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April 21, 2006

Honorable Jay Steven Stafford  
Chancellor, Twenty-Ninth Judicial District  
P.O. Box 1471  
Dyersburg, TN 38025-1471

VIA FACSIMILE  
(731) 286-8389  
AND U.S. MAIL

Re: Sentinel Trust Company, Lewis County Chancery No. 4781

Dear Chancellor Stafford:

I am faxing herewith my clients' Response to your directive at the conclusion of the hearing in Hohenwald on April 12, 2006.

It is my understanding that after reviewing our response and the response of the Commissioner and Receiver, you will rule on whether Mr. Bates and/or the Board of Directors have standing in the matters before the Court and whether you will afford a hearing for the purpose of introducing evidence by oral testimony.

Yours very truly,

Schwendimann & Associates

By:   
Donald W. Schwendimann

DWS/lm

Enclosure

cc: Mr. Danny N. Bates  
Ms. Janet Kleinfelter  
Mr. Graham Matherne

IN THE CHANCERY COURT OF LEWIS COUNTY, TENNESSEE  
AT HOHENWALD

IN RE: SENTINEL TRUST COMPANY )  
 )  
 ) DOCKET NO. 4781  
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**RESPONSE TO COURT'S ENUMERATION OF ITEMS FOR CONSIDERATION  
IN CONNECTION WITH OBJECTIONS AND ANSWERS RELATED TO  
METHODOLOGY FOR CLAIMS DETERMINATION AND PAYMENT OF  
RECEIVERSHIP FEES AND EXPENSES**

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Comes now Sentinel Trust Company, by and through Danny N. Bates, its principal stockholder and director, and the other members of the Board of Directors of Sentinel Trust Company, ("Objecting Parties"), responding to the Court's ruling at the hearing of April 12, 2006 of items due for consideration by April 21, 2006, in connection with objections and responses made by the Objecting Parties, to wit: (i) authority for their standing to object to methodology for Claims determination; (ii) listing of specific topics as to which Danny N. Bates would testify; and, (iii) written argument or authority as to how the objections of Objecting Parties would affect the proposed methodology for claim determination.

**A. BACKGROUND**

Objecting Parties have requested permission of the Tennessee Supreme Court to appeal decisions by the Court of Appeals upholding rulings by the Lewis County Chancery Court approving the sale of the Bellevue property of Sentinel Trust Company and the give-away of Sentinel Trust Company's fiduciary accounts and business and the ruling by Davidson County Chancery Court that the decision by the Commissioner of Financial Institutions to seize and liquidate Sentinel Trust Company was justified. On

January 30, 2006 the Commissioner-in-Possession and Receiver filed with this Court their (1) Post-Receivership History of Sentinel Trust SunTrust Fiduciary Bank Account #4049233 (Pooled Fiduciary Account) as of December 31, 2005, (2) Sentinel Trust Receivership Schedule of Revenues, Expenses and Net Assets for the Period May 18, 2004 through December 31, 2005, and (3) Notice of Filing of Commissioner-in-Possession's and Receiver's Schedule of Claim Determinations and Approval of Methodology Proposed to Calculate Distributions of Accepted Claims. Objecting Parties timely filed Objections with the Court pointing to inadequacies perceived in the information necessary to permit informed judgment and the effect of the characterization of receipts from the sale or liquidation of trust assets as corporate assets of Sentinel Trust Company.

#### **B. AUTHORITY FOR STANDING TO OBJECT**

1. Pursuant to T.C.A. §45-2-1504(g), "Within twenty (20) days after the filing of the commissioner's schedule, any creditor, depositor or **stockholder** [emphasis added] may file an objection to any determination made." Danny N. Bates, one of the Objecting Parties identified above, is the principal stockholder of Sentinel Trust Company and therefore has, by statute, standing to object by virtue of stock ownership.

2. The Board of Directors of Sentinel Trust Company, joint and severally the Objecting Parties, is responsible for the exercise of its fiduciary powers and, pursuant to the provisions of T.C.A. § 45-2-402(d), "...shall not accept or voluntarily relinquish a fiduciary account..." and pursuant to T.C.A. § 45-2-402 (e), is responsible "...for the investment and disposition of property held in a fiduciary capacity." The Board of Directors of Sentinel did not voluntarily relinquish its trust accounts and has continually

