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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.	§

**MOTION OF THE DEBTOR FOR INTERIM AND FINAL ORDERS:
DEBTOR'S MOTION FOR AN ORDER PURSUANT TO 11 U.S.C. § 105(a)
AND BANKRUPTCY RULE 2002 ESTABLISHING NOTICE PROCEDURES**

The above-captioned debtor and debtor in possession through its proposed attorneys, McGuire Craddock & Strother, P.C. and Whiteford Taylor & Preston L.L.P., moves this Court for entry of an order, pursuant to section 105(a) of title 11 of the United States Code (the "Bankruptcy Code") and Rule 2002 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") to establish notice procedures in this chapter 11 case (the "Motion"). In support of this Motion, the Debtor respectfully represents as follows:

Jurisdiction and Venue

1. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).
2. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.
3. The statutory basis for the relief requested herein is Bankruptcy Code Section 105 and Bankruptcy Rule 2002.

The Debtor's Chapter 11 Proceeding

4. On June 15, 2010 (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code.
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 been appointed in this case by the United States Trustee.

Related Chapter 11 Proceeding

7. 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 (SGJ)]. The Debtor leases its principal Facility (defined supra) from Lincolnshire and has various financial as well as contractual relationships with Lincolnshire.
8. Approximately nine (9) months prior to the Petition Date, Lincolnshire'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

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

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 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.

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 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 Lincolnshire. In addition, the Debtor and Senior Living have entered into a management and marketing agreement (the "Management

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.

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. 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.

13. 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 the Facility's occupancy rate to increase at a lower rate than projected. 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

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

15. 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 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

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 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.

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.

16. 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.

Relief Requested

17. By this Motion, the Debtor requests the entry of an order, pursuant to Bankruptcy Code section 105(a) and Bankruptcy Rule 2002, limiting notice on various matters to only the affected parties.

18. The Debtor has approximately 78 creditors who may be entitled to receive notice in these cases. Notice of all pleadings and other papers filed in these cases to each creditor is

unnecessary and would be extremely burdensome and costly to the estates, as a result of photocopying, postage expenses, and other expenses associated with these mailings.

19. The Debtor proposes the establishment of a master service list (the “Master Service List”) that would include: (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) any party whose interests are directly affected by a specific pleading; (e) counsel to Senior Living Retirement Communities, LLC; (f) counsel to Erickson Living Management, LLC; (g) Sovereign Bank, as issuing party of the letter of credit; and (h) those persons who have formally appeared and requested service in these proceedings pursuant to Bankruptcy Rule 2002.

20. The proceedings with respect to which notice would be limited to the Master Service List would include all matters covered by Bankruptcy Rule 2002, with the express exception of the following: (a) meeting of creditors under sections 341 or 1104(b); (b) any notices related to claims bar dates; (c) the time fixed for filing objections and the hearing to consider approval of a disclosure statement or confirmation of a plan of reorganization or liquidation; and (d) notice of and transmittal of ballots for accepting or rejecting a plan of reorganization. Except as set forth below, the foregoing proceedings would be noticed to all parties in interest in accordance with Bankruptcy Rule 2002, at their last known address as provided by the Debtors, unless otherwise ordered by this Court or otherwise prescribed by the Bankruptcy Code. The Master Service List would also be used for pleadings, papers and procedures that may, pursuant to the Local Rules, require service upon all parties in interest.

21. The Debtor will update the Master Service List regularly to include the names and addresses of any parties in interest who have made written request for notice.

22. Further, the Debtor will submit to the Court upon the completion of noticing any particular matter, either an affidavit of service or certification of service annexing the list of those parties receiving notice.

23. The Debtor believes that the administration of this chapter 11 case would be more efficient and cost effective if the relief requested is granted, and, therefore, the Debtor submits that the relief requested in this Motion is in the best interests of the Debtor's estate, its creditors, and parties in interest and will not prejudice the rights of any party in interest in these cases.

Notice

24. Notice of this Motion has been provided to: (a) the Office of the United States Trustee; (b) the Debtor's 20 largest unsecured creditors (until an official committee of unsecured creditors is appointed and has retained counsel, in which event, such committee's counsel); (c) counsel to the Bond Trustee; (d) counsel to Senior Living Retirement Communities, LLC; (e) counsel to Erickson Living Management, LLC; (f) Sovereign Bank, 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.

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Conclusion

WHEREFORE, the Debtor respectfully requests entry of an order of this Court substantially in the form annexed hereto as **Exhibit A**, granting the relief requested by this Motion and such other and further relief as may be just and proper.

Dated: June 21, 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 21st 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

**Exhibit A
Proposed Order**

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

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

**ORDER ESTABLISHING NOTICE PROCEDURES
PURSUANT TO 11 U.S.C. § 105(a) AND BANKRUPTCY RULE 2002**

Upon the Debtor’s Motion For an Order Pursuant to 11 U.S.C. § 105(a) and Bankruptcy Rule 2002 Establishing Notice Procedures, dated June 21, 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:

¹ Capitalized terms not defined herein shall have those meanings prescribed in the Motion.

ORDERED that the Motion is **GRANTED**; and it is further

ORDERED that the Debtor shall establish a master service list (the “Master Service List”), which shall include: (a) the Office of the United States Trustee; (b) the Debtor’s 30 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 Bond Trustee; (d) any party whose interests are directly affected by a specific pleading; (e) counsel to Senior Living Retirement Communities, LLC; (f) counsel to Erickson Living Management, LLC; and (g) those persons who have formally appeared and requested service in these proceedings pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”); and it is further

ORDERED that the proceedings with respect to which notice shall be limited to the Master Service List shall include all matters covered by Bankruptcy Rule 2002, with the express exception of the following: (a) meeting of creditors under sections 341 or 1104(b); (b) any notices related to claims bar dates; (c) the time fixed for filing objections and the hearing to consider approval of a disclosure statement or confirmation of a plan of reorganization or liquidation; and (d) notice of and transmittal of ballots for accepting or rejecting a plan of reorganization; and it is further

ORDERED that the Debtor shall update the Master Service List regularly to include the names and addresses of any parties in interest who have made written requests for notice.

End of Order

Alpha Baking Company
36230 Treasury Center
Chicago, IL 60694

Architerra
239 US Hwy 45
Indian Creek, IL 60061

Becker Electrical Group Inc.
4210 43rd Avenue
Kenosha, WI 53144

Direct Supply Systems Inc.
PO Box 88201
Milwaukee, WI 53288-0201

Get Fresh Produce
1441 Brewer Creek Blvd
Bartlett, IL 60103

Gulf South Medical Supply
Attn Melanie Brewer
4345 South Point Blvd
Jacksonville, FL 32216

Healthcare Cosmetology Services Inc
PO Box 850243
Braintree, MA 02185

Hershey Creamery Company
301 S. Cameron Street
PO Box 1821
Harrisburg, PA 17105-1821

IKON Financial Services
Attn Donna Tanner Spec Assets Dept
PO Box 6338
Macon, GA 31208-6338

Koeckritz International, Inc.
1400 Hicks Road
Rolling Meadows, IL 60008

Lencioni Wholesale Meats Inc.
1000 Brown Street
Wauconda, IL 60084

Linda Roberts & Associates Inc.
104 East Roosevelt Rd. Suite 201
Wheaton, IL 60187

Phase 2 Services
143 Briarwood North
Oak Brook, IL 60523

Richard H. Moche **[Email]**
Mintz, Levin, Cohn, Ferris, Glovsky
and Popeo P.C.
1 Financial Center
Boston, MA 02111-2657

Sovereign Bank
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3 Friends Lane, 2nd Floor
Newtown, PA 18940

Sun Office Products
15508 E. 19th Avenue
Aurora, CO 80011

Supreme Lobster
200 E. North Ave
Villa Park, IL 60181-1221

Sysco Food Services - Chicago
PO Box 5037
Des Plaines, IL 60017-5037

Universal Fleetcard
PO Box 70997
Charlotte, NC 28272-0997

U.S. Bank National Association
Corporate Trust Services **[Email]**
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