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A MuniMae Company

MMA FINANCIAL

October 25, 2004

Brian Potashnik
Southwest Housing Development, Inc.
5910 North Central Expressway Suite 1145
Dallas, Texas 75206

Re: Rosemont at Laureland
Dallas, TX

Dear Brian:

Thank you for giving us the opportunity to present an initial proposal to become an equity investor in Rosemont at Laureland ("Property"). This letter summarizes the proposed investment terms and conditions by which a limited partnership formed by MMA Financial ("MMALP") would acquire an interest in your Property.

Project Assumptions

We have made the following assumptions in evaluating this investment:

Development Structure

- TX Laureland Housing, L.P., a Texas limited partnership ("Partnership") has been formed to acquire, develop, construct, own, and operate the Property.
- MMALP will purchase a 99.98% limited partnership interest in the Partnership. A corporation affiliated with MMALP will be a Special Limited Partner ("MMASLP") with certain restricted management rights and a small interest in sale proceeds.
- The General Partner of the Partnership will be TX Laureland Development GP, LLC ("General Partner"). The sole member of the General Partner upon closing is expected to be Housing Services, Inc. ("HSI"), a Texas 501 (c)(3) Community Housing Development Organization ("CHODO"). In addition, Brian Potashnik will maintain an interest in the Property as the sole member of a class B special limited partner ("Class B SLP"), TX Laureland Development, LLC.
- Brian Potashnik and Cheryl Potashnik (the "Guarantors") and Southwest Housing Development Company, Inc. ("Southwest") will, jointly and severally, guarantee certain obligations of the General Partner as detailed in Sections A-G of the General Partner Obligations section of this letter.
- The Management Agent, who will have a minimum of two years of relevant Section 42 management experience, will be Southwest Housing Management, subject to the approval of MMALP. The management agent will be entitled to receive a management fee of 5% ("Management Fee"), 4% of which will be payable out of operations, and the remaining 1% out of cash flow ("Deferred Management Fee").
- The Builder/Contractor will be Affordable Housing Construction.

Project Design and Development Schedule

- The Project will be comprised of 250 units of family apartments in 15 buildings.
- Unit mix will be 52 1BR 1 BA units, 112 2BR 2BA units, and 86 3BR 2BA units. 100% of the units will be rented to households with incomes at or below 60% of the area median income ("AMI").
- Construction is expected to begin by January 2005.
- Construction completion is expected to occur by May 2006.
- Initial lease-up is expected to begin by November 2005.
- 100% qualified occupancy is expected to occur by March 2007.

GOVERNMENT EXHIBIT 1189
3:07-CR-0289-M

Financing

- The Property is expected to receive a commitment for a non-recourse construction/permanent loan from MMA Financial, LLC to be funded from the proceeds of a tax-exempt bond offering from the Texas Bond Review Board. The loan principal is expected to be in the amount of approximately $16,000,000 with a 40-year term and amortization schedule, and an all-in interest rate of approximately 6.50%.

Other Assumptions

- We have assumed that the Property will receive a 50% real estate tax exemption under Section 11.182 of the Texas Tax Code.
- We have also assumed GIC income of $127,134.

Predevelopment Loan

- In addition, if needed MMALP would make a predevelopment loan to the General Partner in an amount of up to 10% of the total equity shown below. The loan amount and terms will be based on a due diligence review and subject to MMALP approval. Additionally, the loan would be guaranteed by the Guarantor and repaid from MMALP's first capital contribution at closing.

Tax Credits

- Pursuant to the receipt of a tax-exempt bond allocation, the Partnership will qualify for federal low income housing tax credits from the state of Texas in the amount of $781,410.
- Tax credits to MMALP are expected to be generated as follows:

  $398,439 in 2006
  $772,140 in 2007
  $781,254 in 2008-2015
  $382,814 in 2016
  $9,114 in 2017

Capital Contributions

Based upon assumptions contained in the materials you submitted and subject to the satisfactory completion of MMALP's due diligence, MMALP will make capital contributions to the Partnership based on $0.87 per each dollar of tax credit received by MMALP in the installment amounts and subject to the conditions set forth below. If the installment pay-in schedule or the tax credit delivery schedule varies from the assumptions outlined below, the aggregate amount of capital contributed by MMALP may be adjusted prior to closing.

	Later of:	Amount	%
1.	Admission Date	$2,039,100	30%
2.	50% Completion or September 1, 2005	1,359,400	20%
3.	75% Completion or January 1, 2006	1,699,250	25%
4.	Completion Date	679,700	10%
5.	Final Closing of the Permanent Loan and Tax Credit Determination	339,850	5%
6.	115% Debt Service Coverage for the earlier of: each of 3 consecutive months or a period of 6 consecutive months	611,730	9%
7.	Receipt of Form 8609	67,970	1%
	TOTAL	$6,797,000	100%

Any interest income earned by the Partnership on the capital contributions of MMALP or on any reserve or escrow accounts (whether such amounts are held by the Partnership or held by a construction lender) will be specially allocated to the General Partner.

"Breakeven" means the first day following each of 3 consecutive calendar months commencing on or after the Completion Date, as defined herein, during which, as determined by the accountants (subject to a reasonable review by a representative of MMALP), the project has produced income actually received by the Partnership on a cash basis from normal operations at least equal to all cash operating requirements of the project on an accrual basis including the Management Fee (not including distributions to partners or affiliates out of cash flow but including debt service on the Permanent Loan at the rate in effect following the Permanent Loan commencement whether or not Permanent Loan commencement shall have occurred, and reserve requirements of $200 per unit per annum or such higher amount imposed on the project by the project documents) and, on an annualized basis, all projected expenditures, including those of a seasonal nature, which might reasonably be expected to be incurred on an unequal basis during the full annual period of operation.

"Completion Date" means the later of: (i) the date on which MMALP shall have received copies of requisite certificates or permits or other approvals permitting occupancy of 100% of the apartment units in the Property as issued by each agency having jurisdiction or (ii) the date as of which the inspecting architect certifies that the work to be performed by the builder under the construction contract is substantially complete.

"Debt Service Coverage" at a specified percentage shall be deemed to have occurred on the first day following the earlier of each of 3 consecutive calendar months or a period of 6 consecutive calendar months, on or after Completion during which, as determined by the accountants, the Net Operating Income for each month divided by all fixed debt service payments on the permanent loan (including full amortization) required to be made during that month shall equal or exceed the specified percentage. Net Operating Income shall be the excess of income actually received by the Partnership on a cash basis from normal operations over all cash operating requirements of the project on an accrual basis including the Management Fee (not including distributions to Partner or affiliates out of cash flow but including reserve requirements imposed on the project by the project documents) and, on an annualized basis, all projected expenditures, including those of a seasonal nature, which might reasonably be expected to be incurred on an unequal basis during the full annual period of operation.

The equity installments will be subject to tax credit adjuster calculations, as follows.

<u>Timing Adjuster</u>
As to timing, in the event that the total amount of federal credits delivered to MMALP are less than $398,439 for 2006 and $772,139 for 2007, then the aggregate amount of capital contribution shall be reduced by $0.70 for each dollar of federal credit below such amounts.

Additionally, as to timing, in the event that the total amount of federal credits delivered to MMALP are more than $398,439 for 2006 and $772,139 for 2007, then the aggregate amount of capital contribution shall be increased by $0.50 for each dollar of federal credit above such amounts. Such increase shall not exceed $150,000.

<u>Basis Adjuster</u>
As to the maximum amount of federal credit delivered annually, in the event that the amount of federal credits allocable to MMALP is less than $7,812,540 (99.98% of $781,410 x 10 years), MMALP will reduce its capital contribution by $0.87 for every $1.00 of annual federal credit shortfall.

Additionally, as to the maximum amount of federal credit delivered annually, in the event that the amount of federal credits allocable to MMALP is more than $7,812,540 (99.98% of $781,410 x 10 years), MMALP will increase its capital contribution by $0.87 for every $1.00 of annual federal credit increase. Such increases shall not exceed $650,000.

General Partner Obligations

The General Partner will have the following obligations:

A. Development Obligation The General Partner, the Guarantors, and Southwest will guarantee the delivery of a completed, lien-free project (including all final Certificates of Occupancy), in accordance with plans and specifications based upon fixed development costs. Through the later of the first anniversary of the Completion Date, the date the Property achieves Breakeven for three consecutive months or Final Closing ("Development Date"), the General Partner will be obligated to (i) arrive at Final Closing and (ii) fund any operating deficits. Any cost overruns or development deficiencies shall be paid by the General Partner and will be without reimbursement, except from designated proceeds (including deferral of development fee).

B. Operating Obligation. During the period commencing on the Development Date and ending on the third anniversary of the Development Date, the General Partner and Southwest will be obligated to advance up to $975,000 needed to cover operating deficits (including full reserve funding of the greater of $200/unit/year increasing by 3% per annum or that required by the Permanent Lender, normal repairs, and necessary capital improvements). Such advances ("Operating Expense Loans") will bear no interest and will be repayable from future available cash flow or sale and refinancing proceeds. Notwithstanding the foregoing, a separate unlimited operating obligation by the Guarantors will apply to any deficits arising due to an increase in real estate taxes stemming from the revocation of the Section 11.182 exemption, referenced earlier in this proposal.

After the Operating Obligation period, the General Partner and Southwest will be obligated to advance up to $25,000 of working capital to the Partnership. Any such advances will be considered to be Operating Expense Loans.

C. Repurchase Obligation. The General Partner and Southwest will be obligated to repurchase MMALP's interest in the Partnership, for a price equal to 100% of the net portion of capital contributions payable to the Partnership less amounts not yet paid into the Partnership, if (1) Final Closing of the mortgage loan is not achieved by 30 months after the closing of the construction loan (subject to an extension if existing loan commitments are similarly extended), or (2) at any time before the Development Date (a) an action is commenced to foreclose, abandon, or permanently enjoin construction of the Property, or (b) the Property is disqualified from obtaining tax credits. For a limited period of time, the Partnership will have an opportunity to cure any such problems.

D. Compliance Obligation. The General Partner and Southwest shall take any and all actions required to insure that the Property will continue to qualify for low-income tax credits as outlined in the Primrose at Skyline Partnership Agreement.

E. Tax Credit Adjusters. The General Partner and the Guarantors will guarantee the adjustments to the capital contributions resulting from a reduction in the credit amount. For adjusters arising from unit noncompliance occurring after the fifth anniversary of the receipt of 8609s, adjuster amounts will be repayable first from cash flow with any balance remaining payable from sales proceeds.

F. Sale/Refinance Obligation. Subsequent to 15 years of property operations, the General Partner and Southwest shall use best efforts to secure a sale or refinancing of the Property to maximize the return to MMALP. All terms and conditions of such sale or refinancing shall be subject to the approval of MMALP. An affiliate of the General Partner is expected to act as either the listing broker or the procuring broker, and will be entitled to a market-level brokerage commission. In addition, the General Partner shall have the right to buy MMALP's interest in the Property at fair market value. Fair market value will be defined under a methodology mutually agreeable to the General Partner and MMALP that will be incorporated into the partnership agreement prior to closing

G. Representations and Warranties. The accuracy of all customary representations and warranties will be guaranteed by the General Partner and the Guarantors as outlined in the Primrose at Skyline Partnership Agreement.

H. Lease-up Reserve. The proforma provided by the General Partner shows that a lease-up reserve will be established in the amount of $75,000. Any funds withdrawn from this reserve for the purpose of funding operating deficits during lease-up shall count toward the Operating Obligation limit. Any balances remaining in such reserve shall be released at the end of the Operating Obligation period.

I. Contingency. The proforma provided by the General Partner shows that a construction contingency in the amount of at least $875,225 will be established. Such funds will be applied to overruns and change orders during construction and shall not be applied to development fees or overhead until the Completion Date. This contingency is expected to be included as a funded item in the construction contract.

Developer Fee

The Developer shall earn a developer fee of approximately $2,912,086. We expect that $1,812,366 shall be outstanding after payment of all installments of equity ("Deferred Development Fee"). The Deferred Development Fee will have a fixed interest rate at the current long-term AFR in effect upon the Completion Date. Annual payments of principal and interest shall be subject to available cash flow. The General Partner shall be obligated to pay any amount outstanding after 13 years.

Allocation and Distributions

The tax credits, depreciation, and operating profits and losses of the Partnership shall be allocated 99.98% to MMALP and 0.02% to the General Partner. The Partnership shall depreciate its residential property, land improvements, and personal property costs, respectively, over 27.5 years, 15 years, and 5 years for federal income tax purposes.

Annual cash flow prior to the 1st anniversary of the Completion Date will go to the General Partner and the Class B SLP first as an Incentive Lease-up Fee not to exceed 7% of gross revenues and then as payment toward the Deferred Development Fee, if any.

Cash flow from operations after payment of operating expenses, debt service and funding of required replacement reserves shall be distributed as follows:

First, to pay MMALP its annual cumulative Priority Distribution of $7,500 adjusted annually by the annual percentage increase in CPI;
Second, to the General Partner to pay the Deferred Management Fee, if any, to the Management Agent;
Third, to the Class B SLP to pay its annual Partnership Management Fee equal to MMALP's Priority Distribution;
Fourth, to the General Partner, guarantor or Class B SLP to repay the Operating Expense Loans as made by each;
Fifth, to the Developer as payment of the Deferred Development Fee, if any; and
Sixth, 85% to the General Partner and Class B SLP and 15% to MMALP. Of the General Partner and Class B SLP's 85% share, proceeds will first be distributed as an Incentive Management Fee not to exceed 7% of gross revenues, and then as a cash distribution.

Net proceeds of a sale or refinancing shall be distributed as follows:

> First, to the General Partner, guarantor or Class B SLP to repay the Operating Expense Loans as made by each;
> Second, to repay the General Partner capital contributions to the extent not repaid from cash flow;
> Third, to the Developer to repay any unpaid Deferred Development Fee;
> Fourth, to the extent MMALP has not received cash flow, if any from operations equal to the cumulative annual Priority Distribution plus any adjustments with respect to the tax credits;
> Fifth, $10,000 to MMASLP; and
> Sixth, 20% to MMALP and 80% to the General Partner and Class B SLP.

Reporting

The Partnership shall furnish MMALP with quarterly unaudited financial statements, annual audited financial statements and tax returns prepared by an independent firm of certified public accountants, approved by MMALP, who is familiar with reporting requirements applicable to LIHTC properties under a timetable to be specified in the Partnership Agreement.

Due Diligence and Closing Process

Upon receipt of an executed copy of this Proposal Letter and the Due Diligence Documents, the parties will agree upon a mutually acceptable due diligence period and closing schedule.

Admission of MMALP to the Partnership is subject to the following and review of the items described on the Due Diligence/Document List:

a) Satisfactory due diligence, including a review of all plans, specifications, and related construction documents.
b) Satisfactory Phase One Environmental Report (ASTM Standards) and completion of any work recommended therein.
c) MMALP Market Study at MMALP's expense which will evaluate the Property's suitability and marketability as an LIHTC property.
d) Satisfactory financial statements of the General Partner, Partnership, Guarantors, and affiliates.
e) Satisfactory review of the backgrounds and credit worthiness of the General Partner and Guarantors.
f) Site inspection by MMALP.
g) Approval by MMALP's Investment Committee in its sole and absolute discretion.
h) Receipt of satisfactory commitment for construction and permanent financing.
i) Receipt of a satisfactory insurance policy insuring against fire and other casualty in an amount equal to the full replacement cost of the Property. A combined single limit property damage and commercial general liability insurance policy in the amount of not less than $4,000,000 (of which up to $3,000,000 may be provided under an umbrella policy).
j) ALTA Owner's Policy of Title Insurance.
k) Receipt of acceptable partnership and tax opinions.
l) Negotiation and execution of satisfactory documentation.

Costs and Expenses

Each party shall bear its own costs and expenses associated with the equity closing.

The above are the general terms and conditions of the proposed transaction. If the general terms and conditions outlined in this letter are acceptable, please execute this document below and return it to our office. By returning an executed copy of this letter, you will give MMALP exclusive authorization to proceed with its activities as contemplated by this proposal. In consideration of MMALP's agreement to proceed hereunder, the undersigned agrees not to take any action, directly or indirectly, which would conflict with such activities (including, without limitation, any offering of limited Partnership interest in, or other equity securities of, the Partnership) without obtaining MMALP's prior written approval.

If final agreement is not reached with respect to the Partnership Agreement on or before the first business day which is at least 45 calendar days after the date hereof, any party hereto may terminate this Agreement by written notice to the others, without any further obligation hereunder.

Base Agreement

Not withstanding the terms hereof, the parties agree to use the Primrose Skyline transaction as the form for this transaction.

We look forward to working with you.

Sincerely,

Steven A. Napolitano
Principal

AGREED & ACCEPTED:

TX LAURELAND HOUSING, L.P.

By:
its General Partner

By:____________________

MMA FINANCIAL

MMA Financial, LLC

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October 25, 2004

Brian Potashnik
Southwest Housing Development, Inc.
5910 North Central Expressway, Suite 1145
Dallas, TX 75206

Re: Rosemont at Laureland
Dallas, Texas

Dear Mr. Potashnik:

MMA Financial, LLC ("MMA") is pleased to offer a firm commitment for the construction and permanent financing for Rosemont at Laureland owned by TX Laureland Housing, L.P., a Texas limited partnership ("Borrower"). It is our understanding that the project is expecting to receive an allocation of tax-exempt bonds from the Texas Bond Review Board.

The loan will be in an amount not to exceed $16,000,000 at an interest-only rate of 5.375% through construction completion, at which point the rate will increase to the permanent rate of 6.50%, but will remain interest-only until conversion to the permanent loan phase. Upon conversion to the permanent phase after 24 months, amortization will begin. The permanent loan is at a rate of 6.50%, plus issuer and trustee fees, and is non-recourse with a 40-year term and 40-year amortization schedule.

The loan will be subject to the following terms:

Borrower	TX Laureland Housing, L.P., a Texas limited partnership
Guarantee	Brian Potashnik and Cheryl Potashnik ("Guarantor(s)")
Loan Limits	Maximum of 95% LTV based on market value, or 1.12x DSC
Permanent Loan Amount	$16,000,000
Interest Only Period	24 months to stabilization. May extend up to 12 months for an extension fee of 0.25% for each 3-month extension.
Terms of Conversion	Loan must meet 1.12x debt coverage
Construction Rate	5.375% (plus applicable issuer/trustee fees)
Construction Financing Fee	0.75% of the loan amount
Permanent Rate	6.50% (plus applicable issuer/trustee fees)
Loan Term	42 years from initial bond closing
Amortization Period	40 years from conversion to permanent
Option Put Term	17 years from initial closing
Permanent Financing Fee	1.75% of the loan amount
MMA Due Diligence Fee	$25,000 applied to third party reports
MMA Legal Counsel	$45,000 fixed
Expected Timing	120 days to close
Required Escrows	Taxes, Insurance, Replacement Reserves
Security	Security shall include, but not be limited to, a promissory note secured by a first mortgage or deed of trust encumbering the property including all personal property, assignment of leases etc.
Equity Requirement	Equity terms are per a commitment from MMA (see #3 below)

Additional terms of the loan are as follows:

1. The development team shall be acceptable to MMA and the Texas Bond Review Board ("TBRB"), including but not limited to the Third Party Engineer, Construction Supervisor, Management Company and General Contractor who shall provide a fixed price contract and an acceptable payment and performance bond.
2. Pursuant to the receipt of a tax-exempt bond allocation, the project will qualify for an allocation of approximately $781,409 in annual State of Texas Low Income Housing Tax Credits.
3. Agreement to purchase the tax credits by MMA, as evidenced by the accepted Equity Commitment dated October 25, 2004.
4. Environmental assessment, performed by a qualified environmental engineer satisfactory to MMA and TBRB, showing the land is clear of any hazardous material or contamination prior to the closing of the loan.
5. Final drawings and specifications, plan and cost review, soil analysis, engineering/structural review and an acceptable appraisal prepared by entities acceptable to MMA and TBRB, presented within the TBRB underwriting period, which confirm the costs and operating projections as presented in the application to MMA for financing and in the TBRB application for funding and/or Tax Credit Allocation.
6. The Guarantors will guarantee lien free completion, payment (principal and interest) and performance for the construction period. The loan will be non-recourse to the Guarantors after conversion to the permanent phase.
7. Loan proceeds will be funded in accordance with the approved construction budget.
8. Standard representations and warranties and terms and conditions as are typical in such financing may be required by MMA or its counsel.
9. CPA reviewed 2003 financial statements showing no material adverse changes in the Guarantors' financial condition are to be received prior to closing.
10. During the life of the permanent loan, the borrower will supply financial statements including rent rolls annually, will escrow taxes, insurance and reserves for operations and maintenance and will maintain the property in compliance with the requirements of the TBRB and the Tax Credit Investment Agreement.
11. Financial statements for the to-be-formed LLC owned by TX Laureland Development, LLC. ("General Partner") are to be received prior to closing. Financial statements will be provided on an annual basis thereafter.
12. Upon issuance of the Certificates of Occupancy, the borrower will begin providing quarterly operating statements.
13. This commitment is valid through December 31, 2004.

If you have any questions, please let me know. We look forward to continuing to work with you.

Sincerely,

Christopher E. Tawa / [signature]

Christopher E. Tawa
Managing Director

I hereby agree to all of the terms set forth herein as indicated by my signature below:

TX Laureland Housing, L.P., a Texas limited partnership
By: TX Laureland Development, LLC

____
By: Brian Potashnik