

MHEG *in a Minute*

Keeping you up to date on MHEG's business in just a minute's time.

VOLUME 1, ISSUE 1 JANUARY 2008

Midwest Housing Equity Group, Inc.

MHEG Newsletter

A lot can happen through out the year in between the annual meeting and report that occur each June. So MHEG has decided to start a tri-yearly newsletter to help keep our board and committee members, investors, developers and many other affiliates informed about the company all in a minutes time. We hope you find this to not only be a useful tool in keeping up to date with the company, but also an opportunity to learn more about our staff.

If you know of someone who would like to receive MHEG *in a Minute*, please email *Keely Burns* at kburns@mheginc.com

RECENT HIGHLIGHTS

Strategic Planning Meeting

This Fall the company held a Strategic Planning Meeting for the entire staff. The meeting was facilitated by Lori Vidlak, of Bluestem Interactive. The all day meeting was held at the Ironwood Country Club in Omaha.

The staff spent much of the day developing new goals for each department as well as strategies on how to obtain those goals. All employees were encouraged to participate and help generate ideas.



Above: MHEG staff gathers for a photo during the Strategic Meeting

With everyone working together, several goals were developed by the day's end for areas within the company to strengthen or improve upon, along with strategies to help implement and achieve those goals.

The day also allowed for the employees from different office locations to talk in person and the chance to get to know each other a little better.

The event ended with everyone from MHEG recounting a moment when they felt proud to work at the company. This helped to reaffirm the company's mission and show what we are really about, helping people with affordable and quality housing.



NASLEF Conference

This year's annual NASLEF Conference was hosted in Burlington, Vermont on September 26-28. Nine employees from MHEG were able to attend. The three day workshop offered 18 sessions, and included fun activities like the Burlington Housing Bus Tour, a reception at Lake Champlain aboard the Northern Lights, and an evening at Shelburne Farms, a 1,400-acre working farm that doubles as a non-profit environmental education center.

Three of MHEG's employees were also speakers this year. Jim Rieker spoke about blank, blank topic, focusing on blah, blah, blah.

Ted Witt was part of a panel for the session "Acquisition Rehab" which discussed the various challenges of rehab projects. Ted's part focused on historic rehabs.

Chris Pangkerego's session on "Leveraging Technology" informed attendees about the advances in technology and how your company can benefit. Topics included: working remotely, group collaboration, mapping systems, effective websites and using census information.

Inside this issue:

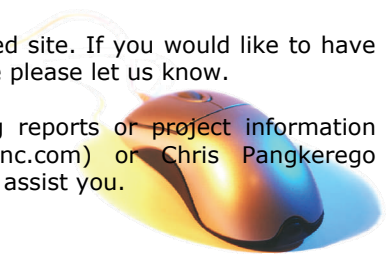
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Website Makeover

If you have visited our website this year, you've probably noticed the new format and a few changes. With the dissolution of the individual state LLC's we wanted to reflect that on our website and removed the old logos and names that are no longer valid.

Please take a few minutes to browse the updated site. If you would like to have your company's website added to our link's page please let us know.

If you are having trouble finding or accessing reports or project information please contact Keely Burns (kburns@mheginc.com) or Chris Pangkerego (cpangkerego@mheginc.com) and we will gladly assist you.



Message from the President

Welcome to the first addition of MHEG in a Minute. We hope this will help you all keep up to date with what is happening at MHEG and it gives us an additional tool of communicating with you. I hope you enjoy, and we do welcome your feedback.

The newsletter is part of a new beginning for MHEG. Over the last two years, MHEG has been in transition to improve efficiency and better serve our partners. Keeping you better informed is just one thing, but maybe one of the better ideas we have come up with. The biggest change started at the beginning of 2006. At that time, we had multiple companies, all wholly owned by MHEG such as Oklahoma Equity Fund, Kansas Equity Fund, Iowa Equity Fund and Equity Fund of Nebraska. We decided it was much more efficient (and easier to remember) to have one company so we dissolved the individual companies and focused on becoming one company. Over the past two years, we have been

transitioning to become Midwest Housing Equity Group, Inc. in all of our states and as of January 1, 2008, that transition is complete and I'm happy to say, we all are MHEG from here on out. Don't get me wrong, we still believe each of our four states has significance and will continue to offer funds in each state.

With the transition, we have hired many new people to fill positions we needed to better serve you. In addition, we have changed many of the procedures we follow and in upcoming issues, I will be sharing those with you.

We look forward to hearing from you and we do appreciate your partnership with us!!

Message from Iowa Operations

In Iowa, besides the rush of the political atmosphere, the start of the year brings a rush of closings, projects that were awarded credits in March 2007. Last March we had five projects that received credits and to date, only one has closed and it closed in late December.

We anticipate the remaining, plus one 4.00% bond deal to close in February, which is great timing as the first week of March is when we start the whole process over again.

As for the fund-raising side, we were successful in getting \$25.25 million of the \$26 million goal, and welcomed two new investors into Iowa, TierOne and Community State Bank of Ankeny.

2008 will bring the introduction of IEF IV, L.P. Right now the fund level is not set, that determination will be made once the tax credits are awarded in March of this year.

Message from Kansas Operations

We had a stellar year in 2007, closing 9 projects for a total of \$23.3 million in equity that will provide 377 units of housing for seniors, multifamily and developmentally disabled individuals throughout Kansas.

"WE HAD A STELLAR YEAR IN 2007, CLOSING 9 PROJECTS FOR A TOTAL OF \$23.3 MILLION IN EQUITY..."

Focuses for 2008 include the introduction of \$25 million KEF VI, L.P.; retaining past investors and developing new ones; assuring high asset quality of the portfolio; and building on relationships with developers and non-profit organizations.

The year also ended with Pat Michaelis taking over as the Director of Kansas Operations. He not only brings many years of banking experience to his position, but Pat was involved with banks in Topeka, Hutchinson, Wichita, Lawrence, Council Grove, Lindsborg and Garden City giving him a broad base of contacts throughout Kansas.



MDI #104 (Mundinger Hall) a historical rehab project, involves renovating an old dormitory for St. John's College in Winfield, Kansas into 1 and 2-bedroom apartments.

Recently Closed Projects

The last few months of the year kept the development coordinators and due diligence department very busy with several tech reviews and closings. Listed below we have a total of 13 closings between four funds, creating an astonishing 408 units of affordable housing.

October Closings

Stockbridge, L.P.

IEF III, L.P. • Des Moines, IA • 42 units
10/31/2007

December Closings

Valliant Village, Limited Partnership

OEF I, L.P. • Valliant, OK • 18 units
12/14/2007

Idabel Pioneer Village, Limited Partnership

OEF I, L.P. • Idabel, OK • 24 units
12/14/2007

Greenview Estates, LLC

EFN XII, L.P. • Omaha, NE • 14 units
12/20/2007

Woodson Park Apartments, Limited Partnership

OEF II, L.P. • El Reno, OK • 52 units
12/20/2007

MDI Limited Partnership #104

KEF V, L.P. • Winfield, KS • 12 units
12/20/2007

Cottage Park

OEF II, L.P. • Midwest City, OK • 38 units
12/21/2007

Mt. Olive, L.P.

OEF II, L.P. • Oklahoma City, OK • 60 units
12/26/2007

Berry Court Limited Partnership

IEF III, L.P. • Iowa City, IA • 14 units
12/26/2007

Westlawn Gardens LP1

OEF I, L.P. • Oklahoma City, OK • 24 units
12/28/2007

Village at Oakwood, LLC

OEF II, L.P. • Oklahoma City, OK • 90 units
12/28/2007

November Closings

Red Bud Crown, LLC

EFN XIII, L.P. • Pawnee City & Auburn, NE • 8 units
11/08/2007



(L to R) Brent Williams, Excel; Pastor Joseph Shannon Sr., Greater St. Paul Ministries; Thomas Juds, MHEG; and Tom Huston, Cline Williams, go over documents in preparation for the Greenview Estates closing.



Above: Despite the cold December weather, many partners in the development process were in attendance for the groundbreaking at Stockbridge Apartments and were presented with a brick from Hatch Development Group.



New Additions to the MHEG Staff!

Jordan Bottorff, Due Diligence Assistant

Jordan joined the Omaha office at the end of June to help out our very busy Due Diligence department. She is a graduate of South Dakota State with a B.S. in Business Economics and is currently earning her Masters in Business Administration at the University of Nebraska at Omaha. Previous to working at MHEG, Jordan at Farmers Insurance as a Marketing Assistant.

Deb Swanson, Paralegal and Due Diligence Administrator

Deb joined the Omaha office at the end of August. She is taking over for Shannon Powers, who continues to consult with MHEG on real estates issues. Prior to working for MHEG, Deb was a legal assistant at Koley Jessen, P.C. and has 20 years of experience in the legal environment. She is responsible for the gathering and review of due diligence for all projects. She obtained her B.S. in Education from the University of Nebraska at Omaha.

Shallee Keenan, Administrative Assistant for Iowa Operations

Shallee joined the Des Moines office mid-September to help out Dan, who was in much need of assistance as the Iowa Operations continues to grow. Shallee is a graduate of Iowa State with a B.S. in Sociology and Criminal Justice and a minor in Philosophy. She is also a big advocate of Habitat for Humanity and spent the summer working as a Summer Youth Blitz Team Leader to help educate and provide leadership to teenage volunteers across the country.

Dianna Amandus, Compliance Specialist

Diana joined the Omaha office at the end of October to help out in the Compliance Department. Prior to MHEG, Diana had just retired from USDA, Rural Development with 31 years of experience in the development, compliance and asset management for dozens of properties. Dianna earned a Diploma in Business Law with CE School of Business in Omaha. She also works part-time at Younkers and overall enjoys helping and talking to people.

Ryan Harris, Asset Manager

Ryan started in October as a temp hire, but became an official MHEG employee at the end of November. He works in our Asset Management department in the Omaha office overseeing several properties. Ryan is a graduate on Northwest Missouri State University with a B.S. in Accounting. Ryan worked at McCarthy Group previous to his position with MHEG.

Gary Wasserman, Director of Information Management

Gary officially joined the MHEG staff in December as our Director of Information Management in the Omaha office. Previously, Gary ran his own accounting business with MHEG as one of his clients. Gary graduated from Nebraska Wesleyan University with a B.S. in Administration, emphasizing in Accounting and also has a Masters of Professional Accountancy from the University of Nebraska - Lincoln. When he's not working, Gary enjoys spending time with his family and running.

Pat Michaelis, Director of Kansas Operations

Pat joined MHEG at the beginning of December as the Director of Kansas Operations, working in our Topeka office. He comes to MHEG after a 36 year career in Kansas banking including 22 years with Bank of America and predecessor banks. His focus was business development, commercial banking and administration. He has always been involved in community service including Vice President of Development for the Jayhawk Area Council, Boy Scouts of America; Chairman, Major Gifts for the Capper Foundation Capital Campaign; and Chairman of GO Topeka, the local Economic Development organization. Pat also served on the Kansas Operations and Investment Committee for MHEG three years prior to joining the company. Pat and his wife Connie live in Topeka, they are proud Jayhawk graduates and supporters.

Peggy Levine, Executive Assistant

Peggy joined the Omaha office in late December 2007 as our Executive Assistant. Previously, Peggy worked for Wichita State University, the East-West Gateway Coalition of Governments, and a biotech firm in Madison, Wisconsin. She is a graduate of Iowa State University with a degree in Political Science, and has her Master's in Public Policy from the University of Missouri-St. Louis. Peggy and her family have traveled the Midwest with her husband's organization, and are now happy to call Omaha home.

LIHTC Rates

October 2007 Rates	November 2007 Rates	December 2007 Rates	January 2008 Rates
70% PVC - 8.07%	70% PVC - 8.08%	70% PVC - 8.03%	70% PVC - 7.93%
30% PVC - 3.46%	30% PVC - 3.46%	30% PVC - 3.44%	30% PVC - 3.40%
AFR 4.88%	AFR 4.89%	AFR 4.72%	AFR 4.46%



Message from Nebraska Operations

In everything give thanks... With the New Year quickly approaching my thoughts transcend to those of reflection. Looking back over the past 12 months I am reminded how so important teammates are. You see not only from a professional stand point but more importantly a relational aspect.

I embrace the times where I can share some laughs and light hearted conversation with my fellow MHEG mates. I am a firm believer in having fun at work.



Red Bud Crown, located in Auburn & Pawnee City, Nebr., should complete construction in the fall of 2008.

And yes, I do work.

In closing, I want to take this opportunity to express my sincere appreciation and gratitude to the entire MHEG staff. I am so blessed and honored to be a part of this exceptional group. Thanks for touching my life.

Message from Oklahoma Operations

2007 ended in a flurry of closings – 7 to be exact – all in December! We already have 4 scheduled to close in early 2008, so it looks like another big year for MHEG. We also reached our \$40 million goal for OEF II, L.P. closing the fund in December.

We will be putting upwards of 14 commitment letters into OHFA's 1st round applications, so the MHEG business model is catching on – all in our first 2 years of Oklahoma operations.

In 2007, we added two new staff members in the Oklahoma office to join

along side Jamie Wilson. Sherri Teel, Administrative Assistant and Compliance Specialist; and Sammy Ehtisham, Development Coordinator.

The Operations & Investment Committee also had additions: Brad Krieger, Arvest Bank's Oklahoma Chairman, and Bob Spinks, Director of the United Way of Oklahoma City, joined current committee members Roger Beverage, Gene Rainbolt and Kenyon Morgan to guide the Oklahoma activities and investments.

"2007 ENDED IN A FLURRY OF CLOSINGS —7 TO BE EXACT — ALL IN DECEMBER!"



Woodson Park Apartments, recently closed in December continues along with construction.

UPCOMING EVENTS

Nebraska

2008 Deal Maker Conference
January 29th, 30th in Omaha, NE
Holiday Inn Convention Center

Deal Maker's Dinner—Hosted by MHEG
January 29th, Anthony's Steakhouse

Kansas

KHRC Deadline for 1st Round applications
February 1st

Iowa

Housing Community
January 3rd, in Des Moines, IA
Hy-Vee Hall, Iowa Events Center

Oklahoma

Mt. Olive, L.P. Dedication Ceremony
January 31st, Oklahoma City, OK

OHFA Deadline for 1st Round applications
January 14th

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