

June 28th, 2007

Dear Investor,

We are very appreciative that you have chosen to invest with us over the years and value the confidence you have in us. To better communicate how your dollars are working in Central Appalachia we are launching a quarterly newsletter that will accompany your interest checks. We will be telling you our story by way of new people we have been able to serve in Central Appalachia.

As you know, one of the greatest needs in the region is for affordable housing. For example, in Central Appalachia:

- 30,000 homes lack complete plumbing
- 22,000 lack adequate kitchens
- 50,000 homes are overcrowded
- 40% of female headed households are in poverty
- 25% of families have income below \$15,000

These are very poor, rural Americans who desperately need help. Rural poverty garners less than one-third of the funds that are allocated annually to urban poverty. As you may well know, much of our governmental support is drying up. FAHE accepts donations as well as investments from private, individual investors, family trusts, family foundations, national foundations, corporations and religious organizations to fill the gap. Because FAHE needs your continued support, please consider making an additional investment in FAHE, or a tax-deductible donation.

You can also help us bolster the support for our cause by connecting us with others who may be interested in investing with us. We encourage you to pass our newsletter on to your family, friends, relatives, Church members, or others in your community who might wish to make an investment in FAHE. If you know an individual or organization interested in helping the families of Central Appalachia please send their contact information to: Wendy Howard, PO Box 908, Berea, KY 40403 or by email: wendy@fahe.org. Wendy can be reached at 1-888-969-1399 extension 100.

Thank you for your continued support; your investments surely make a difference to those in need.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim King". The signature is stylized and cursive.

Jim King
FAHE President

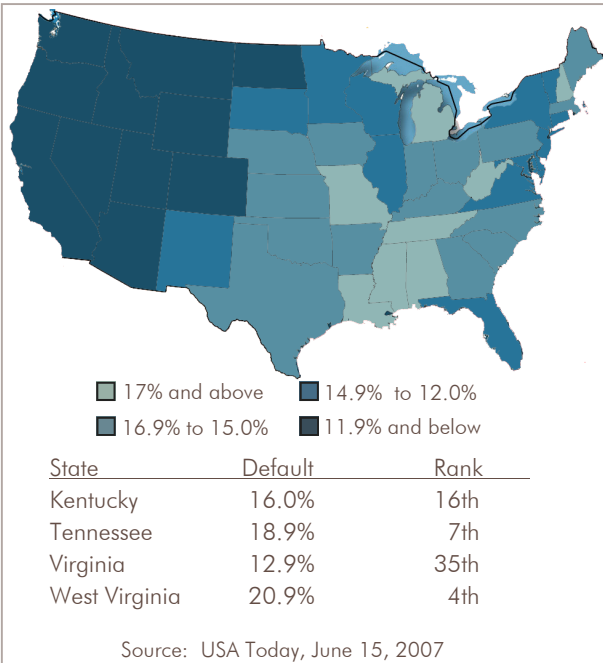
Community focus

Groundbreaking at Boodry Place

Boodry Place is a residential community in downtown Morehead, Kentucky that targets senior citizens and people living with disabilities, including families with disabled children. The project's 32 rental apartments will be targeted to eligible families earning 50% of the area median income.

Boodry Place is part of FAHE's Berea Performance Compact, a regional initiative that encourages collaboration and specialization. Three of FAHE's Members have brought their expertise to the project: Community Housing Partners brought their multi-family development, architectural, and construction expertise to Frontier Housing in Morehead, Kentucky, while Frontier worked with state and local officials to access funding. Community Housing of Winchester, Kentucky brings the local rental and asset management expertise to the partnership. In all, FAHE is providing \$3 million of equity through its subsidiary, FAHE Capital, as well as a \$1.4 million construction loan.

Boodry Place incorporates green design, utilizing energy and water conservation measures and sustainable materials for durability and life cycle cost efficiency. Specific features include community space for health screenings and therapeutic services for physical, occupational and speech therapy. The green space includes a small playground for children of all abilities. The entire design promotes inter-generational contact and living for individuals with all abilities.



MARKET WATCH

According to an article in USA today, the states in FAHE's service area are being hit hard by the subprime mortgage crisis. Based on statistics from the Mortgage Bankers Association, states in FAHE's service area have some of the highest default rates for subprime adjustable-rate mortgages. We are proud to say that our responsible lending practices rise above this market trend, as FAHE's delinquency rate continues to decline and is consistently less than 3% with no increase in foreclosures.

Unfortunately, predatory lending has consequences for entire communities, as well as individuals. Building on two decades of lessons in affordable housing, FAHE is launching a retail mortgage line of business, JustChoice Lending to combat the crisis. FAHE's newest line of business will focus on competitive, fair and affordable mortgage lending for first-time homebuyers and alternatives for victims of predatory lending. Best of all, JustChoice Lending lets families do good for themselves and do good for their community at the same time. FAHE reinvests JustChoice Lending's profits into other affordable housing programs and infrastructure to stabilize at-risk communities.

Community Focus is a quarterly newsletter for FAHE investors. For more information on our programs or making an investment:



phone: 888-969-1399

web: www.fahe.org



A member of the OPPORTUNITYFINANCE NETWORK