

**IN THE SUPREME COURT OF TENNESSEE,
AT NASHVILLE**

)	
)	Supreme Court No.
)	M2005-1773-SC-R11-CV
)	
IN RE: SENTINEL TRUST COMPANY)	Court of Appeals No.
)	M2005-1773 COA-R3-CV
)	
)	Lewis Equity No. 4781
)	

**ANSWER OF APPELLEES COMMISSIONER-IN-POSSESSION KEVIN P. LAVENDER
AND RECEIVERSHIP MANAGEMENT, INC., RECEIVER FOR SENTINEL TRUST
COMPANY, IN OPPOSITION TO APPLICATION FOR PERMISSION TO APPEAL**

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I. INTRODUCTION

Appellees, the Commissioner of the Tennessee Department of Financial Institutions, as Commissioner-in-Possession of Sentinel Trust Company, and Receivership Management, Inc., the appointed Receiver of Sentinel Trust Company, herein answer in opposition to Appellants'¹ Application for Permission to Appeal. Respectfully, Appellants' Application should be denied because the decision of the Court of Appeals presents no circumstance or issue for which there is the need to secure uniformity of decision, the need to secure settlement of important questions of law, the need to secure settlement of questions of public interest or the need for exercise of this Court's supervisory authority.

II. JUDGMENT OF THE COURT OF APPEALS

The Opinion and Judgment of the Court of Appeals were entered on December 29, 2005, and no petition for rehearing was filed. A copy of the Judgment is appended hereto.

III. APPLICATION FOR PERMISSION TO APPEAL

The Appellants filed, pursuant to Rule 11 T.R.A.P., their Application for Permission to Appeal on February 24, 2006 and, thus, are timely in presenting that application.

IV. QUESTIONS PRESENTED FOR REVIEW

1. Did the Commissioner have the authority to sell the Sentinel Trust Bellevue Property upon approval of the Receivership Court as part of the liquidation of Sentinel Trust?
2. Was it appropriate for the Receivership Court to approve the sale of the Sentinel Trust Bellevue Property as part of the liquidation of Sentinel Trust?

¹ Appellants are the former members of the Board of Directors of Sentinel Trust Company.

3. Did the Court of Appeals correctly decide that the Commissioner had authority to sell the Sentinel Trust Bellevue Property and that the Receivership Court correctly approved the sale?

V. RELEVANT FACTS

The action pending in the Lewis County Chancery Court (In re: Sentinel Trust Company; Case No. 4781) is an administrative receivership action (hereinafter “Receivership Action” or “Receivership Court”), wherein possession over Sentinel Trust Company (“Sentinel Trust”) has been assumed by the Commissioner of the Tennessee Department of Financial Institutions, pursuant to T.C.A. § 45-2-1501, et seq. The Receivership Action was commenced on May 18, 2004, pursuant to T.C.A. § 45-2-1502(b)(1), through the filing of a Notice of Possession of Sentinel Trust Company with the Chancery Court for Lewis County, Tennessee. The Notice stated that the Commissioner had found: (1) that Sentinel Trust had used pooled fiduciary funds, that were to be held in trust for certain bond issues, to provide operating capital for non-related defaulted bond issues, thereby creating a fiduciary cash shortfall that greatly exceeded Sentinel Trust’s current operating capital and, (2) that Sentinel Trust had failed to reconcile fiduciary cash and corporate cash accounts in a timely and accurate fashion and had otherwise failed to keep accurate books and records. The Commissioner further found that Sentinel Trust’s potential liability for the cash shortfall in the Pooled Fiduciary Account² exceeded its current capital level and that Sentinel Trust has been unable to provide a viable capital plan that would eliminate the deficiency and make the account whole. Accordingly, the Commissioner found that the

² The Pooled Fiduciary Account is a Sentinel Trust account held at SunTrust Bank, in which funds were deposited, in trust, by bond issue borrowers and/or issuers for payment of principal and interest and other matters associated with the particular bond issue. The funds in that account were co-mingled by Appellants and were withdrawn by them for purposes other than for which the funds were deposited.