

**IN THE CHANCERY COURT FOR LEWIS COUNTY
AT HOHENWALD, TENNESSEE**

IN RE:)
)
 SENTINEL TRUST COMPANY) **NO. 4781**
)
)

**SENTINEL TRUST RECEIVER’S MOTION FOR APPROVAL
OF DISTRIBUTION TO DADE CITY, FLORIDA
SERIES 1998 BOND ISSUE BONDHOLDERS**

I. INTRODUCTION

Through this Motion, the Sentinel Trust Receiver requests the Court’s approval of a distribution of funds to the bondholders of a bond issue known as the Dade City Series 1998/Pasco Nursing Home Bond Issue (“Dade City 1998 Bond Issue”).

II. FACTUAL BACKGROUND

In or around December 2002, the Dade City 1998 Bond Issue fell into default. The borrower that was obligated to pay principal and interest on that bond issue was Chamber Health Care Society, Inc. (“Chamber”). Sentinel Trust was the indenture trustee on the Dade City 1998 Bond Issue. Sentinel Trust proceeded to foreclose on the property, but the foreclosure sale did not yield sufficient funds to address the debt owed by Chamber. Indeed, there was, from Sentinel Trust’s perspective, a deficiency of approximately \$1.7 million as between what was owed by Chamber and what was yielded from the foreclosure sale. Sentinel Trust pursued the deficiency in a lawsuit filed against Chamber in a Florida state court. As part of that action, the parties were ordered to mediation. It was at this point in time that Sentinel Trust was taken possession of by the Commissioner of the Tennessee Department of Financial Institutions and the Receiver appointed. Mediation with Chamber was conducted by representatives of the

Receiver in Tampa, Florida on October 20, 2004. Mediation did not result in the settlement of the dispute. However, subsequent discussions resulted in the settlement of this matter, the only condition being the approval of this Court.

On November 8, 2004, the Receiver filed a Motion to Approve Settlement of Claim with Chamber Health Care Society, Inc. Concerning Dade City Series 1998 Bond Issue. The Court entered an Order Approving Settlement on November 15, 2004.

The settlement had an up front cash payment and an "over-time" cash payment component. Chamber has just paid the last payment called for in the agreements between it and the Sentinel Trust Receiver. The total amount that is being held by the Sentinel Trust Receiver in relation to the settlement is \$636,676.28, which breaks down to \$622,150.00 in payments from Chamber and \$14,526.28 in interest¹ earned on the funds held by the Receiver.

The other component of the settlement with Chamber was the assignment of Chamber's claim in the Sentinel Trust Receivership estate to the Receiver for the benefit of the Dade City 1998 Bond Issue bondholders. That claim arose from Chamber' involvement in another bond issue -- the Newton County, Georgia Industrial Development Authority Series 1998A/Riverside Facility Bond Issue. The amount of that claim in the Sentinel Trust Receivership is \$356,603.91 and has been presented in the pending Schedule of Claim Determinations as a claim by the Sentinel Trust Receiver on behalf of the Dade City 1998 Bond Issue bondholders². Payment of that part of the settlement must await approvals of any interim distribution(s) allowed by the Court and/or final distribution in conjunction with the closing of the Sentinel Trust Receivership estate.

¹ This is the computation of interest earned through March 17, 2006.

² See Notice of Filing of Commissioner-in-Possession and Receiver's Schedule of Claim Determinations and Motion Seeking Approval filed January 31, 2006, at pages 11-12 for further explanation of the assignment of claim and also refer to the Schedule of Claim Determinations (Exhibit A to that filing) at pg. 6 where the Receiver's Dade City 1998 Bond Issue claim is noted.

