

MHEG *in a Minute*

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

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Midwest Housing Equity Group, Inc.

RECENT HIGHLIGHTS

MHEG Closes 300th Project

MHEG recently closed equity on our 300th acquisition, GTMC, L.L.C. (Garland Thompson Men's Center), a facility to help homeless men in Omaha. This accomplishment comes from the collaboration and partnering of the MHEG staff with Help the Homeless, Inc., J. Development Company, Horizon Bank and Nebraska Investment Finance Authority.

This closing is more than just a milestone for MHEG; GTMC 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. We strongly believe in the vision and work of the Open Door Mission, participating in supply drives, service programs and events throughout the year. "MHEG has seen the positive impact of the use of transitional facilities and is proud to be a partner with Open Door Mission," commented Jim Rieker, President of MHEG. It goes without saying that to celebrate our 300th closing with the Open Door Mission has been icing on the cake.



MHEG staff, along with J. Development Company, Open Door Mission and Horizon Bank celebrate the 300th closing in our Omaha office, October 19th, 2011.

Rieker further noted, "The Mission is a leader in this field and it is exciting to see other missions come and look at the facilities to see if they can model their transitional housing after Omaha. We are looking forward to working with some of these others as we know Open Door Mission did it right and we see it can work. Our deepest appreciation to Candace Gregory and her team for putting together such a great and meaningful project. This is why we come to work each day."

Once complete, GTMC will offer 180 beds for single men seeking emergency services, 48 beds for men in Open Door Mission's recovery program or resident rehabilitation program and 32 beds for men in the Veteran Housing First Program. This represents a 143% increase of bed space for their 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. GMTMC 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.

MHEG Closes KF IX & NF XVI and Raises over \$108M in 2011

We are excited to announce that both Kansas Fund IX, L.P. and Nebraska Fund XVI, L.P. have officially closed and together have raised \$73 million in equity for affordable housing in Kansas and Nebraska. The equity raised in these funds will assist in the development of many properties and help create hundreds of units of affordable housing. MHEG has raised over \$108 million in 2011 with IF VI, L.P. closing in September and with IF VII, L.P. and OF IV, L.P. currently open.

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Investors in KF IX include: Bank of the West, Capital City Bank, Capitol Federal Savings Bank, Commerce Bank, Equity Bank, FB Financial, Farmers and Merchants Investment, Inc., INTRUST Bank, Labette Bank, McElroy's, Inc., Northwestern Mutual, UMB Bank and Wells Fargo CDC.

Investors in NF XVI include: Adams Bank & Trust, Bank of the West, Capitol Federal Savings Bank, Countryside Bank, Farm & Home Insurance Agency, Inc., Farmers and Merchants Investment, Inc., First National Bank of Omaha, Nelnet, Inc., North Central Bancorp, Northwestern Mutual, Pinnacle Bank, Platte Valley Bank, South Central State Bank, Valley Bank and Trust Company, Wells Fargo CDC, and West Gate Bank.

Message from the President - Jim Rieker

By the time you all read this, we will have closed out 2011 and started working towards 2012. I'm not sure about you, but I don't think I'm ready for 2012! With as quick as 2011 went by and what will take place in 2012, the year will go by quicker than ever. Of course, with all the political ads already running, that part can't go by quick enough. To the friends of ours in the political field, I didn't realize you were as unruly of people as your opponent's ads make you sound. Just so you know, MHEG supports our delegation and will do all we can to support you within the limits that we have.



Jim Rieker, President

2011 was a good year for MHEG and one that we can look back on and say we made a difference in many lives. Of course when I say MHEG, that just isn't the staff at MHEG, but all of you that develop properties, invest with us, lend to the projects, the builders, the lawyers, accountants, the property managers and many more. That in itself is a pretty impressive list, so it really does take a village to put one of these deals together. With that, we say thank you for helping change lives for a better tomorrow.

One thing that was a little out of our norm in 2011 was our continuous discussion with Congress on the importance of the affordable housing tax credit. We all admit there is an upfront cost to the program, which is why Congress has mentioned the program as they look to tax reform. The piece that is missing and what needs to be made clear is there is a definite benefit to the program. For every 100 units that we create, 116 jobs are created and \$3.3M in Federal, state and local revenue is generated. There is a reason this program remains the best affordable housing

program ever established in the country and has over 25 years of success. All because it works!!! Make sure your representatives hear the true message about the program because it really is a success!!

Many of you ask us what 2012 looks like as far as credit pricing. I wish I had a clear answer for that. With some discussion of pressure on yields, I look for pricing to be steady or slightly decline. Of course if rates continue to stay low like we expect them to do and there are not alternative investments, we could actually see pricing increase. I know, that sounded like I was running for office because I gave you both sides of the story and never answered the question. That is just how uncertain I am on the pricing in 2012. I will tell you that MHEG will do all it can to get you the best price possible on your deals so we appreciate your trust in us.

As you start 2012, don't forget that it is an election year and we need the support of Congress to continue what we started more than 18 years ago. We're planning on staying and we want to continue to help people with a decent, safe and affordable place to live. With your help, we can keep it going for another 18 years and even longer.

Thank you for your continued support of MHEG and more importantly, your friendships throughout the years.

Happy New Year and God Bless!

Jim Rieker
President/CEO

Iowa Update - Dan Garrett

The fourth quarter has provided many unique opportunities for the Iowa Office. Beginning with the closing of Iowa Fund VI and continuing to finalize the projects within that fund. There never seemed to be any time to take a big step back and go "Okay, so that is what we are doing!"

We have three projects that are under lease up, performing very well. We have High Street (f/k/a Olive Street), a 21-unit family project that is finally closed and under construction. We have Christ the King project that will be having its open house the first of February, and already seems to be ready to be fully leased the day the project opens. Relating to the Fund VII, it too is showing much promise. We have had four investors commit to the fund, with strong interest coming from others. Going into the New Year is mostly about positioning MHEG-IA to be prepared for a busy spring, with tax credit applications due the first of February, then the awards in May, and subsequent closings in the fall.



Back: Jude Beller (Attorney for OneWorld CHC), Brian Andersen (American National Bank), Cindy Koster (MHEG) Kari Jeune (J. Development Co.), Mike Matejka (Attorney for J. Development Co.) Meghan Gibbons (Attorney for American National Bank).
Front: Jim Royer (J. Development Co.), Jim Rieker (MHEG), Andrea Skolkin (OneWorld CHC) and Julie Stavneak (J. Development Co.) attend the closing for Livestock Commons, LLC (NF XV) on December 22nd, 2011.

UPCOMING EVENTS

Nebraska

NIFA's Annual Housing Innovation Conference:
January 24th-25th - Omaha, NE - Marriott Regency

NIFA Board Meeting: Jan. 13th, Feb 10th
Lincoln, NE - NIFA Board Room

Iowa and Kansas

No events at this time.

Oklahoma

OHFA Board of Trustees Meeting: Jan. 18th, Mar. 7th
Oklahoma City, OK - OHFA Office

Recently Closed Projects

MHEG had a very busy 4th quarter as usual, with the closing of **24** projects, adding an additional **599** units to our affordable housing portfolio. To date, MHEG has closed **319** projects; creating and sustaining **8,598** units of affordable housing in the four-state area.

SEPTEMBER Closings

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

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

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

DECEMBER Closings

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

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

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

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

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

OCTOBER Closings

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

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

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

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

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

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

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

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

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

NOVEMBER Closings

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

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

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

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

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

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

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



(L to R) Candace Gregory (Open Door Mission) and Cindy Koster (MHEG); Candace and Jim Rieker (MHEG) sign papers during the GTMC closing; Jim, Janet Latimer (Horizon Bank) and Barb Reuter (Horizon Bank) who provided financing of the bridge loan and construction loan.

Asset Management Update

Number of Developments	319
Number of Units	8,598
Number of Counties Represented	123
Number of Cities Represented	153
Portfolio Vacancy Percentage*	5.38%*
Portfolio Debt Coverage Ratio*	1.53*

Information current as of 12/31/2011

*Numbers compiled from 6/30/2011 figures



LIHTC Rates

August 2011	September 2011	October 2011
70% PVC - 7.66%	70% PVC - 7.60%	70% PVC - 7.48%
30% PVC - 3.28%	30% PVC - 3.26%	30% PVC - 3.20%
AFR - 3.86%	AFR - 3.57%	AFR - 2.95%
November 2011	December 2011	January 2012
70% PVC - 7.44%	70% PVC - 7.47%	70% PVC - 7.44%
30% PVC - 3.19%	30% PVC - 3.20%	30% PVC - 3.19%
AFR - 2.67%	AFR - 2.80%	AFR - 2.63%



Staff Additions

MHEG is happy to introduce and welcome three new employees to the MHEG family, as well as announce a promotion.

Jessica Ummel, Asset Manager - Jessica was hired in October as an Asset Manager for our Topeka office. Her duties will include overseeing the Kansas development portfolio with financial reviews and site visits and problem resolution/workouts as needed. Jessica will also be analyzing the monthly financial reports for the Kansas projects and assisting the property managers as needed. Other duties include helping with the preparation of quarterly investor reports for the Kansas funds and the annual audit of lower and upper tier investments. Jessica previously worked for First Management, Inc. as an Assistant Property Manager. She received her Marketing & Management degree from Washburn University in Topeka, KS.



Jessica Ummel

Steve Gross, Asset Manager - Steve was hired in December as an Asset Manager for our Oklahoma City office. He is currently training and working in our Omaha office and will relocate to Oklahoma this spring when audit season has finished. His duties will include overseeing the Oklahoma development portfolio with financial reviews and site visits and problem resolution/workouts as needed. Steve will also be analyzing the monthly financial reports for the Oklahoma projects and assisting the property managers as needed. Other duties include helping with the preparation of quarterly investor reports for the Oklahoma funds and the annual audit of lower and upper tier investments. Steve previously worked for the Omaha housing Authority as an Accountant. He received his B.S in Business Administration in Accounting from the University of Nebraska at Omaha. Steve is also currently working on his Masters of Business Administration in Accounting from Bellevue University in Bellevue, NE.



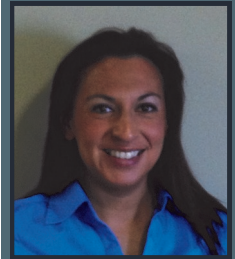
Steve Gross

Jennie Lattimer, Senior Asset Manager - Jennie was promoted to Senior Asset Manager this fall and relocated to our Omaha office at the end of October. As a Senior Asset Manager she will continue to oversee a development portfolio with financial reviews, but in addition to her regular duties she will assist with the hiring and training of new asset managers. As well as assist the development coordinators in evaluating potential deals and review annual operating partnership tax returns and financials statement audits. Jennie will celebrate her 7th year at MHEG in February.



Jennie Lattimer

Merenciana (Meddy) Paulus, Administrative Assistant - Meddy, who just recently joined us in December, will be working in the Des Moines office part-time as the Administrative Assistant for the Iowa Operations. Her main duties will include taking care of all clients and visitors to the Iowa office, answering incoming calls, and providing administrative support to the Iowa Operations EVP and staff. Prior to MHEG, Meddy was working as a server/trainer/bartender for Americana Restaurant and Lounge. She received her bachelor's degree from Drake University in Des Moines, Iowa and is currently pursuing her legal assistant certificate. Meddy, a Des Moines native, is married with a son.



Meddy Paulus

Status of State QAP, Application Deadlines

The following dates and information was provided by an Affordable Housing Finance survey.

State	Status of QAP for 2012	2012 Application Deadline	Estimated 2012 Credit Ceiling
Iowa	Draft issued for public comment	2/3/2012	\$6.6M
Kansas	At Governor's office for signature	2/3/2012	\$6.2M
Nebraska	Final	Round 1: Threshold 1/19/2012, Final 2/6/2012 Round 2: Threshold 3/26/2012, Final 4/23/2012	\$4M
Oklahoma	Final	1/12/2012 and 7/3/2012	\$8.4M

Ground Breakings, Construction and Ribbon Cuttings

In addition to a busy 4th quarter of closings, we had several Open Houses, Dedications and Ribbon Cuttings taking place.



Genesis Homes, LLC (KF VIII) Ribbon Cutting on September 21st, 2011 in McPherson, Kansas.

1. (L to R) Mark Cox (Vintage Construction), Colin McKenney (Multi Community Diversified Services), Fred Bentley (KHRC), Randy Tegethoff (The Citizens State Bank of Moundridge) and Pat Michaelis (MHEG) stand in front of one of the two buildings that make up Genesis Homes.
2. Pat saying a few words during the ceremony.
3. Residents of the property help during the actual ribbon cutting.
4. Genesis Homes will provide 16 units for special needs residents in the McPherson community.



Echo Ridge, LLC (KF VIII) Ribbon Cutting on October 13th, 2011 in Topeka, Kansas.

1. Cliff Mesner (Mesner Development Co), Jim Rieker (MHEG), Lloyd Rainge (Capitol Federal Savings Bank), Kathy Mesner (Mesner Development Co), Pat Michaelis (MHEG) and Fred Bentley (KHRC).
2. Echo Ridge will provide 64 multifamily units.
3. Fred Bentley (KHRC), Theresa Porter (HUD), Kathy Mesner (Mesner Development Co), Frank Ybarra (Topeka Housing Authority), and Pat Michaelis.



1. Cindy Koster, Traci Collins, Jake Jacobsen and Dan Garrett, all of MHEG, (back row) attend the Walkers Corner Limited Liability Company (IF VI) Ribbon Cutting on October 21st, 2011 in Woodbine, Iowa. Walkers Corner will provide 11 multifamily units.

2. Thomas Judds, MHEG, (far right) attends the Rebuilding Lives, L.L.C. (NF XIV) Ribbon Cutting on September 22nd, 2011 in Omaha, Nebraska. Rebuilding Lives will provide 41 multifamily units at the Open Door Mission campus.



Ground Breakings, Construction and Ribbon Cuttings Continued...



Left: Ted Simpson of NIFA speaks at the Ribbon Cutting Ceremony for the Sixteenth Street Limited Partnership (NF XV) on November 3rd, 2011 in North Omaha.

The development will offer 16 multifamily units and involved the historic rehabilitation of the Margaret, a 4-story "Jacobethan Revival" apartment building that was built in 1916.



1. Village at Heartland Park II, LLC (NF XV) Ribbon Cutting on November 9th, 2011 in Seward, Nebraska. The property will offer 16 senior units for the Seward community.

2. Thomas Judds (MHEG) speaks during the ceremony.

3. Paula Rhian (Excel Development), Senator Greg Adams, Mayor Josh Eickmeier (City of Seward), Lt. Governor Rick Sheehy, Robin Ambroz-Hollman (NIFA), John Blomenberg (SCHC), Jim O'Hare (NIFA), Thomas Judds (MHEG), Lara Huskey (NE DED), and Tammy Ward (rep. of Senator Ben Nelson) participate in the ribbon cutting.



Millard Senior Housing, LLC (NF XV) Ribbon Cutting on November 18th, 2011 in Omaha, Nebraska.

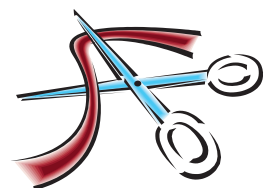
1. Cindy Koster (MHEG), along with developer Rob Woodling (Foundations Development) speaks at the ribbon cutting.

2. Cindy Koster, Commissioner Mary Ann Borgeson (Douglas County), Bob Engel (Robert W. Engel & Associates Architects), Rob Woodling, Matt Wennstedt (Overland Constructors, Inc.) and Tim Huber (Overland Constructors, Inc.) participate in the ribbon cutting.

3. Millard Senior Housing will offer 42 senior units for residents in the Millard-Omaha community.



Left: Brian Andersen (American National Bank), Tom Stratman (MHEG) and Julie Stavneak (J. Development Company) attend the Ground Breaking ceremony of Livestock Commons (NF XV) on January 5th, 2012 in Omaha, Nebraska.



Kansas Update - Pat Michaelis

Kansas and all of MHEG had another strong year in 2011.

Returning investors included: Capitol Federal Savings Bank, Topeka KS; Wells Fargo, Charlotte NC; Farmers and Merchants Investment, Waverly NE; Commerce Bank, Kansas City MO; UMB Bank, Kansas City MO; Bank of the West, San Ramon CA; INTRUST Bank, Wichita KS; and Capital City Bank, Topeka KS. We appreciate their continued partnership and confidence. New investors included: Northwestern Mutual Life Insurance, Milwaukee WI.; FB Financial, West Des Moines IA.; Equity Bank, Wichita KS.; McElroy's, Inc., Topeka KS; and Labette Bank, Parsons KS.

Investors were motivated by attractive yields, low risk, CRA needs, and developments in their communities.

Twelve developments in Kansas Fund IX will provide quality affordable housing, are community economic development engines and in the case of historic rehabs, place buildings back into valuable community service. Properties are located in Chanute, Coffeyville, Garden City, Humboldt, Leavenworth, Liberal, Neodesha, Parsons, Salina, Smith Center, and Wichita. Eight developments provided 198 units of affordable housing across Kansas in 2011. Four are

anticipated closing in the 1st quarter of 2012 for an additional 92 units.

To build these units MHEG partnered with Excel Development, Foutch Brothers, Mennonite Housing Rehabilitation Services, Overland Property Group and Vintage Construction. We thank and appreciate the developers and general partners who choose to work with us. We understand they have choices.

We are accomplishing a win for all concerned, but especially for the residents, i.e., families, seniors, and individuals with special needs who enjoy safe, quality, energy efficient and affordable housing.

I am optimistic for 2012 and Kansas Fund X, L.P. Our industry always has challenges but together we overcome them to get the job done. We are looking at a strong group of projects for KF X. They are geographically disbursed and vary in product type. KF IX will be out early March.

All the best to our partners and friends in 2012.

Nebraska Update - Thomas Judds

First and foremost, I'd like to thank my teammates at MHEG that work so hard behind the scenes to make things happen. Their talents and gifts are significant to our operations and a real blessing. To be candid, I've always subscribed to the theory that good things will happen to those that work hard and patient. Do your best consistently and don't get caught up in what others are doing or not doing - focus on your tasks and how well you perform them. I am a firm believer that success will come your way if you follow these basic principles. It may not be as quickly as you may want it to come, but eventually others will take note.

In closing, I can't say enough how grateful I am for the many friendships I have through MHEG. This includes, staff, board members and housing partners. It is a privilege and honor to work with each of you. I wish you all a prosperous 2012.

Oklahoma Update - Andrea Frymire

As the busy holiday season is finally over, MHEG Oklahoma is preparing to hit the ground running for 2012.

In 2011, we closed several remaining deals in Oklahoma Fund III and released Oklahoma Fund IV. It looks as though we are going to have to increase the size of OF IV from \$30M to \$50M in order to fund all the developments in our pipeline. We had a successful round of awards in November and received credits on 5 developments with a total of 150 units. Four of these developments will be new construction single family homes. The developments from 2011 Round 2 will include the cities of Durant, Madill, Mannford, McAlester and Shawnee. Our 2012 pipeline of deals is very strong. We are looking to expand into counties in the panhandle as well as in the northwest corner of the state.

Our education activities also remained strong with multiple classes to CPAs and bankers. We exhibited at several seminars and conventions and look forward to continuing this trend in 2012. Our increasing network of CPAs and bankers will hopefully lead to additional investor referrals.

With the increase in OF IV, we are on the hunt for new, large investors. We appreciate the ongoing support and referrals from the OK Operations and Investment Committee as well as our current and previous investors. The uproar in Oklahoma regarding the state tax credits has had minimal



In November, Oklahoma hosted their annual appreciation luncheon for all of the industry partners at Ted's Café Escondido. Over 50 people attended.

backlash for MHEG.

After a year full of natural disasters including tornados, wildfires and earthquakes, we are hoping for a calm and productive 2012. Happy New Year to all!



Andrea and Pat Michaelis attended the DCI convention in September in OK City and taught a session on CRA and affordable housing. Above: Andrea's daughter helps prepare the booth.

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