

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

IN RE:

SENTINEL TRUST COMPANY

NO. 4781

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**ACTING COMMISSIONER-IN-POSSESSION'S AND SENTINEL TRUST
RECEIVER'S REPLY TO OBJECTION BY RELIANCE HEALTH CARE
MANAGEMENT, INC. REGARDING MOTION SEEKING APPROVAL
OF THE SCHEDULE OF CLAIM DETERMINATIONS**

On February 20, 2006, Reliance Health Care Management, Inc. ("Reliance") filed an Objection to the acting 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 Reliance's February 20, 2006 filing attached as **Exhibit 1**.

Reliance is the receiver in a Texas state court receivership proceeding in Tyler, Smith County, Texas ("Texas Receivership"). That proceeding was instituted, prior to May 18, 2004, by Sentinel Trust Company to address the default of a bond issue to which it was indenture trustee -- the Tyler, Texas - Park Place Nursing Home Bond Issue ("Tyler, Texas Bond Issue"). In the Texas Receivership proceeding, Reliance, or its predecessor, instituted a proof of claim procedure whereby vendors or trade creditors, that were owed money by the Park Place nursing facility, filed claims in the Texas Receivership proceeding. The Proof of Claim which Reliance filed in this Sentinel Trust Receivership proceeding is attempting to claim on behalf of those Texas Receivership claimants.

Since the beginning of the Sentinel Trust Receivership, the Receiver has been in communication with Reliance regarding the defaulted Tyler, Texas Bond Issue and the Texas

Receivership. It was clear that, because there was only a relatively small amount of money held by Reliance in Texas, the bulk of the Texas Receivership claimants would not have their claims satisfied through the Texas Receivership proceeding. It was also clear that, to the extent that those claims were unsatisfied, those claimants would be allowed to file separate claims in this Sentinel Trust Receivership, because the books and records of Sentinel Trust indicated that, as of May 18, 2004, there were supposed to be funds on deposit in the Pooled Fiduciary Account regarding the defaulted Tyler, Texas Bond Issue.

In recognition of this situation, and with the full knowledge of Reliance, the Sentinel Trust Receiver notified each of the claimants in the Texas Receivership proceeding that each of them might have a claim as against the Sentinel Trust Receivership estate and that each of them should consider filing a claim in the Sentinel Trust Receivership proceeding. Those Texas Receivership claimants were informed of the July 31, 2005 claims bar date in the Sentinel Trust Receivership proof of claim procedure and were provided with a Proof of Claim form for use in filing their claims in the Sentinel Trust Receivership.

Five (5) of the Texas Receivership claimants filed Proofs of Claim in the Sentinel Trust Receivership proceeding.¹ Four of those claims have been accepted and are included in the Schedule of Claim Determinations presented to the Court for approval. One claim, the Jo Snow, Guardian for Stanley Stockton claim, has been denied as improper because it is a tort claim (for \$1.0 million) for personal injuries allegedly sustained when Mr. Stockton was scalded at the Park Place nursing facility. There have been no objections filed by the four Texas Receivership

¹ These claimants are American 3C1 (#172825), East Texas Therapy Solutions (#172891), Jo Snow, Guardian for Stanley Stockton (#172822), Olmstead-Kirk Paper Company (#172781) and Therapy Management Solutions (#172908). In its Objection, Reliance erroneously notes that only two of the claimants in the Texas Receivership have filed claims in the Sentinel Trust Receivership. See Exhibit 1 at p. 2.

claimants whose Sentinel Trust Receivership claims have been accepted. There has been no objection filed regarding the denial of the Jo Snow, Guardian of Stanley Stockton claim.

The Reliance claim in the Sentinel Trust Receivership proceeding was denied for two related reasons. First, to the extent that the Reliance claim covered the claims of the five (5) claimants mentioned above, the Reliance claim was duplicative of existing claims lodged in the Sentinel Trust Receivership. Second, to the extent that the Reliance claim covered other Texas Receivership claimants, who had received notice of the Sentinel Trust Receivership proceeding, but who chose not to pursue a claim against the Sentinel Trust Receivership estate, then the effort by Reliance to claim on behalf of those claimants is improper.

Reliance objects to this denial, but does not elaborate as to the reasons supporting its Objection. It requests that “the denial status be re-considered and that the full amount due be awarded to [Reliance on behalf of the Texas Receivership claimants].” **Exhibit 1** at pp. 1-2.

Obviously, as to that portion of the Reliance claim that related to the five claims which are already a part of the Sentinel Trust Receivership proceeding, the Reliance claim is duplicative and, thus, should be denied. With regard to the other claims which Reliance makes derivatively, the reasons for the impropriety of those claims cuts to the core of receivership principles. If notice is given to a potential claimant to file a proof of claim in a receivership estate, and that notice is ignored or otherwise not acted upon, then the potential claimant has waived or foregone the ability to make a claim in that receivership. It is improper for someone, other than the direct claimant who received such notice, to file a claim on the claimant’s behalf.

In this case, all of the individuals/entities who are claimants in the Texas Receivership were 1) given notice of their potential claim in the Sentinel Trust Receivership, 2) provided a Proof of Claim form and 3) informed of the claims bar date. Numerous of those claimants chose

to file their Proofs of Claim in the Sentinel Trust Receivership proceeding; numerous of those claimants chose not to file a Proof of Claim in the Sentinel Trust Receivership proceeding. Accordingly, Reliance's efforts to attempt to advocate the interests of those Texas Receivership claimants, who chose not to advocate those interests themselves, should be seen as improper and, thus, denied.

The effect of Reliance's Objection would be to greatly dilute/lessen the payments to those claimants who have been diligent and vigilant as to the filing of their claims in the Sentinel Trust Receivership. Reliance, in essence, has made an *omnibus* claim in the estimated amount of \$700,000.00 in the Sentinel Trust Receivership regarding the defaulted Tyler, Texas Bond Issue. If the Objection is sustained and the Reliance claim allowed, the Receiver would need to further examine the Reliance claim and establish an approved amount for that claim.² Whatever approved amount that would be established by the Receiver for the Reliance claim would reduce the pro rata payments to the other claimants, including bondholders, who/which hold approved claims regarding the Tyler, Texas Bond Issue. To that end, and because the Reliance Objection jeopardizes the existing amount that would be paid to the Tyler, Texas Bond Issues claimants in the Sentinel Trust Receivership, the Receiver is mailing a copy of this Reply to all of the individuals/entities who/which are noted on the Schedule of Claim Determinations as having approved claims regarding the Tyler, Texas Bond Issue.


In sum, and on an equitable level, it seems unfair for an *omnibus* and estimated claim filed derivatively by Reliance, on behalf of persons/entities who chose not to pursue their own

² It is clear that the Reliance claim would be assigned a priority of "Class 5" because that is the classification given by the Receiver to the four accepted claims that were properly filed in the Sentinel Trust Receivership by the individuals/entities who/which were also claimants in the Texas Receivership.

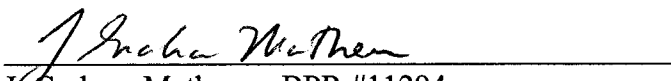
claims, to reduce the pro rata payments of those existing claimants that have properly and timely pursued their claims in the Sentinel Trust Receivership.

Accordingly, the acting Commissioner-in-Possession and Receiver request that the Court overrule Reliance's Objection.

Respectfully submitted,


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*Counsel for Receivership Management, Inc.,
Receiver of Sentinel Trust Company*

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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Hohenwald, TN 38462-0250

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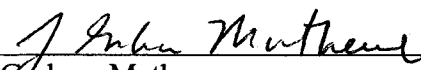
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Reliance Health Care Management, Inc.
723 Parkway Street
Conway, AR 72034

Pam Roberts
General Counsel
Reliance Health Care Management, Inc.
723 Parkway Street
Conway, AR 72034

This is also to certify that on March 24th, 2006 a copy of the foregoing Reply has been sent by First Class U.S. Mail, postage paid, to all claimants who timely submitted Proofs of Claim regarding the Tyler, Texas Bond Issue in the Sentinel Trust Receivership proceedings.



J. Graham Matherne

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

IN RE:)
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SENTINEL TRUST COMPANY) **No. 4781**
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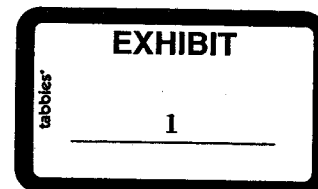
OBJECTION TO DENIAL OF CLAIM

Comes now Reliance Health Care Management, Inc. (“Reliance”), 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 on behalf of all creditors who have valid proofs of claim in the Park Place Receivership Case.

1. On or about December 27, 2005, the receiver Reliance filed a Proof of Claim herein on behalf of all creditors in the Park Place Receivership Case who have valid proofs of claim pending in the said Park Place Receivership Case. The claim has been assigned Claim Number 172861 (the “Park Place Claim”).

2. In January, 2006, the receiver Reliance received a Notice of Claim Determinations herein which indicated that the Park Place Claim was denied, with no amount approved, on the basis the claim was “duplicative of existing claims.”

3. The receiver Reliance hereby objects to the denial of the Park Place Claim and respectfully requests that the denial status be re-considered and that the full amount



due be awarded to the Park Place Receiver, on behalf of the Park Place valid creditors, for distribution in the Park Place Receivership.

4. The receiver Reliance acknowledges that two of the Park Place creditors filed individual proofs of claim in the Sentinel Trust Receivership and their claims were approved. However, Reliance should be awarded all remaining sums related to the Park Place Claim on behalf of the other valid creditors in the Park Place Receivership, for distribution in the Park Place Receivership.

Respectfully submitted,

RELIANCE HEALTH CARE MANAGEMENT, INC., RECEIVER
723 Parkway Street
Conway, Arkansas 72034
ph (501) 932-0050
fax (501) 932-0056

By: _____

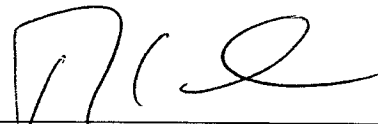

Tobey M. Koehler, CFO

CERTIFICATE OF SERVICE

Reliance Health Care Management, Inc., Receiver, does hereby certify that a true and correct copy of the foregoing Objection has been mailed with sufficient postage thereon this 20th day of February, 2006, to the following:

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J. Graham Matherne
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Tobey M. Koehler