

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

<b>IN RE:</b>	)	<b>Chapter 11</b>
	)	
<b>SINDESMOS HELLINIKES-KINOTITOS OF</b>	)	<b>Case No. 15 B 22446</b>
<b>CHICAGO a/k/a HOLY TRINITY HELLENIC</b>	)	
<b>ORTHODOX CHURCH a/k/a HOLY TRINITY</b>	)	<b>Hon. Timothy A. Barnes</b>
<b>ORTHODOX CHURCH OF CHICAGO, an</b>	)	
<b>Illinois religious corporation</b>	)	
	)	
<b>Debtor.</b>	)	
	)	

**EXHIBIT A TO PROOF OF CLAIM OF THE  
HELLENIC-AMERICAN ACADEMY FOUNDATION, NFP**

**Background**

The Hellenic-American Academy Foundation, NFP (the "Academy") was formed in or about November 2005, for the purpose of preserving and promoting Hellenic and Hellenic-American heritage through education. The Academy was principally formed by various members of the parish of Sindesmos Hellenikes-Kinotitos of Chicago (the "Debtor"), a Greek Orthodox church, and grew out of the Debtor.

Since at least 1897, the Debtor has been located at 6041 W. Diversey Avenue in Chicago, Illinois (the "Chicago Property"). Historically the Debtor served a vibrant Greek-American community on the west side of Chicago surrounding the Chicago Property.

In addition to religious services, the Debtor historically operated the Socrates Greek-American Elementary School (the "School"), founded by the Debtor in or about 1908, through which the Debtor provided an exceptionally balanced bi-lingual educational program (in Greek and English) to the Greek-American community in the area.

In recent decades, the Greek-American population on the west side of Chicago has dwindled as many dispersed to other areas in and around Chicago. Recognizing this reality, beginning in or about 2002 or 2003, the Debtor began planning to relocate first the School and then its church closer to the Greek-American population centers in the area and focused on the city's North Shore suburbs for the benefit of and to preserve the Debtor's community in the future (the "Plan").

Acting on this Plan, the Debtor along with various other religious leaders and representatives of the Greek Orthodox Metropolis viewed several potential properties and

ultimately purchased the real property located at 1085 N. Lake-Cook Road in Deerfield, Illinois (the "Deerfield Property") in August of 2004 for approximately \$3.1 million. In large part, the Deerfield Property was selected, because it was believed to be a suitable location with sufficient space to house both the Debtor's church and School.

The Debtor financed this purchase through a \$3.1 million loan from North Community Bank and subsequently accepted additional financing to begin financing the renovation of the Deerfield Property and construction necessary to operate the School.

### **The Formation of the Academy and Agreement with the Debtor**

The cost of renovating the Deerfield Property to make it suitable for the School were such that the Plan was modified to include the creation of an operational entity, which would take over the School, that was intended to qualify for tax free status under Section 501(c)(3) of the Internal Revenue Code in order to pursue special debt financing opportunities as well as private donations.

Therefore, in reliance on the Plan, the Academy was formed several months after the Debtor's purchase of the Deerfield Property. The Academy was formed by various members of the Debtor's parish, many of whom directly participated in the numerous discussions related to the Plan and were otherwise directly involved in the Plan.

At the time, the parties understood that enrollment at the School, which had temporarily relocated to a Serbian Orthodox Church to allow the Debtor to lease the Chicago Property, would be significantly reduced from historic levels as a result of a number of factors, principally including the fact that it would move a second time to Deerfield, Illinois. As a result, the Debtor knew that the Academy would require significant financial support from the Debtor while the Academy incurred expected start-up operating losses and worked to increase enrollment and solidify the School's operation and future in its expected permanent new location on the Deerfield Property.

After months of discussion, renovations to the Deerfield Property, and in reliance on the Plan, the Academy and the Debtor agreed that the Academy would take over the School starting with the 2006-2007 academic year and operate it at the Deerfield Property and that the Debtor would continue to lease out the Chicago Property.

Given the Academy's anticipated start-up operating losses and need to grow and become established in Deerfield, the agreement required the Debtor to support the Academy by assisting in financing the real estate expenses related to the Deerfield Property for a period of ten years, while also ensuring both that the Academy had sufficient rights to remain on the Deerfield Property in perpetuity and that the Debtor would be able to relocate its church on the property in the future. The Debtor's financial support coupled with the Academy's fundraising efforts were expected to provide the Academy sufficient financing to allow the Academy to grow enrollment until it hit a point where the Academy could support both the cost of the real estate as well as the School's other normal operating expenses.

Though various terms of this agreement were not written by the Debtor and the Academy, several of them were memorialized in a joint resolution of the governing bodies of the Debtor and the Academy dated June 15, 2006 (the "Joint Resolution"), which also constitutes a lease of the Deerfield Property. The Joint Resolution provides for several terms of the parties' agreement, including, without limitation, that: (i) ownership of the School was transferred to the Academy starting with the 2006-2007 academic year; (ii) the Academy would lease the Deerfield Property rent free (and that the Debtor would not accept monetary remuneration) for a period of ten years; (iii) after the initial ten-year term, the Academy and the Debtor would enter into a market rate lease for the Deerfield Property into the future; (iv) the Debtor would not deprive the Academy of use of the Deerfield Property without the Academy's consent; (v) the Academy would seek to obtain and maintain status under Section 501(c)(3) of the Internal Revenue Code; and (vi) the Academy would continue to operate the School on the Deerfield Property continuously in perpetuity. A copy of the Joint Resolution is attached hereto as Exhibit B.

Other terms of the agreement between the Debtor and the Academy included that: (a) the parties would seek additional financing for the purpose of continuing renovations on the Deerfield Property through more advantageous, government sponsored financing programs specifically available to educational institutions; (b) the Debtor would use the proceeds from the lease of the Chicago Property to help service any such financing during the Academy's ten-year start-up period in Deerfield; (c) the Debtor would ultimately seek to retain a new, young priest who, in addition to serving in the the Debtor's church, would also be a faculty member at the School providing religious counseling and guidance in the Academy's operation of the School; and (d) the Debtor would continue to pursue the Plan with the intent, though not the obligation, to relocate its church on the Deerfield Property and use the proceeds of any future sale of the Chicago Property to pay down any additional financing the parties agreed to obtain.

This agreement between the Academy and the Debtor is an enforceable contract that was honored for a period of time.

Approximately a year later, in or about June 2007, pursuant to this agreement, the parties obtained additional financing in the original amount of \$12.191 million with the assistance of a government sponsored program for the issuance of tax exempt bonds through the Illinois Finance Authority to MB Bank Financial, NA. The Academy guaranteed these bonds, which were secured by both the Chicago Property and the Deerfield Property. The original amount of this financing was expected to be sufficient to both complete development of the School's facilities with sufficient financing to fund the expected future relocation of the Debtor to the Deerfield Property. In or about February 2010, these bonds were amended so that the Academy and Debtor switched positions and the Debtor became the guarantor. Due to the facts that the Debtor did not then have concrete plans to relocate the church; the unused loan proceeds, which would otherwise accrue interest, were also repaid to the lender so that the balance was reduced to \$6.91 million as part of the amendment.

Additionally, pursuant to the parties' agreement, a young priest, Father Sotirios Malamis, was retained and became very active in the Academy, conducted services at the School, and assisted the Academy in establishing the School on the Deerfield Property. For a period of time, the Debtor serviced the MB debt through the proceeds of the lease of the Chicago Property as agreed. Finally, in 2007 and 2008, the Debtor attempted to sell the Chicago Property and was involved in extended negotiations with a third party, though the sale was never consummated when the buyer could not obtain acceptable financing as the broader real estate and lending markets collapsed.

As a result of the parties' agreement and the Academy's efforts in reliance on that agreement, the Academy experienced significant success. Within approximately six years following the relocation of the School to the Deerfield Property, the Academy had grown enrollment by over 250% and was able to finance its operating expenses. The Academy anticipated continued growth in the coming years and to be in a position to fully fund a market lease of the Deerfield Property from the Debtor by its tenth year of operation of the School.

The Academy has satisfied its obligations under the parties' agreement and continues to operate the School on the Deerfield Property.

#### **Debtor Breaches the Agreement**

Although the Debtor did honor the parties' agreement for a period of time, the Debtor breached its obligations by, among other things: (i) incrementally reducing and, by 2013, ceasing payments to assist servicing the MB debt; (ii) unilaterally redirecting the rental proceeds from the lease of the Chicago Property to other purposes; (iii) taking actions that led to Father Malamis' resignation and departure from the Academy; and (iv) suggesting its intent to sell the Deerfield Property out from under the Academy.

As a result of the Debtor's breaches, the Academy experienced material decreases in enrollment, with an approximately 25% reduction in 2014, as families became fearful that the Academy would be forced to close the School. The Debtor's breaches interfered with the Academy's fund raising efforts as potential benefactors declined to donate in the face of a potential forced sale of the Deerfield Property. As the Debtor reduced and ultimately ceased using the proceeds of the Chicago Property lease to service the MB debt, the Academy was forced to repurpose substantial funds intended to finance further growth in order to service the MB debt. Finally, the Academy was also forced to expend considerable resources in an effort to reassure its teachers and families in the face of threats to sell the Deerfield Property.

As a result of the Debtor's breaches, the Academy has suffered and continues to suffer damages in an unliquidated amount of at least approximately \$2,515,000 comprised of lost tuition due to attrition, stunted enrollment growth, lost fund raising opportunities, increased debt service payments, and other related costs. All of these damages were reasonably foreseeable, understood and anticipated by the parties at the

time they entered the agreement, and are the result of the Debtor's breaches of that agreement.

Additionally, and in the alternative, the Academy has a claim for contribution against the Debtor with respect to payments made by the Academy on the MB debt prior to the amendment of the MB debt.

**EXCERPT OF MINUTES OF A JOINT MEETING OF THE GENERAL ASSEMBLY OF SINDESMOS HELLENIKES-KINOTETOS OF CHICAGO ("HOLY TRINITY PARISH"), AND THE BOARD OF TRUSTEES OF THE NEWLY FORMED HELLENIC-AMERICAN ACADEMY FOUNDATION, NFP, COUNTY OF COOK, STATE OF ILLINOIS, HELD ON THE 15TH OF JUNE 2006**

A joint meeting of the General Assembly (the "Assembly") of the Sindesmos Hellenikes-Kinotetos of Chicago ("Holy Trinity" or "Parish") an Illinois Religious Corporation, and the Hellenic-American Academy Foundation, NFP, ("Academy") an Illinois Not-For-Profit Corporation was held in the Gymnasium, second floor of the Parish, 6041 W. Diversey, Chicago, Illinois, on June 15, 2006, commencing at 1:00 p.m. Written notices of the meeting including the date, hour, place and agenda for the meeting, was posted in the Parish Bulletin, and sent via U.S. Mail to all Parish members and Members of the Academy.

The meeting was called to order at approximately 1:45 p.m. A quorum was established by the Secretary of each body. Mr. Demetrios Logothetis was nominated and accepted the position of the Chairman of the joint meeting.

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(Other Proceedings)

Thereupon, there was presented a Joint Resolution entitled:

**A JOINT RESOLUTION BY SINDESMOS HELLENIKES-KINOTETOS OF CHICAGO, AND THE HELLENIC-AMERICAN ACADEMY FOUNDATION, NFP; AUTHORIZING THE TRANSFER OF OWNERSHIP AND CONTROL OF SOCRATES-GREEK AMERICAN ELEMENTARY SCHOOL FROM HOLY TRINITY TO THE ACADEMY AND ALLOWING THE ACADEMY RENT-FREE USE OF THE PARISH PROPERTY LOCATED IN DEERFIELD ILLINOIS.**

Recitals:

- A. In 1897 Sindesmos Hellenikes-Kinotetos of Chicago was incorporated as an Illinois Religious Corporation making it the first Greek Orthodox Parish in the Midwest and the Second Greek Orthodox Parish in the United States of America.
- B. In furtherance of its educational purposes, the Parish established a Greek language elementary school named "SOCRATES SCHOOL" in 1908. In 1917 the Parish



added an English curriculum to the School making it the first bi-lingual elementary Greek-American School in the United States of America.

- C. From the School's inception until the present the Parish has dutifully and continuously provided its community an exceptionally balanced bi-language educational program.
- D. In adherence to a commitment of advancing its educational purpose, The Parish, in 2004, purchased property at 1085 North Lake Cook Road Deerfield, Illinois ("Subject Property") for the purpose of relocating the school; thereby making it more accessible to a larger student base. Moreover, in an effort to fully effectuate the School's relocation, the Parish has taken upon itself the great financial burden of re-zoning, remodeling and constructing on the Subject Property.
- E. The acquisition, renovation, re-zoning and construction of the Subject Property has thus far cost the Parish approximately \$4,500,000 (Four Million Five Hundred Thousand Dollars). This \$4,500,000 (Four Million Five Hundred Thousand Dollars) is considered the Subject Property's Original Purchase Price.
- F. In 2004, various members of the community formed the Hellenic-American Academy Foundation, NFP. The Academy was formed with the purpose of preserving and promoting the Hellenic and Hellenic-American Heritage to all people through means of education.
- G. The Academy proposes to accomplish its goals by instituting a diverse group of educational programs, including, full-time and part-time elementary school, a high school, dance and theater groups and an assortment of lecture series.
- H. In furtherance of both bodies' educational dedication the Parish and Academy seek to carry forward the School's longstanding tradition by broadening its scope, and fostering its future growth.
- I. The Parish does not wish to profit in any way from transferring ownership of the School to the Academy, nor does it wish to profit from allowing the Academy use of the subject property.

**NOW THEREFORE, BE IT RESOLVED** by the Parish's General Assembly and the Academy's Board of Trustees, as the governing authorities of each respective body that:

**Section 1.** The Parish's General Assembly, authorizes the Parish Council to transfer complete ownership and control of Socrates Greek-American Elementary School, along with all the School's auxiliary programs, beginning in the 2006-2007 school year, to the Hellenic-American Academy Foundation, NFP.

**Section 2.** The Parish pledges to the Academy that:

- The Parish shall allow the Academy exclusive use of its newly acquired and constructed property located at 1085 North Lake Cook Road for the furtherance of the Academy's purpose;
- In allowing the Academy use of the Subject Property, the Parish shall not seek from the Academy nor shall it accept any monetary remuneration for a period of 10 years. Thereafter, the Parish and the Academy shall enter into a good-faith, arms-length, fair market space-sharing agreement.
- The Parish shall not lease to a third party, or otherwise deprive the Academy use of the Subject Property without the Academy's prior written consent.
- In the event that the Parish wishes to sell the Subject Property or any portion thereof, the Academy shall have a Right of First Refusal to purchase the Subject Property for a price equal to the Original Purchase Price plus "Yearly Inflation". "Yearly Inflation" shall be equal to the Consumer Price Index as periodically reported by the United States Government.

**Section 3.** The Academy acting through its Board of Trustees accepts complete transfer, ownership and control of Socrates Greek-American Elementary School and the use of the Subject Property.

**Section 4.** In appreciation of the Parish's exceptional generosity the Academy pledges to the Parish that:

- It shall take all reasonable steps to seek and maintain section 501(c)(3) standing from the United States Internal Revenue Service;
- It shall continuously operate Socrates Greek-American Elementary School on the Subject Property as a full time Elementary School.

This Resolution having been submitted to a vote of both bodies:

**PARISH:** ALL MEMBERS OF THE GENERAL ASSEMBLY APPROVED THE RESOLUTION.

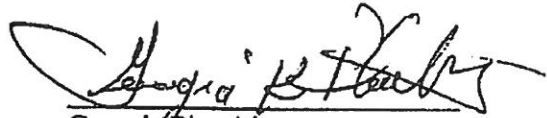
**ACADEMY:** ALL MEMBERS OF THE ACADEMY'S BOARD OF TRUSTEES APPROVED THE RESOLUTION.

**THE RESOLUTION WAS DECLARED ADOPTED BY BOTH BODIES ON THIS, THE 15TH DAY OF JUNE 2006.**

***(PLEASE TURN TO THE NEXT PAGE FOR ATTESTATION OF THIS RESOLUTION)***



Attest:

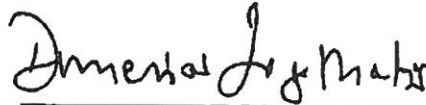


Georgios Plevritis  
Secretary of Parish Council



John Giourdas  
Secretary of Academy

Approved by Parish President:  
and Academy Chairman



Demetrios Logothetis