

MHEG *in a Minute*

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

VOLUME 2, ISSUE 3 SEPTEMBER 2009

RECENT HIGHLIGHTS

Midwest Housing Equity Group, Inc.

MHEG Annual Meeting & Golf Outing

Our 2009 Annual Meeting took place at Quarry Oaks on Monday, June 1st. We had one of our highest turnouts with over 80 people in attendance for the meeting and lunch, and 79 golfers for the outing. A 2008 summary of MHEG's operations was provided during the annual meeting, along with a market update and a 2009 outline. We also commemorated MHEG's first completed LIHTC limited partnership, THR Ten, with awards for Jim Rieker, Sister Marilyn Ross and NuStyle Development, who all helped coordinate the partnership.

Luckily the rain held off, the sun came out and it was a great day for golfing.

1st Place: Chris Pangkerego, Shannon Johnson, Mark Dennett and George Grieb

2nd Place: Deb Swanson, Keith Redlin, Gale Breed, Scott Shreve

3rd Place: Rachel Wiesner, John Kroeker, Dudley Beyer, Dick Kerns

Last Place: Cindy Koster, John Wiechmann, Frank Mason, Marty Griesbach

A BIG THANK YOU to ALL of our 2009 Sponsors!!!

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Awards Ceremony Sponsor: Wells Fargo

Luncheon Sponsor: Buland Group

Golf Hole Sponsors:

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Horizon Bank	Santa's Sleigh, Inc. - An Outreach of OHFA
INTRUST Bank	Spectrum Enterprises
Kutak Rock	State Farm Insurance Agency - Gale Breed Agency
Nebraska Bankers Association	US Bank

Additional Sponsors: Home Federal Bank - Grand Island

MHDF Awarded \$600,000 Grant

On June 29th, 2009 the Treasury announced that it would be awarding \$90 million in Recovery Act Funding for Community Development Financial Institutions (CDFI's). These awards will support new economic recovery projects in some of our nation's most vulnerable communities at a time when they are facing many financial challenges.

Inside this issue:

Midwest Housing Development Fund, Inc. (MHDF) was awarded \$600,000 to help provide affordable housing development loan products and services throughout our four states, with an emphasis on rural Kansas. Becky Christoffersen, Vice President of MHDF and Director of Development and Underwriting for MHEG, was instrumental in obtaining the grant from the Department of Treasury. She organized and prepared the 100+ page application for the grant detailing how the award money would be spent providing more loans for affordable housing.

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Our 2009 1st Place Winners!



Susie Krause & Scott Argo of Horizon kept a watchful eye for a hole-in-one.

NCSHA Housing Credit Conference

NCSHA (National Council of State Housing Agencies) recently hosted their annual Housing Credit conference in Los Angeles on June 15-18th. Jim Rieker, President of MHEG and current President of NASLEF (National Association of State and Local Equity Funds), not only attended the conference but was a featured speaker. Jim spoke on Practical Asset Management during Thursday's session, discussing how the housing credit portfolio is faring in the current economy and how strong asset management can attract investment and help prevent workouts and foreclosures.

Message from the President - Jim Rieker

~ There Will Be Better Days Ahead ~

Another quarter has passed by and more has changed in the industry. Over the past 23 years, those in the tax credit industry have been used to the program changing on a regular basis but in those same 23 years, we have not seen anything like this economy, the stimulus package or the changes both would bring to this program. Some have asked if the program is dead as we know it; having invested 23 years of my life into this program I certainly hope not. What is the saying "you can't teach an old dog new tricks," so let's not try now.

I truly believe better times are ahead for the program. We have suffered through the perfect storm with investors leaving, the economy failing and a complete swing from a developer driven market to an investor driven market. Granted, it does look like the TCAP and 1602 dollars will get some deals done, but neither have done much to attract investors for future years. A concern is what happens when those programs are done and no longer available. Although we are hearing the 1602 program may be extended into 2010, it is not a definite as cost is a concern. Yes the project gets 85 cents for the exchange dollars, but it actually costs the federal government 13 cents for every 1602 exchange dollar. Based on the time value of money, the breakeven of cashing in a dollars worth of credit for the ten years is 72 cents. This cost obviously adds up quickly so if there is a stumbling block to an extension, it could be the cost factor.



Jim Rieker, President

Why do I feel there are better times ahead? Because there is some movement in the capital markets. Granted it isn't like a couple of years ago, but we're seeing investors come into our funds as well as our competitors'. I'm not sure we will ever get back to the levels we saw a couple of years ago, as many of those investors that drove that market are no longer around. I do think many new investors will be in the market, but at a price. I don't have a crystal ball (just a round piece of glass), but I think we'll see pricing flatten out in 2010 and yields somewhat stabilize; however, at a credit price that is probably less than we're seeing today and a yield that is higher. Unfortunately, there is some pushing for ridiculous yields and low prices (45 cents) to capitalize on the TCAP and 1602 dollars. That in itself is very distracting to the future of any extensions or even the tax credit program.

MHEG continues to close deals as capital becomes available and will continue to do so throughout the rest of this year. I encourage you to continue to work through our process as if your project were going to close tomorrow, because an investor could close tomorrow generating more capital. We all want to be ready to close.

Just remember there will be better days ahead, but it is not going to happen overnight. Let's hope when I write my article at year's end, we'll be celebrating a good year. Best wishes to you all.

Iowa Update - Dan Garrett

The end of summer in the Iowa office is usually defined by the Iowa State Fair, kids returning to school, and of course the IFA Housing Conference. This year, the conference will be held September 9th-10th at the Downtown Marriott in Des Moines. The conference is always a great reminder of why we do what we do, and we will also hopefully gain some insight on what lies ahead in the next year for affordable housing. We will be hosting our Annual Dinner at Dos Rios in downtown Des Moines to show our appreciation to all of our investors and

developers who are truly valued partners to MHEG and always keep us going.

While it is sometimes sad to see our wonderful Iowa weather fade, we are excited for fall to arrive and have a lot of projects in the works that will keep us busy. In closing, we have had a great year at MHEG so far and are looking forward to the 4th quarter!

UPCOMING EVENTS

NASLEF's 16th Annual Conference: Sept. 23rd-25th

St. Louis, MO - Four Seasons Hotel - Visit their website for more information:
<http://www.naslef.org/upcomingconferences.html>

AHF Live: Affordable Housing Developer's Summit: Oct. 26th-28th

Chicago, IL - Palmer House

Iowa

Housing Iowa Conference: Sept. 9th-10th
Des Moines, IA - Des Moines Marriott Downtown

Kansas

2009 Economic Outlook Summit: Sept. 18th
Kansas City, MO - Federal Reserve Bank of Kansas City

Heartland Community Bankers Assoc. CEO-Director's Forum: Oct. 30th
Overland Park, KS - Sheraton Overland Park Hotel

Nebraska

NBA Bank Investment, Funding & Economic Outlook Conference: Nov. 5th-6th
Lincoln, NE - Cornhusker Marriott

NE Society for CPA's Annual Conference: Nov. 3rd-4th
LaVista, NE - Embassy Suites

Governor's Conference on Rural Development & 46th Annual NCIP Awards Banquet: Nov. 6th
Kearney, NE - Holiday Inn

Oklahoma

No events at this time.

Recently Closed Projects, Groundbreakings, and more...

MHEG had five closings during the second and third quarter of 2009, adding an additional 83 units to our affordable housing portfolio. The fourth quarter looks to be busy with several closings anticipated to take place before year's end.

To date, MHEG has closed 241 projects, creating and sustaining 6,583 units of affordable housing in the four-state area.

APRIL Closings

Home To Stay, L.P.

IF IV, L.P.
Cedar Rapids, IA • 24 units
4/13/2009

JUNE Closings

Old Spencer School, LLLP

IF IV, L.P.
Spencer, IA • 16 units
6/15/2009

JULY Closings

Woodland Park Townhomes II, LLC

NF XIII, L.P. & NF XIV, L.P.
Grand Island, NE • 26 units
7/8/2009

AUGUST Closings

Coventry Court Townhomes II, L.L.C.

KF VII, L.P.
Hutchinson, KS • 11 units
8/19/2009

Larned Dream Homes, LLC

KF VII, L.P.
Larned, KS • 6 units
8/20/2009



Ribbon Cuttings

The last few months have been filled with many ribbon cuttings and grand opening ceremonies throughout our four states.

Above:

- 1) Left - Jim Rieker at the ribbon cutting for the Brown Apartments in Cedar Rapids, IA on May 21st, 2009.
- 2) Right - Jim Rieker at the ribbon cutting for Boone 2 (Cedar Crossing) in Boone, IA on May 15th, 2009.

Below:

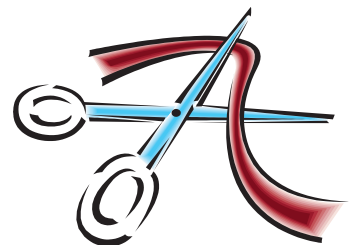
- 3) Top Left - Jim Rieker and Thomas Judds at the ribbon cutting for Country Clover Crown in O'Neill, NE on June 11th, 2009.
- 4) Top Right - Thomas Judds at the ribbon cutting for Rosewood Estates in Alliance, NE on June 22nd, 2009.
- 5) Bottom - Cindy Koster speaking and Joan Bertolini (Douglas County Housing Authority), Rob Woodling (Foundations Development) and Mayor Sally McGuire cutting the ribbon for Gretna Crown Homes in Gretna, NE on June 26th, 2009.



Asset Management Update

Number of Developments	241
Number of Units	6,583
Number of Counties Represented	105
Number of Cities Represented	128
Portfolio Vacancy Percentage*	5.46%
Portfolio Debt Coverage Ratio*	1.38

*Information compiled from 6/30/09 figures



Prairie Pointe Picked as Finalist for AHF Magazine's Awards



Prairie Pointe Townhomes (KF VI, L.P.) was selected as a finalist for the Affordable Housing Finance magazine's Reader Choice awards. Finalists were published in the August 2009 issue, with readers voting for the winner. Prairie Pointe was nominated in the "green" category and is up against four other developments across the country. Affordable Housing Finance received almost 140 nominations this year.

If you don't receive the AHF magazine you can log onto their website to view all of this year's nominated projects, www.housingfinance.com. Prairie Pointe Townhomes was featured in our last issue for receiving the LEED Platinum Certification, the highest honor for green building design and construction, from the U.S. Green Building Council.

Antler Hotel Wins Historic Preservation Award

On May 13, 2009, the State Historical Society of Iowa awarded the Antlers Hotel (IEF II, L.P.) the Margaret Keyes Award for outstanding historic preservation of a commercial property greater than \$500,000. The award was presented to Community Housing Initiatives, Inc., developer of the project, at the State Historical Society's annual *Preservation in Progress* meeting held in Ottumwa, Iowa. The Antlers Hotel, originally constructed in 1902, was rehabilitated in 2008. The \$3.6 million rehabilitation involved complete restoration of the exterior and conversion of the upper floors of the former hotel into 14 multifamily units.

Doug LaBounty, President of Community Housing Initiatives, Inc. stated, "The Antlers Hotel importance to downtown Spirit Lake was the driving force for the public-private partnership established by Community Housing Initiatives, Inc. to complete the challenging project." Board Chair, Mary Jean Montgomery, added that "the historic rehabilitation of the Antlers Hotel not only provides needed affordable housing for the local community but compliments and supports the revitalization efforts in downtown Spirit Lake."

MHEG has partnered with CHI on many historic preservations in the state of Iowa, including:

Van Allen Limited Partnership - Clinton, IA - IEF I, L.P.
Grant Terrace LLLP - Oskaloosa, IA - IF IV, L.P.
Old Spencer School, LLLP - Spencer, IA - IF IV, L.P.

River City Limited Partnership - Mason City, IA - IEF I, L.P.
Lincoln Terrace LLLP - Oskaloosa, IA - IF IV, L.P.



Pioneer Woods Receives Playground Grant

Pioneer Woods, L.L.C. and Anawim Housing were recently awarded a \$61,000 playground grant from The Home Depot Foundation, KaBOOM!. Pioneer Woods (IEF II, L.P.) is a 67-unit property that includes 33 duplex buildings and one single-family home scattered throughout the Pioneer Park Neighborhood in Des Moines' Southeast Side.

The playground was built on July 9th at SE 17th Court and East Kirkwood (where the majority of the duplexes are located). As a founding partner of KaBOOM!, The Home Depot Foundation provided financial support, materials and numerous volunteers to help Anawim Housing volunteers build the playground. The playground build began at 8:30 a.m., with volunteers arriving at an empty site and in less than eight hours they had transformed the space into a vibrant neighborhood-gathering place.

"It was nice to see so many people volunteer their time from various places around the community. The collaborative effort from everyone even through afternoon showers really paid off when we saw the finished product and the excitement of the families living at Pioneer Woods," commented Kristina Tolander, Asset Manager for MHEG, who was able to volunteer and help build the playground. "I am happy to have been able to be a part of such a wonderful project."

Anawim Housing, general partner and property manager of Pioneer Woods, applied for the grant this past spring and contributed an additional \$7,500 to the playground. Anawim Housing has been dedicated to providing safe, affordable housing that assists in the stabilization of low-income families and the revitalization of Des Moines metropolitan neighborhoods since 1987.



LIHTC Rates

May 2009 Rates
70% PVC - 7.65%
30% PVC - 3.28%
AFR - 3.58%

June 2009 Rates
70% PVC - 7.71%
30% PVC - 3.30%
AFR - 3.88%

July 2009 Rates
70% PVC - 7.82%
30% PVC - 3.35%
AFR - 4.36%

August 2009 Rates
70% PVC - 7.82%
30% PVC - 3.35%
AFR - 4.26%

September 2009 Rates
70% PVC - 7.84%
30% PVC - 3.36%
AFR - 4.38%



Kansas Update - Pat Michaelis

If you haven't had a chance to stop by our new offices inside the Citizens Bank & Trust building at 701 S. Kansas Ave. Topeka, please take the time to stop in. Our new space is very professional and conveniently located in downtown Topeka.

We would like to welcome Ron Romig, President, and John Peters, Senior Vice President and Treasurer, of Citizens Saving and Loan in Leavenworth to our investor family. We appreciate their vision and understanding of the good things that result from investing in our funds.

The Kansas staff recently attended the Kansas Housing Conference on August 19th-21st in Overland Park, KS where we held our 2nd Annual Dinner. Thirty of our partners attended and enjoyed good food and company. We appreciate doing business with all of you.



The second annual Kansas Dinner was held on Aug. 19th at the Smokehouse BBQ in Overland Park, Kansas.

Jim and I will be speaking at the Heartland Bankers meeting in Overland Park, October 30th. We are always looking for opportunities to tell our story and educate others on the benefits of LIHTC. If you know of an organization that would benefit from a presentation, please let us know.

I look forward to continued success in the upcoming quarter to fulfill our mission of providing affordable housing in the communities we serve.

The Ad Astra Awards were handed out during this year's annual Kansas Housing Conference in August, and MHEG is proud to note that several of this year's recipients are developments or developers that MHEG has partnered with. Congratulations to the following and all of the 2009 Ad Astra recipients!

Special Achievement in Affordable Housing Development – Urban:
Gardens at Creekside - Olathe, KS

Special Achievement in Affordable Housing Development – Rural:
Tierra Verde - Hutchinson, KS

Innovations In Housing & Community Development: Prairie Pointe Townhomes - Greensburg, KS

Trail Blazer - Individual Achievement:
Ross Freeman, President of Pioneer Group, Inc.

Nebraska Update - Thomas Judds

Its halfway point of 2009 and time for the 2nd quarter progress report. To begin, weather in eastern Nebraska for July has been exceptional. Below normal temps and humidity has made travel to meet with investors a delight. Raising investment capital has been and continues to be the main focus.

To date, I am pleased to say we have gained the confidence and trust of nine investors for Nebraska's current offering, four of which are new relationships to MHEG. To put this in perspective, last year's fund was made up solely of existing relationships (six total investors). Investor interest has been very encouraging. We are very fortunate to live and work in the Midwest. The values and work ethic of Nebraskans has been significant to the state's economy and subsequently businesses are profitable and investing.

In closing, we completed our second project investment of the year. The project is a second phase of a senior development in Grand Island. Enjoy the rest of the summer!



Thomas Judds (far right) attends the ribbon cutting for Dawson Estates in Lexington, NE on July 14th. The development consists of 15 rent-to-own single family homes located in Gothenburg, Cozad and Lexington.

Oklahoma Update - Jim Rieker

The Oklahoma office is currently in a time of transition. During this past quarter, it was decided some changes were needed in the Oklahoma office. As a result, Jamie Wilson and Sherri Smith are no longer with the company. Sammy Ehtisham is running the office as we do a national search for the Executive Vice President position vacated by Jamie. During the interim, I am spending at least 3 days every other week, if not more in the Oklahoma office.

We are looking at new relationships to raise capital and revisiting the old relationships that have been great investor partners. At the same time, we have a number of properties that need special attention that we hope to have rectified by the end of the year. MHEG plans on maintaining a strong presence in Oklahoma and we feel the future is bright, but it will take some time to get us back where we need to be. With the TCAP and Exchange programs in full swing, it does give us a little time to figure out the right direction to go in, but it also gives us a sense of urgency.

We thank all of you, investors, lenders and developers that are standing by us during this transition and appreciate all the help you are giving to keep us moving forward. With the next round of tax credits slated for mid-November, we look forward to once again making a statement in the great state of Oklahoma.

Wishing you all a great fall season. ~ Jim Rieker

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