**UNITED STATES BANKRUPTCY COURT**
**NORTHERN DISTRICT OF ILLINOIS**
**EASTERN DIVISION**

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| In re:<br><br>St. Margaret's Health – Peru, and St. Margaret's Health – Spring Valley,<br><br>Debtors and Debtors in Possession. | Chapter 11<br><br>Case No. 23-11641<br>(Jointly Administered)<br><br>Hon. David D. Cleary |
| MICHAEL A. BRANDESS, solely as Trustee of the SMH Creditor Trust,<br><br>Plaintiff,<br><br>v.<br><br>SPRING VALLEY CITY BANK and DOE BANKS 1-5,<br><br>Defendants. | Adversary Case No. 25-00221<br><br>Hon. David D. Cleary |

**FIRST AMENDED COMPLAINT**

MICHAEL A. BRANDESS, solely in his capacity as trustee (the "Trustee") of the SMH Creditor Trust (the "Trust") respectfully states as follows as and for his Complaint against Spring Valley City Bank ("SVCB"):

## NATURE OF THE ACTION

1. This is an adversary proceeding for damages against SVCB in an amount of no less than $7,294,425.38. SVCB, a secured creditor of SMH-SV (defined below), induced SMH-SV to enter into a forbearance agreement that SVCB never intended to honor. Among other things, the forbearance agreement required SMH-SV to provide periodic reporting and to secure additional liquidity.

2. While the Debtors worked diligently to provide SVCB with pertinent information proactively, SVCB struggled even to fulfill such basic tasks as producing billing statements, claiming that its "operating system" was "not able to generate bills for certain loans." SVCB likewise was unable to account for its calculation of default interest; in fact, SVCB began accruing interest at the default rate four months before a default had occurred under the loan documents (and based it on a purported event of default of which it failed to notify its borrowers). But even in the face of SVCB's incompetence—whether feigned or genuine—the Debtors supplied SVCB with all the information to which SVCB was entitled under the forbearance agreement.

3. SVCB's true purpose in entering the forbearance agreement was not to comply with its terms and to provide the Debtors a breathing spell. SVCB—through its President and CEO Matthew Merboth ("Merboth"), Chief Credit Officer Corey VanSchaick ("VanSchaick"), and its consultants—instead intended to cause, and succeeded in causing, SMH-SV to sell assets (including assets on which SVCB did not have and never had a lien) and to deposit the proceeds with SVCB. Once that was done, SVCB declared a pretextual, non-monetary "default" under the forbearance agreement and seized control of the proceeds.

4. As an example of SVCB's patent bad faith, one of the purported defaults under the forbearance agreement was that SMH-SV failed to "satisfy the then outstanding indebtedness due under the Notes or . . . actively seek and close a sale of its business, the Real Property and/or refinance the Loans *on or before the expiration of the Forbearance Period*." (emphasis added). SVCB declared that default on June 5, 2023; the Forbearance Period, conversely, was defined to extend "to and including July 31, 2023." In other words, SVCB declared a default based on SMH-SV's failure to complete an action that was not due to be completed for nearly two months. What is more, SVCB did so knowing fully well—because both Merboth and VanSchaick were routinely

updated on the matter—that the Debtors were in the midst of a sale process that entailed contacting 63 potential buyers and which yielded 17 potential buyers expressing initial interest, 13 entering non-disclosure agreements to access diligence materials, and two submitting letters of intent. SMH-SV did what it was required to do under the forbearance agreement, SVCB knew it, and SVCB stole the money from SMH-SV's deposit account anyway.

## JURISDICTION AND VENUE

5. On August 31, 2023 (the "Petition Date"), St. Margaret's Health – Spring Valley ("SMH-SV") and its affiliate St. Margaret's Health – Peru ("SMH-P," and together with SMH-SV, the "Debtors") filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code, in the United States Bankruptcy Court for the Northern District of Illinois, thereby commencing the above-captioned jointly administered cases (the "Chapter 11 Case").

6. On June 28, 2024, the Court entered its *Order Approving Disclosure Statement and Confirming Joint Liquidating Plan* (ECF 409) in the Chapter 11 Case. As pertinent here, the confirmed plan provided for the creation of a trust (the "SMH Creditor Trust"), the corpus of which includes the claims advanced in this complaint. Plaintiff Brandess is the Trustee of the Trust.

7. This Court has subject matter jurisdiction over this adversary proceeding, which arises under the Title 11 of the United States Code (the "Bankruptcy Code") and arising in the Chapter 11 Case, pursuant to 28 U.S.C. § 157 and 1334(b), and Internal Operating Procedure 15(a) of the United States District Court for the Northern District of Illinois.

8. The legal predicates for the relief sought herein include sections 547, 550, and 553 of the Bankruptcy Code, Rule 7001 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and the substantive laws of the State of Illinois.

9. Venue is proper in this district under 28 U.S.C. §§ 1408 and 1409.

10. This adversary proceeding constitutes a core proceeding within the meaning of 28 U.S.C. §§ 157(b)(2)(A) and (F).

11. The Trustee consents to the entry of final orders and judgments in this adversary proceeding.

12. This Court has personal jurisdiction over SVCB pursuant to Bankruptcy Rule 7004(f).

**PARTIES**

13. Plaintiff Brandess is the trustee of the SMH Creditor Trust and is duly authorized to prosecute this action.

14. At all times pertinent, Timothy Muntz ("Muntz") served as President and CEO of the Debtors.

15. At all times pertinent, Lisa Lynch ("Lynch") served as Vice President of Finance of the Debtors.

16. SVCB is an FDIC-insured financial institution chartered under the laws of Illinois with offices located in Spring Valley and Peru, Illinois.

17. At all times pertinent, SVCB was the Debtors' primary lender.

18. At all times pertinent, Merboth served as President and CEO of SVCB.

19. At all times pertinent, VanSchaick served as Chief Credit Officer of SVCB.

20. Upon information and belief, other banks participated in SVCB's loans to the Debtors. Those banks, who are currently unknown to the Trustee, are Doe Banks 1-5. It is the Trustee's intention, upon discovering the identity of Doe Banks 1-5, to amend this Complaint to identify them as named defendants and to hold them accountable for their role in directing, participating in, aiding, and/or abetting SVCB's wrongdoing.

## FACTUAL BACKGROUND

21. Beginning on or around May 5, 2010, SVCB made loans to SMH-SV and SMH-P. SMH-SV and SHM-P failed to make certain payments under the loans as and when due. SMH-SV and SMH-P requested that SVCB temporarily forbear from exercising its rights and remedies.

22. Prior to entering into the Forbearance Agreement (defined below), and at all times pertinent, the Debtors and SVCB regularly held meetings that included Merboth and VanSchaick, as well as SVCB's consultants (such individuals collectively referred to as the "SVCB Control Parties").

23. On information and belief, during these meetings, the Debtors made SVCB aware through each of the SVCB Control Parties that they intended to sell, among other things, the Granville Property and Midtown Property (defined below) in order to satisfy their obligations under the Forbearance Agreement.

24. On or about April 20, 2023, the Debtors and SVCB entered into that certain *Forbearance Agreement* dated as of April 20, 2023 (the "Forbearance Agreement"). A true and correct copy of the Forbearance Agreement is attached hereto as Exhibit 1.

25. Merboth executed the Forbearance Agreement on behalf of SVCB, in his capacity as President and CEO.

26. Pursuant to the Forbearance Agreement, SVCB and each of the SVCB Control Parties agreed to forbear from exercising its remedies under the "Loan Documents" (as defined in the Forbearance Agreement) through July 31, 2023, subject to the full and timely compliance with certain terms, conditions and requirements set forth therein (collectively, the "Forbearance Conditions").

27. The Debtors complied with each of the Forbearance Conditions, or their strict compliance with same was waived.

28. More particularly, but without limiting the generality of the preceding paragraph, the Debtors complied with each of the Forbearance Conditions in at least the following respects:

a. During the time period of April 20, 2023 through June 5, 2023, the Debtors made regularly scheduled payments of principal and interest under the "Notes" (as defined in the Forbearance Agreement);

b. On or before April 15, 2023, the Debtors made all past due payments required under the Notes and the Forbearance Agreement, including those payments scheduled for the months of February and March 2023;

c. The Debtors timely paid the mandated forbearance fees, totaling $200,000.00;

d. On or before June 2, 2023, the Debtors obtained additional liquidity through the sale of property, other than collateral subject to SVCB's liens, in an amount not less than $2 million;

e. The Debtors timely furnished to SVCB those documents and that information mandated under the Forbearance Agreement, including without limitation a proposed bankruptcy budget, schedules of accounts payable, and thirteen-week cash flow projections; and

f. Actively pursued the sale of the companies or substantially all of their assets.

29. In reliance on the Forbearance Agreement, the Debtors, through Muntz and Lynch, and their advisors, sought to sell property located in Granville, Illinois that was not subject to SVCB's lien(s) (the "Granville Property").

30. On or by June 2, 2023, the Debtors sold the Granville Property. The Debtors received net proceeds of $476,364.35 from that sale.

31. SVCB was aware of and consented to the sale of the Granville Property sale before it occurred and, on information and belief, did so through Merboth.

32. Neither SVCB nor any of the SVCB Control Parties expressed any belief that the proceeds from that sale would not apply to reduce the additional liquidity provision set forth in section 3(e) of the Forbearance Agreement.

33. In reliance on the Forbearance Agreement, the Debtors, through Muntz and Lynch and their advisors, the Debtors sought to sell property often referred to as the "Midtown Property" or the "1650 Midtown Property."

34. On or by June 2, 2023, the Debtors sold property often referred to as the "Midtown Property" or the "1650 Midtown Property." The Midtown Property was once subject to a lien in favor of SVCB, but that lien was discharged at closing and the Debtors received proceeds of $2,431,071.97 from that sale, net of various costs including the discharge of SVCB's lien.

35. SVCB was aware of and consented to the sale of the Midtown Property before it occurred and, on information and belief, did so through Merboth. In fact, SVCB provided a payoff statement to the Debtors prior to closing.

36. Neither SVCB nor any of the SVCB Control Parties expressed any belief that the proceeds from that sale would not apply to reduce the additional liquidity provision set forth in section 3(e) of the Forbearance Agreement.

37. As a result of those sales, on or around June 2, 2023, the Debtors had obtained additional liquidity in excess of $2 million other than through the sale of collateral that remained

subject to SVCB's liens; to the extent one of the properties was once encumbered by an SVCB lien, that lien was satisfied from sale proceeds of the collateral to which it had attached.

38. On June 2, 2023, SMH-SV deposited into its operating account with SVCB the amount of $2,431,072.00 (the "Unencumbered Sale Proceeds") derived from proceeds of the real property sales referenced in the preceding paragraphs (the "June 2 Transfer").

39. On June 5, 2023, SVCB, through its counsel Stanley Orszula of Barack Ferrazzano Kirschbaum & Nagelberg, LLP, sent a letter (the "June 5 Letter") to the Debtors claiming that the Debtors violated the Forbearance Agreement and that, as a consequence, the Forbearance Agreement had terminated, and, on information and belief, did so with the approval of one or more of the SVCB Control Parties. A copy of the June 5 Letter is attached as Exhibit B.

40. More particularly, in the June 5 Letter SVCB identified the following purported violations of the Forbearance Agreement:

a. The Debtors' purported "failure to" obtain "additional liquidity, whether through the sale of property (other than collateral subject to [SVCB's liens] or loan(s) or other financing, by an amount not less than two million ($2,000,000.00) dollars."

b. The Debtors' purported failure to "satisfy the then outstanding indebtedness due under the Notes or. . .actively seek and close a sale of its business, the Real Property and/or refinance the Loans on or before the expiration of the Forbearance Period, in an amount satisfactory to Lender in Lender's sole and absolute discretion." (Ellipses in original).

c. The Debtors' purported "failure to 'deliver to [SVCB] copies of the documents, on the timeline requested by Lender as set forth on Exhibit A'

> attached to the Forbearance Agreement, including without limitation, (a) tendering to [SVCB] a weekly schedule of accounts payable under Sections 3(g) and Exhibit A, Item 3 of the Forbearance Agreement; and (b) failure to comply with written information requests under Sections 3(g) and Exhibit A, Item 5 of the Forbearance Agreement."

41. As noted above, by June 2, 2023 the Debtors already had obtained and deposited with SVCB the Unencumbered Sale Proceeds.

42. SVCB's first basis for declaring a termination of the Forbearance Agreement, therefore, was and is without merit.

43. As noted above, by June 2, 2023 the Debtors were seeking to sell their business or substantially all of their assets.

44. SVCB's second basis for declaring a termination of the Forbearance Agreement, therefore, was and is without merit.

45. What is more, the Forbearance Agreement imposed no deadline for the Debtors to do so other than before the termination of the Forbearance Agreement.

46. SVCB's second basis for declaring a termination of the Forbearance Agreement, therefore, *could not have been* an independent basis for termination of the Forbearance Agreement as of June 5, 2023.

47. Beginning on April 26, 2023 and each week thereafter until SVCB's purported termination of the Forbearance Agreement, the Debtors furnished to SVCB a schedule of accounts payable.

48. Neither SVCB nor any of the SVCB Control Parties identified any reasonable written requests for additional information it requested under sections 3(g) or Exhibit A, Item 5 of the Forbearance Agreement.

49. To the extent SVCB made any such requests, the Debtors complied with them.

50. SVCB's third basis for declaring a termination of the Forbearance Agreement, therefore, was and is without merit.

51. Notwithstanding the absence of any proper basis to declare the Forbearance Agreement terminated, and without affording the Debtors any opportunity to respond to the June 5 Letter, SVCB proceeded on June 5, 2023 to set off the amount of $7,294,425.38 from funds in SMH-SV's bank account (the "Improper Setoff"[1]).

52. The Improper Setoff and SVCB's refusal to allow SMH-SV to access the Unencumbered Sale Proceeds, contributed to the exigency of the Debtors' bankruptcy filings. Had it not been for the Improper Setoff, the Debtors would have been able to continue with the orderly wind-down of their affairs and/or file well-prepared and orderly chapter 11 cases that would have preserved significant value for their estates.

53. On October 18, 2023, SVCB filed a proof of claim against SMH-SV in the Chapter 11 Case (the "SVCB – SV Proof of Claim"). *See* Claim No. 16.

## COUNT ONE

### Avoidance and Recovery of Improper Setoff
### Breach of Contract

54. Plaintiff repeats, realleges and incorporates, as though fully set forth herein, paragraphs 1 through 53.

[1] As reflected in Count Two below, the Trustee does not concede that the Improper Setoff was, in fact, a setoff.

55. On June 5, 2023, the Debtors were in compliance with the Forbearance Conditions and the terms of the Forbearance Agreement.

56. On June 5, 2023, an Event of Default did not exist under either the Forbearance Agreement or the Loan Documents.

57. On June 5, 2023, SVCB breached the Forbearance Agreement by conducting the Improper Setoff.

58. The Improper Setoff caused damage to SMH-SV and its estate.

WHEREFORE, Plaintiff respectfully requests that the Court:

A. Enter judgment in favor of Plaintiff to avoid the Improper Setoff;

B. Enter judgment in favor of Plaintiff and against SVCB in the amount of the Improper Setoff, plus pre- and post-judgment interest, fees, and costs to the extent provided by law; and

C. Grant Plaintiff such other relief as the Court may deem equitable and just.

## COUNT TWO

### Avoidance and Recovery of Preferential Transfer Pursuant to §§ 547 and 550 of the Bankruptcy Code

59. Plaintiff repeats, realleges and incorporates, as though fully set forth herein, paragraphs 1 through 53. This count is alleged in the alternative to Count One.

60. The funds comprising the Improper Setoff were property of SMH-SV.

61. The Improper Setoff was a transfer; it was not truly a setoff because SVCB and SMH-SV were not mutually indebted to one another in the same rights and capacities.

62. The said transfer was to or for the benefit of a creditor, SVCB.

63. The said transfer was for or on account of an antecedent debt.

64. The said transfer was made while SMH-SV was insolvent.

65. The said transfer was made on or within ninety days before the date SMH-SV filed its voluntary petition for relief under the Bankruptcy Code.

66. The said transfer enabled SVCB to receive more than SVCB would have received if this case were a case under chapter 7 of the Bankruptcy Code.

67. The said transfer enabled SVCB to receive more than SVCB would have received if the said transfer had not been made.

68. The said transfer enabled SVCB to receive more than SVCB would have received if SVCB received payment of its antecedent debt to the extent provided under the Bankruptcy Code.

69. In advancing this claim, Plaintiff has taken into account SVCB's affirmative defenses outlined in communications with SVCB and has undertaken reasonable due diligence in the circumstances of these cases.

70. SVCB was the initial transferee of the said transfer or the entity for whose benefit such transfer was made.

WHEREFORE, Plaintiff respectfully requests that the Court:

A. Enter judgment in favor of Plaintiff to avoid the Improper Setoff;

B. Enter judgment in favor of Plaintiff and against SVCB in the amount of the Improper Setoff, plus pre- and post-judgment interest, fees, and costs to the extent provided by law; and Grant Plaintiff such other relief as the Court may deem equitable and just.

## COUNT THREE

### Avoidance and Recovery of Transfer Made for Purpose of Obtaining a Right to Setoff Pursuant to § 553 (a)(3) of the Bankruptcy Code

71. Plaintiff repeats, realleges and incorporates, as though fully set forth herein, paragraphs 1 through 53.

72. Within ninety (90) days prior to the Petition Date, SMH-SV made the June 2nd Transfer.

73. At all times during the ninety (90) days immediately preceding the Petition Date, SMH-SV was insolvent for purposes of Section 553(c) of the Bankruptcy Code.

74. SVCB caused SMH-SV to make the June 2nd Transfer for the purpose of obtaining a right of setoff against SMH-SV.

75. The June 2nd Transfer is avoidable under Section 553 of the Bankruptcy Code.

WHEREFORE, Plaintiff respectfully requests, pursuant to 11 U.S.C. § 553, that the Court:

A. Enter judgment in favor of Plaintiff to avoid the June 2nd Transfer;

B. Enter judgment in favor of Plaintiff and against SVCB in the amount of the June 2nd Transfer, plus pre- and post-judgment interest, fees, and costs to the extent provided by law; and

D. Grant Plaintiff such other relief as the Court may deem equitable and just.

**COUNT FOUR**

**Breach of the Forbearance Agreement**

76. Plaintiff repeats, realleges and incorporates, as though fully set forth herein, paragraphs 1 through 53.

77. The Forbearance Agreement was a valid and enforceable contract between SMH-SV and SVCB.

78. SMH-SV satisfied all conditions precedent to SVCB's performance of SVCB's obligations under the Forbearance Agreement, or such conditions were waived.

79. SVCB breached the Forbearance Agreement by declaring the Forbearance Agreement terminated without proper basis and making the Improper Setoff.

80. SMH-SV was damaged by SVCB's breach of the Forbearance Agreement.

WHEREFORE, Plaintiff respectfully requests that the Court:

A. Enter judgment in favor of Plaintiff and against SVCB in an amount to be determined at trial, to include SMH-SV's actual, special, indirect, and/or consequential damages, plus pre- and post-judgment interest, fees, and costs to the extent provided by law; and

B. Grant Plaintiff such other relief as the Court may deem equitable and just.

**COUNT FIVE**

**Fraudulent Inducement / Promissory Fraud**

81. Plaintiff repeats, realleges and incorporates, as though fully set forth herein, paragraphs 1 through 53.

82. On information and belief, during and after the negotiations regarding the terms of the Forbearance Agreement, one or more of the SVCB Control Parties represented to the Debtors that SVCB would forbear from exercising its remedies under the Loan Documents against the Debtors while the Debtors sought to sell assets during the Forbearance Period, knowing that SVCB intended to effect the Improper Setoff. The specific facts regarding the knowledge and intent of the SVCB Control Parties is not presently accessible to the Plaintiff.

83. Following negotiations, SVCB affirmatively represented to SMH-SV in the Forbearance Agreement that it would forbear from exercising its remedies in accordance with the terms of the Forbearance Agreement, as set forth therein and as executed by Merboth.

84. SVCB's said representation was false, in that SVCB never intended to forbear from exercising its remedies in accordance with the terms of the Forbearance Agreement; SVCB instead intended that SMH-SV would rely on SVCB's promise of forbearance by selling assets and depositing the proceeds into the deposit account at SVCB, at which point SVCB would immediately (as it did) seize control of the proceeds.

85. The facts regarding SVCB's intent and the role of the SVCB Control Parties or SVCB's agents are uniquely within SVCB's possession and not accessible to Plaintiff absent discovery, but the fact that SVCB, through one or more of its agents, did not intend to forbear is supported by SVCB declaring a purported default through the June 5 Letter well in advance of the July 31 forbearance deadline on grounds lacking merit, and then executing the Improper Setoff almost immediately after the June 2 deposit of sale proceeds, consistent with a plan to induce the deposit and seize those funds.

86. SMH-SV did not know SVCB's said representation was false.

87. SMH-SV, through Muntz and Lynch, reasonably relied on SVCB's said representation by, among other things, selling assets and depositing the proceeds into the deposit account at SVCB.

88. SMH-SV was entitled to rely on and was justified in relying on SVCB's said representation.

89. As a direct and proximate result of its reliance on SVCB's said representation, SMH-SV was damaged.

90. SVCB's fraud was wanton, willful, malicious, and oppressive. In the alternative, SVCB was so grossly negligent as to indicate a wanton disregard for SMH-SV's rights. In either event, the circumstances justify the imposition of an award of punitive damages against SVCB in an amount sufficient to punish SVCB and to deter SVCB and others from committing similar acts of wrongdoing in the future.

WHEREFORE, Plaintiff respectfully requests that the Court:

A. Enter judgment in favor of Plaintiff and against SVCB in an amount to be determined at trial, to include SMH-SV's actual, special, indirect, and/or consequential damages,

plus punitive damages, pre- and post-judgment interest, fees, and costs to the extent provided by law; and

B. Grant Plaintiff such other relief as the Court may deem equitable and just.

**COUNT SIX**

**Equitable Subordination Under Sections 510(c) and 105(a) of the Bankruptcy Code**

91. Plaintiff repeats, realleges and incorporates, as though fully set forth herein, paragraphs 1 through 53 and 81through 90.

92. SVCB engaged in and benefited from inequitable conduct that resulted in injury to SMH-SV's creditors and conferred an unfair advantage to SVCB. This inequitable conduct has resulted in harm to SMH-SV and its entire creditor body because general unsecured creditors are less likely to recover amounts due to them.

93. SVCB's conduct has been inequitable and egregious and harmed SMH-SV, its employees, creditors and other stakeholders. In equity and good conscience, any claim or interest of SVCB in SMH-SV's estate should be equitably subordinated pursuant to Section 510(c) of the Bankruptcy Code and/or disallowed to the fullest extent permitted by law. Equitable subordination as requested herein is consistent with the provisions and purposes of the Bankruptcy Code.

WHEREFORE, Plaintiff respectfully requests, pursuant to 11 U.S.C. § 510(c), that the Court:

A. Equitably subordinate and/or disallow any claims of SVCB against SMH-SV; and

B. Grant Plaintiff such other relief as the Court may deem equitable and just.

**COUNT SEVEN**

**Disallowance of Claims**

94. Plaintiff repeats, realleges and incorporates, as though fully set forth herein, each preceding paragraph of this Complaint.

95. Pursuant to section 502(d) of the Bankruptcy Code, the Court should disallow any claim of any entity from which property is recoverable under §§ 542, 543, 550, or 553 of the Bankruptcy Code or that is a transferee of a transfer avoidable under §§ 522(f), Spr522(h), 544, 545, 547, 548, 549 or 724 of the Bankruptcy Code, unless such entity or transferee has paid the amount, or turned over any such property, for which such entity or transferee is liable under §§ 522(i), 542, 543, 550 or 553 of the Bankruptcy Code.

96. Because SVCB has not turned over to SMH-SV the proceeds of its Improper Setoff, the Court must under section 502(d) of the Bankruptcy Code disallow the SVCB – SV Proof Claim, and any other claims SVCB may assert against SMH-SV until SVCB pays to SMH-SV the value of the Improper Setoff.

WHEREFORE, Plaintiff respectfully requests, pursuant to 11 U.S.C. § 502(d), that the Court:

C. Disallow any claims of SVCB against SMH-SV; and

D. Grant SMH-SV such other relief as the Court may deem equitable and just.

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Dated: April 15, 2026
Chicago, Illinois

Respectfully Submitted:

MICHAEL A. BRANDESS, Trustee of the SMH Creditor Trust

By: */s/ Jack O'Connor*
One of his attorneys

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# EXHIBIT 1

## FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT (this "Agreement") is dated as of April 20, 2023 and is by and between St. Margaret's Health-Spring Valley, an Illinois not-for-profit corporation ("Spring Valley"), St. Margaret's Health-Peru, an Illinois not-for-profit corporation ("Peru" and together with Spring Valley, each a "Borrower", collectively, the "Borrowers"), and Spring Valley City Bank, a bank chartered under the laws of Illinois ("Lender", along with Peru and Spring Valley, each a "Party", collectively the "Parties").

## RECITALS

A. Lender made loans and provided other financial accommodations (collectively, the "Loans") from time to time to Borrowers;

B. Loan Number 150001225 is evidenced by a Promissory Note dated May 5, 2010, in the original principal amount of $1,350,000.00 executed and delivered by Spring Valley to Lender (the "1225 Note");

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

D. On February 22, 2013, Spring Valley and Lender modified the 1225 Note as set forth in a (i) Mortgage Extension and a (ii) Modification Agreement (the "1225 Mortgage Modification Agreement"), which was recorded with the Bureau County Recorder of Deeds on February 25, 2013 as Document Number 2013R01156;

E. Loan Number 150001671 is evidenced by a Promissory Note dated August 5, 2010, in the original principal amount of $3,200,000.00 executed and delivered by Spring Valley to Lender (the "1671 Note");

F. The 1671 Note is secured by a mortgage (the "1671 Mortgage"), dated August 5, 2010, and recorded in Bureau County, Illinois on August 9, 2010 as document number 2010-16222 in connection with real property commonly known as 1650 Midtown Road Peru, IL 61354 (the "1650 Midtown Property");

G. On February 23, 2013, Spring Valley and Lender modified the 1671 Note as set forth in a (i) Commercial Debt Modification Agreement (the "1671 Modification Amendment") and (ii) a 1671 Mortgage in a Mortgage Extension and Modification Agreement (the "1671 Mortgage Modification Agreement"), which was recorded with the LaSalle County Recorder of Deeds on February 25, 2013 as Document Number 2013-03804;

H. Loan Number 150009443 is evidenced by a Promissory Note dated June 25, 2015, in the original principal amount of $2,416,000.00 executed and delivered by Spring Valley to Lender (the "9443 Note");

I. The 9443 Note is secured by a mortgage (the "9443 Mortgage"), dated June 25, 2015, and was recorded in Bureau County, Illinois on June 26, 2015 as document number 2015R02545 in connection with real property commonly known as 1916 N. Main Street, Princeton, IL 61356 (the "1916 Main Property");

J. Loan Number 150009782 is evidenced by a Promissory Note dated August 25, 2015, in the original principal amount of $12,580,664.83 executed and delivered by Spring Valley to Lender (the "9782 Note");

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

L. Loan Number 150012496 is evidenced by a Promissory Note dated October 13, 2017, in the original principal amount of $560,000.00 executed and delivered by Spring Valley to Lender (the "2496 Note");

M. The 2496 Note is secured by a mortgage (the "2496 Mortgage"), dated October 13, 2017, and was recorded in Bureau County, Illinois on October 25, 2017 as document number 2017R04415 in connection with the 600 First Street Property;

N. Loan Number 1500013577 is evidenced by a Promissory Note dated July 25, 2018, in the original principal amount of $1,700,000.00 executed and delivered by Spring Valley to Lender (the "3577 Note");

O. The 3577 Note is secured by a mortgage (the "3577 Mortgage"), dated July 25, 2018, and was recorded in LaSalle County, Illinois on July 27, 2018 as document number 2018-10260 in connection with real estate commonly known as 100 Marquette Ave and 600 W Walnut St. Oglesby, IL 61348 (the "100 Marquette Property");

P. Loan Number 150018288 is evidenced by a Promissory Note dated December 31, 2020, in the original principal amount of $20,325,000.00 executed and delivered by Peru to Lender (the "8288 Note");

Q. Loan Number 150018288 is also evidenced by a Business Loan Agreement dated December 31, 2020, in the original principal amount of $20,325,000.00 executed and delivered by Peru to Lender (the "8288 Business Loan Agreement");

R. The 8288 Note is secured by a (i) mortgage (the "8288 Mortgage"), dated December 31, 2020, and was recorded in LaSalle County, Illinois on January 4, 2021 as document number 2021-00087 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 Peru dated December 31, 2020 (the "8288 Peru Guaranty"); (iii) a Commercial

Guaranty executed and delivered by Spring Valley dated December 31, 2020 (the "8288 Spring Valley Guaranty"); and (iv) an Assignment of Rents dated December 31, 2020 delivered by Peru, which was recorded in LaSalle County, Illinois on January 4, 2021 as document number 2021-00088 (the "8288 Assignment of Rents");

S. Loan Number 150022213 is evidenced by a Promissory Note dated September 16, 2022, in the original principal amount of $1,450,000.00 executed and delivered by Spring Valley to Lender (the "2213 Note");

T. The 2213 Note is secured by a mortgage (the "2213 Mortgage"), dated September 16, 2022, and was recorded in Bureau County, Illinois on September 20, 2022 as document number 2022R03539 in connection with the 1916 Main Property;

U. Loan Number 150022221 is evidenced by a Promissory Note dated September 23, 2022, in the original principal amount of $200,000.00 executed and delivered by Peru to Lender (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 "Notes");

V. The 2221 Note is secured by a mortgage (the "2221 Mortgage), dated September 23, 2022, and was recorded in LaSalle County, Illinois on September 26, 2022 as document number 2022-12421 in connection with real property commonly known as 1310 Maple Dr. Peru, IL 61354 (the "1310 Maple Property", and with the 415 2nd Street Property, 1650 Midtown Property, 1916 Main Property, 600 First Street Property, 100 Marquette Property, and 921-925 West Street Property, collectively the "Real Property");

W. The Notes, 1225 Mortgage, 1225 Debt Modification Agreement, 1225 Mortgage Modification Agreement, 1671 Mortgage, 1671 Modification Agreement, 1671 Mortgage Modification Agreement, 9443 Mortgage, 9782 Mortgage, 2496 Mortgage, 3577 Mortgage, 8288 Note, 8288 Business Loan Agreement, 8288 Mortgage, 8288 Peru Guaranty, 8288 Spring Valley Guaranty, 8288 Assignment of Rents, 2213 Mortgage, 2221 Mortgage, and all other instruments, agreements or documents evidencing the Loans and/or any obligation or liability between Borrowers and Lender, or providing security therefore, are hereinafter collectively referred to as the "Loan Documents";

X. The Borrowers have committed various defaults under the Loan Documents, including, but not limited to, (i) the failure to make timely payments on the Notes and (ii) the closure and suspension of operations at the healthcare facility located at the 921-925 West Street Property (the "Peru Facility");

Y. In addition to the defaults set forth above, Borrowers may have committed additional defaults under the Loan Documents, which remain under investigation by Lender (each an "Event of Default", collectively the "Events of Default");

Z. As a result of the Events of Default, Lender may exercise any of its rights and remedies under the Loan Documents and applicable law;

AA. Borrowers have requested that Lender temporarily forbear from exercising its rights and remedies under the Loan Documents notwithstanding the Events of Default and to amend the Loan Documents;

BB. Borrowers desire to reaffirm their respective obligations and liabilities to Lender under the Loan Documents as amended hereby; and

CC. Lender is willing to agree to forbear temporarily from exercising its rights and remedies under the Loan Documents, subject to the terms, conditions and requirements set forth herein.

NOW THEREFORE, in consideration of the recitals set forth above, the covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrowers and Lender, each intending to be legally bound, hereby agree as follows:

1. **Recitals**. The recitals set forth above constitute an integral part of this Agreement and are fully incorporated herein by this reference with the same force and effect as though restated herein.

2. **Defined Terms**. To the extent not otherwise defined herein, all capitalized terms used in this Agreement shall have the respective meanings ascribed to such terms in the Loan Agreement.

3. **Forbearance**. Lender hereby agrees to forbear temporarily from exercising its rights and remedies under the Loan Documents for the Events of Default from the date hereof to and including July 31, 2023 (the "Forbearance Period") subject to the full and timely compliance with the following terms, conditions and requirements (each, a "Forbearance Condition"):

(a) During the Forbearance Period, Borrowers will make the regularly scheduled payments of principal and interest under the Notes;

(b) On or before April 15, 2023, Borrowers will make any past due payments due under the Notes, including those payments scheduled for the months of February and March 2023;

(c) Borrowers shall have paid the sum of $200,000.00 to Lender (the "Forbearance Fee") with the execution and delivery of this Agreement, payable as follows: $150,000 due on or before Friday, April 21, 2023 and $50,000 due on or before June 2, 2023;

(d) Interest will accrue on each of the Loans at the higher of (i) a default rate of interest of three (3.0%) percent per annum over the existing note rate, or (ii) any existing default rate set forth in a Note (the "Default Rate") commencing on the date of the first Event of Default;

(e) On or before June 2, 2023, the Borrowers (collectively) shall have obtained additional liquidity, whether through the sale of property (other than collateral subject to Lender's liens) or loan(s) or other financing, by an amount not less than two million ($2,000,000.00) dollars;

(f) Borrowers shall satisfy the then outstanding indebtedness due under the Notes or shall actively seek and close a sale of its business, the Real Property and/or refinance the Loans on or before the expiration of the Forbearance Period, in an amount satisfactory to Lender in Lender's sole and absolute discretion, provided that Lender will waive the difference between the interest rate on each Note and the Default Rate if Lender receives the full amount of pre-default interest and all principal at such a closing; and

(g) Borrowers shall deliver to Lender copies of the documents, on the timeline requested by Lender as set forth on Exhibit A attached hereto.

**If Borrowers fail to comply with any one of the Forbearance Conditions set forth above, including without limitation the timely payment of the Forbearance Fee, (i) the Forbearance Period and Lender's agreement to forbear hereunder shall immediately terminate without further notice to Borrowers; and (ii) Lender may, at its option, exercise any and all of its legal and equitable rights and remedies against the Borrowers.**

4. **Amendment**. The Loan Documents are amended as follows:

a. Any default under a Loan Document will constitute an Event of Default under all the other Loan Documents; and

b. The Notes will incur a rate of interest at the Default Rate.

5. **Reaffirmation**. Each Borrower, jointly and severally, hereby (a) consent to this Agreement, (b) ratify and reaffirm all of their payment and performance obligations, contingent or otherwise, under each of the Loan Documents (after giving effect hereto), including but not limited to all guaranties relating to the Loans, (c) ratify and reaffirm all security interests, and liens granted for the benefit of Lender and confirm and agree that such security interests, and liens hereafter secure all of the indebtedness of Borrower under the Loan Documents as amended hereby, and (d) acknowledge that each of the Loan Documents remains in full force and effect and is hereby ratified and reaffirmed. The Loan Documents shall be amended as provided herein, but otherwise this Agreement shall not operate as a waiver of any right, power or remedy of Lender, including but not limited to, any Event of Default under the Loan Documents, or serve to effect a novation of the indebtedness.

6. **Representations and Warranties**. To induce Lender to enter into this Agreement:

(a) Each Borrower represents and warrants to Lender that they have full power and authority to enter into this Agreement and to incur and perform the obligations provided for under this Agreement, all of which have been duly authorized by all proper and necessary action, and that no consent or approval of shareholders or creditors or of any public authority or regulatory body is required as a condition to the validity or enforceability of this Agreement which has not been obtained on or prior to the date hereof.

(b) Each Borrower represents and warrants to Lender that this Agreement constitutes the valid and legally binding obligation of Borrowers, fully enforceable against Borrowers in accordance with its terms.

(c) Each Borrower represents and warrants to Lender that the execution and performance by Borrowers of this Agreement will not: (i) violate any provision of law, any order of any court or other agency of government, or the operating agreement or organizational documents of Borrowers; (ii) violate any indenture, contract, agreement or other instrument to which Borrowers are a party, or by which any of their property is bound, or be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such indenture, contract, agreement or other instrument; or (iii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Borrowers.

7. **Conditions Precedent**. This Agreement shall become effective as of the date hereof upon the satisfaction of each of the following conditions precedent by the close of business on the date hereof:

(a) Lender shall have received from Borrowers two fully executed original counterparts of this Agreement; and

(b) Lender shall have received from Borrowers and other persons and entities such other instruments, documents and agreements in connection herewith as Lender shall reasonably request.

8. **Affirmation of Indebtedness**. Each Borrower, jointly and severally, hereby agree and acknowledge that Schedule 8 to this Agreement accurately describes the amount due under each of the Loans as of April 12,2023 (exclusive of accrued interest, fees and expenses, including attorneys' fees and expenses) and Lender has performed all obligations and duties owed to Borrowers as of the date hereof, and each Borrower, jointly or severally, have no defense, offset or counterclaim with respect to any amounts owed to Lender or with respect to the performance or observance by Lender of any representation, covenant or other agreement contained in the Loan Documents.

9. **Acknowledgments Regarding Negotiation of Agreement**. Each Borrower, jointly and severally, hereby acknowledge that: (a) they have been represented by counsel of their own choosing throughout the negotiation, preparation and execution of this Agreement and the Loan Documents; (b) they have exercised independent judgment with respect the negotiation, preparation and execution of this Agreement and the Loan Documents, and the consummation of the transactions contemplated hereby and thereby; (c) they have not relied upon Lender or on counsel for Lender for any advice with respect to the negotiation, preparation or execution of this Agreement and the Loan Documents; (d) any principle of contract construction which favors or disfavors the Party whose attorneys have drafted a contract or a provision thereof shall not be applied to this Agreement and the Loan Documents; and (e) this Agreement is a "credit agreement" under the Illinois Credit Agreements Act, 815 ILCS 160/1 *et seq*. (the "Act") and this Agreement and the transactions set forth herein shall be subject to the terms and provisions of the Act.

10. **Waiver, Release and Discharge**. Each of the Borrowers, jointly and severally, on their own behalf and on behalf of their respective representatives, partners, agents, consultants, employees, servants, officers, directors, shareholders, subsidiaries, affiliates, related companies, heirs, successors and assigns (collectively, the "Borrowing Group") hereby release and forever

discharge Lender and its officers, directors, subsidiaries, affiliates, related companies, agents, attorneys, servants, employees, shareholders, representatives, successors and assigns (collectively, the "Lender Group") of and from all manner of actions, cause and causes of action, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, obligations, liabilities, costs, expenses, losses, damages, judgments, executions, claims and demands of whatsoever kind or nature, in law or in equity, whether known or unknown, concealed or hidden, foreseen, or unforeseen, contingent or actual, liquidated or unliquidated, arising out of or relating to any of the Loan Documents, the transactions relating thereto, and/or any financial accommodations extended or denied by Lender to any of the Borrowers, that any of the Borrowing Group, jointly or severally, have had, now have or hereafter can, shall or may have against the Lender Group, directly or indirectly, through the date hereof. Each of the Borrowers, jointly and severally, acknowledge and agree that Lender is specifically relying upon the representations, warranties, covenants and agreements contained herein and that such representations, warranties, covenants and agreements constitute a material inducement to Lender entering into this Agreement and the transactions contemplated herein. Each of the Borrowers, jointly and severally, on their own behalf and on behalf of the Borrowing Group, represent and warrant to Lender and the Lender Group that the Borrowing Group has not assigned, conveyed or otherwise transferred, either directly or indirectly, in whole or in part, any of the claims against the Lender Group to be released herein. The foregoing release and discharge shall not apply to any matter arising from occurrences after the date hereof and any obligations under this Agreement.

11. **Event of Default.** Each Borrower, jointly and severally, hereby acknowledge and agree that (a) a breach by Borrowers of any term, provision, covenant, or condition herein set forth or herein required of any Borrowers to be kept or performed, shall constitute an Event of Default under the Loan Documents, and (b) a breach by Borrowers of any term, provision, covenant, or condition set forth in the Loan Documents shall constitute an Event of Default under this Agreement.

12. **No Custom; Section Headings**. This Agreement shall not establish a custom or course of dealing. The section headings and captions herein are for convenience of reference only and shall not be deemed to limit, impair or affect the interpretation and construction of the terms hereof.

13. **Counterparts**. This Agreement may be signed in counterparts, each of which shall be deemed an original and all of which shall be deemed to constitute one agreement.

14. **Merger; Modification**. This Agreement embodies the entire agreement between the Parties hereto with respect to the matters addressed herein and supersedes all prior oral and written and all contemporaneous oral communications with respect to such matters. This Agreement shall not be modified or amended or extended except in writing signed by each of the Parties hereto.

15. **Further Assurances.** Borrowers shall execute and/or deliver any other agreements or documents and take such other actions which Lender deems reasonably necessary to achieve the objectives of this Agreement.

16. **Time is of the Essence.** Time is of the essence with respect to each of the Borrowers' performance of their respective obligations under this Agreement.

17. **Anti-Money Laundering**. Each Borrower represents and warrants to Lender as of the date of this Agreement, and at all times until all amounts under the Loan Documents have been indefeasibly paid in full, that: (a) no "Covered Entity" (i) is a "Sanctioned Person"; (ii) has any of its assets in a "Sanctioned Country" or in the possession, custody or control of a Sanctioned Person; or (iii) does business in or with, or derives any of its operating income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any law, regulation, order or directive enforced by any "Compliance Authority"; (b) any proceeds of the Loan will not be used to fund any operations in, finance any investments or activities in, or, make any payments to, a Sanctioned Country or Sanctioned Person in violation of any law, regulation, order or directive enforced by any Compliance Authority; (c) the funds used to repay the Loan are not derived from any unlawful activity; and (d) each Covered Entity is in compliance with, and no Covered Entity engages in any dealings or transactions prohibited by, any laws of the United States, including but not limited to any Anti-Terrorism Laws. Borrowers covenant and agree that they shall immediately notify the Lender in writing upon the occurrence of a Reportable Compliance Event.

As used herein: "Anti-Terrorism Laws" means any laws relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering, or bribery, all as amended, supplemented or replaced from time to time; "Compliance Authority" means each and all of the (a) U.S. Treasury Department/Office of Foreign Assets Control, (b) U.S. Treasury Department/Financial Crimes Enforcement Network, (c) U.S. State Department/Directorate of Defense Trade Controls, (d) U.S. Commerce Department/Bureau of Industry and Security, (e) U.S. Internal Revenue Service, (f) U.S. Justice Department, and (g) U.S. Securities and Exchange Commission; "Covered Entity" means any Borrower, its affiliates and subsidiaries, all guarantors, pledgors of collateral, all owners of the foregoing, and all brokers or other agents of the Borrower acting in any capacity in connection with the Loan; "Reportable Compliance Event" means that any Covered Entity becomes a Sanctioned Person, or is indicted, arraigned, investigated or custodially detained, or receives an inquiry from regulatory or law enforcement officials, in connection with any Anti-Terrorism Law or any predicate crime to any Anti-Terrorism Law, or self-discovers facts or circumstances implicating any aspect of its operations with the actual or possible violation of any Anti-Terrorism Law; "Sanctioned Country" means a country subject to a sanctions program maintained by any Compliance Authority; and "Sanctioned Person" means any individual person, group, regime, entity or thing listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person or entity, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejection of transactions), under any order or directive of any Compliance Authority or otherwise subject to, or specially designated under any sanctions program maintained by an Compliance Authority.

18. **Notices**. All notices or other information sent in connection with this Agreement and/or the Loan Documents must be in writing and sent by (a) personal delivery, (b) prepaid overnight courier, (c) certified mail, return receipt requested, postage prepaid, (d) telecopy or other facsimile transmission, or (e) via electronic mail addressed as follows:

if to Spring Valley and Peru:

St. Margaret's Health – Spring Valley
600 E. 1st Street
Spring Valley, IL 61362
Attn: Tim Muntz
Telephone No.: (815) 252-1375
Facsimile No.: (815) 664-1335
Email: Tim.Muntz@aboutsmh.org

with copies to:

Hinshaw & Culbertson LLP
151 North Franklin Street, Suite 2500
Chicago, Illinois 60606
Attention: Roy M. Bossen, Esq.
Telephone No.: (312) 704-3067
Facsimile No.: (312) 704-3001
Email: rbossen@hinshawlaw.com

if to Lender:

Spring Valley City Bank
315 N. Cornelia Street
Spring Valley, IL 61362
Attention: Matt Merboth
Telephone No.: (815) 663-2211
Email: mmerboth@svcb.com

with copies to:

Barack Ferrazzano Kirschbaum & Nagelberg, LLP
200 West Madison Street, Suite 3900
Chicago, IL 60606
Attention: Stanley F. Orszula, Esq.
Telephone No.: (312) 984-3100
Facsimile No.: (312) 984-3150
Email: stan.orszula@bfkn.com

The Parties may designate another addressee or change its address for notices and other communications hereunder by a notice given to the other Parties in the manner provided in this section. A notice or other communication sent in compliance with the provisions of this section shall be deemed good and sufficient service regardless of whether the Parties actually receive such notice.

19. **GOVERNING LAW/VENUE**. THIS AGREEMENT SHALL BE DEEMED A CONTRACT MADE UNDER THE LAWS OF THE STATE OF ILLINOIS AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS AND THE LAWS OF THE UNITED STATES OF AMERICA. EACH BORROWER, JOINTLY AND SEVERALLY, HEREBY IRREVOCABLY SUBMIT THEMSELVES TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE STATE OF ILLINOIS AND AGREE AND CONSENT THAT SERVICE OF PROCESS MAY BE MADE UPON THEM IN ANY LEGAL PROCEEDING RELATING TO THIS AGREEMENT BY ANY MEANS ALLOWED UNDER ILLINOIS OR FEDERAL LAW. VENUE FOR ANY LEGAL PROCEEDING MAY BE IN EITHER BUREAU OR LASALLE COUNTY, ILLINOIS OR ANY FEDERAL COURT OF JURISDICTION OVER THE FOREGOING.

20. **WAIVER OF JURY TRIAL.** EACH BORROWER, JOINTLY AND SEVERALLY, HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, CAUSE OF ACTION, SUIT OR PROCEEDINGS (A) ARISING UNDER THIS AGREEMENT OR ANY OF THE LOAN DOCUMENTS OR (B) IN ANY

WAY CONNECTED WITH OR RELATED TO OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO WITH RESPECT TO THIS AGREEMENT OR ANY OF THE LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. EACH BORROWER, JOINTLY AND SEVERALLY, HEREBY AGREE AND CONSENT THAT ANY SUCH CLAIM, DEMAND, ACTION, CAUSE OF ACTION, SUIT OR PROCEEDING SHALL BE DECIDED BY A COURT TRIAL, WITHOUT A JURY, AND THAT ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

*Remainder of page intentionally left blank*

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the date first set forth above.

**SPRING VALLEY**:

ST. MARGARET'S HEALTH-SPRING VALLEY, an Illinois not-for-profit corporation

By: Timothy A. Muntz
Name: Timothy A. Muntz
Title: President & CEO

**PERU**:

ST. MARGARET'S HEALTH-PERU, an Illinois not-for-profit corporation

By: Timothy A. Muntz
Name: Timothy A. Muntz
Title: President & CEO

**LENDER**:

SPRING VALLEY CITY BANK

By: Matthew E. Merbeth
Name: Matthew E. Merbeth
Title: President & CEO

## SCHEDULE 8

| Loan | Principal Balance as of April 12, 2023 |
|---|---|
| Loan Number 150001225 | $633,295.77 |
| Loan Number 150001671 | $1,586,535.63 |
| Loan Number 150009443 | $1,757,596.73 |
| Loan Number 150009782 | $9,041,367.49 |
| Loan Number 150012496 | $430,229.32 |
| Loan Number 150013577 | $1,406,360.82 |
| Loan Number 150018288 | $20,198,476.34 |
| Loan Number 150022213 | $1,431,906.86 |
| Loan Number 150022221 | $198,684.61 |

**Exhibit A**

1. Rolling 13-week cash flow forecast (in the form previously delivered, with assumptions and supporting schedules) from April 7, 2023, through at least June 30, 2023, updated and delivered no later than Friday of each week.
2. On or before May 1, 2023, a proposed bankruptcy budget, tied to the last non-bankruptcy budget (see #1 above), including a debtor-in-possession financing request, sufficient to fund the Borrowers through a sale process under Section 363 of Title 11 of the United States Code.
3. Weekly schedule of accounts payable in the form attached hereto.
4. On or before May 1, 2023, a schedule of estimated amounts owing to, and lien positions of, all secured creditors having interests that may attach to Lender's collateral.
5. Additional information as reasonably requested from Lender from time-to-time.
6. Borrowers required to provide all information required under the Loan Documents with Lender.

BARACK FERRAZZANO

Financial Institutions Group

**EXHIBIT B**

**Stanley F. Orszula** | T. 312.629.7483 | stan.orszula@bfkn.com

June 5, 2023

**VIA EMAIL**

St. Margaret's Health-Spring Valley
St. Margaret's Health-Peru
600 E. lst Street Spring Valley, IL 61362
Attn: Tim Muntz
Email: Tim. Muntz@aboutsmh.org

Hinshaw & Culbertson LLP
151 North Franklin Street, Suite 2500
Chicago, IL 60606
Attn: Roy M. Bossen, Esq.
Email: rbossen@hinshawlaw.com

Re: Forbearance Agreement dated as of April 20, 2023 (the "**Forbearance Agreement**").

Dear Messrs. Muntz and Bossen,

As you know, this firm is counsel to Spring Valley City Bank ("**Lender**"). This letter is being sent on behalf of Lender and at Lender's direction in connection with the Forbearance Agreement. Under the Forbearance Agreement, Lender agreed to forbear from exercising certain remedies in connection with the secured loans made to St. Margaret's Health-Spring Valley f/k/a St. Margaret's Hospital ("**Spring Valley**") and St. Margaret's Health-Peru ("**Peru**", together with Spring Valley, each a "**Borrower**", collectively, the "**Borrowers**") as described more fully in the Forbearance Agreement. Capitalized terms used but not defined herein shall have the respective meanings given to them in the Forbearance Agreement.

One or more Events of Default have occurred under the Forbearance Agreement, including, without limitation:

1. Section 3(e). Borrowers' failure to:

   [o]n or before June 2, 2023, … have obtained additional liquidity, whether through the sale of property (other than collateral subject to Lender's liens) or loan(s) or other financing, by an amount not less than two million ($2,000,000.00) dollars.

2. Section 3(f). Borrowers' failure to:

   … satisfy the then outstanding indebtedness due under the Notes or. . . actively seek and close a sale of its business, the Real Property and/or refinance the Loans on or before the expiration of the Forbearance Period, in an amount satisfactory to Lender in Lender's sole and absolute discretion.

3. Section 3(g). Borrowers' failure to "deliver to Lender copies of the documents, on the timeline requested by Lender as set forth on Exhibit A" attached to the Forbearance Agreement, including without limitation, (a) tendering to Lender a weekly schedule of accounts payable under Sections 3(g) and Exhibit A, Item 3 of the Forbearance Agreement; and (b) failure to comply with written information requests under Sections 3(g) and Exhibit A, Item 5 of the Forbearance Agreement.

As set forth in Section 11 of the Forbearance Agreement, Borrowers commit an event of default if there is "a breach by Borrowers of any term, provision, covenant, or condition" of the Forbearance Agreement. As described in Section 3 of the Forbearance Agreement, Lender's agreement to "forbear temporarily from exercising its rights and remedies under the Loan Documents" was conditioned on Borrowers' complying with all terms of the Forbearance Agreement.

**In light of Borrowers' defaults under the Forbearance Agreement, Lender hereby notifies you that the Forbearance Period is terminated. Lender may exercise any of its rights and remedies under the Loan Documents, including without limitation, setting off any of Borrowers' deposits held by Lender and/or seeking the entry of a confession of judgment previously authorized by Borrowers.**

**Lender further notifies Borrowers' of its intention to exercise its setoff rights against certain deposits held by Spring Valley at Lender (as further described in the Loan Documents) as of the date hereof. Lender, in its sole and absolute discretion under the Loan Documents, intends to set-off against Spring Valley deposits held at Lender. Lender further reserves its rights to apply such amounts in its sole and absolute discretion in accordance with the Loan Documents. Additionally, Lender reserves its rights to set off any additional amounts in accordance with the Loan Documents.**

Nothing contained in this letter is intended to limit, nor shall it be deemed to limit or in any way affect, any of Lender's rights or remedies under the Forbearance Agreement or Loan Documents with respect to any existing or future Event of Default or any other default under the Forbearance Agreement and any or all of the Loan Documents, and this letter shall not be deemed to provide any cure period to Borrowers not otherwise provided in the Forbearance Agreement or Loan Documents. Nothing contained herein, nor failure by Lender to reference or exercise any of its rights or remedies under any or all of the Loan Documents with respect to any existing or future Event of Default or any other default shall be deemed to constitute, nor is it intended to constitute, a waiver of any existing or future Event of Default or any other default under the Forbearance Agreement and any or all of the Loan Documents or a waiver of Lender's rights to pursue any and all of its rights and remedies under the Forbearance Agreement and Loan Documents at any time without further notice to Borrowers. Any listing of defaults herein (or the facts or circumstances

related thereto) is not intended to be, nor shall it be construed as, a complete listing of all defaults (or the facts or circumstances related thereto) or a waiver of any unlisted defaults. In addition, any act or omission by Lender with respect to the Loans prior to or after the date hereof shall be without prejudice to Lender's rights and remedies with respect to each such default. All rights and remedies of Lender, whether at law or in equity, are expressly reserved.

Sincerely,



Stanley F. Orszula

SFO/eax

cc: Mr. Matt Merboth
Mr. Corey Van Schaick