

DISAFFILIATION AGREEMENT

This Disaffiliation Agreement is entered into this _____ day of _____, 20____, by and between _____ (“Local Church”) and **Peninsula-Delaware Annual Conference** (“Annual Conference”).

WHEREAS, Local Church is a chartered 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 of Local Church attending the Church Conference 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 which follow.”

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*.” (¶ 2501.2)

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. Condition Precedent. Local Church and Annual Conference acknowledge and agree:

- a. *Church Conference Vote*. At least two-thirds (2/3) of professing members present at a 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 which follow ¶2553.3.” Local Church must provide documentation, to the satisfaction of the Annual Conference, which evidences the results of the disaffiliation vote taken at the church conference in the form attached hereto as Exhibit A. Such documentation must be certified by an authorized officer of the Local Church 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).
- c. *Obligation of Local Church*. All obligations of the Local Church set forth in Paragraph 4 hereof are conditions precedent to all obligations of the Annual Conference hereunder.

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

2. Applicability of ¶2501. Local Church acknowledges and agrees that pursuant to ¶2501 of the *Book of Discipline*, The Local Church holds all property, real and personal, tangible and intangible, in trust for the benefit of The United Methodist Church

3. 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").¹

3. (Alternate) Local Church's date of disaffiliation from the United Methodist Church shall be the date it complies fully with all obligations set forth in Paragraph 4. All obligations must be met by December 31, 2023 for disaffiliation to occur.

4. Local Church's Obligations. Unless a different date is specified, Local Church shall, by no later than the Disaffiliation Date, do the following:

a. *Payments*. Prior to the Disaffiliation Date, the Local Church shall pay to the Annual Conference, in a manner specified by the Annual Conference, the following:

- i. Any unpaid apportionments for the twelve (12) months immediately prior to the Disaffiliation Date, as calculated by the Annual Conference, totaling _____;
- ii. An additional twelve (12) months of apportionments, as calculated by the Annual Conference, totaling _____;
- iii. An amount equal to all outstanding balances for Pension and Healthcare billings to the Local Church by the Annual Conference, totaling _____.
- iv. An amount equal to the Local Church's pro rata share, as determined by the Annual Conference, of the Annual Conference's unfunded pension obligations, based on the Annual Conference's aggregate funding obligations as determined, by Wespith as of the last calendar quarter end (March, June, September, or December) prior to the date of their Church Conference, totaling _____;
- v. An amount equal to the Local Church's pro-rata share, as determined by the Annual Conference, of the Annual Conference's unfunded post-retirement health, dental and life insurance obligations, based on the Annual Conference's aggregate funding obligations as determined by the most recent Mercer actuarial evaluation, totaling _____.

¹ Per ¶ 2553.2, this date cannot be later than December 31, 2023.

- vi. An amount equal to all monetary grants received by the Local Church from the Annual Conference within the five year period from the date of the Church Conference where the Local Church voted to Disaffiliate, totaling _____. This would include grants from The Congregational Development Corporation, Equitable Compensation of other Annual Conference agency. After the date of the vote to Disaffiliate the Local Church shall not be eligible for any further monetary grants from the Annual Conference.
 - vii. An amount equal to the outstanding balance of any Trust Agreements, Signature Loans and/or Subordinated Mortgage Loan between the Local Church and the Annual Conference, totaling _____.
 - viii. Any investment portfolios must be disclosed and reviewed prior to the effective date of this Disaffiliation Agreement to assure if any modification must occur to reflect the intent of the donor, if any.
 - ix. All endowments, memorial bequests, donations or estate gifts must be disclosed and reviewed prior to the effective date of this Disaffiliation Agreement to assure any modifications must occur to reflect the intent of the donor.
 - x. Local Church shall have the right to retain its real and personal, tangible and intangible property after paying 50% of the real property fair market value, totaling _____. Any costs relating to the Local Church's retention of its property will be borne by the Local Church.
- b. *Other Liabilities.* Local Church shall either satisfy all of its debts, loans, and liabilities, or assign or transfer such obligations to its new entity. Local Church must provide sufficient documentation of same to the Annual Conference.
- c. *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.

- d. *Notice to GCFA.* So that the General Council on Finance and Administration of The United Methodist Church (“GCFA”) may remove Local Church from the denomination’s group tax exemption ruling, along with any affiliates of Local Church which are also included in the group tax exemption ruling, Local Church shall notify GCFA of (1) its intent to disaffiliate from The United Methodist Church and (2) the Disaffiliation Date.
- e. *Local Church Records.* Before the Disaffiliation Date, the Local Church shall deliver to the Annual Conference all Local Church archives, membership roles, historical documents related to funerals, baptisms, weddings, minutes, etc. The Local Church shall be permitted to retain copies of such documents.
- f. *Cemeteries and Columbaria.* If the Local Church has a cemetery or columbarium, the Local Church shall continue to maintain the same after the Disaffiliation Date and shall continue to provide access for families and loved ones of all those interred there.

5. Organizational Transition. The 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 entities, or to modify its current organizational documents as needed to effectuate its disaffiliation from the United Methodist Church, to the satisfaction of the Annual Conference. The Local Church shall indemnify, defend, and hold harmless the Annual Conference and its officers, directors, agents and employees from any claim, liability, damage or cost (including reasonable attorney fees) resulting from, or in any way connected to , a) any claim, action, or cause of action for damages to persons or property resulting from the Local Church’s failure to take all necessary steps as required by this this section 5 or b) in any way connected with the property referred to in this document or in any way connected with the Local Church (its former or current agents, employees, officers, directors, pastor or any other person associated with the Local Church). Further, and independent of its indemnity obligation, the Local Church shall for a period of three (3) years after the Disaffiliation Date maintain standard commercial liability insurance, errors and omission insurance, and employment liability insurance with limits of liability not less than \$1,000,000 which a) lists the Annual Conference and its officer, directors, agents, and employees as additional insureds with coverage to the same extent and on the same basis as the Local Church and b) which makes such insurance primary to

any other available or collectible insurance which may be available to the Annual Conference and its officers, directors, agents and employees.

6. Property. On the Disaffiliation Date, if all conditions precedent have been met and the Local Church has complied with all requirements set forth in this Disaffiliation Agreement, the Local Church will have full ownership of the property and assets listed in 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, fees, taxes or related expenses resulting from such transfers or other transactions shall be borne by Local Church. Annual Conference shall fully 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.

7. (a) Release of Claims. Except as otherwise set forth in the Disaffiliation Agreement, including without limitation Section 5 and Section 11 hereof, 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 take action to enforce this Disaffiliation Agreement in any court where jurisdiction and venue are proper.

7. (b) Future Liabilities. Notwithstanding the above sub-paragraph, in the event that Annual Conference is ever held liable for any conduct of Local Church for actions of Local Church before the effective date of this Agreement, then Local Church agrees to indemnify and hold

harmless Annual Conference for such liability. Examples of such liability may come from but are not limited to liability that may arise from claims against Annual Conference due to the relationship of Local Church to a Boy Scout Unit, sexual harassment or assault allegations, boundary line or property use disputes, employment issues, negligence, tax matters, etc.

8. 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.

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

10. Time. Time is of the essence of every provision of this Disaffiliation Agreement.

11. Survival. Unless otherwise specifically stated herein, all obligations of the parties of this Disaffiliation Agreement shall survive the transfer of the Local Church property to the Local Church pursuant to Section 6 hereof and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

12. Notices. Notice for any purpose under this Disaffiliation Agreement shall be deemed to occur when given by first class mail to:

Annual Conference

William Westbrook

139 N. State Street

Dover, DE 19901

And email wwestbrook@pen-del.org

Alternatively, notice provided by email to the designated recipient shall be deemed to comply with this requirement.

13. Merger. All statements, representations, correspondence and other communications including but not limited to the mutual obligations set forth in Annual Conference's Local Church Disaffiliation requirements between the parties are deemed merged into this Disaffiliation Agreement.

14. Headings. Paragraph headings are for reference only and not to be given substantive effect.

**The Trustees of the Peninsula-Delaware
Annual Conference, Inc**

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

**Trustees of
Local Church**

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

Exhibit A

Certification of Local Church

(stating reasons requesting disaffiliation under ¶2553)

The _____ United Methodist Church certifies that at least two-thirds (2/3) of its professing members present at a church conference of the membership on _____, 20__ have voted to disaffiliate from the United Methodist Church for the reason(s) checked and explained below.

- a. _____ 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 Special General Conference. We understand that the Traditional Plan was adopted.
- b. _____ The following actions or inactions of its annual conference related to these issues which follow.

_____ Actions Explained:

_____ In-Actions Explained:

Certified that the above answers are true and correct for the professing members who voted to disaffiliate from the United Methodist Church.

By: _____
Name: _____
Title: Trustee

Attest:

Secretary

By: _____
Name: _____
Title: Trustee

Exhibit B

Local Church Real and Personal
Property