

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NORTH CAROLINA

In re:

FAITH BAPTIST CHURCH OF
KNIGHTDALE, N.C., INC.,

Case No. 24-01592-5-DMW
Chapter 11 Proceedings

Debtor.

THE SUMMIT CHURCH'S OBJECTION TO
MOTION TO DISMISS CHAPTER 11 BANKRUPTCY CASE

NOW COMES The Summit Church-Homestead Heights Baptist Church, Inc. (the "**Summit Church**") and hereby files its objection (the "**Objection**") to the *Motion to Dismiss Chapter 11 Bankruptcy Case* (the "**Motion**," Docket No. 71) filed by Brian Hopper Sr. and William Iffland (the "**Movants**") to dismiss this case, which was filed by Faith Baptist Church of Knightdale, N.C. ("**Faith Baptist**" or the "**Debtor**"). In support of this Objection, the Summit Church states as follows:

INTRODUCTION

The Movants seek dismissal of the case (the "**Case**") pursuant to § 1112(b) "for cause," arguing that the Debtor's leadership has ignored the "will of the church" and has "grossly mismanaged the bankruptcy estate" by entering into an Asset Purchase Agreement (the "**APA**") with Summit Church. (Mot. at ¶¶ 50-52.) The Movants attempt to paint the Debtor and Summit Church as having nefarious motives. Such factual characterizations are misleading, and in certain instances, plainly incorrect. Summit

Church offers the following recitations of facts as a non-debtor, interested third-party, and requests that the Court deny the Motion.

Factual Background

1. In the midst of COVID in 2021, Rev. Jason Little accepted the pastoral call to shepherd Faith Baptist as its Senior Pastor. According to Faith Baptist's bylaws, calling a Senior Pastor requires at least an 80% supermajority vote of the congregation.

2. Shortly after Rev. Little took office, he became aware of the financial problems facing Faith Baptist. Faith Baptist's congregational giving did not rebound when the world opened back up post-COVID; unfortunately, attendance remained stagnant and so did giving.

3. As Rev. Little continued with Faith Baptist, it became evident that the Faith Baptist ship was slowly sinking; monthly expenses required to maintain and support its large church campus consistently outweighed monthly giving. The building and property was built for a congregation of approximately 1,000, yet Faith Baptist's average attendance post-COVID was less than 300 people.

4. Rather than watch the congregation drown and the church vanish and become a strip mall or apartments, Rev. Little and Faith Baptist's leadership team, including the Trustees and Executive Ministry Team, proactively reached out to seek help from Summit Church, a likeminded Baptist church that was already meeting and growing its own congregation in Knightdale. Summit Church is a Raleigh and Durham-based Baptist church with over a dozen locations throughout the greater Triangle area.

5. In the Fall of 2023 Rev. Little reached out to Summit Church's leadership team, seeking opportunities to discuss a potential merger of the Debtor into Summit Church, specifically for Summit Church's new, local Knightdale campus. Rev. Little expressed optimism to Summit Church Leadership about the potential for Christian kingdom and missional alignment between the two churches while also sharing about Faith Baptist's bleak financial situation [*See e.g.* E-mail from Rev. Little dated Sept. 25, 2023, **Exhibit A**]. Based on the information shared, Summit Church understood that the Debtor was facing financial distress and could not continue to fund the operational expenses, debt service, and other costs of its church operations.

6. To Summit Church's leadership team, the proposed alignment with Faith Baptist was obvious; Summit Church was already meeting in Knightdale in a rented school and was looking to grow. After considering the financial and missional alignment between the Debtor and Summit Church, Summit Church indicated that it would come to the Debtor's aid. Summit leadership discussed the concept with its Congregational Elders, who approved such a merger, and called on its members to consider the merger with a likeminded congregation.

7. Over several months from October 2023 to February 2024, Faith Baptist's leadership team considered various approaches, met with Summit Church's leaders, sought advice from its legal counsel to create an appropriate nonprofit merger structure, and held discussions with key church members—including several town hall style meetings and multiple Q&A sessions with Summit Church's pastors and leadership held at Faith Baptist.

8. Based on these discussions, it was apparent that the proposed merger was well-received by the majority of Faith Baptist's active congregants. Beginning in January 2024, Faith Baptist's leadership began announcing a forthcoming special meeting from the pulpit as required by Faith Baptist's bylaws.

9. On February 22, 2024, Faith Baptist mailed a Notice of Special Meeting and Information Statement to active members, as required by Faith Baptist's bylaws, including a copy of the Plan of dissolution and distribution of property to Summit Church. Pursuant to that Notice of Special Meeting, a vote was held on March 3, 2024, moderated by legal counsel, and the resolution to approve the plan of dissolution and distribution of property passed 97-55.

10. The purpose of the vote was well-stated in a letter that Rev. Little sent to the congregation on behalf of Faith Baptist's leadership team—noting this was a true union of like-minded congregations that furthers the missions of both churches.

11. Shortly thereafter, a small group of approximately 19 individuals associated with Faith Baptist, who did not like the outcome of the vote, filed a lawsuit against Faith Baptist, in direct contradiction to Faith Baptist's bylaws (Article II, Section 2(A)(5)). Notably, only 13 of the plaintiffs to this lawsuit voted at the March 3, 2024 special meeting.

12. At the same time, Faith Baptist continued to run out of money. A foreclosure case was filed against the Debtor's church property and the Debtor was forced to lay off all of its employees, except its Senior Pastor.

13. Again, Summit Church was approached by Faith Baptist for help, this time in the form of direct financial aid. Summit also became aware that Faith Baptist was seeking bankruptcy protection. Notwithstanding that news, Summit Church approved and issued monetary grants of approximately \$170,000 to Faith Baptist to allow the Debtor to pay accrued and anticipated operating costs, salaries, and severance.

14. Through discussions with Faith Baptist leadership, Summit Church also confirmed that it would be ready, willing, and able to purchase the Debtor's property and satisfy and pay all claims of the Debtor through any bankruptcy proceeding if that was what ultimately would occur.

15. Indeed, Summit Church's commitment to do so is reflected in the Asset Purchase Agreement (the "**APA**"), which has been submitted with the Debtor's Plan.

16. Summit Church is not a creditor of or related party to the Debtor. Its standing as an "interested party" in this Case is only pursuant to the APA. Summit Church remains committed to help the Debtor emerge from this Case, consistent with its prior commitment to the Debtor's leadership and Debtor's members that are now in the process of joining Summit Church.

Disputed Facts

Summit Church offers the following responses regarding the Movants' allegations set forth in Paragraphs 1 and 2 of the Motion:

In ¶ 1, Movants assert they have been dispossessed of a location for their "side" of the congregation. In reality, Movants "side" of the congregation is freely and happily

meeting on a regular basis. (See Exhibit B, showing the meeting venue Movants are utilizing, along with comments from attenders celebrating the space.)

Movants also imply an ownership interest in Faith Baptist's property. This asserted interest is contrary to long-standing tax law related to charitable giving.¹ There are no equity owners of a nonprofit corporation; further, a party must be "a person aggrieved," meaning they must have a pecuniary interest in the Debtor to have standing. See *Mar-Bow Value Partners, LLC v. McKinsey Recovery & Transformation Servs. US, LLC (In re Alpha Nat. Res., Inc.)*, 578 B.R. 325, 353-54 (Bankr. E.D. Va. 2017) (citing *In re Urban Broad. Corp.* 401 F.3d 236, 243 (4th Cir. 2005) and *aff'd* 736 F. App'x 412, 413 (4th Cir. 2018)).

Movants additionally assert Faith Baptist is an "acquisition target" of the Summit Church. This assertion could not be more wrong. It was Faith Baptist leadership who initially approached the Summit Church, asking for help due largely to a lack of giving and a church campus that is too large to maintain for its dwindling congregation after COVID grant money ran out.² Characterizing the Summit Church as an aggressor for responding to a struggling Baptist church's request for help is contrary to the facts and disingenuous. (See *Isaiah 5:20*, woe to those who call good evil.)

In ¶ 2, Movants assert this Case is merely an attempt to circumvent a Preliminary Injunction entered by Judge Adams in state court. This is also completely contrary to the

¹ Surely Movants deducted any donations made to Faith Baptist over the years from their income tax returns. Such donations require "detached and disinterested generosity" (See *Commissioner v Duberstein* 363 U.S. 278 (1960)). To later assert or imply an ownership interest in Church property is contrary to settled law.

² Faith Baptist took approximately \$175,000 of funds from the Paycheck Protection Program. See <https://projects.propublica.org/coronavirus/bailouts/search?q=faith+baptist+church+knightdale&v=1>

facts. Indeed, during the state court proceedings, counsel for Faith Baptist clearly stated that a bankruptcy case would be forthcoming.³ It was no surprise, and it was not an end-around. Moreover, the state court Judge (1) did not rule from the bench at the April 12, 2023 hearing, and (2) did not enter any order prior to the Petition being filed. As such, her order is void *ab initio*. See *In re Wireless Sys. Solutions LLC*, 2024 Bankr. LEXIS 1464, *12 (Bankr. E.D.N.C. June 21, 2024); *In re Newgent Golf, Inc.*, 402 B.R. 424, 433 (Bankr. M.D. Fla. 2009) (order entered by state court judge void *ab initio* when one party filed for bankruptcy relief unbeknownst to the judge). Further, Movants further assert the State Court “found that Debtor lacked authority to close its doors and sell to the Summit.” This is incorrect. The hearing was on a preliminary injunction only, which involved procedural notice issues. There were no findings or rulings, except for those set forth in the void order issued by the State Court after the Debtor’s bankruptcy petition was filed.

Movants lastly assert that Faith Baptist “intentionally impoverished [it]self.” But how? Movants are closely aligned with Charles Driver—the debtholder against the property. Mr. Driver filed a foreclosure action *prior to* Faith Baptist’s Bankruptcy filing. Faith Baptist only lasted as long as it did due to stimulus money supplementing congregational giving. Further, even in recent months while Movants fight to overrule the congregational vote, Summit Church had to grant funds to Faith Baptist in order for Faith Baptist to make payroll.⁴

³ At the hearing, counsel for Faith Baptist, Attorney Gibbs, stated “I just want to represent to the Court, at some point there could be a bankruptcy trustee. Summit walks away, we quit holding the services, and the property is gonna be sold. . . . [W]e’re on life support. We’re laying off staff.” (See Exhibit C to *Debtor’s Response in Opposition to Motion for Relief from Automatic Stay*, docket no. 110 at p. 26/28.)

⁴ Grant Agreement from the Summit to Faith Baptist, dated May 10, 2024.

ARGUMENT

The Movants fail to offer any facts or arguments that would satisfy the high burden required to dismiss a Chapter 11 case. The Debtor filed its Case in good faith and for legitimate bankruptcy purposes: to pay off all debts, honor its congregational vote, fulfill its mission, and maintain its character as a Baptist church. The Summit Church requests that the Motion to Dismiss be denied.

I. The Movants Fail to Show any Bad Faith.

Whether dismissal is warranted for “bad faith” falls within the Court’s sound discretion. *In re Tosh*, 2012 Bankr. LEXIS 5828, at *5 (Bankr. E.D.N.C. Dec. 19, 2012); *see also Copperas Creek, LLC*, 2012 Bankr. LEXIS 3463, at *17 (Bankr. D.N.M. July 26, 2012). The Movants bear the burden of proving cause to dismiss the Case by a preponderance of the evidence. *In re NOA, LLC*, 578 B.R. 534, 540 (Bankr. E.D.N.C. 2017).

The Fourth Circuit employs a two-part test to determine a Debtor’s good (or bad) faith: (1) objective futility of any possible reorganization and (2) subjective bad faith. *In re New Hope Christian Church*, 2013 Bankr. LEXIS 3982, p. *3 (Bankr. E.D.N.C. July 16, 2013). Both prongs must be shown to warrant dismissal. *Id.* To determine good faith or bad faith, the Court should employ a “totality of circumstances inquiry.” *Id.* at *4 (citing *Carolin Corp. v. Miller*, 886 F.2d 693, 698 (4th Cir. 1989)). The Movants argue that dismissal is appropriate under 1112(b)(4)(A)—absence of a likelihood of reorganization—and 1112(b)(4)(B)—gross mismanagement. Neither situation exists in this Case.

Here, the Debtor’s Chapter 11 filing serves a valid bankruptcy purpose. The Debtor commenced this Case to preserve its property and pay creditors through a plan

of reorganization; the alternative was facing foreclosure actions without any money to survive. Here, the Debtor has already made quick and substantial progress. Its Plan was filed within weeks of the Petition Date, and the Plan proposes to pay all creditors in full. Such actions clearly reflect an efficient reorganization with a feasible Plan. The Plan will immediately pay all claims of the Debtor on the Effective Date. The first prong of the “bad faith” analysis simply has not been met, and the Movants’ Motion should be denied.

Next, in a desperate attempt to grasp for any indicia of bad faith, the Movants accuse Faith Baptist leadership of mismanaging the Debtor’s affairs. They boldly insinuate that Faith Baptist “intentionally impoverished themselves” and that the APA merely makes the Debtor an “acquisition target” of Summit Church. Although the Movants obviously vehemently disagree with the proposed merger, and presumably may never become members of Summit Church, their disdain cannot and does not equate to the Debtor somehow acting in bad faith.

It is indisputable that the Debtor has experienced consistent financial decline since the onset of COVID. The Debtor’s bankruptcy schedules and other disclosures to this Court thus far are plain proof of its current financial troubles. The only reason the Debtor has functioned during this Case is through grant money paid by Summit Church. Giving debtors the opportunity to reorganize in response to impending financial distress is the purpose of Chapter 11. *In re Foundry of Barrington P’ship*, 129 B.R. 550, 556 (Bankr. N.D. Ill. 1991) (holding that debtors are entitled to a legitimate opportunity to restructure themselves and propose a plan); *In re 68th W. 127th Street, LLC*, 285 B.R. 838, 840 (Bankr. S.D.N.Y. 2002) (holding that the critical test is whether there is a reasonable likelihood of

reorganizing). The Debtor's primary motivation to file this Case was to prevent further deterioration of its property that would lead to a more difficult reorganization down the road, or probable liquidation.

Simply put, Faith Baptist was "on life support" and saw a merger with Summit Church as the best pathway to preserve itself as a going concern. The alternative was to face foreclosure and lose the church property it had built. Faith Baptist's leadership has tirelessly steered their ship through troubled waters, acting in the best interests of their faith community. There are no indicia of bad faith.

The Movants fail to point to any factors that would justify dismissal of this Case as a bad faith filing, and therefore the second prong (and similarly 1112(b)(4)(B)) has not been met. Without a showing of bad faith, without facts indicating bad faith, and without providing meaningful arguments and supporting case law, the Movants are not entitled to the drastic relief sought in their Motion.

CONCLUSION

For these reasons, Summit Church respectfully requests the Court deny the Movants' Motion.

Dated: July 15, 2024.

MICHAEL BEST & FRIEDRICH LLP

s/ Keith E. Richardson

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CERTIFICATE OF SERVICE

The undersigned certifies that, on the date given below, he has caused to be served a copy of the foregoing **Objection to Motion to Dismiss** upon the following persons via the Court's CM/ECF electronical mail service.

Dated: July 15, 2024.

MICHAEL BEST & FRIEDRICH LLP

s/ Keith E. Richardson

Keith E. Richardson

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(919) 670-4963

kerichardson@michaelbest.com

Exhibit A

JL

From: Jason Little jason@faith-baptist.com
Subject: Church Property
Date: September 25, 2023 at 9:41 AM
To: Danie Simmons dsimmons@summitchurch.com
Cc:

Danie

Good morning and I hope you are doing very well. I had lunch with Kivett a couple of weeks ago and I've been keeping up with the launch of the Summit Knightdale campus which is the reason I'm reaching out. Scott Ridout is also a friend and mentor who has been working with me over the past 18 months of ministry. He advised me to contact you directly.

It's a long story but as a result of a series of strategic (mainly staffing) decisions over the past few months we've seen a significant decline in attendance and giving to the point of serious considerations about the future of our congregation and campus. In a meeting with a few select leaders yesterday the idea was proposed to explore Summit's interest in our property and buildings for a permanent Knightdale location.

We are not jumping to any conclusions but we are also open and praying for God to clearly direct. If there is no interest then we will consider other options but we also agreed to contact you first.

Of course this is a highly sensitive and confidential conversation and if you would like to discuss further on any level please let me know and we'll make arrangements. My cell is 720 451 9116 if you would prefer to text or call.

Regards

Jason Little

Jason Little | Lead Pastor
faith-baptist.com

facebook

Exhibit B

Log In



Amber Ward is at **The Barn at King Hill Farm.**

May 25 at 3:01 PM · 🌐

Faith Baptist Church in Knightdale, has a new meeting venue indefinitely! God has graciously given us so much more than we could have ever imagined!!! Our location will be The Barn at King Hill Farm!! 6048 King Hill Farm Lane Knightdale NC 27545. Our first Sunday will be June 2nd at 10:30am. We will also have lunch on the grounds! If you plan on attending please send me a private message so we can plan enough for the "meat" portion of the meal. Everyone can bring sides and or dessert. We look forward to seeing everyone!! Don't tell me God can't do it! Please share and let everyone know! All former Faith Members we would love to have you join us for this special Sunday!!! Also Thanks to Tracy Banks for initiating all of this!



+6

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or

Create new account

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Log In

2d



Brian Lawrence

I know all about that place. I put all the rock there when they built it.



2d



Michelle Carroll Curtis

Wonderful news! Praise God!



2d



Paige Newton Cox

Praise the Lord! God will be wherever this church meets. 🙌



2d



Amber Ward replied · 1 Reply



Cassaundra Davis-Duncan

Beautiful awesome 😄👉👉👉👉



2d



Stacey Marks

This is great!! ❤️ God is good!!



2d



Barbara Coe

That is a beautiful venue. Praise God for making this happen for you all



2d



Barbara Coe replied · 2 Replies

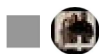


Sherry Moore Feller

I almost suggested that place. Debbie Cobb is just the sweetest



2d



Amber Ward replied · 3 Replies

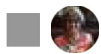


Bonnie Whitman

It is beautiful! Thank you Amber! And many thanks to the owners'nn



2d



Bonnie Whitman replied · 3 Replies



LouAnn Brantley

Beautiful place this is so nice 😊

Log in or sign up for Facebook to connect with friends, family...

Log In

or

Create new account

facebook

Log In



Deloris Brantley

Thank the Lord and every one that had a hand in getting this place' 🙏❤️

2d



Gail Pierce

Awesome! God is good and always on time 😊💜

2d



Allen Friend

Truly, when a heart for God is shown through His people, anything can be accomplished - just like this. Even though all of the other has been weighing down on so many, this bright spot shines through like a rainbow as a promise that He cares and will p... **See more**

2d



Amber Ward replied · 1 Reply



Debbie Griffin

What a straight up blessing from God! King Farm! Could that be anymore appropriate? God is not limited! He provides when He's wanted! So happy for y'all! Will be praying for God to continue to be glorified through your church. Just love watching God work His work!

2d



Amber Ward replied · 1 Reply



Amy Barton Bryant
thats awesome

2d



Amber Ward replied · 1 Reply



DiAnn Murphy

So thankful to everyone who had a part in securing this beautiful place for FBC to worship. I needed this news today!! God is soooo good ❤️

2d



Amber Ward replied · 1 Reply



Carrianne Cocker

Wonderful news! God is faithful! ❤️

2d



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Log In

or

Create new account

facebook

Log In



Pat Wall Leighton

Praises to God, as He is always faithful!!

Thank you Amber & all that had a part in finding this location for us & the graciousness of the owner. Blessings on all of you!! ❤️🙏

2d



JoAnn Davis Whitley

Wow!! Beautiful place!

2d



Beth Crawford Guyton

Amber i'll send you a message as soon as I know for sure my husband and are coming !we sure want to .

2d



Bonnie Whitman

Amber-I plan to be there!

2d



Helen Hunt Ayscue

Praise God ,Great to hear this ❤️❤️

2d



Cheryl Godwin

What a beautiful place to meet!

2d



Tammy Sherwood Richards

You're amazing, Debbie Cobb!

2d



Mary Peele Tripp

What a beautiful place to worship God!

2d



Amber Ward replied · 1 Reply



Debbie Woodward

I so love that this happened so quickly. All in God's time. His timing is perfect. ❤️

1d



Nancy Hayes Pearson

Wow! What a great place. You know, God never does anything half way. When He

Log in or sign up for Facebook to connect with friends, family...

Log In

or

Create new account

facebook

Log In



Suzanne Griffin Parker
Praising God!!!!



1d



Amber Ward replied · 1 Reply



Jeff Sandling
Unique and Nice looking building !!



1d

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Log In

or

Create new account