

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

SHARITY MINISTRIES, INC.,¹

Debtor.

Chapter 11 (Subchapter V)

Case No.: 21- 11001 ()

**DECLARATION OF NEIL F. LURIA IN SUPPORT OF
CHAPTER 11 PETITION AND FIRST DAY MOTIONS**

I, Neil F. Luria, declare as follows:

1. I am the Chief Restructuring Officer of Sharity Ministries, Inc. (“Sharity”). I am also the President of Solic Capital Advisors LLC (“Solic”) and the Head of Solic’s Restructuring and Distressed Asset Support Services divisions. I am an authorized officer for purposes of executing all documents in connection with the filing of Sharity’s bankruptcy petition and related documents.

2. As Chief Restructuring Officer, I am generally familiar with Sharity’s business, financial condition, policies and procedures, day-to-day operations, and books and records. Except as otherwise indicated, the facts set forth in this declaration (“Declaration”) are based upon my personal knowledge, my review of relevant documents, information provided to me by employees and consultants working under my supervision, or my opinion based on experience, knowledge, and information concerning Sharity’s operations and financial condition. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

3. On July 8, 2021, Sharity filed a voluntary petition for relief under subchapter V of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Court”).

¹The last four digits of the Debtor’s federal tax identification number is 0344. The Debtor’s mailing address is 821 Atlanta Street, Suite 124, Roswell, GA 30075.

4. I submit this Declaration in support of Sharity's voluntary petition for relief and of the motions filed requesting "first day" type relief to minimize the potential disruptions that filing this chapter 11 case may have on its operations (collectively, the "First Day Motions"). I am authorized to submit this Declaration on behalf of Sharity.

A. Sharity's Health Care Sharing Ministry.

5. Sharity, established in 2018, is a 501(c)(3) faith-based nonprofit corporation that operates a Health Care Sharing Ministry, a medical cost-sharing arrangement among persons of similarly and sincerely held religious beliefs. Sharity aims to alleviate the burden of expensive health care costs by offering an affordable health care option that aligns with both state laws and Christian beliefs.

6. To fulfill its charitable mission, Sharity offers various health care sharing programs to its members. Sharity's membership consists of individuals who share a common set of Christian religious beliefs and who have agreed to share medical expenses in accordance with those beliefs. Sharity's health care sharing programs are designed to facilitate member-to-member sharing by matching members' sharing requests for eligible medical expenses with other members' voluntary contributions to the programs. The programs feature various participation levels, affording members different levels of sharing eligibility based on different levels of voluntary contributions members may choose to make.

7. Sharity facilitates member-to-member sharing through what it refers to as the "Sharebox." Through the Sharebox, Sharity matches eligible medical expenses that members submit with other members' voluntary contributions to Sharity's programs. The monetary gifts used to pay for members' medical expenses after a sharing request is submitted come from the members themselves through their voluntary contributions.

8. Sharity maintains a Sharebox bank account for member contributions and disbursements. Member contributions are deposited in the Sharebox bank account until matched with eligible medical expenses from other members. If a request is eligible for sharing and sufficient member contributions are available to meet that expense, Sharity transmits funds from the Sharebox bank account to the medical provider for the requesting member's expenses. Upon joining Sharity's health care sharing programs, members consent to having their voluntary contributions shared in this manner. A member's sharing request will not be funded if the request is ineligible for payment according to the applicable criteria, insufficient member funds are available to meet the expenses, or members do not sufficiently consent to having their contributions shared.

9. Sharity's goal is to facilitate as much sharing of the members' medical expenses as possible while ensuring that only eligible medical expenses are shared between members. Sharity generates revenue by retaining a portion of member donations to ensure its financial viability and to satisfy operating expenses, which include, among other things, funds spent to ensure that sharing requests are legitimate and eligible for sharing under the applicable guidelines for each program offered by Sharity.

10. Sharity provides no agreement or promise to indemnify or pay a member's medical expenses. Rather, Sharity acts as a platform to facilitate sharing between members. In accordance with that purpose and function, (i) Sharity does not maintain a reserve of funds to pay any member's medical expenses if contributions are insufficient to meet sharing requests; (ii) Sharity does not have reinsurance; (iii) Sharity does not use actuaries for forecasting future medical expenses eligible for sharing; and (iv) Sharity does not engage in underwriting. Sharity is under

no legal obligation to fund sharing requests and cannot provide any assurances that any or all sharing requests will be met.

11. Members are voluntary participants in Sharity's sharing programs. Registration, membership, and participation in the programs, such as the sharing of monetary contributions, is voluntary. Members may cancel their participation in Sharity's programs at any time.

B. Sharity's Historical Operations and the Strategic Process.

12. Sharity was originally incorporated in Delaware in June 2018 under the name Trinity Healthshare, Inc., and later changed its name to Sharity Ministries, Inc.

13. Sharity is governed by a board of directors consisting of the following people: J. Christopher Sizemore (Chairman), Stephen Vault, Joseph Handy, A. Joseph Guarino III, and William "Rip" Thead III. Messrs. Sizemore, Vault, and Handy are independent directors of Sharity.

14. Sharity retains outside firms to provide various management and administrative services necessary to support the program operations. From its inception, Sharity was party to a single contract with Alera Healthcare, Inc., to provide those services. That contract expired at the end of 2019. Effective January 1, 2020, Sharity was a party to a series of vendor agreements with subsidiaries of the Alera Companies (collectively, the "Alera Companies"), each with an initial 5-year term. Under the agreements, Sharity retained certain of the Alera Companies to, among other things, provide (i) administrative services, (ii) information technology related services, (iii) marketing and brand development services, (iv) sales services, and (v) ancillary services such as customer, accounting, regulatory, and compliance services (collectively, the "Alera Contracts").

15. Recently, various governmental units and private parties have brought investigations, claims, or lawsuits against the Alera Companies, and in some cases, Sharity itself. Because of its contractual involvement with the Alera Companies, Sharity's reputation, financial position, and membership levels have been severely and negatively impacted.

16. Sharity is currently investigating whether a backlog of sharing requests in connection with the Sharebox were not paid while it was operating under the Alera Contracts. Also, Sharity is investigating whether the Alera Companies owes amounts that should have been paid to health care providers who provide services to the members of Sharity during current and prior contract terms.

17. Prior to the bankruptcy case, Sharity commenced a strategic process by which it (a) solicited third-party interest to enter into agreements to provide administrative, technological, and other services to Sharity similar to those provided under the Alera Contracts, and (b) analyzed its operational footprint to determine the locations in which it could operate most effectively for its members (the "Strategic Process"). The goal of the Strategic Process was to maximize the efficiency of Sharity's operations, such that a greater percentage of each dollar shared by members would ultimately be used to pay other members' medical expenses.

18. As a result of the Strategic Process, Sharity identified certain third-party service providers (the "TPA and Related Vendors") that Sharity believes will provide a high-quality level of service that Sharity and its members expect at more competitive prices and decided to reduce the number of states in which it operates.

C. Sharity's Goals for this Chapter 11 Case.

19. Sharity filed the above-captioned bankruptcy case to facilitate the transition to the TPA and Related Vendors and to right-size its operations in an orderly and efficient manner that

minimizes any disruption to its members, all while (i) continuing operations, (ii) protecting its valuable member relationships, and (iii) facilitating members' eligible sharing requests.

20. To effectuate these goals, on or shortly after the Petition Date, Sharity anticipates filing one or more emergency motions to reject many of the Alera Contracts. Outside of bankruptcy, Sharity has limited ability to terminate the Alera Contracts without cause before December 2024. Sharity intends to work diligently and in good faith with the Alera Companies to transition to the TPA and Related Vendors, and Sharity intends to assume the contracts with the TPA and Related Vendors under a plan of reorganization.

21. Sharity anticipates filing a proposed chapter 11 plan of reorganization at the commencement of the case and seeking an expedited confirmation process that will allow Sharity to emerge from bankruptcy as a reorganized debtor poised for long-term success. Sharity's plan will allow it to elect, in the alternative, to liquidate its operations if it deems that to be in the best interests of its members.

D. Evidentiary Support for the First Day Motions.

22. To minimize any disruption resulting from the filing of this chapter 11 case as well as other possible adverse effects on its operations, contemporaneously herewith Sharity is filing various First Day Motions requesting relief on an emergency basis.

23. I have reviewed each of the First Day Motions, including the attachments thereto, and I believe that the relief sought in each of the First Day Motions is tailored to meet the goal of continuing Sharity's operations in an efficient and value maximizing manner during the transition into this chapter 11 case.

24. The basis for each First Day Motion is described in more detail below:

- a. **Motion to Pay Prepetition Employee Obligations:** Sharity has filed an emergency motion requesting the authority to pay certain pre-petition obligations

due to its employees. Sharity requests authority to pay the employees' pre-petition wages and honor certain employee policies (for example, paid time off). Sharity's next payroll date is July 16, 2021, and it is critical to Sharity's ability to continue operations that they pay their employees on that date. If Sharity is not permitted to fulfil its obligations to employees, the employees will not receive full payment for services that have already been performed. I believe such a result would undermine the morale and loyalty of Sharity's workforce, and substantially jeopardize Sharity's bankruptcy efforts. I believe that the relief requested in this motion is in the best interests of Sharity, its estate, and its creditors.

- b. **Motion to Continue Use of Cash Management System:** Sharity has filed an emergency motion requesting that the Court authorize Sharity to continue using its pre-petition cash management system, including existing bank accounts and business forms. Many of Sharity members utilize automatic withdrawals to make monthly donations to Sharity; preventing members from using this convenient donation method could undermine the donations that make Sharity's health care sharing ministry possible. Requiring Sharity to discontinue the use of its existing bank accounts would be expensive, impose administrative burdens on Sharity, and cause undue disruption to Sharity's operations. I believe that the relief requested in this motion is in the best interests of Sharity, its estate, and its creditors.
- c. **Motion to Continue Payment of Sharing Requests in Ordinary Course of Business.** Sharity has filed an emergency motion requesting that the Court authorize Sharity to continue facilitating contributions to the Sharebox account that are used to satisfy sharing requests of eligible medical expenses between members. Sharity's payments to the Sharebox account are critical to its continued operations and fulfilment of its faith-based charitable mission. If Sharity does not continue its ordinary course of business of contributing to the Sharebox account, member requests for sharing eligible medical expenses will go unsatisfied, which could have severe negative consequences for Sharity and its members. The actual amounts to be distributed from the Sharebox to health care providers for eligible sharing requests will depend upon a number of factors, including the receipt by Sharity of contributions sufficient to meet Sharity's administrative costs and current sharing requests. I believe that the relief requested in this motion is in the best interests of Sharity, its estate, and its creditors.
- d. **Motion to Limit Notice:** Sharity has filed an emergency motion requesting approval of limited service on certain matters in this bankruptcy case and an opt-in procedure for parties who wish to receive additional service. I understand that limiting service and the opt-in procedure will allow interested parties to receive notice of matters in this bankruptcy case while avoiding unnecessary administrative expenses. I believe that the relief requested in this motion is in the best interests of Sharity, its estate, and its creditors.

- e. **Motion to Approve Retention of Claims and Noticing Agent:** Sharity has filed an emergency motion requesting the Court approve Sharity's retention of BMC Group, Inc., as claims and noticing agent. I believe the retention of a claims and noticing agent is necessary primarily to handle the significant burden of providing notice to interested parties, including Sharity's members. I believe that the relief requested in this motion is in the best interests of Sharity, its estate, and its creditors.

25. I also believe that it is critical that the First Day Motions be heard as soon as practicable. If the First Day motions are not considered on an expedited basis, it could threaten Sharity's ability to satisfy its obligations to, among others, employees and members. The impact of such a stoppage would be immediate and irreparable to Sharity. Accordingly, I believe expedited consideration and approval of the First Day Motions is vital to the continued viability of Sharity and is in the best interest of all of Sharity's respective stakeholders.

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I declare under penalty of perjury that the foregoing is true and correct according to the best of my knowledge, information and belief.

Dated: July 8, 2021



Neil F. Luria, Chief Restructuring Officer
Sharity Ministries, Inc.