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PROPOSED ATTORNEYS FOR THE DEBTORS
AND DEBTORS IN POSSESSION

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

In re:	§	CASE NO. 14-32821-11
	§	
SEARS METHODIST RETIREMENT SYSTEM, INC., <i>et al.</i>¹	§	CHAPTER 11
	§	
Debtors.	§	Joint Administration Pending
	§	

**APPLICATION OF THE DEBTORS FOR AN ORDER AUTHORIZING THE
EMPLOYMENT AND RETENTION OF DLA PIPER LLP (US) AS BANKRUPTCY
COUNSEL TO THE DEBTORS *NUNC PRO TUNC* TO THE PETITION DATE**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”), by their proposed attorneys, DLA Piper LLP (US) (“DLA”), file this application (the “Application”) for entry of an order, in substantially the form attached hereto as Exhibit A, pursuant to sections 327(a) and 328(a) of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Local Rules

¹ The debtors in these chapter 11 cases, along with the last four (4) digits of their taxpayer identification numbers, are: Sears Methodist Retirement System, Inc. (6330), Canyons Senior Living, L.P. (8545), Odessa Methodist Housing, Inc. (9569), Sears Brazos Retirement Corporation (8053), Sears Caprock Retirement Corporation (9581), Sears Methodist Centers, Inc. (4917), Sears Methodist Foundation (2545), Sears Panhandle Retirement Corporation (3233), Sears Permian Retirement Corporation (7608), Sears Plains Retirement Corporation (8233), Sears Tyler Methodist Retirement Corporation (0571) and Senior Dimensions, Inc. (4016). The mailing address of each of the debtors, solely for purposes of notices and communications, is 2100 Ross Avenue 21st Floor, c/o Paul Rundell, Dallas, Texas 75201.

2014-1 and 2016-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Northern District of Texas (the “Local Rules”), authorizing the employment and retention of DLA, *nunc pro tunc* to the Petition Date (as defined herein), as the Debtors’ bankruptcy counsel. In support of the Application, the Debtors rely on the Declaration of Thomas R. Califano (the “Califano Declaration”), dated June 10, 2014, attached hereto as Exhibit B and incorporated herein by reference. In further support of the Application, the Debtors respectfully represent as follows:

Jurisdiction

1. The Court has jurisdiction over the Application pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b).
2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.
3. The statutory bases for the relief requested herein are sections 327(a) and 328(a) of the Bankruptcy Code, Bankruptcy Rules 2014 and 2016, and Local Rules 2014-1 and 2016-1.

Background

4. On June 10, 2014 (the “Petition Date”), the Debtors commenced these cases (the “Chapter 11 Cases”) by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code.
5. The Debtors remain in possession of their assets and continue to operate and manage their businesses as debtors in possession pursuant to Bankruptcy Code sections 1107 and 1108.
6. No trustee, examiner or committee of creditors has been appointed in these Chapter 11 Cases.
7. The factual background regarding each of the Debtors, including their current and historical business operations and the events precipitating these chapter 11 filings, is set forth in

detail in the Declaration of Paul B. Rundell in Support of First Day Motions, filed substantially contemporaneously herewith and incorporated herein by reference.

Relief Requested

8. By this Application, the Debtors seek entry of an order authorizing the employment and retention of DLA, *nunc pro tunc* to the Petition Date, in accordance with the provisions of the Engagement Letter (as defined herein), this Application and the proposed order submitted herewith, as the Debtors' bankruptcy counsel to perform the legal services that will be necessary during these Chapter 11 Cases, as more fully described herein.

Basis for Relief

9. Bankruptcy Code section 327(a) provides, in relevant part, "[e]xcept as otherwise provided in this section, the trustee, with the court's approval, may employ one or more attorneys . . . that do not hold or represent an interest adverse to the estate, and that are disinterested persons, to represent or assist the trustee in carrying out the trustee's duties under this title." 11 U.S.C. § 327(a).

10. The Debtors and DLA entered into an engagement letter dated as of February 27, 2014 (such engagement letter together with all amendments, modifications, renewals thereof and all documents ancillary thereto or otherwise entered into in connection therewith, are collectively referred to herein as the "Engagement Letter"), pursuant to which the Debtors retained DLA to provide legal services to the Debtors in connection with their efforts to restructure certain of their financial obligations and a potential bankruptcy filing. A copy of the Engagement Letter is attached hereto as Exhibit C.

11. Since their entry into the Engagement Letter, the Debtors and DLA have worked closely with respect to the matters set forth therein. As a result, DLA has become uniquely familiar with the Debtors' business affairs as well as many of the potential legal issues that might

arise in the context of these Chapter 11 Cases. DLA has provided advice to and assisted the Debtors in all aspects of their restructuring efforts and has been instrumental in the Debtors' preparation of these Chapter 11 Cases, including preparing and drafting various first-day motions and other documents and pleadings necessary for the successful filing of these Chapter 11 Cases.

12. The Debtors selected DLA as their restructuring counsel because of DLA's experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code, particularly DLA's experience and knowledge of reorganizations of healthcare-related entities. In fact, DLA has advised debtors or plan proponents in a number of large bankruptcy restructurings involving senior living facilities in this and other districts, including In re Hingham Campus, LLC, Case No. 11-33912 (SGJ) (Bankr. N.D. Tex.); In re Lincolnshire Campus, LLC, Case No. 10-34176 (SGJ) (Bankr. N.D. Tex.); In re Erickson Retirement Cmtys., LLC, Case No. 09-37010 (SGJ) (Bankr. N.D. Tex.); In re Devonshire PGA Holdings, LLC., Case No. 13-12460 (Bankr. D. Del.) (represented plan proponent); In re Virginia United Methodist Homes of Williamsburg, Inc., Case No. 13-3109 (Bankr. E.D. Va.); and In re The Clare at Water Tower, Case No. 11-46151 (Bankr. N.D. Ill.). The Debtors believe that representation by DLA as their restructuring and bankruptcy counsel is critical to the Debtors' efforts to restructure their operations, and that DLA is well qualified and uniquely able to act on the Debtors' behalf.

13. DLA has informed the Debtors that additional information regarding DLA's qualifications is more fully set forth in the Califano Declaration, executed on behalf of DLA in accordance with Bankruptcy Code sections 327(a), 328(a) and 329, Bankruptcy Rules 2014 and 2016, and Local Rules 2014-1 and 2016-1.

Services to be Rendered

14. The services of legal counsel are necessary to enable the Debtors to execute faithfully their duties as debtors in possession. Subject to further order of this Court, DLA will be authorized to render various services to the Debtors, including (without limitation) the following:

- (A) Advising the Debtors with respect to their rights, powers and duties as debtors and debtors in possession in the continued management and operation of their businesses and assets;
- (B) Attending meetings and negotiating with representatives of creditors and other parties in interest and advising and consulting on the conduct of cases, including all of the legal and administrative requirements of operating in chapter 11;
- (C) Taking all necessary action to protect and preserve the Debtors' estates, including prosecution of actions on the Debtors' behalf, the defense of any actions commenced against the estates, negotiations concerning litigation in which the Debtors may be involved and objections to claims filed against the estates;
- (D) Preparing, on behalf of the Debtors, motions, applications, answers, orders, reports, and papers necessary to the administration of the estates;
- (E) Preparing and negotiating, on behalf of the Debtors, plan(s) of reorganization, disclosure statement(s), and all related agreements and/or documents and taking any necessary action on behalf of the Debtors to obtain confirmation of such plan(s);
- (F) Advising the Debtors in connection with the sale of their assets and taking all steps necessary to maximize the value of the Debtors' assets for the benefit of creditors;
- (G) Performing other necessary legal services and providing other necessary legal advice to the Debtors in connection with these Chapter 11 Cases; and
- (H) Appearing before this Court, any appellate courts, and the United States Trustee, and protecting the interests of the Debtors' estates before such courts and the United States Trustee.

15. It is necessary and essential that the Debtors, as debtors in possession, employ attorneys to render the foregoing professional services. Therefore, the Debtors have requested

that DLA perform the services set forth herein, and, subject to this Court's approval of the Application, DLA has indicated that it is willing to perform such services.

16. The Debtors have informed DLA, and DLA understands, that the Debtors will file retention applications for other professionals in these Chapter 11 Cases. In particular, the Debtors have informed DLA that they also retained, subject to this Court's approval, Alvarez & Marsal Healthcare Industry Group, LLC to provide them with a Chief Restructuring Officer and certain additional personnel. The Debtors have also retained Cain Brothers & Company, LLC as their investment banker. DLA has informed the Debtors that it will take all appropriate steps to avoid unnecessary and wasteful duplication of efforts by any other professionals retained in these Chapter 11 Cases.

Disinterestedness

17. To the best of the Debtors' knowledge, except as disclosed in the Califano Declaration, DLA and its partners, counsel and associates: (a) are not creditors or insiders of the Debtors; (b) are not, and within two years prior to the Petition Date were not, directors, officers or employees of the Debtors; (c) have no connection with the Debtors, any of the Debtors' creditors, any other party in interest, any of their respective attorneys or accountants, the Office of the United States Trustee for the Northern District of Texas, or any judge of the Court; and (d) do not hold or represent any interest materially adverse to the Debtors' estates.

18. As set forth in the Califano Declaration, DLA has represented in the past, currently represents and likely in the future will represent certain parties in interest in these Chapter 11 Cases in matters unrelated to the Debtors, the Debtors' Chapter 11 Cases, or such entities' claims against or interests in the Debtors.

19. In view of the foregoing, the Debtors believe that DLA is a "disinterested person" within the meaning of Bankruptcy Code section 101(14).

20. DLA has informed the Debtors that throughout these Chapter 11 Cases, DLA will continue to conduct periodic conflict analyses to determine whether it is performing or has performed services for any significant parties in interest in these Chapter 11 Cases and that it will promptly update this Application and disclose any material developments regarding the Debtors or any other pertinent relationships that come to DLA's attention by way of a supplemental declaration.

Professional Compensation

21. The restructuring attorney leading the DLA engagement in these Chapter 11 Cases is Mr. Califano whose present hourly rate is \$930. Other DLA attorneys and para-professionals expected to provide service for the Debtors in connection with these Chapter 11 Cases, as well as the hourly rates for such individuals, are as follows:

Professional	Title	Rate Per Hour
Thomas Califano	Partner	\$930
Vincent Slusher	Partner	\$745
Gabriella Zborovsky	Associate	\$690
Jacob Frumkin	Associate	\$615
Andrew Zollinger	Associate	\$585
Evelyn Rodriguez	Paralegal	\$290

22. In accordance with the Engagement Letter, DLA will assign work to lawyers, paralegals and other staff who can provide the necessary services to the Debtors in the most efficient and cost-effective manner.

23. Consistent with DLA's policy with respect to other clients, DLA will continue to charge the Debtors for all other services provided and for other charges and disbursements incurred in the rendition of services. These charges and disbursements include (without limitation) costs for photocopying, electronic data management services, including scanning and document imaging, travel, travel-related expenses, business meals, computerized research, messengers, couriers, postage, witness fees, and other fees related to trials and hearings.

24. During the course of these Chapter 11 Cases, DLA will apply to the Court for allowance of compensation for professional services rendered and reimbursement of expenses incurred in these Chapter 11 Cases in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, the United States Trustee Fee Guidelines, and any orders entered in these Chapter 11 Cases governing professional compensation and reimbursement for services rendered and charges and disbursements incurred.

25. DLA will accept as compensation such sums as may be allowed by the Court on the basis of the professional time spent, the rates charged for such services, the necessity of such services to the administration of the estates, the reasonableness of the time within which the services were performed in relation to the results achieved, and the complexity, importance, and nature of the problems, issues, or tasks addressed in these Chapter 11 Cases.

26. A statement of the compensation paid for the services rendered or to be rendered in contemplation of or in connection with these Chapter 11 Cases by DLA is included in the Califano Declaration.

27. Other than as set forth above, there is no proposed arrangement to compensate DLA in connection with its representation of the Debtors.

28. Except for such sharing agreements among DLA, its affiliated law practices, and their respective members, DLA has no agreement with any other entity to share any compensation received, nor will any be made, except as permitted pursuant to Bankruptcy Code section 504(b)(1).

29. The Debtors submit that the engagement and retention of DLA on the terms and conditions set forth herein is necessary and in the best interests of the Debtors, their estates, and their creditors and should be approved.

30. Pursuant to the Debtors' request, DLA has served as its bankruptcy counsel in these Chapter 11 Cases since the Petition Date with assurances that the Debtors would seek approval of its employment and retention, effective *nunc pro tunc* to the Petition Date, so that DLA may be compensated for its pre-application services. The Debtors believe that no party in interest will be prejudiced by the granting of the *nunc pro tunc* employment, as provided herein, because DLA has provided and continues to provide valuable services to the Debtors' estate since the Petition Date.

Notice

31. Notice of this Motion has been provided to (a) the Office of the United States Trustee for the Northern District of Texas; (b) the Office of the Attorney General of the State of Texas; (c) each of the Debtor's twenty (20) largest unsecured creditors; (d) counsel to Wells Fargo Bank, N.A. as trustee; (e) counsel to UMB Bank, N.A., as trustee; and (f) counsel to the Debtors' prepetition secured lenders. The Debtors submit that, in light of the nature of the relief requested, no other or further notice is necessary or required.

No Prior Request

32. No previous request for the relief sought in this Application has been made to this or any other court.

Conclusion

WHEREFORE, based upon the foregoing, the Debtors respectfully request that the Court enter an order, substantially in the form annexed hereto as Exhibit A, (a) authorizing the Debtors to employ and retain DLA, *nunc pro tunc* to the Petition Date, as the Debtors' bankruptcy counsel, and (b) granting such further relief as may be just and proper.

Sears Methodist Retirement System, Inc.

Dated: June 10, 2014
Dallas, Texas

/s/ Paul B. Rundell
Paul B. Rundell
Chief Restructuring Officer

EXHIBIT A

PROPOSED ORDER

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

In re:	§	CASE NO. 14-32821-11
	§	
SEARS METHODIST RETIREMENT SYSTEM, INC., et al.¹	§	CHAPTER 11
	§	
Debtors.	§	Joint Administration Pending
	§	

**ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION
OF DLA PIPER LLP (US) AS BANKRUPTCY COUNSEL TO THE
DEBTORS NUNC PRO TUNC TO THE PETITION DATE**

Upon the application (the “Application”)² of the above-captioned debtors and debtors in possession (the “Debtors”), for entry of an order, pursuant to Bankruptcy Code sections 327(a) and 328(a), Bankruptcy Rules 2014 and 2016, and Local Rules 2014-1 and 2016-1, authorizing the employment and retention of DLA, *nunc pro tunc* to the Petition Date, as the Debtors’ bankruptcy counsel; and the Court having jurisdiction to consider the Application and grant the requested relief in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the Application 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 the Court being satisfied with the representations made in the Application and the Califano Declaration; and the Court having

¹ The debtors in these chapter 11 cases, along with the last four (4) digits of their taxpayer identification numbers, are: Sears Methodist Retirement System, Inc. (6330), Canyons Senior Living, L.P. (8545), Odessa Methodist Housing, Inc. (9569), Sears Brazos Retirement Corporation (8053), Sears Caprock Retirement Corporation (9581), Sears Methodist Centers, Inc. (4917), Sears Methodist Foundation (2545), Sears Panhandle Retirement Corporation (3233), Sears Permian Retirement Corporation (7608), Sears Plains Retirement Corporation (8233), Sears Tyler Methodist Retirement Corporation (0571) and Senior Dimensions, Inc. (4016). The mailing address of each of the debtors, solely for purposes of notices and communications, is 2100 Ross Avenue 21st Floor, c/o Paul Rundell, Dallas, Texas 75201.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Application.

determined that DLA does not hold or represent any interest adverse to the Debtors or their estates and that it is a “disinterested person,” as that term is defined in section 101(14) of the Bankruptcy Code; and the Court having determined that the employment and retention of DLA is necessary and in the best interests of the Debtors’ estates, creditors, and other parties in interest; and due and sufficient notice of the Application and the hearing thereon having been given under the particular circumstances; and it appearing that no other or further notice need be provided; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby:

ORDERED that the Application is granted as provided herein; and it is further

ORDERED that, pursuant to Bankruptcy Code sections 327(a) and 328(a), the Debtors, as debtors and debtors in possession, are authorized to employ and retain DLA as their bankruptcy counsel, *nunc pro tunc* the Petition Date, upon the terms and for the purposes set forth in the Application and the Engagement Letter and to perform the professional services set forth in the Application and the Engagement Letter; and it is further

ORDERED that DLA shall be compensated in accordance with sections 330 and 331 of the Bankruptcy Code, the applicable provisions of the Bankruptcy Rules, the Local Rules, the United States Trustee Fee Guidelines, and any orders entered in these cases governing professional compensation and reimbursement for services rendered and charges and disbursements incurred; and it is further

ORDERED that DLA shall apply any remaining amounts of its prepetition retainer as a credit toward post-petition fees and expenses incurred in connection with these Chapter 11 Cases after such post-petition fees and expenses are approved pursuant to an order of the Court; and it is further

ORDERED that each of the Debtor's secured lenders that is providing post-petition debtor in possession financing shall have a lien on any unused portion of the DLA retainer, allocated on a pro rata basis according to each Debtor's relative revenue corresponding to such secured lenders' respective borrowers; and it is further

ORDERED that, notwithstanding any Bankruptcy Rule to the contrary, this Order shall be immediately effective and enforceable upon its entry; and it is further

ORDERED that the Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation or interpretation of this Order.

END OF ORDER

EXHIBIT B

CALIFANO DECLARATION

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

In re:	§	CASE NO. 14-32821-11
	§	
SEARS METHODIST RETIREMENT SYSTEM, INC., et al.¹	§	CHAPTER 11
	§	
Debtors.	§	Joint Administration Pending
	§	

**DECLARATION OF THOMAS R. CALIFANO IN SUPPORT OF
THE APPLICATION OF THE DEBTORS FOR AN ORDER AUTHORIZING THE
EMPLOYMENT AND RETENTION OF DLA PIPER LLP (US) AS BANKRUPTCY
COUNSEL TO THE DEBTORS NUNC PRO TUNC TO THE PETITION DATE**

I, Thomas R. Califano, hereby declare that the following is true and correct to the best of my knowledge, information, and belief:

1. I am a member of the firm of DLA Piper LLP (US) (“DLA”), which maintains offices for the practice of law at, among other places, 1251 Avenue of the Americas, New York, New York, 10020. I am an attorney at law, duly admitted in good standing to practice in the state of New York.

2. I submit this declaration pursuant to sections 327(a), 328(a) and 329 of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the rules of this Court (the “Local Rules”) in support of the *Application of the Debtors for an Order Authorizing the Employment and*

¹ The debtors in these chapter 11 cases, along with the last four (4) digits of their taxpayer identification numbers, are: Sears Methodist Retirement System, Inc. (6330), Canyons Senior Living, L.P. (8545), Odessa Methodist Housing, Inc. (9569), Sears Brazos Retirement Corporation (8053), Sears Caprock Retirement Corporation (9581), Sears Methodist Centers, Inc. (4917), Sears Methodist Foundation (2545), Sears Panhandle Retirement Corporation (3233), Sears Permian Retirement Corporation (7608), Sears Plains Retirement Corporation (8233), Sears Tyler Methodist Retirement Corporation (0571) and Senior Dimensions, Inc. (4016). The mailing address of each of the debtors, solely for purposes of notices and communications, is 2100 Ross Avenue 21st Floor, c/o Paul Rundell, Dallas, Texas 75201.

Retention of DLA Piper LLP (US) as Bankruptcy Counsel to the Debtors Nunc Pro Tunc to the Petition Date (the “Application”)² filed contemporaneously herewith by the debtors and debtors in possession in the above-captioned cases (collectively, the “Debtors”). Except as otherwise indicated herein, I have personal knowledge of the matters set forth herein and, if called as a witness, would testify competently thereto.³

Qualification of Professionals

3. The Debtors and DLA entered into an engagement letter dated as of February 27, 2014 (such engagement letter together with all amendments, modifications, renewals thereof and all documents ancillary thereto or otherwise entered into in connection therewith, are collectively referred to herein as the “Engagement Letter”), pursuant to which the Debtors retained DLA to provide legal advice to the Debtors in connection with their efforts to restructure certain of their financial obligations and a potential bankruptcy filing. A copy of the Engagement Letter is attached as Exhibit C to the Application.

4. Since their entry into the Engagement Letter, the Debtors and DLA have worked closely with respect to the matters set forth therein. As a result, DLA has become uniquely familiar with the Debtors’ affairs as well as many of the potential legal issues that might arise in the context of the Debtors’ Chapter 11 Cases. DLA has provided advice to and assisted the Debtors in all aspects of their restructuring efforts and has been instrumental in the Debtors’ preparation of these Chapter 11 Cases, including preparing and drafting various first-day motions and other documents and pleadings necessary for the successful filing of these Chapter 11 Cases.

² Unless otherwise defined, capitalized terms used herein shall have the meanings ascribed to them in the Application.

³ Certain of the disclosures herein related to matters within the knowledge of attorneys of DLA and are based on information provided by them.

5. DLA understands that the Debtors selected DLA as its restructuring counsel because of DLA's experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code, particularly with respect to reorganizations of healthcare-related entities. In fact, DLA has advised debtors or plan proponents in a number of large bankruptcy restructurings involving senior living facilities in this and other districts, including In re Hingham Campus, LLC, Case No. 11-33912 (SGJ) (Bankr. N.D. Tex.); In re Lincolnshire Campus, LLC, Case No. 10-34176 (SGJ) (Bankr. N.D. Tex.); In re Erickson Retirement Cmty., LLC, Case No. 09-37010 (SGJ) (Bankr. N.D. Tex.); In re Devonshire PGA Holdings, LLC, Case No. 13-12460 (Bankr. D. Del.) (represented plan proponent); In re Virginia United Methodist Homes of Williamsburg, Inc., Case No. 13-3109 (Bankr. E.D. Va.); and In re The Clare at Water Tower, Case No. 11-46151 (Bankr. N.D. Ill.). DLA believes that it has assembled a highly qualified team of professionals and paraprofessionals to provide services to the Debtors during these Chapter 11 Cases.

6. I am Co-Vice Chair of DLA's restructuring department and one of the principal DLA attorneys working on this engagement. I have extensive experience in corporate restructurings, chapter 11 reorganizations and related matters, including the representation of numerous debtors, secured lenders, providers of debtor in possession financing, unsecured creditors, and potential purchasers of assets, particularly in connection with the healthcare industry.

7. Other professionals and paraprofessionals in DLA's corporate restructuring practice and in other practice areas, many of whom also have extensive experience in corporate restructuring generally and debtor representations in reorganization cases specifically, will participate in the representation of the Debtors in these cases.

8. Due to DLA's experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code, DLA believes that it is well qualified and uniquely able to act on the Debtors' behalf and guide them through these Chapter 11 Cases. Accordingly, subject to this Court's approval of the Application, DLA is willing to perform the services requested by the Debtors, as set forth herein and in the Engagement Letter.

Services to be Rendered

9. The Debtors have requested that DLA render various services to the Debtors, including (without limitation) the following:

- (A) Advising the Debtors with respect to their rights, powers and duties as debtors and debtors in possession in the continued management and operation of their businesses and assets;
- (B) Attending meetings and negotiating with representatives of creditors and other parties in interest and advising and consulting on the conduct of cases, including all of the legal and administrative requirements of operating in chapter 11;
- (C) Taking all necessary action to protect and preserve the Debtors' estates, including prosecution of actions on the Debtors' behalf, the defense of any actions commenced against the estates, negotiations concerning litigation in which the Debtors may be involved and objections to claims filed against the estates;
- (D) Preparing, on behalf of the Debtors, motions, applications, answers, orders, reports, and papers necessary to the administration of the estates;
- (E) Preparing and negotiating, on behalf of the Debtors, plan(s) of reorganization, disclosure statement(s), and all related agreements and/or documents and taking any necessary action on behalf of the Debtors to obtain confirmation of such plan(s);
- (F) Advising the Debtors in connection with the sale of their assets and taking all steps necessary to maximize the value of the Debtors' assets for the benefit of creditors;

- (G) Performing other necessary legal services and providing other necessary legal advice to the Debtors in connection with these Chapter 11 Cases; and
- (H) Appearing before this Court, any appellate courts, and the United States Trustee, and protecting the interests of the Debtors' estates before such courts and the United States Trustee.

10. DLA understands that the Debtors will file retention applications for other professionals in these cases. In particular, the Debtors have informed DLA that the Debtors also retained, subject to this Court's approval, Alvarez & Marsal Healthcare Industry Group, LLC to appoint a Chief Restructuring Officer for the Debtors and certain additional personnel, and Cain Brothers & Company, LLC as their investment banker.

Disinterestedness of Professionals

11. To the best of my knowledge, and except as otherwise set forth herein, the partners, counsel, and associates of DLA (a) do not have any connection with any of the Debtors, their affiliates, their creditors, or any other party in interest, or their respective attorneys and accountants, the United States Trustee for the Northern District of Texas or any person employed in the office of the same, or any judge in the United States Bankruptcy Court for the Northern District of Texas or any person employed in the offices of the same, (b) are "disinterested persons," as that term is defined in Bankruptcy Code section 101(14), and (c) do not hold or represent any interest adverse to the Debtors' respective estates.

12. DLA has represented in the past, currently represents, and in the future likely will represent certain creditors of the Debtors and other parties in interest in matters unrelated to the Debtors, the Debtors' Chapter 11 Cases, or such entities' claims against or interests in the Debtors. Prior to the commencement of these cases, DLA conducted a disclosure review with

respect to the Debtors and the significant parties in interest in the Debtors' cases,⁴ which disclosure review will continue after the commencement of the Debtors' cases. As provided in more detail in Schedule 2 attached hereto, of the Debtors and their current and former directors and officers, prepetition secured lenders, largest unsecured creditors, significant insurance providers, significant utility providers, significant vendors, other significant parties to contracts and certain other parties in interest (all identified by the Debtors or their professionals since the date of the Engagement Letter), DLA currently represents, or has represented within the past five (5) years, the entities (or their affiliates or beneficial owners) listed on Schedule 2, attached hereto.

13. Except as otherwise set forth herein:

- (A) Neither DLA nor any attorney at DLA holds or represents an interest adverse to the Debtors' estates;
- (B) Neither DLA nor any attorney at DLA is or was a creditor or an insider of the Debtors, except that DLA previously has rendered legal services to the Debtors for which it has been compensated as disclosed below;
- (C) Neither DLA nor any attorney at DLA is or was, within two years before the Petition Date, a director, officer, or employee of the Debtors; and
- (D) DLA does not have an interest materially adverse to the interest of the estates or of any class of creditors, by reason of any direct or indirect relationship to, connection with, or interest in the Debtors specified in the foregoing paragraphs, or for any other reason.

14. In view of the foregoing, I believe that DLA is a "disinterested person" within the meaning of Bankruptcy Code section 101(14), as modified by Bankruptcy Code section 1107(b).

15. DLA has instituted and will continue to engage in further inquiries regarding the Debtors' constituencies and parties in interest through further inquiries of its partners, counsel,

⁴ A list of the entities identified by the Debtors is attached hereto as Schedule 1.

and associates with respect to the matters contained herein. DLA will promptly file a supplemental declaration should the results of these inquiries reveal material facts not disclosed herein.

Compensation Received by DLA from the Debtors

16. DLA has provided and agrees to continue to provide assistance to the Debtors in accordance with the terms and conditions set forth in the Application and the Engagement Letter. Notwithstanding any terms in the Engagement Letter to the contrary, prior to the Petition Date, the Debtors paid approximately \$50,000 to DLA as a retainer. Pursuant to Rule 2016-1(b) of the Local Rules, DLA will keep the retainer in its trust account during these Chapter 11 Cases.

17. During the 90-day period before the Petition Date, DLA invoiced the Debtors, and the Debtors paid DLA, the following amounts

Invoice No.	Amount Paid
2979545	\$33,897.50
2995336	\$388,366.51
2995338	\$10,590.00
2995339	\$950.00
2995340	\$203,014.00
2995718	\$1,358.50
2995719	\$933.50
2995720	\$19,109.50
3006674	\$9,245.00
3006675	\$5,949.50
3006676	\$4,023.00
3006677	\$6,618.00
3006678	\$1,250.00
3006679	\$62,849.14
3007031	\$342,797.82
3007714	\$180,721.80

18. As of the Petition Date, the Debtors do not owe DLA any amounts for legal services rendered before the Petition Date.

19. Pursuant to Bankruptcy Rule 2016(b), DLA has not shared nor agreed to share (a) any compensation it has received or may receive with another party or person, other than with the partners, associates, and contract attorneys with DLA, or (b) any compensation another person or party has received or may receive.

Professional Compensation

20. For professional services rendered during these Chapter 11 Cases, DLA's fees are based in part on its guideline hourly rates, which are periodically adjusted. I am the restructuring attorney leading the DLA engagement in these Chapter 11 Cases and my present hourly rate is \$930. The DLA attorneys and para-professionals expected to provide services for the Debtors in connection with these cases, as well as the hourly rates for such individuals, are as follows:

NAME	TITLE	HOURLY RATE
Thomas R. Califano	Partner	\$930
Vincent Slusher	Partner	\$745
Gabriella Zborovsky	Associate	\$690
Jacob Frumkin	Associate	\$615
Andrew Zollinger	Associate	\$585
Evelyn Rodriguez	Paralegal	\$290

21. In accordance with the Engagement Letter, DLA will assign work to lawyers, paralegals and other staff who can provide the necessary services to the Debtors in the most efficient and cost-effective manner.

22. Consistent with DLA's policy with respect to its other clients, DLA will continue to charge the Debtors for all other services provided and for other charges and disbursements incurred in the rendition of services. These charges and disbursements include (without limitation) costs for photocopying, electronic data management services, including scanning and

document imaging, travel, travel-related expenses, business meals, computerized research, messengers, couriers, postage, witness fees, and other fees related to trials and hearings.

23. During the course of these Chapter 11 Cases, DLA will apply to the Court for allowance of compensation for professional services rendered and reimbursement of expenses incurred in these cases in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, the United States Trustee Fee Guidelines, and any orders entered in these cases governing professional compensation and reimbursement for services rendered and charges and disbursements incurred. Such applications will constitute a request for interim payment against DLA's reasonable fees and expenses to be determined at the conclusion of these cases.

24. DLA will accept as compensation such sums as may be allowed by the Court on the basis of the professional time spent, the rates charged for such services, the necessity of such services to the administration of the estates, the reasonableness of the time within which the services were performed in relation to the results achieved, and the complexity, importance, and nature of the problems, issues, or tasks addressed in these cases.

25. Other than as set forth above, no arrangement is proposed between the Debtors and DLA for compensation to be paid in these cases.

26. Except for such sharing arrangements among DLA, its affiliated law practice entities, and their respective members, DLA has no agreement with any other entity to share any compensation received, nor will any be made, except as permitted pursuant to Bankruptcy Code section 504(b)(1).

I declare under penalty of perjury under the laws of the United States of America that, to the best of my knowledge, information, and belief, and after reasonable inquiry, the foregoing is true and correct.

Dated: June 10, 2014
Dallas, Texas

DLA PIPER LLP (US)

/s/ Thomas R. Califano
Thomas R. Califano

SCHEDULE 1

Sears Methodist Retirement System, Inc.'s Potential Parties In Interest¹

The Debtors

Canyons Senior Living, L.P.
Odessa Methodist Housing, Inc.
Sears Brazos Retirement Corporation
Sears Caprock Retirement Corporation
Sears Methodist Centers, Inc.
Sears Methodist Foundation
Sears Methodist Retirement System, Inc.
Sears Panhandle Retirement Corporation
Sears Permian Retirement Corporation
Sears Plains Retirement Corporation
Sears Tyler Methodist Retirement Corporation
Senior Dimensions, Inc.

Current/Former Affiliated Entities

Sears Methodist Senior Housing, LLC
Senior Living Assurance, Inc.
Southwest Assurance Co. Ltd.
Texas Senior Management, Inc.

Landlord and Affiliated Entities

Design Growth Investments, Inc.
Limestone Creek Properties
Limestone Springs Properties
Texas Tech University

Current and Former Officers and Directors and/or Managers

Larry Dodson
Rick Rhodes
Carol Denton
David Lynn
Quintan Chamness
Barbara Cherry

¹ The inclusion of any person or entity in this Schedule 1 shall not be deemed to be an admission as to the validity or priority of any claim, lien, or security interest that may be asserted by any such person or entity.

Bitu Kash
Dan Olson
Mike Sullivan
Gregg Williams
Susan Whittle
Terry Myers
Dub Hawkins
Ken Fincher
DeDe Juel
Terry Huskey
Randal Crosswhite
Gordon Shoger
Kathleen Leedy
Mike Sims
Holly Hardin
Cheryl Harding
Leah Ware
Carla Brown
Kent Herring
Wendy Grimes
Pamela McGrew
Susan Conwell
Marla Sers
Natalie Miko
Diana Zarate

Other Professional Service Providers to the Debtors

Alvarez & Marsal Healthcare Industry Group, LLC
Cain Brothers & Company, LLC
Cantey & Hanger, LLP
Carls, McDonald & Dalrymple, LLP
Chatelle and Associates
CliftonLarsonAllen LLP
Thompson & Knight LLP
Zurovec PLLC (Darrell Zurovec)

Secured Creditors/Lenders/Bondholders/Issuers

Columbia Management Investment Advisors LLC
Deutsche Investment Management
FAF Advisors, Inc.
Invesco
Life Care Services LLC
HDFC of Central Texas
Massachusetts Financial Services
Nuveen Asset Management LLC

Pioneer Investment Management
Prosperity Bancshares
Prudential Bank
Putnam Investment Management
Red River Health Facilities Dev. Corporation
Santander
T. Rowe Price Associates, Inc.
Texas Methodist Foundation
UMB Bank, N.A. (Trustee)
Unicredit S.p.A.
U.S. Department of Housing and Urban Development
Wells Fargo
Zurich Kemper Investments

Significant Unsecured Creditors and Transaction Parties

Airgas
Ben E. Keith
Bibby Financial Services Inc.
Business Records Management LLC
Carls McDonald & Dalrymple LLP
CliftonLarson Allen LLP
Critical Health Connection Inc.
Cunningham Distributing Inc.
Diana McIver & Associates Inc.
Direct Supply Inc.
Evans Pharmacy
General Electric Co.
Hilton Garden Inn
Infinity Company LLC
Knight Carpet & Flooring
LeadingAge Texas
Life Care Services LLC
Lowe's
Medline Industries Inc.
McKesson Medical Surgical
Mayfield Paper
NRC Construction Services
Omnicare
Oxy Healthcare Services Inc.
PharMerica
Prudential Huntoon Paige Associates, Ltd
Sam's Club
Salon PS Texas LLC

Sea Isle Corporation
Select Medical Rehabilitation Services
Star Medical Equipment Inc.
Stephens Cutters LLC
Stericycle Inc.
Suddenlink
Summit Litho
Sysco
Taylor Wholesale Distributor
Texas Department of Housing And Community Affairs
Texas Methodist Foundation
Texas PRN
Texas Tech School of Medicine
Texas Tech University
Toner Tiger Inc.
Ultimate Software Group Inc.
US Foods Inc.
Valmed Home Health Solutions Inc.

Utility Providers

Atmos Energy
City of Tyler and Southern Utilities
Center Point Energy
City of Abilene
City of Amarillo
City of Big Spring
City of Odessa
El Paso Electric
El Paso Water
Liberty Utilities
Lubbock Power & Light
McAllen Public Water
MP2 Energy
Texas Gas Service
West Texas Gas
Xcel Energy

Regulatory Agencies

Centers for Medicare & Medicaid Services
Texas Health and Human Services Commission
Texas Department of Aging and Disability Services
Office of the Attorney General of Texas
Texas Veteran's Land Board

Parties to Pending Lawsuits

State of Texas
Judy Lewallen
Glenn Lewallen
Nancy Fleming
Diane Jordan
Monica Bingham,
Benino Gutierrez
Josephine Gutierrez
Priscilla Garcia

Insurance Providers

Blue Cross and Blue Shield
Ameritas
Unum
North American Capacity
Southwest Assurance Company (SMRS Captive)
Ironshore
RSUI
Philadelphia
Hartford
Travelers
Zurich

Bankruptcy Judges for the Northern District of Texas

Judge Barbara Houser
Judge Robert Jones
Judge Michael Lynn
Judge Harlan Hale
Judge Russell Nelms
Judge Stacey Jernigan

Banking Institutions

Amarillo National Bank
Austin Bank
Bank of America
Border Capital Bank
First Financial Bank
Prosperity Bank
Wells Fargo
UMB Bank

SCHEDULE 2**Interested Parties¹ Currently Employing or Have Formerly Employed DLA in the Last Five Years
in Matters Unrelated to the Debtors or their Chapter 11 Cases**

INTERESTED PARTY	RELATIONSHIP TO DEBTORS
Alvarez & Marsal LLP	Providing CRO and Additional Personnel
Thompson & Knight LLP	Other Professional Service Provider
Southern Utilities Holdings Ltd.	Utility Provider
Bibby Financial Services, Inc.	Unsecured Creditor
CliftonLarsonAllen LLP	Unsecured Creditor/Other Professional Service Provider
General Electric	Unsecured Creditor
Hilton Garden Inn	Unsecured Creditor
Lowe's	Unsecured Creditor
Medline Industries, Inc.	Unsecured Creditor
McKesson Medical Surgical	Unsecured Creditor
Omnicare	Unsecured Creditor
Prudential Huntton Paige Associates, Ltd.	Unsecured Creditor
Sam's Club	Unsecured Creditor
Stericycle, Inc.	Unsecured Creditor
Blue Cross Blue Shield Association	Insurance Provider
Ameritas Life Insurance Corp.	Insurance Provider
North American Capacity Insurance Co.	Insurance Provider
Ironshore	Insurance Provider
Philadelphia Indemnity Insurance Company	Insurance Provider
Hartford Insurance Company	Insurance Provider
The Travelers Indemnity Corporation	Insurance Provider
Zurich Insurance Group	Insurance Provider
Bank of America	Banking Institution
First Financial Bank	Banking Institution
Prosperity Bank	Banking Institution/Secured Lender
Wells Fargo	Banking Institution
Deutsche Bank	Secured Creditor
Invesco	Secured Creditor
Nuveen Asset Management LLC	Secured Creditor
Pioneer Investment Management	Secured Creditor
Banco Santander	Secured Creditor
Zurich Kemper Investments, Inc.	Secured Creditor
Unicredit S.P.A.	Secured Creditor
T. Rowe Price Associates, Inc.	Secured Creditor
Columbia Management Investment Advisors LLC	Secured Creditor
FAF Advisors Inc.	Secured Creditor
Massachusetts Financial Services	Secured Creditor
Putnam Investment Management	Secured Creditor

¹ Certain of the parties of interest are merely related companies of DLA clients that have not been directly represented by DLA.

EXHIBIT C
ENGAGEMENT LETTER



DLA Piper LLP (US)
1251 Avenue of the Americas, 27th Floor
New York, New York 10020-1104
www.dlapiper.com

Thomas R. Califano
thomas.califano@dlapiper.com
T 212.335.4990
F 212.684.8690

February 27, 2014

ATTORNEY-CLIENT PRIVILEGED

Mr. Larry Dotson
Sear Methodist Retirement System
1114 Lost Creek Boulevard
Suite 220
Austin, Texas 78746

Re: Engagement and Conflict Waiver Letter for Legal Services

Dear Mr. Dotson:

1. Introduction and Scope of Engagement. We are pleased that Sears Methodist Retirement System (collectively, the "Client" or the "Company") have requested that DLA Piper LLP (US) (the "Firm") represent the Company in connection with the restructuring of certain financial obligations and the preparation and, if the Company determines that a chapter 11 filing is necessary, representation of the Client in chapter 11 cases to be filed in the United States (the "Engagement"). Effective as of the date set forth above and upon payment of the Retainer set forth in section 7 below, the Firm agrees to represent the Company with respect to the Engagement on the terms and conditions set forth in this letter agreement.

In this letter agreement, the words "you" and "your" refer to the Client, and the words "we," "us" and "our" refer to the Firm. We look forward to a harmonious and mutually satisfying relationship. I will serve as your principal contact. You should never hesitate to contact me if and when any question arises.

You may from time to time ask us to perform additional or other services beyond the Engagement described above. If you do request such services, we may need to clear conflicts of interest, and we may need to enter into a separate engagement letter with you. If the scope of our engagement changes, the terms set out in this letter agreement will apply unless we enter into a subsequent letter agreement with you. Otherwise, the Firm will proceed in reliance upon the description and terms set forth in this letter. This Engagement may be terminated by either you or us upon notice to the other, subject to applicable Rules of Professional Conduct. In order to avoid any misunderstandings, it is the Firm's standard policy to set out the terms of our engagement at the outset.

2. The Client. Unless specifically retained, our representation of the Company does not include representation of any of its parents, subsidiaries, affiliates, stockholders, officers or directors ("Affiliates"). Accordingly, it is understood and agreed that any representation by the



Mr. Larry Dotson
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Firm of another client adverse to any of your Affiliates or other third parties does not constitute a conflict of interest and does not require your consent unless the Firm seeks to represent such client in actual litigation. This agreement has no third-party beneficiaries, and the Firm owes no attorney-client duties to persons or entities other than the Client, even if the Client might owe them fiduciary or other duties.

3. Scope of Engagement. As described to us, the Engagement involves representing the Company in its efforts to restructure whether in an out of court restructuring or a formal in court chapter 11 bankruptcy case. The services to be provided by the Firm in connection with the Engagement will encompass all services normally and reasonably associated with this type of engagement which the Firm is requested and is able to provide and which are consistent with its ethical obligations. As legal counsel, we are not in a position to, and the Company has not retained us to, provide financial advice. With respect to all matters of our Engagement, we will coordinate closely with the Company as to the nature of the services to be rendered by us and the scope of our engagement.

If the Company determines that reorganization cases under chapter 11 of the Bankruptcy Code are appropriate, we will prepare for the filing of the chapter 11 petitions, including review of documents and preparation of the petitions with supporting schedules and related pleadings. During the cases and subject to our ethical obligations discussed above, and subject to the approval of our retention by the bankruptcy court, we will serve as bankruptcy counsel to the Company as debtors in possession and will advise and consult on the conduct of the cases, including all of the legal and administrative requirements of operating in chapter 11; prepare such administrative and procedural applications and motions as may be required for the sound conduct of the cases; consult with you concerning and participate in the formulation, negotiation, preparation and filing of a plan or plans of reorganization and disclosure statement(s) to accompany the plan(s); take all steps necessary and appropriate to bring the cases to a conclusion; and perform the full range of services normally associated with matters such as this which the Firm is in a position to provide. Such representation also will encompass all out-of-court planning and negotiations attendant to these tasks and advice as to corporate transactions and corporate governance, negotiations, out-of-court agreements with creditors, equity holders, prospective acquirers and investors, review of documents, or preparation of agreements. Additionally, although it is hoped that litigation can be avoided, subject to ethical constraints regarding conflicts of interest, we also will be available to serve the Company in any litigation capacities that become necessary to the extent that any required court approval is obtained.

4. Progress and Reporting. We will keep you reasonably informed concerning the representation and will communicate information and advice about significant developments in



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the matter. We may communicate by letter, telephone, cellular telephone, facsimile transmission or e-mail. You should, of course, feel free to communicate with us on any issue or matter that you feel deserves attention and we will endeavor to respond promptly. In order for us to assist you effectively and efficiently, we assume that you will provide us with the factual information you have which relates to the subject matter of our engagement, and that you will make any appropriate business or technical decisions. In addition, we encourage you to share with us at all times your expectations and any concerns regarding our services at any time during the course of our representation. We believe that you should be actively involved in the strategy and management of your legal affairs and our goal is to encourage candid and frequent communication between us.

5. Fees and Costs. The Firm has established an hourly standard billing rate for each attorney, paralegal, analyst, consultant and law clerk. My hourly rate at present is \$930.00. Other attorneys who may work on this matter and their rates are: Vince Slusher (\$745.00) and Jacob Frumkin (\$615.00). We try to assign work to lawyers, paralegals and others who can provide the necessary services most efficiently, but I will continue to be responsible for the entire assignment. Hourly rates are normally adjusted once a year for work performed beginning in January. You consent to these rate adjustments unless you notify the Firm, in writing, to the contrary. We customarily send monthly invoices for services rendered during the previous month. In addition, our billing statements will include third-party charges and disbursements incurred by us in the course of performing legal services, which shall be billed by the Firm without mark-up. These items will be billed in accordance with our standard practice, which may be periodically updated. Each invoice issued by us will include an invoice number, a description of the work performed, the hours expended by each individual, and the hourly rate of each individual. Payment is due upon receipt of our invoice.

6. Retainer. In the event a chapter 11 filing is necessary the Firm will require a security retainer in the amount of \$200,000 (the "Retainer") payable one day prior to the anticipated filing of the chapter 11 cases of the Company. In addition, separate and apart from the Retainer, the Firm will require that all outstanding fees and expenses incurred by the Firm in connection with the Engagement through and including one day prior to the anticipated filing of the chapter 11 cases of the Company be paid in full by the Company on the day prior to the anticipated filing of such chapter 11 cases. The Retainer will remain your property unless and until we apply such funds as charges for services as we render them. If, for any reason, you do not promptly pay any Firm invoice relating to this matter, the Firm may, in its sole discretion, apply available funds in the Retainer account to your past-due balance. As the Retainer is depleted, the Firm will request that you replenish it. At the conclusion of our engagement, after payment of all other amounts due, the Firm will return any remaining balance of your retainer in the account to you.



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All payments to the Firm, including the Retainer, should be made by wire transfer as follows:

Bank Name: M & T Bank
Address: 25 South Charles Street, 18th Floor
Baltimore, MD 21201
Bank Fax #: 410-244-4022
Bank Phone #: 410-244-4754 (Tenair Agurs)
Account Name: DLA Piper LLP (US) Operating Account
Account #: 074-8148-5
ABA Transit #: 022000046
Swift Code: MANTUS33INT

7. Matters Outside of the U.S. DLA Piper lawyers outside the U.S. may be engaged to handle legal matters on behalf of, or adverse to, you or your Affiliates located outside the United States. Although these matters may have no relation to the U.S., the U.S. conflict of interest rules could be construed to apply since you are a client of DLA Piper US. The U.S. rules are far more stringent than those in most other countries. As a result, a matter that is not a conflict of interest under applicable foreign rules could be considered to be a conflict of interest under the U.S. rules. The Client agrees that in matters pending outside the U.S., which do not involve DLA Piper US lawyers, conflicts of interest issues will be governed by the rules of the jurisdiction in which the matter is proceeding.

8. Advance Waiver of Unrelated Conflicts of Interest. The Firm is a large law firm with offices in various locations throughout the United States, and with related practice entities located in South America, Europe, Asia, Africa and Australia. As such, the Firm represents a broad base of clients on a variety of legal matters and may currently or in the future represent one or more other clients in unrelated matters or transactions in which your interests or those of your Affiliates are adverse to those other clients. For example, we may represent other clients in corporate matters involving or concerning the Client or your Affiliates (including mergers and acquisitions, takeovers, and other change-in-control issues and transactions), or in commercial transactions with the Client or your Affiliates (including preparation and negotiation of agreements, licenses, leases, loans, securities offerings or underwritings), or in other matters and transactions involving the Client or your Affiliates. We may also represent other clients on legislative or policy matters, or in administrative proceedings that may involve or affect the Client or your Affiliates. Accordingly, absent an effective conflicts waiver, conflicts of interest may arise that could adversely affect your ability and the ability of other clients of the Firm to choose the Firm as its counsel and preclude the Firm from representing you or other clients of



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our Firm in pending or future matters. Given that possibility, we wish to be fair not only to you, but also to our other clients as well. This will confirm that the Company waives all such conflicts of interest, and consents to the Firm's current and future representation of such other clients in any of such matters without the need for any further notice or consent from the Company even though the Company's interests are adverse, provided that such matters are not the same, or substantially related to, a matter in which we represent the Company. We do not view this advance waiver and consent regarding unrelated matters to permit unauthorized disclosure or use of any of the Client's confidential or privileged documents or information which the Client has provided to us as the Client's lawyers.

Furthermore, in the event that the Firm is retained as bankruptcy counsel in chapter 11 cases commenced by the Company, the Bankruptcy Code requires, among other things, that the Firm be and remain "disinterested" and, thus, the Firm may not hold or represent any interest materially adverse to the Company or the bankruptcy estates. Based on our current review of the Company's relationships with third parties, we do not believe that there are any limits on our ability to represent the Company on the Engagement, even if the Company seeks relief under chapter 11 of the Bankruptcy Code. Nonetheless, for purposes of this Engagement Agreement, the Company should assume that we represent a substantial number of the Company's creditors and stakeholders on matters unrelated to the Company. In the event that chapter 11 cases are commenced, we will prepare a disclosure summary that will be publicly disclosed and will be updated periodically thereafter in connection with the filing of interim fee applications and as otherwise required.

Finally, other than as set forth herein, you acknowledge that we have informed you that in certain circumstances we might not represent the Company in active litigation against a Firm client and that if the Company desires to engage in any such litigation, the Company might need to retain special counsel to do so. Based on the information you have provided to date, we are unaware of any limitation on our representation, but will advise of any such issue as soon as practicable should one arise.

Our representation of the Company is premised on the Firm's adherence to its professional obligation not to disclose any confidential information or to use it for another party's benefit without the Company's consent. Provided that the Firm acts in this manner, the Company would not for itself or any other party assert that the Firm's possession of such information, even though it may relate to a matter for which the Firm is representing another client or may be known to someone at the Firm working on the matter, (a) is a basis for disqualifying the Firm from representing another of its clients in any matter in which the



Mr. Larry Dotson
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Company or any other party has an interest; or (b) constitutes a breach of any duty owed by the Firm.

9. Arbitration of Disputes. We anticipate a harmonious and satisfactory attorney-client relationship. If any disputes arise between us, we shall submit them to binding arbitration. If you do not wish to agree to arbitrate any disputes with us, you should not sign this letter.

10. Termination. Unless terminated earlier, this representation and, unless the Firm represents you in other matters, the attorney-client relationship, will terminate automatically upon the Client's receipt of the Firm's statement first reflecting completion of the substantive legal services described in the first paragraph above. Subsequent statements sent to collect expenses and/or unpaid balances, and/or the state of accounting/business records or client lists at the Firm, shall not extend the attorney-client relationship. After completion of the matter, changes may occur in laws or regulations that could have an impact on Client's future rights or responsibilities. Unless the Client engages the Firm after completion of this matter to provide additional services arising from the matter, it is understood and agreed that the Firm will have no continuing obligation to advise the Client or any other person or entity with respect to future developments.

11. Records Retention and Disposal. At the conclusion of the legal services described in the first paragraph, above, you may request that your file in this matter (including a copy of any work product not previously provided to you) be sent to you, or, if requested by you, forwarded to your chosen successor counsel. If so, the Firm reserves the right, at its own discretion and expense, to retain a copy of all or part of the files you request. If you do not request your file, then the Firm will store the file at its expense for a period of seven (7) years following the conclusion of the matter. Thereafter, unless we receive written instructions from you to the contrary, the Firm will destroy the file, consistent with maintaining confidentiality, without further notice.

12. Consultation with Counsel. In the course of representing the Client, we may consult with our own counsel on our own behalf and without cost to the Client, whether outside counsel or attorneys inside the Firm who do not perform work for the Client on the matter, regarding our engagement for the Client or one or more aspects of that engagement. To the extent that we are addressing the Firm's rights or responsibilities, a conflict of interest might be deemed to exist between the Firm and the Client, particularly if a dispute were to arise between us and the Client regarding the matter. The Client hereby consents to such consultation, and waives any claim of conflict of interest based on such consultation or resulting communications that could otherwise disqualify us from continuing to represent the Client or from acting in our own behalf, even if



Mr. Larry Dotson
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Page Seven

doing so might be deemed adverse to the interests of the Client. Client acknowledges that such communications are protected by our own attorney-client privilege from disclosure to the Client.

The provisions of this letter will continue in effect, including if the Firm's representation of the Company was ended at your election (which, of course, the Company would be free to do at any time) or by the Firm (which would be subject to ethical requirements). In addition, the provisions of this Engagement Letter will apply to future engagements of the Firm by the Company unless we mutually agree otherwise.

This agreement shall be governed by and interpreted in accordance with the laws of the State of New York without regard to its conflicts of laws principles.

If this letter is satisfactory, please sign a copy and return it to me. Obviously, if you want to discuss any aspect of this letter further, please call me.

Once again, thank you for this opportunity. We will endeavor to provide prompt and responsive legal services at all times.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Thomas R. Califano', written over a horizontal line.

Thomas R. Califano




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I have read the above engagement letter and agree and accept the terms and conditions set forth therein.

Date: 2/26/2014

SEARS METHODIST RETIREMENT SYSTEM

By: 
Name: Larry Dotson
Title: Chair, SMRS Board of Trustees