. This reorganization will require putting the best personnel in the best possible positions, while improving efficiency in the workplace. More importantly, it's about setting our priorities straight and keeping our focus. We are looking forward to this next level of MHEG.

We continue to see extreme upward pressure on the pricing of the Section 42 tax credits. In 1990, getting 50 cents for the credits was considered a high price. Today, getting 85 cents is just average. A concern

in the market is that with interest rates still low, investments in tax credits are a viable option so more and more money is chasing the same number of deals. As a result, we are seeing deal quality decline and deal terms fall below acceptable levels. Unfortunately, people are making those deals that could come back to haunt the industry in years to come. We hope this won't doom the future of this great program.

The MHEG Board, Management Committees and other Sub Committees continue to take these concerns seriously and as a result, MHEG has **kept the focus** and maintained its strong position in our regional markets. The MHEG staff is one of the best in the country. We are blessed to have such good people working for us. God continues to play a large role in this group's life and that is what makes MHEG a great place to work and a joy to lead.

In addition to the Board and staff, we say thank you to all of our investors, developers, lenders, property managers and contractors. MHEG is not just a tax credit syndicator but a partner in each of our deals. We couldn't do this without the help and participation of each and every one of you.

Thank your for making 2004 another great year. We look forward to the changes we are making in 2005 and continued success in **keeping the focus** and maintaining our mission, changing lives for a better tomorrow by promoting the development and sustainability of quality affordable housing.

Sr. Marilyn Ross  
Board Chair

Jim Rieker  
President



Mr. Jim Rieker  
President  
Midwest Housing Equity Group, Inc.  
13057 West Center Road, Suite 20  
Omaha, NE 68144-3723

Dear Mr. Rieker:

Great leaders see the future first. In 1993 Midwest Housing Equity Group's board members and employees had a vision and that vision has unfolded into over \$200 million in affordable housing. That vision has changed lives for a better tomorrow, while growing its reach from one to four states. It has maintained quality properties while being innovative; led the industry, while continuing to earn the trust of investors; and helped low income residents on a daily basis, while continuing to rise in national prominence. MHEG has increased affordable housing opportunities for all, while being at the forefront of innovative movements in community development financing. Intangible aspects of its employees, including their commitment and integrity, influence their ability to see the future. This is what has led to more than a partnership with US Bank and MHEG – its more like a friendship.

What sets MHEG apart is its effective ability to create affordable housing in large, as well as small communities – communities that need it most. U.S. Bank's investments have provided the company a chance to be a financial partner in several Nebraska communities that we might have otherwise found difficult to serve. We appreciate MHEG's dedication to financing all types of housing, but especially rent-to-own programs, special needs housing and senior living. These product types are successful because the needs and visions of each community are incorporated into the development plan. Investors are offered an opportunity to make meaningful investments in rural areas, while making market returns.

The record of Midwest Housing Development Fund, a subsidiary of MHEG, has been particularly impressive. MHDF supports predevelopment lending, which makes a difference for developers in rural, inner city and urban areas. It has provided technical assistance to developers in all areas, increasing the internal capacity of each organization and fostering public and private sector partnerships. New rental units make a big impact on the ability of small communities to retain jobs. This helps to create genuine access to capital.

U.S. Bank is pleased to partner with MHEG, a regional leader, and looks forward to the possibility of changing lives for a better future. This strategic alliance brings forth hope, family and economic stability, and prosperity throughout communities by advancing affordable housing opportunities and asset building initiatives. MHEG has the ability to **"keep it in focus"** and formulate a positive future.

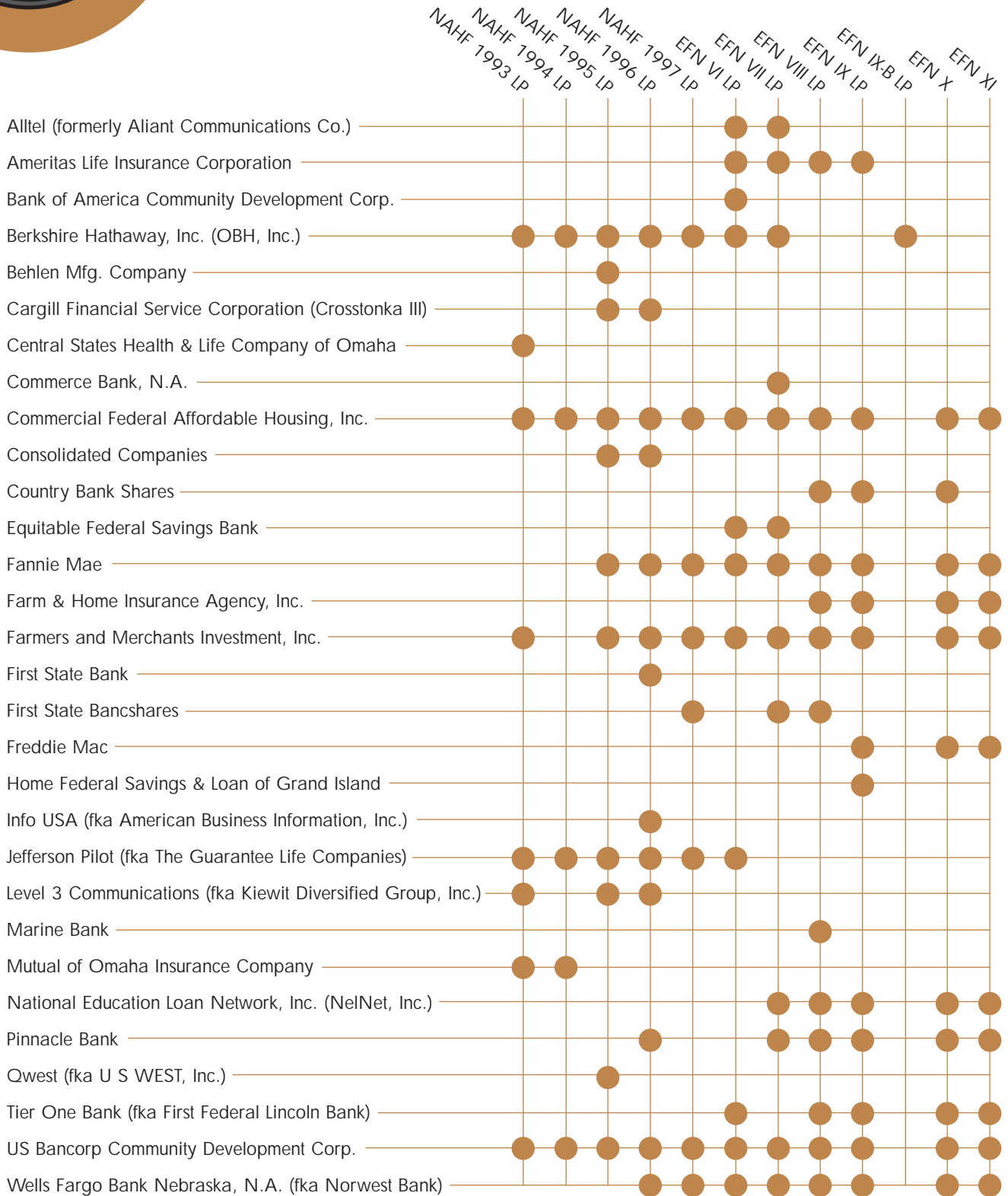
Sincerely,

A handwritten signature in black ink that reads "Kim J. Kuhle". The signature is written in a cursive, flowing style.

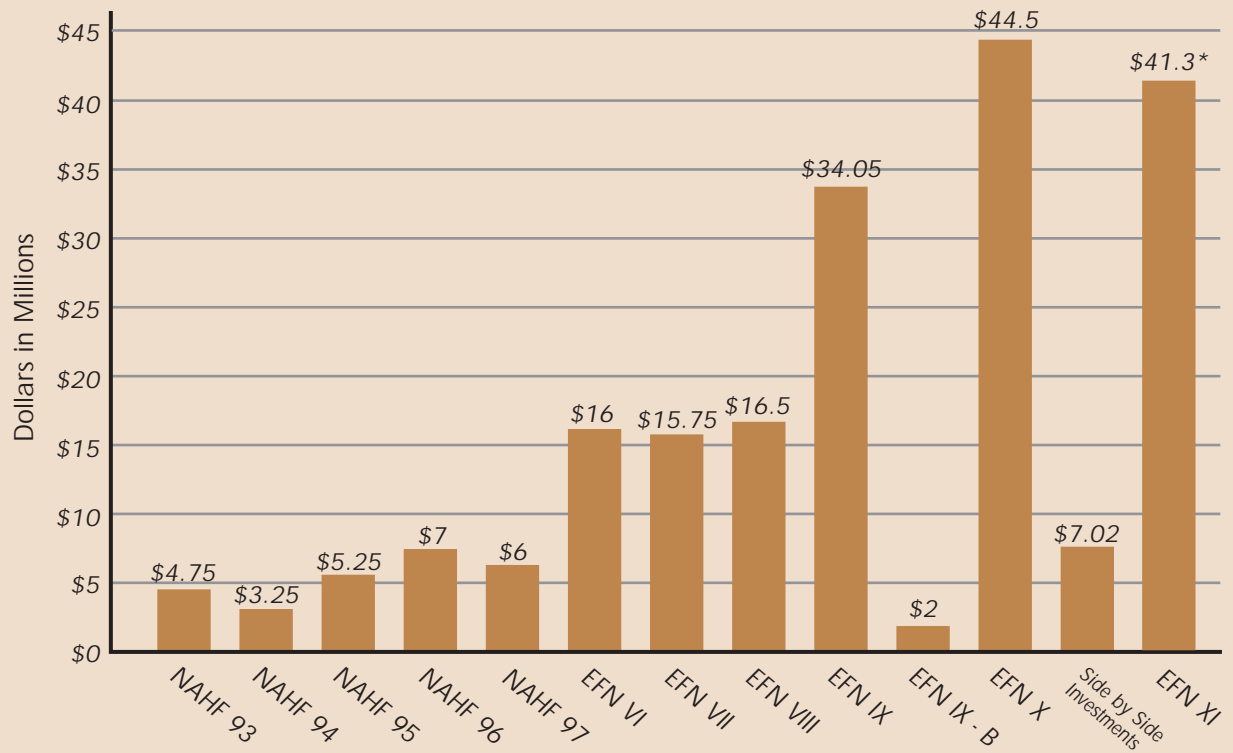
Kim Kuhle  
Vice President Community Development



# INVESTORS AS OF 12/31/04

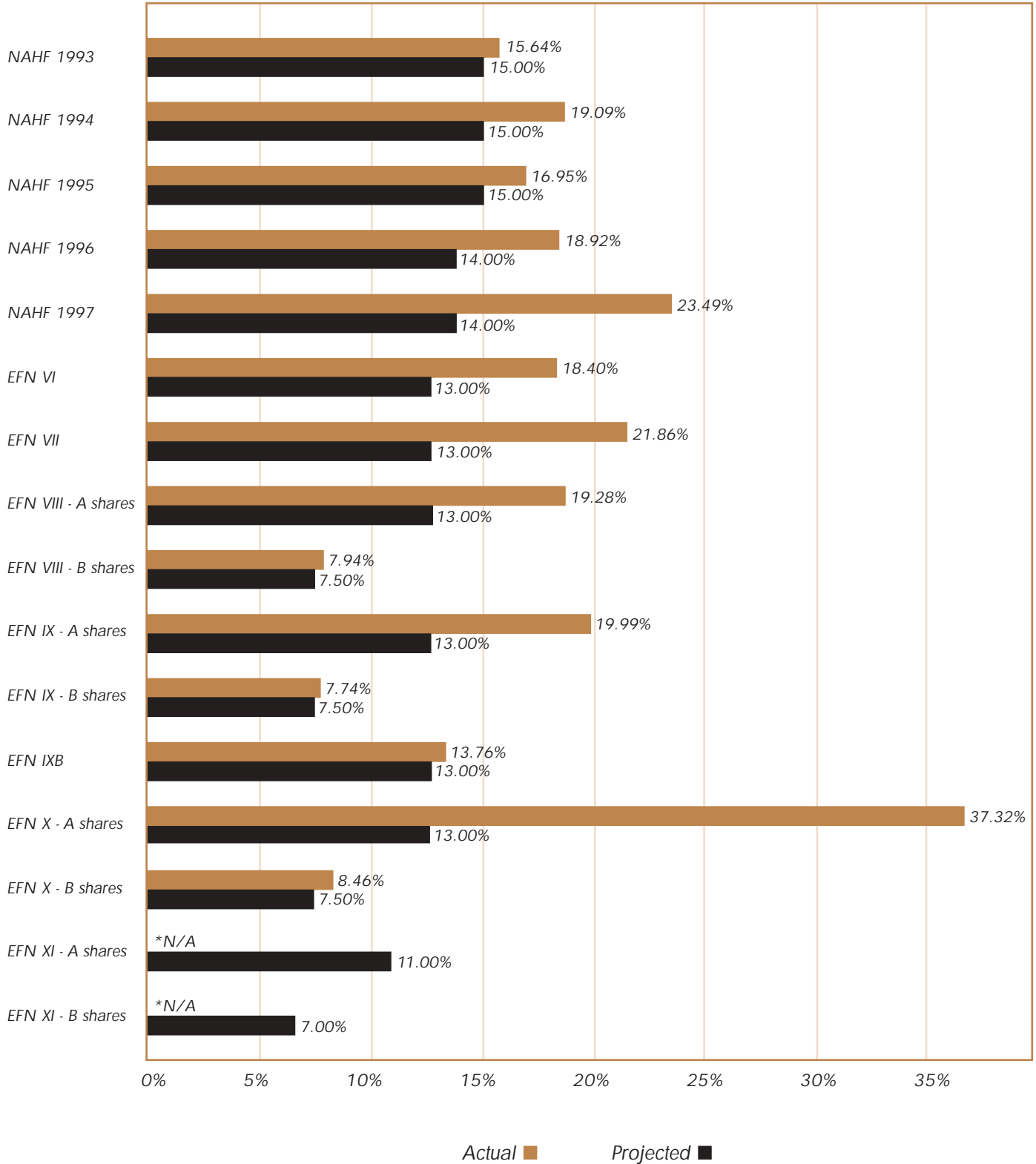


# EQUITY RAISED AS OF 12/31/04



\* Figure represents total equity raised as of 12/31/04. Total committed equity = \$45,000,000.

# ACTUAL vs. PROJECTED RETURN



\* IRR not available as all projects in fund have yet to be completed or were completed late 2004.



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MIDWEST HOUSING EQUITY GROUP INC.



## FOCUSING IN ON EFN X

Equity Fund of Nebraska X, L.P. is a \$45,500,000 Fund of which \$1,000,000 was placed into EFN IXB and the remaining \$44,500,000 in EFN X. The Fund has invested in 14 projects including new construction, rehab, elderly, family and CROWN properties.



**The Villa de Sante I Limited Partnership** is the third phase of a multi-phase redevelopment program sponsored by the Omaha Economic Development Corporation. Phase I is Hartman Limited Partnership, a thirty-six unit multi family complex that is part of MHEG's 1993 and 1994 Funds. Phase II is the Villa de Sante Homeownership program which is not a low income housing tax credit program. Phase III, Villa de Sante I Limited Partnership, is new construction of 36 (14 two bedroom and 22 one bedroom) units set aside for low income seniors age 55 and older. It is directed toward providing affordable housing for seniors coupled with offering significant supportive services which will help residents maintain an independent lifestyle as well as meet their physical and social needs.

The property is strategically located within walking distance from a major bus route where a significant portion of North Omaha services and shops are located. It is adjacent to a nursing home, which is an important component for residents to be able to stay in a familiar neighborhood when they transition from independent living.

The Master Plan for this multi-phased development program is to develop the 20 acres into a model neighborhood consisting of over 100 units of affordable housing, a child care center, clubhouse as well as a retail commercial center.

Villa de Sante I Limited Partnership  
Omaha, Nebraska  
*Senior*



Saratoga Crown IV Limited Partnership  
Omaha, Nebraska  
*CROWN*



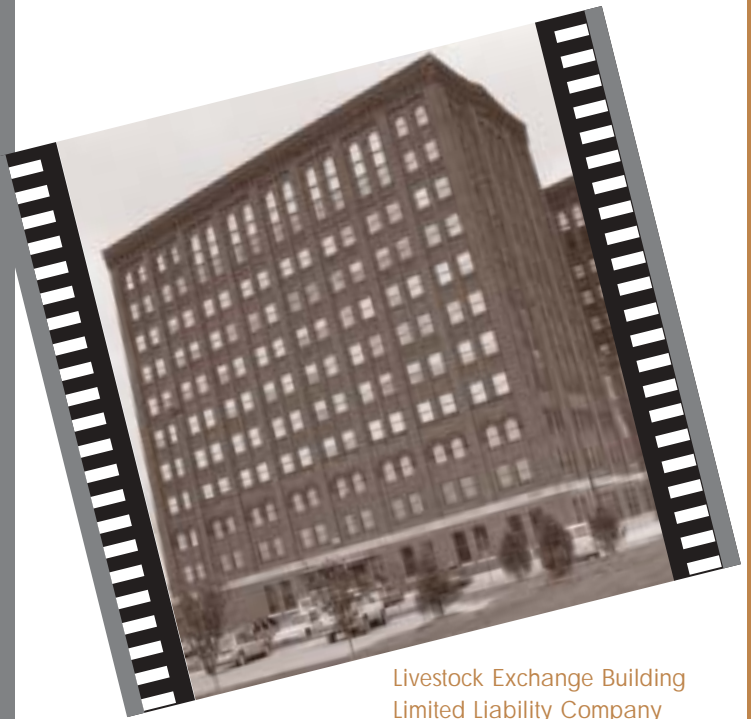
Courthouse Villa, L.L.C.  
Bridgeport, Nebraska  
*Special Needs*



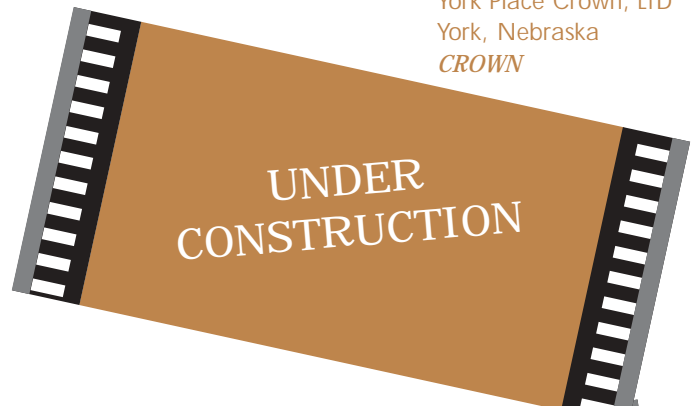
Thunder Way Limited Partnership  
Winnebago, Nebraska  
*CROWN*



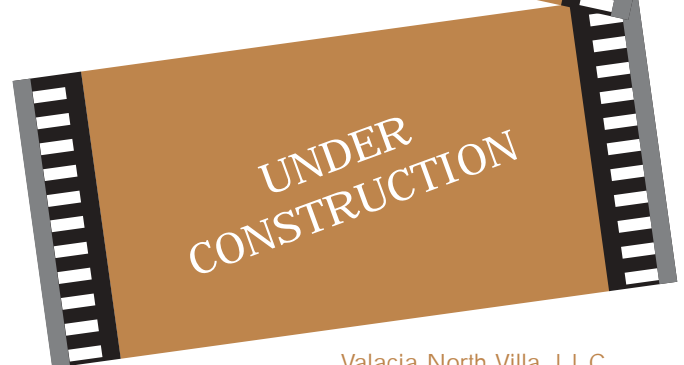
West Park Townhomes, L.L.C.  
North Platte, Nebraska  
*Multifamily*



Livestock Exchange Building  
Limited Liability Company  
Omaha, Nebraska  
*Multifamily*



York Place Crown, LTD  
York, Nebraska  
*CROWN*

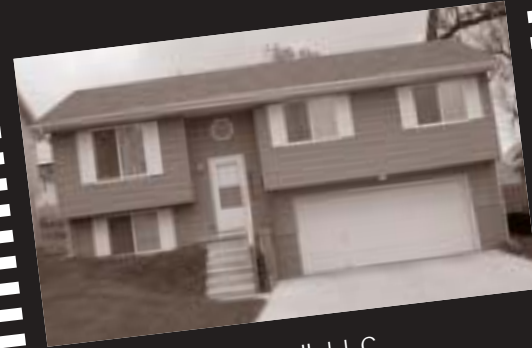


Valacia North Villa, L.L.C.  
Gering, Nebraska  
*Special Needs*

# EFN X



Castle on the Hill Limited Liability Company  
Sioux City, Iowa  
*Multifamily*



King's Heritage Estates II, L.L.C.  
Omaha, Nebraska  
*CROWN*



GI Venture, L.P.  
Grand Island, Nebraska  
*Multifamily*



Ralston House Associates, LLC  
Ralston, Nebraska  
*Senior*



Hillside Crown, LLC  
Syracuse and Tecumseh, Nebraska  
*CROWN*



Leo Vaughn Manor Limited Partnership  
Omaha, Nebraska  
*Multifamily*

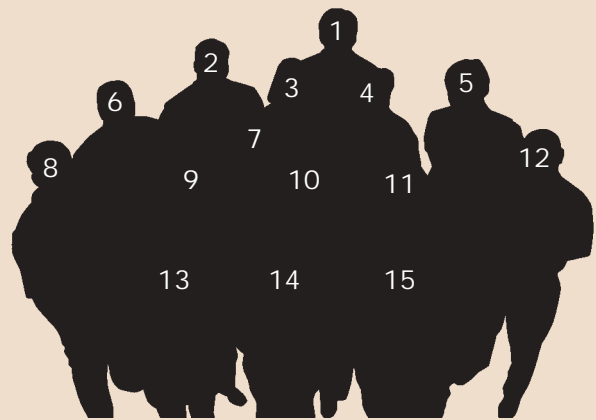
# MHEG BOARD/ EFN MANAGEMENT COMMITTEE



Front Row: Rick Jackson, Gary Petersen, Sr. Marilyn Ross, Richard Schenck, Jon Hrabe  
Back Row: Dick Hoiekvam, James Laphen, Barry Sandstorm, Rick Krueger



# MHEG STAFF



1 - Thomas Judds, 2 - Jason Main, 3 - Cathy Smith, 4 - Cindy Koster, 5 - Chris Pangkergo,  
6 - Jim Rieker, 7 - Tami Savard, 8 - Tom Stratman, 9 - Becky Christoffersen, 10 - Shannon Johnson,  
11 - Shanon Foster, 12 - Rob Woodling, 13 - Shannon Higgins, 14 - Mary Anderson,  
15 - Laurie Stephenson

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KANSAS  
EQUITY FUND, L.L.C.



## MESSAGE FROM THE EXECUTIVE DIRECTOR

**T**he year 2004 and what occurred at Kansas Equity Fund (KEF) can be summed up in one word – explosion! Not explosion as in “blow up,” but explosion as in TV’s master chef Emeril’s “bam” as he expertly flicks a pinch of his secret spices to enhance his savory concoction. Yes, the explosion of 2004 was a good explosion that made KEF a resource to MHEG rather than a resource drain. It took four years to accomplish that feat, and you’ll have to ask Jim (Rieker) if that is ahead or behind the schedule he envisioned when MHEG came to the rescue of KEF in 2000.

You see, Kansas spent the previous six years developing KEF only to acknowledge that it didn’t have the expertise or ability to devote the resources to make KEF successful. And then MHEG took KEF over and thanks to Jim’s vision and ability to **keep the focus** (with the MHEG Board’s blessing) and the dedication and hard work of MHEG staff, KEF now stands on its own two feet and is a contributor to the MHEG mission and a good corporate citizen to the state of Kansas.

During 2004, KEF offered and filled KEF Fund III at \$24 million and added seventeen more projects to our asset portfolio. This is quite an increase considering we closed KEF Fund II at \$7.6 million with seven projects. When all the projects are closed in Fund III, we will have raised just shy of \$35 million in equity, created and renovated over 575 affordable housing units in 27 projects. I believe I can now say that KEF is making a difference in Kansas at a level that others take notice and see the headway we are making in improving communities and their affordable housing stock.

These types of letters in these types of reports usually focus on accomplishments. Well, I’ve done that. I also decided when I was composing this letter that I would take time to thank the most important person or group that contributed to the success of KEF in 2004. But I quickly had a dilemma; who exactly would that be? Would it be the investors? For without their confidence and investment, nothing would happen. Or staff, and their hard work and dedication? For without that, nothing would happen. Or the developers? What about the allocating agency, Kansas Housing Resources Corp? What about our general partners and managing members? Or KEF’s professional advisors and counsel? How about the bridge lender? Or even the residents who fill our projects? Who did I miss? The contractors, architects, engineers, surveyors, and market study analysts just to name a few.

The point is, there are so many pieces and players who contribute to the success of KEF, I would like to let them all know that their role is crucial to our success, and it is much appreciated. Most of all, I want to thank and give praise to our Heavenly Father for the success and blessings he has bestowed on MHEG, KEF and me personally. Be it politically correct or not, I firmly believe that God’s hand, and our acknowledgment that he is ultimately in control of our lives and surroundings, is a major, if not the reason, we have enjoyed the fruits of our labor. And the real fruit is **keeping our focus** in providing quality affordable housing.

  
Bill Caton  
Executive Director





# Capitol Federal Savings

700 SOUTH KANSAS AVENUE  
P.O. BOX 3505  
TOPEKA, KANSAS 66601-3505  
PHONE (785) 235-1341

JOHN C. DICUS, CHAIRMAN  
HOME OFFICE, TOPEKA, KANSAS

April 15, 2005

Mr. William F. Caton  
Kansas Equity Fund  
3706 S. Topeka Blvd., Ste. 408  
Topeka, Kansas 66609

Dear Bill:

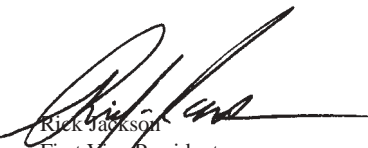
On behalf of Capitol Federal Savings Bank, I want to take a moment and let you know how pleased and enthusiastic we are to be involved as an investor in Kansas Equity Fund (KEF). As a member of the KEF management committee and the MHEG board, I have also seen first-hand the expertise, experience and diligence you and Midwest Housing Equity Group (MHEG) staff provide in the management of our investment. Providing affordable housing is a commitment and an ongoing challenge for us at Capitol Federal Savings Bank, and participating in your funds helps us meet both our short and long-term goals of investing in the communities we serve.

Our KEF investment also provides benefits to the Bank as a result of qualifying as a Community Reinvestment Act "investment" in community support and development. As we evaluate our involvement and our investment in community issues, we recognize that affordable housing is a vital component of economic and community development. Recognizing the requirement of making affordable housing truly "affordable," we also realize that affordable housing projects usually require a significantly larger equity investment than the traditional real estate projects. We find that investing in KEF allows us to make a prudent investment with mitigated risk. We value the fact that each project is structured, underwritten and administered by experienced and qualified professionals at KEF and MHEG. We also find that our participation on the equity side of affordable housing via tax credits allows us to make an investment in our communities and provide long-term benefits and resources that enhance the community's economic and current development or re-development opportunities.

Investing in KEF provides diversification of risk that we could not enjoy investing directly in individual affordable housing projects. I have also enjoyed and appreciate the participation and perspective of other management committee members in making investment decisions. The ability to spread our investment dollars over multiple projects and the multiple layers of the decision-making process give us the security we need to manage the risk associated with this type of investment.

In comparing direct investments to investing in Kansas Equity Fund, I believe that Capitol Federal Savings Bank has made a wise decision to partner as an investor with KEF. I anticipate our relationship will be long-term and mutually beneficial. Thank you, Bill, KEF staff and MHEG staff, for all your hard work and dedication to a cause we both know positively impacts many deserving citizens and communities across Kansas.

Respectfully yours,

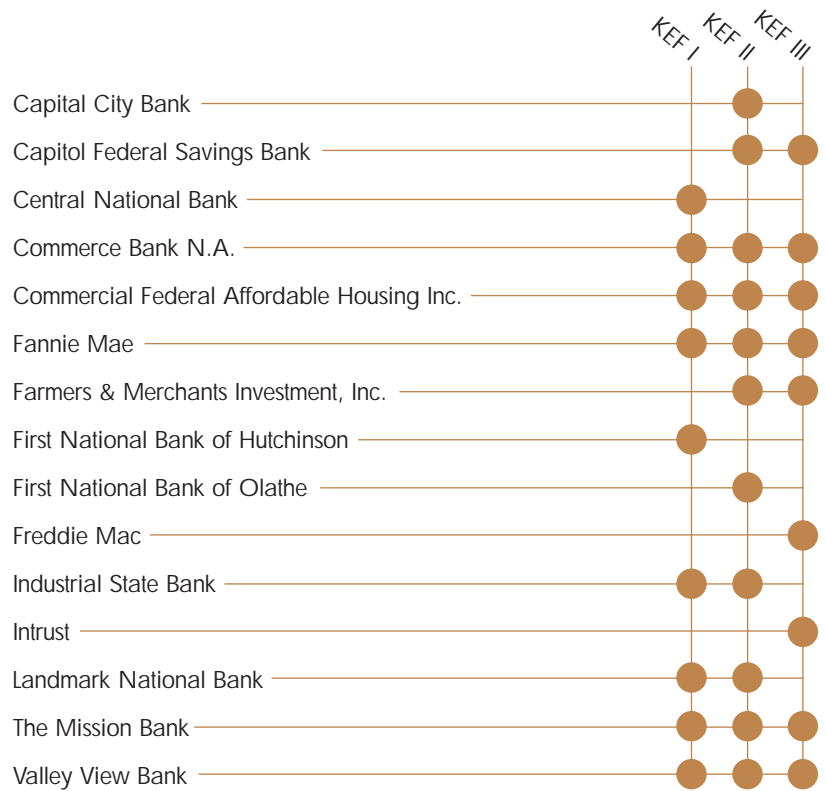
  
Rick Jackson  
First Vice President

Member FDIC

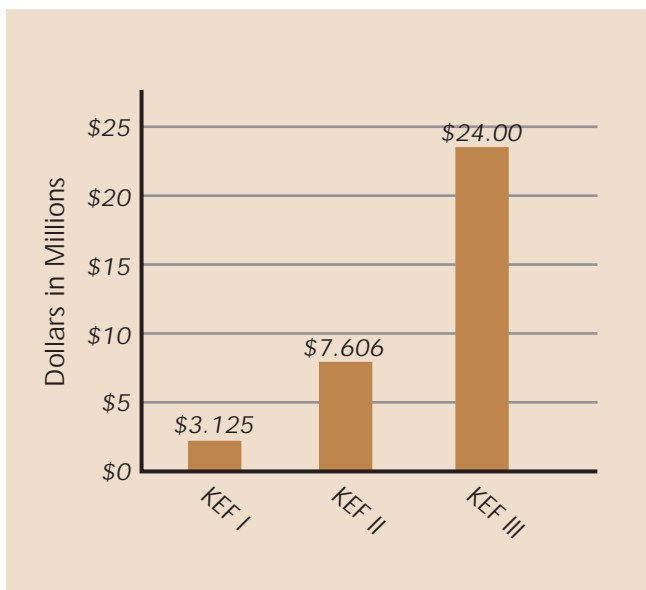




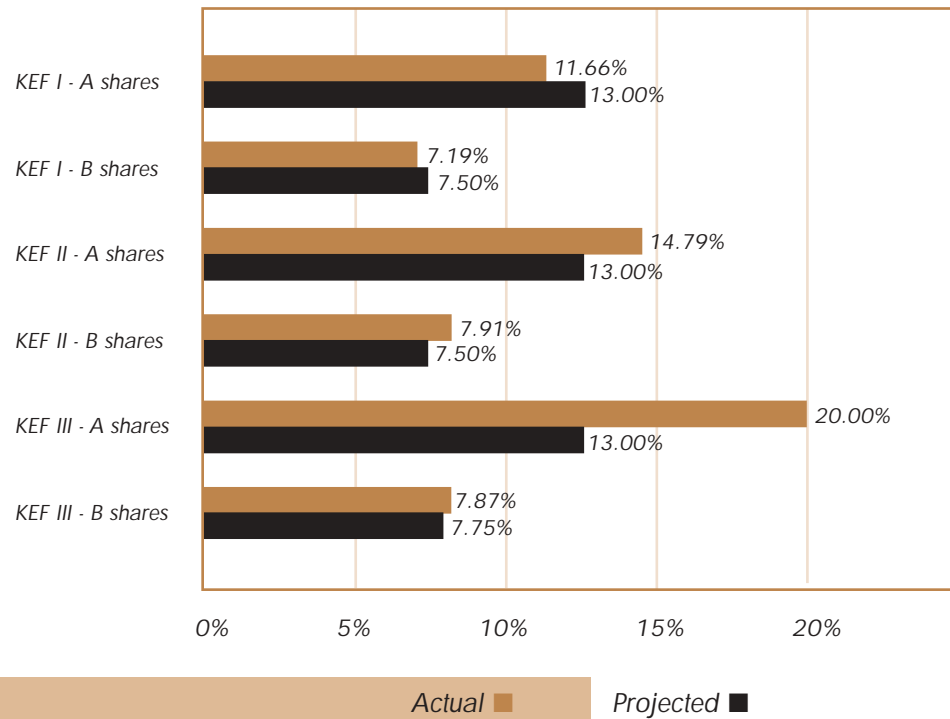
# INVESTORS AS OF 12/31/04



# EQUITY RAISED AS OF 12/31/04



# ACTUAL vs. PROJECTED RETURN





## FOCUSING IN ON KEF III

Kansas Equity Fund III, L.P. is a \$24 million Fund. As of December 31, 2004, KEF III had invested in 10 projects. There are several projects slated to close in 2005.



Wheatridge Apartments, LLC  
Hoisington, Kansas  
*Senior*

**Hoisington** is the “Gateway to Cheyenne Bottoms.” It combines a rich history as a railroad town, oil town and farming community with today’s mix of agricultural production and manufacturing.

In April 2001, Hoisington was devastated by a tornado and over 100 homes were completely destroyed. Many families had to move from Hoisington due to the lack of housing and were anxious to return to their hometown into these beautiful new duplexes. Wheatridge Apartments is considered “replacement” housing rather than new units for this market.

The property consists of six newly constructed duplexes, consisting of twelve low income housing tax credit (LIHTC) units for person 55 years and older. All units are scattered within a two block radius. The unit mix consists of six two-bedroom apartments that rent for \$285 and six two-bedroom units that rent for \$325.

Each unit has the following amenities: range, refrigerator, disposal, dishwasher, microwave, washer/dryer and attached garages with garage door openers.

It brings us great pleasure to provide housing to those 55 and older that were displaced by this natural disaster.

# KEF III



AMO Housing I, L.P.  
Topeka, Kansas  
*Senior/Disabled*



Meadowview Place, L.L.C.  
Ellis, Kansas  
*Senior*



Walnut Court Apartments, LLC  
Hutchinson, Kansas  
*SRO/Multifamily*



Wyandotte Associates, L.P.  
Kansas City, Kansas  
*Multifamily*



Kouri Place, LLC  
Kansas  
*Special Needs/Disabled*

# KEF III



Porter House Apartments, LLC  
Beloit, Kansas  
*Senior/Special needs*



Six Units, L.P.  
Manhattan, Kansas  
*Disabled/Multifamily*



Northfield Village, L.P.  
Everest, Kansas  
*Senior*



Six Units II, LP  
Manhattan, Kansas  
*Disabled/Multifamily*

# KEF MANAGEMENT COMMITTEE



Front Row: Gary Petersen, Rick Jackson, Mark Dennett  
Back Row: Jim Rieker, Andy Jetter, Michael Scheopner  
Not Pictured: John Mikelson

# KEF STAFF



Jennie Lattimer, Bill Caton

Kansas Equity Fund, L.L.C.  
3706 SW Topeka Blvd., Suite 408  
Topeka, Kansas 66609  
Phone: 785.267.1901  
Fax: 785.267.1903  
[www.mheginco.com](http://www.mheginco.com)



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IOWA  
EQUITY FUND, L.L.C.



## MESSAGE FROM THE EXECUTIVE DIRECTOR

**H**ave you ever looked through the viewfinder of a camera when you were lining up that perfect memory shot of a vacation with family or friends? If you are lucky you own a standard camera with an automatic lens which puts your entire life into focus. But even if your camera is automatic, you can hear the buzz and whir and sense the motion of mechanics as the lens goes from the blur of being out of focus to the state of providing a long time memory. And each time you take another picture, the whirring and click/clacking begins and for that split second life is in focus.

And that is just what life has been at Iowa Equity Fund over the past year, coming from “out of focus” to “in focus.” From being the new kid on the block in Iowa, to the sophisticated player in the arena of Low Income Housing Tax Credits.

When the Iowa Equity Fund first started the intent was to help developers put together projects throughout Iowa which would become social and economic benefits to their communities. That was the focus then and even through many deals, frustrations, competitive dogfights – it remains the focus. The picture certainly has changed in the arena of competition but the focal point remains for the Iowa Equity Fund. If the focus gets blurred in the spirit of trying to “do the deal” and put a project together with a developer, it comes back into focus each time we remember why we were asked to get involved in Iowa in the first place.

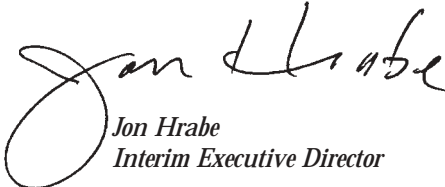
**Focal point:** We are here to help affordable housing projects succeed, not just in the short term but in the long term.

**Focal point:** Iowa Equity Fund is to be both a facilitator in funding projects but also a catalyst in developing and sustaining affordable housing. It is one thing to simply fund a project but it is even more important to lead a community to an understanding of how it can go about envisioning affordable housing, securing a developer and utilizing credits from the Iowa Finance Authority.

**Focal point:** The Iowa Equity Fund will continue to be good partners with funders, developers, communities but never lose site of the mission to help provide affordable, stable housing in this home state of ours.

**Focal point:** It is not about the return on financial investment....it is about the return on social capital.

Dan Garrett and I have had the privilege of living in Iowa long before we were asked to get involved with the Iowa Equity Fund. Both of us were involved in affordable housing on a volunteer, philanthropic and board basis before the Fund was started. It was not hard for me to say yes when asked to serve on the board of this Fund and I am most glad to be involved as the interim executive director. Both Dan and I appreciate the opportunity to determine how to match the perspective and mission of IEF with the desires of a community, an investor, a developer and most importantly of all that single person in need of affordable housing or assisted living.



*Jon Hrabe*  
Interim Executive Director



**Iowa Partnership Office**

699 Walnut Street  
Suite 1375  
Des Moines, IA 50309  
515 697 3720  
515 697 3730 (fax)

April 28, 2005

Iowa Equity Fund, L.L.C.  
1915 Grand Ave.  
Des Moines, Iowa 50305

I would like to take this opportunity to congratulate MHEG for its invaluable contribution to affordable housing in Iowa, Nebraska and Kansas. MHEG's investment in LIHTC projects financed hundreds of new housing opportunities in these states and a significant improvement in the quality of life for the families who live in these apartments.

Investments with partners like MHEG is one of the ways Fannie Mae pursues its goal of increasing affordable rental housing opportunities across the country.

I had the opportunity to attend the kick-off event where Governor Vilsack announced MHEG would create the Iowa Equity Fund to focus on LIHTC projects in Iowa. IEF, with hard work and the support of the MHEG staff, has delivered on that promise.

The value of that focus on the Iowa market is best exemplified by the fact that the first projects financed with IEF investment contained unique state credits. MHEG's understanding of how to use those credits to generate funding made those projects possible. The result is investments in Iowa communities and much needed affordable housing for senior citizens, families and children.

Our investment in the Iowa Equity Fund and the other MHEG funds enabled Fannie Mae to provide capital to projects that we are proud to say we have supported.

Sincerely

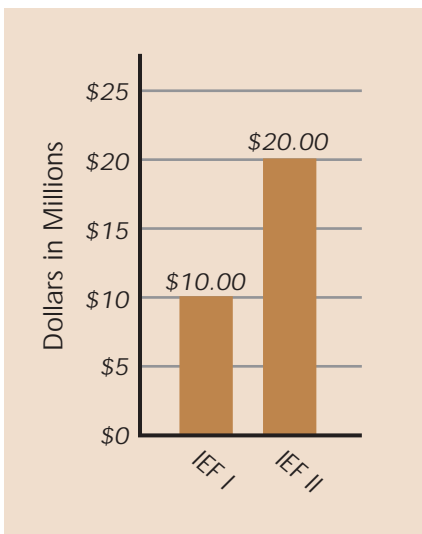
A handwritten signature in black ink that reads "Joe O'Hern".

Joe O'Hern  
Fannie Mae  
Director, Iowa Partnership Office

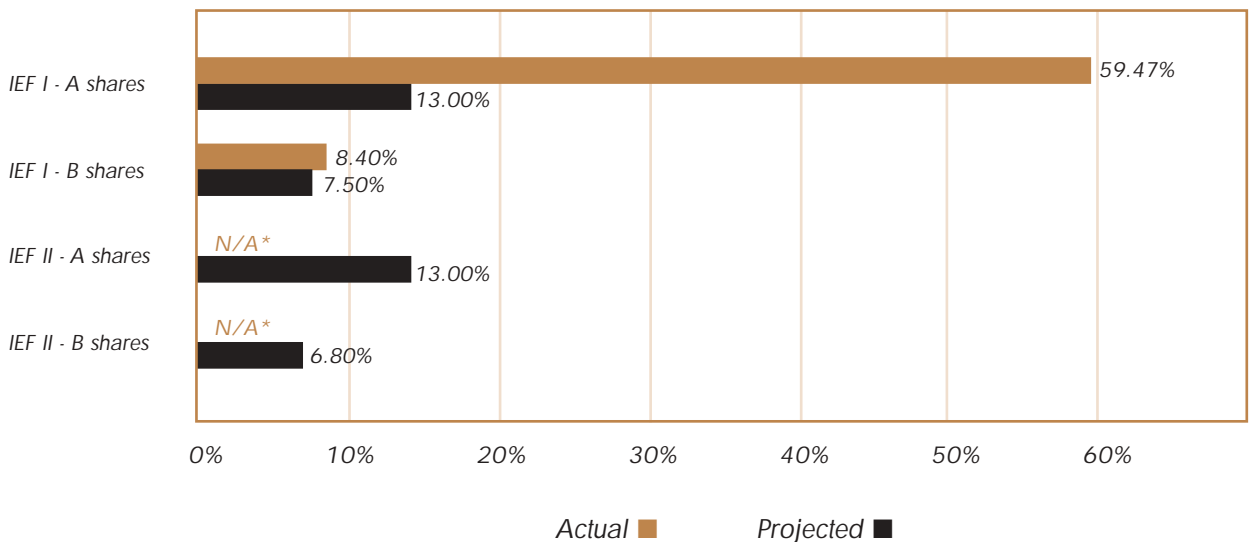


# INVESTORS AS OF 12/31/04

## EQUITY RAISED AS OF 12/31/04



## ACTUAL vs. PROJECTED RETURN



\* IRR not available as all projects in fund have yet to be completed or were completed late 2004.

## FOCUSING IN ON IEF II

Iowa Equity Fund II, L.P. is a \$20,000,000 Fund. As of December 31, 2004, the Fund had invested in one project. There are several projects slated for 2005.



LMAAL, LLLP  
Le Mars, Iowa  
*Assisted Living*

**The Iowa Equity Fund II, L.P.** is excited to have entered into one of the few projects in the state partnering tax credits and an assisted living facility. The property is located in Le Mars, Iowa and consists of 27 one-bedroom apartments (565 sq. feet each) of new construction.

Twenty six of the apartments are low income housing tax credit units and one apartment is market rate. The apartments are targeted to serve persons sixty-five years of age and older who are in need of organized and regulated home health care services. These services are optional to residents.

The property was designed for seniors moving from their own homes that may not want to enter into a nursing home facility. Services on site, twenty four hours a day for both scheduled and emergency needs is one of this properties unique qualities. There is a registered nurse on site from 8:00 a.m. to 5:00 p.m. every day and one on call for other hours.

The residents of LMAAL enjoy the services of a service coordinator that keeps a daily calendar of activities. By providing a wide variety of activities, wellness services and transportation, the residents of the property are able to enjoy a full independent lifestyle.

For those residents needing a little more help, services are available for medicine management, dressing, grooming, or personal care aid, housekeeping, laundry, meal preparation, and shopping. There is a regional transit service available to take residents to appointments or shopping.

# IEF MANAGEMENT COMMITTEE



John Sorensen, Richard Schenck, Jim Rieker, Chris Hensley, Jon Hrabe, Tom Hanafan

## IEF STAFF



Dan Garrett, Jon Hrabe

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Des Moines, Iowa 50305  
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Fax: 515.309.0704  
[www.mheginco.com](http://www.mheginco.com)

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## LETTER FROM PROGRAM DIRECTOR

**I**t seems like just yesterday that Jim Rieker came to me and said “What do you think about establishing a CDFI to help our partners pay their predevelopment expenses?” Well, it wasn’t just yesterday. In fact, it was about five years ago. Since that time we have been busy obtaining our CDFI Certification, raising investor capital and opening our doors for business. While we were very busy in the early years putting together this company, 2004 is definitely the year it all came together.

In our business plan we stated that we would initially offer predevelopment loans and as we gained experience in the market, we would consider offering additional financing products that are unavailable from traditional lenders. We quickly discovered several gaps in the available financing products and during 2004 we began offering additional loan products. For example, we are partners in an eight unit rural development project that was paying 9% interest on its \$40,000 permanent loan and was having difficulty with cash flow. Refinancing with local banks was attempted, but no bank was able to provide a lower rate loan. We were able to use some of our funds to refinance this loan at 5% interest with a new 30 year amortization schedule and significantly decrease the monthly loan payment. This savings has created positive cash flows without having to increase the resident’s monthly rent payments or make other such changes that weaken the development. Loans like this are allowing us to further meet our mission by contributing to the long term stability of our existing affordable housing.

In 2004, we continued to provide our core product of predevelopment loans for potential, new developments in the planning stages. We also provided short term construction loans and longer term gap loans and term loans. In total we provided loans of almost \$900,000 to 12 different affordable housing developments. We also approved another \$430,000 of loans to four more developments that will be made in early 2005. All of these loans have helped to provide affordable housing in our communities.

As our loan product line was expanded, our legal counsel advised that it would be best if Midwest Housing Development Fund was structured as a stand alone corporation rather than an LLC wholly owned by Midwest Housing Equity Group. So, in 2004 we began the quest to reorganize into a stand along 501c3 Corporation. This paperwork was completed in 2005 at which time we merged into Midwest Housing Development Fund, Inc. We are awaiting our 501c3 approval from the IRS.

New Market Tax Credits was definitely a buzz phrase during 2004. Thanks to the hard work of Thomas Judds, we submitted a joint application for 2005 New Market Tax Credits in the fall of 2004. We hope to be able to add these credits to our financial resources in 2005.

We are all keeping our eye on Congress and the current administration to see what we can do to ensure the continued success of the US Treasury’s CDFI Fund. It, as well as many other departments, is facing significant budget and program cutbacks this year. We are actively involved with the National Community Capital Association to promote the benefits and successes of the CDFI Fund.

None of the successes that we have experienced since our inception would have been possible without our Management Committee, our investors and our staff. Our Management Committee has worked extremely hard to get this company off of the ground and in the position to offer our loan products. Their continued guidance, expertise and oversight, will ensure that we move down the right path. Our investors have capitalized our loan fund with low cost capital which has allowed us to make our loans at very attractive interest rates. Our staff has worked hard to learn a new business and how to use this new resource to help our partners. My thanks to everyone for the last five years. This has been a very worthwhile endeavor and I’m looking forward to all we will do in 2005.

A handwritten signature in black ink that reads "Becky Christensen". The signature is fluid and cursive, with a stylized "f" at the end.

*Program Director*



## LETTER FROM INVESTOR



**Richard E. Schenck**  
VP, Community Development Rep.  
Nebraska & Iowa

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April 19, 2005

I have been asked to provide some insight into Midwest Housing Development Fund and I am honored to do so. As MHEG continued its growth, it became apparent that there was a need for predevelopment loans to help developers meet their goals in developing affordable housing. Under the leadership of Becky Christoffersen, MHEG launched an initiative to obtain CDFI status from the U.S. Treasury and was successful in doing so.

As a banker with significant amount of commercial lending experience, this type of lending has a higher than normal amount of risk but the mission and need were important, so we worked hard to make it work. Through the generosity of several investors who supplied very low interest rate loans for our use, the staff and Board rolled up their sleeves and went to work.

Since the inception of the MHDF, through the end of 2004, we have originated a total of 25 loans in the amount of \$1,253,863. We have not had any delinquencies or losses in the portfolio due to the hard work of the MHEG and MHDF staff. The staff mitigates our risk because they are totally **focused** on their developer customer and insuring they will be successful in every aspect of the project.

MHDF has now expanded its product line, now offering both short term and longer term loans. These are loans that due to the nature of the risk and the terms we are providing would not be attractive in the normal commercial banking environment. MHDF is proud of fulfilling its mission through its loan fund and looks forward to continuing its mission in the states we serve.

As a member of the MHDF Management Committee and an employee of one of MHDF's investors, I am proud of our mission, our dedicated staff, the commitment of our Management Committee and more importantly the fact that we are helping hundreds of families receive safe and affordable housing. I look forward to continuing the loan services we offer for years to come.

Sincerely,

A handwritten signature in black ink that reads "Richard E. Schenck".

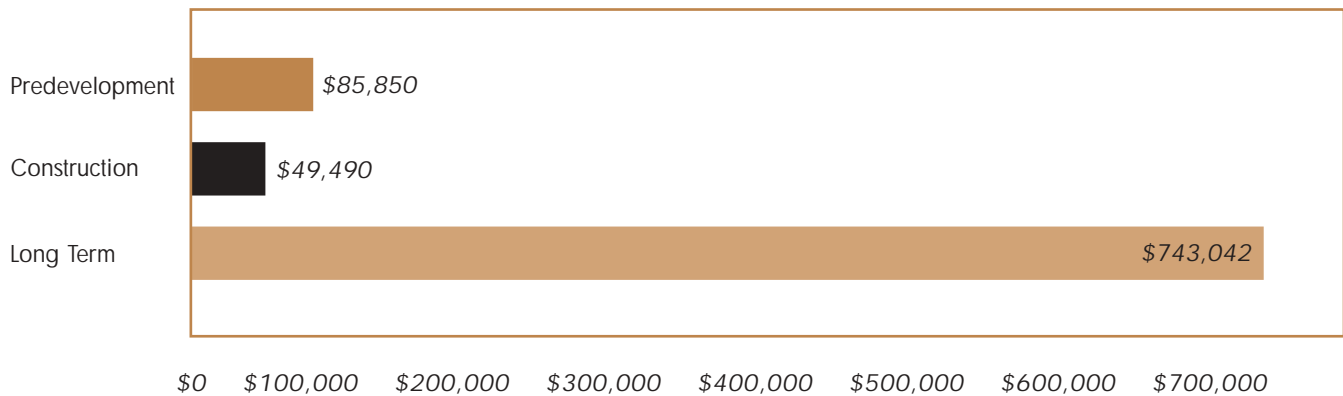
Richard E. Schenck  
Vice President  
Community Development

# MHDF MANAGEMENT COMMITTEE



Top row, left to right: Jim Cain, James Zimmerman, Danielle Hill, Sr. Marilyn Ross.  
 Bottom row, left to right: Kim Kuhle, Jim Rieker, Richard Schenck, Chris Hensley, Judy Taylor.

## LOANS MADE



## MHDF STAFF



Becky Christoffersen  
 Program Director

## INVESTORS

- US Bank
- Wells Fargo Bank
- CDFI Fund of the US Treasury
- Fannie Mae
- Iowa Finance Authority
- McAuley Fund

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