



... changing lives

Midwest Housing Equity Group, Inc.
2011 ANNUAL REPORT



Above: Reese Estates (NF XV) in Waverly, Nebraska.

Our Mission...

Change lives for a better tomorrow by promoting the development and sustainability of quality affordable housing.

2	<i>Message from the President</i>
4	<i>Changing Lives</i>
6	<i>2011 Developments</i>
14	<i>MHEG Profile</i>
16	<i>Actual vs. Projected Return</i>
17	<i>Equity Summary</i>
18	<i>Investor Summary</i>
20	<i>Iowa</i>
22	<i>Kansas</i>
24	<i>Nebraska</i>
26	<i>Oklahoma</i>
28	<i>Board of Directors and Committees</i>
29	<i>Staff</i>

Message from the President

As I write this yearend report, I do so with joy for MHEG as we have helped change the lives of so many people over the past 18 years. Many times we get caught up in the numbers, the demands of the investments and who is going to take care of the projects once they are built. We forget that we are housing people that may not have had a decent and safe place to live prior to the housing units we built. When we talk with the people we truly serve, it is nice to know that God has put us in a position to help change their lives.

I ask that none of you in this industry ever forget that we were given a mission to serve others less fortunate and that is the reason we exist. Yes, making money is important and necessary for a company's survival, but as the saying goes, helping others is priceless.

While 2011 was a good year for the affordable housing tax credit industry, it was an interesting year on the legislative front. Both state and federal levels experienced challenges. At the state level, we dealt with tight budgets, directly and indirectly, and affordable housing tends to be a target. We spent a lot of time trying to preserve what we had in place. On the federal level, while Congress seems to be in constant gridlock, there is still discussion of tax reform and potentially a reduction or elimination of the housing credit and other tax credits. One of my main focuses in 2011 was to show our delegation the importance of the program and affordable housing. While I feel most support the program, they are reluctant to sign on to any bills until there is more discussion on tax reform.

I worry about the future of all affordable housing programs. As an industry, we need to work together to communicate the message that without these programs, we have no way to assist and change the lives of so many people. There could be a huge increase in homelessness and poverty without our efforts, so take every opportunity to invite your Congressmen and Senators to open houses and other events that showcase what we do.

While the program is expensive at the federal level, one thing that is overlooked is the overall economic impact on our federal, state and local economy. For every unit we build or rehab, we stimulate the economy with jobs, income, taxes and revenue and other services.

In 2011, MHEG did pretty well as a company, raising and placing over \$109M in equity and adding 686 units of affordable housing. While not our best year, it was a close second. Thank you to all that made the year a success, starting with our new and existing investors. As interest rates stay low, there remains few, if any, alternative investments as attractive, so investors continue to invest in the tax credit market. I appreciate your support and trust in MHEG. I am happy to say MHEG has still not lost a credit or had a foreclosure, and we've been able to work through any troubled assets.

I know 2011 brought quite a bit of competition to the market. I want to thank those of you that stayed with us through the process. We strive to give you the best pricing and the best terms we possibly can. We know that sometimes there are better deals out there, but there is something to be said about strong partners, loyalty and familiarity. Therefore, to all of our development partners, thank you for helping us make 2011 a successful year.

We started 2011 without a Director of Asset Management/Chief Operating Officer. This is a key position for MHEG and I am happy to say that bringing Ann Burge in to fill that position was an excellent decision. She has helped us stabilize our already strong staff, as well as take a lot of pressure off of me. In addition to Ann, I want to personally thank each one of the MHEG staff members. As I repeatedly state, I challenge anyone to put their staff above the MHEG staff. They continue to be the best and are the reason for our success.

Our Board of Directors has done a tremendous job again this year. We had some turnover this year and still have one seat open, but like our staff, they are some of the best in the industry. Their roles and work on the committees have led to our success. I love the fact that we have a Board that gets our mission to "Change lives for a better tomorrow." The Board gives us the freedom to work towards that mission while providing the leadership we need. Thank you to each of you. As a side note, we are still looking for someone interested in filling the last Board seat.

We continue to have great professionals working with MHEG that not only keep us current on the issues; they help us work towards our mission. Thank you to the law firm of Kutak Rock, the accounting firm of Dauby, O'Connor Zaleski and our bridge lender, Horizon Bank.

With 2011 behind us, we look to the future. 2012 looks to be a busy year of raising capital and putting deals together. We expect quite a bit of competition, as there remains ample supply of capital in the market. However, as yields continue to decline the supply may dwindle as some investors leave the market. As people focus on the election, economy and preservation of the tax credit program, I look for 2012 to level off. One very exciting thing to take note of is 2013 marks MHEG's 20th anniversary, look for many events to help us celebrate.

On a final note, it saddens me to end this letter as my last message to you all from MHEG. As many of you know by now, I have resigned from my position to pursue other interests. I will miss all of you, but hope to see you at other industry events and the MHEG 20th anniversary celebration. MHEG will always be a part of me and I thank each and every one of you for working with me and giving me 18 great years to change the lives of so many people we serve.

God Bless! I hope I hear from you all in the upcoming years.

Jim Rieker
President/CEO

Richard Schenck (Chairman, MHEG Board of Directors) and Becky Christoffersen (Chief Investment Officer, MHEG) present Jim Rieker with a service award for his time and commitment to MHEG.



Changing Lives

Dear MHEG Friends,

When my husband resigned 5 years ago from a great job in an amazing location to go to seminary in Chicago, we had no idea how much our lives would change. We were sure once he graduated he would get immediately hired with great pay. Unfortunately, that was not the case, instead the economy took a turn for the worst and after many applications, very few interviews and no job offers, he eventually resorted to asking a family friend to help. This friend graciously gave my husband an entry level job and found a house for us to rent in Waverly, NE. We were grateful but felt incredibly humbled and a bit discouraged. A year later Jon was asked to travel to Tennessee for what seemed like a dream job. Before he left, we were told about the Reese Estate houses and decided to go ahead and get on the list to rent, as a "backup" plan. Thank goodness we did! For a number of reasons, after the interview, he decided that there were too many red flags and it would not be wise to take the position in Tennessee. A month later we moved into our beautiful, brand new home at the Reese Estates in Waverly, NE!

Although our journey has been a difficult one, we have been greatly blessed and cannot express our gratitude enough for our home in such a wonderful neighborhood. Many of our neighbors have faced similar difficulties with the current job market. We are all committed to our families and work hard to be responsible citizens. Many of the neighbors have formed great friendships and truly look out for one another. There are a number of children that play together regularly. On any given day of the week a dozen kids will be racing bikes, playing superheroes, playing in the dirt, etc. MHEG Inc. did not merely help to build a neighborhood but truly helped develop a Community.

I can confidently say, all of us at Reese Estates thank you for giving us beautiful new homes and a safe community to live in!

Sincerely grateful,

The Welsch Family



The Welsch Family



Beth Ritchie Photography



Reese Estates



2011 Developments

MHEG closed a total of 28 acquisitions in 2011, totaling just over \$95 million of tax credit equity. These developments will help sustain and create 686 affordable housing units throughout our four states. The following pages highlight a few of the 2011 developments MHEG was proud to partner with.

MULTIFAMILY HOUSING

Capitol City Duplexes, LLLP
Des Moines, IA • 16 units • IF VI, L.P.

Flor de Sol Partners III, LLC
Liberal, KS • 16 units • KF IX, L.P.

Forest and Fields, LLLP
Des Moines, IA • 28 units • IF VI, L.P.

French Quarter, LLC
Wichita, KS • 34 units • KF IX, L.P.

Hampton West, LLC
Lyons, KS • 10 units • KF VIII, L.P.

Heritage Hawthorne Partners, LLC
Salina, KS • 32 units • KF IX, L.P.

Heritage Park Place, LP
Durant, OK • 33 units • OF III, L.P.

MDI Limited Partnership #86
Des Moines, IA • 36 units • IF VI, L.P.

Olive Street Brickstone Housing, L.L.L.P.
Des Moines, IA • 21 units • IF VI, L.P.

Prairie Trails Partners, LLC
Garden City, KS • 32 units • KF IX, L.P.

State Street Housing, LP
Leavenworth, KS • 24 units • KF VIII, L.P. & KF IX, L.P.

The Village at Liberal, L.P.
Liberal, KS • 24 units • KF IX, L.P.

Walker Corners Limited Liability Company
Woodbine, IA • 11 units • IF VI, L.P.



Above: A rendering of North Omaha Senior Cottages (NF XVI) in Omaha, Nebraska.



Top Right: Walker Corners (IF VI) in Woodbine, Iowa.



Bottom Right: St. Paul Cottages (NF XVI) in St. Paul, Nebraska.

SENIOR HOUSING

Christ the King Senior Housing, LLLP
Des Moines, IA • 28 units • IF VI, L.P.

Humboldt Senior Housing, LLC
Humboldt, KS • 12 units • KF IX, L.P.

Livestock Commons, LLC
Omaha, NE • 32 units • NF XV, L.P.

Murray Hill Senior Apartments, LP
Chanute, KS • 24 units • KF IX, L.P.

North Omaha Senior Cottages Limited Partnership
Omaha, NE • 24 units • NF XVI, L.P.

Southwood Estates, LLC
Hastings, NE • 32 units • NF XVI, L.P.

St. Paul Cottages, LLC
St. Paul, NE • 12 units • NF XVI, L.P.

Stonewood Townhomes, LLC
Grand Island, NE • 24 units • NF XVI, L.P.

Whispering Meadows, LLC
Wewoka, OK • 20 units • OF III, L.P.

Wilderness Falls, LLC
Falls City, NE • 16 units • NF XVI, L.P.

SINGLE FAMILY HOMES

Clove Hills Estates, L.P.
Ashland, NE • 8 units • NF XV, L.P.

Luke Estates, L.P.
North Platte, NE • 10 units • NF XVI, L.P.

SPECIAL NEEDS or TRANSITIONAL HOUSING

Cirrus South Bend, L.P.
Scottsbluff, NE • 11 units • NF XVI, L.P.

GTMC, L.L.C.
Omaha, NE • 96 units • NF XVI, L.P.

LCHT Accessible Housing, LLC
Lawrence, KS • 20 units • KF VIII, L.P.



Above Left: MDI Limited Partnership #86 (IF VI) undergoing historic renovation in Des Moines, Iowa.



Above Right: Heritage Hawthorne Partners (KF IX) in Salina, Kansas.

Multifamily Housing

- ▶ Capitol City Duplexes, LLLP
- ▶ Forest and Fields, LLLP
- ▶ Hampton West, LLC
- ▶ Heritage Park Place, LP
- ▶ Olive Street Brickstone Housing, L.L.L.P.
- ▶ State Street Housing, LP
- ▶ Walker Corners Limited Liability Company
- ▶ Flor de Sol Partners III, LLC
- ▶ French Quarter, LLC
- ▶ Heritage Hawthorne Partners, LLC
- ▶ MDI Limited Partnership #86
- ▶ Prairie Trails Partners, LLC
- ▶ The Village at Liberal, L.P.

MHEG closed 13 multifamily deals in 2011, for a total of 317 units. These developments will provide much needed housing for many families across the Midwest.

▶ In the rural town of Woodbine, Iowa, a historic rehab resulted in the completion of 11 multifamily units located in the town's historic downtown area. Woodbine, a recent winner of the Main Street Iowa award, has invested over \$2 million into revitalizing properties in their downtown commercial district. Walker Corners involved substantial rehabilitation of the existing building. The interior was completely gutted with the apartments receiving new framing. A new entry was constructed and new electrical wiring, lighting fixtures, plumbing and water lines were installed. All units were equipped with new "energy star" appliances, new water heaters and new plumbing fixtures, carpet, flooring and blinds. In addition to interior improvements, the exterior was renovated with new sidewalks, ramps, roof and gutter replacements and landscaping. Units will range between 612 to 800 square feet and provide one bedroom and bath. The development will also include three commercial spaces on the first floor, and will provide a community room, computer center and additional storage space for tenants. Walker Corners will add housing, character and life to Woodbine's Main Street area. MHEG partnered with Pryor Management LLC, Smith Project Management, LLC, Crownview Development, LLC and the Iowa Finance Authority.

▶ Durant, Oklahoma is one of many cities in the Midwest experiencing steady growth and a shortage of affordable housing. Fortunately, MHEG teamed with Express Development and Desert Ridge Investments to create Heritage Park Place to help meet the rising demand for housing. This new development will offer 33 multifamily units; all units will have three bedrooms, two baths and 1,150 square feet of living space. In addition Heritage Park Place will provide two-car attached garages, energy star appliances, community picnic tables and outdoor covered seating. Additional partners included Express Management, Lance Windel Construction and the Oklahoma Housing Finance Agency.

▶ MHEG was excited to partner once again with the Overland Property Group, LLC on the third phase of Flor De Sol Partners. Phase I and II have been very successful with zero vacancies and a waiting list. MHEG anticipates this next phase to have similar success. Phase III will provide 16 multifamily units for the community of Liberal, Kansas. There will be seven 2-bedroom units and nine 3-bedroom units, ranging between 962 to 1,155 square feet. MHEG also partnered with Weigand Omega, Woodco, Inc., and the Kansas Housing Resources Corporation.



Top Left: An example of what Forest & Fields (IF VI) in Des Moines, Iowa will look like when completed.

Top Right: Olive Street (IF VI) during the construction phase in Des Moines, Iowa.

Middle Left: Flor de Sol III (KF IX) in Liberal, Kansas.

Bottom Left: Heritage Park Place (OF III) in Durant, Oklahoma.

Bottom Right: The Village at Liberal (KF IX) in Liberal, Kansas.





Top: Christ the King Senior Housing (IF VI) in Des Moines, Iowa.

Middle Left: Humboldt Senior Housing (KF IX) in Humboldt, Kansas.

Middle Right: A look at Whispering Meadows (OF III) in Wewoka, Oklahoma.

Bottom: A rendering of what the South Building for Livestock Commons (NF XV) will look like when completed, Omaha, Nebraska.



Senior Housing

- ▶ Christ the King Senior Housing, LLLP
- ▶ Livestock Commons, LLC
- ▶ North Omaha Senior Cottages Limited Partnership
- ▶ St. Paul Cottages, LLC
- ▶ Whispering Meadows, LLC
- ▶ Humboldt Senior Housing, LLC
- ▶ Murray Hill Senior Apartments, LP
- ▶ Southwood Estates, LLC
- ▶ Stonewood Townhomes, LLC
- ▶ Wilderness Falls, LLC

Our country's aging population is causing the demand for independent senior living to increase sharply. In 2011, MHEG closed 10 senior developments, creating a total of 224 units to help meet the demand.

▶ Christ the King Senior Housing is truly a partnership and vision of many. The late Sister Stella Neill played a key role in bringing Christ the King Catholic Parish and Anawim Housing together to develop this 28 senior unit project for the south Des Moines community. CTK Senior Housing, completed in February 2012, is a three-story building that offers ten one-bedroom units and 18 two-bedroom units, which range in size from 600 to 768 square feet.

Each unit is ADA compliant and will provide many of the essential household amenities such as a refrigerator, dishwasher, washer/dryer and blinds. Additional amenities will include a secure entrance, elevators, fitness room, community room, computer and media center as well as additional storage for tenants. Additional partners of the development included: Christ the King Housing Services, Inc., Koester Construction Company and the Iowa Finance Authority.

▶ Murray Hill Senior Apartments, located in Chanute, Kansas, involved the renovation of Murray Hill Elementary School; a historic two-story school building located at 400 West 3rd Street. Once renovated, Murray Hill Senior Apartments will offer 24 one and two-bedroom units that will range in size from 768 to 850 square feet. The modern units will provide many of the essential household amenities such as a refrigerator, dishwasher, microwave and blinds. Additional amenities will include an elevator, laundry facility, community room and library.

Murray Hill is developed, contracted and managed by Foutch Brothers, LLC, a developer who specializes in saving historic properties in the Midwest. Once completed, this property will serve the Chanute community in two ways. It will bring the Murray Hill School back to life allowing it to serve once more and it will provide the senior residents of Chanute with quality, affordable and energy efficient living. Additional partners included Kansas Housing Resources Corporation.

▶ In 2003, MHEG closed on the Livestock Exchange Building LLC, a historic rehab project that created 102 multifamily units for the South Omaha community. In addition to residential living, the first three floors are leased OneWorld Community Health Center, a health center focused on providing affordable health care to the underserved populations. In 2011, OneWorld's vision to expand became a reality with Livestock Commons. This new mixed-use development will provide 32 senior units, and allow OneWorld room to grow and increase their health care services. Livestock Commons will offer 16 one-bedroom units and 16 two-bedroom units, ranging between 729 to 933 square feet.

This project was several years in the making and was made possible by J. Development Company, Lund Ross Constructors, The Seldin Company and the Nebraska Investment Finance Authority.

Single Family Homes

▶ Clove Hills Estates, L.P.

▶ Luke Estates, L.P.

▶ In 2011, MHEG teamed up with Dana Point Development Corporation to help create two single family home developments, Luke Estates and Clove Hill Estates. These will be the sixth and seventh project we have partnered with Dana Point Development Corporation.

Luke Estates will provide ten homes for the community of North Platte, Nebraska and Clove Hill Estates will provide eight homes for the community of Ashland, Nebraska. Both developments will be the only ones in their city to offer affordable single family housing. The homes will have three to four bedrooms and two baths, providing between 1,356 to 1,475 square feet of living space. The homes also have many key household amenities included such as a refrigerator, washer/dryer unit, dishwasher, two-car garages and additional storage.

MHEG also partnered with ILH Construction, LLC, D & K Management, Inc. and the Nebraska Investment Finance Authority on Clove Hill Estates and Luke Estates.



Above Left and Right: Clove Hill Estates (NF XV) as it nears completion in Ashland, Nebraska.

Lower Right: Luke Estates (NF XVI) in North Platte, Nebraska.

Special Needs & Transitional Housing

▶ Cirrus South Bend, L.P.

▶ GTMC, L.L.C.

▶ LCHT Accessible Housing, LLC

▶ Garland Thompson Men's Center (GTMC), a facility to help homeless men in Omaha, is the third and final phase of Open Door Mission's "Rebuilding Lives" campaign to expand their campus. A cause and organization that has grown very dear to MHEG since beginning work on the first phase back in 2006.

Once complete, GTMC will offer 96 beds for single men seeing emergency services. In addition to the bed space, the facility offers several long-term recovery programs to address the causes of homelessness with the goal of providing the men the tools, education and skills needed to become self-sufficient. GTMC will also have a larger learning center, including tutoring and computer labs; a fitness room; expanded bathroom and laundry facilities; a chapel; kitchen and dining room; and a medical clinic.

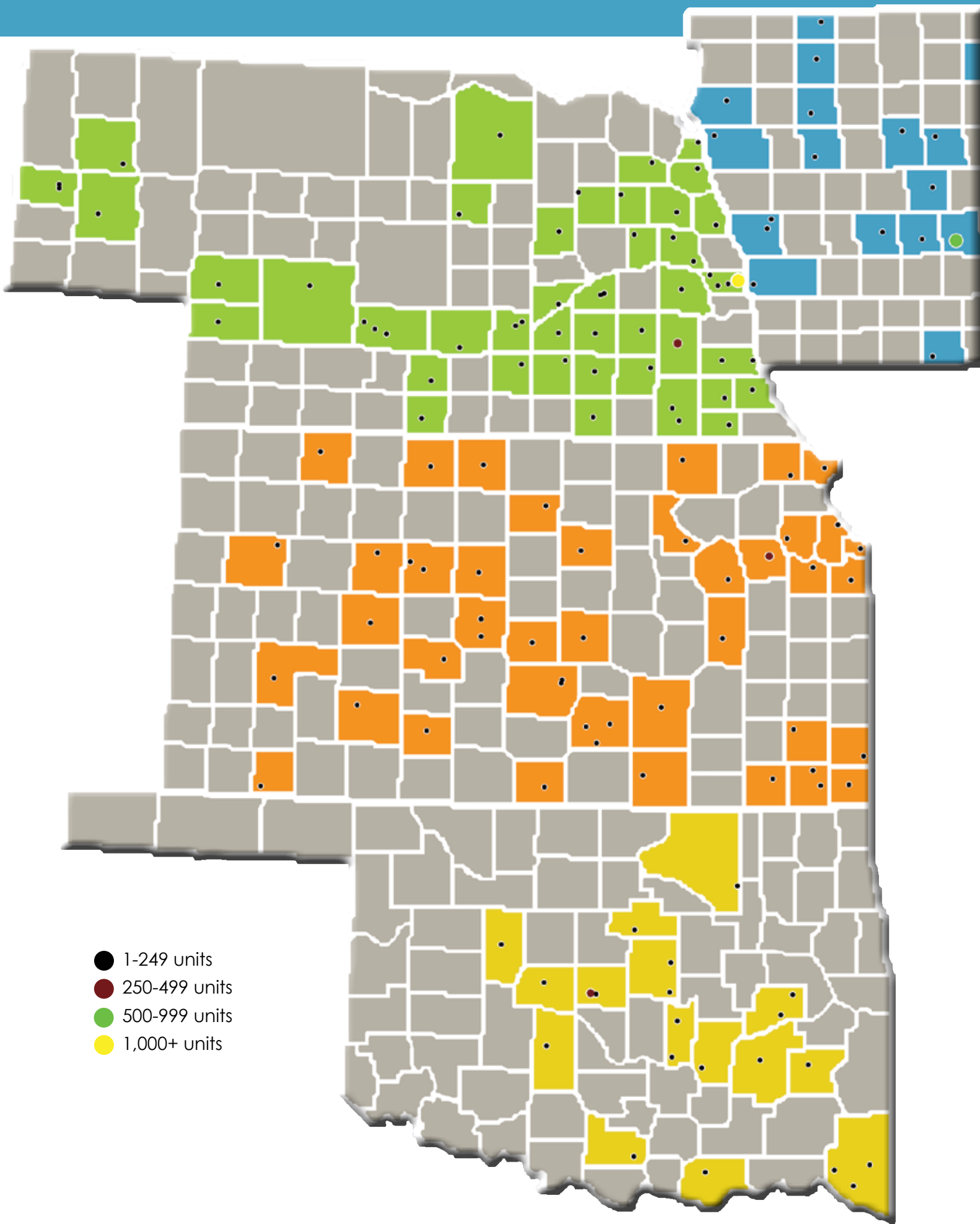
This accomplishment comes from the collaboration of the Open Door Mission, Help the Homeless, Inc., J. Development Company, Rescue Mission, Inc., Lund-Ross Constructors and Nebraska Investment Finance Authority.



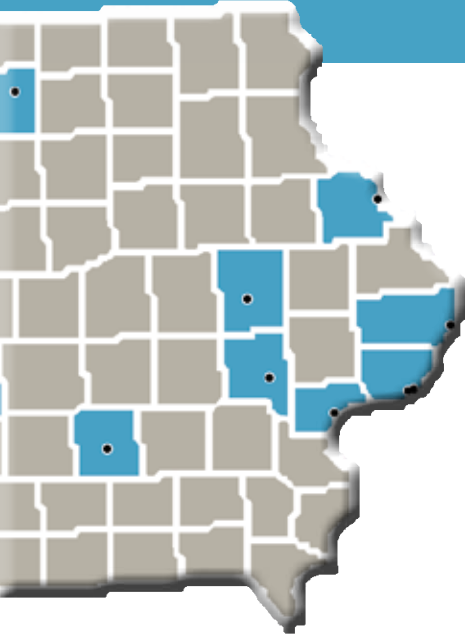
Above: A rendering of GTMC (NF XVI) in Omaha, Nebraska.



Left: LCHT Accessible Housing (KF VIII) in Lawrence, Kansas.

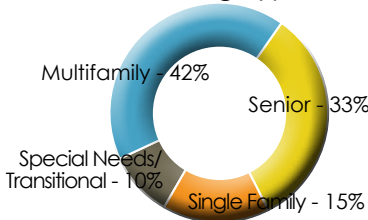


MHEG Profile

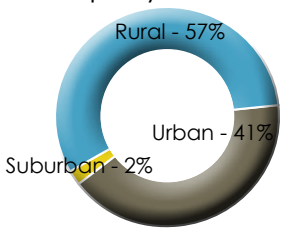


	MHEG	Iowa	Kansas	Nebraska	Oklahoma
Number of Developments	319	53	81	154	30
Number of Housing Units	8,598	1,798	2,028	3,612	1,160
Counties Represented	123	23	42	43	15
Cities Represented	153	27	48	56	22

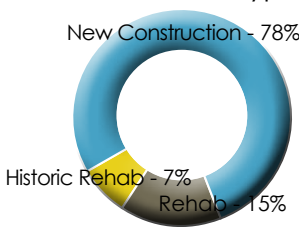
Housing Types



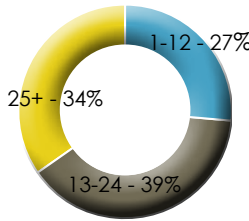
Property Location



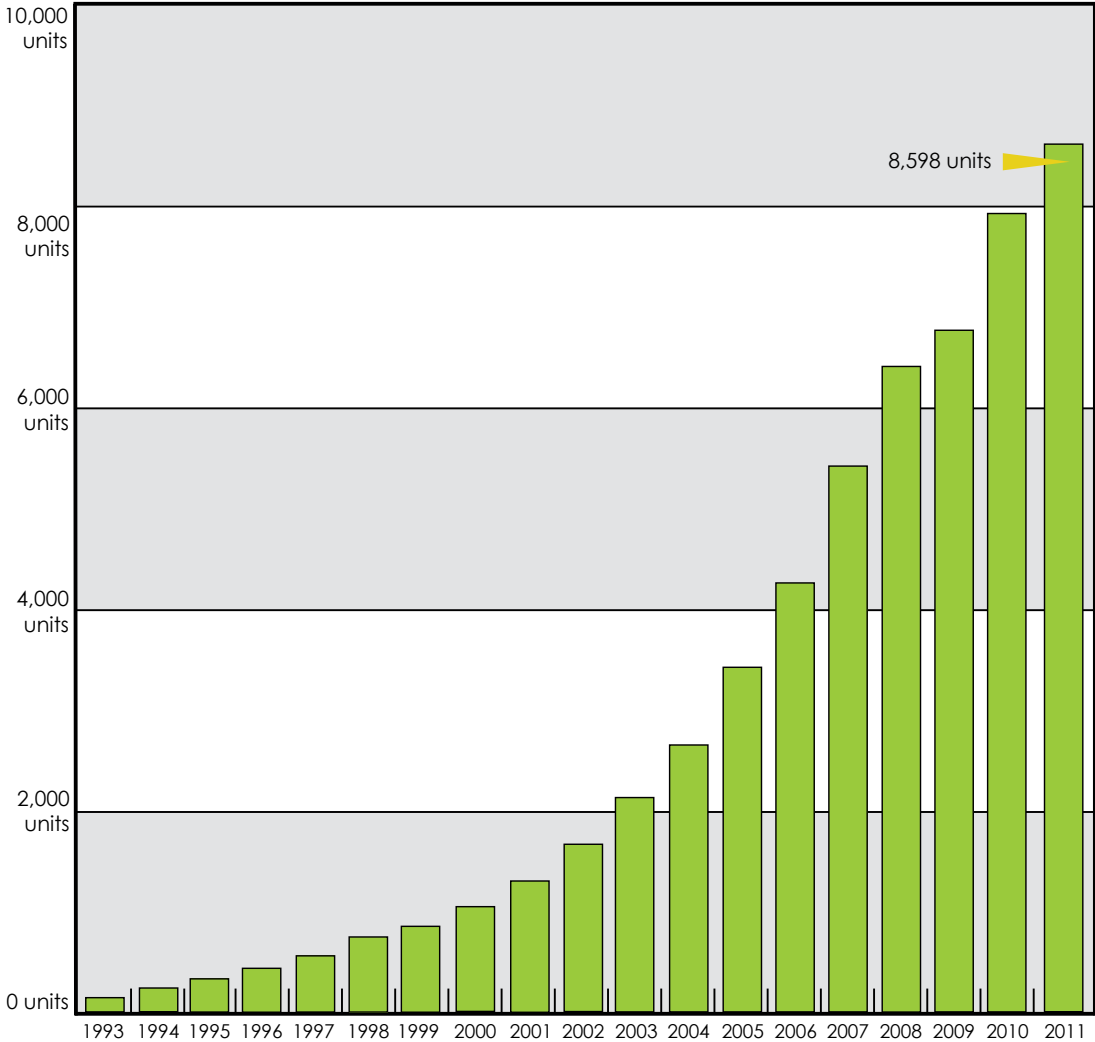
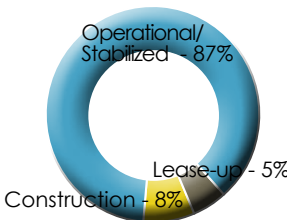
Construction Types



Property Size

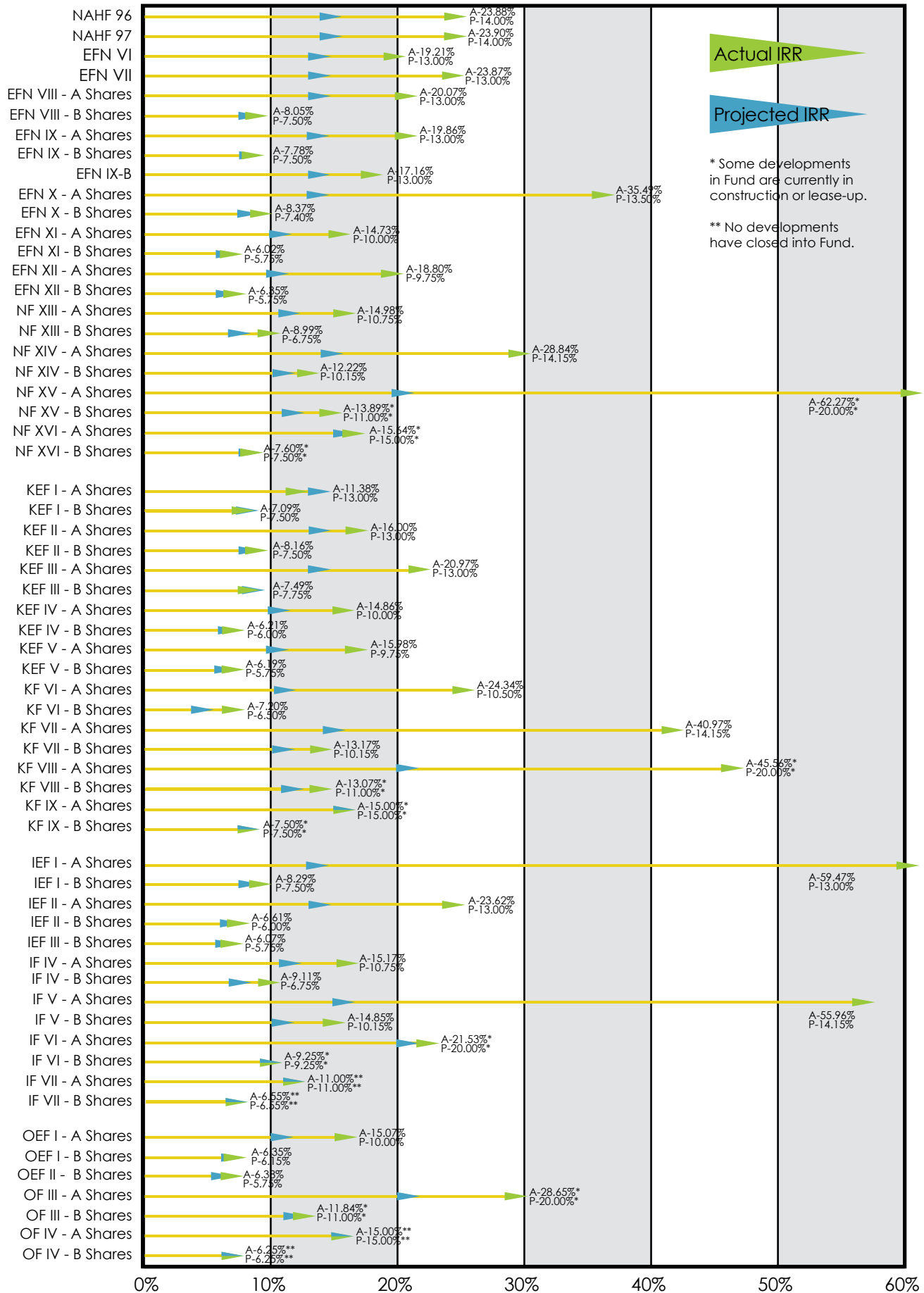


Development Status



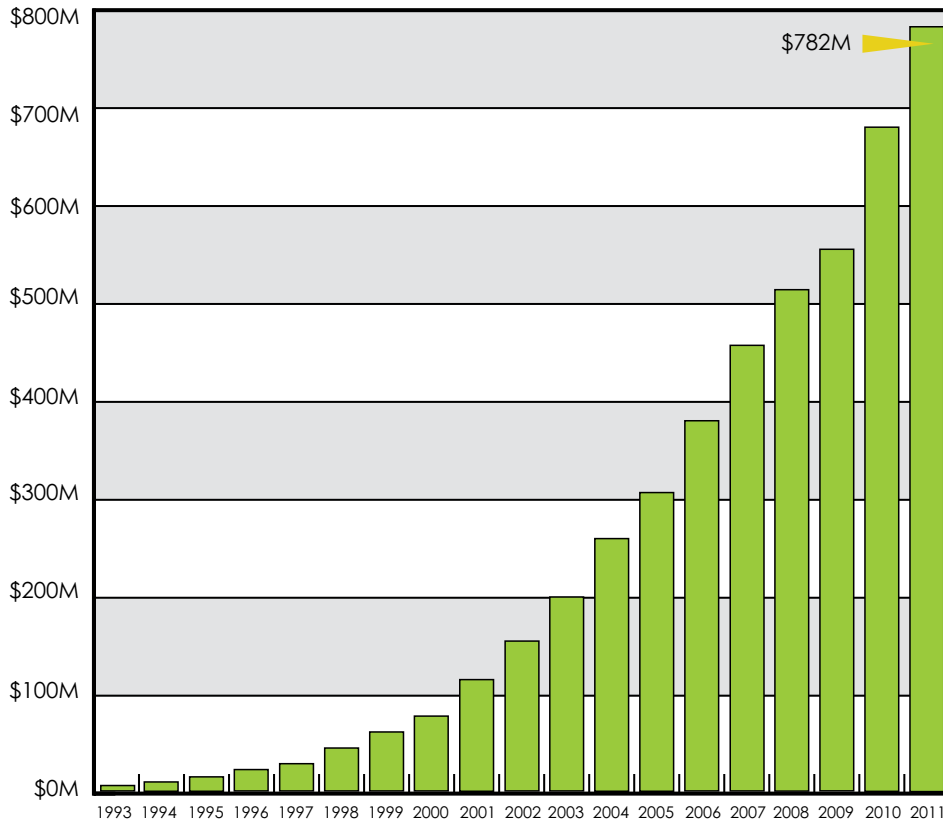
Total MHEG Units Created

Actual vs. Projected Return

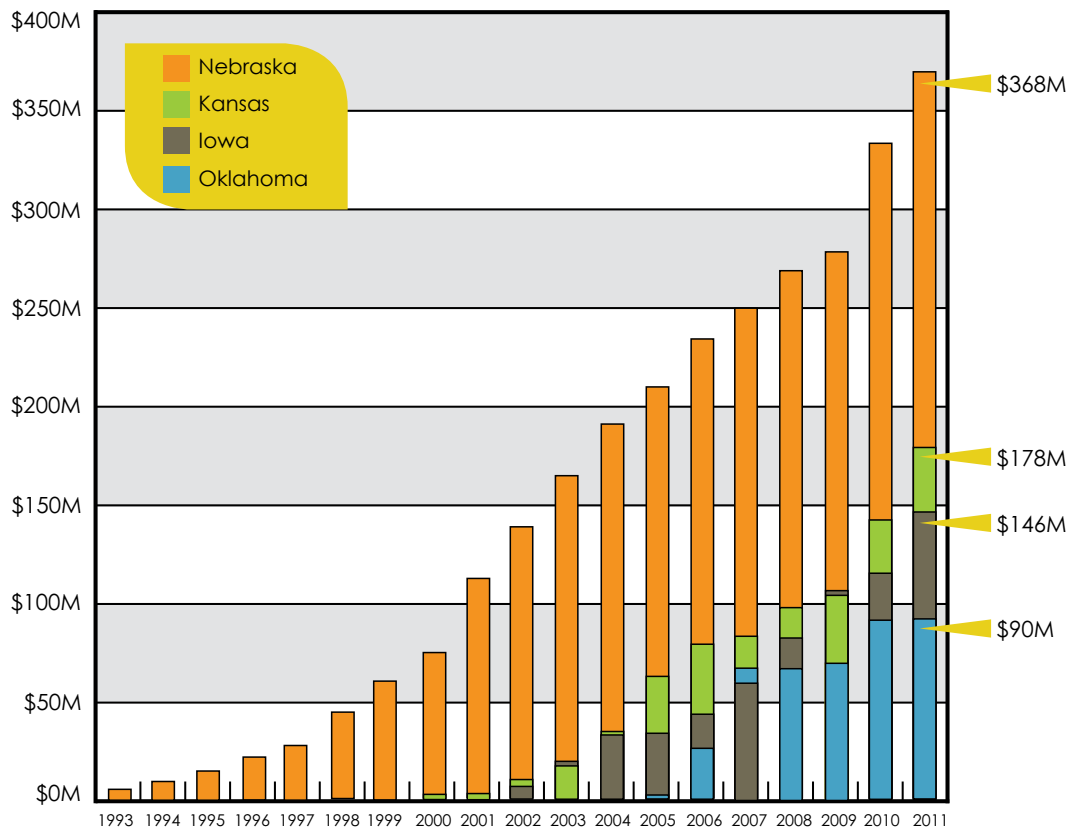


Equity Summary

Total MHEG Equity Raised in Millions



Equity by Individual States Raised in Millions



Information compiled from 12/31/2011 data. Nebraska equity total and MHEG equity total include side-by-side and direct investments.

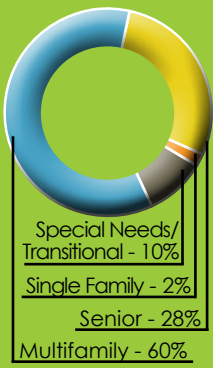
Investor Summary

Investors Listed are Current as of 12/31/2011

	NAHF 93	NAHF 94	NAHF 95	NAHF 96	NAHF 97	EFN VI	EFN VII	EFN VIII	EFN IX	EFN IX-B	EFN X	EFN XI	EFN XII	NF XIII	NF XIV	NF XV	NF XVI
Adams Bank & Trust Company																	
Adams County Bank																	
Bank of America CDC																	
Bank of Bennington																	
Bank of the West																	
Behlen Mfg. Company																	
Berkshire Hathaway, Inc.																	
Capitol Federal Savings Bank																	
Cargill Financial Service Corporation																	
Central States Health & Life Company of Omaha																	
Commerce Bank, N.A.																	
Consolidated Companies																	
Country Bank Shares																	
Countryside Bank																	
Equitable Federal Savings Bank																	
Fannie Mae																	
Farm & Home Insurance Agency, Inc.																	
Farmers and Merchants Bank																	
Farmers and Merchants Investment, Inc.																	
First Community Bank of Beemer																	
First National Bank of Omaha																	
First State Bank																	
First State Bancshares																	
Five Points Bank																	
Freddie Mac																	
Geneva State Bank																	
Henderson State Bank																	
Home Federal Savings & Loan of Grand Island																	
Horizon Bank																	
Info USA																	
Jefferson Pilot																	
Level 3 Communications																	
Marine Bank																	
Mutual of Omaha Insurance Company																	
National Education Loan Network, Inc.																	
North Central Bancorp, Inc. (Bank First)																	
Northwestern Mutual Life Insurance																	
Pinnacle Bank																	
Platte Valley Bank																	
Principal Financial Services																	
Qwest Communications, Inc.																	
Reinke Mfg. Company																	
RiverHills Bank																	
Seaboard Corporation																	
South Central State Bank																	
Summit Investments																	
The State National Bank & Trust Company																	
TierOne Bank																	
United Nebraska Bank																	
US Bancorp Community Development Corp.																	
Valley Bank and Trust Company																	
Wells Fargo CDC																	
West Gate Bank																	
Windstream Communications																	
World's Foremost Bank																	

	KEF I	KEF II	KEF III	KEF IV	KEF V	KF VI	KF VII	KF VIII	KF IX	IEF I	IEF II	IEF III	IEF IV	IF V	IF VI	IF VII	OEF I	OEF II	OF III	OF IV
Aegon																				
American Fidelity Assurance Company																				
Arvest																				
BancFirst																				
Bank of Hays																				
Bank of Oklahoma																				
Bank of the West																				
Bankers Trust																				
Bankers Trust Company - Cedar Rapids																				
Capital City Bank																				
Capital Federal Savings Bank																				
Carrall County State Bank																				
Cedar Rapids Bank and Trust																				
Central Bank																				
Central National Bank																				
Central State Bank																				
Citizens Savings & Loan Association, FSB																				
Citizens State Bank of Moundridge																				
Commerce Bank, N.A.																				
Community State Bank - Ankeny, Iowa																				
Community State Bank - Tipton, Iowa																				
Dubuque Bank & Trust CDC																				
ESIC on behalf of Fannie Mae																				
Equity Bank, A National Association																				
Fannie Mae																				
Farm Bureau Life Insurance Company																				
Farmers and Merchants Investment, Inc.																				
Fidelity Bank & Trust																				
First Federal Savings & Loan Association of Independence																				
First Federal Savings Bank of Iowa																				
First National Bank of Hutchinson																				
First National Bank of Olathe																				
First National Bank of Waverly																				
Freddie Mac																				
The Grundy National Bank of Grundy Center																				
Industrial State Bank																				
INTRUST Bank, N.A.																				
JP Morgan Chase																				
Kaw Valley Bank																				
Labelle Bank																				
Landmark National Bank																				
Lifeshield National Insurance Company																				
Maquoketa State Bank																				
McElroy's Inc.																				
Midwest Heritage Bank																				
MidwestOne Bank																				
The Mission Bank																				
Northwestern Mutual Life Insurance																				
Principal Financial Services, Inc.																				
Seaboard Corporation																				
Security State Bank																				
TierOne Bank																				
Treynor State Bank																				
UMB Bank, n.a.																				
United Bank & Trust																				
Valley View Bank																				
Wells Fargo CDC																				
West Bank																				

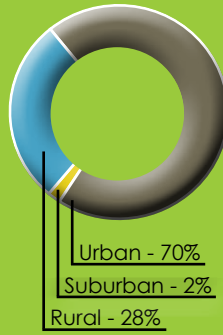
Housing Types



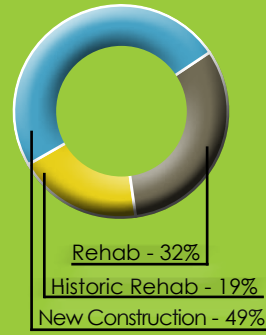
Development Status



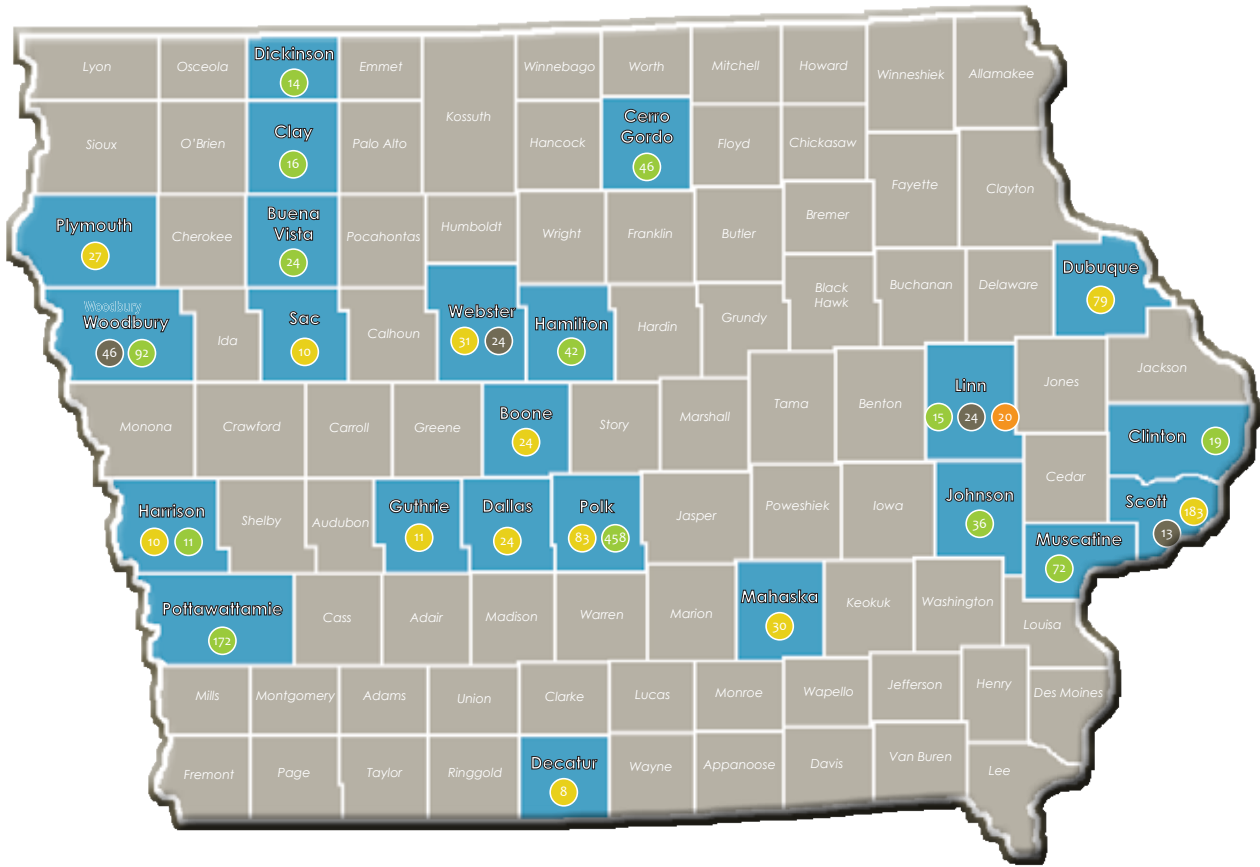
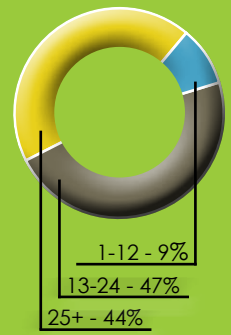
Property Location



Construction Types



Property Size



● Multifamily

● Senior

● Single Family

● Special Needs/Transitional



Walker Corners Ribbon Cutting
October 21st, 2011 - Woodbine, IA



Crestview Terrace Apartments Ribbon Cutting
July 26th, 2011 - Des Moines, IA

It's easy to make a buck; it's a lot tougher to make a difference. ~ Tom Brokaw

The theme of our annual report, "changing lives," is ironic in that anyone who knows me would not describe me as a sentimental person. To talk about changing lives when at times it seems as though what we do is minimal, seems to be taking way too much credit. But, in reality, what we do does make a difference, we do the deals that others do not consider doing.

Let's face it; this business is like others in that the bottom line is making money. The exception is that we can walk away feeling we are a part of something bigger, something that is truly making a difference in the communities in which we work. The past years are proof of that in what was completed.

For example, who would take a chance on housing targeted to those released from correctional facilities? Often ex-felons cannot live in the developments we help build because they are automatically excluded. They are usually forced to pay for a place for their family, and then find a place for themselves, often a shelter. Home-to-Stay in Cedar Rapids offers a second chance at life for released ex-felons and allows them to make that start with the support of their families. Who took that chance? MHEG.

Who would do a development in a town devastated by natural disaster, a development that no others considered? Almost 500 single family rental homes were destroyed in the Cedar Rapids flooding disaster, and of the 384 tax credit units awarded credits, only 20 were single family homes. Sugar Creek Bend is a small step towards normalcy, but a step. Over 300 people applied for these units...300! Who was the syndicator for that deal? MHEG.

Finally, who would think about a 13-unit project for the mentally disabled, a population that is often overlooked when thinking about housing needs? This non-profit developer has over 100 mentally disabled persons on a waiting list for decent housing. Holiday Court in Bettendorf is yet again a small step towards hitting that crisis.

These are the type of deals that MHEG focuses on. Obviously this is not a one person effort. Iowa has a fantastic group of investors, people that when I ask a question or need an answer, they graciously make the time. The Iowa Operations and Investment Committee are giving as well, of time, of advice and introductions to open doors. The MHEG staff, always tremendous, first class all the way, and I appreciate all that they do, every day.

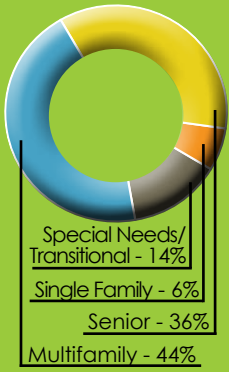
I spoke at the opening of the Old Spencer School in Spencer, Iowa, a renovation project for seniors. My in-laws live in the area so I invited them to attend. Upon closing, I see my mother-in-law looking at me with a strange glance. She said, "I never knew truly what you did, until now and I am very proud of you." That took me aback, but in thinking about it, that represents what we do. We help change not only lives, but communities and more important, ourselves in the process.

When my time at MHEG comes to an end, it is the developments we partner with that give me the satisfaction in knowing that we made a difference. It was not about the money, but rather doing what is right.

Now who said I was not sentimental?

Dan Garrett
Executive Vice President, Iowa

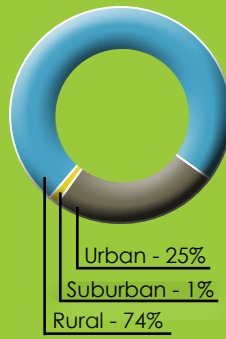
Housing Types



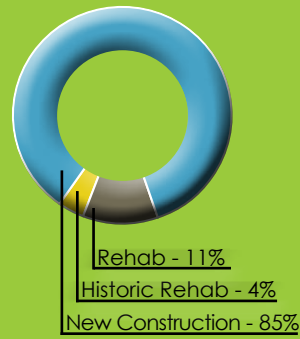
Development Status



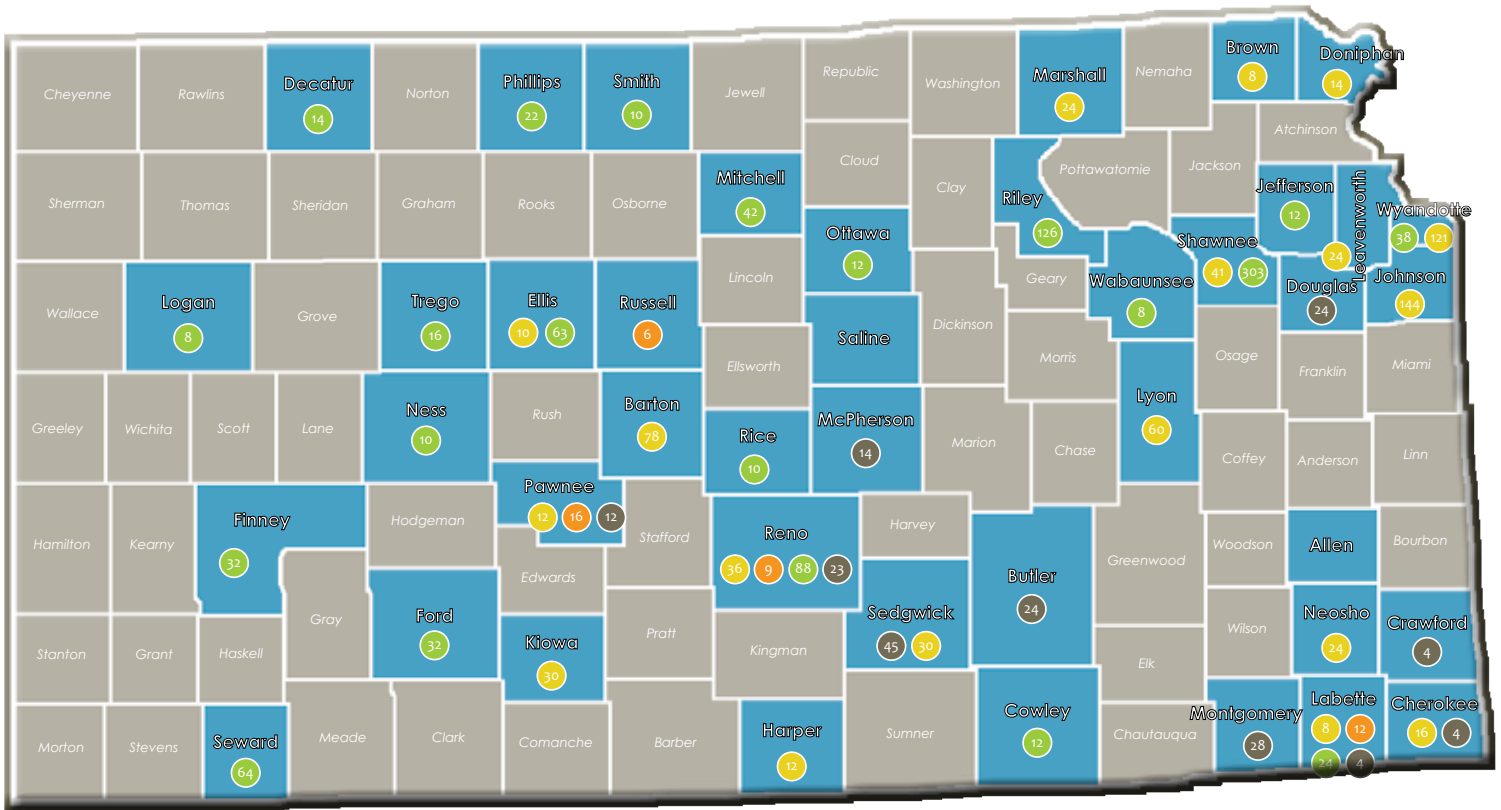
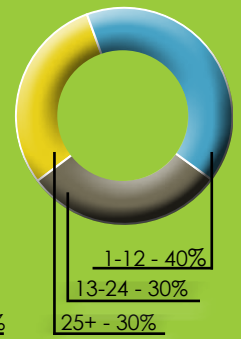
Property Location



Construction Types



Property Size



● Multifamily

● Senior

● Single Family

● Special Needs/Transitional



Genesis Homes Ribbon Cutting
September 22nd, 2011 - McPherson, KS



Pioneer Adams II Ribbon Cutting
June 17th, 2011 - Topeka, KS



Echo Ridge Ribbon Cutting
October 13th, 2011 - Topeka, KS

The theme for 2011 in Kansas was balance. We had balance in funds raised and developments completed.

This is always the case, but in 2011 it seemed easier to achieve. Many people and companies depend on MHEG on both sides of the balance sheet. Families and individuals want quality affordable housing. Investors are seeking solid and safe returns. And all our partners are depending on MHEG to provide underwriting assistance and equity into their development when promised.

2011 included 10 developments across Kansas. New communities were Lawrence, Leavenworth, Chanute, Humboldt, Garden City, Neodesha, Lyons and Salina. All are strong communities in need of work force and senior housing. A total of 228 new units were built or rehabbed; 172 family units, 36 senior units and 20 special need units. Both the families and communities are very pleased to have the new housing.

Investors to MHEG are like depositors to banks. We cannot fund developments without investors. Banks cannot make loans without depositors. We thank and appreciate all who favored MHEG with their investment. New investors in KF IX included: McElroy's, Inc., Topeka, KS; Labette Bank, Parsons, KS; Equity Bank, Wichita, KS; Farm Bureau, West Des Moines, IA; and Northwestern Mutual, Milwaukee, WI. Returning investors included: Farmers and Merchants Investments, Waverly, NE; Commerce Bank, Kansas City, MO; Capitol Federal Savings Bank, Topeka, KS; Capital City Bank, Topeka, KS; UMB Bank, Kansas City, MO; INTRUST Bank, Wichita, KS; Bank of the West, San Ramon, CA; and Wells Fargo, Charlotte, NC. Overall returns were lower than 2010, but still strong. Low Income Housing Tax Credits are an integral component of the US affordable housing strategy. More and more profitable companies are realizing their benefit to society and the balance sheets.

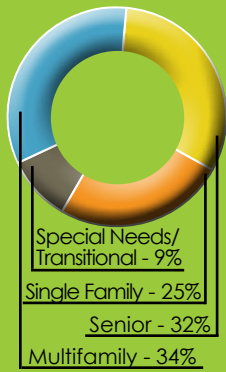
Another topic I would like to discuss is what I am calling "The Elephant in The Room." Paul Ryan et al. is looking for ways to balance the federal budget while lowering federal tax rates. At this time none of us know what this means to the Low Income Housing Tax Program, but there is a chance the result may not be favorable to the program. It is critical we all stay informed during the process and let our Senators and Representatives know our wants and desires. I encourage you to do so.

Finally, a few words about the MHEG staff and culture. I continue to be impressed by the MHEG team. Their passion, knowledge and dedication constantly amaze me. The ultimate goal of providing quality affordable housing across the MHEG footprint is always at the forefront, as is providing a fair and safe return to investors while providing accurate and timely reporting. We value our relationship with the developers and work hard to achieve win-win outcomes for all concerned. All of this is a part of the culture that is delivered by the MHEG associates.

Have a great year in 2012. It is a pleasure working with all of you.

Pat Michaelis
Executive Vice President, Kansas

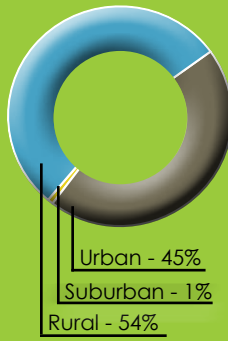
Housing Types



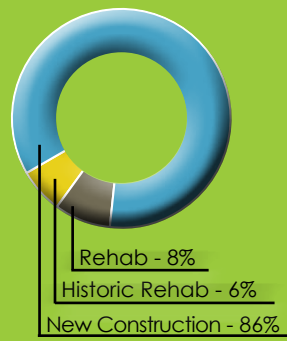
Development Status



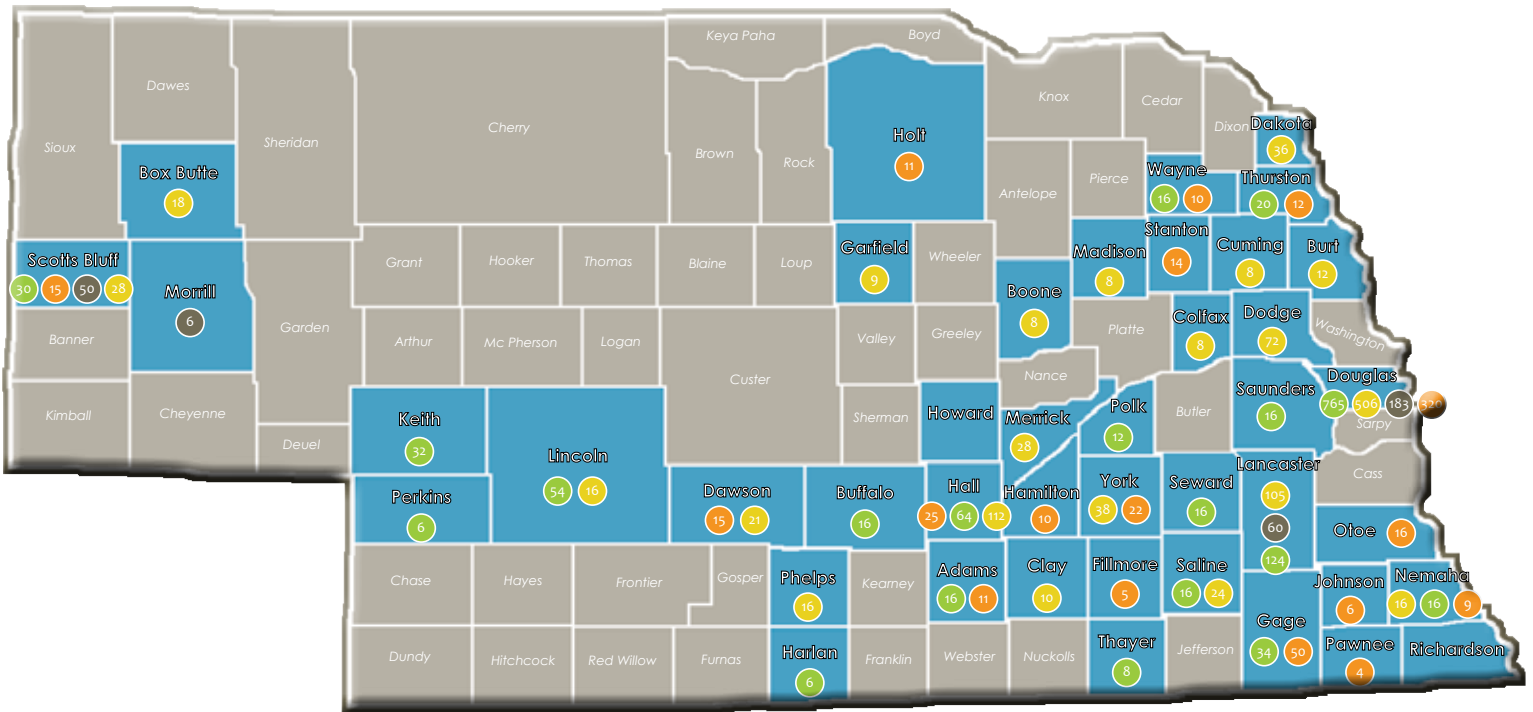
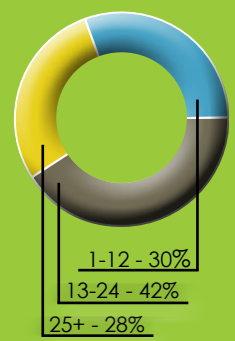
Property Location



Construction Types



Property Size



● Multifamily
 ● Senior
 ● Single Family
 ● Special Needs/Transitional



Livestock Commons Ground Breaking
January 4th, 2012 - Omaha, NE



Millard Senior Housing Ribbon Cutting
November 18th, 2011 - Omaha, NE



16th Street Ribbon Cutting
November 3rd, 2011 - Omaha, NE

More than 50

Going into 2011 I figured there would be one memorable event for the year that would stand out to me; however, what I didn't realize was there would be two other significant encounters that would rock my world.

In April I turned 50 years of age. This occasion is generally considered a milestone event in a person's life, one filled with celebration, joy and good humor. For me, the day was actually relatively quiet and unassuming – just the way I wanted it. Some would say the day was uneventful, but let me tell you the week following was NOT! In short, I ended up having all four of my wisdom teeth pulled. Talk about a fun and memorable experience. My dentist told me I definitely skewed the curve as to average age when wisdom teeth are taken out!

As you can imagine, I really didn't think anything else would be more significant in 2011 than turning 50 or more so, the week after. Fortunately, I was mistaken. In June, I attended a ribbon cutting ceremony in Waverly, Nebraska. At the festivities Heather Welsch, a resident at the property, asked if she could say a few words during the closing. Heather expressed a heartfelt thanks to all that had a hand in building the homes. She shared that her family was going through some difficult times and was in need of a nice affordable home. Heather's words hit many emotionally, including me. But more importantly, she moved me in a way that brought my faith to life.

Another event that had great impact on me (and MHEG) was meeting Kristin Holmes with the Lincoln Chamber of Commerce. MHEG joined the chamber in 2011 and subsequently we were introduced. Kristin is a dynamic person who is energetic, positive, compassionate and has a selfless spirit. She believes in our mission and played a critical role in developing MHEG's relationship with Farm Bureau Life Insurance Company. I can't thank Kristin enough for her sincere generosity and kindness.

Both Heather and Kristin's examples have helped shape my heart and fuel my passion in the job I serve. These experiences continue to mold and inspire me to use the talents and gifts I have been blessed with to bring opportunity and hope to others.

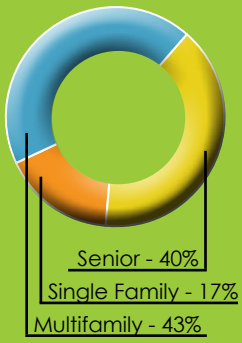
In closing, I recently came across a sign while traveling that was posted by a business in Butler County. I wanted to share it with you because I feel the message is a powerful statement and a key to success. I wish you all a wonderful 2012.

Respectfully,

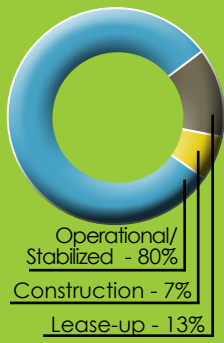
Thomas Judds
Executive Vice President, Nebraska



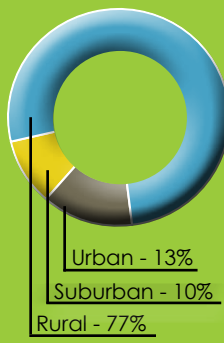
Housing Types



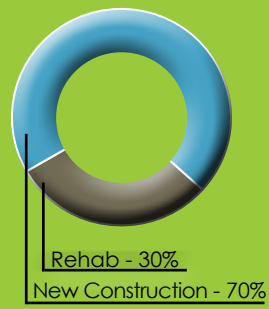
Development Status



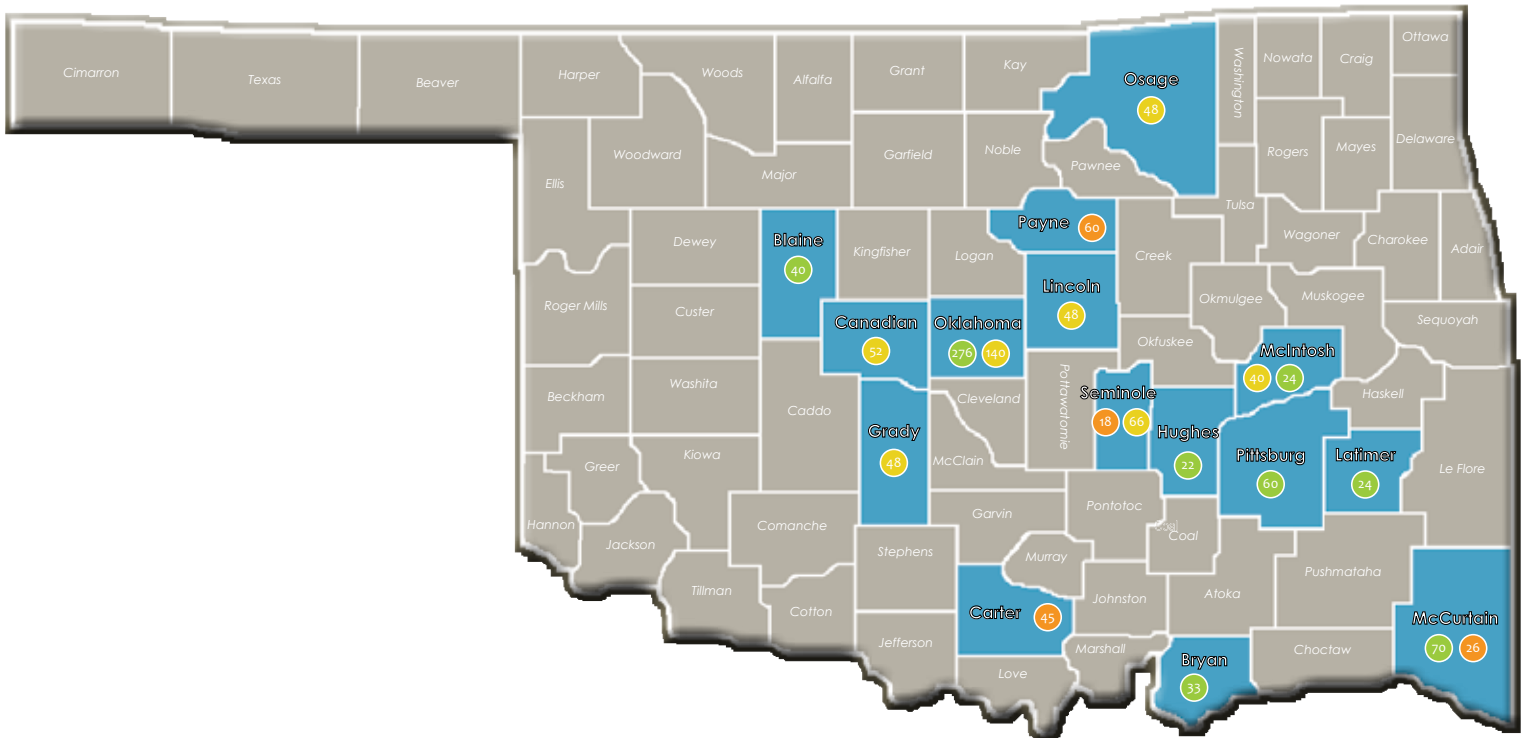
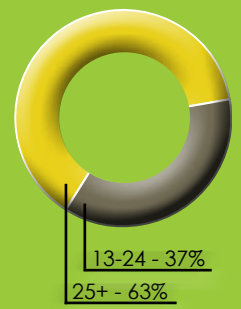
Property Location



Construction Types



Property Size



● Multifamily

● Senior

● Single Family

● Special Needs/Transitional



Neosha Ridge Ribbon Cutting
February 27th, 2012 - Miami, OK



OHFA's APEX Award Recipients
July 13th, 2011 - Oklahoma City, OK



CHARMED Perkins II Ribbon Cutting
April 8th, 2011 - Perkins, OK

OKLAHOMA

It seems to me that any full grown, mature adult would have a desire to be responsible, to help where he can in a world that needs so very much, that threatens us so very much. ~ Norman Lear

2011 proved to be a busy year in Oklahoma. We closed the remaining deals for Oklahoma Fund III and released Oklahoma Fund IV. However, much of our work stemmed from the many natural disasters that occurred.

From earthquakes, wildfires, tornadoes and more, Oklahoma found its communities working together. Wildfires at the end of August in northeast Oklahoma County caused fire departments from across the state to rush to my community's aid. I found myself forced to evacuate my home for days. It was such a surreal feeling. Police cars drove through my neighborhood and announced over their bull horns to evacuate immediately. As I finished loading my car, I turned to my husband and asked if he was ready to go. No, he wasn't ready to go. He had decided to stay. I took off with a 100 lb. lab and a car full of things I thought I needed. When I arrived at my daughter's school to pick up her and a friend during their evacuation, I was interviewed by a local news station. The reporter couldn't believe my husband stayed behind. My explanation, he's a good ol' boy from Oklahoma. He was staying to water down the yard, the wood shake shingles on our roof, and help out with the neighbors' homes. He stayed on task until the power was out and he was no longer able to get water from our well. Then he moved to another neighborhood, to help another family that was facing eminent danger.

It felt like I was living a nightmare. Our neighborhood was blockaded, no one was allowed in or out. Helicopters were constantly overhead delivering water. When they stopped for the night you would wake in a panic, having become accustomed to the noise. In the end, our home survived with only smoke damage and the loss of all our refrigerated and frozen food.

During that time, and the months that followed, I found myself reflecting on the stress of being uprooted from your home and family. The importance of a place to call home is the foundation for a family to feel safe and secure. Regardless of what structure you call home, your family needs a place to eat, sleep and band together against life's challenges. The disruption you feel when you aren't able to maintain a schedule or feel secure is devastating. How do you bathe or feed your children? Where will they rest their heads?

That is the question our affordable housing community is called to answer. Without the entire team of developers, housing finance agencies, investors, lenders, nonprofits and syndicators, the families in the communities we serve would be lost. Lives would be disrupted or put on hold. As I travel the state on behalf of MHEG, I receive constant hugs, pats on the hand and bless yous from our residents. Although they have no idea the amount of time and resources that goes into a development, they are truly grateful.

The impact we have in our states is immeasurable. It is also impossible without the help of all of our partners. Thank you for helping us achieve our mission of *Changing Lives*.

Here's to all of our good ol' boys making a difference,

Andrea Frymire
Executive Vice President, Oklahoma

Board of Directors & Committees

Midwest Housing Equity Group, Inc. is a privately owned non-profit corporation with an eight-member Board of Directors. The Board of Directors presides over MHEG with the President/CEO overseeing the daily activities of each state. In addition, each state has an Operations & Investment Committee to help advise the Executive Vice President on developments and investors.



Dick Schenck
Wells Fargo
Chairperson



David Fisher
FHLBank Topeka
Vice Chairperson



Steve Bodner
U.S. Bank
Secretary



Chris Hensley
Bank of the West



Dick Hoiekvam
Retired Deloitte Partner



Rick Jackson
Capitol Federal
Savings Bank



Dennis Brand
Banc First



Barry Sandstrom
Home Federal
Savings & Loan

Audit & Investment Committee

Steve Bodner - U.S. Bank
David Fisher - FHLBank Topeka
Dick Hoiekvam - retired Deloitte Partner
Dick Schenck - Wells Fargo

Budget & Compensation Committee

Chris Hensley - Bank of the West
Rick Jackson - Capitol Federal Savings Bank
Brad Krieger - Arvest Bank
Barry Sandstrom - Home Federal Savings & Loan

Iowa Operations & Investment Committee

Mayor Tom Hanafan - Mayor of Council Bluffs, Iowa
Chris Hensley - Bank of the West
Kristi Knous - Community Foundation of Greater Des Moines
Jeff Plagge - Northwest Financial Corp.
Dick Schenck - Wells Fargo
John Sorensen - Iowa Bankers Association
Bryan Vander Lee - Fidelity Bank & Trust
Susan Whitson - First National Bank of Waverly

Kansas Operations & Investment Committee

Bob Arthur - Commerce Bank, N.A.
Mark Dennett - INTRUST Bank
David Fisher - FHLBank Topeka
Lloyd Rainge - Capitol Federal Savings Bank
Randy Kancel - UMB Bank, n.a.
Dick Schenck - Wells Fargo
Michael Scheopner - Landmark National Bank
Chuck Stones - Kansas Bankers Association

Oklahoma Operations & Investment Committee

Roger Beverage - Oklahoma Bankers Association
Dennis Brand - BancFirst
Brad Krieger - Arvest Bank
Kenyon Morgan - Prime Time Environments, LLC
Bob Spinks - Oklahoma City University

Staff



Jim Rieker
President / Chief Executive Officer



Jason Main
Chief Financial Officer



Ann Burge
Chief Operating Officer /
Director of Asset Management



Becky Christoffersen
Chief Investment Officer



Tom Stratman
Vice President of Acquisitions



Shannon Foster
Accounting Manager



Dan Garrett
Executive Vice President
Iowa



Pat Michaelis
Executive Vice President
Kansas



Thomas Judds
Executive Vice President
Nebraska



Andrea Frymire
Executive Vice President
Oklahoma



Chris Pangkerego
Director of Information
Technology



Cindy Koster
Senior Acquisitions Manager



Chris Imming
Acquisitions Manager
Kansas



Sammy Ehtisham
Acquisitions Manager
Oklahoma



Traci Collins
Acquisitions Manager
Regional



Deb Swanson
Paralegal & Due Diligence
Administrator



Shannon Powers
Real Estate Coordinator



Jake Jacobsen
Construction Manager



Keely McAleer
Public Relations Specialist



Laurie Stephenson
Compliance Manager



Shellie Vandeman
Compliance Specialist



Jennie Lattimer
Senior Asset Manager



Rachel Wiesner
Asset Analyst



Shannon Johnson
Asset Manager



Jennifer Baldwin
Support Specialist



Ryan Harris
Asset Manager



Kristina Tolander
Asset Manager



Jordan Bottorff
Asset Manager



Jessica Ummel
Asset Manager



Steve Gross
Asset Manager



Tenley Chickinelli
Administrative Assistant



Lisa Bryan
Administrative Assistant
Kansas

Not Pictured:
Molly Berg, Administrative Assistant
Nicole Koster, Intern
Kelly Lawrence, Intern

**Corporate Headquarters/
Nebraska Office**

13520 California Street, Suite 250
Omaha, NE 68154
Phone: 402.334.8899
Fax: 402.334.5599

Iowa Office

1312 Locust Street, Suite 300B
Des Moines, IA 50309
Phone: 515.280.6000
Fax: 515.280.6655

Kansas Office

701 S. Kansas Avenue
Topeka, KS 66603
Phone: 785.267.1901
Fax: 785.267.1903

Oklahoma Office

500 N. Broadway Avenue, Suite 150
Oklahoma City, OK 73102
Phone: 405.278.7909
Fax: 405.735.5617

www.mheginco.com