

**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 OBJECTIONS BY DANNY N. BATES REGARDING MOTION SEEKING
APPROVAL OF THE SCHEDULE OF CLAIM DETERMINATIONS**

On February 6, 2006, Danny N. Bates filed Objections 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 Mr. Bates’ February 6, 2006 filing attached as **Exhibit 1**.¹

A. Mr. Bates Lacks Standing to File Objections

As an initial matter, Mr. Bates lacks standing to file an objection to the Commissioner-in-Possession’s and Receiver’s Motion. Neither Mr. Bates, nor any of the former directors of Sentinel Trust Company, filed Proofs of Claim in the Sentinel Trust Receivership estate. The Schedule of Claim Determinations and the methodology to be used in calculating distributions relate to claimants and distributions to those claimants. Mr. Bates, not being a claimant, has no credible interest in this matter.

Moreover, the bulk of Mr. Bates’ Objections center upon what funds should be placed back into the Pooled Fiduciary Account. While Mr. Bates is not a claimant to the Sentinel Trust

¹ Mr. Bates presents his objections as being on behalf of “Sentinel Trust Company, and by and through Danny N. Bates, its principal stockholder and director, and other members of the Board of Directors of Sentinel Trust Company.” The acting Commissioner-in-Possession and Receiver object to this characterization. Pursuant to T.C.A. § 45-2-1502(b)(2), upon taking possession of Sentinel Trust Company, the Commissioner-in-Possession is vested with full and exclusive power of control concerning Sentinel Trust Company. Therefore, neither Mr. Bates nor any of the former directors of Sentinel Trust Company can do any act, much less file pleadings, on behalf of Sentinel Trust Company.

Receivership estate, he is a debtor, or potential debtor, regarding the amount of the shortfall in the Pooled Fiduciary Account. Accordingly, under the case In re: Liquidation of United South Bank of Nashville, 718 S.W.2d 251, 254-255 (Tenn. 1986), Mr. Bates lacks standing to lodge the Objections which he filed on February 6, 2006.

B. Bates Has Withdrawn Various Unspecified Objections

In light of the Court's statements at the March 10, 2006 hearing, in which the Court warned the parties against presenting matters that have already been ruled upon (see pertinent portions of transcript attached as **Exhibit 2**), Mr. Bates, on March 21, 2006, filed a Notice with the Court wherein he withdrew all Objections which "contain matters and objections previously raised and ruled on by the Court." Copy of Notice attached as **Exhibit 3**. Mr. Bates' Notice, however, does not specify which Objections he is withdrawing and, basically, leaves the acting Commissioner-in-Possession and the Receiver, as well as the Court, to guess which Objections have been withdrawn.

In good faith, the acting Commissioner-in-Possession and the Receiver assert that Mr. Bates' withdrawal of Objections must include the following: Objection 1, Objection 2, Objection 3, Objection 4, Objection 5, the second part of Objection 6 and Objection 7. The matters raised in these Objections, as briefly discussed below, have all been previously raised by Mr. Bates with the Court dispositively, and with finality, ruling against him.

Mr. Bates' Objection 1 states that trust funds should not be included in Sentinel Trust Company's property. "Only those assets owned by Sentinel Trust Company corporately may lawfully be seized and disposed of in the receivership action." Bates Objections at p. 1. This Objection simply repeats Mr. Bates' previous contention that "trust funds" (e.g., post- May 18, 2004 accrued fees and expenses owed to Sentinel Trust on various defaulted bond issues) are

being held by the Receiver as Sentinel Trust corporate funds. This is an issue he has previously raised and has had ruled against him -- e.g., May 23, 2005 final orders regarding distribution of proceeds in the Fort Pierce, Florida, Hernando County, Florida and Tarrant County, Texas defaulted bond issues.

Mr. Bates' Objection 2 complains of the same thing -- that the Receiver is retaining trust funds for the payment of receivership fees and expenses, rather than placing those funds in the Pooled Fiduciary Account. Bates Objections at p. 2. Again, numerous final orders of the Court have found that the amounts retained by, or paid to, the Sentinel Trust Receiver are not trust funds.

Mr. Bates' Objection 3 complains that T.C.A. § 45-2-1504 deals with the liquidation of "state banks" and that it is improper to dissipate fiduciary assets on "premature application of fees and expenses" (Bates Objections at pp. 2-3) -- arguments which Mr. Bates has made numerous times and has had ruled against him as many times as he has made them.

Mr. Bates' Objection 4 complains of the impact of the Receivership proceedings "consum[ing] trust assets prior to settlement of accounts" regarding the Pooled Fiduciary Account. Bates Objections at p. 3. Again, this topic is one that has been ruled upon via final orders of the Court -- those orders clearly indicating that the Receiver was not consuming trust assets.

Mr. Bates' Objection 5 is a repeat of previous Objections regarding the contention that the Commissioner-in-Possession and Receiver have diverted "trust funds" "for their own use and benefit." Bates Objections at pp. 3-4. This position has been debunked through numerous orders of the Court indicating that the actions of the Commissioner-in-Possession and Receiver have not diverted trust funds and have otherwise been appropriate.

The second part of Mr. Bates' Objection 6 (at page 5 of his Objections) complains that the amounts that the Receiver retained from defaulted bond issue recoveries should not have been included as revenues of the Sentinel Trust Receivership. Again, final orders of the Court have repeatedly found otherwise.

Mr. Bates' Objection 7 merely regurgitates Mr. Bates' contention that the Receiver had retained funds from the Fort Pierce, Florida, Hernando County, Florida, Jefferson County, Arkansas, Lee County, Alabama and Tarrant County, Texas defaulted bond issue recoveries which Mr. Bates maintains belong in the Pooled Fiduciary Account. That issue has been ruled upon with finality against Mr. Bates.

Accordingly, the acting Commissioner-in-Possession and Receiver consider Mr. Bates as having withdrawn Objections 1, 2, 3, 4, 5, 7 and the second half of Objection 6. It is regrettable that Mr. Bates has not seen fit to identify which Objections he is withdrawing as opposed to thrusting upon the acting Commissioner-in-Possession, Receiver and the Court a guessing game.² Be that as it may, the acting Commissioner-in-Possession and Receiver will now address those other Objections which they can identify in Mr. Bates' February 6, 2006 filing.

C. Remaining Bates Objections Should be Overruled

1) Bates' Objection 6, First Part

In the first section of Objection 6, Mr. Bates objects that proceeds from the sale of stock held by the brokerage house, Hilliard Lyons, should have been placed into the Pooled Fiduciary Account instead of being placed in a Sentinel Trust Receiver's account. The Commissioner-in-

² Counsel for the Receiver spoke with counsel for Mr. Bates on Friday, March 17, 2006 requesting that, in light of the Court's statements at the March 10, 2006 hearing, he consider withdrawing various Objections. Mr. Bates' counsel requested the weekend to consult with his client. On Monday, March 20, 2006, counsel for Mr. Bates spoke with counsel for the Receiver and initially informed him that no Objections would be withdrawn, but then later informed Receiver's counsel that he would be filing a Notice saying that Mr. Bates is withdrawing Objections to the extent that any of them had previously been ruled upon by the Court. Receiver's counsel asked which of the Objections Mr. Bates was intending to withdraw. Mr. Bates' counsel declined to specify.

Possession and Receiver did direct, as part of the orderly liquidation of Sentinel Trust, the liquidation to cash of the Sentinel Trust holdings in the Hilliard Lyons account. Prior to liquidating the Hilliard Lyons account, the nature of the account was investigated. The account was in the name of Sentinel Trust Company who was shown as being the “account owner,” and nothing set forth in the monthly statements indicated that the account was anything more than a normal investment account owned by Sentinel Trust Company. See Exhibit 4, example of Hilliard Lyons Account Statement. Moreover, contact with Hilliard Lyons was made, and the account was described as a normal investment account, not a custodial or trust type of account. Accordingly, the proceeds from the liquidation of that investment account were treated as assets of Sentinel Trust, not trust funds.

The first part of Mr. Bates’ Objection 6 states that the holdings in the Hilliard Lyons account were shares of common stock of a company “received by Sentinel Trust Company as trustee for various bond issues out of the Sun Healthcare bankruptcy settlement and a \$25,000 municipal bond.” Bates Objections at p. 4. Respectfully, the vagueness of these references does not advance the situation. Mr. Bates does not identify what “various bond issues” are at issue nor does he give any impression that the “\$25,000 municipal bond” was anything other than a Sentinel Trust asset (as opposed to a trust asset) to begin with.

Mr. Bates’ Objection 6 next states that the funds realized through the liquidation of the Hilliard Lyons account “should have been deposited into the Pooled Fiduciary Account in partial liquidation of the unreimbursed expenses carried by the trustee.” Bates Objections at p. 4. Here, it appears that Mr. Bates is saying that the proceeds should have gone to pay part of the accrued fees and expenses that Sentinel Trust was owed from “the various bond issues” that were involved in the Sun Healthcare situation. As has been previously determined by final orders of

this Court, and as has been recognized and confirmed as recently as the March 10, 2006 rulings of this Court, payment of Sentinel Trust accrued fees and expenses from proceeds of a liquidated or settled bond issue are payments to Sentinel Trust and constitute assets of Sentinel Trust, not trust assets.

Accordingly, for these reasons, the first part of Mr. Bates' Objection 6 -- that the proceeds from the liquidation of the Hilliard Lyons account are trust assets belonging in the Pooled Fiduciary Account -- should be overruled.

2) Bates' Objection 8

Mr. Bates' Objection 8 raises the issue of the pre-liquidation June 1, 2004 payments to bondholders -- in the amount of \$680,017.52 -- that were made from the Pooled Fiduciary Account. Mr. Bates then posits the question as to whether the \$9,745,933.77 amount, which appears in Exhibit E to the Motion as the total of the positive deposits in the Pooled Fiduciary Account, includes or excludes the \$680,017.52.

Mr. Bates makes a good point. The Receiver could have been clearer in relation to the impact of the \$680,017.52 June 1, 2004 payments.³ The \$9,745,933.77 that was supposed to be in the Pooled Fiduciary Account does take into account the \$680,017.52 June 1, 2004 payments from that account.⁴ In short, the \$9.745 million amount is net of the June 1, 2004 \$680,017.52 payments. While the \$9.745 million has been described as being the aggregate of all of the May 18, 2004 positive cash balances that were supposed to be in the Pooled Fiduciary Account,

³ These payments from the Pooled Fiduciary Account were pursuant to Order of Court entered May 28, 2004. See attached **Exhibit 5**. These payments represented the principal and interest payments on bond issues that were due on June 1, 2004 -- at a time after possession of Sentinel Trust had been taken, but at a time before the Notice of Liquidation had been filed.

⁴ For example, the books and records indicated that the Jacksonville Florida Series 1994 Bond Issue had, as of May 18, 2004, a balance of \$131,372.05 that was supposed to be in the Pooled Fiduciary Account. Part of the June 1, 2004 payments included \$45,554.91 to the Jacksonville Series 1994 Bond Issue bondholders. The remainder that should have been in the Pooled Fiduciary Account -- \$85,817.14 -- is the amount that was used to aggregate toward the \$9,745,933.77 that should have been in the Pooled Fiduciary Account. See Exhibit E to the Motion showing \$85,817.14 corresponding to the Jacksonville Series 1994 Bond Issue.

it is more accurate to say that the \$9.745 million is the aggregate of all of the May 18, 2004 positive balances that were supposed to be in the Pooled Fiduciary Account minus the \$680,017.52 June 1, 2004 payments. The acting Commissioner-in-Possession and Receiver appreciate Mr. Bates raising this matter, as part of his Objection 8, so as to afford the opportunity to clarify and lend precision to the interplay between the \$9.745 million that should have been on deposit in the Pooled Fiduciary Account and the \$680,017.52 June 1, 2004 payments.

Mr. Bates' Objection 8 also seems to challenge the correctness of approving the claims of the "Vault Check" claimants and including them in the proposed interim distribution. Mr. Bates states: "to the extent that any of the Vault Checks represent a valid claim the priority of payment should be addressed by the provisions of T.C.A. § 45-2-1504(j)." Bates Objections at p. 6. T.C.A. § 45-2-1504(j), of course, is the provision that addresses unclaimed funds remaining after the completion of the liquidation -- i.e., those funds are treated as unclaimed property and escheat to the state. Of course, a distribution under that subsection would occur only after the owners and stockholders of Sentinel Trust (i.e., Mr. Bates) were paid. See T.C.A. § 45-2-1504(i).

Mr. Bates' Objection on this point should be overruled for several reasons. First, the Vault Check claimants should have their claims recognized and should be included in the distribution as "Class 5" claimants because the funds to cover the checks were supposed to be on deposit in the Pooled Fiduciary Account even as the funds to address all the other "Class 5" claimants were supposed to be in that same account. Therefore, the Vault Check claims are part and parcel of the claims upon the shortfall in the Pooled Fiduciary Account and should be treated accordingly. Second, from an equitable perspective, the Vault Check claimants are bondholders who were supposed to receive funds regarding defaulted bond issues or redeemed bond issues

and, thus, are no less entitled to make a claim than any other bondholder or bondholder representative (i.e., Successor Trustees) as against the Pooled Fiduciary Account. Third, no one, save Mr. Bates, has objected to, or even questioned, the reasoning and fairness that supports inclusion of the Vault Check claimants.

Accordingly, the Vault Check claims should be deemed as valid claims and should be recognized as one of the “All Other Claims” mentioned in T.C.A. § 45-2-1504(h)(2). Mr. Bates’ attempt to position the situation such that he, as the owner of Sentinel Trust, should be paid before the Vault Check claimants is ludicrous. The accepted and approved Vault Checks should remain as “Class 5” claims as set forth in the Schedule of Claim Determination and Mr. Bates’ Objection to the contrary should be overruled.

3) **Bates’ Objection 9**

To a certain extent, Mr. Bates’ Objection 9 has been addressed by previous rulings of the Court -- i.e., the issue of whether “virtually all of [the funds collected by the Receiver] should have been held in the Pooled Fiduciary Account as trust funds,” etc. See Bates Objections at p. 6. But, since Mr. Bates did not specify which Objections he was withdrawing, the acting Commissioner-in-Possession and Receiver are guessing that he is not withdrawing Objection 9 -- although he probably should.

In any event, in Objection 9, Mr. Bates presents quite a few figures and amounts of money, some of which are agreed to (e.g., \$3,749,369 being in the Pooled Fiduciary Account),⁵ but others of which are not agreed to by the acting Commissioner-in-Possession and Receiver and, quite simply, are not substantiated by Mr. Bates (e.g., \$20,217,636 in cash collections by the

⁵ While Mr. Bates presents a \$6,489,864 amount as the aggregate Successor Trustees’ claims, the Receiver contends that the amount should be \$6,469,784.14. See Exhibit E to the Motion. The approximate \$20,000 difference is most likely not material.

Receiver and \$16,786,721 of that amount being payments to bondholders). But, the thrust of Mr. Bates' Objection seems to be that adding the amount currently in the Pooled Fiduciary Account with the amount collected by the Receiver (in excess of what was distributed to bondholders) would yield a sum of funds in excess of what is owed to the Successor Trustees. If this is Mr. Bates' Objection, it is flawed for many reasons and at many levels and should be overruled.

First, Mr. Bates is double counting. The only reason the Pooled Fiduciary Account currently has \$3.7 million is because, pursuant to the motions to and orders from the Court, a portion of the cash amounts received by the Receiver from the defaulted bond recoveries has already been placed in the Pooled Fiduciary Account.⁶ To say that a total sum of money should be determined by adding a \$3.7 million amount to another amount that already includes the \$3.7 million is double counting.

Second, Mr. Bates cannot complain about the fact that, from the cash recoveries made by the Receiver, amounts that are Sentinel Trust assets (but which Mr. Bates contends are trust assets) have been paid to the Receiver. That issue has, of course, been decided. Those amounts retained by the Receiver in recognition of accrued fees and expenses constitute a fair portion of what Mr. Bates identifies in Objection 9 as the amounts retained by the Receiver in excess of what was paid to bondholders. But, Mr. Bates is simply wrong to indicate that those amounts -- the amounts retained by the Receiver pursuant to Court orders -- are "trust [funds] available to pay off" the claimants on the Pooled Fiduciary Account shortfall.

⁶ As has been found in previous Court orders, the amounts placed back into the Pooled Fiduciary Account by the Receiver from recoveries on various defaulted bond issues are the amounts that had been taken out of the Pooled Fiduciary Account in relation to the particular bond issues for which the recoveries were made.

Third, and on a more general level, Mr. Bates complains in Objection 9 that the amounts the Receiver has retained in cash recoveries on the defaulted bond issues minus the amounts paid to bondholders on those defaulted bond issues should be deemed trust funds and paid into the Pooled Fiduciary Account. The acting Commissioner-in-Possession and Receiver do not agree with the unsubstantiated numbers (e.g., \$20,217,636 in cash collections) presented by Mr. Bates. But, at a more basic level, all actions regarding the cash recoveries and the disposition of those recoveries have been presented through motions to and approved by orders of this Court. Accordingly, Mr. Bates' Objection 9 -- which should have been withdrawn -- should be overruled.

4) Bates' Objection 10

Mr. Bates' Objection 10 complains that, while the Motion indicates that \$3,745,369 is in the Pooled Fiduciary Account, there is no indication what amounts the Receiver is otherwise holding. Bates Objections at p. 7. The "separate account" referenced in Mr. Bates' Objection (which held approximately \$4.7 million as of 12/31/04) is an account that was used to hold recoveries received by the Receiver until final orders of Court were entered regarding payments and distributions on those recovered amounts. As of 12/31/05, the balance in that account was \$574,191.05. The reason for the reduced balance is that the amounts previously deposited and held in that account have been distributed 1) to the Pooled Fiduciary Account, 2) to the Receiver as Sentinel Trust Company assets and for payment of fees and expenses and 3) to the bondholders when funds were available to do so. As of year-end 2005, the only recovered amounts not distributed were the amounts recovered in relation to the Dade City Series 1998 Bond Issue -- which represent the overwhelming bulk of the \$574,191.05 12/31/05 balance. Indeed, if the pending motion seeking approval of the distribution to the Dade City Series 1998

Bond Issue bondholders is granted, the balance of that “separate account” will be greatly reduced further.

As a bottom line the appropriate amounts that were to be paid back to the Pooled Fiduciary Account have been paid back. The question lodged in Mr. Bates’ Objection concerning the “separate account” has been answered. Mr. Bates’ demand for a “complete accounting by independent professionals acceptable to the majority in interest of the successor trustees” (Bates Objections at p. 7), is without basis, is intended to obstruct the orderly progression of the liquidation and is at complete odds with the fact that none of the Successor Trustees have objected to the treatment given their claims nor the methodology proposed to calculate distribution of those claims. Accordingly, Mr. Bates’ Objection 10 should be overruled.

5) Bates’ Objection 11


Mr. Bates’ final objection -- Objection 11 -- makes several points, all of which should be overruled. First, Mr. Bates implores the Court to require that the Receiver pay back the \$4.0 million taken for receivership fees and expenses. Nowhere, however, does Mr. Bates elaborate on how he derived the \$4.0 million figure. Moreover, Mr. Bates seems to be saying that these amounts should be paid to the Pooled Fiduciary Account because they are trust funds. Of course, that issue has already been decided against Mr. Bates. Next, Mr. Bates objects and requests that the Court, in essence, remove the Receiver and “appoint independent professionals acceptable to a majority in interest of successor trustees in order to ensure an equitable and just settlement of Sentinel’s fiduciary accounts.” Bates Objections at p. 7. In reply, it need only be emphasized that 1) no grounds, in fact or at law, exist for a removal and replacement of the Receiver by the Court and 2) none of the Successor Trustees, to whom Mr. Bates refers, have

objected to the way in which the Commissioner-in-Possession and Receiver have treated their claims or to the proposed methodology to calculate distributions. Finally, Mr. Bates suggests that the Court require 100% payment of the Successor Trustee claims on non-defaulted bond issues (which would likely leave nothing for the remaining claimants) before paying “other beneficiaries on defaulted accounts after provision for and deduction of remaining advanced and accrued fees and expenses of defaulted accounts.” See Bates Objections at p. 7. To the extent that the acting Commissioner-in-Possession and Receiver understand what Mr. Bates is suggesting, it does not comport with T.C.A. § 45-2-1504(h). For all these reasons, Mr. Bates’ Objection 11 should be overruled.


D. Conclusion

For all of the reasons stated herein, the Objections filed by Mr. Bates on February 6, 2006, to the extent not withdrawn, should be overruled.

Respectfully submitted,


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NOTICE OF HEARING OF MOTION

THE COMMISSIONER-IN-POSSESSION'S AND RECEIVER'S MOTION SEEKING APPROVAL OF THE SCHEDULE OF CLAIM DETERMINATIONS AND APPROVAL OF THE METHODOLOGY PROPOSED TO CALCULATE DISTRIBUTIONS ON ACCEPTED CLAIMS IS SET TO BE HEARD ON WEDNESDAY, THE 12TH DAY OF APRIL, 2006, AT 1:00 P.M. AT THE LEWIS COUNTY COURTHOUSE IN HOHENWALD, LEWIS COUNTY, TENNESSEE.

CERTIFICATE OF SERVICE

This is to certify that on March 24th, 2006 a copy of the foregoing Reply has been sent by First Class U.S. Mail, postage paid, and also by facsimile as noted, to:

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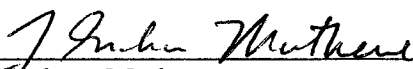
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IN THE CHANCERY COURT OF LEWIS COUNTY, TENNESSEE
AT HOHENWALD

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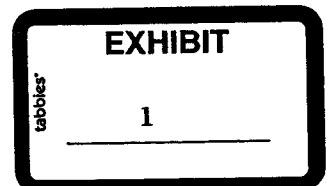
IN RE: SENTINEL TRUST COMPANY)

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**OBJECTION TO MOTION SEEKING APPROVAL OF THE SCHEDULE OF
CLAIM DETERMINATIONS AND APPROVAL OF THE METHODOLOGY
PROPOSED TO CALCULATE DISTRIBUTIONS ON ACCEPTED CLAIMS**

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 to the referenced Motion, a copy of which was received on or about January 30, 2006.

1. The basic methodology for establishing claims, their prioritization and proposed payment, appears to hinge on the presumption that trust funds are collectively the property of the estate of Sentinel Trust Company. In fact, trust funds should not be included as Sentinel's property. Only those assets owned by Sentinel Trust Company corporately may lawfully be seized and disposed of in the receivership action. Pursuant to the "Tennessee Uniform Trust Code," Public Acts, 2004, Chapter 537, Section 46, *Trust property is not subject to the personal obligations of the trustee even if the trustee becomes insolvent or bankrupt.* When a fiduciary corporation is placed under government control, its fiduciary accounts are not corporate property but still remain the property of the individual trusts. Consequently distribution of trust property to successor trustees or beneficiaries should not be made as if each account were on equal parity as depositors in and creditors of an insolvent bank.



2. According to various motions filed and entered with the Court since May 18, 2004, the Commissioner-in-Possession and his appointed Receiver have collected approximately \$20 million in cash from the disposal of trust property, paying therefrom about \$16.7 million to the holders of bonds of the affected bond issues, which were principally the several defaulted bond issues which Sentinel had nearly completed in collection prior to its seizure by the Commissioner of Financial Institutions. Furthermore, based on other motions filed and entered with the Court since May 18, 2004, the Commissioner-in-Possession and his appointed Receiver have retained about \$4 million from trust funds for their fees and expenses. With the exception of the proceeds from the sale of the Bellevue property, it appears that virtually all monies collected were trust assets and should not have been used to pay receivership fees and expenses. If those monies had been properly retained in the fiduciary cash account, there would appear to be a surplus of funds remaining after remittance of the approximately \$6.5 million due to successor trustees.
3. The approvals sought by the Commissioner-in-Possession and his appointed Receiver cite provisions of T.C.A. §45-2-1504 as their authority in filing the referenced motion. That statute deals specifically with the liquidation of state banks, the disposition of their assets and the priority of payment of claims thereof. The distributions which are the subject of the instant motion pertain to fiduciary accounts, not depositors and creditors of a state bank. Pursuant to T.C.A. §45-2-1504 (c), *As soon after the commencement of liquidation as is practicable, the commissioner shall take the necessary steps to terminate all fiduciary positions held by the*

state bank such action as may be necessary to settle its fiduciary accounts.

After the fiduciary accounts have been settled, the actions set forth in §45-2-1504 (d) through (h) may presumably ensue to completion. However, if fiduciary assets have been dissipated and diminished by the premature application of the fees and expenses authorized by the provisions of §45-2-1504(h)(1), it does not seem likely that the commissioner could comply with the mandated provision of the preceding T.C.A. §45-2-1504 (c) to settle the fiduciary accounts.

4. The Commissioner-in-Possession and Receiver have stated that the “focus of the proof of claim and payment procedures have been to address the deficiency that exists in the Pooled Fiduciary Account” resulting from expenditures Sentinel had made in connection with defaulted bond issues and related unreimbursed costs and expenses. If the Court permits the receivership action to consume trust assets prior to settlement of accounts with successor trustees, the deficiency cannot be resolved and the performing trust accounts transferred to successor fiduciaries will have been taxed to pay for the non-performing defaulted accounts and for the fees and expenses of the Commissioner-in-Possession and his appointed Receiver.
5. Pursuant to the provisions of T.C.A. §35-6-401(c) (3), a trustee shall allocate to principal “*Money received in total or partial liquidation of the entity*” and in T.C.A. §35-6-404, a trustee shall allocate to principal “*Money or other property from the sale, exchange, liquidation, or change in form of principal asset, including realized profit.*” The Receiver has collected approximately \$12.4 million from the disposition of defaulted

trust assets, all of which should have been treated as trust principal cash and deposited into the fiduciary pooled fund account. Contrarily, there has been carved out about \$4 million for fees and expenses of the Receiver and Commissioner-in-Possession producing a shortfall of distributable funds. In seizing Sentinel Trust Company, the Commissioner-in-Possession justified his action by stating that the prior management of Sentinel Trust Company had advanced trust cash to collect on the property of defaulted bond issues, producing a deficit in the Pooled Fiduciary Account. Yet the Commissioner-in-Possession and Receiver have themselves diverted almost \$4 million of collected trust funds, not for advances necessary to prime the collection of trust assets but for their own use and benefit to the detriment of the issuers and beneficiaries of performing trust accounts.

6. In addition, Exhibit B to the Commissioner-in-Possession's and Sentinel Trust Receiver's Notice of Filing of Financial Information as of December 31, 2005, reveals that \$195,127.22 was collected from the liquidation of the Hilliard Lyons safekeeping account, which held about 26,111 shares of Sun Healthcare common stock received by Sentinel Trust Company as trustee for various bond issues out of the Sun Healthcare bankruptcy settlement and a \$25,000 municipal bond. The monies received from the Hilliard Lyon account were presumably proceeds of the sale of that stock, which should have deposited into the Pooled Fiduciary Account in partial liquidation of the unreimbursed expenses carried by the trustee. Prior to seizure, the Commissioner of Financial Institutions had declined to give Sentinel permission to sell those shares of capital stock held in trust and to

deposit the proceeds into the Pooled Fiduciary Account. Apparently the shares were subsequently sold at a lower price, with the proceeds being counted as "revenue" of the receivership, according to Exhibit B of the referenced motion. In addition, according to the aforesaid Exhibit B, approximately \$1,224,191.05 in collections from defaulted bond issues wherein overdrafts or receivables of the Pooled Fiduciary Account were recorded were also included as revenues of the Sentinel Trust Receivership. If these trust funds had been deposited into the Pooled Fiduciary Account, its balance at 12/31/2005 would have been approximately \$1.5 million greater than the \$3,749,369.82 reported, ignoring all else.

7. However, there was excluded from the report other amounts payable to the Pooled Fiduciary Account but kept by the Receiver for its fees and expenses from the collection of assets of defaulted bond issues, specifically, the Ft. Pierce and Hernando County, Florida issues, the Jefferson County, Arkansas, Lee County, Alabama and Tarrant County, Texas issues, in the total amount of \$1,375,264.02, representing the difference between what the Pooled Fiduciary Account was owed at the time of seizure by these accounts and what the Receiver actually credited to the accounts. If overdrafts charges applicable only to the Ft. Pierce, Hernando County and Tarrant County issues had also been computed and applied in accordance with Sentinel's schedule of fees and charges, an additional \$142,418.62 would have been retained in the Pooled Fiduciary from the collections from those three defaulted bond issues. If these funds had been properly deposited and retained in the Pooled Fiduciary Account,

its December 31, 2005 balance would have exceeded the total owed to the successor fiduciaries.

8. According to Exhibit A to the Commissioner-in-Possession's and Sentinel Trust Receiver's Notice of Filing of Financial Information as of December 31, 2005, the sum of \$680,017.52 was taken from the Pooled Fiduciary Account to make the June 1, 2004 payments to bondholders. The amount which should have been on deposit in the Pooled Fiduciary Fund at May 18, 2004 was reported to be \$9,745,933.77, derived by "adding all positive cash balances recorded on Sentinel's books plus vault checks" amounting to \$351,432.47. Without addressing the validity of the claims set aside for vault checks, it is apparent that the methodology does not appear to deduct the \$680,017.52 used for June 1, 2004 payments in establishing the denominator of the proposed fractional payment. To the extent that any of the vault checks represent a valid claim the priority of payment should be addressed by the provisions of T.C.A. §45-2-1504(j).
9. The successor trustees previously approved by the Court are owed \$6,469,864.17 in trust cash, and, as of December 31, 2005, there was reportedly \$3,749,369.82 being held in the Pooled Fiduciary Account. Nevertheless, from the inception of the receivership through the end of 2005, the Receiver has reported collecting \$20,217,636.20 in cash (virtually all of which should have been held in the Pooled Fiduciary Account as trust funds) from which \$16,786,721.35 was reportedly paid to bondholders. Given these figures, the Receiver should be holding presently about \$7.2 million in trust cash available to pay off amounts due to the successor trustees and other claimants.

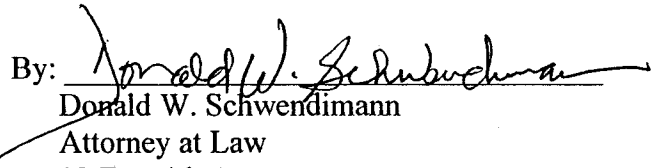
10. As of December 31, 2004, the Sentinel receivership was reportedly holding \$7,191,949.00 in cash, according to the 2004 Annual Report of the Tennessee Department of Financial Institutions, comprising \$2,462,793.00 held in the Pooled Fiduciary Account and \$4,729,156.00 in a separate bank account. The referenced Motion indicates that approximately \$3,749,369.00 is currently being held in the Pooled Fiduciary Account but no mention is made of other receivership funds being held in separate accounts. A complete accounting by independent professionals acceptable to the majority in interest of the successor trustees should be conducted so that all parties have full and accurate information to evaluate proposed payments and distributions. Neither the Court nor any affected party should be expected to make rational judgments involving trust funds based on incomplete information.
11. The Court is requested to require the Commissioner-in-Possession and his appointed Receiver to restore immediately the approximately \$4 million taken for receivership fees and expenses to the Pooled Fiduciary Account and appoint independent professionals acceptable to the majority in interest of successor trustees in order to ensure an equitable and just settlement of Sentinel's fiduciary accounts. We suggest that the Court consider requiring, from the collection of cash due to the trustee and/or collected by the Receiver in its fiduciary capacity, the payment priority to be, firstly, to the successor trustees of non-defaulting accounts in 100%, secondly, to beneficiaries or defaulted accounts after provision for and deduction of remaining advanced and accrued fees and expenses on defaulted accounts and, finally, from corporate income and assets of

Sentinel Trust Company to such other creditors or claimants as provided
by law.

WHEREFORE, these parties OBJECT to the grant of the such motion. If the
Court does not schedule a hearing after the expiration of time in which to object, these
parties reserve the right to schedule a hearing on these objections by notice.

Respectfully submitted,

Schwendimann & Associates

By: 
Donald W. Schwendimann
Attorney at Law
12 East 4th Avenue
P.O. Box 366
Hohenwald, TN 38462
Tel: (931) 796-1147
Fax (931) 796-5692

CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that I have **faxed and mailed** copies of the
foregoing by depositing said copies in the U.S. Mails, postage prepaid, this 6th day of
February, 2006, to:

J. Graham Matherne
Wyatt, Tarrant and Combs, LLP
2525 West End Avenue, Suite 1500
Nashville, TN 37203-1423
Fax (615) 256-1726

Janet M. Kleinfelter
Senior Counsel
Office of the Attorney General
Financial Division
425 Fifth Avenue North
P.O. Box 20207
Nashville, TN 37243
Fax (615) 532-8223

I, the undersigned, do hereby certify that I have **mailed** copies of the foregoing by depositing said copies in the U.S. Mails, postage prepaid, this 6th day of February, 2006, to:

Thomas W. Hardin
Patrick M. Carter
102 West Seventh Street, Suite 100
P.O. Box 929
Columbia, TN 38402-0929

David D. Peluso
106 East Main Street
Hohenwald, TN 38462

William B. Hubbard
Weed, Hubbard, Berry & Doughty
SunTrust Bank Building, Suite 1420
201 Fourth Avenue North
Nashville, TN 37219

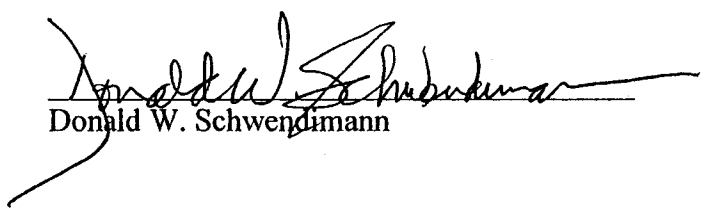
James S. Chase
John A. Decker
Hunton & Williams LLP
900 South Gay Street, Suite 2000
P.O. Box 951
Knoxville, TN 37901

Carrol Kilgore
Moody, Whitfield & Castellarin
95 White Bridge Road, Suite 509
Nashville, TN 37205-1427

Larry Stewart
Stokes, Bartholomew, Evans & Petree
424 Church Street, Suite 2800
Nashville, TN 37219

James S. Hereford, Jr.
310 W. College Street
P.O. Box 802
Fayetteville, TN 37334-0802

Diana M. Thimming
Roetzel & Andress
1375 East Ninth Street
One Cleveland Center, Ninth Floor
Cleveland, OH 44114


Donald W. Schwendemann

A-P-P-E-A-R-A-N-C-E-S

For Sentinel Trust:

J. GRAHAM MATHERNE, ESQUIRE
THOMAS RUSSELL, ESQUIRE
Wyatt, Tarrant & Combs
2525 West End Avenue, Ste. 1500
Nashville, TN 37203-1423

JANET M. KLEINFELTER, ESQUIRE
Office of the Attorney General
Financial Division
Nashville, TN 37243

For the Defendant Bates:

DONALD SCHWENDIMANN, ESQUIRE
Attorney at Law
P.O. Box 366
Hohenwald, TN 38462

ALSO PRESENT:

Jean Bryant, Receivership Management, Inc.

1 (WHEREUPON, the following proceedings
2 were held on March 10, 2006 beginning at 1:00 p.m.
3 in the Chancery Court of Lewis County before the
4 Honorable J. STEVEN STAFFORD, presiding judge, to
5 wit:

12:59PM 5 THE COURT: Good afternoon.

6 Okay, folks. All right.

7 It's my understanding that we're here
8 today on the motion of the receiver for approval of
9 counsel fees; is that correct?

01:05PM 10 MR. MATHERNE: Yes, Your Honor.

11 THE COURT: Okay.

12 MR. MATHERNE: May we proceed?

13 THE COURT: Certainly.

14 MR. SCHWENDIMANN: Well, Your Honor,
01:05PM 15 also I think we're here on their plan for
16 distribution and methodology.

17 THE COURT: Now --

18 MR. SCHWENDIMANN: That they're
19 using.

01:05PM 20 THE COURT: And that would be the
21 next hearing.

22 MR. SCHWENDIMANN: Okay.

23 MR. MATHERNE: That was what?

24 THE COURT: That's -- I think we
01:05PM 25 scheduled that sometime in April.

1 We're just asking that it be done consistent with
2 those orders.

3 THE COURT: Mr. Schwendimann.

4 MR. SCHWENDIMANN: No.

01:42PM 5 THE COURT: I forget when exactly it
6 was I was here last, but I told you then that I had
7 not had the opportunity to read all of these things
8 that have been filed. I now have. All of them.
9 And I will tell you that in doing this, it has been
01:43PM 10 an interesting journey.

11 For the record, I have had some
12 involvement with receiverships in the past. So
13 consequently, I am a bit familiar with how
14 receiverships work, and how things are supposed to
01:43PM 15 go. What may be difficult concepts for folks that
16 haven't been involved in them, they're not nearly
17 as difficult once you've done this a few times.

18 So, having said that, I have listened
19 with great attentiveness to what Mr. Schwendimann
01:44PM 20 has said regarding his objections here today, and
21 just to be honest Mr. Schwendimann, you hadn't said
22 anything that hadn't already been said. And in
23 fact, it's been said to Judge Davies, Judge Harris,
24 Judge Bivins, and Judge Kurtz. It's also been said
01:44PM 25 to presiding Judge Frank Crawford. I don't know

1 who else was on that panel -- yeah, I do, too.

2 Judge Hires and Judge Harman.

3 What strikes me, I suppose what

4 strikes me, would be the manner in which I think

01:44PM 5 the receivership has gone to great lengths to allow

6 anyone who is frustrated or concerned about the

7 process, to allow them the opportunity to avail

8 themselves of appellant review of what's been done

9 here. All these orders that I see have been

01:45PM 10 certified as final orders.

11 Consequently, if someone is concerned

12 about it, all they've got to do is ask the Court of

13 Appeals to take a look at this thing.

14 I -- I purposefully have sat quietly

01:45PM 15 because I wanted to see if there was anything new

16 and different that hadn't been said. And there

17 hasn't. Some folks who I respect a whole lot have

18 already ruled on this. Some folks who I believe

19 have given careful consideration to this very issue

01:46PM 20 have already ruled on it.

21 I keep an open mind. If there were

22 something out there that I needed to take a look

23 at, just like Judge Bivins said in his recitation

24 of the facts regarding the setting aside of Judge

01:46PM 25 Harris's Order, he's very -- very careful in what

1 he said and how he said it, when he set aside Judge
2 Harris's Order on the Motion to Alter or Amend for
3 Reconsideration.

4 I see no reason to change what has
01:46PM 5 been done here in the past. I believe that
6 basically the receivership law, as well as the
7 evidence that has been abduced previously, amply
8 illustrates to the Court that the moneys that the
9 receivership is using is the money that the
01:46PM 10 receivership is entitled to use pursuant to
11 statute. There are fees and expenses rather than
12 trust funds that it would require the Court to
13 approve the receivership using. I don't think
14 there is any request here about that today.

01:47PM 15 So consequently, I'm going to approve
16 the request for payment of fees.

17 I guess this is my case from here on
18 out, best I understand it. And I just -- I feel
19 compelled to say this, it's important to me to make
01:47PM 20 sure that there is as much money as possible to be
21 distributed to anyone who is entitled to a
22 distribution when this receivership is finally
23 closed. Having said that, if there is a legitimate
24 legal issue for this Court to consider, this Court
01:48PM 25 will be happy to consider it at any point in time.

1 I do not feel relitigating the
2 same issue over and over again is legitimate. I'm
3 not real sure what I can do about that, but if
4 forced, I will certainly take a hard look at it and
01:48PM 5 try to determine what I can do -- can do about
6 that.

7 The bottom line is, we're spending
8 money on these type issues that we don't need to be
9 spending money on. If you want to do that, then
01:48PM 10 we'll certainly deal with that at the appropriate
11 time. I don't intend to relitigate issues that
12 have already been litigated. I don't intend to, as
13 they say in the country, relick the calf. It's not
14 my intention. I intend to move this as quickly as
01:49PM 15 possible and let this become someone else's
16 problem, with a road more -- well, a darker road
17 than mine.

18 So having said that, it's not in
19 anyone's best interest for me to have to drive here
01:49PM 20 from Dyersburg. It's not in anyone's interest for
21 the -- the receivership counsel to have to come
22 from Nashville unless and until we have a
23 legitimate issue worth talking about. I say that
24 basically just in an advisory capacity.

01:49PM 25 Now as far as this \$4,000,000, I

1 don't know anything about a \$4,000,000, but you
2 will have that opportunity because the way I
3 understand the receivership law is we've got to
4 close this thing at some point in time, and if the
01:50PM 5 receivership -- the receiver has failed in its
6 capacity, then certainly that's something the Court
7 can consider, the Court can take evidence on, the
8 Court will be happy to do that.

9 The bottom line is though I'm
01:50PM 10 granting the motion to pay these costs and fees as
11 requested.

12 Mr. Matherne?

13 MR. MATHERNE: Thank you, Your Honor.

14 I have orders that I -- if I could
01:50PM 15 pass Your Honor.

16 THE COURT: Certainly.

17 MR. MATHERNE: Your Honor, I've made
18 two orders because there were two motions pending.

19 THE COURT: Thank you, sir.

01:51PM 20 MR. MATHERNE: Is today the 10th?

21 CLERK: Yes, sir.

22 THE COURT: All right, folks.

23 Anything else we need it take up?

24 MR. MATHERNE: Your Honor, having
01:52PM 25 talked about the traveling from west Tennessee et

1 cetera, I'm still hopeful that you'll be here April
2 the 12th.

3 THE COURT: I'll be here.

4 MR. MATHERNE: There may be other
01:52PM 5 motions pending, Your Honor. We've just been able
6 to secure signatories on a sale of a piece of -- of
7 the defaulted property in Niceville, Florida, and
8 we would anticipate being able to present something
9 to the Court in time for a response and still be
01:52PM 10 heard on that matter on the 12th. Hopefully, there
11 will be a couple of others as well, but the major
12 one is still the approved -- motion for approval of
13 the schedule of -- of payment of plan -- the
14 termination of claims, which again I will have on
01:52PM 15 its way to you Monday, a copy of it.

16 THE COURT: All right. I appreciate
17 that.

18 MR. MATHERNE: And I will include --
19 do you want all objections that we have received?

01:53PM 20 THE COURT: Please. I do.

21 MR. MATHERNE: Thank you, Your Honor.

22 THE COURT: In fact, any -- any
23 objections that you receive, please forward to me.

24 MR. MATHERNE: I will, sir.

01:53PM 25 We anticipate filing a response or

1 reply to those objections, each one, and there
2 haven't been many. Mr. Bates has filed one, and
3 there are probably six, seven others that are
4 individualized, but we anticipate having replies to
01:53PM 5 that on file here with copies to Your Honor by the
6 March 24th timeframe.

7 THE COURT: Okay. I appreciate that.
8 It's -- I'm at a disadvantage. I'm unable to walk
9 across the street and check the file out, although
01:53PM 10 the Clerk is great about sending me whatever when I
11 call and ask for it, but I just -- I would much
12 prefer to have it myself.

13 It is my hope that I will be -- have
14 had the opportunity to review it all and be ready
01:54PM 15 to do whatever needs to be done on -- what did you
16 say, April 12th?

17 MR. MATHERNE: Yes, Your Honor.
18 Thank you, Your Honor.

19 THE COURT: Mr. Schwendimann,
01:54PM 20 anything?

21 MR. SCHWENDIMANN: No, Your Honor.

22 THE COURT: Okay. All right. Then
23 we shall be in recess.

24 ***END OF PROCEEDINGS***
25

IN THE CHANCERY COURT OF LEWIS COUNTY, TENNESSEE
AT HOHENWALD

IN RE:)

SENTINEL TRUST COMPANY)

DOCKET NO. 4781

FILED
AT 3:44 O'CLOCK P.

MAR 21 2006

JANET WILLIAMS, CLERK & MAS
BY Selena Wix

NOTICE

You are hereby notified that to the extent that the Objection to Motion Seeking Approval of The Schedule of Claim Determinations and Approval of the Methodology Proposed to Calculate Distribution on Accepted Claims filed on or about February 6, 2006, contains matters and objections previously raised and ruled on by the Court, such matters and objections are hereby withdrawn.

Respectfully submitted,

Schwendimann & Associates

By: 

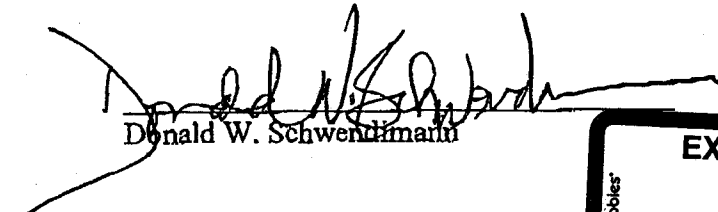
Donald W. Schwendimann
12 East 4th Avenue
P.O. Box 366
Hohenwald, Tennessee 38462
Phone: (931) 796-1147
Fax: (931) 796-5692

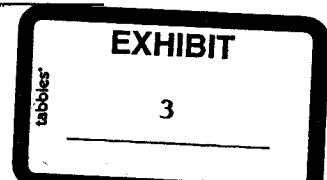
CERTIFICATE OF SERVICE

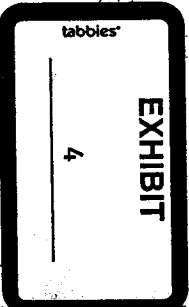
I, the undersigned, do hereby certify that I have sent copies of the following NOTICE, via facsimile this 21st day of March, 2006.

J. Graham Matherne
Wyatt, Tarrant and Combs, LLP
2525 West End Avenue, Suite 1500
Nashville, TN 37203-1423
VIA FACSIMILE: (615) 256-1726

Janet M. Kleinfelter
Senior Counsel
Office of the Attorney General
Financial Division
425 Fifth Avenue North
P.O. Box 20207
Nashville, TN 37243
VIA FACSIMILE: (615) 652-8223


Donald W. Schwendimann





FORM 1099-DIV (12-31-04)
 SENTINEL TRUST COMPANY
 8122 SAWYER BROWN ROAD
 NASHVILLE TN 37221-1402

RECEIVED
 JAN 13 2005

BY:

INVESTOR INFORMATION

Investment Objective

Income: Your primary objective is to generate income from investments that have a low degree of risk or loss of principal value.

Investor Update

Hilliard Lyons would like to wish you the best for the upcoming New Year. May it bring prosperity and happiness to you. We would also like to thank you for your business, and the trust and confidence you have placed in us over the past year.

CONTACT INFORMATION

Your Financial Consultant (CH14)
 PATRICK CLARKE
 (615)297-2211 (800)915-2211
 Account Number 75221506
 Office Servicing Your Account
 3401 WEST END AVENUE
 SUITE 160
 NASHVILLE TN 37203

Access your account online at www.hilliard.com

ACCOUNT VALUE

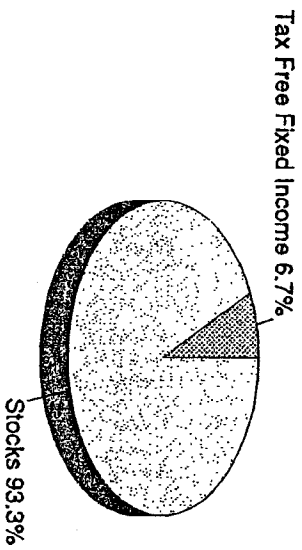
Cash Equivalents \$0.00
 Assets held at Hilliard Lyons \$257,794.42
 Assets not held at Hilliard Lyons \$0.00

Total Account Value as of December 31, 2004 \$257,794.42

Total Account Value as of November 30, 2004 \$213,118.50

Total Account Value as of December 31, 2003 \$149,857.77

ASSET MIX



NOI - May Lose Value
FDIC - No Bank Guarantee

Important Investor Information:
 Securities and brokerage services are provided by J.B. Hilliard, W.L. Lyons, Inc. member NYSE and SIPC. Annuities and other insurance products are offered by PNC Insurance Services, Inc. and J.B. Hilliard, W.L. Lyons, Inc. licensed insurance agencies.

J.B. Hilliard, W.L. Lyons, Inc.
 Member SIPC

SENTINEL TRUST COMPANY
 8122 SAWYER BROWN ROAD
 NASHVILLE, TN 37221-1402

Account Number
 75221506



Investment Objective

Please advise your Financial Consultant immediately if there is a material change in your investment objective or financial situation.

Pricing of Securities

The pricing of securities displayed on your statement is derived from various sources and in some cases may be higher or lower than the price you would actually receive in the market. If we cannot obtain a price, "N/A" appears. For securities listed on an exchange or trading continually in an active marketplace, prices reflect market quotations at the close on the last business day of the month. For securities trading less frequently, we rely on third party pricing services or a computerized pricing model, which does not always reflect actual market values. Similarly, some annuity market values provided by outside sponsors are estimates. For current price quotes, please contact your Financial Consultant.

Certificate of Deposit Pricing

Fixed Income securities and Certificates of Deposit priced above par do not take into account the effect of call features.

Transaction Dates

All securities transactions are reflected on a trade date basis.

Cost Basis Information (Investor's Preferred)

All information provided with respect to cost basis is derived from transactions in the account or information supplied by you or other sources. There is no guarantee as to the accuracy of cost basis information or the profit and loss information provided. Accordingly, cost basis is not intended for tax reporting purposes. Please inform your Financial Consultant in the event that a cost basis is missing or inaccurate.

Realized Gains/Losses (Investor's Preferred)

Reported gains or losses are based on first in/first out (FIFO) method. This information should not be used for tax reporting purposes.

Estimated Annual Income and Yields

Estimated annual income and yields are calculated by annualizing the most recent dividend and interest payment and do not reflect historical experience or project future results. The yield information for the money market funds is based on a historical performance share value will fluctuate. Before investing in any of these funds, carefully read the prospectus, which is available through your Financial Consultant.

Assets Not Held at Hilliard Lyons

You may purchase certain assets through Hilliard Lyons, which will be held at a custodial institution other than Hilliard Lyons (see "SIPC Protection"). Where available, we include information about these assets, which are identified in the Outside Assets section of your statement. The custodial institution is responsible, however, for providing year-end tax reporting information (Form 1099) and separate periodic statements, which may vary from the information included on your Hilliard Lyons statement because of different reporting periods. Hilliard Lyons does not guarantee the accuracy of the information with respect to the value of these investments as reflected on your statement.

Policy on Order Routing and Order Flow Payment

Consistent with common securities industry practice, Hilliard Lyons receives payment for order flow in the form of either monetary compensation per share (in certain transactions in listed securities) or reciprocal business from other dealers or market centers. Absent direction, orders are routed to such dealers or market centers that execute orders at prices at the NBBO. Our formal objective is to obtain the best execution for our clients, regardless of any compensation factor.

Certain equity securities orders may be routed to other broker/dealers or exchanges for execution. Each quarter, Hilliard Lyons prepares a summary disclosing orders routed away for execution including the type and the identity of the broker/dealer or exchanges receiving such orders. This summary is posted on our website (www.hilliard.com). A copy of the most recent quarterly summary is available to you upon request. You may also request the identity of the broker/dealer or exchange executing your trade and associated limits of execution on any of your equity trades placed within the last six months.

Tax Information

Although your statement may describe certain items as federally tax-exempt, this is for informational purposes only. When reporting your taxes, please rely exclusively on the substitute Form 1099 you will receive from us after year-end for your taxable accounts. (For retirement accounts, Form 1099R will report distributions from the account rather than income and dividends or proceeds from sales.) Federal law subjects you to withholding and/or penalties if you fail to provide us your Social Security or Employer Identification Number.

SIPC Protection

Hilliard Lyons is a member of the Securities Investor Protection Corporation (SIPC). Cash and securities held in your account are insured up to \$500,000 per customer, of which a limit of \$100,000 is for unsecured cash. Assets held by custodial institutions are not covered. Contact your Financial Consultant for a detailed brochure describing SIPC coverage.

Margin Accounts

If you have a margin account, this is a combined statement of your general account and a special miscellaneous account maintained for you under Regulation T issued by the Board of Governors of the Federal Reserve System. The permanent record of the separate account required by Regulation T is available for your inspection upon request. Hilliard Lyons reserves the right to limit margin purchases and short sales, and to alter its margin requirements and due dates for house or other margin calls in accordance with the Firm's guidelines, market conditions and regulatory margin requirements. Your margin assets can be identified as Account Type 2 securities.

Margin Account Disclosure Statement

In light of the growth in the use of margin accounts, it is important to note the following potential risks associated with margin accounts: you can lose more funds than you deposit in the margin account if the value declines; Hilliard Lyons has the right to force the sale of securities in your margin account; Hilliard Lyons may notify you of a margin call and allow you a few days to meet the call, but the firm can also sell your securities without contacting you; you cannot decide which securities should be sold from your margin account; Hilliard Lyons can increase maintenance margin requirements at any time and Hilliard Lyons does not have to grant you an extension on a margin call.

Margin Account Interest Charges

The margin interest period includes the last day of the prior statement period through the last day of the current statement period. The interest charge is computed by multiplying the rate of interest by the average net daily settled debit balance and a fraction, the numerator of which is the number of days the debit balance existed, and the denominator of which is three hundred sixty (360). The rate of interest is determined by the cost of borrowing money and is subject to change without notice.

Late Charges

If transactions in your cash account result in a debit balance and you do not make payment by the settlement date, you may be subject to a late charge.

Termination Fee

A \$100.00 Termination Fee will be applied to each account closed or transferred for any reason.

Free Credit Balances

A free credit balance in your account will be paid to you on demand, in the normal course of business, along with any fully paid securities to which you are entitled. If certificates for that security are available. Free credit balances are not segregated and may be used in our business, subject to the limitations of the Securities Exchange Act of 1934.

Option Accounts

Further information with respect to commissions and other charges related to the execution of listed option transactions, has been included in confirmation of such transactions previously furnished to you and will be made available to you promptly upon request. Should the Options Clearing Corp. or our correspondent assign Hilliard Lyons to satisfy the exercise of any options, we may reassign, in our sole discretion to your account, the exercise of the option under an automated random selection method.

Financial Statement

A Statement of Financial Condition of JIB Hilliard, W.L. Lyons, Inc. is at our website, or you may request a copy by calling 1-800-444-1834.

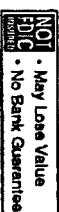
Form ADV (Capital Directions Account)

If you would like to receive a copy of Hilliard Lyons' disclosure statement on Part II of Form ADV, please send your written request to: Hilliard Lyons, Attn: Managed Accounts Department, P.O. Box 32760, Louisville, KY 40232-2760. You may expect to receive your copy by return mail within seven days of our receipt of your request.

Errors, Inquiries & Complaints

If you do not understand an entry on your statement, or suspect an error, you must notify the Branch Manager of the office servicing your account. We will consider your statement correct unless we receive written inquiry from you about any suspected errors within 10 calendar days of the mailing of the statement to you. It is your responsibility to review your statement promptly and to seek immediate clarification about entries you do not clearly understand. All correspondence should include: (1) Your name and account number; (2) The date of the entry in question; (3) A complete description of the entry and why you feel that the entry may be in error; and (4) The dollar amount of the entry in question.

If you have a complaint regarding the nature or circumstances regarding your account, please notify us in writing at the following address: Hilliard Lyons, Attn: Compliance Department, P.O. Box 32760, Louisville, KY 40232-2760.



ASSET SUMMARY

	Prior Period	Current Period	% of Account Value*
Cash			
Money Market Funds			
Margin Balance	\$0.00	\$0.00	0.0%
Cash Equivalents			
Stocks	\$195,868.50	\$240,544.42	93.3%
Options			
Preferred Stocks			
Tax Free Fixed Income	\$17,250.00	\$17,250.00	6.7%
Taxable Fixed Income			
Mutual Funds			
Unit Investment Trusts			
Other Investments			
Assets held at Hilliard Lyons	\$213,118.50	\$257,794.42	100.0%
Total Account Value	\$213,118.50	\$257,794.42	100.0%

* Please note "% of Account Value" figures are shown gross of any amounts owed to Hilliard Lyons and/or net short positions.

Hilliard Lyons is so much more than just stocks and bonds. Not only can we provide to you virtually every type of investment, we also offer the guidance needed to use those tools successfully in the pursuit of your financial goals. Ask your Financial Consultant about our expert advice on lifetime financial planning, retirement planning and trust and estate planning.

INCOME & DISTRIBUTIONS

	Current Period	Year-to-Date
Dividends		
Tax-Exempt		\$576.82
Taxable		\$3,287.50
Interest		
Tax-Exempt		
Taxable		
Capital Gain Distributions		
Return of Principal		
Other Income & Distributions		
Total Income & Distributions	\$0.00	\$3,864.32

TAX INFORMATION SUMMARY *

	Current Period	Year-to-Date
Accrued Interest Paid		
Tax-Exempt		
Taxable		
Accrued Interest Received		
Tax-Exempt		
Taxable		
Gross Proceeds		
Federal Withholding		
Foreign Taxes Paid		
Margin Interest Charged		

* For information only. Please refer to your Form 1099 for tax filing purposes.



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HILLIARD LYONS

P.O. Box 32760
Louisville, KY 40232

Classic Account Statement

December 31, 2004

Page 4 of 5

ASSET DETAILS

This section shows the cash equivalents and/or securities in your account. It reflects market values as of the close of business, December 31, 2004.

ASSETS HELD AT HILLIARD LYONS

STOCKS	Symbol/CUSIP	Quantity	Approximate		Anticipated	Current
			Current Price	Current Value		
NEWGARE HEALTH CORP	NWCAG	7,500	N/A	\$0.00	N/A	N/A
SUN HEALTHCARE GROUP INC		9,000	\$0.0040	\$36.00	N/A	N/A
SUN HEALTHCARE GROUP INC	SUNH	26,111	\$9.2110	\$240,508.42	N/A	N/A
Total Stocks				\$240,544.42		\$0.00

TAX FREE FIXED INCOME	Symbol/CUSIP	Quantity	Approximate		Anticipated	Current
			Current Price	Current Value		
UPPER CUMBERLAND TN GAS UTIL DIST GAS SYS	915627AL7	25,000	\$69.0000	\$17,250.00	N/A	N/A
REV B/C						
C/PN 7.000% DUE 09/01/16						
DTD 09/01/96 FC 09/01/97						
CALL 09/01/07 @ 102.000						
Total Tax Free Fixed Income				\$17,250.00		\$0.00

Total Assets Held at Hilliard Lyons

Total Account Value				\$257,794.42		\$0.00
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J.J.B. Hilliard, W.L. Lyons, Inc.

Account Owner
SENTINEL TRUST COMPANY

Account Number
75221506

ACTIVITY SUMMARY

Activity	Year-to-Date	Current Period	Cash	Money Market	Margin
Opening Balance - Cash Equivalents	\$107,135.23	\$0.00	\$0.00	\$0.00	\$0.00
Buy and Sell Transactions					
Assets Bought					
Assets Sold/Redeemed					
Cash Deposits and Withdrawals					
Deposits Made to Your Account					
Withdrawals From Your Account	(\$110,999.55)				
Income and Distributions					
Dividends	\$576.82				
Interest	\$3,287.50				
Capital Gains Distributions					
Return of Principal					
Other Income and Distributions					
Margin Interest					
Margin Interest Charged					
Other Transactions					
Closing Balance - Cash Equivalents	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

CASH EQUIVALENTS

Thank you for allowing Hilliard Lyons to serve you. If you have any questions regarding your account or this statement, please contact your Financial Consultant. Terms and conditions are provided with your account statement on a periodic basis or may be obtained upon request.

J.H. Hilliard, W.E. Lyons, III
 HILLIARD LYONS
 A DIVISION OF
 SEI INVESTMENT SERVICES CORPORATION
 Account Number: 75221506



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IN THE CHANCERY COURT FOR LEWIS COUNTY
AT HOHENWALD, TENNESSEE

IN RE:)

SENTINEL TRUST COMPANY)

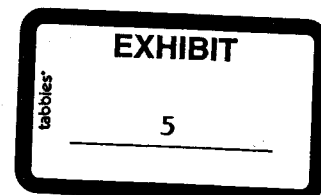
No. 4781)

ORDER APPROVING PAYMENT TO BONDHOLDERS

This cause came on to be heard on Friday, May 28, 2004, on the petition of the Commissioner of the Tennessee Department of Financial Institutions, as Commissioner-in-possession of Sentinel Trust Company ("Sentinel"), for approval of payments due June 1, 2004 to certain bondholders from the pooled fiduciary account of Sentinel, as set forth in the Commissioner's petition. Based upon Commissioner's petition and exhibits in support thereof, the evidence presented at the hearing, the statements of counsel, the absence of any opposition to the petition, the entire record in this matter, and the applicable law, this Court finds that the Commissioner's petition is well-taken and should be granted,


IT IS THEREFORE, ORDERED, ADJUDGED AND DECREED that:

1. The Commissioner is authorized to use funds in Sentinel's pooled fiduciary account to make the June 1 interest and/or principal payments on the five corporate bond issues for which Sentinel is the corporate trustee, as set forth in the Commissioner's petition; and
2. The Commissioner is further authorized to use funds in Sentinel's pooled fiduciary account to make the June 1 payments on those municipal bond issues for which Sentinel is the paying agent, as is necessary.



IT IS SO ORDERED.

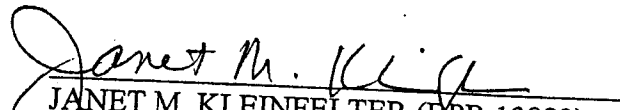
ENTERED THIS 28 DAY OF MAY, 2004.



CHANCELLOR

APPROVED FOR ENTRY:

PAUL G. SUMMERS
Attorney General and Reporter



JANET M. KLEINFELTER (EPR 13889)
Senior Counsel
Financial Division
425 5th Avenue North
Nashville, TN 37243
(615) 741-7403

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Petition has been sent by first class U.S. Mail and/or facsimile transmission to:

Kathryn R. Edge
Miller & Martin
1200 First Union Tower
150 Fourth Avenue N.
Nashville, TN 37219-2433
[FAX] (615) 256-8197

William H. Farmer
Farmer & Luna
333 Union Street
Suite 300
Nashville, TN 37201
[FAX] (615) 254-7123

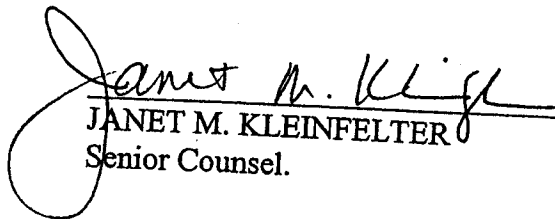
Danny Bates
205 Bastin Road
Hohenwald, Tennessee 38462

Donald Schwendimann
306 W. Main Street
P.O. Box 366
Hohenwald, TN 38462

Cecil Branstetter
Branstetter, Kilgore, Stranch & Jennings
227 Second Avenue North
Nashville, TN 37201
[FAX] (615) 255-5419

this 28th day of May, 2004.

I hereby certify that a copy of the foregoing ~~Petition~~ ^{order} will be posted on the Tennessee Department of Financial Institutions official website this _____ day of May, 2004.


JANET M. KLEINFELTER
Senior Counsel.