

**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
MOTION FOR FINAL ORDER OF COURT APPROVING A VOTE IN FAVOR OF
JOINT REORGANIZATION PLAN IN CHARLOTTE / ROSELAND BANKRUPTCY
PROCEEDING**

[ORAL ARGUMENT REQUESTED AS SET FORTH IN SECTION II]

I. INTRODUCTION

Through this Motion, the Acting Commissioner-in-Possession ("Commissioner") and Sentinel Trust Receiver ("Receiver") seek an final order of this Court approving the Receiver's voting the interest of the bondholders of the \$11,350,000 Housing Authority of the City of Charlotte, N.C. Multifamily Housing Revenue Bonds (Roseland I and II Project), Series 1998 Bond Issue ("Charlotte/Roseland Bond Issue") (bondholders of the Charlotte/Roseland Bond Issue are hereinafter referred to as "Bondholders") in favor of a First Amended Joint Plan of Reorganization ("First Amended Joint Plan") (copy of which is attached as **Exhibit 1**) in the pending bankruptcy matter In re: CP-CHA Roseland Limited Partnership #04-31630 (Bkry. Ct. W.D.N.C.) ("North Carolina bankruptcy proceeding"). The Commissioner and Receiver also request this Court to approve and otherwise authorize them to take all reasonable actions required to effectuate the First Amended Joint Plan.

II. REQUEST AND NEED FOR HEARING IN THE NEAR FUTURE

Votes in favor or against confirmation of the First Amended Joint Plan are to be received by Debtor's counsel on or before August 23, 2006. Objections filed in the North Carolina bankruptcy proceeding to the First Amended Joint Plan are due on or before that same date—August 23, 2006. The confirmation hearing relating to the First Amended Joint Plan in the North Carolina bankruptcy proceeding is set for August 30, 2006. Therefore, the Commissioner and Receiver request that a hearing date for this Motion be set as soon as practicable on the Court's calendar. The Commissioner and Receiver also request that they be given notice of the setting of such hearing far enough in advance (e.g., three (3) weeks) so that they can send out a notice of the setting to all interested parties, including the Bondholders, with enough time for responses/opposition to be filed prior to hearing.

III. RELEVANT BACKGROUND

On May 4, 2004, CP-CHA Roseland Limited Partnership ("Debtor") filed for Chapter 11 bankruptcy protection in Charlotte, North Carolina. Sentinel Trust Company was the indenture trustee for the Charlotte/Roseland Bond Issue which had provided financing for a low-income, multi-family residential rental project ("Roseland Project") owned by the Debtor. The Debtor has remained in possession of, and has operated, the Roseland Project during the pendency of the North Carolina bankruptcy proceeding. Sentinel Trust, on behalf of the Bondholders, holds the first priority lien interest in relation to the assets of the bankruptcy estate.

For several months, representatives of the Debtor, representatives of the Receiver and representatives of substantial Bondholder groups have been discussing, negotiating and finalizing a plan of reorganization of the Debtor. On April 19, 2006, the Debtor and the Receiver filed, in the North Carolina bankruptcy proceeding, their Disclosure Statement in Connection

with the Joint Plan of Reorganization (“Disclosure Statement”). The original Joint Plan was attached to that Disclosure Statement.

A hearing on the adequacy of the Disclosure Statement was set for May 24, 2006 before the U.S. Bankruptcy Court in Charlotte, North Carolina (“North Carolina Bankruptcy Court”). A deadline for objections to the Disclosure Statement was set for May 19, 2006, and no objections were filed. Just prior to the May 24, 2006 hearing, several changes to the Joint Plan, that had no effect upon the interests of the Bondholders, were agreed to by the Debtor and Receiver. At the May 24, 2006 hearing, the above-referenced changes were announced and discussed with the North Carolina Bankruptcy Court, which approved the Disclosure Statement as adequate in describing the Joint Plan. The North Carolina Bankruptcy Court instructed that the Joint Plan be amended to reflect the announced changes and that the Disclosure Statement be similarly amended. On June 1, 2006, the Debtor and Receiver filed with the North Carolina Bankruptcy Court their Amended Disclosure Statement in Connection with the First Amended Joint Plan of Reorganization (“Amended Disclosure Statement”), a copy of which is attached as **Exhibit 2** and, on the same day, filed their First Amended Joint Plan (i.e. **Exhibit 1**). On June 2, 2006, the North Carolina Bankruptcy Court issued an order that approved the Amended Disclosure Statement as adequate in describing the First Amended Joint Plan and authorized that it be sent to all creditors of the bankruptcy estate. See Order of North Carolina Bankruptcy Court attached as **Exhibit 3**.

The Amended Disclosure Statement and the First Amended Joint Plan has now been distributed so as to allow affected creditors and claimants the ability to vote for or against and/or object to the First Amended Joint Plan. As indenture trustee (because of the Sentinel Trust Receivership) and on behalf of the affected Bondholders, the Receiver will be called upon to

vote the Bondholders' interest -- the Class 2B Claim set forth in the First Amended Joint Plan. Again, that vote is due on August 23, 2006. Through this Motion, with notice being provided to all Bondholders currently of record in the Sentinel Trust books and records, the Receiver requests the Court's approval to vote the Bondholders' interest in favor of the First Amended Joint Plan.

IV. ARGUMENT IN SUPPORT OF VOTING FOR THE FIRST AMENDED JOINT PLAN

The Amended Disclosure Statement, which the North Carolina Bankruptcy Court has deemed adequate and authorized for distribution, has as its purpose to describe and otherwise disclose the material components of the First Amended Joint Plan. As can be appreciated by a review of the entire Amended Disclosure Statement and/or First Amended Joint Plan, many aspects of those documents do not impact upon Sentinel Trust or the Bondholders for which Sentinel Trust is the indenture trustee. However, many aspects of the Amended Disclosure Statement and First Amended Joint Plan do relate to Sentinel Trust and/or the Bondholders. The principal areas of importance as to Sentinel Trust and the Bondholders are further discussed below.

a) Sale of General Partner's Interest in Debtor and Disposition of Proceeds

A principal focus of the First Amended Joint Plan is establishment of a New General Partner/ Reorganized Debtor through the auction of the existing General Partner's Interest of the Debtor. A "stalking horse" minimum bid of \$800,000 (from the current manager of the Roseland Project, Interstate Realty Management Company) has been solidified, and the actual auction of that interest may exceed that amount. First Amended Joint Plan at Art. IV, § 4.2, p. 13. The proceeds from the auction will be used 1) to pay the administrative costs of the Debtor incurred in the North Carolina bankruptcy proceeding (which have been capped at

