

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

IN RE:

SENTINEL TRUST COMPANY

NO. 4781

**ACTING COMMISSIONER-IN-POSSESSION’S AND SENTINEL TRUST RECEIVER’S
REPLY TO OBJECTION BY LOUISE DOYLE REGARDING MOTION SEEKING
APPROVAL OF THE SCHEDULE OF CLAIM DETERMINATIONS**

On February 3, 2006, Louise Doyle filed an Objection to the 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 Mrs. Doyle’s February 3, 2006 filing attached as **Exhibit 1**. Mrs. Doyle and her late husband, William Doyle, are bondholders of the Niceville, Florida/Okaloosa Health Care Services, Ltd. Series 1992 Bond Issue (“Niceville Bond Issue”) and are claimants regarding the defaulted Niceville Bond Issue. The nature of the Objection is that Mrs. Doyle is upset that there is an Approved Amount of “\$0” regarding her claim in the Schedule of Claim Determinations. She complains that paying nothing on the bond is unfair and asks for reconsideration and for payment of a “fair amount for the bond.”

In actuality, the Schedule of Claim Determinations treats all Niceville Bond Issue bondholder claimants as having their claims “denied” because the amount that was shown as being on deposit in the Pooled Fiduciary Account regarding that particular bond, and/or any percentage distribution as to that amount, will be exhausted through payment of other claims with higher priority than the bondholder claims lodged by Mrs. Doyle and the other bondholders. Because what has happened is a “denial” of Mrs. Doyle’s claim, the acting Commissioner-in-

Possession and Receiver will treat Mrs. Doyle's Objection as one objecting to the denial of the claim as well as the natural corollary of that denial -- i.e., that the claim amount is considered as "\$0." Several points should be made in reply to Mrs. Doyle's Objection. First, it is important to note that Mrs. Doyle will receive an amount for her Niceville bond. That will occur through the selling of the Niceville Bond Issue collateral and the pro rata distribution of funds realized upon that collateral to the bondholders.¹ The acting Commissioner-in-Possession and Receiver anticipate that a material payment will be made to the Niceville Bond Issue bondholders as a result of the realization upon that defaulted bond issue collateral. While it is an estimate, the acting Commissioner-in-Possession and Receiver, in good faith, believe that a payment of 50¢-60¢/\$1.00 to the Niceville Bond Issue bondholders could occur arising from the liquidation of the collateral relating to that defaulted bond issue.

Mrs. Doyle's Objection seems rooted at the difference between 1) a pro rata distribution to a bondholder of funds received upon realization of proceeds from the sale of defaulted bond issue collateral and 2) the allowance and payment of a claim lodged through the Proof of Claim process against the Sentinel Trust Receivership estate relating to the amounts that should have been on deposit for that bond issue in the Pooled Fiduciary Account.

Mrs. Doyle's claim against the Sentinel Trust Receivership estate was denied, and, thus, found to be "\$0," because the funds that were supposed to be on deposit in the Pooled Fiduciary Account as of May 18, 2004 are going to be exhausted in payment of claims of higher priority -- i.e., the costs and expenses of the Receiver in relation to that defaulted bond issue. Records available to the Receiver indicate that \$68,625.35 was supposed to be on deposit in the Pooled

¹ Currently pending before the Court is the acting Commissioner-in-Possession's and Receiver's Motion for Approval of Sale of Niceville, Florida Facility. Upon approval of the sale at issue in that Motion and upon the closing of that sale and other collateral realization efforts by the Receiver, funds will be available for a distribution to the Niceville Bond Issue bondholders, upon approval of Court regarding such distribution.

