IN THE CHANCERY COURT OF HICKMAN COUNTY, TENNESSEE

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

STATUS REPORT

Pursuant to Order of Court, entered on November 9, 2010, the Commissioner-in-Possession and Receiver of Sentinel Trust Company submit this filing as their Status Report.

1. Status of Receivership Action

This Receivership Action awaits recovery upon judgments obtained in the related Gonzales v. Bates action (#4980). Once those recoveries are made, a motion for final distribution can be made and the process of closing the Receivership Action, as contemplated under T.C.A. §45-2-1504(j) and (k), can be completed.

2. Status of Collection Efforts Upon Judgments Entered

Judgment liens are in place on four parcels of property (three, including the 205 Bastin Road property, in Lewis County, Tennessee and one in Hickman County, Tennessee). Sheriff Sales were attempted as to all of these properties (October 12, 2010 in Hickman County and October 27, 2010 in Lewis County). No bids were made on any of the properties. The reasons, as understood by the Receiver, for the unsuccessful sheriff sale(s) were that any such sale(s) would be subject to Danny Bates' right of redemption and that two of the undeveloped parcels had Wayne County Bank deeds of trust recorded against them.

The Commissioner-in-Possession and Receiver have recently filed a Motion for Additional Relief Regarding Sale of Properties Subject to Judgment Liens in the Gonzales v. Bates action (#4980) and have requested further order from the court in relation to alternative proposals relating to the disposition and sale of those four (4) properties.

3. Status of Gonzales v. Bates Action (#4980)

The Gonzales v. Bates action is still pending. Final judgment, as the Court is aware, of $4.395 million has been entered as against Danny Bates for conversion, breach of fiduciary duties and fraudulent transfer of property. Final judgment has been entered as against Deanna June Bates for fraudulent transfer of property. Claims of breaches of fiduciary duties and related claims are still pending against Clifton Todd Bates and Gary O'Brien. Plaintiffs in that action (i.e., the Commissioner-in-Possession and Receiver) plan on initiating settlement discussions regarding these remaining defendants, the timing of which would coincide with further measures to sell the four above-referenced properties. If settlements with Clifton Todd Bates and Mr. O'Brien are unsuccessful, the Plaintiffs would be requesting entry of a scheduling order as to progression of that matter against them.

Recent activity in the Gonzales v. Bates case has been 1) the filing of the above-referenced Motion for Additional Relief Regarding Sale of Properties, and 2) the issuance of a subpoena upon the Custodian of Records of the Wayne County Bank for documents relating to the loan to which Danny Bates pledged, as collateral, two parcels of undeveloped property which this Court has found were fraudulently transferred. Mr. Bates made that pledge, and the Wayne County Bank accepted the collateral, after Bates had fraudulently transferred those two parcels from his alter ego company (Sentinel Services Corporation) to a "trust" which he controlled (the Bates Family Trust). Information is needed concerning that loan -- and the Wayne County Bank

has maintained that to produce the information would require a subpoena -- so that the Commissioner-in-Possession can determine issues relating to the practicalities of enforcement of judgment as to those properties (e.g., present status of payments and outstanding balance, existence of other collateral on the loan, etc.) as well as the circumstances relating to the making/renewal of the loan which might, in turn, give rise to issues under T.C.A. §66-3-309.

Other potential matters that could arise in the Gonzales v. Bates action is the further pursuit of collection against Danny Bates as to the $4.395 million judgment against him.[1] Certainly, the sale of the four properties referenced above will not extinguish that judgment debt. Post-judgment discovery as to Danny Bates and/or his estate is certainly not out of the question so as to further recover amounts to pay over to the Sentinel Trust claimants who are victims of his theft/conversion/fiduciary breaches.[2] Also, as set forth in the recently filed Motion for Additional Relief Regarding Sale of Properties, if Danny Bates exercises a right of redemption in relation to any of the sales of the four subject properties, then the Commissioner-in-Possession, because of what would still be a deficiency in the judgment debt, would be forced to renew execution/foreclosure efforts as against whatever property Mr. Bates "redeemed." Such renewal of execution/foreclosure efforts would need to occur in the Gonzales v. Bates case.

4. Plans on Winding Up, Discharge and for Final Liquidator of Receivership

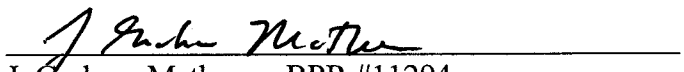
Once the recoveries as to the four properties have been completed and the proceeds from the sales received -- the timing of which is dependent upon matters set forth herein and in the

[1] As the Court is aware, Mr. Bates also has a $600,000 restitution obligation arising from his being found guilty of felony theft arising from the same core issues surrounding the Sentinel Trust Receivership. Undersigned counsel has confirmed with the appropriate probation officials that Mr. Bates has made no payment in relation to that restitution obligation.

[2] This Court should also be aware that the Commissioner-in-Possession and Receiver have twice attempted -- in February 2010 and again in July 2010 -- to present Mr. Bates with settlement options that would involve, subject to Court approval, his signing over the deeds to the four (4) properties in exchange for a full satisfaction of the judgment against him. He has refused to discuss this matter, not seeing "any benefit to me" in relation to it. Therefore, if this Receivership continues for a now unknown period of time, it is not because the Commissioner-in-Possession and Receiver have not tried to address matters that would allow for the efficient closure of this estate.

recent Motion for Additional Relief -- the Receiver would estimate that a final distribution to claimants could be proposed, ordered and completed, and a final accounting requesting discharge and closure of the estate pursuant to T.C.A. §45-2-1504(j) and (k) could be filed, within 120 days of receipt of sale of these proceeds. To the extent that future maters need addressing after that time -- e.g., further collection efforts for the deficiency judgment as to Danny Bates or renewal of execution/foreclosure as against Mr. Bates regarding any "redeemed" property -- the Commissioner-in-Possession and Receiver would request, in conjunction with the request for closure of the estate, that the Court issue a standing, self-executing order allowing them to pursue those matters of further recovery (upon notice to all affected parties with those parties having the ability to petition this Court with objections) and to make distribution of any recovered proceeds, net of expenses, to the Sentinel Trust claimants in the same fashion as the previous distributions were made.

Respectfully submitted,



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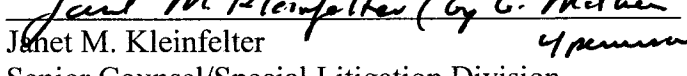

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CERTIFICATE OF SERVICE

This is to certify that, on November 25, 2010, a copy of the foregoing Status Report has been sent by First Class U.S. Mail as noted, to:

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