

### **DISAFFILIATION AGREEMENT PURSUANT TO ¶ 2553**

This Disaffiliation Agreement Pursuant to ¶ 2553 of *The Book of Discipline of the United Methodist Church* (“Disaffiliation Agreement”) is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between \_\_\_\_\_ United Methodist Church (“Local Church”) and the North Alabama Conference of the United Methodist Church, acting by and through its Board of Trustees (“Annual Conference”).

**WHEREAS**, Local Church is a United Methodist church within the boundaries of Annual Conference;

**WHEREAS**, Local Church has held a church conference, in compliance with ¶¶ 246.8, 248, and 2553.2-3 of *The Book of Discipline of The United Methodist Church* (“*Discipline*”), at which at least two-thirds (2/3) of the professing members present at the church conference of Local Church voted to disaffiliate from The United Methodist Church for reasons of conscience regarding a change in the requirements and provisions of the *Book of Discipline* related to the practice of homosexuality or the ordination or marriage of self-avowed practicing homosexuals as resolved and adopted by the 2019 General Conference, or the actions or inactions of its annual conference related to these issues.

**WHEREAS**, pursuant to ¶ 2501.1 of the *Discipline*, Local Church holds its real and personal, tangible and intangible property in trust for The United Methodist Church and subject to the provisions of its *Discipline*.

**WHEREAS**, property subject to ¶ 2501.1 can be released from the trust, transferred free of trust or subordinated to the interests of creditors and other third parties only to the extent authority is given by the *Discipline*.

**WHEREAS**, the District Superintendent attests the deeds of the local church have been properly examined and found to contain no reversionary clause, possibility of reverter, right of requisition, or similar restrictions to the benefit of any party.

**WHEREAS**, ¶ 2553 provides a specific circumstance in which property subject to ¶ 2501.1 can be released from the trust imposed by that paragraph.

**WHEREAS**, ¶ 2553.4 requires the terms and conditions of Local Church’s disaffiliation from The United Methodist Church to be memorialized in a binding Disaffiliation Agreement.

**WHEREAS**, Local Church and Annual Conference wish to (1) resolve all matters between them, and Local Church wishes to acquire from Annual Conference all of Annual Conference’s interest, on behalf of The United Methodist Church, in the real and personal, tangible and intangible property held by Local Church and (2) comply with the requirements of ¶ 2553 and Judicial Council *Decision* 1379.

**NOW, THEREFORE**, in consideration of the foregoing and all the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Local Church and Annual Conference agree as follows:

1. Conditions Precedent. Local Church and Annual Conference acknowledge and agree:
  - a. *Church Conference Vote*. At least two-thirds (2/3) of the professing members present at a duly called and conducted church conference of Local Church must vote to disaffiliate from The United Methodist Church for reasons of conscience regarding a change in the requirements and provisions of the *Book of Discipline* related to the practice of homosexuality or the ordination or marriage of self-avowed practicing homosexuals as resolved and adopted by the 2019 General Conference, or the actions or inactions of its annual conference related to these issues. Local Church must provide documentation, to the satisfaction of Annual Conference, which evidences the result of the disaffiliation vote taken at the duly called and conducted church conference. Such documentation must be certified by an authorized officer of Local Church and the District Superintendent for the District in which Local Church is located, and shall be included as an exhibit to this Disaffiliation Agreement.
  - b. *Annual Conference Vote*. This Disaffiliation Agreement must be ratified by a simple majority of the members present and voting at a duly-called session of Annual Conference, as required by Judicial Council *Decision* 1379 and ¶ 2529.1b(3).

Should either of the above not occur, this Disaffiliation Agreement shall immediately become null and void.

1. Date of Disaffiliation. Should Local Church timely comply with all of its obligations as set forth herein, Local Church's disaffiliation from The United Methodist Church will be effective on \_\_\_\_\_, 20\_\_ ("Disaffiliation Date"). Such Disaffiliation Date must be subsequent to the Annual Conference's ratification referenced in Section 1 above.
  - c. Local Church's Obligations. Unless a different date is specified, Local Church shall, by no later than the Disaffiliation Date, do the following:
  - d. *Payments*. Prior to the Disaffiliation Date, Local Church shall pay to Annual Conference, in a manner specified by Annual Conference, the following:
    - i. Local church shall have the right to retain its real and personal, tangible and intangible, property without charge. Any costs related to Local Church's retention of its property will be borne by Local Church.
    - ii. Local church shall pay any unpaid portion of its fair share amount of ten percent (10%) of its unrestricted cash receipts for the 12-month fiscal year

immediately preceding the Disaffiliation Date, as determined by the Annual Conference, totaling \$\_\_\_\_\_;

- iii. Local church shall pay any unpaid portion of its fair share amount of ten percent (10%) of its projected unrestricted receipts for the 12-month fiscal period in which the Disaffiliation Date occurs, as determined by the Annual Conference, totaling \$\_\_\_\_\_;
- iv. In accordance with ¶1504.23 and after confirmation by Wespath, Local Church shall pay a withdrawal liability amount equal to Local Church's prorata share, as determined by Annual Conference, of Annual Conference's market-based unfunded pension liability, based on the Annual Conference's aggregate pension funding liabilities as determined Wespath Benefits and Investments, using market factors similar to a commercial annuity provider, totaling \$\_\_\_\_\_ to be held in an account used by the Annual Conference solely for pension liability funding.
- v. In accordance with ¶1504.23 and after confirmation by Wespath, Church shall pay any unpaid clergy benefits balances, including pension, health insurance, and disability/death benefits, owed by Local Church for the 12-month fiscal period in which the Disaffiliation Date occurs and the preceding five fiscal years totaling \$\_\_\_\_\_.
- vi. Local church shall also pay and satisfy, without limitation, any and all other debts and direct bill obligations to Annual Conference or a related foundation, as established by the board of trustees of Annual Conference, with the advice of the cabinet, the annual conference treasurer, the annual conference benefits officer, the director of connectional ministries, and the annual conference chancellor totaling \$\_\_\_\_\_.

i-vi grand total \$\_\_\_\_\_

- e. The Local Church agrees to defend, indemnify and hold harmless the Annual Conference from liability for conduct or activities of Local Church occurring before the Disaffiliation Date. The Local Church will provide insurance coverage for Annual Conference to the extent available in the maximum amount available for a period of two years after the Disaffiliation Date for any claim that accrued prior to the Disaffiliation Date. Examples of claims subject to this paragraph include but are not limited to allegations that may arise from the relationship of Local Church to a Boy Scout unit, child abuse or molestation, sexual abuse or molestation, sexual harassment, or assault and battery. Local Church will provide a copy of the insurance policies annually for the requisite two years to the Annual Conference.

- f. *Intellectual Property.* Local Church shall cease all use of “United Methodist,” the Cross & Flame insignia, and any other intellectual property of the denomination and Annual Conference, including the removal of all signage containing the same, prior to or simultaneously with the execution and delivery of the deed to Local Church’s real property. (\*Any church needing more time to comply may submit an addendum outlining the requested time period.)
- g. *Group Tax Exemption Ruling.* As of the Disaffiliation Date, Local Church shall cease to use, and also shall ensure that any affiliates of Local Church which have been included in the group tax exemption ruling shall cease to use, any and all documentation stating that Local Church is included in the denomination’s group tax exemption ruling administered by the General Council on Finance and Administration of The United Methodist Church. Local Church and any of its affiliates which have been included in the group tax exemption ruling will be removed as of the Disaffiliation Date. Local Church acknowledges and agrees that, from and after the Disaffiliation Date, Local Church shall not be included under the denomination’s group tax exemption ruling and that Local Church shall be solely responsible for obtaining any exemption from federal income tax liability under the Internal Revenue Code
- h. *Insurance.* Local Church acknowledges and agrees that, from and after the Disaffiliation Date, Local Church will not be covered under any policy of insurance offered by Annual Conference or any district of Annual Conference, and that Local Church shall be solely responsible for procuring and maintaining any and all insurance desired by Local Church, including, but not limited to, real property and hazard insurance, personal property insurance and liability insurance, related to Local Church and any assets owned by it. The Local Church agrees to defend, indemnify and hold harmless the Annual Conference from liability for conduct or activities of Local Church occurring before the Disaffiliation Date. The Local Church will provide insurance coverage for Annual Conference to the extent available for the maximum amount available for a period of two years after the Disaffiliation Date for any claim that accrued prior to the Disaffiliation Date. Examples of claims subject to this paragraph include but are not limited to allegations that may arise from the relationship of Local Church to a Boy Scout unit, child abuse or molestation, sexual abuse or molestation, sexual harassment, or assault and battery. Local Church will provide a copy of the insurance policies annually for the requisite two years to the Annual Conference.
- i. *Cemeteries and Columbariums.* If and as applicable, from and after the Disaffiliation Date, Local Church shall be solely responsible for maintaining, in compliance with all applicable laws and regulations, any cemetery or columbarium associated or affiliated with Local Church, and for allowing continued, uninterrupted access thereto (free of charge) for families of loved ones of United Methodists buried there.

- j. *Clergy and Employee Benefits* Local Church acknowledges and agrees that from and after the Disaffiliation Date, Local Church will be solely responsible for any health insurance, pension, and death/disability benefits provided to any clergy persons serving Local Church and to its lay employees.
2. Organizational Transition. Local Church shall take all steps necessary to close and/or dissolve any legal entities and to settle, liquidate, or transfer all assets and obligations of such entities, or to establish any new legal entities, or to modify its current organizing documents, as needed to effectuate its disaffiliation from The United Methodist Church, to the satisfaction of Annual Conference.

Local Church shall indemnify, defend, and hold harmless Annual Conference and its officers, directors, agents, and employees from any liability or costs (including reasonable attorney fees) resulting from any claim, action, or cause of action for damages to persons or property resulting from Local Church's failure to take all necessary steps as required by this Section 5.

Local Church shall include the Annual Conference as an additional insured on its general liability, excess, and errors and omissions insurance policies to the extent available for the maximum amount available for a period of two years after the Disaffiliation Date for any claim that arises out of actions by or on behalf of the Local Church to effectuate this Disaffiliation Agreement. Local Church will annually, for the requisite two years, provide a copy of the insurance policies to Annual Conference.

4. Property. On the Disaffiliation Date, Local Church will have full ownership of the real property listed on Exhibit A attached hereto, and all personal property listed on Exhibit B attached hereto. The parties shall ensure all necessary transfers or other transactions relating to the above properties are completed prior to the Disaffiliation Date. Any costs resulting from such transfers or other transactions shall be borne by Local Church. Annual Conference shall reasonably cooperate with Local Church, as needed and applicable, to ensure that such transfers and other transactions convey all of Annual Conference's interest – both for itself and on behalf of The United Methodist Church – in the real and personal, tangible and intangible property of Local Church.
5. Release of Claims Upon the completion of all of their respective obligations herein, Annual Conference and Local Church, for themselves and their agents, representatives, members, trustees, employees, successors, attorneys, and assigns, hereby fully and forever covenant not to sue each other, and release and discharge each other, and their current and former trustees, officers, representatives, employees, and assigns, in both their official and individual capacities, from any liability for any and all causes of action and claims, including any statutory or common law cause of action, tort or contractual claims, any claims for attorneys' fees, expenses and all other damages, whether known or unknown, foreseen or unforeseen, which Annual Conference or Local Church ever had, now has, hereafter may have or claim to have against any of the

above-named entities or persons in any way arising out of their relationship with each other. The parties further represent they have no pending lawsuit, charge, complaint, or other action against each other. Notwithstanding the foregoing releases and covenants not to sue, the parties may enforce this Disaffiliation Agreement in any court in which jurisdiction and venue are proper.

6. Time Limit. Should the Local Church fail to satisfy all of its obligations set forth herein by December 31, 2023, this Disaffiliation Agreement shall be null and void.

7. Continuing as Plan Sponsor. Nothing in this Disaffiliation Agreement shall prevent Local Church, after the Disaffiliation Date, from continuing to sponsor benefit plans from Wespeth Benefits and Investments, to the extent permitted by federal law, and provided that Local Church has not expressly resolved that it no longer shares common religious bonds with The United Methodist Church or that it no longer shares common missional purposes as determined by Wespeth Benefits and Investments.

8. Non-Severability. Each of the terms of this Disaffiliation Agreement is a material and integral part hereof. Should any provision of this Disaffiliation Agreement be held unenforceable or contrary to law, the entire Disaffiliation Agreement shall be deemed null and void.

**IN WITNESS WHEREOF**, Local Church has caused this Disaffiliation Agreement to be signed by its duly authorized officer or pastor, and Annual Conference has caused this Disaffiliation Agreement to be signed by the District Superintendent and the duly authorized Chairperson of the Board of Trustees of the North Alabama Conference of the United Methodist Church, all as of the year and date first above written.

**Local Church:**

\_\_\_\_\_ United Methodist Church

By: \_\_\_\_\_

Its: \_\_\_\_\_

**District** \_\_\_\_\_

By: \_\_\_\_\_

District Superintendent

**Annual Conference:**

North Alabama Conference of the United Methodist Church

By: \_\_\_\_\_

Its: Chairperson, Board of Trustees