

MHEG *in a Minute*

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

VOLUME 4, ISSUE 1

JANUARY 2011

RECENT HIGHLIGHTS

Midwest Housing Equity Group, Inc.

Partners of MHEG Win Big at Kansas and Iowa Housing Conferences

MHEG is proud to partner with many leading organizations in the affordable housing industry, and is even more proud when those organizations, developments or colleagues are recognized for their outstanding service. This past fall the Kansas Housing Resources Corporation and the Iowa Finance Authority hosted their individual state housing conferences and presented awards to the following partners of MHEG:

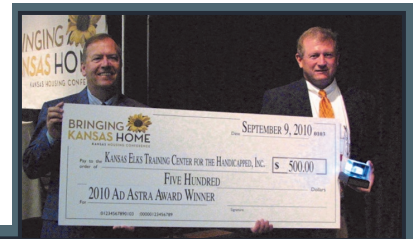
Ad Astra Award - Special Achievement in Affordable Housing Development - Urban: Richmond Place of Wichita, KS
Ad Astra Award - Special Achievement in Affordable Housing Development - Rural: Stonepost Apartments of Hays, KS
Ad Astra Award - Affordable Housing Trail Blazer - Rural: Vicky Dayton, Housing Opportunities Inc.

Special Needs Housing Development: Chapel Ridge West II of Des Moines, IA
Kay Anderson Friend of Iowa Award: Kris Saddoris, Conlin Properties.

For more information about these awards and the recipients check out the following links:

<http://www.kshousingconference.org/>

http://www.iowafinanceauthority.gov/en/media_center/



Above: General Partner Ron Pasmore (L) and Developer Mark Cox (R) accept the Special Achievement award for Richmond Place

Left: Conlin Properties accepts the Special Needs Housing award from IFA. Center: Kris Saddoris, of Conlin Properties, accepts the Kay Anderson Friend of Iowa award from IFA. Right: Vicky Dayton, of Housing Opportunities, receives the Trail Blazer award from KHRC

MHEG is on Twitter!

MHEG is proud to announce that we are on Twitter! Our goal is to keep you more informed and up to date with our closings, ribbon cuttings and other affordable housing news.

You can follow us: @mheginc or <http://twitter.com/mheginc>

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Oklahoma Office Has Moved!

Our Oklahoma Office has moved locations. Effective November 29th, they are now located at:

**500 N. Broadway Avenue, Suite 150
Oklahoma City, OK 73102**

Phone & fax numbers are remaining the same:

405-278-7909 (t) 405-735-5617 (f)

Please note the address change in your files.



500 N. Broadway Avenue, Suite 150

Message from the President - Jim Rieker



Jim Rieker, President

If you are reading this, congratulations on surviving 2010. I recently completed my term as President of our national association, National Association of State and Local Equity Funds. One of the comments I said throughout 2010 was the last two years have been like the most extreme roller coaster one could imagine. The highs were high (straight up) and the lows were low (straight down).

They also moved about as fast as a roller coaster does. With being in this program from the inception, I have never seen such drastic moves in pricing and yields as we did in 2009 and 2010.

I will say that 2010 has turned out to be a great year for MHEG. We started 2010 with a huge concern that the year would look like 2009 or worse. The year did start slow, but as the economy improved and investors grew more comfortable with the potential future out there, the investor base picked up rather quickly. The MHEG Executive Vice Presidents did a tremendous job of flushing out those prospective investors; as a result, they brought in a record number of new investors while keeping the majority of the previous fund investors. Consequently, MHEG was able to raise more capital this year than any previous year and close more deals than any previous year.

I do want to thank all of you for your patience and understanding as we all muddled through the low point of the tax credit program. For those of you that stood beside us, we genuinely thank you. You all demonstrated the true meaning of a partnership. Hopefully, we returned the favor to you. As the market changes, look for positive changes to continue to occur for you and your deals.

I look at my fake crystal ball and it still doesn't tell me anything; but seriously, I do feel 2011 will be another interesting year. I think capital will be available, maybe slightly less if yields drop too far and we lose the economic driven investors. But I think many will stay as long as there are no alternative investments. Deal terms will hopefully flatten out, as will pricing. I think with the 1602 program not being extended, the market will calm down and get back to a sense of reality. I do worry that the market has pushed too far back to 2006 or 2007 levels. This is what got the industry in trouble in the past, so I also look for us all to be smarter and better to avoid another collapse.

Wishing you all a prosperous 2011, and a big thank you for your part in making 2010 one of our best.

Iowa Update - Dan Garrett

Too often life throws curves when one least expects it. At the end of the year, you look back and see your perceived successes and misses, lamenting on them, feeling good about yourself or feeling bad. However, in the midst of all of this, MHEG lost a partner in affordable housing, a partner who truly walked the walk. This loss brings all into perspective.

Sister Stella Neill was killed in an auto accident on December 7, 2010. Sister Stella was a fixture in the affordable housing community in Des Moines. She started Anawim Housing in Des Moines with literally no money, but the urge to help the true poor, the 30% AMI. To use the word passionate about Stella would not be appropriate enough. I first met Stella in February of 2004 and then we partnered on Pioneer Woods, L.P., and I grew to respect her more than she probably ever knew. She always used to greet me with, "Dan, I don't like syndicators, but I like you...." When I would remind her that I was indeed a syndicator, she would nod and say, "I know."

MHEG lost a huge partner in affordable housing last month, and she will be missed, but in her legacy of housing establishes the mark we can all hope to strive for.



Sister Stella Neill

UPCOMING EVENTS

Iowa

No events at this time.

Nebraska

2011 Housing Innovation Marketplace: Jan. 25-26th
Omaha, NE - Marriott at Regency

Annual NE Dinner: Jan. 25th
Omaha, NE - Anthony's Steak House

Kansas

Potential Kansas project tour: January 26-28th - contact [Lisa](#) for more info.

1st round LIHTC applications due to KHRC: Feb. 4th

Oklahoma

OHFA Hearing on Proposed Changes to 2012 AHTC Rules: Jan. 6th
Oklahoma City, OK - OHFA Office

OHFA Board of Trustees Meeting: Jan. 20th and Mar. 23rd
Oklahoma City, OK - OHFA Office

Oklahoma Bankers Association Economic Forum: Jan. 28th
Oklahoma City, OK - Cox Convention Center

Recently Closed Projects, Groundbreakings, and more...

MHEG had an extremely busy last quarter with a total of **30** closings, adding an additional **777** units to our affordable housing portfolio. We had a record year with 44 closings total bringing MHEG's total to date at **291** closed projects; creating and sustaining **7,912** units of affordable housing in the four-state area.

SEPTEMBER Closings

Reese Estates, L.P.

NF XV, L.P. - 9/9/2010
Waverly, NE • 15 units

Legend at Hickory Ridge II, LP

OF III, L.P. - 9/28/2010
McAlester, OK • 28 units

Ridgewood CROWN, LLC

NF XV, L.P. - 9/29/2010
Grand Island, NE • 13 units

Westridge CROWN, LLC

NF XV, L.P. - 9/29/2010
Grand Island, NE • 12 units

OCTOBER Closings

Sixteenth Street Limited Partnership

NF XV, L.P. - 10/01/2010
Omaha, NE • 16 units

Marysville Senior Housing, LLC

KF VII, L.P. - 10/14/2010
Marysville, KS • 24 units

Village Crown Limited Partnership

NF XV, L.P. - 10/18/2010
Omaha, NE • 28 units

Shannon Heights, LLC

NF XV, L.P. - 10/18/2010
Omaha, NE • 28 units

Skiatook Retirement Community, Limited Partnership

OEF II, L.P. - 10/21/2010
Skiatook, OK • 48 units

Dixie Gardens, L.P.

NF XV, L.P. - 10/28/2010
North Platte, NE • 16 units

NOVEMBER Closings

10th St. Apartments, LLC

KF VII, L.P. - 11/03/2010
Wichita, KS • 10 units

Tennessee Townhomes II, LLC

KF VIII, L.P. - 11/04/2010
Topeka, KS • 16 units

Echo Ridge, LLC

KF VIII, L.P. - 11/04/2010
Topeka, KS • 64 units

Hearthstone, LLC

KF VIII, L.P. - 11/04/2010
Larned, KS • 12 units

Ardmore Affordable Housing, LP

OF III, L.P. - 11/08/2010
Ardmore, OK • 45 units

Millard Senior Housing, L.L.C.

NF XV, L.P. - 11/15/2010
Omaha, NE • 42 units

Holdenville Oakland Community II, L.P.

OF III, L.P. - 11/22/2010
Holdenville, OK • 22 units

Smith Farm Estate, LLC

OF III, L.P. - 11/29/2010
Broken Bow, OK • 28 units

DECEMBER Closings

Sunrise Lane, LLC

NF XV, L.P. - 12/02/2010
Holdrege, NE • 18 units

Lexington Estates, L.P.

NF XV, L.P. - 12/03/2010
Lexington, NE • 12 units

DECEMBER Closings cont.

Emporia Senior Residences, L.P.

KF VII, L.P. - 12/03/2010
Emporia, KS • 60 units

Mosaic Residential Services, LLC

NF XV, L.P. - 12/09/2010
Omaha & Norfolk, NE • 24 units

Stonebrook Estates, LLC

OF III, L.P. - 12/15/2010
Konawa, OK • 18 units

Stonebrook Villas, LLC

OF III, L.P. - 12/15/2010
Konawa, OK • 20 units

Market Street Lofts, LP

KF VIII, L.P. - 12/20/2010
Wichita, KS • 49 units

Village at Heartland Park II, LLC

NF XV, L.P. - 12/22/2010
Seward, NE • 16 units

Stonepost Partners III, LLC

KF VIII, L.P. - 12/29/2010
Hays, KS • 15 units

La Estancia Partners, LLC

KF VIII, L.P. - 12/29/2010
Dodge City, KS • 32 units

Genesis Homes, LLC

KF VIII, L.P. - 12/29/2010
McPherson, KS • 16 units

MLK Brickstone II, LLC

IF VI, L.P. - 12/30/2010
Des Moines, IA • 30 units

Asset Management Update

Number of Developments	291
Number of Units	7,912
Number of Counties Represented	113
Number of Cities Represented	139
Portfolio Vacancy Percentage*	5.92%*
Portfolio Debt Coverage Ratio*	1.40*

Information current as of 12/31/2010

*Numbers compiled from 9/30/2010 figures



LIHTC Rates

October 2010	November 2010	December 2010
70% PVC - 7.58%	70% PVC - 7.57%	70% PVC - 7.58%
30% PVC - 3.25%	30% PVC - 3.24%	30% PVC - 3.25%
AFR - 4.32%	AFR - 3.35%	AFR - 3.53%

January 2011
70% PVC - 7.67%
30% PVC - 3.29%
AFR - 3.88%



Ground Breakings, Ribbon Cuttings & Construction in Progress



Above: Dan Garrett, Executive Vice President for Iowa (far left), participates in the Groundbreaking Ceremony for MLK Brickstone II (IF V, L.P.) and the Grand Opening Dedication for MLK Brickstone I (IF V, L.P.) in Des Moines, Iowa on November 1st.



Right: Sandy Railey, Asset Manager (third from left), attends a Groundbreaking Ceremony for Stonebrook Villas (top) and Stonebrook Estates (bottom) in Konawa, Oklahoma on September 30th. Both developments were funded through OF III, L.P.



Left: The Groundbreaking Ceremony for Tennessee Townhomes II (KF VIII, L.P.) in Topeka, Kansas on October 19th.

Below: Pat Michaelis, Executive Vice President for Kansas, speaks at the Groundbreaking Ceremony for Echo Ridge (KF VIII, L.P.) in Topeka, Kansas on October 19th.



New Investors for the 4th Quarter

MHEG is excited to announce the recent signing of six new first-time investors that all happened to be in Nebraska Fund XV. This brings our year total of new first-time investors to 17. We look forward to partnering with these great organizations for many years to come in the development of affordable housing.

\$700K - NF XV: Five Points Bank of Hastings - Hastings, Nebraska

Five Points Bank of Hastings is a division of Hometown Banc Corp.

\$500K - NF XV: Adams Bank & Trust - Ogallala, Nebraska

Adams Bank & Trust is a growing full service financial institution located in Nebraska and Colorado. Founded in 1916, the bank has grown to \$500 million in assets with 15 locations, 10 in Nebraska and 5 in Colorado. A family owned bank, they remain independent with strong capitalization.

\$3M - NF XV: World's Foremost Bank - Sidney, Nebraska

Cabela's, the world's foremost outfitter, chartered the World's Foremost Bank, N.A., in 2001 to provide support for their co-branded credit card. The bank provides customer service, risk management and payment processing exclusively for Cabela's Visa cardholders.

\$500K - NF XV: Horizon Bank - Waverly, Nebraska

Horizon Bank began as Lancaster County Bank in 1907 and is the oldest business in Waverly. M. W. Dunlap purchased Lancaster County Bank in 1958 and became only the fourth owner in bank history. The bank has been owned by the Dunlap family ever since. The name was changed to Horizon Bank in July of 2001. They have since expanded and have branches in Superior and McCook, Nebraska.

\$500K - NF XV: Reinke Management Company, Inc. - Deshler, Nebraska

Reinke was founded in Deshler, Nebraska in 1954 by founder Richard Reinke. They are a global leader in irrigation products.

\$500K - NF XV: Henderson State Bank - Henderson, Nebraska

Henderson State Bank was chartered under the leadership of Dean Sack in October 1943. The bank was primarily an ag bank with seventy-five percent of the loans being made to farmers. It was purchased by the current shareholder group in 2006 with a focus on agricultural and commercial business. The bank has since expanded its trade territory with branches in York and Greeley, Nebraska.

17th Annual NASLEF Conference

This year's annual NASLEF Conference was hosted in Boston, Massachusetts at the Omni Parker House from September 22nd-24th. Five employees from MHEG were able to attend: Becky Christoffersen, Dan Garrett, Pat Michaelis, Jim Rieker and Thomas Judds. Jim relinquished his role as NASLEF president with his term expiring; Dana Boole of Community Affordable Housing Equity Corp. was elected as the new NASLEF President.



The three-day conference offered 16 sessions and included activities like a Walking or Digital Affordable Housing Tour and an evening event at the Faneuil Hall Marketplace and the New England Aquarium.

Next year's conference will be held Sept. 21st-23rd in Columbus, Ohio. Visit www.naslef.org/conferences.html for more information.

EFN XII Investor Makes Top List in Banking

Leslie Andersen, President and CEO of Bank of Bennington, was listed No. 9 on US Banker's annual list of "25 Women to Watch" for the year 2010. These women are recognized for "tackling the industry's challenges head on" and contributing to "reshaping its future". Bank of Bennington was an investor in EFN XII, L.P. We would like to congratulate Ms. Anderson on her leadership and hard work that earned her a spot on the list.

For more information about the "25 Women to Watch" and other women making news in the banking industry, visit:

<http://www.americanbanker.com/25mpwib/>

For more information on Leslie Andersen's accomplishments visit:

http://www.americanbanker.com/usb_issues/120_10/leslie-andersen-1026108-1.html



Leslie Andersen

Staff Additions

We are happy to announce the hiring of one new employee.

Jennifer Smith, Administrative Assistant - Jennifer was hired in our Des Moines office at the end of November as a part-time Administrative Assistant. Her main duties include covering the front reception area, answering all incoming calls and providing secretarial support and administrative services for all Iowa staff. Jennifer also owns her own small business, Butcher Crick Farms, a producer of heirloom tomatoes and other vegetables. Her farm located in Carlisle, Iowa, supplies to several fine dining restaurants in the Des Moines area.

MHEG currently has 29 full-time and 4 part-time staff members.

Giving Back

We had some great opportunities this past holiday season for MHEG and its employees to give back to those less fortunate.

The Omaha office started with a November food drive competition between two teams in our office. We collected over 200 items, including 5 turkeys, for a total of 382 lbs. of food for Open Door Mission's "Turkey n' Fixin's" food drive.

The Omaha staff was also able to donate/collect over 100 toy items for the Open Door Mission's "Project Santa" which provided toys for over 4,200 children in the Omaha community. We also collected over 1,000 diapers for their December Diaper Drive thru channel 94.1, which collected over half a million diapers.

The Topeka office helped and attended the 12th annual "Party With a Purpose". Organized by Pat Michaelis and his wife Connie, the mission of the party is to provide Christmas gifts and food for needy people in the Topeka community, as well as encourage and facilitate individuals in the community to be givers. This year they were able to adopt 29 families, helping over 200 people! "There is a lot of need out there and all of us were glad to help," commented Pat. "It always amazes Connie and I, people's willingness to give."

In addition to the normal toys and winter clothing items, they were able to give a new washer/dryer set, mattresses, furniture, pots and pans, and many personal care items and books.



Above: Lisa Bryan, Connie & Pat Michaelis attend Party with a Purpose in Topeka. Below: Jennifer Baldwin, Rachel Wiesner, Shannon Johnson and Keely McAleer go shopping for the Open Door Mission's Project Santa in Omaha.



MHEG Staff Member Receives Transplant

As many of you may or may not know, one of our staff members Jennie Lattimer was placed on an organ donor list back in January 2009 in hopes of receiving a kidney. We are happy to report that after a long wait Jennie's aunt was confirmed as a match, and Jennie successfully received her new kidney in November! Jennie is slowly returning to her duties at MHEG just in time for audit season, but is still recovering from the surgery.

A few weeks prior to her transplant, a group of our staff was able to participate in the National Kidney Foundation's Kidney Walk alongside Jennie and her family and friends as **TEAM JENNIE**. As a team, we raised over \$6,300, finishing third in fundraising with over 100 teams participating. We would like to thank all of the staff and MHEG partners that helped contribute to **TEAM JENNIE**.

We couldn't have asked for a better day to come together for Jennie, or a better outcome from the surgery!



Above: MHEG staff & family pose with Jennie before the walk in Kansas City at the UMKC Campus.

Kansas Update - Pat Michaelis

Kansas and all of Midwest Housing had a great year in 2010. I want to thank our returning investors: Capitol Federal Savings Bank, Wells Fargo, Kaw Valley Bank, Topeka, Ks; Farmers and Merchants Bank, Waverly, NE; Commerce Bank, Kansas City, Mo; Capital City Bank, Topeka, Ks; and Central National Bank, Junction City, Ks. We appreciate your continued trust and confidence. New investors included: Seaboard Corporation, Overland Park, Ks; United Bank and Trust, Marysville, Ks; Citizens State Bank and Trust, Moundridge, Ks; and Bank of Hays, Hays, Ks. Based on my conversations, investors were motivated by attractive yields, low risk, CRA, and developments in their communities. We are similar to banks in that they need deposits to fund loans; while MHEG needs investors to fund developments. What we are doing together is a win for all concerned.

Developments in KF VIII provided quality affordable housing for individuals and families, expanded workforce housing and are a local economic engine. Developments are in Dodge City, Hays, Larned, Lawrence, Lyons, Marysville, McPherson, Topeka and Wichita. Thirteen developments provided **399** units of affordable housing across Kansas. To build these units MHEG partnered with Overland Property Group, Housing Opportunities, Inc., Excel Development, Marshall County Community Resource Education Center, Tenants to Home Owners, Vintage Construction, Multi Community Diversified Services, Inc., Mesner Development, Topeka Housing Authority, Foutch Brothers and Landmark Investment Group. We thank and appreciate the quality of developers and general partners who choose to work with us. They are the best, have the highest integrity, are experienced and financially strong, and are in business for the long haul. I understand they all have choices and appreciate them working with MHEG.

I am guardedly optimistic for 2011 and Kansas Fund IX, L.P. Newly elected officials, at both the state and federal level, are looking for ways to reduce deficits and balance the budget. Time will tell how their efforts will impact our industry. We are looking at a strong group of projects for KF IX. They are geographically dispersed and vary in product type. Investors are more willing to consider investment for all the right reasons. Yields will be down, but still historically very attractive. So we hit the ground running with both. KF IX will be out mid-February.

As I discussed last year, change is consistent and embracing it is the only way to survive and thrive. It is a key to success in all parts of our lives.

And one bit of advice: don't bet against the Jayhawks basketball team this year.

Nebraska Update - Thomas Judds

What a difference a year can make. The tax credit industry is just about as unpredictable as the weather in Nebraska. In 2009 the industry limped along amidst a global financial crisis; however, 2010 can be summed up as the "catch-up" year. In short, two years of work in one. On a personal note, 2010 was very special for me. Over my 30+ years of working, the past year was the most fun and rewarding experience of my career.

I hope you found time over the Christmas and New Year's holiday for rest, family and friends. I want to extend my sincerest gratitude to all of our housing partners, new and existing relationships, for your support. It is so much appreciated.

In closing, I was fortunate enough to attend a Thanksgiving lunch celebration hosted by the Fremont Housing Authority in honor of their tenants this past November. During this special occasion I had the privilege to help serve food. It was such a blessing to see and visit with the people who live in the homes we help build and the joy it brings them. God bless.

Oklahoma Update - Andrea Frymire

It's been a very busy year for MHEG in Oklahoma. We moved our office, closed Oklahoma Fund III with \$25 million, and closed into 8 developments for a total of \$21,263,555. Our investors in Fund III included: American Fidelity*, BancFirst, Bank of Commerce, BOK*, Farmers and Merchants, Lifeshield* (an affiliate of MidFirst), Seaboard* and Wells Fargo. We were able to close 239 units across the state this year. This brings MHEG's total in Oklahoma to 1,107 units in 28 properties. Communities benefiting from the generosity of our investors include: Ardmore, Broken Bow, Holdenville, Konawa, McAlester, Perkins (Fund II closing) and Skiatook (Fund II closing). We cannot say enough thanks to all of our partners: Horizon Bank, OHFA, developers, investors, architects, attorneys and CPAs. We look forward to a successful 2011 and anticipate releasing Oklahoma Fund IV during the first quarter. Our success is due to the collaboration of many - best wishes for a bright new year to all!

*First time investor.



Chris Imming (MHEG), John Johnston (Topeka Housing Authority) Jim Rieker (MHEG) and Mark Cox (Vintage Construction) enjoy talking at the 3rd Annual Dinner in conjunction with the Kansas Housing Conference this past September.

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