



U.S. BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS


ENTERED

TAWANA C. MARSHALL, CLERK

THE DATE OF ENTRY IS
ON THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Signed January 20, 2015


United States Bankruptcy Judge

**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.	§	Jointly Administered
	§	

**STIPULATION BETWEEN OBLIGATED GROUP DEBTORS AND
WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE, (I) FOR
EXTENSION OF USE OF CASH COLLATERAL AND DIP FINANCING
MATURITY DATE AND (II) AMENDMENT TO DIP CREDIT FACILITY
[RELATED TO DOCUMENT NO. 276]**

Sears Methodist Retirement System, Inc., Sears Permian Retirement Corporation, Sears Panhandle Retirement Corporation, Sears Methodist Centers, Inc., Sears Methodist Foundation, and Sears Brazos Retirement Corporation (collectively, the “Obligated Group Debtors”), as

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.

debtors and debtors in possession in the above-captioned cases, on the one hand, and Wells Fargo Bank, National Association, not individually but in its capacity as master trustee and bond trustee (the “Trustee”), on the other hand, hereby stipulate and agree as follows:

WHEREAS, on June 10, 2014 (the “Petition Date”), each of the Obligated Group Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code with the United States Bankruptcy Court for the Northern District of Texas (the “Court”); and

WHEREAS, on the Petition Date, the Obligated Group Debtors filed the *Motion of Debtors Sears Methodist Retirement System, Inc., Sears Permian Retirement Corporation, Sears Methodist Centers, Inc., Sears Panhandle Retirement Corporation, Sears Methodist Foundation, Sears Brazos Retirement Corporation, and Senior Dimensions, Inc. for Interim and Final Orders Under 11 U.S.C. §§ 105, 361, 362, 363, and 364 and Bankruptcy Rules 2002, 4001, and 9014 (I) Authorizing Certain Debtors to (A) Use Cash Collateral and (B) Incur Postpetition Secured Indebtedness, (II) Granting Liens and Providing Super-Priority Administrative Expense Status, (III) Granting Adequate Protection to Wells Fargo Bank, National Association, as Trustee, (VI) Modifying the Automatic Stay, and (V) Scheduling a Final Hearing* [Dkt. No. 23] (the “DIP and Cash Collateral Motion”); and

WHEREAS, on July 28, 2014, the Court entered a *Final Order (I) Authorizing the Obligated Group Debtors to (A) Use Cash Collateral and (B) Incur Postpetition Secured Indebtedness; (II) Granting Liens and Providing Super-Priority Administrative Expense Status; (III) Granting Adequate Protection to Wells Fargo Bank, National Association, as Trustee; and (VI) Modifying the Automatic Stay* [Dkt. No. 276] (the “DIP and Cash Collateral Order”)²; and

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the DIP and Cash Collateral Order.

WHEREAS, under the DIP and Cash Collateral Order, the Obligated Group Debtors were authorized to, among other things, (a) use the Trustee's Cash Collateral on the terms and conditions set forth in the DIP and Cash Collateral Order, and (b) borrow funds and incur indebtedness from the Trustee using Trustee-Held Funds, through draws on the DIP Loans, on the terms and conditions set forth in the DIP Credit Facility, as incorporated into the DIP and Cash Collateral Order, through and including January 4, 2015 (subject to the occurrence of a Termination Event prior to such date as set forth in the DIP and Cash Collateral Order, the "Termination Date"), all subject to and in accordance with a certain budget attached to the DIP and Cash Collateral Order; and

WHEREAS, on November 24, 2014, certain of the Obligated Group Debtors filed a motion with the Court [Dkt. No. 583] (the "Obligated Group Sale Motion") seeking entry of an order authorizing and approving, among other things, (a) the sale (the "Obligated Group Sale") of substantially all of the Obligated Group Debtors' assets and related business operations free and clear of all liens, claims, interests, and encumbrances to Yellow Rose Health Holdings LLC (the "Obligated Group Stalking Horse") in accordance with the terms and conditions of an Asset Purchase and Sale Agreement with the Obligated Group Stalking Horse, (b) certain auction and bid procedures to be employed in connection with the Obligated Group Sale, and (c) certain bid protections offered to the Obligated Group Stalking Horse; and

WHEREAS, on December 6, 2014, the Obligated Group Debtors and certain of their debtor affiliates filed the *Plan Debtors' Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* (as amended, modified, or supplemented from time to time, the "Plan") providing for, among other things, the creation of a liquidating trust and an orderly distribution of certain of the Obligated Group Debtors' assets, including proceeds of the Obligated Group

Sale, to holders of allowed claims against certain of the Obligated Group Debtors and their estates in accordance with the terms of the Plan; and

WHEREAS, on December 31, 2014, the parties entered into a *Stipulation Between Obligated Group Debtors and Wells Fargo Bank, National Association, As Trustee, For Extension of Use of Cash Collateral and DIP Financing Maturity Date*, pursuant to which the Obligated Group Debtors and the Trustee agreed to (a) the Obligated Group Debtors' continued use of the Trustee's Cash Collateral through and including January 18, 2015 subject to and in accordance with the revised budget attached thereto, and (b) extend the maturity date of the DIP Loans through and including January 18, 2015, that was approved by the Court on January 7, 2015 [Dkt No. 662]; and

WHEREAS, in light of the parties' continued negotiations and the transactions contemplated in the Plan and Obligated Group Sale Motion, the Obligated Group Debtors and the Trustee have agreed to (a) the Obligated Group Debtors' continued use of the Trustee's Cash Collateral through and including March 1, 2015 subject to and in accordance with the revised budget attached hereto as Exhibit 1 (the "Extended Budget"), (b) extend the maturity date of the DIP Loans through and including March 1, 2015, and (c) amend Section 4.16 of the DIP Credit Facility to delete the reference to "\$2,600,000" and replace it with "\$3,100,000".

NOW, THEREFORE, THE OBLIGATED GROUP DEBTORS AND THE TRUSTEE STIPULATE AND AGREE THAT:

1. The Termination Date is hereby extended through and including March 1, 2015.
2. The Obligated Group Debtors are authorized to continue using the Trustee's Cash Collateral through and including March 1, 2015 in accordance with the Extended Budget, the

terms of the DIP and Cash Collateral Order, DIP Credit Facility, and any related agreements between the parties, as applicable.

3. The maturity date of the DIP Loans is extended through and including March 1, 2015.

4. Section 4.16 of the DIP Credit Facility is hereby amended to delete the reference to “\$2,600,000” and replace it with “\$3,100,000”.

5. Except as otherwise expressly provided herein, all terms, conditions, and provisions of the DIP and Cash Collateral Order, DIP Credit Facility, and any related agreements between the parties are unchanged and remain in full force and effect.

IT IS FURTHER STIPULATED AND AGREED that a copy of the signatures on this stipulation may be treated as an original for all purposes.

STIPULATED AND AGREED:

**Sears Methodist Retirement System, Inc.,
Sears Permian Retirement Corporation,
Sears Panhandle Retirement Corporation,
Sears Methodist Centers, Inc., Sears
Methodist Foundation, and Sears Brazos
Retirement Corporation**, as debtors and
debtors-in-possession through their counsel

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By: /s/ Kevin J. Walsh

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Exhibit 1

Extended Budget

Chapter 11 Budget
SMRS - Obligated

CRO Budget
SMRS - Obligated Group Total

SMRS - Obligated Group Total											
Week	28	29	30	31	32	33	34	35	36	37	38
	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
	12/21/2014	12/28/2014	1/4/2015	1/11/2015	1/18/2015	1/25/2015	2/1/2015	2/8/2015	2/15/2015	2/22/2015	3/1/2015
\$	(1,446,074)	\$ (1,986,533)	\$ (2,225,910)	\$ (1,842,984)	\$ (1,080,450)	\$ (2,311,561)	\$ (2,747,468)	\$ (2,589,393)	\$ (2,124,346)	\$ (2,589,960)	\$ (3,017,769)
Receipts											
Deposits	240,974	240,974	619,586	614,586	240,974	240,974	619,586	614,586	240,974	240,974	619,586
Medicare	-	-	148,743	134,467	-	-	148,743	134,467	-	-	148,743
Medicald	51,178	-	95,281	44,103	51,178	-	95,281	44,103	51,178	-	95,281
Shared Services Receipts	200,000	213,127	378,352	692,759	-	-	-	316,675	-	-	142,040
Entrance Fees	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	492,152	454,101	1,241,961	1,485,914	292,152	240,974	863,610	1,109,830	292,152	240,974	1,005,650
Disbursements											
Payroll & Benefits	200,426	358,393	200,426	348,393	195,926	348,393	195,926	338,393	191,426	338,393	191,426
Trade Payables	276,585	276,585	410,609	269,987	269,987	269,987	390,609	263,390	263,390	263,390	370,609
Health Insurance	65,000	58,500	235,000	105,000	58,500	58,500	94,500	52,000	52,000	52,000	84,000
Entrance Fee Refunds	-	-	-	-	445,000	-	-	-	210,000	-	-
Shared Services Expenses	-	-	-	-	-	-	-	-	-	-	-
Debtors Counsel - DLA	127,600	-	-	-	127,600	-	-	-	-	-	844,900
Debtors Advisor - A&M	132,000	-	-	-	277,750	-	-	-	-	-	463,750
Debtors Banker - RBC	-	-	-	-	-	-	-	-	-	-	126,250
Creditors Professionals	192,500	-	-	-	110,000	-	-	-	-	-	175,000
Claims Agent - GCG	24,750	-	-	-	24,750	-	-	-	-	-	114,750
Ombudsman	13,750	-	-	-	13,750	-	-	-	-	15,000	15,000
US Trustee	-	-	-	-	-	-	-	-	40,950	-	40,950
DIP Interest and Fees	-	-	13,000	-	-	-	15,500	-	-	-	18,000
Total Disbursements	1,032,611	693,478	859,035	723,380	1,523,263	676,880	696,535	653,783	757,766	668,783	2,444,635
Net Cash Flow	(540,459)	(239,377)	382,926	762,534	(1,231,112)	(435,907)	167,075	456,047	(465,614)	(427,809)	(1,438,985)
Ending Book Cash Balance											
\$	(1,986,533)	\$ (2,225,910)	\$ (1,842,984)	\$ (1,080,450)	\$ (2,311,561)	\$ (2,747,468)	\$ (2,589,393)	\$ (2,124,346)	\$ (2,589,960)	\$ (3,017,769)	\$ (4,456,754)
Beginning DIP Balance											
\$	2,100,000	\$ 2,100,000	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	\$ 3,100,000	\$ 3,100,000	\$ 3,100,000	\$ 3,100,000	\$ 3,100,000	\$ 3,600,000
DIP Funding	-	500,000	-	-	500,000	-	-	-	-	500,000	-
Ending DIP Balance											
\$	2,100,000	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	\$ 3,100,000	\$ 3,100,000	\$ 3,100,000	\$ 3,100,000	\$ 3,100,000	\$ 3,600,000	\$ 3,600,000
Adjusted Ending Cash Balance											
\$	113,467	\$ 374,090	\$ 757,016	\$ 1,519,550	\$ 788,439	\$ 352,532	\$ 519,607	\$ 975,654	\$ 510,040	\$ 582,231	\$ (856,754)
DIP Balance plus Professional Fees Owed											
											1,724,650
										\$	5,324,650

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NOTE: Estimated RBC success fee (\$870K) not shown on budget as it will not be paid until sale is consummated. The unpaid professional fees projected for week 38 of \$1,724,650 (DLA \$844,900, A&M \$463,750, RBC \$126,250, Creditors Professionals \$175,000, GCG \$114,750) are projected to be deferred and paid upon sale consummation.