

**IN THE UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TENNESSEE AT MEMPHIS**

REGIONS BANK,)	
as Indenture Trustee,)	
)	
Plaintiff,)	
)	
v.)	Case No. 06-cv-2239-JPM
)	
CME-CORNERS, INC., and)	
THE HEALTH, EDUCATIONAL AND)	
HOUSING FACILITY BOARD OF THE)	
COUNTY OF SHELBY, TENNESSEE,)	
)	
Defendants.)	

**ORDER ALLOWING TRUSTEE’S CLAIM,
DETERMINING PRIORITY STATUS OF SUCH CLAIM,
AND DIRECTION OF DISTRIBUTION OF SALES PROCEEDS**

This matter came before the Court on the Motion for Allowance of Claim, Determination of Secured Status, and Direction of Distribution of Sales Proceeds (the “Claim Motion”), filed by Plaintiff, Regions Bank, as Indenture Trustee (the “Trustee”). This Court, having reviewed the pleadings, including that certain Memorandum in Support of the Claim Motion (including exhibits thereto, the “Memorandum”), and being fully advised on the premises, finds as follows:

1. Unless otherwise indicated herein, all capitalized terms in this Order have the same meaning ascribed to them in the Memorandum.

2. Trustee is a banking corporation organized under the laws of Alabama with its designated corporate trust office located in Little Rock, Arkansas. The Trustee, as the indenture trustee, is the holder of a first deed of trust lien against certain Collateral (as defined in the Receiver Order), which includes without limitation that low-income housing facility known as The Corners Apartments, located at 4150 Winchester Road, Memphis, Tennessee, and the revenues generated thereby under that certain Lease Agreement (as defined in the Receiver

Order). The Trustee holds these liens against the Collateral to secure the repayment of amounts owed to the Trustee and certain bondholders pursuant to that certain Trust Indenture (as defined in the Receiver Order) and that certain Deed of Trust (as defined in the Receiver Order), each among The Health, Educational and Housing Facility Board of the County of Shelby, Tennessee (the "Issuer"), CME-Corners, Inc. ("CME-Corners"), and the Trustee.

3. No response has been filed to the Verified Complaint and more than twenty (20) days has elapsed since the Verified Complaint was properly served on the Defendants. As set forth in the uncontroverted Verified Complaint and as previously ordered by the Court in its Order Granting Motion for Clarification of Judgment and Order Vacating Judgment, entered June 6, 2006, the Trustee's Claim is properly asserted by the Trustee pursuant to the Indenture, and such Claim is properly perfected and secured by a first priority lien on the Collateral. It is further found that:

(i) pursuant to the Trust Indenture, the Issuer issued \$4,720,000 of Multifamily Housing Revenue Bonds (The Corners Apartments Project) in four separate series, the proceeds of which were used to finance the acquisition and rehabilitation of the Project by CME-Corners;

(ii) CME-Corners entered into the Lease Agreement, the purpose of which was to facilitate the conduit financing provided by the Bonds, and whereby CME-Corners obligated itself under the Lease Agreement to make payments sufficient to pay the obligations due under the Bonds;

(iii) CME-Corners was, and is, the real party in interest with respect to ownership of the Project;

(iv) the Issuer and CME-Corners granted a first lien and security interest in the Collateral to the Trustee to secure repayment of the Bonds and CME-Corners'

obligations under the Lease Agreement, pursuant to the Deed of Trust, which was properly recorded with the Shelby County Register of Deeds;

(v) the Issuer also assigned to the Trustee, all of its right, title, and interest under the Lease Agreement;

(vi) pursuant to the Trust Indenture, the Issuer and CME-Corners also agreed to various provisions governing payments on the Bonds, defaults under the Bonds and Bond Documents, and remedies available to Trustee for the benefit of the Bondholders;

(vii) pursuant to the Bond Documents, CME-Corners is obligated to the Trustee for damages in an amount not less than \$4,120,789.45, as of October 31, 2006 (but with respect to trustee fees and expenses, including reasonable attorneys' fees, as of September 30, 2006);

(viii) pursuant to the Bond Documents, the Trustee has certain funds on hand in certain Debt Service Reserve Funds and other accounts (the "Funds on Hand"), in the approximate aggregate amount of \$533,264.47, as of the date of the Claim Motion; and

(viii) the Trustee holds a first-in-priority lien against the real estate and the revenues that constitute the Collateral.

5. On August 24, 2006, the Receiver filed that certain Expedited Motion Of Receiver For Approval Of Procedures To Sell The Collateral And To Set Hearings, whereby the Receiver obtained entry of an order, dated September 1, 2006 (the "Sale Procedures Order"), establishing certain procedures for the Receiver to conduct a Receiver Sale (as defined in the Sale Procedures Order).

6. Good cause exists for the Claim Motion and approval thereof, and the Trustee has acted in good faith with respect to the Claim and the Claim Motion.

7. Proper and sufficient notice was given of the Claim Motion.

8. The requirements of Rule LR 7.2 of the Local Rules of the United States District Court for the Western District of Tennessee have been satisfied in all respects regarding the Claim Motion and the Memorandum.

IT IS, THEREFORE, ORDERED THAT:

A. The Claim is hereby deemed to be properly perfected as to the Collateral (including any and all of the proceeds of any Receiver Sale) and to have a priority over all other claims against the receivership estate (including any and all of the proceeds of any Receiver Sale).

B. The Claim Motion is hereby granted and the Trustee's Claim is allowed in the amount of \$4,120,789.45, which amount shall be (i) decreased by any amounts applied against the indebtedness by the Trustee pursuant to the Trust Indenture and that are disbursed in accordance with the Trust Indenture, including the Funds on Hand, and (ii) increased by (a) pre- and post-judgment interest, which shall accrue until a Receiver Sale is consummated by the Receiver and the order approving such Receiver Sale has become final and unappealable, (b) any other charges accruing under the Bond Documents after October 31, 2006 through the conclusion of this case, and (c) the Trustee's fees and expenses (including reasonable attorneys' fees) accruing under the Bond Documents after September 30, 2006 through the conclusion of this case (collectively, the "Allowed Amount").

C. The Receiver is directed to remit, at closing of any sale, the proceeds from any sale of the Collateral as follows:

(i) First, to payment of any lender of any amounts borrowed by the Receiver pursuant to Court order, including principal and interest;

(ii) Second, to the Receiver's costs of any Auction (as defined in the Sale Procedures Order) and sale and any other fees and expenses of the Receiver related to

(a) the operation of the Collateral during the receivership and/or (b) the Auction and sale, including CBRE's commissions and expenses as provided in the Listing Agreement (as defined in the Sale Procedures Order);

(iii) Third, the sale proceeds, up to the Allowed Amount, shall be paid over to Trustee to be applied in accordance with its Bond Documents (as defined in the Receiver Order); and

(iv) Fourth, if any sale proceeds are remaining, to be held by the Receiver (a) for payment to creditors with liens against the receivership estate that are junior to the Trustee's lien, (b) after satisfaction of such junior secured claims, for payment to unsecured creditors of the receivership estate, or (c) after satisfaction of the claims of all creditors, for remittance to CME-Corners.

D. Trustee, upon receipt of funds remitted pursuant to this Order, shall apply and distribute such finds in the manner provided in the Trust Indenture.

SIGNED this 3rd day of November, 2006.

/s/ Jon P. McCalla
JON P. McCALLA
UNITED STATES DISTRICT JUDGE