

**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 LOUISE DOYLE REGARDING MOTION SEEKING  
APPROVAL OF THE SCHEDULE OF CLAIM DETERMINATIONS**

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On February 3, 2006, Louise Doyle filed an Objection 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 Mrs. Doyle’s February 3, 2006 filing attached as **Exhibit 1**. Mrs. Doyle and her late husband, William Doyle, are bondholders of the Niceville, Florida/Okaloosa Health Care Services, Ltd. Series 1992 Bond Issue (“Niceville Bond Issue”) and are claimants regarding the defaulted Niceville Bond Issue. The nature of the Objection is that Mrs. Doyle is upset that there is an Approved Amount of “\$0” regarding her claim in the Schedule of Claim Determinations. She complains that paying nothing on the bond is unfair and asks for reconsideration and for payment of a “fair amount for the bond.”

In actuality, the Schedule of Claim Determinations treats all Niceville Bond Issue bondholder claimants as having their claims “denied” because the amount that was shown as being on deposit in the Pooled Fiduciary Account regarding that particular bond, and/or any percentage distribution as to that amount, will be exhausted through payment of other claims with higher priority than the bondholder claims lodged by Mrs. Doyle and the other bondholders. Because what has happened is a “denial” of Mrs. Doyle’s claim, the acting Commissioner-in-

Possession and Receiver will treat Mrs. Doyle's Objection as one objecting to the denial of the claim as well as the natural corollary of that denial -- i.e., that the claim amount is considered as "\$0." Several points should be made in reply to Mrs. Doyle's Objection. First, it is important to note that Mrs. Doyle will receive an amount for her Niceville bond. That will occur through the selling of the Niceville Bond Issue collateral and the pro rata distribution of funds realized upon that collateral to the bondholders.<sup>1</sup> The acting Commissioner-in-Possession and Receiver anticipate that a material payment will be made to the Niceville Bond Issue bondholders as a result of the realization upon that defaulted bond issue collateral. While it is an estimate, the acting Commissioner-in-Possession and Receiver, in good faith, believe that a payment of 50¢-60¢/\$1.00 to the Niceville Bond Issue bondholders could occur arising from the liquidation of the collateral relating to that defaulted bond issue.

Mrs. Doyle's Objection seems rooted at the difference between 1) a pro rata distribution to a bondholder of funds received upon realization of proceeds from the sale of defaulted bond issue collateral and 2) the allowance and payment of a claim lodged through the Proof of Claim process against the Sentinel Trust Receivership estate relating to the amounts that should have been on deposit for that bond issue in the Pooled Fiduciary Account.

Mrs. Doyle's claim against the Sentinel Trust Receivership estate was denied, and, thus, found to be "\$0," because the funds that were supposed to be on deposit in the Pooled Fiduciary Account as of May 18, 2004 are going to be exhausted in payment of claims of higher priority -- i.e., the costs and expenses of the Receiver in relation to that defaulted bond issue. Records available to the Receiver indicate that \$68,625.35 was supposed to be on deposit in the Pooled

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<sup>1</sup> Currently pending before the Court is the acting Commissioner-in-Possession's and Receiver's Motion for Approval of Sale of Niceville, Florida Facility. Upon approval of the sale at issue in that Motion and upon the closing of that sale and other collateral realization efforts by the Receiver, funds will be available for a distribution to the Niceville Bond Issue bondholders, upon approval of Court regarding such distribution.

Fiduciary Account regarding the Niceville Bond Issue. The Receiver currently has a priority administrative expense claim of \$214,308.71 in relation to that bond issue -- for which the Receiver has made a claim in the Sentinel Trust Receivership estate. Therefore, even if the entire shortfall of the Pooled Fiduciary Account was recovered, the \$68,625.35 that would then be available for distribution would be exhausted through payment of the Receiver's administrative expense/priority claim and thus no funds would remain to address the claims of the lower priority claimants, including Mrs. Doyle.<sup>2</sup>

Mrs. Doyle presents no reason to elevate her claim to another priority -- she is a bondholder and, thus, belongs in the "Class 5" claim classification of "Other Claimants" which includes claims from bondholders. All funds available for distribution within the receivership claims process will be exhausted through payment of claims that hold priority over the claim level of Mrs. Doyle's claim. Therefore, the denial of her claim, and the parallel setting of a claim amount of "\$0," for her and all other bondholder claimants is appropriate, and her Objection should be overruled.


Mrs. Doyle's equitable position of "just wanting what is fair" does resonate, however, with the acting Commissioner-in-Possession and Receiver. Mrs. Doyle will have a material payment on her Niceville bond -- which is estimated, in good faith, to be 50¢-60¢/\$1.00 -- when the sale of the Niceville Bond Issue collateral occurs and the Receiver, after approval of the Court, makes an appropriate pro rata distribution to her and the other Niceville Bond Issue bondholders outside of the Proof of Claim process. Hopefully, that will be seen by her as getting "what is fair" on her bond.

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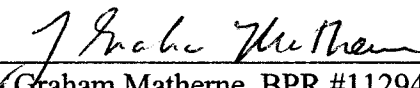
<sup>2</sup> See Motion Seeking Approval of the Schedule of Claim Determinations and Approval of the Methodology Proposed to Calculate Distributions on Accepted Claims at p. 6. Also, note that, to the extent that the shortfall of the Pooled Fiduciary Account is not recovered, the amount realized by the higher priority claimants would be less, and perhaps much less, than the \$68,625.35 that was shown as being on deposit in May 2004.

However, for the purposes of the pending Motion, Mrs. Doyle's Objection to the Schedule of Claim Determinations arising from the Receivership Proof of Claim process should be overruled. Accordingly, the acting Commissioner-in-Possession and Receiver request that the Court overrule Mrs. Doyle's Objection.

Respectfully submitted,

  
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*Counsel for Acting Commissioner Greg Gonzales*

  
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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 12<sup>TH</sup> 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 24<sup>th</sup>, 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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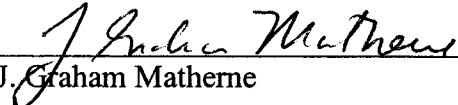
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Louise Doyle  
4760 Hickory Shores Blvd.  
Gulf Breeze, FL 32563

  
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J. Graham Matherne

Jan. 30, 2006

Re: William H. Doyle  
 & Louise Doyle IT TEN  
 4760 Hickory Shores Blvd.  
 Gulf Breeze, FL 32563

Claim # 172550

I, Louise Doyle, the surviving spouse of William H. Doyle, who passed away on Jan. 9, 2006, object to your determination of our amount approved as \$ .00. My husband and I bought this bond in City of Niceville, on Feb 9, 1993 for \$ 5,250 on a \$ 5,000 bond.

The amount approved - \$ .00 is not fair at all. I want to receive something from this claim. I was shocked when I got this letter. I thought it would be stating what we would receive, meaning an amount, not \$ .00, which means nothing at all.

I ask you to reconsider and give an approved amount, not \$ .00, for our bond. This means more than ever to me since I have hospital, surgery and funeral expenses at this time.

I just want a fair amount for the bond.

Sincerely,

Louise Doyle  
 4760 Hickory Shores Blvd.  
 Gulf Breeze, FL 32563

FILED  
 AT 10:50 O'CLOCK A.M.

FEB 03 2006

JANET WILLIAMS, CLERK & MASTER  
 BY Selena Wix

EXHIBIT

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