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PROPOSED ATTORNEYS FOR MONARCH LANDING, INC.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	CASE NO. 10-34179-SGJ
	§	
MONARCH LANDING, INC.,	§	CHAPTER 11
	§	(Joint Administration Pending)
Debtor.	§	

**DEBTOR'S MOTION FOR AUTHORIZATION TO PAY CERTAIN PREPETITION:
(i) WAGES, SALARIES AND OTHER COMPENSATION; (ii) EMPLOYEE
MEDICAL AND SIMILAR BENEFITS; AND (iii) OTHER MISCELLANEOUS
EMPLOYEE EXPENSES AND BENEFITS**

Monarch Landing, Inc., debtor and debtor in possession in the above-captioned case (the "Debtor" or "Monarch"), files this Motion for Authorization to Pay Certain Prepetition: (i) Wages, Salaries and Other Compensation; (ii) Employee Medical and Similar Benefits; and (iii) Other Miscellaneous Employee Expenses and Benefits (the "Motion"), and states as follows:

Jurisdiction

1. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334.
2. Venue of these cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b).
3. The relief sought with this Motion is predicated upon sections 105(a) and 363(b) of title 11 of the United States Code, 11 U.S.C. §§ 101, *et. seq.* (the “Bankruptcy Code”).

The Chapter 11 Case

4. On June 15, 2010, the above captioned Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code (the “Petition Date”).
5. The Debtor intends to continue in the possession of its property and the management of its business as a debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.
6. No creditors committee has yet been appointed in this case by the United States Trustee.

Related Chapter 11 Proceeding

7. Contemporaneous with the filing of the Debtor’s case, Naperville Campus, LLC (“Naperville”), filed a petition for relief under Chapter 11 of the Bankruptcy Code in this Court (Case No. 10-34177). The Debtor leases its principal facility from Naperville (defined *supra*) and has various financial as well as contractual relationships with Naperville.

8. Approximately nine (9) months prior to the Petition Date, Naperville's parent corporation, Senior Living Retirement Communities, LLC, formerly known as Erickson Retirement Communities, LLC ("Senior Living"), and certain other of its related entities¹ filed for bankruptcy in this Court (Main Case No. 09-37010). Senior Living developed and managed the Facility for the Debtor. Senior Living's Chapter 11 Plan was confirmed on April 16, 2010 ("Senior Living's Plan"). Senior Living and its related entities cases are still pending before this Court.

The Debtor and Its Business Operations

9. The Debtor was established on August 10, 2004, as a Maryland nonstock corporation to operate a continuing care retirement community in Naperville, Illinois (the "Facility"), which opened in July, 2006. The Debtor is classified as an Internal Revenue Code Section 501(c)(3) organization based on its mission to provide affordable senior housing to seniors. The Debtor is a supported organization of National Senior Campuses, Inc. ("NSC"), a not-for-profit organization organized to support the Debtor and 16 other not-for-profit organizations that operate Continuing Care Retirement Communities ("CCRCs"). NSC is the sole member of the Debtor and appoints all of the members of the Debtor's board of directors.

10. The Facility and NSC's other CCRCs are designed to offer seniors a continuum of care during their retirement years from independent living to skilled nursing care on the same

¹ The Debtors in Senior Living's chapter 11 cases are: (i) Erickson Retirement Communities, LLC; (ii) Ashburn Campus, LLC; (iii) Columbus Campus, LLC; (iv) Concord Campus GP, LLC; (v) Concord Campus, LP; (vi) Dallas Campus GP, LLC; (vii) Dallas Campus, LP; (viii) Erickson Construction, LLC; (ix) Erickson Group, LLC; (x) Houston Campus, LP; (xi) Kansas Campus, LLC; (xii) Littleton Campus, LLC; (xiii) Novi Campus, LLC; (xiv) Senior Campus Services, LLC; (xv) Warminster Campus GP, LLC; and (xvi) Warminster Campus, LP.

campus. These facilities provide affordable living accommodations and related healthcare and support services to a target market of middle-income seniors aged sixty-two (62) years and older.

11. Senior Living was the developer of the Facility. Senior Living and its affiliates are not related to or affiliated with the Debtor or NSC. The Debtor has entered into a master lease agreement and certain other agreements with Naperville. In addition, the Debtor and Senior Living have entered into a management and marketing agreement (the “Management Agreement”), pursuant to which Senior Living it to manage the community. As of April 30, 2010, pursuant to a transitional subcontract agreement, Senior Living subcontracted its right and obligations under the Management Agreement to Erickson Living Management, LLC (“ELM”), which is presently managing the Debtor’s Facility (the “Transitional Subcontract Agreement”). In return for its management services, the Debtor pays ELM a monthly management fee, per the Management Agreement. The Debtor also reimburses ELM for the costs of: (a) marketing the re-occupancy of the units at the Facility; (b) the salary and benefits of the Debtor’s employees and ELM’s management personnel located at the Facility, and (c) the Debtor’s share of certain other centralized services.

12. Other than through the various agreements associated with the development, construction, funding of the Facility, Senior Living and its affiliates are not affiliated with the Debtor or NSC. The Debtor contracts with Erickson Living Management, LLC to provide for the management of its community.

13. The Debtor leases the Facility from Naperville Campus, LLC (“Naperville”) (which ERC owns, directly or indirectly) pursuant to a master lease. As of the Petition Date, the Facility had 362 completed independent living units and a seventy one percent (71%) occupancy

rate. It was originally anticipated that the Facility would include up to 1,498 independent living units, 96 assisted living units and 132 skilled nursing beds.

14. The Debtor's capital structure consists of permanent financing in the form of project bonds and special tax district bonds. The Debtor's receipts from its operations are not sufficient to cover its debt service and operating expenses, and the Facility is having difficulty attracting the middle market customer to which it is supposed to appeal. There is significant competition in the greater Chicago area, which has caused the Facility's occupancy rate to increase at a rate which is lower than expected. Moreover, the Chicago metropolitan area's employment rates and home prices have declined more than in other markets, thereby causing the Debtor to have problems selling units as well as causing significant liquidity and capital structure difficulties.

Events Leading to Chapter 11 Filing

15. As mentioned previously, the Debtor leases the Facility from Naperville (which Senior Living owns, directly or indirectly) pursuant to a master lease. On October 19, 2009, ERC filed for bankruptcy protection in the United States Bankruptcy Court for the Northern District of Texas – Dallas Division. On April 16, 2010, the Court entered an order confirming ERC's Fourth Amended Joint Plan of Reorganization ("Senior Living's Plan").

16. Under the terms of the Plan, Wells Fargo Bank, N.A., the bond trustee for the Facility (the "Bond Trustee"), was to negotiate in good faith with the Debtor and Redwood-ERC Senior Living Holdings, LLC, a Maryland limited liability company ("Redwood"), regarding the possible sale of the Facility to Redwood during the 90-day period following the confirmation of

the Plan (i.e. from April 30, 2010 through July 31, 2010) (the “Negotiation Period”).² Although the Bond Trustee had an obligation to negotiate in good faith during the Negotiation Period, approximately two weeks ago, the Bond Trustee inappropriately effectuated a set-off against the Debtor’s cash reserves in the amount of \$15,166,737.69. The Bond Trustee’s actions threatened to destabilize the Debtor’s operations and, as a result of such actions, the Debtor filed this Chapter 11 proceeding to stop the Bond Trustee from causing further damage to its operations and, thereby, threatening the well being of its residents.

17. Additionally, beginning in December of 2009, the Bond Trustees began removing amounts held in escrow for the benefit of the Debtors in order to pay their professional fees. In doing so, the Bond Trustees did not follow the requisite procedures for removing such funds as proscribed in the bond documents, primarily the submission of bills and request of payment from Sedgebrook or Monarch Landing. Moreover, the Bond Trustees neglected to provide notice of their removal of the funds to either Sedgebrook or Monarch Landing. To date, the Bond Trustees have removed \$835,136 from the Sedgebrook reserve account, and \$792,562 from the Monarch Landing reserve account. The actions of the Bond Trustee have threatened to

² Section 6.2.3.1 of ERC’s Plan provides:

Disposition. During the 90-day period immediately following the Plan Confirmation Date, Redwood will negotiate (non-exclusively) in good faith with the applicable NFPs and Bond Trustees for the Bond Communities to reach a resolution regarding such Bond Communities. During such 90-day period, the applicable NFP, with the consent of the applicable Bond Trustee, may market the applicable Bond Community for sale with the consent of the applicable Bond Trustee and letter of credit provider, may consummate such sale. At the conclusion of the 90-day period, if the parties have reached a resolution with respect to a particular Bond Community then the Debtor will facilitate a definitive agreement regarding such a resolution for such Bond Community. If Redwood does not reach an agreement with respect to resolution of a particular Bond Community during this 90-day period that is acceptable to Redwood, the applicable NFP, the letter of credit provider and the applicable Bond Trustee, then promptly at the end of such 90-day period, ERC’s interests in the entity related to such Bond Community (Naperville Campus, LLC, Linconshire Campus, LLC and/or Hingham Campus, LLC, as applicable will be transferred to the applicable NFP.

destabilize Monarch's operations by severely limiting liquidity and endangering its residents. The Debtors filed these chapter 11 proceedings to protect their assets and to stop the Bond Trustee from causing further damage to their operations and threatening the well being of their residents.

Relief Requested

18. By this Motion, the Debtor seeks authority pursuant to Bankruptcy Code sections 105(a) and 363(b) to pay certain prepetition obligations of the Debtor, including, but not limited to, (i) amounts owed to its employees (the "Employees") for wages, salaries, bonuses and other compensation, (ii) reimbursement of employee business expenses incurred in the ordinary course, such as travel, lodging and parking expenses, (iii) maintenance of employee health benefits, 403(b), and other similar benefits, and (iv) other miscellaneous employee expenses and benefits (collectively, the "Prepetition Obligations").

19. The Debtor seeks authority to honor the Prepetition Obligations because payment of these obligations is critical and essential to the morale of the Employees and the Debtor's future business needs. If the Prepetition Obligations are not honored in the ordinary course, the morale of Employees would suffer, which would adversely impact the Debtor's business. Failure to honor the Prepetition Obligations could also cause Employees to endure personal hardship. This result would impair Employee morale and lead to unmanageable Employee turnover. Indeed, the Debtor will be unable to sustain operations and effectuate a successful reorganization without the ongoing good will of its Employees.

20. Consequently, the Debtor seeks to continue paying Prepetition Obligations (as set forth below) in the ordinary course and to direct the banks at which the Debtor maintains

employee-related accounts to receive, process, honor and pay all payroll and employee benefit- related checks, drafts, wires, or automated clearing house transfers, provided sufficient funds are available to honor all such payments, without regard to when the applicable payroll check was issued.³

Prepetition Obligations

A. Employees' Unpaid Wages, Salaries, Bonuses and Other Compensation

i. The Debtor's Payroll Obligations

21. The Debtor seeks an order authorizing the Debtor to honor all of its outstanding prepetition payroll obligations. In the ordinary course of business, the Debtor pays its Employees one week in arrears every two weeks. The most recent payroll for Employees was paid on June 14, 2010 for processing on June 18, 2010 and covered Employee compensation for all Employees for the period ending June 12, 2010. The Debtor utilizes the payroll-processing services of Automatic Data Processing ("ADP")⁴ to issue payroll checks to Employees. In the ordinary course of business, the Debtor provides the funds necessary to meet their payroll obligations two to four business days in advance of the pay date. The Debtor's next scheduled payroll date is July 2, 2010, such payroll will be for the period ending June 26, 2010. As a result of adhering to this

³ Contemporaneously with this Motion, the Debtor is filing a motion seeking an order authorizing, among other relief, the continued maintenance of their bank accounts (the "Cash Management Motion"). To implement fully the relief sought herein, the Debtor, by the Cash Management Motion, seeks to authorize the banks at which its employee-related accounts are maintained to continue to honor checks drawn on such accounts.

⁴ To the extent obligations for payment for such services or any portion of the next payment due may be characterized as a prepetition obligation, the Debtor seeks authority to pay such amounts to avoid disruption of services provided to its Employees.

payroll process the debtor will be required to fund a payroll with approximately 3 days of pre-petition obligations owed to employees.

22. In sum, the Debtor estimates that approximately \$134,000 in unpaid salary, wages and other compensation is owing to its Employees as of the next pay date of which \$28,714 is pre-petition. Given the critical role of the Employees in the Debtor's business operations, the Debtor seeks authority to honor its salary, wage and bonus obligations by paying, in the ordinary course, any prepetition amounts owed to the Employees for services within 180 days of the Petition Date. The Debtor believes there will not be any Employees that will be owed more than the \$10,950 priority limit on account of prepetition salaries or wages under Bankruptcy Code section 507(a)(4) (the "Priority Limit").

B. Employees' Reimbursable Business Expenses

23. Prior to the Petition Date and in the ordinary course of business, the Debtor reimbursed Employees for certain business expenses incurred in the scope of their employment, including, without limitation, expenses for business travel, such as for mileage, lodging and parking (collectively, the "Reimbursable Expenses"). All of the Reimbursable Expenses were incurred on the Debtor's behalf in connection with employment by the Debtor and in reliance upon the understanding that such expenses would be reimbursed.

24. The Debtor estimates that, as of the Petition Date, the total amount owed by the Debtor for Reimbursable Expenses is approximately \$15,000. Accordingly, the Debtor seeks authority to honor the Debtor's Reimbursable Expenses obligations by paying, in the ordinary course, any prepetition Reimbursable Expenses owed to its Employees.

C. Employee Benefits

25. In the ordinary course of the Debtor's business, and as is customary for most companies, the Debtor provides its Employees with various benefits (collectively, the "Employee Benefits Programs"). The Debtor seeks authority to pay and/or honor its unpaid Prepetition Obligations under the Employee Benefits Programs that arose from services rendered within 180 days before the Petition Date (the "Prepetition Benefits"). The Employee Benefits Programs and corresponding unpaid Prepetition Benefits are described below:

Health Insurance (Medical, Prescription, Dental, and Vision)

26. The Debtor provides its Employees with medical and dental and vision insurance through third-party providers.

27. The Debtor offers medical and vision insurance to most of the Employees through a self-funded plan provided by Care First of Maryland. A portion of the premiums are paid by the Employees. The total claims, premium/medical and prescription payments for insurance payable by the Debtor under the medical plan is approximately \$70,000 per month on average, but may fluctuate significantly in any given month.

28. The Debtor provides dental insurance to most of its Employees through a plan provided by MetLife. A portion of the premiums are paid by the Employees. The total premium for insurance payable by the Debtor under the dental plan is approximately \$2,546 per month on average, but may fluctuate significantly in any given month.

29. The Debtor seeks authority to pay, in the ordinary course of business, any unpaid premiums, deductibles, and prepetition claims relating to the foregoing medical, dental,

and vision insurance that arose from services rendered within 180 days prior to the Petition Date (the "Prepetition Health Benefits").

Life, AD&D, Long Term Disability Insurance

30. The Debtor provides basic life and long term disability insurance to regular full- time Employees. A portion of the life insurance premium is paid by the Employee. The total premium paid for this insurance is approximately \$50 per month on average, but may fluctuate significantly in any given month.

31. The Debtor seeks authority to pay, in the ordinary course of business, any outstanding unpaid premiums, deductibles, and prepetition claim payments relating to life and long term disability insurance that arose before the Petition Date (the "Prepetition Life & Disability Benefits").

403(b) Plan

32. The Debtor maintains a 403(b) retirement savings plan for its Salaried Employees (the "403(b) Plan") which is administered by Lincoln Financial. All Salaried Employees are eligible to participate in the 403(b) Plan after ninety (90) days of employment with the Debtor.

33. Typically, the Debtor withholds each participating employee's contribution for each respective pay period and pays that contribution into the 403(b) Plan within fourteen days. The employee contributions for the month of May 2010 have already been paid over to the plan administrator. Accordingly, the Debtor respectfully requests that it be authorized to pay over accrued 403(b) withholdings as they are due in the ordinary course.

D. Workers' Compensation

34. The Debtor maintains premium-based workers' compensation insurance plans (the "Workers Compensation Obligations"), with combined claim payments and premiums of approximately \$13,000 monthly.

35. The Debtor seeks authority to continue to pay, in the ordinary course of business, any of the outstanding unpaid premiums, deductibles, and prepetition claims relating to the Workers Compensation Obligations that arose before the Petition Date.

E. Payroll Taxes and Other Withheld Amounts

36. The Debtor deducts flex spending amounts and 403(b) deductions and other miscellaneous amounts from its Employees' paychecks (collectively, the "Employee Deductions"). The Employee Deductions comprise property of the Debtor's Employees and are forwarded by the Debtor to appropriate third-party recipients at varying times.

37. The Debtor is required by law to withhold from an Employee's wages amounts related to federal, state and local income taxes, social security and Medicare taxes, garnishments, child support payments, etc (together with the Employee Deductions, the "Payroll Taxes") and remit the same to the appropriate taxing authorities (collectively, the "Taxing Authorities"). The Debtor's Payroll Taxes, including both the Employee and the employer portion, for a typical payroll total approximately \$32,000. It is likely that funds have been deducted from Employee wages but have not yet been forwarded to the appropriate third-party recipients. Accordingly, the Debtor seeks authority to pay and/or remit to the applicable Taxing Authorities up to \$32,000 in Payroll Taxes attributable to the period before the Petition Date. Absent such authority, the Debtor exposes its officers and

directors to personal liability, which could be highly disruptive to the Debtor's reorganization efforts.

F. Paid Vacation or "Personal-Time-Off" Policy

38. The Debtor offers paid vacation or "personal time off" ("PTO") to eligible Employees. The rate at which Employees earn PTO varies per pay period by the position of the individual employee. They may carry over up to one-and-a-half times their individual maximum allotment of PTO hours each year. All of the Debtor's PTO policies are referred to collectively as the "PTO Policy."

39. The Debtor estimates that the accrued, outstanding amount of unused time under the PTO Policy, if it were payable in cash, is approximately \$116,000 as of the Petition Date. The Debtor seeks authorization, in its sole discretion, for the Debtor to continue honoring the PTO Policy and to continue its practice of making cash payments for unused PTO that has accrued prepetition where deemed to be justified by individual employee circumstances. In addition, the Debtor seeks authorization, in its sole discretion, for the Debtor to make cash payments for unused PTO that has accrued postpetition upon the termination of an Employee to the extent that the Debtor would have done under the PTO Policy before the Petition Date.

G. Administrative Service Providers

40. The Debtor utilizes certain third-party providers to administer employee benefit plans and payroll services (the "Administrative Service Providers"). The continued support of the Administrative Service Providers is crucial to the Debtor's ability to maintain accurate and meaningful books and records, including, but not limited to, books and records reflecting the Debtor's employee benefit and payroll obligations.

The Debtor estimates that the average monthly cost of these services is approximately \$264. To the extent that any such amounts remain unpaid or may be characterized as Prepetition Obligations, the Debtor seeks to be authorized, but not directed, to pay such amounts.

H. **Miscellaneous Employee-Related Obligations**

41. The Debtor may determine that there are additional de minimus Prepetition Obligations, which have not been identified in the Motion. Consequently, the Debtor requests authority to pay any such additional obligations up to an aggregate amount of \$10,000 upon five (5) business days' prior written notice to (a) the Office of the United States Trustee; (b) the Debtor's 20 largest unsecured creditors on a consolidated basis (until an official committee of unsecured creditors is appointed and has retained counsel, in which event, such committee's counsel); (c) counsel to the bondholders; (d) counsel to Erickson Retirement Communities, LLC; (e) counsel to Erickson Living Management, LLC; (f) Wells Fargo Bank, N.A., as issuing party of the letter of credit; and (g) those persons who have formally appeared and requested service in these proceedings pursuant to Bankruptcy Rule 2002 setting forth the nature and amount of the additional obligation sought to be paid. If an objection is interposed within such five-day period, and such objection is not resolved consensually, the Debtor will seek authority from this Court to make such payment. The Debtor also reserves the right to seek authority from the Court to pay any obligations in excess of the above-referenced limit.

Basis For Relief

42. Bankruptcy Code sections 105(a) and 363(b) and the "necessity of payment" doctrine provide the basis for the relief requested in this Motion. Section

363(b)(1) of the Bankruptcy Code provides that "the trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1).

43. In addition, Bankruptcy Code section 105(a) grants bankruptcy courts broad authority to enter "any order, process or judgment that is necessary or appropriate" to carry out the provisions of the Bankruptcy Code. 11 U.S.C. § 105(a). Accordingly, the Debtor submits that this Court is authorized to grant the relief requested herein.

44. Courts have recognized the applicability of the "necessity of payment" doctrine with respect to the payment of prepetition employee compensation and benefits. See, e.g., In re CoServ, L.L.C., 273 B.R. 487, 494 (Bankr. N.D. Tex. 2002) (noting that "wage claims typically are payable out of necessity as well as by virtue of their priority"): Mich. Bureau of Workers' Disability Comp. v. Chateaugay Corp. (In re Chateaugay Corp.), 80 B.R. 279, 285-86 (S.D.N.Y. 1987), appeal dismissed 838 F.2d 59 (2d Cir. 1988) (approving lower court order authorizing payment of prepetition wages, salaries, expenses, and benefits).

45. Furthermore, Bankruptcy Code section 507(a) provides that the Prepetition Obligations, subject to certain conditions, are afforded priority distribution up to \$10,950. See 11 U.S.C. §§ 507(a)(4), 507(a)(5). In addition, section 507(a)(4) and 507(a)(5) priority claims are entitled to payment in full under a chapter 11 plan of reorganization. See 11 U.S.C. § 1129(a)(9)(B). Thus, because the Debtor's Employees may be entitled to a priority distribution for prepetition amounts owed, the relief requested in this Motion should primarily affect the timing of payment of employee

claims rather than their treatment for distribution purposes, and should neither prejudice general unsecured creditors nor materially affect the Debtor's estate.

46. Bankruptcy Rule 6003 was amended in December 2007 to set limits on the relief that may be granted by a bankruptcy court during the initial stage of a bankruptcy case. Bankruptcy Rule 6003 provides, in pertinent part, that:

Except to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 20 days after the filing of the petition, grant relief regarding . . . a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition, but not a motion under Rule 4001.

Fed. R. Bankr. P. 6003(b) (emphasis added).

47. Application of Bankruptcy Code sections 105(a) and 363(b)(1) and the "necessity of payment" doctrine are warranted here. Additionally, the Debtor satisfies the "immediate and irreparable harm" standard set forth in Bankruptcy Rule 6003. Absent prompt payment of amounts owed in connection with the Prepetition Obligations, it is likely that Employee morale and support will be impaired, the Debtor's business will be immediately and irreparably harmed, and the reorganization of the Debtor will be impossible.

48. The Debtor's inability to pay its outstanding Prepetition Obligations will cause employees to endure significant stress, hardship and suffering. The effect of this disruption in Employee morale will likely have negative effect on all aspects of the Debtor's business operations. Many Employees live from paycheck to paycheck and rely exclusively on receiving their full compensation to pay their daily living expenses. Furthermore, many Employees rely on their Employee benefits, such as health insurance reimbursement, without which they would be forced to pay for or go without insurance

coverage for themselves and their families. As a result, these Employees will be exposed to significant financial and health-related problems if the Debtor is not permitted to honor their unpaid Prepetition Obligations.

49. In addition, amounts withheld by the Debtor from Employees' paychecks represent, in many cases, employee earnings specifically designated by employees or, in the case of garnishments, by judicial authorities, to be deducted from Employee paychecks and paid accordingly. The failure to make these payments will result in hardship to certain Employees. The Debtor expects to be inundated with a multitude of inquiries from garnishors and other designated recipients regarding the Debtor's failure to submit, among other things, taxes, child support and alimony payments which are not the Debtor's property, but rather have been withheld from Employee paychecks. Moreover, the Debtor is unable to remit certain of these amounts, the Employees could face legal action and/or imprisonment.

50. The Debtor's Employees are an essential component of a successful reorganization. Any deterioration in Employee morale and welfare at this critical time undoubtedly would have a devastating impact on the Debtor, the value of its assets and businesses, and ultimately, the Debtor's ability to reorganize. Accordingly, the relief sought herein is in the best interests of the Debtor's estate and creditors, and will allow the Debtor to continue to operate its business with minimal disruption and proceed with the important task of stabilizing its operations.

51. In other chapter 11 cases, courts in this district and other jurisdictions have approved payment of prepetition claims for compensation, benefits, and expense reimbursements similar to those described herein. See e.g., In re Tusa-Expo Holdings, Inc.,

et al., Case No. 08- 45057 (DML) (Bankr. N.D. Tex. Nov. 7, 2008); In re Home Interiors & Gifts, Inc., Case No. 08-31961 (BJH) (Bankr. N.D. Tex. May 2, 2008); In re Manchester, Inc., et al., Case No. 08- 30703(BJH) (Bankr. N.D. Tex. Mar. 7, 2008); In re Steve & Barry's Manhattan LLC, et al., Case No. 08-12579 (ALG) (Bankr. S.D.N.Y. July 10, 2008); In re Fortunoff Fine Jewelry and Silverware, LLC, Case No. 08-10353 (JMP) (Bankr. S.D.N.Y. Feb. 29, 2008); Charvs Holding Co., Inc., Case No. 08-10289 (BLS) (Bankr. D. Del. Feb. 15, 2008).

Notice

52. Notice of this Motion has been provided to (a) the Office of the United States Trustee; (b) the Debtor's 20 largest unsecured creditors on a consolidated basis (until an official committee of unsecured creditors is appointed and has retained counsel, in which event, such committee's counsel); (c) counsel to the bondholders; (d) counsel to Senior Living Retirement Communities, LLC; (e) counsel to Erickson Living Management, LLC; (f) Sovereign Bank, N.A., as issuing party of the letter of credit; and (g) those persons who have formally appeared and requested service in these proceedings pursuant to Bankruptcy Rule 2002. The Debtor submits that, in light of the nature of the relief requested, no other or further notice is necessary or required.

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Conclusion

WHEREFORE, the Debtor respectfully requests entry of the order attached hereto, and such other and further relief as this Court may deem just and proper.

Dated: June 18, 2010
Dallas, Texas

Respectfully Submitted,

MCGUIRE, CRADDOCK & STROTHER, P.C.

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Proposed Attorneys for Monarch Landing, Inc.

CERTIFICATE OF SERVICE

I certify that on the 18th day of June, 2010, a copy of the foregoing was sent by electronic mail or First Class U.S. Mail, postage prepaid, on all parties on the attached service list.

/s/J. Mark Chevallier _____

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Floor Installation Techs Inc.
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Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:	§	CASE NO. 10-34179-SGJ
	§	
MONARCH LANDING, INC.,	§	CHAPTER 11
	§	(Joint Administration Pending)
Debtor.	§	

**ORDER AUTHORIZING DEBTOR TO PAY CERTAIN PREPETITION:
(i) WAGES, SALARIES AND OTHER COMPENSATION; (ii) EMPLOYEE
MEDICAL AND SIMILAR BENEFITS; AND (iii) OTHER MISCELLANEOUS
EMPLOYEE EXPENSES AND BENEFITS**

Upon the Debtor’s Motion for Authorization to Pay Certain Prepetition: (i) Wages, Salaries and Other Compensation; (ii) Employee Medical and Similar Benefits; and (iii) Other Miscellaneous Employee Expenses and Benefits for an Order Authorizing Debtors To Escrow Initial Entrance Deposits, dated June 18, 2010 (the “Motion”), and all as more fully set forth in the Motion; and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding

pursuant to 28 U.S.C. §157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409, and due and proper notice of the Motion having been provided to the necessary parties; and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Motion (the "Hearing"); and the appearances of all interested parties having been noted in the record of the Hearing; and upon the record of the Hearing and all of the proceedings had before the Court; and no objections having been received; and the Court having determined that the relief sought in the Motion is in the best interests of the Debtor, its creditors, and all parties in interest; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefore, it is hereby:

ORDERED that the Motion is **GRANTED**.

End of Order