

MHEG *in a Minute*

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

VOLUME 1, ISSUE 3 SEPTEMBER 2008

Midwest Housing Equity Group, Inc.

RECENT HIGHLIGHTS

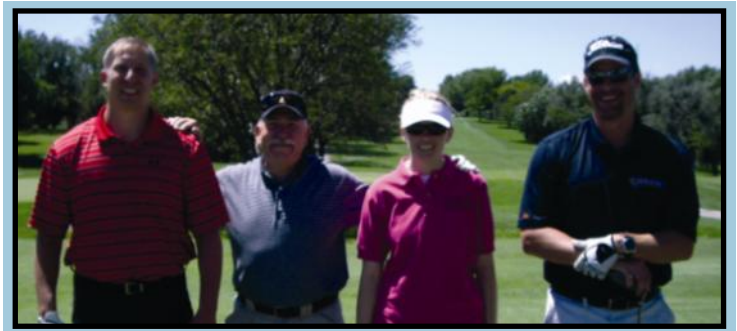
Annual Meeting & Golf Outing

This year's Annual Meeting and Golf Outing took place at Ironwood Country Club and Golf Course in Omaha, NE. The morning began with the MHEG Board of Director's meeting, followed by an overview of 2007 from each state's EVP and Jim. Fortunately the weather cooperated and it was a great afternoon to be outdoors, as we had a record number of golfers this year! It truly is a fun event for us to get together outside of the office for a relaxing afternoon of friendly competition.

Prior to the annual meeting the MHEG staff got together for a team building retreat conducted by Dynamic Consulting, Inc. Six plans of action were identified for areas that the company wanted to strengthen. In August, the staff met again to examine the progress being made on the six plans.

Jim would like to thank everyone for their attendance and support of our annual outing: the MHEG's board of directors, sub-committees, staff, investors & other associates.

And a big thank you to all of our 2008 sponsors, their generosity and involvement continue to make this event a success: BancFirst, BankFirst, Bank of Bennington, Bank of the West, Buland Group, Inc., Capitol Federal Savings Bank, Dauby O'Connor & Zaleski, LLC, FHLBank Topeka, Home Federal Savings & Loan, Horizon Bank, INTRUST Bank, N.A., JPMorgan Chase, Kutak Rock, Maquoketa State Bank, Nebraska Investment Finance Authority, Oklahoma Bankers Association, Spectrum Enterprises, Inc., US Bank, and Wells Fargo.



- 1st Place:** John Kroeker, Barney Olson, Jennie Lattimer & Brett Johnson (pictured above)
- 2nd Place:** Jamie Wilson, Gary Wasserman, John Wiechmann, Teresa Kile
- 3rd Place:** Tom Stratman, Shallee Keenan, Clark Froehlich, Tom Homstad
- Last Place:** Jason Main, Steve Hise, Janet Latimer, Jay Dunlap



Above: The MHEG staff during a team building retreat in June 2008.

Section 42 Temporary Relief for Iowa

The IRS is suspending certain requirements under Section 42 of the Internal Revenue Code for low-income housing credit projects to provide emergency housing relief needed as a result of the devastation caused by severe storms, tornadoes, and flooding in Iowa beginning on May 25, 2008.

Iowa has requested that the IRS allow owners of low-income housing credit projects to provide temporary housing in vacant units to individuals who resided in jurisdictions designated for Individual Assistance in Iowa and who have been displaced because their residences were destroyed or damaged. Based upon this request and because of the widespread damage to housing the IRS has determined that the Iowa Finance Authority (IFA) may provide approval to project owners to provide temporary emergency housing for displaced individuals in accordance with this notice.

The IRS has determined that it is appropriate to temporarily suspend certain income limitation requirements under Section 42 for certain qualified low-income projects. The suspension will apply to low-income housing projects approved by IFA, in which vacant units are rented to displaced individuals. IFA will determine the appropriate period of temporary housing for each project, not to extend beyond July 31, 2009 (temporary housing period). For more information check our website or contact IFA.

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Message from the President - Jim Rieker

"Ridin' the Storm Out"

Ah, the good old days when we could just sing along with REO Speedwagon, thinking the song was pretty cool. Who would have thought that song would be something we, in the tax credit business, would be living by day to day?

By now you all have probably seen or at least heard about my memo regarding the status of the tax credit industry. One would probably think I like to be the doom and gloom guy (or dude as some called me). Trust me, it isn't any fun constantly bringing grim news to you all. Unfortunately, the market keeps changing and no one is sure when it will settle down.

In a nutshell, the memo stated that pricing keeps dropping, yields keep going up and demands on reserves and guarantees keep getting stronger. In light of the alternative of no money to do the deals, we're finding ways to make this all work but as you know, it isn't easy. As I mentioned in the memo, don't shoot the messenger. MHEG is the middle person between the developers and the investors and we're trying to balance the two, so all parties are as happy as can be and protected as best they can be. The bottom line is the investors will get more of what they want than the developers are used to giving. That is the place we are in, a market where the investors are in control.

I appreciate you all hanging in there as we muddle through the industry changes. If it was easy, you all would get bored and it wouldn't be fun anymore. Just think, waking up every morning and doing the same thing day after day - what kind of fun would that be? No one can say the tax credit world is boring, it changes daily. And, just in case you were pretty comfortable with the program, the President signed into law the new housing bill on July 30th which included many changes to the credit program. Unfortunately, several of those changes are subject to interpretation by the IRS and will take some time to work through.

So again, if you're comfortable with what you do, just wait, it is subject to change. Overall, we are very pleased with the changes the bill brought to the program. I'm just not sure it will be enough to stabilize the program. That is a bigger picture that the economy will control and just something we'll have to ride out.

So until next quarter, someone get me a new song and hopefully it's not "Slip Slidin' Away".

Message from Iowa Operations - Dan Garrett

As everyone is aware, the State of Iowa has been through a particularly rough spring and early summer. We here at MHEG have been asked to lend our expertise to help the rebuilding effort, especially since we have been through similar efforts such as with the Greensburg, Kansas tornado.

We are diligently working towards closing many outstanding deals, and with the help of our investors and developers, we will be making a substantial impact in creating affordable housing opportunities throughout the state.

A quick reminder of two upcoming events: The Iowa Finance Authority is having its annual Housing Iowa Conference on October 2-3rd 2008. The event will be held at the Downtown

Des Moines Marriott Hotel, for more details please visit: <http://www.iowafinanceauthority1.com/UpcomingConferences.asp>

In addition, the 2009 Low Income Housing Tax Credit application deadline is quickly approaching. Applications for thresholds are due to the Iowa Finance Authority on October 31, 2008.

In closing, it is my pleasure to introduce our newest employee, Kristina Tolander. She has joined the asset management team, and will be assuming duties pertaining to our Iowa properties.

UPCOMING EVENTS

NASLEF 15th Annual Conference: Sept. 24th-26th - Grand Rapids, MI - Visit www.naslef.org to register.

OCC LIHTC Web Seminar: Sept. 10th - MHEG is offering you the chance to participate in this seminar free of costs! Contact Keely McAleer (kmcaleer@mheginc.com) for the state location & time nearest you!

Nebraska

NAHRO Conference: Sept. 16th-18th
Omaha, NE - Embassy Suites

Nebraska Bank Investment Conference: Nov. 5th-6th
Lincoln, NE - Cornhusker Marriott

Kansas

Kansas Chambers Autumn Gala: Sept. 11th
Wichita, KS - Wichita Art Museum

Iowa

Iowa Housing Conference: Oct. 2nd-3rd
Des Moines, IA - Downtown Marriott

Oklahoma

Oklahoma Bankers Association Golf Tournament: Sept. 8th
Norman, OK - Jimmy Austin Golf Course

Recently Closed Projects, Groundbreakings, and more...

Our development coordinators and due diligence department have been very busy with many tech reviews and closings. In the past 5 months they have closed 16 projects, creating a total of 383 units of affordable housing.

We also hit a milestone with the closing of our 200th project this past April with the acquisition of Sandstone Homes I, LLC in Kansas. To date, MHEG has closed 215 projects, creating and sustaining 5,985 units of affordable housing in the four-state area.

APRIL Closings

Sandstone Homes I, LLC

KF VI, L.P. • El Dorado, KS • 24 units
4/23/2008

MAY Closings

Northwoods Limited Partnership #1

IEF III, L.P. • Fort Dodge, IA • 24 units
5/16/2008

Flor de Sol Partners, LLC

KF VI, L.P. • Liberal, KS • 32 units
5/29/2008

Parkland Town Homes Affordable Housing Partners, LLC

OEF I, L.P. • Prague, OK • 24 units
5/30/2008

Little Priest Apartments, LLC

EFN XII, L.P. • Winnebago, NE • 20 units
5/30/2008

JUNE Closings

Urban League Capitol Square L.P.

OEF II, L.P. • Oklahoma City, OK • 36 units
6/13/2008

Rosewood Estates, LLC

EFN XII, L.P. • Alliance, NE • 18 units
6/18/2008

Hickory Ridge McAlester, LLC

OEF II, L.P. • McAlester, OK • 32 units
6/30/2008

JULY Closings

Checotah Village Apartments, Limited Partnership

OEF I, L.P. • Checotah, OK • 24 units
7/15/2008

Country Clover Crown, LLC

EFN XII, L.P. • O'Neill, NE • 11 units
7/17/2008

Wilburton Village, Limited Partnership

OEF I, L.P. • Wilburton, OK • 24 units
7/25/2008

AUGUST Closings

Community Homes, L.P.

IEF III, L.P. • Des Moines, IA • 18 units
8/1/2008

Boone 2 Limited Partnership

IEF III, L.P. • Boone, IA • 24 units
8/4/2008

Sunrise East, LLC

EFN XII, L.P. • Holdrege, NE • 16 units
8/6/2008

Eufaula Affordable Housing Partners LP

OEF II, L.P. • Eufaula, OK • 40 units
8/27/2008

HFS Council Bluffs, LLC

IEF III, L.P. • Council Bluffs, IA • 16 units
8/29/2008



Above: Jim Rieker presents an award to Janet Latimer (Horizon Bank) for partnering with MHEG on our 200th project.



Left: Thomas Judds thanks all partners involved at the Woodland Park Townhomes Grand Opening & Ribbon Cutting in Grand Island on August 20th. Hosted by Excel Development and sponsored by FHLBank of Topeka.



Right: The acquisition of our 200th project, Sandstone Homes I, LLC, on April 23rd. Partners of this project: Manske & Associates, L.L.C.; Flint Hills Services, Inc.; Horizon Bank; and Kansas Housing Resources Corporation.

New Additions to the MHEG Staff!

We'd like to welcome our newest employee, Kristina Tolander, who will be working in the Des Moines office!

Kristina Tolander, Asset Manager

Kristina started employment with MHEG on July 14th, 2008, as an Asset Manager for the Iowa office. Kristina is a graduate of the University of Iowa with a B.B.A. degree in Finance.

Her duties will include overseeing the Iowa project portfolio with financial reviews and site visits. Kristina will also be analyzing the monthly financial reports for the Iowa projects and assisting the property managers as needed. Other duties include helping with the preparation of quarterly investor reports for the Iowa funds and the annual audit of lower and upper tier investments.

Oklahoma Operations and Investment Committee Earns Apex Award!

Members of the Oklahoma Operations and Investment Committee for Midwest Housing Equity Group each received an Apex Award for Friend of Affordable Housing from Oklahoma Housing Finance Agency for contributions made in affordable housing from January to December 2007. Presented July 23 at OHFA's Board of Trustees meeting in Oklahoma City, the annual Apex Awards recognize people and organizations committed to affordable housing in Oklahoma.

The individuals on the committee are Bob Spinks, Dennis Brand, Roger Beverage, Kenyon Morgan and Brad Krieger.

During 2007, they approved eight developments that created 519 affordable housing units across Oklahoma. The amount of equity advanced to the development totaled \$24,508,025.

As Oklahoma's largest provider of affordable housing, OHFA offers 11 housing programs ranging from "OHFA Advantage" for home ownership to housing development and rental assistance. For more information about OHFA and its programs and services, visit www.ohfa.org.



Right: Committee members Dennis Brand of BancFirst, Brad Krieger of Arvest Bank and Bob Spinks of United Way (respectively) pose with their APEX award.

Left: Roger Beverage of BancFirst and Jamie Wilson of MHEG show off the APEX award.



The Housing and Economic Recovery Act of 2008

The Housing and Economic Recovery Act of 2008 set a 9% minimum tax credit percentage rate for the 70% credit for new and substantially rehabilitated buildings placed in service after July 30, 2008 and before December 31, 2013. (No similar flat rate was set for 30% credits.) The 70% rate for August shown below was set by the IRS in Revenue Ruling 2008-43, which was published before enactment of the new law. The 70% rate for September shown below was set by the IRS in Revenue Ruling 2008-46, which does not discuss the enactment of the new law.

For more information on all of the Housing and Economic Recovery Act of 2008 LIHTC law changes, we have posted a link on our website providing an explanation of the bill in more detail.

LIHTC Rates

May 2008 Rates	June 2008 Rates	July 2008 Rates	August 2008 Rates	September 2008 Rates
70% PVC - 7.80%	70% PVC - 7.89%	70% PVC - 7.93%	70% PVC - 7.94%	70% PVC - 7.93%
30% PVC - 3.34%	30% PVC - 3.38%	30% PVC - 3.40%	30% PVC - 3.40%	30% PVC - 3.40%
AFR 4.21%	AFR 4.46%	AFR 4.60%	AFR 4.58%	AFR 4.58%



Message from Kansas Operations - Pat Michaelis

The second quarter of 2008 continued to be very full of activities, investor development and new projects. But before I talk about them, let me say first what a great staff we have in Kansas. Melissa Miller-Atwood, Development Coordinator, is an asset to all. She willingly provides expertise to our developers and general partners while working with KHRC and the Federal Home Loan Bank. Jennie Lattimer, Asset Manager, works with existing projects and partners reviewing financial information, visiting the properties and providing helpful assistance. Kansas asset quality is good and improving under Jennie's leadership. Lisa Bryan, Administrative Assistant, keeps all of us organized, on time and very well supported. My compliments and thanks to all.

The Kansas Housing Conference was held in Pittsburg in August. Jim, Melissa and I were presenters and discussed the state of the tax credit market. Bottom-line, as we are all experiencing, is that credit standards are tightening and the price paid for LIHTC's is falling. We hosted a dinner for 30 of our Kansas partners at the Pittsburg Country Club.

Kansas is actively working on several new projects with both old and new partners. We have been asked to syndicate over



Left: Pat Michaelis (MHEG) says a few words to guests at Kansas's First Annual Dinner in conjunction with the Kansas Housing Conference.

half of the projects awarded in Kansas from the August round. There is good geographical distribution; a variety of family, seniors and special needs housing; and all have financially strong partners.

Fund raising remains a challenge but we are finding new friends all the time and educating them on the benefits of LIHTC's investing. Progress is very steady. In closing, I'd like to say go Jayhawks and Wild Cats. It's going to be a fun football season!

Message from Nebraska Operations - Thomas Judds

More than a Ribbon Cutting...

Recently a colleague and I attended the ribbon cutting ceremonies for Woodland Park Townhomes in Grand Island, Nebraska. The event was well attended and the festivities were wonderful. Although ribbon cuttings are to celebrate the completion of a housing development, for me, this time has additional meaning - the celebration of partnerships and a sense of purpose.

From my perspective, the success of any organization is dependent upon its partners. At MHEG we have been very blessed and

fortunate to have long-term partners that have been very loyal and committed. This is something we don't take for granted and are very thankful for. Many of these relationships have grown to personal friendships.

In closing, ribbon cuttings provide meaning to our work by seeing the expressions and listening to the people whose lives have been touched by living in these homes. I am humbled and inspired that I had a very small part in helping others.



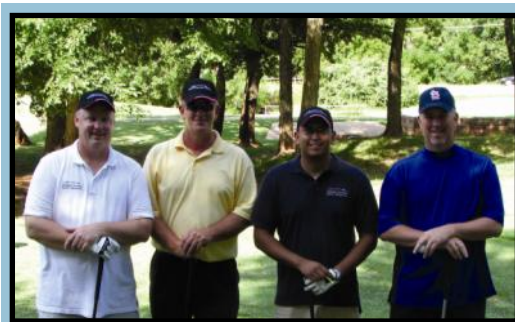
Above: Partners of Woodland Park Townhomes at the Ribbon Cutting and Grand Opening of the development. The ceremony was followed by a tour of the units and a chance to visit with the tenants.

Message from Oklahoma Operations - Jamie Wilson

The pace has been fast and furious in Oklahoma over the past several months. Not only did we get over half of the state's LIHTC allocations in May, we have closed several projects to boot. Sammy Ehtisham, Development Coordinator, and Sherri Teel, Admin/Compliance Specialist, have been extremely busy keeping ahead of all this activity.

All this on top of Oklahoma City becoming the NBA's newest City with the former Seattle Supersonics moving here. Not to mention that we are beginning our next fund in August as well.

Our OEF II investors: Arvest, BancFirst,

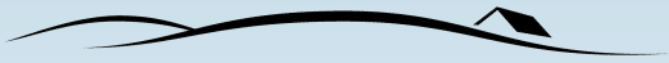


Above: Jamie Wilson (MHEG), Brian Tucker (consultant for MHEG), Sammy Ehtisham (MHEG), and Curtis Tucker attend the OHFA Golf Tournament (July 2008). Proceeds of the tournament go to the purchase of Christmas gifts and other assistance for homeless children in Oklahoma.

Bank of the West, Fannie Mae, JPMorgan Chase and Principal have been more than excellent partners in these changing times. With the market changing and the Credit Crisis affecting all of us, Oklahoma has, so far, endured the storm quite well. Our cup runneth over with blessings on the Investor side as well as the Project side.

With school back in session and our summer lives back in order, we anticipate a great second half to 2008 in Oklahoma and, for that matter, all of MHEG. Thanks to all of our partners for what they do now and throughout 2008.

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