



**TWELFTH NOTICE TO REGISTERED BONDHOLDERS**

**TO THE REGISTERED OWNERS OF:**

**\$4,720,000**

**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE COUNTY OF  
SHELBY, TENNESSEE**

**MULTIFAMILY HOUSING REVENUE BONDS (THE CORNERS APARTMENTS PROJECT)**

**\$3,500,000 SERIES 1996A CUSIP Nos. 821697PG8 & 821697PH6**

**\$400,000 SUBORDINATE SERIES 1996C CUSIP No. 821697PK9**

**\$550,000 JUNIOR SUBORDINATE SERIES 1996D CUSIP No. 821697PL7**

**Notice of: Payment Default, Acceleration of Bonds,  
Setting of Record Date, and Initial Distribution from Trust Estate**

Regions Bank serves as the successor trustee (the "Trustee") under a Trust Indenture dated as of December 1, 1996 (as amended, supplemented or otherwise modified from time to time, the "Indenture"), with the Health, Educational and Housing Facility Board of the County of Shelby, Tennessee (the "Issuer"). Pursuant to the Indenture, the Issuer issued its Multifamily Housing Revenue Bonds (The Corners Apartments Project), Series 1996A, Series 1996B, Series 1996C and Series 1996D (collectively, the "Bonds") issued by the Issuer in the original principal amount of \$4,720,000. The Series B Bonds previously matured and have no amounts outstanding. Currently, \$3,260,000 in principal amount of Series A Bonds remain outstanding, \$160,000 in principal amount of Series C Bonds remain outstanding, and \$500,000 in principal amount of Series D Bonds remain outstanding. Capitalized terms used and not otherwise defined in this notice shall have the meanings given them in the Indenture and the other Bond Documents.

The Bonds were issued to finance the acquisition and rehabilitation by CME – Corners, Inc., a Tennessee not-for-profit corporation ("CME Corners"), of a 200-unit multifamily residential apartment rental project known as the Corners Apartments (the "Project") located in Shelby County, Tennessee. CME Corners leases the Project from the Issuer pursuant to a Lease Agreement dated as of December 1, 1996 (the "Lease Agreement"), between the Issuer and CME Corners. In accordance with that certain Declaration of Restrictive Covenants and Regulatory Agreement dated as of December 1, 1996 (as amended, supplemented or otherwise modified from time to time), among the Issuer, the Trustee and CME Corners, certain percentages of the apartments must be rented to certain Qualified Tenants.

The Bonds are special limited obligations of the Issuer payable solely from the lease payments to be made by CME Corners under the Lease Agreement, and are secured by a deed of trust lien on the Project and its gross revenues and certain funds on deposit with the Trustee. The repayment of the Series C Bonds and the Series D Bonds is subordinate to the prior repayment in full of the Series A and Series B Bonds in accordance with the terms of the Indenture, and the repayment of the Series D Bonds is subordinate to the prior repayment in full of the Series C Bonds in accordance with the terms of the Indenture.

The Trustee has previously given notice to registered Bondholders (the "Holders") (i) of the occurrence of Events of Default under the Bond Documents; (ii) of the commencement of a lawsuit (Regions Bank, as

Trustee v. CME – Corners, Inc., Case No. 06-cv-2239) before the Honorable Jon Phipps McCalla in the United States District Court for the Western District of Tennessee in Memphis (the “Court”), pursuant to which, among other things, the Court has appointed a receiver (the “Receiver”) to take control of the Project and certain related collateral for the Bonds (the “Collateral”); (iii) that the Trustee filed a claim on account of the Bonds and related obligations, which claim was allowed as a secured claim by order of the Court, dated November 3, 2006, 2006 (the “Claim Order”); (iv) that the Receiver determined to sell the Collateral; (v) that the Court entered an order, dated September 1, 2006 (the “Sale Procedures Order”) establishing procedures for the Receiver to conduct a sale of the Collateral; (vi) that the Receiver conducted a foreclosure sale (the “Foreclosure Sale”) of the Collateral and a simultaneous auction sale (the “Receiver Sale”) of the Collateral on November 17, 2006, which Receiver Sale was confirmed by the Court’s order, dated November 22, 2006 (the “Sale Approval Order”); (vii) that the Receiver and purchaser consummated the Receiver Sale on November 29, 2006, resulting in the distribution of net proceeds to the Trustee in the amount of \$1,430,893.93 (the “Proceeds”); (viii) that the Trustee has approximately \$546,879.81 (the “Funds on Hand”) on hand in the various trust accounts under the Indenture; (ix) that the Proceeds and Funds on Hand will be distributed in accordance with the Claim Order, the Sale Approval Order and the Bond Documents; and (x) the Court, by order entered June 21, (the “Redemption Order”), instructed the Trustee not to make certain Bond redemptions from the various Sinking Funds (the “Sinking Fund Redemptions”) and ordered the Trustee to hold such amounts in the respective Debt Service Reserve Funds, in trust, for the benefit of the Bondholders and in accordance with the terms of the Indenture (other than section 3.7 of the Indenture).

**Event of Default.** Because the Trustee could not make the Sinking Fund Redemptions in accordance with Article III of the Indenture, an Event of Default occurred on July 1, 2006 (the “Payment Default”), pursuant to Section 8.1(a) of the Indenture. In order to comply with the terms of the Sale Approval Order, the Trustee hereby provides notice of such Payment Default and accelerates the Bonds pursuant to Section 8.2 of the Indenture. Accordingly, the Bonds are immediately due and payable, and the Proceeds and Funds on Hand are to be applied or distributed in accordance with the Claim Order, the Sale Approval Order, and the Indenture.

**Calculation of Initial Distribution Funds.** Pursuant to Section 8.11(a) of the Indenture, the Proceeds and Funds on Hand must be used, first, to pay the costs and expenses of the proceedings resulting in the collection of such moneys, and second, to pay the fees, expenses, liabilities or advances payable or incurred or made by the Trustee or any Owner. In securing the consummation of the Foreclosure Sale and Receiver Sale, the Trustee incurred fees and expenses in the amount of \$200,479.69, leaving approximately \$1,780,930.22 for distribution in accordance with Section 8.11(a)(ii) of the Indenture. The Trustee intends to make an initial distribution of \$1,567,695.22 (the “Initial Distribution Funds”). The Initial Distribution Funds represent the Proceeds (less the Trustee’s expenses) (the “Net Proceeds”) and Funds on Hand, less the cash value of the investment currently held in the Series D Principal Reserve Account Investment, which will be distributed at a later date, as discussed below in the section entitled “Trust Instruction.”

The Initial Distribution Funds available for distribution is as follows:

**Series A Bondholders:** \$1,524,928.32 representing a recovery of \$2,338.84 (\$2,268.91 in principal and \$69.93 in interest) per \$5,000.00 held in Series A Bonds as partial payment of principal due plus accrued and unpaid interest from July 1, 2006 through the Distribution Date (defined below). The amount of distribution to Series A Bondholders is generated from the Net Proceeds, plus the amount on deposit in the Series D Debt Service Reserve Fund, pursuant to Section 4.6(j) of the Indenture. The Series A holders may be entitled to an additional distribution as discussed below (see Request for Trust Instruction section below).

**Series C Bondholders:** Pursuant to Section 8.11(a) of the Indenture, the Initial Distribution Funds available for distribution to the Series C Bondholder of \$34,180.20, comprised of the amounts on hand in the Series C Bond Fund and Debt Service Reserve Fund, represents a recovery of \$1,680.12 (\$1,035.12 in principal and \$33.00 in interest) per \$5,000.00 held in Series C Bonds as partial payment of principal due plus accrued and unpaid interest from July 1, 2006 through the Distribution Date. No further distribution, other than the one described in this paragraph, shall be made to Series C Bondholders.

**Series D Bondholders:** Pursuant to Sections 8.11(a) and 4.6(j) of the Indenture, the Initial Distribution Funds available for distribution to the Series D Bondholder of \$8,586.70, comprised of the amounts on hand in the Series D Bond Fund, represents a recovery of \$85.86 (\$82.56 in principal and \$3.30 in interest) per \$5,000.00 held in Series D Bonds as partial payment of principal due plus accrued and unpaid interest from July 1, 2006 through the Distribution Date. All amounts on deposit in the Series D Debt Service Reserve Fund, pursuant to Section 4.6(j) of the Indenture, shall be paid to the Series A Bondholders and none of the Series D Debt Service Reserve Fund shall be paid on account of the amounts owing to Series D Bondholders. The Series D holders may be entitled to an additional distribution as discussed below (see Request for Trust Instruction section below).

**Request for Trust Instruction.** With respect to the investment currently held in the Series D Principal Reserve Account Investment, the current market value of which is approximately \$212,894.00 (as of December 20, 2006) of the Funds on Hand, it is unclear whether Series A Bondholders are entitled to recover from such investment or whether such investment is solely for the benefit of Series D Bondholders. The Trustee intends to seek a trust instruction from the Court regarding a cash distribution of the Series D Principal Reserve Account Investment, and such distribution will be made at a later date in accordance with the Court's instruction, if any. The costs of seeking such instruction will be charged against the Series D Principal Reserve Account in accordance with the Indenture. In addition, certain amounts, aggregating less than approximately \$15,000, may be received from the Receiver on account of the Trustee's Claim (the "Wind-Up Funds") as the receivership estate is wound up, which amounts, if any, will also be distributed at a later date. The Trustee anticipates a single supplemental distribution of the Wind-Up Funds and the Series D Principal Reserve Account Investment will be made once instruction has been obtained from the Court and once the Wind-Up Funds, if any, are received. It is not clear on what timetable such distribution(s) will be made, and significant delays could arise with respect to the distribution of either or both the Wind-Up Funds or the Series D Principal Reserve Account Investment.

**Application of Distribution Between Principal and Interest.** Pursuant to section 8.11(a)(ii) of the Indenture, the Initial Distribution Funds are to be applied, "(A) first, to the payment of the principal and interest then due and unpaid upon the Senior [Series A] Bonds on a parity and pro rata basis, with interest on overdue interest, if lawful, and principal, as aforesaid at the Default Rate, without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest, or of any Senior [Series A] Bond over any other Senior [Series A] Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without discrimination or privilege; (B) second, to the payment of the principal and interest then due and unpaid upon the Series C Bonds on a parity and pro rata basis, with interest on overdue interest, if lawful, and principal, as aforesaid at the Default Rate, without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest, or of any Series C Bond over any other Series C Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without discrimination or privilege; and (C) to the payment of the principal and interest then due and unpaid upon the Series D Bonds on a parity and pro rata basis, with interest on overdue interest, if lawful, and principal, as aforesaid at the Default Rate, without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest, or of any Series D Bond over any other Series D Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without discrimination or privilege." Section 1.1 of the Indenture provides that "Default Rate"

either "with respect to the Bonds means the interest rate on the Bonds plus 2% per annum" or means 10% per annum with respect to any other amounts due. The Series A interest rate is 6.0% for bonds due 1/1/17 and 6.25% for bonds due 1/1/27, resulting in a default interest rate of 8.0% and 8.25%, respectively, with respect to the Series A Bonds; the Series C interest rate is 6.375%, resulting in a default interest rate of 8.375% with respect to the Series C Bonds; and the Series D interest rate is 8.0%, resulting in a default interest rate of 10.0% with respect to the Series D Bonds.

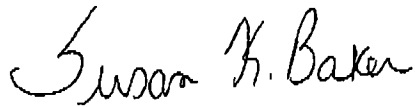
**Record Date and Bond Surrender.** In accordance with section 8.11(b) of the Indenture, the Trustee has affixed December 29, 2006 (the "Distribution Date") as the date upon which interest ceased to accrue upon the Bonds. There will be no further distribution on account of the Series C Bonds. The Trustee has also affixed December 19, 2006, as the record date for determining which Bondholders are entitled to distribution of their portion of the Initial Distribution Funds. In accordance with Section 8.11(b) of the Indenture, in order to receive your distribution, you must remit your physical Bond, along with a completed and executed form W-9 (a copy of which is enclosed herewith), to the Trustee at the address below.

**Tax Effect.** Although the Indenture provides for the distribution of the Initial Distribution Funds to be applied ratably to interest and principal, there can be no assurance that the Internal Revenue Service (the "IRS") or any state or local taxing authority will agree with such an allocation. The Trustee has not sought any ruling or advisement from the IRS or any state or local taxing authority on this issue. Holders should consult their own tax advisors as to the treatment of the final distribution under federal, state, and local tax laws and regulations.

**Direction and Indemnity.** The Indenture provides, in part, that during any Event of Default, the owners of at least a majority of the Bonds outstanding may direct the Trustee to conduct remedial proceedings, if such owners provide the Trustee with an indemnity acceptable to the Trustee to cover potential expenses or liabilities. The Indenture provides that the Trustee has a right to the payment of its fees and expenses prior to the payment to the Bondholders of principal and interest.

**No Further Action by Trustee Following Final Distribution.** Following a distribution of the (i) Funds on Hand (including without limitation the Series D Principal Reserve Account Investment), (ii) the Proceeds, and (iii) the Wind-Up Fees, if any (with each item (i) – (iii) net of the Trustee's expenses, including without limitation attorneys' fees and expenses), the Trustee does not intend to take any further action to recover any amount owed on account of the Bonds, unless directed and indemnified by Bondholders. In connection with the last distribution from the Trust Estate, the Trustee will send one final Notice to Bondholders regarding such distribution. After that, the Trustee does not intend to provide any further communication with Bondholders and will treat its duties under the Bond Documents, at law or equity to be fully discharged and completed.

The Claim Order, the Sale Procedures Order, the Sale Approval Order, the Redemption Order and this Notice and previous and future notices to bondholders will be made available at the following website: <http://www.wallerlaw.com/courtnotice.cfm>. Copies of the pleadings and orders in the case are also available from the Court or the Trustee (at the address listed herein). Bondholders with questions about this notice may direct them to Susan Baker, Regions Bank, Corporate Trust Department, 401 Union Street, 11th Floor, Nashville, TN 37219. Ms. Baker's telephone number is (615) 726-4271. While Ms. Baker and the Trustee will attempt to provide additional information to the Bondholders, please be advised that the Trustee may conclude that a specific response to a particular inquiry from an individual Bondholder is not consistent with equal and full dissemination of information to all Bondholders. Accordingly, the Trustee may, in its discretion, decline to provide specific information to a particular inquiry. Moreover, the Trustee is not under any circumstance able to provide Bondholders with legal or investment advice. The Bondholders should seek the advice of their own legal counsel and/or financial consultants regarding their individual rights under the Bond Documents.



REGIONS BANK, Trustee

By: Susan K. Baker, Senior Vice President

Dated: December 20, 2006

THE CUSIP NUMBER HAS BEEN ASSIGNED TO THE BONDS BY STANDARD AND POOR'S CORPORATION AND IS INSERTED FOR THE CONVENIENCE OF THE HOLDERS OF THE BONDS. NO REPRESENTATION IS MADE AS TO THE CORRECTNESS OR ACCURACY OF THE FOREGOING CUSIP NUMBER OR THE CUSIP NUMBERS PRINTED ON THE BONDS.