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PROPOSED ATTORNEYS FOR SEDGEBROOK, INC.

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

In re:	§	CASE NO. 10-34178
	§	
SEDGEBROOK, INC.,	§	CHAPTER 11
	§	(Joint Administration Pending)
Debtor.	§	

DEBTOR'S MOTION FOR AN ORDER
PURSUANT TO SECTIONS 345, 363(c)(1) AND 364(a):
(a) APPROVING THE CONTINUED USE OF ITS CASH MANAGEMENT SYSTEM,
BANK ACCOUNTS AND BUSINESS FORMS;
(b) GRANTING APPROVAL OF INVESTMENT GUIDELINES; AND
(c) AUTHORIZING BANKS TO HONOR CERTAIN TRANSFERS
AND CHARGE CERTAIN FEES AND OTHER AMOUNTS

Sedgebrook, Inc., the debtor and debtor in possession herein (the "Debtor" or "Sedgebrook"), by counsel, files this "Cash Management Motion" seeking entry of an order, substantially in the form attached hereto as **Exhibit A**: (a) approving the continued use of its

cash management system, bank accounts and business forms; (b) granting approval of investment guidelines; (c) authorizing banks to honor certain transfers and charge certain fees and other amounts; (d) permitting continued intercompany transactions and granting administrative expense status to postpetition intercompany claims; and (e) preserving and permitting the exercise of intercompany setoff rights. In support of the Cash Management Motion, the Debtor respectfully represents as follows:

Jurisdiction

1. The Court has jurisdiction over this Cash Management Motion pursuant to 28 U.S.C. §§ 157 and 1334, and 11 U.S.C. § 521. Venue lies properly in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157.

2. The relief sought with this Cash Management Motion is based upon sections 345, 363(c)(1), 364(a) and 503(b)(1) of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”).

The Debtor’s Chapter 11 Proceeding

3. On June 15, 2010 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code.

4. 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.

5. No creditors committee has been appointed in this case by the United States Trustee.

Related Chapter 11 Proceeding

6. Contemporaneous with the filing of the Debtor’s case, Lincolnshire Campus, LLC (“Lincolnshire”), filed a petition for relief under Chapter 11 of the Bankruptcy Code in this Court

(Case No. 10-34176). The Debtor leases its principal Facility (defined supra) from Lincolnshire and has various financial as well as contractual relationships with Lincolnshire.

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

The Debtor and Its Business Operations

8. The Debtor was established on July 18, 2003, as a Maryland nonstock corporation to operate a continuing care retirement community in Lincolnshire, Illinois (the "Facility"), which opened in July, 2005. The Debtor is classified as a 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.

9. 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 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.

¹ The Debtors in ERC'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.

10. 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 Lincolnshire. 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.

11. The Debtor leases the Facility from Lincolnshire (which Senior Living owns, directly or indirectly), pursuant to a master lease. The Debtor enters into a residence and care agreement (the "Residence and Care Agreement") with each individual resident entering a community, pursuant to which the Debtor collects an initial entrance deposit ("IEDs") and monthly fees from each resident. As of the Petition Date, the Facility had (i) 469 completed independent living units, 402 residents, and a percent (85.7%) occupancy rate; (ii) 44 completed assisted living units, 10 residents, and a percent (21.7%) occupancy rate; and (iii) 44 completed skilled nursing units, 22 residents, and a percent (49.7%) occupancy rate. It was originally anticipated that the Debtor's facilities would include up to 1,392 independent living units, 96 assisted living units and 132 skilled nursing beds.

12. The Debtor's capital structure consists of permanent financing in the form of project bonds and special tax district bonds. The Debtor has very low operating margins compared to the cost of the Facility's programs and staffing. In addition, construction costs of the Facility have been much higher than similar costs for other CCRCs. Further, there is significant competition for the targeted residents in the greater Chicago area, which has caused a decline in the Facility's occupancy rates. 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

13. As mentioned previously, the Debtor leases the Facility from Lincolnshire (which Senior Living owns, directly or indirectly) pursuant to a master lease.

14. Under the terms of Senior Living's Plan, the Bond Trustees² (as defined in the Plan) were 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 as well as two other related facilities, Monarch Landing, Inc. ("Monarch") and Linden Ponds, Inc. to Redwood during the 90-day period following the confirmation of Senior Living's Plan (i.e. from April 30, 2010 through July 31, 2010) (the "Negotiation Period").³

² The trustee for the Debtor's bonds is US Bank National Association (the "Bond Trustee").

³ Section 6.2.3.1 of Senior Living'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 Debtors 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

Although the Bond Trustees had an obligation to negotiate in good faith during the Negotiation Period, approximately two (2) weeks ago, the bond trustee for Monarch, inappropriately effectuated a set-off against the Monarch's cash reserves in the amount of \$15,166,737.69. The action of Monarch's bond trustee has threatened to destabilize Monarch's operations. As a number of the Debtor's bond owners are the same as Monarch's and they both are represented by the same counsel, the Debtor filed this chapter 11 proceeding to stop its Bond Trustee from making a similar offset against Sedgebrook's cash reserves thereby causing severe damage to its operations and threatening the well being of its residents.

15. 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 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.

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, Lincolnshire Campus, LLC and/or Hingham Campus, LLC, as applicable will be transferred to the applicable NFP.

Relief Requested

16. By this Cash Management Motion, the Debtor seeks an order granting permission to continue to use its existing cash management system, investment guidelines and business forms and permitting continued intercompany transactions and the setoff of intercompany debts (all as defined below). In addition, this Cash Management Motion seeks an order of this Court granting administrative expense status to certain intercompany claims and an order allowing the Debtor's banks to honor certain drafts and charge certain fees and chargebacks.

17. In the ordinary course of business the Debtor uses a cash management system (the "Cash Management System") to transfer funds between its various bank accounts. The Debtor's general operating account (the "Corporate Concentration Account") receives all cash receipts due to the Debtor, which are deposited from two primary sources: (i) monthly fees from residents; and (ii) initial entry deposits ("IEDs") from campus residents. The cash in the Corporate Concentration Account is used to fund the operations of the Debtor's campus, including payments to vendors, debt service, payroll and other general payables.

18. Including the Corporate Concentration Account, the Debtor maintains approximately 14 bank accounts, all of which are maintained with banks in the United States. A list of such accounts (the "Bank Accounts"), and a description of the purpose of each, is annexed to this Motion as **Exhibit B**. Out of these Bank Accounts, the Debtor makes payments for its own account and for the account of certain of its affiliates. The funds needed to make these payments are transferred from the Corporate Concentration Account to the various disbursement accounts.

19. Excess funds that are held in any of the Debtor's accounts, including funds that are held in the Corporate Concentration Account overnight, are invested. All of the Debtor's

investments are made in accordance with the Debtor's Investment Guidelines (the "Investment Guidelines"), a copy of which is annexed hereto as **Exhibit C**. All funds invested under the Investment Guidelines are invested in order to maximize liquidity and safety of principal while earning a fair return. The Investment Guidelines limit the kinds of investments that the Debtor may make to relatively safe investments, including Treasury Securities, commercial paper issued by highly rated entities, and money market funds. The Investment Guidelines also limit the amount that can be invested in any given vehicle to ensure diversification.

Basis for Relief

A. Continued Use of a Cash Management System Is Warranted

20. The Debtor hereby seeks authority to continue to use its Cash Management System. In light of the substantial size and complexity of the Debtor's operations, a successful reorganization of the Debtor's business, as well as the preservation and enhancement of the Debtor's value as a going concern, simply cannot be achieved if the Debtor's cash management procedures are substantially disrupted. Therefore, it is essential that the Debtor be permitted to continue to consolidate the management of its cash and transfer monies to and from its affiliates, as needed, in the amounts necessary to continue the operation of their businesses and in accordance with their existing cash management procedures.

21. The Cash Management System has been continuously utilized by the Debtor and its affiliates and constitutes a customary and essential business practice. The Cash Management System is similar to those commonly employed by corporate enterprises of comparable size and complexity in the same line of business as the Debtor. The widespread use of such systems, moreover, is attributable to the numerous benefits they provide, including the ability to: (a) control and monitor corporate funds; (b) invest idle cash; (c) ensure cash availability; and (d) reduce

administrative expenses by facilitating the movement of funds and the development of timely and accurate account balance and presentment information.

22. In addition, given the Debtor's corporate and financial structure and the number of affiliated entities participating in the Cash Management System, it would be difficult and unduly burdensome for the Debtor to establish an entirely new system of accounts. Thus, under the circumstances, the maintenance of the Cash Management System, not only is essential, but also is in the best interests of the Debtor's estate and creditors.⁴ In addition, preserving a "business as usual" atmosphere and avoiding the unnecessary distractions that inevitably would be associated with any substantial disruption of the Cash Management System will (a) facilitate the stabilization of the Debtor's postpetition business operations and (b) assist the Debtor in its reorganization efforts.

23. If the Debtor is not permitted to continue to utilize the Cash Management System, its operations and the operations of its affiliates would be severely, and perhaps irreparably, disrupted. Accordingly, the Debtor respectfully requests that the Court authorize the Debtor's continued use of the Cash Management System described herein.

24. Section 363(c)(1) of the Bankruptcy Code authorizes a debtor in possession to "use property of the estate in the ordinary course of business without notice or a hearing." The purpose of section 363(c)(1) of the Bankruptcy Code is to provide a debtor in possession with the flexibility to engage in those transactions that make up the bulk of its day-to-day operations without incurring the excessive monitoring costs that would result from the need to provide notice of, and obtain approval for, such ordinary course activities. Within the purview of section 363(c)

⁴ As a matter of course, the Debtor will continue to maintain current records with respect to all transfers of cash, so that all transactions can be readily ascertained, traced and recorded properly on applicable intercompany accounts.

of the Bankruptcy Code, a debtor in possession is authorized to continue the “routine transactions” associated with its cash management system.

25. The Debtor respectfully submits that, under the circumstances, the maintenance of the Cash Management System in substantially the same form as it existed prior to the Petition Date, is in the best interests of the Debtor’s estate and creditors. Preserving a “business as usual” atmosphere and avoiding the unnecessary distractions that inevitably would be associated with any irremediable changes to the Cash Management System will (a) facilitate the Debtor’s stabilization of its postpetition business operations and (b) assist the Debtor in its reorganization efforts. Accordingly, the Debtor seeks authority under section 363(c)(1) of the Bankruptcy Code to continue the collection, disbursement and investment of cash pursuant to its Cash Management System, as described above.

B. Continued Use of the Bank Accounts Is Warranted

26. As set forth on **Exhibit B**, within the Cash Management System, the Debtor has utilized approximately twelve (12) Bank Accounts on a regular basis (the “Bank Accounts”). To avoid substantial disruption to the normal operation of the Debtor’s businesses and to preserve a “business as usual” atmosphere, as part of its request to maintain the Cash Management System, the Debtor hereby requests that it be permitted to continue to use the Bank Accounts. Allowing these accounts to be maintained with the same account numbers will greatly assist the Debtor in accomplishing a smooth transition to operating in chapter 11.

27. To protect against the possible inadvertent payment of prepetition claims, the Debtor will immediately advise its Banks not to honor checks issued prior to the Petition Date, except as otherwise expressly permitted by an order of the Court and directed by the Debtor. The

Debtor, moreover, has the capacity to draw the necessary distinctions between prepetition and postpetition obligations and payments without closing the Bank Accounts and opening new ones.

C. Continued Use of Business Forms Is Warranted

28. In the ordinary course of business, the Debtor uses a variety of checks and other business forms (collectively, and as they may be modified, the “Business Forms”). By virtue of the nature and scope of the Debtor’s business operations and the large number of suppliers of goods and services with whom the Debtor transacts business on a regular basis, it is important that the Debtor be permitted to continue to use its Business Forms without alteration or change.

29. To avoid disruption of the Cash Management System and unnecessary expense, the Debtor requests that it be authorized to continue to use its Business Forms substantially in the forms existing immediately before the Petition Date, without reference to its status as a debtor in possession, provided, however, that (a) once the Debtor’s existing check stock has been used, any future checks ordered by the Debtors will include the legend “Debtor-in-Possession;” and (b) as soon as reasonably practicable, the Debtor will cause the phrase “Debtor-in-Possession” to be included on its blank check stock. In the absence of such relief, the estate will be required to bear a potentially significant expense, which the Debtor respectfully submits is unwarranted.

D. Continued Use of Current Investment Guidelines Is Warranted

30. As described above, all funds that are invested by the Debtor are invested in accordance with the Investment Guidelines. Although the Investment Guidelines may not strictly comply with the approved investment guidelines identified in section 345 of the Bankruptcy Code in all cases, the Debtor’s deposits and investments nevertheless are prudent and designed to yield the maximum reasonable net return on the funds invested, taking into account the safety of such deposits and investments. Accordingly, the Debtor respectfully requests authority to invest and

deposit funds in accordance with the Investment Guidelines, notwithstanding that such guidelines may not strictly comply in all respects with the approved investment guidelines set forth in section 345 of the Bankruptcy Code. The Debtor further requests that the applicable institutions be authorized and directed to accept and hold or invest such funds, at the Debtor's direction, in accordance with the Investment Guidelines.

31. Pursuant to section 345(b) of the Bankruptcy Code, any deposit or other investment made by a debtor, except those insured or guaranteed by the United States or by a department, agency or instrumentality of the United States or backed by the full faith and credit of the United States, must be secured by either a bond in favor of the United States that is secured by the undertaking of a corporate surety approved by the United States Trustee (the "U.S. Trustee") for the relevant district or the deposit of securities of the kind specified in 31 U.S.C. § 9303. Section 345(b) of the Bankruptcy Code provides further, however, that a bankruptcy court may allow the use of alternatives to these approved investment guidelines "for cause." 11 U.S.C. § 345(b). *See also In re Serv. Merch. Co.*, 240 B.R. 894, 896-97 (Bankr. M.D. Tenn. 1999) (concluding that "cause" existed in that case because the debtors were "large, sophisticated [companies] with a complex cash management system" that had the ability to shift money as needed to ensure the safety of their funds and that the failure to waive §345(b)'s requirements "would needlessly handcuff these debtors' reorganization efforts.")

32. As in other chapter 11 cases in which courts have granted requests for approval of the continued use of investment and deposit guidelines that did not strictly comply with section 345 of the Bankruptcy Code, the Debtor is a large, and sophisticated company with a complex Cash Management System that provides the Debtor with the ability to transfer funds rapidly to ensure their safety. In light of these factors and the safety of the investment vehicles that the

Debtor proposes to utilize to invest any excess funds, the Debtor believes that sufficient cause exists under section 345(b) of the Bankruptcy Code to allow the Debtor to deviate from the investment guidelines set forth therein.

E. Authorization of Banks to Charge Back Returned Items and the Debtor to Pay Bank Fees Is Warranted

33. The Debtor may file motions requesting authority to pay, in its sole discretion and in the ordinary course of its business, certain prepetition obligations to customers, employees, essential suppliers, foreign vendors, lienholders, taxing authorities and other entities. With respect to some of this debt, prior to the Petition Date, the Debtor issued checks that have yet to clear the banking system. In other cases, the Debtor would issue the relevant checks postpetition on account of such prepetition debt once the Court enters an order permitting the Debtor to do so. The Debtor intends to inform its banks about which prepetition checks should be honored pursuant to orders of the Court authorizing such payment.

34. As a result of the foregoing, the Debtor requests that its banks and financial institutions (collectively, the “Banks”) be authorized to accept and honor all representations from the Debtor as to which checks, drafts, wires or Automated Clearing House (“ACH”) transfers should be honored or dishonored consistent with any order(s) of this Court and governing law, whether such checks, drafts, wires or ACH transfers are dated prior to, on or subsequent to the Petition Date. Pursuant to the relief requested in this Motion, the Banks shall not be liable to any party on account of (a) following the Debtor’s instructions or representations as to any order of this Court, (b) the honoring of any prepetition check or item in a good faith belief that the Court has authorized such prepetition check or item to be honored or (c) an innocent mistake made despite implementation of reasonable item handling procedures. Such relief is reasonable and

appropriate because the Banks are not in a position to independently verify or audit whether a particular item may be paid in accordance with the Court's order or otherwise.

35. Finally, the Debtor requests authority for the Banks to charge and the Debtor to pay or honor both prepetition and postpetition service and other fees, costs, charges and expenses to which the Banks may be entitled under the terms of and in accordance with their contractual arrangements with the Debtor (collectively, the "Bank Fees"). The Debtor also requests that the Banks be authorized to charge back returned items to the Bank Accounts in the normal course of business. The Debtor requires this relief to minimize the disruption of the Cash Management System and its Bank Accounts and to assist it in accomplishing a smooth transition to operating in chapter 11.

Request for Waiver of Stay

36. In addition, by this Motion, the Debtor seeks a waiver of any stay of the effectiveness of the order approving this Motion. Pursuant to Rule 6004(h) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), "[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 10 days after entry of the order, unless the court orders otherwise." As set forth above, the immediate continued use of the Bank Accounts, Cash Management System and Business Forms is essential to prevent potentially irreparable damage to the Debtor's operations, value, and ability to reorganize. Accordingly, the Debtor submits that ample cause exists to justify a waiver of the ten-day stay imposed by Bankruptcy Rule 6004(h), to the extent that it applies.

Notice

37. 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 Erickson Retirement Communities, LLC; (e) counsel to Erickson Living Management, LLC; (f) Fifth Third 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 that this Court (i) grant this Motion and the relief requested herein; (ii) enter the proposed order attached hereto; and (iii) grant such other and further relief as it deems just and proper.

Dated: June 18, 2010
Dallas, Texas

Respectfully Submitted,

MCGUIRE, CRADDOCK & STROTHER, P.C.

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Proposed Attorneys for Sedgebrook, 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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Get Fresh Produce
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Gulf South Medical Supply
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Fifth Third Bank As Agent
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Nashville, TN 37219

Wells Fargo, Trustee
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Columbia, MD 21045

EXHIBIT A

Proposed Order

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

In re:	§	CASE NO. 10-34178
	§	
SEDGEBROOK, INC.,	§	CHAPTER 11
	§	(Joint Administration Pending)
Debtor.	§	

**ORDER PURSUANT TO DEBTOR'S MOTION FOR AN ORDER
PURSUANT TO SECTIONS 345, 363(c)(1) AND 364(a):
(a) APPROVING THE CONTINUED USE OF ITS CASH MANAGEMENT SYSTEM,
BANK ACCOUNTS AND BUSINESS FORMS;
(b) GRANTING APPROVAL OF INVESTMENT GUIDELINES; AND
(c) AUTHORIZING BANKS TO HONOR CERTAIN TRANSFERS
AND CHARGE CERTAIN FEES AND OTHER AMOUNTS**

Upon the “Cash Management Motion”¹ of Sedgebrook, Inc., as debtor and debtor in possession in the above-captioned case (“Debtor”), for entry an order: (a) approving the continued use of its Cash Management System, Bank Accounts and Business Forms; (b) granting approval of Investment Guidelines; and (c) authorizing banks to honor certain transfers and charger certain fees and other amounts; and adequate notice of the Motion having been given as set forth in the Motion; and it appearing that no other or further notice is necessary; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28

¹ Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Motion.

U.S.C. §§ 157 and 1334; and the Court having determined that consideration of the motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief requested in the Motion, and that such relief is in the best interests of the Debtor, its estate, its creditors and other parties in interest; and upon the record in this proceeding; and after due deliberation, it is, by the United States Bankruptcy Court for the Northern District of Texas, **ORDERED** that:

1. The Motion is hereby granted in full.

2. The Debtor is authorized to: (a) maintain the Cash Management System, in substantially the same form as the Cash Management System described in the Motion, as approved by this Court; and (b) implement ordinary course changes to its Cash Management System; and (c) open and close bank accounts.

3. The Debtor is authorized to continue to use its Business Forms substantially in the forms existing immediately before the Petition Date. The Debtor is authorized to utilize its current business forms without reference to its status as a debtor in possession, provided, however, that (a) once the Debtor's existing check stock has been used, any future checks ordered by the Debtor shall include the legend "Debtor-in-Possession;" and (b) as soon as reasonably practicable, the Debtor shall cause the phrase "Debtor-in-Possession" to be included on its blank check stock..

4. The Debtor is authorized to deposit and invest funds in accordance with the Investment Guidelines, or any other postpetition financing approved by this Court, notwithstanding that certain Investment Guidelines may not strictly comply in all respects with the investment guidelines expressly set forth in section 345 of the Bankruptcy Code. The

Debtor's banks (collectively, the "Banks") are authorized to accept and hold or invest funds, at the Debtor's direction, in accordance with the Investment Guidelines.

5. The Banks are authorized to accept and honor all representations from the Debtor as to which checks, drafts, wires or ACH transfers should be honored or dishonored consistent with any order(s) of this Court and governing law, whether such checks, drafts, wires or ACH transfers are dated prior to, on or subsequent to the Petition Date. The Banks shall not be liable to any party on account of (a) following the Debtor's instructions or representations as to any order of this Court, (b) the honoring of any prepetition check or item in a good faith belief that the Court has authorized such prepetition check or item to be honored or (c) an innocent mistake made despite implementation of reasonable item handling procedures.

6. The Banks are authorized to charge, and the Debtor is authorized to pay or honor, in its sole discretion, the Bank Fees. The Banks also are authorized to charge back returned items to the Bank Accounts in the normal course of business.

7. Notwithstanding any provision in the Federal Rules of Bankruptcy Procedure to the contrary, (i) the terms of this Order shall be immediately effective and enforceable upon its entry; (ii) the Debtors are not subject to any stay in the implementation, enforcement or realization of the relief granted in this Order, and (iii) the Debtor may, in its discretion and without further delay, take any action and perform any act authorized under this Order.

8. The requirements set forth in Rule 6003(b) of the Federal Rules of Bankruptcy Procedure are satisfied by the contents of the Motion or otherwise deemed waived.

9. The Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

###END OF ORDER###

EXHIBIT B

Debtor's Bank Accounts

Sedgebrook (SED) Operating Account:

The focal point of the SED Cash Management System is the SED Operating Account at PNC Bank (Account No. xxxxxxx485), which serves as the collection point for all funds moved into and through the SED Cash Management System. The SED Operating Account pools and holds cash, and supplies cash to all other accounts as necessary.

The SED Operating Account receives cash receipts due to SED, which are deposited from three primary sources: (i) monthly fees from residents, (ii) entry deposits (EDs) from campus residents, and (iii) releases from the SED Supplemental Account.

The cash in the SED Operating Account is used to fund the operations of the SED campus, including payments to vendors, debt service, payroll, and for other general payables. Cash from the SED Operating Account is also transferred, automatically or manually, to certain accounts discussed below.

Manual transfers are made to a Controlled Disbursement Account, which is the central disbursement account for all the Not-For-Profits and is located under Erickson Living Management's Tax ID in order to pay checks issued by SED.

SED Devon Operating Account:

The SED Devon Operating Account is held at Devon Bank (Account No. xxxxxxx701). The SED Devon Operating Account is used for small onsite deposits and any emergency manual checks that may need to be written.

SED Special Initial Entrance Fee Reserve Account:

The SED Special Initial Entrance Fee Reserve Account is held at US Bank (Account No. xxxxxx012). Historically, this account was funded through manual transfers from the SED Escrow Account and/or SED Operating Accounts on a monthly basis. The SED Special Initial Entrance Fee Reserve Account is used to hold special initial entrance fee reserves related to the facility.

SED Construction Account:

The SED Construction Account is held at US Bank (Account No. xxxxxx001). Historically, this account was funded through manual transfers from the SED Escrow Account and/or SED Operating Accounts on a monthly basis. The SED Construction Account is used to hold construction reserves related to construction projects at the facility. These reserves are required either by local authorities and/or the terms of Sedgebrook's bond agreement.

SED A&B Debt Service Reserve (DSR) Accounts:

The SED A&B DSR Account is held at US Bank (Account No. xxxxxx008). Historically, this account was funded through manual transfers from the SED Escrow Account and/or SED Operating Accounts on a monthly basis. The SED DSR Account is used to hold debt service reserves for facility debt obligations.

SED Interest Accounts:

The SED Interest Accounts A & B are held at US Bank (Account No. xxxxxx002 & xxxxxx003). Historically, this account was funded through manual transfers from the SED Escrow Account and/or SED Operating Accounts on a monthly basis. The SED Interest Accounts are used to fund interest payments for facility debt obligations. Payments out of this account are automatically made by the bond trustee twice a year.

SED Principal Accounts:

The SED Principal Accounts A & B are held at US Bank (Account No. xxxxxx004 & xxxxxx005). Historically, this account was funded through manual transfers from the SED Escrow Account and/or SED Operating Accounts on a monthly basis. The SED Principal Accounts are used to fund principal payments for facility debt obligations. Payments out of this account are automatically made by the bond trustee twice a year.

SED Escrow Account:

The SED Escrow Account is held at Bank of America (Account No. xxx849) and is used to hold resident entrance deposits for a statutory period after they move into SED. Funds were transferred from this account twice a month to various other SED accounts.

SED Restricted Funds Account:

The SED Restricted Funds Account is held at Devon Bank (Account No. xxxxxxx703). The SED Restricted Funds Account is used to hold restricted cash required at the facility.

SED 2007 A&B Dev Fee Account:

The SED 2007 A&B Dev Fee Account is held at US Bank (Account No. xxxxxx011). The SED 2007 A&B Dev Fee Account is used to hold development fees payable to Erickson based on sales of living units on campus. Funds are released to Erickson from this account when Sedgebrook's building hit certain occupancy hurdles.

SED In-house General Liability Account:

Cash in the SED General Liability Account is part of a pooled bank account with other communities used for shared insurance expenses.

SED Supplemental Account:

The SED Supplemental Account is held at US Bank (Account No. xxxxxx014) and funded through transfers from the SED Escrow Account. The SED Supplemental Account was put in place as part of the previously mentioned forbearance with the trustee to hold initial entrance deposits after they were available for release from the SED escrow account.

Sedgebrook, Inc.

Bank Account Structure

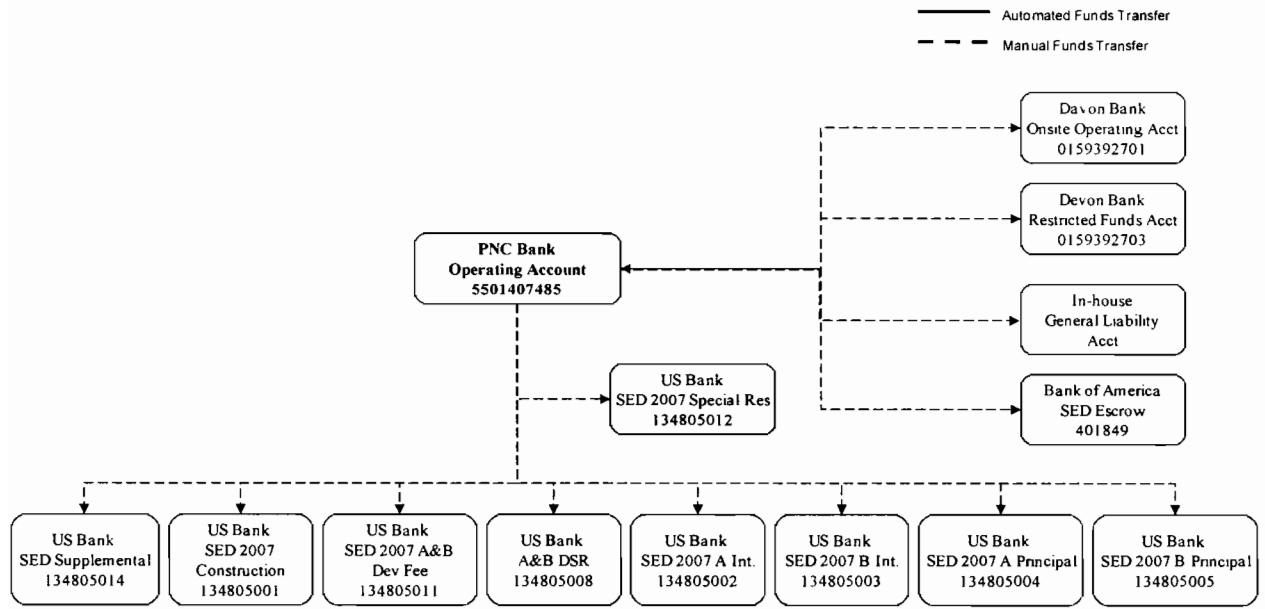


EXHIBIT C

Debtor's Investment Guidelines

National Senior Campuses, Inc.
Investment Policy

This Investment Policy applies to all Invested Assets of National Senior Campuses, Inc. and all of its supported organizations, other than Invested Assets which, pursuant to an agreement entered into with a third party, are precluded from being invested pursuant to this Policy. (Such restrictions are to be avoided where possible.) For this purpose, Invested Assets shall include all restricted and unrestricted funds that are intended to be invested in securities, bank deposits or other financial instruments to optimize the financial return at the appropriate level of risk. Invested Assets shall not include operating cash accounts.

The objective of this policy is to aggregate the Invested Assets of NSC and all of its supported organizations for investment purposes in order maximize the return on such assets with appropriate risk and to administer the investment program with optimum efficiency. All Invested Assets shall be maintained in accounts that are in the name of owner of the assets. Such accounts may include allocated interests in Invested Asset pools.

All invested assets shall be managed by an investment manager retained by the NSC Board of Directors. The investment manager shall be directed by the NSC Finance and Acquisitions Committee to invest all Invested Assets in accordance with the Asset Allocation Strategy approved by the Finance and Acquisitions Committee. Accounts with financial institutions containing Invested Assets shall be selected by the investment manager or the Finance and Acquisitions Committee. NSC and all applicable supported organizations shall take all steps necessary to authorize such accounts.

The Finance and Acquisitions Committee shall report quarterly to the Board of Directors of NSC the aggregate performance of all Invested Assets that are managed pursuant to this policy. The Finance and Acquisitions Committee shall report quarterly to each supported organization the composition of each account containing Invested Assets owned by the supported organization and the performance of such Invested Assets.