

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

**IN RE:**

**SENTINEL TRUST COMPANY**

**NO. 4781**

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**ACTING COMMISSIONER-IN-POSSESSION'S AND SENTINEL TRUST  
RECEIVER'S REPLY TO OBJECTION BY RELIANCE HEALTH CARE  
MANAGEMENT, INC. REGARDING MOTION SEEKING APPROVAL  
OF THE SCHEDULE OF CLAIM DETERMINATIONS**

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On February 20, 2006, Reliance Health Care Management, Inc. ("Reliance") filed an Objection to the acting Commissioner-in-Possession's and Receiver's January 31, 2006 Motion Seeking Approval of the Schedule of Claim Determinations and Approval of the Methodology Proposed to Calculate Distributions on Accepted Claims ("Motion"). See Reliance's February 20, 2006 filing attached as **Exhibit 1**.

Reliance is the receiver in a Texas state court receivership proceeding in Tyler, Smith County, Texas ("Texas Receivership"). That proceeding was instituted, prior to May 18, 2004, by Sentinel Trust Company to address the default of a bond issue to which it was indenture trustee -- the Tyler, Texas - Park Place Nursing Home Bond Issue ("Tyler, Texas Bond Issue"). In the Texas Receivership proceeding, Reliance, or its predecessor, instituted a proof of claim procedure whereby vendors or trade creditors, that were owed money by the Park Place nursing facility, filed claims in the Texas Receivership proceeding. The Proof of Claim which Reliance filed in this Sentinel Trust Receivership proceeding is attempting to claim on behalf of those Texas Receivership claimants.

Since the beginning of the Sentinel Trust Receivership, the Receiver has been in communication with Reliance regarding the defaulted Tyler, Texas Bond Issue and the Texas

Receivership. It was clear that, because there was only a relatively small amount of money held by Reliance in Texas, the bulk of the Texas Receivership claimants would not have their claims satisfied through the Texas Receivership proceeding. It was also clear that, to the extent that those claims were unsatisfied, those claimants would be allowed to file separate claims in this Sentinel Trust Receivership, because the books and records of Sentinel Trust indicated that, as of May 18, 2004, there were supposed to be funds on deposit in the Pooled Fiduciary Account regarding the defaulted Tyler, Texas Bond Issue.

In recognition of this situation, and with the full knowledge of Reliance, the Sentinel Trust Receiver notified each of the claimants in the Texas Receivership proceeding that each of them might have a claim as against the Sentinel Trust Receivership estate and that each of them should consider filing a claim in the Sentinel Trust Receivership proceeding. Those Texas Receivership claimants were informed of the July 31, 2005 claims bar date in the Sentinel Trust Receivership proof of claim procedure and were provided with a Proof of Claim form for use in filing their claims in the Sentinel Trust Receivership.

Five (5) of the Texas Receivership claimants filed Proofs of Claim in the Sentinel Trust Receivership proceeding.<sup>1</sup> Four of those claims have been accepted and are included in the Schedule of Claim Determinations presented to the Court for approval. One claim, the Jo Snow, Guardian for Stanley Stockton claim, has been denied as improper because it is a tort claim (for \$1.0 million) for personal injuries allegedly sustained when Mr. Stockton was scalded at the Park Place nursing facility. There have been no objections filed by the four Texas Receivership

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<sup>1</sup> These claimants are American 3C1 (#172825), East Texas Therapy Solutions (#172891), Jo Snow, Guardian for Stanley Stockton (#172822), Olmstead-Kirk Paper Company (#172781) and Therapy Management Solutions (#172908). In its Objection, Reliance erroneously notes that only two of the claimants in the Texas Receivership have filed claims in the Sentinel Trust Receivership. See Exhibit 1 at p. 2.

