

**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 (JTD)

**CERTIFICATION OF COUNSEL REGARDING ORDER APPROVING
STIPULATION TO (I) WITHDRAW SUBCHAPTER V ELECTION,
AND (II) GRANT RELATED RELIEF**

I, Nicolas E. Jenner, counsel to the above-captioned debtor and debtor in possession (the “Debtor”) hereby certify as follows to the best of my knowledge, information and belief:

1. On July 8, 2021 (the “Petition Date”), the Debtor filed a voluntary petition for relief under 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”) commencing the above captioned chapter 11 case (the “Chapter 11 Case”) and elected to proceed under Subchapter V of the Bankruptcy Code.

2. The Debtor is a Section 501(c)(3) nonprofit corporation that operated a Health Care Sharing Ministry (“HCSM”) and whether Sharity operated as a genuine HCSM is disputed by certain parties.

3. At a status conference held on July 22, 2021, the Debtor announced its decision to cease operations and conduct an orderly wind down.

4. On July 22, 2021 U.S. Trustee filed the *United States Trustee’s Motion to Remove the Debtor in Possession Pursuant to 11 U.S.C. § 1185, or Alternatively, Motion to Authorize the Subchapter V Trustee to Investigate the Debtor’s Financial Affairs Pursuant to 11 U.S.C. § 1183*

¹ The 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.

(the “Motion”) [D.I. 68], and thereafter, several parties filed joinders to the Motion, including certain states [D.I. 85, 93], the Debtor filed opposition to the Motion [D.I. 84], and the U.S. Trustee filed a reply [D.I. 101].

5. After conducting an evidentiary hearing on August 5 and 9, 2021, the Court entered an order on August 12, 2021 (the “August 12, 2021 Order”) [D.I. 144], (i) holding the Motion in abeyance regarding the removal of the Debtor as debtor in possession, (ii) granting the portions of the Motion regarding the expansion of the Subchapter V Trustee’s duties to include an investigation of the Debtor’s financial affairs, and (iii) directing the U.S. Trustee to appoint an official committee of members.

6. On August 20, 2021, the U.S. Trustee appointed the Official Committee of Members of Sharity Ministries, Inc. (the “Member Committee”).

7. On August 27, 2021, the Subchapter V Trustee filed the Status Report of Subchapter V Trustee Concerning Court Order Entered at D.I. 144 [D.I. 173].

8. Since the appointment of the Member Committee, the Debtor has worked closely with the Member Committee and Subchapter V Trustee regarding all outstanding matters in this case, including the negotiation and formulation of a plan of liquidation (the “Plan”).

9. The Debtor maintains that it is an eligible debtor under Subchapter V of the Bankruptcy Code, but certain states intend to challenge and litigate whether the Debtor is eligible to be a Debtor under Subchapter V (the “Eligibility Issue”).

10. In order to avoid protracted and costly litigation over the Eligibility Issue that would provide no benefit to the Debtor’s Members and to streamline the resolution of the Chapter 11 Case to maximize the value of the bankruptcy estate, (i) Debtor, (ii) the Subchapter V Trustee, (iii) the U.S. Trustee, (iv) the Member Committee, and (v) the State of Texas (collectively, the

“Parties”), have agreed, subject to approval of the Bankruptcy Court, to seek entry of an order, substantially in the form attached hereto as **Exhibit A** (the “Proposed Order”), approving the *Stipulation to (I) Withdraw Subchapter V Election, and (II) Grant Related Relief* (the “Stipulation”), which provides that the Debtor’s election to proceed under Subchapter V will be deemed withdrawn and will no longer apply. A copy of the Stipulation is attached as Exhibit 1 to the Proposed Order.

WHEREFORE, the undersigned respectfully requests that the Bankruptcy Court enter the Proposed Order approving the Stipulation at its earliest convenience.

Dated: October 1, 2021
Wilmington, Delaware

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*Counsel for the Debtor and
Debtor-in-Possession*

Exhibit A

Proposed Order

**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 (JTD)

**ORDER APPROVING STIPULATION TO (I) WITHDRAW SUBCHAPTER V
ELECTION, AND (II) GRANT RELATED RELIEF**

Upon consideration of the *Stipulation To (I) Withdraw Subchapter V Election, and (II) Grant Related Relief* (the “Stipulation”)² attached hereto as Exhibit “1”, it is HEREBY ORDERED

THAT:

1. The Stipulation is approved and all terms and provisions of the Stipulation are incorporated fully herein.
2. The Parties are authorized to take all actions necessary or appropriate to effectuate the relief granted in this Order and to perform their respective obligations under the Stipulation.
3. The terms and provisions of the Stipulation shall immediately be effective and enforceable upon entry of this Order.

¹ The 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.

² Capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the Stipulation.

4. This Court shall retain jurisdiction over any and all matters arising from or related to the implementation of this Order and the Stipulation.

Dated: October __, 2021
Wilmington, Delaware

THE HONORABLE JOHN T. DORSEY
UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Stipulation

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

In re:

SHARITY MINISTRIES, INC.,⁴

Debtor.

Chapter 11 (Subchapter V)

Case No.: 21-11001 (JTD)

**STIPULATION TO (I) WITHDRAW SUBCHAPTER V
ELECTION, AND (II) GRANT RELATED RELIEF**

This Stipulation (the “Stipulation”) is made and entered into as of the latest execution date contained at the end of the Stipulation by and among (i) Sharity Ministries, Inc. (the “Debtor”), (ii) Holly S. Miller, Subchapter V Trustee (the “Subchapter V Trustee”), (iii) the Office of the United States Trustee (the “U.S. Trustee”) (iv) the Official Committee of Members of Sharity Ministries, Inc. (the “Member Committee”), and (v) the States identified on the signature pages attached hereto (collectively, the “States” and together with the foregoing, the “Parties”). The Parties agree as follows:

WHEREAS, on July 8, 2021 (the “Petition Date”), the Debtor filed a voluntary petition for relief under 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”) commencing the above captioned chapter 11 case (the “Chapter 11 Case”) and elected to proceed under Subchapter V of the Bankruptcy Code;

WHEREAS, the Debtor is a Section 501(c)(3) nonprofit corporation that operated a Health Care Sharing Ministry (“HCSM”) and whether Sharity operated as a genuine HCSM is disputed by certain parties;

⁴ The 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.

WHEREAS, at a status conference held on July 22, 2021, the Debtor announced its decision to cease operations and conduct an orderly wind down;

WHEREAS, on July 22, 2021 U.S. Trustee filed the *United States Trustee's Motion to Remove the Debtor in Possession Pursuant to 11 U.S.C. § 1185, or Alternatively, Motion to Authorize the Subchapter V Trustee to Investigate the Debtor's Financial Affairs Pursuant to 11 U.S.C. § 1183* (the "Motion") [D.I. 68], and thereafter, several parties filed joinders to the Motion, including certain states [D.I. 85, 93], the Debtor filed opposition to the Motion [D.I. 84], and the U.S. Trustee filed a reply [D.I. 101];

WHEREAS, after conducting an evidentiary hearing on August 5 and 9, 2021, the Court entered an order on August 12, 2021 (the "August 12, 2021 Order") [D.I. 144], (i) holding the Motion in abeyance regarding the removal of the Debtor as debtor in possession, (ii) granting the portions of the Motion regarding the expansion of the Subchapter V Trustee's duties to include an investigation of the Debtor's financial affairs, and (iii) directing the U.S. Trustee to appoint an official committee of members;

WHEREAS, on August 20, 2021, the U.S. Trustee appointed the Member Committee;

WHEREAS, on August 27, 2021, the Subchapter V Trustee filed the *Status Report of Subchapter V Trustee Concerning Court Order Entered at D.I. 144* [D.I. 173];

WHEREAS, since the appointment of the Member Committee, the Debtor has worked closely with the Member Committee and Subchapter V Trustee regarding all outstanding matters in this case, including the negotiation and formulation of a plan of liquidation (the "Plan");

WHEREAS, the Debtor maintains that it is an eligible debtor under Subchapter V of the Bankruptcy Code, but certain states intend to challenge and litigate whether the Debtor is eligible to be a Debtor under Subchapter V (the "Eligibility Issue");

WHEREAS, in order to avoid protracted and costly litigation over the Debtor's eligibility under Subchapter V that would provide no benefit to the Debtor's Members and to streamline the resolution of the Chapter 11 Case to maximize the value of the bankruptcy estate, the Parties have entered into this Stipulation to consensually resolve the Eligibility Issue and proceed toward an agreed-upon structure for the Plan.

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the Parties hereby contract, covenant and agree, subject to and upon Court approval as set forth herein, as follows:

1. Effective as of the date of an order approving this Stipulation, the Debtor's election to proceed under Subchapter V will be deemed withdrawn and will no longer apply.

2. Effective as of the date of an order approving this Stipulation, the Subchapter V Trustee's rights and obligations under 11 U.S.C. § 1183 shall be terminated, except that the Subchapter V Trustee shall have the right and obligation to complete her duties identified in the August 12, 2021 Order. The Subchapter V Trustee shall file a notice with the Court upon the completion of such duties.

3. Effective as of the date of an order approving this Stipulation, the Member Committee shall remain intact and be deemed to be an Official Committee of Unsecured Creditors under 11 U.S.C. § 1102(a).

4. This Stipulation contains the entire agreement between the Parties with respect to its subject matter, is intended as a final expression of the Parties with respect to such terms as are included in this Stipulation, is intended as a complete and exclusive statement of the terms of such agreement and supersedes all negotiations, stipulations, understandings,

agreements, representations and warranties, if any, with respect to such subject matter, which precede or accompany the execution of this Stipulation.

5. For the avoidance of doubt, this Stipulation is a resolution of the Eligibility Issue. Nothing contained herein shall operate as an admission by the Debtor with respect to any matter set forth herein.

6. This Stipulation may be executed in several counterparts, each of which shall constitute an original, so that all of which taken together shall constitute one and the same instrument. Signatures transmitted by facsimile or electronic scan shall be considered as one and the same as an original signature.

7. Each Party to this Stipulation shall execute all instruments and documents and take all actions as may be reasonably required to effectuate this Stipulation.

8. Should any disagreement arise out of the interpretation or enforcement of this Stipulation, the Court shall maintain jurisdiction over any disputes which arise between the Parties.

9. This Stipulation shall be immediately effective and enforceable upon entry of an order approving this Stipulation.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties by and through their duly authorized respective counsel hereby execute this Stipulation, intending to be legally bound.

Dated: October 1, 2021
Wilmington, Delaware

LANDIS RATH & COBB LLP

/s/ Nicolas E. Jenner

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Wilmington, Delaware

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Subchapter V Trustee

Dated: October 1, 2021
Wilmington, Delaware

/s/ Rosa Sierra
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Andrew R. Vara United States Trustee

Dated: October 1, 2021
Wilmington, Delaware

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Proposed Counsel to the Member Committee

Dated: October 1, 2021
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