**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE NORTHERN DISTRICT OF ILLINOIS**
**EASTERN DIVISION**

| | | |
|---|---|---|
| In re: | ) | Chapter 11 |
| | ) | |
| ST. MARGARET'S HEALTH-PERU, and ST. MARGARET'S HEALTH-SPRING VALLEY, | ) | Case No. 23-11641 |
| | ) | (Joint Administration Requested) |
| | ) | |
| | ) | Honorable David D. Cleary |
| Debtors.[1] | ) | |
| | ) | |

**DECLARATION OF TIMOTHY A. MUNTZ IN SUPPORT OF CHAPTER 11 CASES AND FIRST-DAY MOTIONS**

I, Timothy A. Muntz, under penalties as provided by law pursuant to 28 U.S.C. § 1746, hereby certify that the following statements are true and correct to the best of my knowledge, information, and belief:

## PRELIMINARY STATEMENT

The primary purposes of these chapter 11 cases are to: (i) effectuate with all dispatch a sale of the Peru Hospital (and certain other assets) and resume much needed healthcare services to the Illinois Valley community; (ii) investigate potential actions to recover millions of dollars set off by Spring Valley City Bank ("**SVCB**"), the Debtors' primary secured lender; (iii) construct a workable framework to liquidate remaining assets; and (iv) establish the necessary means of distribution to creditors.

[1] The debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer identification number, are: (i) St. Margaret's Health-Peru (2553) and (ii) St. Margaret's Health-Spring Valley (7884).

## I. INTRODUCTION

1. I am the President and Chief Executive Officer of St. Margaret's Health-Peru, an Illinois not-for-profit corporation ("**SMH-P**"), and St. Margaret's Health-Spring Valley, an Illinois not-for-profit corporation ("**SMH-SV**," and together with SMH-P, the "**Debtors**", and each, a "**Debtor**").

2. I have served as President and CEO of SMH-SV since 1993; I have served as President and CEO of SMH-P since January 2021. I report to the respective Boards of Directors of SMH-P and SMH-SV.[2] The Board of Directors of each Debtor consists of myself, Lisa Lynch (who also serves as Vice-President of Finance of the Debtors), and Kim D. Santman.[3]

3. In my capacity as President and CEO, I have personal knowledge of, and I am familiar with, the Debtors' financial condition, prior and current day-to-day operations, business affairs, and books and records. I work closely with Ms. Lynch, as well as with Mary Vega (Vice President of Nursing for the Debtors), Karen Gress (Vice President of Ancillary and Support Services for the Debtors) and Linda Burt (Vice President of Community Services for the Debtors), to establish, implement and oversee the primary services of the Debtors. Ms. Lynch, Ms. Vega, Ms. Gress, Ms. Burt and I comprise the core management team of the Debtors (the "**Management Team**").

4. I am familiar with the circumstances surrounding the Debtors' formation; the creation of the operative business model and the manner in which it has changed over the years; the existing and/or prior secured indebtedness to SVCB and Heartland Bank and Trust Company ("**Heartland**"); the cash management system regularly employed by the Debtors; the wages,

[2] I also report to the Board of Directors of St. Margaret's Health (as hereinafter defined).

[3] Mr. Santman served as Vice-President of Finance of the Debtors until approximately February 2022.

healthcare and other employee compensation and benefits offered by the Debtors; the Debtors' marketing and sale efforts to date; and the events leading to and supporting the necessity of the filing of the Chapter 11 Cases.

5. On August 31, 2023 (the "**Petition Date**"), SMH-P filed a voluntary petition under chapter 11 of the Bankruptcy Code in the above-referenced court (the "**Court**"), Case No. 23-11641 (the "**SMH-P Chapter 11 Case**"). Also on the Petition Date, SMH-SV filed a related voluntary petition under chapter 11 of the Bankruptcy Code in the Court, Case No. 23-11642 (the "**SMH-SV Chapter 11 Case**," and together with the SMH-P Chapter 11 Case, the "**Chapter 11 Cases**").

6. The filing of the SMH-P Chapter 11 Case was duly authorized by that certain *Unanimous Written Consent of the Board of Directors of St. Margaret's Health - Peru*, dated and effective as of August 24, 2023. The filing of the SMH-SV Chapter 11 Case was duly authorized by that certain *Unanimous Written Consent of the Board of Directors of St. Margaret's Health – Spring Valley*, dated and effective as of August 24, 2023.

7. The Debtors have filed various first-day motions described below (collectively, the "**First-Day Motions**"), and intend to file certain additional motions (the "**Second-Tier Motions**").[4] The Second-Tier Motions will seek companion relief (the "**Second-Tier Relief**") that will enable the Debtors to pursue the OSF Sale, the SV-Peru Wind-Down, and the SVCB Litigation Claims (as such terms are hereafter defined and described).

[4] The Second-Tier Motions are expected to include requests to authorize: (a) the payment of adequate assurance to various utilities pursuant to Section 366 of the Bankruptcy Code; (b) the retention of a claims and noticing agent in the Chapter 11 Cases; (c) payment of prepetition wages, compensation and other employee benefits; (d) payment of certain expenses related to the malpractice and umbrella insurance policies and other relief related to existing insurance coverage; (e) establishment of confidentiality procedures with respect to patients who are creditors of the Debtors; and (f) waiver of appointment of a patient care ombudsman. The Debtors will prepare and file such supplemental declarations in support of the Second-Tier Motions as may be appropriate.

8. I am submitting this declaration (the "**Declaration**") in support of the Chapter 11 Cases and the First-Day Motions. Except as otherwise indicated, all statements set forth in this Declaration are based upon my personal knowledge, my review of the relevant documents and records of the Debtors, and/or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I am called upon to testify, I can and will testify to the facts and matters set forth herein.

9. To familiarize the Court with the Debtors, their business, the circumstances leading to the Chapter 11 Cases, and the relief the Debtors are seeking in the First-Day Motions, this Declaration is organized as follows:

- ***Article II*** – History of Operations
- ***Article III*** – Events Leading to the Commencement of the Chapter 11 Cases
- ***Article IV*** – Current Status of the Debtors' Financial Affairs
- ***Article V*** – Prepetition Debt Structure
- ***Article VI*** – Key Objectives of the Chapter 11 Cases
- ***Article VII*** – First-Day Motions
- ***Article VIII*** – Conclusion

## II. HISTORY OF OPERATIONS

### A. Spring Valley Hospital

10. SMH-SV formerly operated a forty-four (44) bed licensed hospital (the "**Spring Valley Hospital**") and related facilities and clinics in Spring Valley, Peru, Princeton, Granville, Henry, and Oglesby, Illinois (together with the Spring Valley Hospital, the "**Spring Valley Facilities**").

11. The following excerpts are taken from an Employee Handbook of the Sisters of Mary of the Presentation Health System, a North Dakota nonprofit corporation ("**SMP Health System**") and provide helpful background to understanding the genesis of the Spring Valley Facilities[5]:

a. The origins of the Spring Valley Hospital trace back to the early 1900's. At the turn of the century, Spring Valley, Illinois was a coal-mining community with a population of 6,214. Laws governing the protection of miners were nonexistent in the north central Illinois community. The many accidents and deaths among miners prompted the local pastor, Father John Power, to call for a hospital. Father Power donated his family homestead, which included 25 acres and a two-story frame house, to be used as a hospital. To staff the facility, he appealed to a group of nuns who had been expelled from France by an anti-religious government. The sisters agreed to run the new hospital at the former homestead.

b. In November 1902, the first seven sisters arrived in Spring Valley by train. The building that was to be the hospital was unfurnished and contained only a five-bed ward and one private room. It would be up to them to find furniture, bed linens and medical supplies. The facility was illuminated by kerosene lamps and heated with coal stoves.

c. Throughout 1904 the sisters begged for money from the community to furnish and improve the little hospital, known as The Miners' Hospital. As word spread about the good work of the sisters, more and more people contributed to the sisters'

[5] As will hereinafter be set forth, SMP Health System was the founding entity established by the Sisters. The SMP Health System evolved over time into a fully integrated healthcare enterprise, which included the Spring Valley Hospital and the Spring Valley Facilities.

cause. By 1908, the facility could no longer accommodate the number of patients seeking admission, and in June 1908, ground was broken for a three-story 25-bed building. The hospital's name had been changed to St. Margaret's Hospital, in honor of Father Power's mother, Margaret, and ultimately became the Spring Valley Hospital.

12. SMP Health System became the sole member of St. Margaret's Hospital, an Illinois not-for-profit corporation doing business as St. Margaret's Health ("**St. Margaret's**"), St. Margaret's eventually became SMH-SV.

13. Over the years, St. Margaret's developed into a full-service healthcare enterprise. The range of care at the Spring Valley Facilities included adult and pediatric inpatient hospital care, emergency and critical care, a full range of diagnostic services, rehabilitative and surgical services, adult and pediatric inpatient hospital care, emergency and critical care, the furnishing of home medical equipment, maternal/childcare, hospice care and pastoral care (the "**SV Patient Services**").

14. The Mission Statement of St. Margaret's is as follows:

> *St. Margaret's Health, in union with the Sisters of Mary of the Presentation, is committed to the values of Catholic health care in caring for the needs of our patients and their families, the community and one another. Through our belief in God and our respect for life, we provide holistic quality health care with dignity and compassion.*

15. Throughout my tenure with SMH-SV, I have embraced and carried out the foregoing mission for the benefit of the patients of Spring Valley Hospital and the Illinois Valley community at large.

**B. Peru Hospital**

16. SMH-P operated a forty-nine (49) licensed bed hospital in neighboring Peru, Illinois (the "**Peru Hospital**") and related facilities and clinics in Peru, LaSalle and Oglesby, Illinois (together with the Peru Hospital, the "**Peru Facilities**").[6]

17. According to SMH-P's website, the origins of the Peru Hospital date back to 1914 when People's Hospital in Peru opened. People's Hospital became Illinois Valley Community Hospital, an Illinois not-for-profit corporation ("**IVCH**"), in 1976 when ICVH merged with St. Mary's Hospital in LaSalle. IV Health Corp., Inc., an Illinois not-for-profit corporation (the "**IV Parent**"), was the sole member of IVCH.

18. The Hygienic Institute in LaSalle, which, like IVCH, opened in 1914, became part of the Peru Hospital in 1996.

19. The patient services offered by the Peru Facilities were similar to the SV Patient Services, but also included wound care and hyperbaric services. The Peru Hospital is less than five (5) miles away from the Spring Valley Hospital.

**C. Systemic Inefficiencies**

20. The co-existence of the Spring Valley Facilities and the Peru Facilities was fraught with challenges. There was (and is) simply not a sufficient pool of patients to consistently support two full-service healthcare operations.

21. Effectively, Spring Valley Hospital and Peru Hospital were in competition with one another. This, in turn, resulted in the two institutions working at cross-purposes, and only served to escalate operating inefficiencies. It became apparent that the separate operations of the Spring Valley Facilities and the Peru Facilities would not be sustainable.

[6] I have attached as **Exhibit A** to this Declaration a comprehensive summary of the Spring Valley Facilities and the Peru Facilities (the "**Facility Summary Chart**").

22. Ultimately, the two organizations recognized the wisdom of pursuing an integrated system. Beginning in 2018, I engaged in concerted discussions with the principals of IVCH and the IVCH Parent to explore a joint venture between the Spring Valley Facilities and the Peru Facilities.

23. Around this time, SMP Health System and St. Margaret's Health retained Huron Consulting Services LLC ("**Huron**") to examine the potential merits of merging the two operations and creating efficiencies that would enable the institutions to reduce operating costs without sacrificing essential services.[7] Huron and the Management Team thereafter engaged in extensive discussions over how to develop a refined business model and the accompanying division and consolidation of services.

**D. <u>The October 2020 Affiliation Agreement</u>**

24. After extensive negotiations with IVCH and the IV Parent over a collaborative venture, SMP Health System, St. Margaret's, SMP Illinois Region Health System, an Illinois not-for-profit corporation (the "**Regional Parent**"), the IV Parent, IVCH, and Illinois Valley Community Hospital Foundation, an Illinois not-for-profit corporation, entered into that certain *Affiliation Agreement* dated October 12, 2020 (the "**Affiliation Agreement**").

25. Following consummation of the transactions (the "**Affiliation Transactions**") set forth in the Affiliation Agreement:

a. the Regional Parent was renamed St. Margaret's Health ("**St. Margaret's Health**");[8]

[7] Halsa Advisors was also engaged to determine if one or the other campus was better positioned from a strategic or functional perspective to be the 24/7 campus for the potential combined health system.

[8] In addition to being the President and CEO of the Debtors, I am also the President and CEO of St. Margaret's Health.

b. the Regional Parent became the sole member of St. Margaret's and the IV Parent;
c. the IV Parent became the sole member of SMH-P;
d. St. Margaret's was renamed SMH-SV; and
e. IVCH was renamed SMH-P.

26. The change of ownership and formation of the new healthcare system were designed to ensure financial stability, enhance clinical services, and provide a comprehensive spectrum of healthcare services in Spring Valley, Peru, and the surrounding Illinois Valley community.[9]

27. The Illinois Health Services Review Board issued a Certificate of Exemption in November 2021 to discontinue ten (10) obstetrical beds at SMH-SV. The removal of the obstetric beds at SMH-SV was to be the first step of an eventual plan to merge SMH-SV into SMH-P and consolidate inpatient acute services to the latter's hospital campus, while maintaining outpatient surgery services, walk-in urgent care services, and supporting outpatient and ambulatory care services under SMH-P's hospital license at SMH-SV.

## III. EVENTS LEADING TO COMMENCEMENT OF THE CHAPTER 11 CASES

### A. Failed Affiliation

28. Unfortunately, the consummation of the Affiliation Transactions did not turn out as planned. There were too many obstacles which directly interfered with the ability of the Debtors to take advantage of the economies of scale resulting from consolidating operations.

29. The first of such obstacles was the continued onset of the COVID-19 Pandemic. The loss of patient volume, the explosion of labor costs (particularly in the nursing segment), and the slowdown in state and federal reimbursements all contributed to the downward spiral precipitated by the pandemic.

[9] The Illinois Health Services Review Board issued two Change of Ownership Certificates of Exemption to effectuate the Affiliation Transactions, effective November 1, 2020.

30. Second, in late February 2021, SMH-SV suffered a ransomware attack. The attack impaired the Debtors' ability to use their electronic health records system for patient care, effectively shutting down billing and collection activities for approximately eight weeks. For most of this time, the Spring Valley Facilities were forced to transfer almost all of their patients to the Peru Facilities and ceased admitting patients. SMH-SV never was able to recover all the billing for this period, resulting in a significant financial hardship.

31. A third major factor contributing to SMH-SV's liquidity woes was the year-long implementation and conversion to a cloud-based electronic medical records (EMR) system with Medical Information Technology, Inc. ("**Meditech**"). The conversion launched in December 2022 and was designed to consolidate record-keeping and enhance revenue streams. Unfortunately, the Meditech consolidated billing arrangement did not properly take effect and the opposite occurred. SMH-SV suffered a radical drop in receipts in the first quarter of 2023. The conversion also significantly impaired the ability of the Debtors to prepare go-forward financials.

32. Making matters worse, in January 2023, the physicians group Peru Emergency Physicians, LLP (the "**Peru ER Physicians**"), which served patients at SMH-P, terminated their agreement with SMH-P for Emergency Department Management Services dated September 2, 2008 as a result of SMH-P's failure to pay outstanding invoices (the "**Peru ER Physician Termination**"). Following the Peru ER Physician Termination, SMH-P had to shut down the Peru Hospital (the "**Peru Shutdown**"). SMH-P concurrently provided notification of a "temporary suspension of services" to Illinois Department of Public Health, as required by applicable regulations.

33. The following economic indicators further attest to the rapid and substantial deterioration of the operating performance of the Debtors:

a. Between calendar years 2018 and 2021, the average daily census at SMH-SV declined from 21.4 to 18.6, while the occupancy rate declined from 48.7% to 42.3%. At SMH-P, the average daily census declined during this same period from 46.5% to 41.4%.

b. The Debtors' facilities, including the hospitals and physician clinics, lost significant amounts of money on operations. Operating losses for fiscal years 2018 through 2022 were over $22.5 million for SMH-SV and over $41.5 million for SMH-P. But-for government support funds from the Provider Relief Act and the American Rescue Plan Act totaling $16.5 million for SMH-SV and $18.5 million for SMH-P, the operating losses would have totaled over $39 million for SMH-SV and over $60 million for SMH-P. Further, the operating losses continued into fiscal year 2023.

**B. Re-Engagement of Huron**

34. Recognizing that the two hospitals were seriously compromised, the Management Team took definitive action to best contend with the increasingly perilous liquidity situation. Among other things, in February 2023, Huron was re-engaged to assist in assessing strategic alternatives, including the potential sale of certain assets.

**C. Retention of Juniper**

35. In March 2023, SMP Health System and the Debtors retained Juniper Advisory LLC ("**Juniper**"), a nationally recognized investment banking firm specializing in the healthcare industry, to explore the marketing and sale of the Spring Valley Facilities and the Peru Facilities.

36. As will be set forth in detail in the Sale Motion (as hereinafter defined), the Debtors retained Juniper to engage in a fulsome marketing program geared towards securing a pool of candidates to acquire the Peru Facilities and the SV Facilities. Juniper carried out the requisite campaign and its efforts were instrumental in securing the OSF Offer (as hereinafter defined).

**D. The OSF Sale**

37. The Debtors secured a gross cash offer from OSF Healthcare System, an Illinois not-for-profit corporation, Mendota Community Hospital, d/b/a OSF Saint Paul Medical Center, an Illinois not-for-profit corporation, and Ottawa Regional Hospital and Healthcare System d/b/a OSF Saint Elizabeth Medical Center, an Illinois not-for-profit corporation (collectively "**OSF**"), in the approximate amount of **$38M** for substantially all assets of SMH-P and certain assets of SMH-SV (the "**OSF Offer**").[10]

38. After due deliberation in concert with Juniper, the Debtors approved the OSF Offer. Thereafter, certain members of the Management Team, with the assistance of the Debtors' outside healthcare and transactional counsel, among others, negotiated the terms of a sale to OSF pursuant to the OSF Offer (the "**OSF Sale**").

39. The negotiations with OSF led to the completion and execution of that certain *Asset Purchase Agreement* dated as of June 13, 2023 (the "**OSF APA**").[11]

[10] Through the hard work of the Management Team, Juniper as well as others, they were able to negotiate the initial $20M offer up by $18M to obtain the OSF Offer.

[11] The Debtors intend to file in the near term, the underlying sale motion for the approval of the OSF Sale pursuant to the OSF APA (the "**Sale Motion**"). The critical facts and related commentary in support of the Sale Motion and the essential components of the OSF Sale will be adduced at the hearing on the Sale Motion through the testimony of Casey Webb, the executive director of Juniper assigned to this engagement.

40. There were serious concerns that the Debtors lacked liquidity sufficient to maintain operations at SMH-SV pending the consummation of the contemplated transaction with OSF and the securing of necessary regulatory approvals in connection with same. As a result, the Debtors negotiated with OSF to conduct the OFS Sale in two stages. During the first stage, OSF would acquire certain clinics for the approximate sum of $5.65 million (the "**Stage One Sale**"). The Stage One Sale carried with it the added benefit of allowing OSF to resume certain patient services at some of the acquired parcels.

41. The completion of the Stage One Sale, and the accompanying injection of liquidity, was anticipated to enable the Management Team to maintain operations and preserve patient services for an extended period, hopefully bridging the gap in patient care until the closing of the second stage of the OSF Sale. However, following the Stage One Sale, but before the Debtors and OSF could consummate the second stage, the SVCB Setoff (as hereinafter defined) occurred.

42. The OSF Sale confers abundant benefits upon the bankruptcy estates. The sale proceeds will enable the Debtors to satisfy a substantial portion of the outstanding indebtedness owing to SVCB, while potentially generating a dividend for unsecured creditors.[12] Jobs will be preserved. Moreover, the closing of the OSF Sale is a major step towards restoring much-needed healthcare to the inhabitants of the Illinois Valley community and relieving them from having to travel well out of the area to obtain medical attention.

[12] The OSF APA includes a multi-million dollar holdback to secure various indemnity obligations of the Sellers (the "**Indemnity Holdbacks**"). If and assuming the Indemnity Holdbacks are not drawn, such funds will be available for distribution in the Chapter 11 Cases.

**E. SVCB Setoff**

43. Between June 1 and June 2, 2023, SMH-SV deposited net sale proceeds from the closing of the Stage One Sale, totaling more than $2.9 million, into an account at SVCB. This deposit of funds was specifically contemplated and required by that certain *Forbearance Agreement* dated as of April 20, 2023, among SVCB, SMH-SV and SMH-P (the "**Forbearance Agreement**"); the Debtors had achieved the additional liquidity requirement of an amount not less than $2 million thereunder as result of closing the Stage One Sale.

44. On June 5, 2023, SVCB swept nearly $7.3 million from SMH-SV (the "**SVCB Setoff**"). The SVCB Setoff came without warning. SVCB pulled the funds despite being fully aware of the liquidity needs of the Debtors.

45. SVCB had no claim to the monies, as the funds in question were not derived from the SVCB Collateral (as hereinafter defined). Moreover, at the time of the SVCB Setoff, the Debtors were fully compliant with the terms of the Forbearance Agreement.

46. Without access to the swept funds, the Debtors had no choice but to abruptly notify employees, inpatients then receiving medical care, and thousands of other patients receiving care at many of the Debtors' clinics, of the need to cease operations. The Spring Valley Hospital was shut down on June 16, 2023.

**F. Creation of SV-Peru Wind-Down Plan**

47. Immediately upon the SVCB Setoff, Huron and the Management Team recognized the need to devise and effectuate a comprehensive program to wind-down the affairs and liquidate the remaining assets of the Debtors (the "**SV-Peru Wind-Down**"). The Debtors and Huron prepared the accompanying plan which delineates the tasks and undertakings of the

SV-Peru Wind-Down ("**SV-Peru Wind-Down Plan**"). The SV-Peru Wind-Down Plan encompassed the two hospital plants and more than 15 clinic locations.

48. The SV-Peru Wind-Down Plan was vetted extensively with the Illinois Department of Public Health to ensure that the SV-Peru Wind-Down conformed in all respects with governing regulatory guidelines. The realm of services includes: supervising the disposition of patient records; identifying, assembling and disposing of supplies and equipment; relocating supplies, records and equipment to designated locations; determining what medications are returnable, saleable or disposable and otherwise properly securing medications; removing hazardous waste; and updating all inventory counts.

49. As of the Petition Date, the SV-Peru Wind-Down as it relates to the Peru Facilities is substantially complete. The SV-Peru Wind-Down at the Spring Valley Facilities is ongoing. The SV-Peru Wind-Down will also incorporate the liquidation of the remaining assets of the Debtors.

## IV. CURRENT STATUS OF THE DEBTORS' FINANCIAL AFFAIRS

50. Since mid-June, the Debtors have no ongoing operations other than the steps being taken to implement the SV-Peru Wind-Down Plan and consummate the OSF Sale.[13]

51. At the present time, there are roughly 80 full-time and part-time employees of SMH-SV; SMH-P ostensibly has no employees.[14]

[13] It should be noted that there is one department, the durable medical equipment department, under which various home care patients continue to rent certain medical equipment; the department is charged with servicing and maintaining equipment for these individuals.

[14] Since entering the Affiliation Agreement, from time to time, SMH-SV and SMH-P made number of intercompany advances. While the Management Team continues to review the applicable ledger entries and other financial records, we believe there is a significant balance owing from SMH-P to SMH-SV (the "**Intercompany Liability**"). The Intercompany Liability stems from, among other things, payroll advances, payment of employee health claims invoices, and EMR service provider payments, from SMH-

52. The remaining assets of the two estates collectively consist of the following:[15]

| | **Asset** | **Estimated Value ($)** |
|---|---|---|
| a. | Assets Contained in OSF Sale | 32.35M |
| b. | Spring Valley A/R | 11.5M[16] |
| c. | Peru A/R | 3M[17] |
| d. | Spring Valley Equipment | 800,000 - 1,000,000 |
| e. | Remaining Spring Valley Real Estate Assets | Unknown |
| f. | Claims re: SVCB Setoff | Unknown |
| g. | Volume Decrease Adjustments | Unknown[18] |

SV. Beginning July 30, 2023, the Debtors transitioned all payroll to SMH-SV, as it no longer made sense to carry separate payrolls in view of the minimal activity on the SMH-P side.

[15] The below summary contains rough-cut estimates of the assets of the Debtors for the limited purpose of providing a high-level understanding of what comprises the Debtors' estates. The Debtors also note that they have 457(b) retirement plans which are currently being reviewed. These assets and the values thereof remain subject to verification and further review and will be further detailed in the Debtors' bankruptcy schedules.

[16] This is the estimated net amount of the Spring Valley A/R as of July 31, 2023, excluding the Intercompany Liability. The Management Team believes that in light of the difficulties in collecting from various payors and the age of the accounts, the actual recovery will be materially less than the face amount.

[17] Management believes there are similar obstacles to the recovery of the Peru A/R. The estimated net amount listed is as of July 31, 2023.

[18] SMH-SV engaged the Rybar Group to provide Volume Decrease Payment (VDP) related services for fiscal year 2019-2020. Medicare allows for a lump sum payment known as a Volume Decrease Adjustment (VDA) to a Sole Community Hospital (SCH) or Medicare Dependent Hospital (MDH) that experience more than a 5% decrease in discharges as long as circumstances are outside the hospital's control. SMH-SV received notice from Medicare that the review for fiscal year 2020 was completed and approved a final adjustment of $1,759,953. This adjustment has not been received yet, but is expected to arrive at the end of Sep. 2023. Medicare has not completed its review for fiscal year 2019.

53. The current liabilities of the two estates are collectively as follows:[19]

| | Liability | Estimated Amount ($) |
|---|---|---|
| a. | SVCB | 26.78M |
| b. | Heartland | 0 |
| c. | Miscellaneous Secured Debt | 2.9M |
| d. | IL Department of Healthcare and Family Services | 2.5M |
| e. | Spring Valley A/P | 10.26M |
| f. | Peru A/P | 12.33M[20] |
| g. | Other | unknown |

## V. PREPETITION DEBT STRUCTURE

### A. SVCB

54. SVCB made a series of loans to the Debtors (collectively, the "**SVCB Loans**") pursuant to the following promissory notes executed by SMH-SV or SMH-P in favor of SVCB:

a. Promissory Note (as modified) (Loan Number 150001225) dated May 5, 2010, in the original principal amount of $1,350,000.00 (the "**1225 Note**");

b. Promissory Note (as modified) (Loan Number 150001671) dated August 5, 2010, in the original principal amount of $3,200,000.00 (the "**1671 Note**");

c. Promissory Note (Loan Number 150009443) dated June 25, 2015, in the original principal amount of $2,416,000.00 (the "**9443 Note**");

d. Promissory Note (Loan Number 150009782) dated August 25, 2015, in the original principal amount of $12,580,664.83 (the "**9782 Note**");

e. Promissory Note (Loan Number 150012496) dated October 13, 2017, in the original principal amount of $560,000.00 (the **"2496 Note**");

[19] The below summary contains rough-cut estimates of the liabilities of the Debtors for the limited purpose of providing a high-level understanding of what comprises the Debtors' indebtedness. The Debtors' liabilities remain subject to verification and further review and will be further detailed in the Debtors' bankruptcy schedules.

[20] This amount excludes the Intercompany Liability.

f. Promissory Note (Loan Number 1500013577) dated July 25, 2018, in the original principal amount of $1,700,000.00 executed and delivered by SMH-SV to SVCB (the "**3577 Note**");

g. Promissory Note (Loan Number 150018288) dated December 31, 2020, in the original principal amount of $20,325,000.00 (the "**8288 Note**");

h. Promissory Note (Loan Number 150022213) dated September 16, 2022, in the original principal amount of S1,450,000.00 (the "**2213 Note**"); and

i. Promissory Note (Loan Number 150022221) dated September 23, 2022, in the original principal amount of $200,000.00 (the "**2221 Note**", and collectively with the 1225 Note, 1671 Note, 9443 Note, 9782 Note, 2496 Note, 3577 Note, 8288 Note, and 2213 Note, the "**SVCB Notes**").

55. The SVCB Notes are secured by the following instruments:

a. 1225 Note - Mortgage dated May 5, 2010, and was recorded in Bureau County, Illinois on May 6, 2010 as document number 2010R01924 (the "**1225 Mortgage**"), in connection with real property commonly known as 415 E. 2nd Street Spring Valley, Illinois 61362 (the "**415 2nd Street Property**");

b. 1671 Note - Mortgage dated August 5, 2010, and recorded in Bureau County, Illinois on August 9, 2010 as document number 2010-16222 (the "**1671 Mortgage**"), in connection with real property commonly known as 1650 Midtown Road Peru, IL 61354 (the "**1650 Midtown Property**");[21]

c. 9782 Note - Mortgage dated August 25, 2015, and was recorded in Bureau County, Illinois on August 28, 2015 as document number 2015R03528 (the "**9782 Mortgage**"), in connection with real property commonly known as 600 E. First Street, Spring Valley, IL 61362 (the "**600 First Street Property**");

d. 9433 Note – Mortgage dated June 25, 2015, and was recorded in Bureau County, Illinois on June 26, 2015 as document number 2015R02545 (the "**9433 Mortgage**"), in connection with real property commonly known as 1916 N. Main St., Princeton, IL 61356 (the "**1916 N. Main Street Property**");

e. 2496 Note - Mortgage dated October 13, 2017, and was recorded in Bureau County, Illinois on October 25, 2017 as document number 2017R04415 (the "**2496 Mortgage**"), in connection with the 600 First Street Property;

f. 3577 Note - Mortgage dated July 25, 2018, and was recorded in LaSalle County, Illinois on July 27, 2018 as document number 2018¬10260 (the "**3577**

[21] The 1650 Midtown Property was sold and the 1671 Note was paid off as part of the Stage One Sale.

**Mortgage**"), in connection with real estate commonly known as 100 Marquette Ave and 600 W Walnut St. Oglesby, IL 61348 (the "**100 Marquette Property**");

g. 8288 Note - (i) Mortgage dated December 31, 2020, and was recorded in LaSalle County, Illinois on January 4, 2021 as document number 2021-00087 (the "**8288 Mortgage**"), in connection with real property commonly known as 921-925 West Street, Peru, IL 61354; 920 West Street, Building A, Peru, IL 61354; 920 West Street, Building B, Peru, IL 61354; 920 West Street, Peru, IL 61354; 1011 West Street, Peru, IL 61354; 1021 West Street, Peru, IL 61354; 1305, 1316, 1319, and 1330 6th Street, Peru, IL 61354, as modified by a modification of mortgage recorded in LaSalle County, Illinois on March 10, 2021 as document number 2021-03720 (the "**921-925 West Street Property**"), (ii) a Commercial Guaranty executed and delivered by SMH-P dated December 31, 2020 (the "**8288 Peru Guaranty**"); (iii) a Commercial Guaranty executed and delivered by SMH-SV dated December 31, 2020 (the "**8288 Spring Valley Guaranty**"); and (iv) an Assignment of Rents dated December 31, 2020 delivered by SMH-P, which was recorded in LaSalle County, Illinois on January 4, 2021 as document number 2021¬00088 (the "**8288 Assignment of Rents**") and (v) Business Loan Agreement dated December 31, 2020 ("**BLA**");

h. 2213 Note - Mortgage dated September 16, 2022, and was recorded in Bureau County, Illinois on September 20, 2022 as document number 2022R03.539 (the "**2213 Mortgage**"), in connection with the 1916 Main Property;

i. 2221 Note - Mortgage dated September 23, 2022, and was recorded in LaSalle County, Illinois on September 26, 2022 as document number 2022-12421 (the "**2221 Mortgage**"), in connection with real property commonly known as 1310 Maple Dr. Peru, IL 61354 (the "**1310 Maple Property**", and together with the 415 2nd Street Property, 1650 Midtown Property, 1916 Main Property, 600 First Street Property, 1916 N. Main Street Property, 100 Marquette Property, and 921-925 West Street Property, the "**SVCB Collateral**"); and

j. The SVCB Notes, the 1225 Mortgage, 1225 Mortgage Modification Agreement, the 1671 Mortgage, the 9443 Mortgage, the 9782 Mortgage, the 2496 Mortgage, the 3577 Mortgage, the 8288 Mortgage, the 8288 Peru Guaranty, the 8288 Spring Valley Guaranty, the 8288 Assignment of Rents, the BLA, the 2213 Mortgage, the 2221 Mortgage, and all other instruments, agreements or documents evidencing the Loans and/or any obligation or liability between Borrowers and SVCB, or providing security therefore, are hereinafter collectively referred to as the "**SVCB Mortgages**").

56. The Debtors are in the process of examining the validity and scope of each of the SVCB Mortgages to ascertain the presence of any fatal defects which could impact the

enforceability of the SVCB Collateral. The Debtors are also reviewing the SVCB Mortgages to assess the extent to which the SVCB Mortgages secure the other SVCB Loans.

57. Based upon the sales of the SVCB Collateral to date, coupled with the estimated net sales proceeds that SVCB will receive from the OSF Sale, the Debtors believe that the balance owing to SVCB as of the filing of the Chapter 11 Cases was almost $26,781,000 (the "**Current SVCB Loan Balance**"). The Current SVCB Loan Balance incorporates the application of funds resulting from the SVCB Setoff.

**B. Heartland**

58. The secured indebtedness of SMH-SV to Heartland (the "**Heartland Secured Indebtedness**") arises, *inter alia*, from the following loan documents:

a. Promissory Note, dated October 19, 2021, executed by SMH-SV in favor of Heartland in the original principal amount of $269,789.14;[22]

b. Promissory Note dated August 2, 2022, executed by SMH-SV in favor of Heartland in the original principal amount of $5M; and

c. Commercial Security Agreement dated May 1, 2017 executed and delivered by SMH-SV in favor of Heartland.

59. For multiple reasons, SMH-SV decided to pay off the Heartland Secured Indebtedness in the approximate amount of $2.6M prior to the filing of the Chapter 11 Cases. This decision was based upon: (i) the recognition that satisfying the Heartland Secured Indebtedness beforehand would eliminate the potential for costly and time-consuming litigation over the contested use of cash collateral; (ii) the fact that in light of the absence of newly generated A/R, SMH-SV would likely have to satisfy the Heartland Secured Indebtedness to be

[22] This Promissory Note was paid off in full prior as part of the closing of the Stage One Sale.

able to access the use of cash collateral; and (iii) the A/R subject to Heartland's liens greatly exceed the Heartland Secured Indebtedness. The resulting equity cushion would entitle Heartland to the recovery of attorney's fees and post-petition interest under Section 506(b) of the Bankruptcy Code.

### C. Miscellaneous Secured Debt

60. SMH-SV previously entered into multiple equipment lease agreements (the "**ELAs**") with various parties, including First American, Olympus America, Inc., Flex Financial (a division of Stryker), SCG Capital, US Bank Equipment Finance (collectively, the "**ELA Lessors**").

61. SMH-SV is undergoing a comprehensive analysis of the nature and extent to which the ELAs are in fact disguised financing arrangements, such that SMH-SV is the true owner of the subject equipment (the "**SMH-SV Equipment**"). Coincident with this analysis is the determination of the realizable equity once the subject debt is satisfied. The Debtors are presently estimating there should be between $800,000 – $1,000,000 in resulting sale proceeds.[23]

## VI. KEY OBJECTIVES OF THE CHAPTER 11 CASES

62. In light of the above developments, the Management Team and the respective Boards of Directors of the Debtors have turned their attention to realizing value, addressing creditor claims, and taking all available steps to restoring patient services to the Illinois Valley community.

63. Accordingly, the Debtors filed the Chapter 11 Cases to:

(i) obtain Court-authorization for and consummate the OSF Sale;

[23] The Debtors have been in contact with several auctioneers concerning disposition of the SMH-SV Equipment, and have proposals in hand from GA Global Partners, HyperAMS, LLC and Victori Group, LLC. In addition, OSF has expressed interest in the SMH-SV Equipment.

(ii) conclude the SV-Peru Wind-Down pursuant to the SV-Peru Wind-Down Plan;

(iii) prosecute any and all claims and causes of action (the "**SVCB Litigation Claims**") resulting from the SVCB Setoff;

(iv) liquidate the remaining assets of SMH-SV in an orderly fashion (the "**Remaining SMH-SV Asset Liquidation**")[24]; and

(v) effect the distributions of net proceeds of the OSF Sale, the SVCB Litigation Claims and the Remaining Asset Liquidation under a scheme of distribution hereafter arrived at with the input and participation of the key stakeholders in the Chapter 11 Cases.

## VII. FIRST-DAY MOTIONS

64. The First-Day Motions are a critical segment of the Chapter 11 Cases. Based on my personal knowledge of the affairs of the Debtors, the approval of the relief sought in the First-Day Motions is integral to the smooth and efficient administration of the Chapter 11 Cases and will provide the requisite catalyst for the OSF Sale.[25]

65. I am convinced that the inability of the Debtors to secure these multiple avenues of relief will result in substantial and irreparable harm to the value of the Debtors' assets and will otherwise stymie the goals of these proceedings.

[24] The Facility Summary Chart identifies the real property assets, which together with the SMH-SV Equipment, will comprise the SMH-SV Remaining Asset Liquidation.

[25] As further set forth herein, the First-Day Motions consist of: (a) a Motion to Extend Time to File Schedules and Statement of Financial Affairs; (b) a Motion for Joint Administration of the Chapter 11 Cases; and (c) a Motion for Continued Use of Cash Management.

66. I have provided below the information and factual predicates in support of the First-Day Motions and certain of the Second-Tier Relief.

**A. Schedules/SOFA Extension Motion**

67. On September 1, 2023, the Debtors filed that certain *Motion of Debtors for Extension of Time to File Schedules and Statement of Financial Affairs and to Shorten Notice* [Dkt. No. 16] (the "**Schedules/SOFA Extension Motion**").[26] Pursuant to the Schedules/SOFA Extension Motion, the Debtors seek entry of an order extending the deadline by which the Debtors must file their schedules of assets and liabilities, schedules of current income and expenditures, schedules of executory contracts and unexpired leases and statement of financial affairs (collectively, the "**Schedules and SOFA**") to and including September 29, 2023.

68. I submit there exists good and sufficient cause for grating an extension of time to file the Schedules and SOFA. The amount of information required to fully disclose the financial condition of the Debtors is considerable and will entail substantial manpower hours to fully vet the information and convert it into the line items appearing in the Schedules and SOFA.

69. In this initial stage of the Chapter 11 Cases, the Debtors and their counsel are rightly focused on ensuring that the Chapter 11 Cases are primed to accomplish the near-term and long-range goals of these proceedings. If the Debtors and their limited personnel must instead devote the time and attention necessary to complete the Schedules and SOFA within the proscribed deadlines, the efficacy of these cases will be compromised to the detriment of the estates and their creditors.

[26] The docket numbers referenced in this Declaration refer to the docket in Case No. 23-11641, in which each of the First-Day Motions has been filed.

**B. Joint Administration Motion**

70. On September 1, 2023, the Debtors filed that certain *Motion of Debtors for Entry of an Order Directing Joint Administration of Chapter 11 Cases and to Shorten Notice* [Dkt. No. 15] (the "**Joint Administration Motion**").[27] Pursuant to the Joint Administration Motion, the Debtors seek joint administration of the Chapter 11 Cases for procedural purposes only.

71. The Debtors anticipate that numerous notices, applications, motions, pleadings, hearings, and orders will affect them both. The joint administration of the Chapter 11 Cases will obviate the need for duplicate notices, applications, orders and other pleadings, thereby saving considerable time and expense for the Debtors and resulting in substantial savings for their estates.

**C. Cash Management Motion**

72. On September 1, 2023, the Debtors filed that certain *Motion of Debtors for Entry of an Order: (I) Authorizing (A) Maintenance of Existing Bank and Investment Accounts, (B) Continued Use of Existing Cash Management System and Certain Intercompany Transactions, (C) Continued Use of Existing Business Forms, and (D) Continued Use of Existing Books and Records; (II) Excusing Investment and Deposit Requirements of 11 U.S.C. § 345(b); and (III) Shortening Notice* [Dkt. No. 17] (the "**Cash Management Motion**"). I am familiar with, and understand and hereby verify the accuracy of, the descriptions of the Debtors' bank and investment accounts, cash management system, business forms, and books and records discussed herein and further set forth in detail in the Cash Management Motion.

73. As part of their Cash Management System, the Debtors have in place thirteen (13) bank accounts (collectively, the "**Bank Accounts**," and each, a "**Bank Account**") in the ordinary

[27] The Joint Administration Motion was also filed in Case No. 23-11642.

course of their business operations. Together, the Bank Accounts make up a centralized cash management system that the Debtors use to collect, transfer, and disburse funds, and to record accurately such collections, transfers, and disbursements.

74. A summary of the Bank Accounts for SMH-P is as follows:

a. Three (3) accounts at Midland States Bank ("**Midland**"), consisting of the following:

1. A main operating account, which account's last four digits are x9068, with a balance of $899,408.38 as of the close of business on the Petition Date (the "**Midland Operating Account**");

2. A clinic account, which account's last four digits are x9084, with a balance of $14,330.04 as of the close of business on the Petition Date (the "**Midland Clinic Account**"); and

3. A medical staff account, which account's last four digits are x2101, with a balance of $66,575.57 as of the close of business on the Petition Date (the "**Midland Medical Staff Account**");

b. Two (2) accounts at Hometown National Bank ("**HNB**"), consisting of the following:

1. An operating account, which account's last four digits are x0000, with a balance of $11,699.92 as of the close of business on the Petition Date (the "**HNB Operating Account**")[28]; and

2. A general clinic operating account, which account's last four digits are x5001, with a balance of $894.48 as of the close of business on the Petition Date (the "**HNB General Clinic Account**");

c. Two (2) accounts at U.S. Bank ("**USB**"), consisting of the following:

1. A clinic account, which account's last four digits are x7470, with a balance of $20,738.87 as of the close of business on the Petition Date (the "**USB Clinic Account**"); and

[28] The HNB Operating Account serves as the main operating account for SMH-P. HNB is a local bank at which physical checks are dropped off and deposited and from which SMH-P anticipates making post-petition disbursements.

2. Another clinic account, which account's last four digits are x5882, with a balance of $2,654.16 as of the close of business on the Petition Date (the "**USB Clinic2 Account**").

75. A summary of the Bank Accounts for SMH-SV is as follows:

a. Four (4) accounts maintained at SVCB, consisting of the following:

1. A main operating account, which account's last four digits are x2149, with a balance of $826,329.54 as of the close of business on the Petition Date (the "**SVCB Operating Account**");

2. A payroll account, which account's last four digits are x2157, with a balance of $42,576.86 as of the close of business on the Petition Date (the "**SVCB Payroll Account**");[29]

3. A flexible benefits plan account, which account's last four digits are x3604, with a balance of $18,063.98 as of the close of business on the Petition Date (the "**SVCB Flex Account**")[30]; and

4. A medical staff account, which account's last four digits are x8613, with a balance of $39,230.80 as of the close of business on the Petition Date (the "**SVCB Medical Staff Account**")[31];

b. A general operating account at Central Bank of Illinois ("**CBI**"), which account's last four digits are x0062, with a balance of $51,490.98 as of the close of business on the Petition Date (the "**CBI Operating Account**")[32]; and

c. A payroll account at Heartland Bank & Trust Company ("**HBT**," and together with, Midland, HNB, USB, SVCB, CBI, and HBT, the "**Banks**"), which account's last four digits are x9503, with a balance of $701,009.19 as of the close of business on the Petition Date (the "**HBT Payroll Account**").

[29] The SVCB Payroll Account was historically used to issue manual payroll checks. The Debtors may be able to close this account post-petition as all employees now receive direct deposits from the HBT Payroll Account (as hereinafter defined).

[30] The SVCB Flex Account is used to pay employee withholdings and claims submitted under the flexible benefits plans.

[31] The source of the funds in the Midland Medical Staff Account and the SVCB Medical Staff Account are typically medical staff dues deposited into these accounts.

[32] The CBI Operating Account was recently opened to serve as the main operating account for SMH-SV. CBI is a local bank at which physical checks are dropped off and deposited and from which SMH-SV anticipates making post-petition disbursements.

76. In addition to the Bank Accounts, the Debtors have the following two investment accounts:

a. Hometown National Bank account ending x0026 (the "**Insurance Trust Investment Account**"), which contains securities valued at $5,017,448.96 as of July 31, 2023. These funds are believed to be held in trust to cover the Debtors' self-funded general and professional liability obligations pursuant to a *General/Professional Liability Loss Fund Trust Agreement* (the "**Trust Agreement**") initially entered into on April 1, 1978; and

b. Hometown National Bank account ending x1236, with a market value of $1,089.12 as of July 31, 2023. The Debtors intend to transfer these funds to the HNB Operating Account and close this account.

77. A summary of the Bank Accounts, including the financial institutions and the banks at which each account is held, is attached as Exhibit A to the Cash Management Motion and incorporated herein by reference.

78. The Cash Management System has two main components: collections and disbursements.

a. Collections – Each Debtor collects revenue from insurance companies and patients, among other payors. Cash and check deposits are manually or remotely deposited at local banks (i.e. Midland, HNB, and CBI). In addition, EFTs are received from various payors into the Midland Operating Account, the Midland Clinic Account, the HNB Operating Account, the HNB General Clinic Account, the USB Clinic Account, the USB Clinic2 Account, and the SVCB Operating Account.

b. Disbursements – Funds in the Bank Accounts are used by the applicable Debtor to satisfy its financial obligations through wires, ACHs and clearing checks. The SVCB Payroll Account, the HBT Payroll Account, and the SVCB Flex Account are funded on an as-needed basis from the above collections/deposit accounts. If the balance of a particular Bank Account does not cover the total debits required by the account, the applicable Debtor manually transfers funds from one of its Bank Accounts to another one of its Bank Accounts.

79. As a third component to their Cash Management System, the Debtors utilize several credit card processing companies (collectively, the "**Processors**"), including Elavon,

Payments Insider, FiServ, Fitech by Deluxe and PaySimple, to process credit card payments primarily from patients. PaySimple processes internet-based transactions, the other Processors provide physical machines at which patients make payments. The Debtors pay transaction and processing fees (the "**Processing Fees**") to the Processors one month in arrears (*i.e.*, Processing Fees earned in July are paid in August). On September 1, 2023, presumably after an attempt to withdraw its Processing Fees for the month of August was rejected, one of the Processors (Elavon) turned off its machines, thereby preventing the Debtors' ability to accept manual credit card payments going forward. The Debtors are concerned other Processors may follow suit, thereby depriving the Debtors of the ability to receive patient payments and therefore, as part of the relief sought in the Cash Management Motion, seek authority to pay the prepetition Processing Fees and continue paying the Processing Fees in the ordinary course on a post-petition basis consistent with historical practices.

80. As a fourth component of their Cash Management System, the Debtors use Paragon and Meditech software to record payments and process check runs on an as-needed basis to pay invoices that have been approved for payment. However, certain of the Debtors' key vendors and service providers are paid electronically.

81. The Cash Management System allows the Debtors to manage all of their cash-flow and disbursement needs and includes the necessary account mechanisms to enable the Debtors to trace funds, ensure that all transactions are adequately documented and readily ascertainable, and comply with applicable requirements. The Debtors will continue to maintain detailed records reflecting any transfers of funds.

82. From time to time, patients or other payors will inadvertently make a payment to SMH-P that was intended to be paid to SMH-SV and vice versa. The Debtors monitor their

collections, look out for these payments, and reconcile, on a patient-by-patient basis, the payments that belong to which Debtor. The Debtors seek limited authority to continue reconciling the payments received and making any intercompany transfers so the proper Debtor receives the proper amounts paid.

83. The Cash Management System is used by the Debtors in their ordinary business practice. Because of the Debtors' integrated financial structure, I believe establishing a new system of accounts and a new cash management and disbursement system would result in additional costs and expenses, imposing delays and inconveniences that could threaten the stability of the Debtors' financial affairs pending the OSF Sale.

84. The Bank Accounts and the Insurance Trust Investment Account constitute an integral component of the Debtors' operations, and the Debtors should be excused from the U.S. Trustee's requirement that such accounts be closed and that new post-petition bank accounts be opened. If enforced, I believe the requirement will cause unnecessary disruption to the Debtors' ability to maximize the value of their estates. If such relief is not granted, the Debtors will suffer significant harm resulting from the termination of the present system and the inherent delay in establishing post-petition systems and procedures governing the use and application of the Debtors' funds.

85. In anticipation of filing the Chapter 11 Cases, approximately one week prior to the Petition Date, the Debtors ceased issuing checks for payments other than payroll to minimize the risk of paying prepetition claims after the Petition Date. To further protect against inadvertent payment of prepetition claims: (a) the Debtors shall cause the cancellation of and/or place stop payments on any and all checks in float as of the Petition Date, except to the extent the payment of such claims is authorized by the Court; (b) the Debtors have removed ACH authority, or have

taken such other steps as are necessary to ensure that no ACH withdrawals occur on account of prepetition claims, except to the extent payment of such claims is authorized by the Court; (c) the Debtors' personnel will be instructed on how to readily distinguish between prepetition and post-petition obligations without closing existing accounts and opening new ones; and (d) the Debtors' personnel will advise the Banks regarding which obligations are prepetition or post-petition obligations.

86. I believe that given the nature and scope of the Debtors' business and the numerous employees, vendors, customers and others with whom the Debtors transact business, the Debtors must also seek authority to continue their use of existing checks and business forms without alteration or change. Changing checks and business forms would be unnecessary, would be burdensome to the estates, would result in undue expense and would be disruptive to the Debtors' operation.

87. Similarly, the Debtors are seeking authority to continue to use their existing books and records to minimize expense to the estates. Opening new books and records would be burdensome to the estates and disruptive to the Debtors' business operations. The Debtors have a fully functioning system that thoroughly and accurately accounts for all cash and tracks the Debtors' financial performance. Changing the current system would be costly and increase the potential for error.

88. I understand and believe that the Banks are all financially stable banking institutions which are FDIC-insured.

89. I believe that all of the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to efficiently administer the estates in chapter 11 without disruption.

90. I have reviewed and discussed the Cash Management Motion with Debtors' bankruptcy counsel and incorporate by reference any factual statements set forth in the Cash Management Motion. It is my belief that the relief sought in the Cash Management Motion is tailored to meet the critical needs of the Debtors.

## VIII. CONCLUSION

91. The Debtors have shuttered the hospitals which have served the Spring Valley and Peru communities for decades. The Debtors could not overcome the ravages of the COVID-19 pandemic, the soaring operating (including labor) costs, and the decline in patient volume which followed in its wake; the growing scarcity of qualified physicians; and the overriding inability to overcome the proximity of the two facilities.

92. The approval of the First-Day Motions and the Second-Tier Relief will establish the necessary platform to enable the Debtors to implement the OSF Sale and the other action items forming the core relief in these proceedings.

93. That the Debtors have suffered the fate of so many rural healthcare institutions is a tragic ending to the magnificent saga of the Sisters. The Debtors cannot rewrite the narrative. However, what the Debtors can do is honor their memory by shepherding the Chapter 11 Cases through to their conclusion and achieving the best results possible under the daunting circumstances attendant to these proceedings.

Dated: September 5, 2023

Timothy A. Muntz

Timothy A. Muntz

# EXHIBIT A

| PERU FACILITIES | | | | |
|---|---|---|---|---|
| | | | | |
| **Location** | **Description** | **Sale Date (If Applicable)** | **Ownership As of 8/31/2023** | **Mortgage Balance As of 8/31/23** |
| 921-925 West Street, Peru | Hospital | OSF SALE (Stage 2) | SMH-P | 19,943,895 |
| 921-925 West Street, Peru | Hospital | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital Parking | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital Parking | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital Parking | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital Parking | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital Parking | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital Parking | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital Parking | OSF SALE (Stage 2) | SMH-P | |
| 921-925 West Street, Peru | Hospital Parking | OSF SALE (Stage 2) | SMH-P | |
| 920 West Street, Peru | Medical Office Building A | OSF SALE (Stage 2) | SMH-P | |
| 920 West Street, Peru | Medical Office Building B | OSF SALE (Stage 2) | SMH-P | |
| 920 West Street, Peru | Parking Garage | OSF SALE (Stage 2) | SMH-P | |
| 5th & Grant Street, Peru | Vacated right-of-way at West end of block | OSF SALE (Stage 2) | SMH-P | |
| 1011 West Street, Peru | IVCH Inn - temporary housing for students/on-call staff | OSF SALE (Stage 2) | SMH-P | |
| 1021 West Street, Peru | Grass lot | OSF SALE (Stage 2) | SMH-P | |
| 1305 6th Street, Peru | 6th Street Building - Illiinois Valley Hospice, EMS Coordinator, Billing offices & conf rooms | OSF SALE (Stage 2) | SMH-P | |
| 1316 6th Street, Peru - mothballed | St. Mary's Rectory - not in use | OSF SALE (Stage 2) | SMH-P | |
| 1319 6th Street, Peru | St. Mary's Catholic Church | OSF SALE (Stage 2) | SMH-P | |
| 1330 7th Street, Peru - mothballed | Underseller - not in use | OSF SALE (Stage 2) | SMH-P | |
| 1403 6th Street, Peru | Wound & Hyperbaric Center | OSF SALE (Stage 2) | SMH-P | |
| 128 Bucklin Street, LaSalle | LaSalle Medical Clinic | 7/28/2023 | SMH-P | |
| 520 West Walnut Street, Oglesby | Oglesby Medical Clinic | 3/31/2023 | SMH-P | |
| 2970 Chartres Street, LaSalle | Hygienic Institute | 7/31/2023 | SMH-P | |
| 1310 Maple Drive, Peru | Associated Gastroenterology Consultants | OSF SALE (Stage 2) | SMH-P | 192,161 |

**SPRING VALLEY FACILITIES**

| Location | Description | Sale Date (if Applicable) | Ownership As of 8/31/23 | Mortgage Balance As of 8/31/23 |
|---|---|---|---|---|
| 600 E. 1st Street - Spring Valley | Hospital - ED & Surgery Projects | | SMH-SV | 1,555,219 |
| 600 E. 1st Street - Spring Valley | Hospital - OB Triage & Accounting | | SMH-SV | 77,586 |
| 600 E. 1st Street - Spring Valley | Boyle Medical Clinic Bldg. | | SMH-SV | |
| | | | | |
| 415 E. 2nd Street - Spring Valley | Family Health Center (FHC) Bldg. | OSF SALE (Stage 2) | SMH-SV | 595,603 |
| 415 E. 2nd Street - Spring Valley | FHC Parking Lot | OSF SALE (Stage 2) | SMH-SV | |
| | | | | |
| 402 E.1st Street - Spring Valley | Vacant Lot (West of FHC) | | SMH-SV | |
| 406 E.1st Street - Spring Valley | Vacant Lot (West of FHC) | | SMH-SV | |
| | | | | |
| 620 E. 1st Street - Spring Valley | Old Convent Property & Storage Bldg. | | SMH-SV | |
| | | | | |
| 416 E. Dakota Street - Spring Valley | DME Bldg. | 8/28/2023 | 3rd Party (Non-Debtor) | |
| | | | | |
| 221 W. St. Paul Street - Spring Valley | Patient Accounts Ctr / Clinic Ops. | 7/26/2023 | Leased From 3rd Pary (Non-Debtor) | |
| | | | | |
| 409 E. 2nd Street - Spring Valley | Prairieland Home Care | | SMH-SV | |
| | | | | |
| 1302 North Greenwood Street - Spring Valley | Spring Valley Clinic | Contract Pending | SMH-SV | |
| | | | | |
| 1650 Midtown Road - Peru | Midtown Health Center | OSF SALE (Stage 1) | OSF | |
| | | | | |
| 1430 Midtown Road - Peru Midtown Plaza | Midtown Plaza - SMH Physical Rehab Ctr. | OSF SALE (Stage 1) | OSF | |
| 1436 Midtown Road - Peru Midtown Plaza | Midtown Plaza - Midtown Primary Care (28.0000%) | OSF SALE (Stage 1) | OSF | |
| 1412 Midtown Road - Peru Midtown Plaza | Midtown Plaza - Nurology Center (19.6364%) | OSF SALE (Stage 1) | OSF | |
| 1400 Midtown Road - Peru Midtown Plaza | Midtown Plaza - Rental Space Sherwin Williams (34.9091%) | OSF SALE (Stage 1) | OSF | |
| 1406 Midtown Road - Peru Midtown Plaza | Midtown Plaza - Rental Space H&R Block (17.4545%) | OSF SALE (Stage 1) | OSF | |
| | | | | |
| 4040 Progress Blvd. - Peru | ENT Center (Vacant) | 7/19/2023 | 3rd Party (Non-Debtor) | |
| | | | | |
| 790 W. Walnut Street - Oglesby | Oglesby Medical Clinic | OSF SALE (Stage 2) | SMH-SV | 1,341,462 |
| W. Walnut Street Heritage Fields - Oglesby | Oglesby Medical Clinic (Lot) | OSF SALE (Stage 2) | SMH-SV | |
| | | | | |
| 309 S. McCoy Street - Granville | Granville Clinic | OSF SALE (Stage 1) | OSF | |
| 305 S. McCoy Street - Granville | Granville Clinic (Parking Lot) | OSF SALE (Stage 1) | OSF | |
| 305 S. McCoy Street - Granville | Granville Clinic (Parking Lot) | OSF SALE (Stage 1) | OSF | |
| | | | | |
| 528 Edward Street - Henry | Henry Clinic | Contract Pending | SMH-SV | |
| 530 Edward Street - Henry | Henry Clinic (Adjacent Lot) | Contract Pending | SMH-SV | |
| | | | | |
| 1916 N. Main Street, - Princeton | Center for Family Health (CFH) Bldg. | | SMH-SV | 1,695,095 |
| 1916 N. Main Street - Princeton | Beh. Health/Arukah (Leased Space) | | SMH-SV | 1,379,903 |
| 1916 N. Main Street - Princeton | CFH - Adjacent Lot | | SMH-SV | |
| Backbone Road West - Princeton | CFH - Adjacent Lot | | SMH-SV | |
| | | | | |
| 405 E. 2nd Street - Spring Valley | Rental Home (Kunkel) | | SMH-SV | |
| 518 N Cornelia Street - Spring Valley | Vacant Lot (West of Kunkel) | | SMH-SV | |