Michigan Conference
The United Methodist Church

Disaffiliation Agreement

Explanation of Specific Elements

The formal Disaffiliation Agreement and a list of FAQs are being provided with a context of solemnity. Solemn, because there is a fracture in the theological foundation of our denomination. Solemn, because congregations, as a matter of conscience, may perceive a need to leave the connectional structure that is the United Methodist Church. Solemn, because the ministries of those staying and of those leaving will undoubtedly be significantly impacted.

The Disaffiliation Agreement contains several provisions that warrant explanation (any provision not shown below is perceived to be self-explanatory):

- Point 3: The Date of Disaffiliation is important in that all required funds-to-close (apportionments, pensionand health care liabilities and the church equity component) must be fully paid by this date. Therefore, it is essential to ensure a process and capacity for these payments is established prior to formalizing the Date of Disaffiliation.

- Point 4.a.i: 10% of the equity value as determined on the church building and associated property (i.e. the legal description of the church).
  - The value is to be determined by a mutually agreed provider (typically a commercial Realtor) and the product is to be a Broker Opinion of Value (not an appraisal). This is to be the 'Market Price' based on comparable sales. The value amount will be then reduced by any current mortgage balance yielding the "equity" value.
  - As stated in the agreement, this amount is to be clearly distinguished from any amount reflected in the hazard insurance policy (which is replacement cost less depreciation) and is normally substantially higher than the approach used in this agreement.
  - All other properties held by the local congregation (e.g. parsonage) will be exempt from this provision.
  - All other assets, which are currently covered by the 'Trust Clause', are exempt from this provision.

- Point 4.a.v: The described loans or other obligations need to be satisfied or receive written confirmation from the lender that they will be allowed to continue under the newly formed corporation. Discussions with the leadership of the United Methodist Foundation of Michigan indicate a probable willingness to make the necessary accommodations. However, each circumstance will be individually evaluated.

- Point 4.b: The local church should discuss any loans outstanding to their district (particularly unsecured) as the pension liability has preference in satisfaction. It is presumed that a loan from the district will need to be paid off by the Disaffiliation Date.

- Point 5: The requirement to dissolve the existing UMC corporation is material. As delineated in the FAQs, it is highly suggested that the local church examinestheirexisting mortgage debt, investment portfolio and donated funds for restrictions particular to use(s) by the United Methodist Church. Further, there is a strongly emphasized need to discuss with any lender the contemplated action regarding the congregation'scorporate status and ensure there is a clearly defined and agreed upon loan structure that will be functional after the transition.