

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

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

**BRIEF IN SUPPORT OF OBJECTION TO DENIAL OF
RELIANCE HEALTH CARE/RECEIVER'S CLAIM**

Comes now Reliance Health Care Management, Inc. ("Reliance"), through counsel of record and in its capacity as court-appointed Receiver in *Sentinel Trust Company v. Park Place, Ltd. and Tyler Health Facilities Development Corporation*, Dist. Court of Smith County, Texas, Case No. 99-2572-A (the "Park Place Receivership Case"), relative to the Park Place Nursing Center nursing home property which was located at 2450 East Fifth Street, Tyler Smith County, Texas (the "Tyler Park Place Property"), and submits the following Brief in support of its objection to the denial of its claim filed in this case.

HISTORY OF PARK PLACE RECEIVERSHIP

In 1999 Sentinel Trust Company (before this receivership) filed suit in Texas to preserve collateral and asked the Court to authorize the receiver there, Tri-Health, to take steps to preserve and sell the collateral. Pursuant to Sentinel's request and the Court's orders the receiver continued the operations of the nursing home collateral until sold. In the course of continuing the operations during the receivership certain parties provided services and supplies to the nursing home in anticipation of payment for same. When Tri-Health handled the sale of the nursing home in September, 2003 the proceeds were

primarily used to pay the expenses incurred in operating the Collateral and administering the receivership. However, Tri-Health turned possession of more than \$425,000 of the funds (this is an estimate-Sentinel/Receivership Management should have the exact dollar amounts and dates received) over to Sentinel Trust Company. On or about the time of the sale in September, 2003 Sentinel became aware of potential unlawful conduct on the part of principals of Tri-Health. Sentinel asked the Texas court to replace Tri-Health as receiver and an order was entered replacing Reliance Health Care Management, Inc. as receiver on December 9, 2003.

Sentinel kept in its bank account(s) approximately \$425,000 of the funds Tri-Health sent to Sentinel out of the Tyler Park Place sale proceeds. Sentinel distributed the remainder it had received from Tri-Health to bondholders. Upon information and belief, as of the time that Receivership Management, Inc. took over Sentinel Trust Company, Sentinel Trust Company held approximately \$425,000 in funds which Sentinel received from the Park Place Receivership. Upon information and belief, these funds were retained by Sentinel in part because it was unclear as to whether Tri-Health had properly distributed the sale proceeds and in part to ensure that funds would be available in the event there arose or remained outstanding obligations related to the operation of the Tyler Park Place Property Collateral and administration of the Park Place Receivership. In fact, in approximately November, 2004, Sentinel (then through its receiver Receivership Management, Inc.) asked the Texas court to establish a proof of claim process and deadlines, presumably to finalize any potential outstanding claims related to the Tyler Park Place Receivership. On November 4, 2004, the Texas court established this process and required notice to all "post-receivership" creditors, meaning the creditors who

