

DISAFFILIATION AGREEMENT PURSUANT TO ¶2553

This Disaffiliation Agreement Pursuant to ¶2553 (“Disaffiliation Agreement”) is entered into this 1st day of July, 2020, by and between Shabbona United Methodist Church (“Local Church”) and Michigan Conference of The United Methodist Church (“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 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. 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 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.” Local Church must provide documentation, to the satisfaction of Annual Conference, which evidences the result of the disaffiliation vote taken at the church conference. Such documentation must be certified by an authorized officer of Local Church and shall be included as an exhibit to this Disaffiliation Agreement. (Exhibit A.)

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.

2. Applicability of ¶ 2501. Local Church acknowledges and agrees that pursuant to ¶ 2501 of the *Discipline*, 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 July 1, 2020 (“Disaffiliation Date” Per ¶ 2553.2, this date cannot be later than December 31, 2023). Such Disaffiliation Date must be subsequent to the Annual Conference’s ratification referenced in Section 1 above.

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, Local Church shall pay to Annual Conference, in a manner specified by Annual Conference, the following:

i. Unless there is a deed restriction (other than the general applicability of the trust clause) limiting the ownership or use of a property to a United Methodist purpose or entity, Local Church shall pay 10% of the value of the equity in Local Church’s church building and associated land, totaling \$12,500, in exchange for the right to retain its real and personal, tangible and intangible property. Any costs relating to Local Church’s valuation and retention of the property will be borne by Local Church. The market value of the real estate (for purposes of determining the

equity) will be determined by a mutually agreed upon provider of commercial value assessments or appraisals. This amount is to be clearly distinguished from any amount reflected in the hazard insurance policy (which is replacement cost less depreciation).

ii. Any unpaid apportionments for the twelve (12) months immediately prior to the Disaffiliation Date, as calculated by Annual Conference, totaling \$0;

iii. An additional twelve (12) months of apportionments, as calculated by Annual Conference, totaling \$2,431.50;

iv. An amount equal to Local Church's pro rata share, as determined by Annual Conference, of Annual Conference's unfunded pension obligations, based on the Annual Conference's aggregate funding obligations as determined by the General Board of Pension and Health Benefits using market factors similar to a commercial annuity provider, totaling \$47,700;

v. Any prior year pension and health insurance outstanding balances, as recorded in the permanent records of the Conference Board of Pension & Health Benefits, totaling \$0;

vi. Any unpaid loans or other obligations to other United Methodist entities (i.e. to a District, Foundation, Conference, or other local churches) unless those loans can be assigned to a new legal entity

vii. Any investment portfolio needs to be addressed as to required modifications;

viii. All endowments, memorial bequests, and donations must be reviewed to ensure compliance with all restrictions particular to United Methodism.

ix. All costs associated with the transfer of any asset.

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, releasing Local Church and Annual Conference from any further liability. Local Church must provide sufficient documentation of same to 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. *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.

e. *Records.* Local Church shall turn over to Annual Conference all archives, membership rolls, and historical documents, including documents related to funerals, baptisms, and weddings, and all trustee, committee, and council meeting minutes.

f. *Cemeteries and Columbariums.* If Local Church has a cemetery, columbarium, mausoleum, or other place for the disposition of human remains, in addition to following all applicable laws and requirements, Local Church and Annual Conference will enter into an agreement similar to Exhibit B regarding the continued access to, care, and upkeep of it.

5. Organizational Transition. Local Church shall take all steps necessary to dissolve any legal entities and to settle, liquidate, or transfer all assets and obligations of such entities, and to establish any new legal entities as needed to effectuate its disaffiliation from The United Methodist Church, to the satisfaction of Annual Conference, including obtaining a new EIN from the Internal Revenue Service. 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. It is recommended that Local Church establish itself as a corporation. Local Church will have all rights and duties as provided by law to wind up its affairs, including those that might exist after the Disaffiliation Date.

6. Property. On the Disaffiliation Date, Local Church will have full ownership of the property and assets listed in Exhibit C which will be transferred to Local Church's new entity. 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 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. After Local Church has made all payments pursuant to paragraph 4a, handled all liabilities pursuant to paragraph 4b, and complied with all other terms of this Agreement, Annual Conference will sign a quit-claim deed (similar to Exhibit D) releasing the trust clause in all property to the Local Church's new entity effective on the Disaffiliation Date. Local Church may then sign a warranty deed conveying the Property to its new entity to properly reflect the title history.

7. 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, agents, 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.

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. Continuing as Plan Sponsor. Nothing in this Disaffiliation Agreement shall prevent Local Church, after the Disaffiliation Date, from continuing to sponsor benefit plans from the General Board of Pension and Health Benefits, 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.

10. 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.

[Signatures on next page.]

LOCAL CHURCH

Shabbona United Methodist Church

By: Aaron Morden Date: 6/6/2020

Name: Aaron Morden

Its: Trustee Chair

By: Arthur Severance Date: 6/6/2020

Name: Arthur Severance

Its: Church Council Chair

By: Barbara S Davidson Date: 6/6/2020

Name: Barbara Davidson

Its: Secretary

ANNUAL CONFERENCE

Michigan Conference of The United Methodist Church

By: _____ Date: _____

Name: James W. LeBaron

Its: Conference Trustee Chair

By: _____ Date: _____

Name: John W. Boley

Its: Clergy Assistant to the Bishop

Exhibit A

(Documentation evidencing the result of the disaffiliation vote taken at the church conference, certified by an authorized officer of Local Church.)

ATTACHED

Independent Church
Shabbona Riverside Church

By: Aaron Morden Date: 6/6/2020

Name: Aaron Morden

Its: Trustee Chair

By: Arthur Severance Date: 6/6/2020

Name: Arthur Severance

Its: Church Council Chair

By: Barbara S Davidson Date: 6/6/2020

Name: Barbara Davidson

Its: Secretary

Conference

Michigan Conference of The United Methodist Church

By: _____ Date: _____

Name: James W. LeBaron

Its: Conference Trustee Chair

By: _____ Date: _____

Name: John W. Boley

Its: Clergy Assistant to the Bishop

Exhibit C

(Property and assets listed by address, legal description, amount, and type.)

Real Estate Church Address: 4455 Decker Rd., Decker MI 48426

Legal Description:

T13N R12E SEC21, PT OF E 1/2 OF NE 1/4, COM AT NE COR, TH S 495 FT TO POB. TH W 660 FT, S 660 FT, E 660 FT, N 660 FT TO POB 10 AC

Personal property includes all furniture, fixtures, buildings, supplies, assets and accounts under the control of Shabbona United Methodist Church at the time of this agreement.

Exhibit D
QUIT CLAIM DEED

GRANTOR, MICHIGAN CONFERENCE OF THE UNITED METHODIST CHURCH, a Michigan nonprofit corporation, whose address is 1011 Northcrest Road, Lansing, MI 48906 quit claims to GRANTEE, Shabbona Riverside Church, a Michigan nonprofit corporation whose address is 4455 Decker Rd., Decker, MI 48426 the following described premises situated in the Township of Evergreen, County of Sanilac, State of Michigan:

T13N R12E SEC21, PT OF E 1/2 OF NE 1/4, COM AT NE COR, TH S 495 FT TO POB. TH W 660 FT, S 660 FT, E 660 FT, N 660 FT TO POB 10 AC

Subject to all recorded conditions, restrictions, limitations, easements and building and use restrictions of record.

For the sum of 12,500 Dollars-----

This transaction is exempt from Michigan State Real Estate Transfer Tax pursuant to MCL 207.526(w) as a conveyance from a religious society to another religious society where the property continues to be exempt from the collection of property taxes.

This property may be located within the vicinity of farm land or a farm operation. Generally accepted agricultural and management practices which may generate noise, dust, odors, and other associated conditions may be used and are protected by the Michigan Right to Farm Act.

The grantor grants to the grantee the right to make all divisions under Section 108 of the Land Division Act. Act No. 288 of the Public Acts of 1967.

NO SURVEY, TITLE, USE, SPLIT, OR LAND DIVISION OPINION PROVIDED BY DRAFTER.

Dated _____, 20__

MICHIGAN CONFERENCE OF THE
UNITED METHODIST CHURCH

By: _____

James W. LeBaron

Its: Conference Trustee Chair

By: _____

Name: _____

Its: Conference Trustee _____

STATE OF MICHIGAN)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by James W. LeBaron, the Conference Trustee Chair and _____, the Conference Trustee _____ of Michigan Conference of the United Methodist Church, a Michigan nonprofit ecclesiastical corporation, on behalf of the corporation.

Notary Public
State of Michigan, County of _____
My Commission Expires: _____

CONSENT: The Bishop of the Michigan Conference of the United Methodist Church signs this deed in order to grant consent to the transaction contemplated and set forth above, express conformity by Grantor to all requirements of *The Book of Discipline of the United Methodist Church 2016*, and to release the above described property from any trust or other restriction imposed by Chapter Six, paragraphs 2501 et. seq. of said *Discipline*.

By: _____ Date: _____, 20__
David A. Bard
Bishop of the Michigan Conference
of the United Methodist Church

When Recorded Return to: Shabbona Riverside Church 4455 Decker Rd. Decker MI 48426	Send Subsequent Tax Bills to: Shabbona Riverside Church 4455 Decker Rd. Decker MI 48426	Drafted by: Randall Severance 5673 Severance Rd. Decker MI 48426
Tax Parcel No.	Recording Fee \$30.00	Transfer Tax \$0.00

Shabbona United Methodist Church

February 23, 2020

Disaffiliation Meeting

Meeting Attendance: Jenna Schaufele, Deanna Schaufele, Jeff Schaufele, Valerie Hudson, Keith Brown, Daneen Brown, Kimberly Baurer, Basilie "Bill" Actipis, Melanie Hartwick, Marjorie Caister, Justin Schaufele, Elaine Radloff, Karen King, Joyce Brown, Helen Hubbard, Connie Wedge, Leslie Severance, Kay Severance, Rev. Nancy Bitterling (clergy), Melissa Wittbrodt, Robert Smith, Stacey Steely, Barbara Davidson, Steven Steely, William Steely, Aaron Morden, Loretta Broecker, Carl Broecker, JulAnne Kuenzli, Barbara Rockwell, Phil Rockwell, Deb Severance, Mary Inbody, Orrin "Bud" Inbody, Nancy Jones, Arthur Severance, Janet Severance, Rev. John Hice, and Rev. Griggs.

Meeting Called to Order 12:17 P.M.

Rev. Hice led a thank you to Pastor Nancy for all she has done on behalf of the SUMC.

Introduction of Rev Griggs the Co-Chair of the East Winds District Board of Church Location and Building.

Pastor Nancy nominated Barbara Davidson to be the recording secretary and it was unanimously passed.

1. Art Severance as Ad Board Chair move that Shabbona United Methodist Church disaffiliate from the United Methodist Church and Michigan Conference of the United Methodist Church in accordance with ¶2553 of the Discipline of the United Methodist Church 2016 and amended 2019, effective date of closure (July 1, 2020).

35-0 Unanimous Vote

2. Art Severance as Ad Board Chair and on behalf of the Board of Trustees of the Shabbona United Methodist Church move that Shabbona United Methodist Church accept the settlement with Michigan Conference Board of Trustees for its release from the Trust Clause with the payment of \$12,500, payment due by July 1, 2020.

35-0 Unanimous Vote

3. Art Severance as Ad Board Chair of the Shabbona United Methodist Church moves that Shabbona United Methodist Church observe the settlement with the Michigan Conference Council on Finance and Administration and the Conference for any ministry share (apportionment) arrearages, full payment of Conference and East Winds District ministry shares through December 31, 2020, and ministry shares for the period January 1-June 30, 2021 as determined by the Conference Treasurer following the adjournment of the Michigan Conference Session. Payment is to be made by July 1, 2020.

33-1 Vote

4. Art Severance as Ad Board Chair of the Shabbona United Methodist Church moves that Shabbona United Methodist Church observe settlement with Wespath (United Methodist General Board of Pensions) for unfunded liabilities in accordance with ¶2553 of the Discipline of

the United Methodist Church 2016 and amended 2019: \$47,700. This will be paid by July 1, 2020.

33-0 Unanimous Vote

5. Les Severance moved and Orrin Inbody seconded that the name of the Shabbona United Methodist Church be changed to Shabbona Riverside Church and established through its new articles of incorporation.

Unanimous voice vote

6. The Ad Board of the Shabbona United Methodist Church moved and Orrin Inbody seconded that Robert Smith and Aaron Morden (two Shabbona Trustee Members) be authorized as signatories for all legal documents.

Unanimous voice vote

7. The Ad Board of the Shabbona United Methodist Church moves that its Board of Trustees be authorized to amend church names on all bank accounts, investments, property title and legal instruments as well as with utility companies and with all other regular vendors.

Unanimous voice vote

8. The Ad Board of the Shabbona United Methodist Church moves the authorization of the Board of Trustees to submit new articles of incorporation to the State of Michigan.

Unanimous voice vote

9. The Ad Board of the Shabbona United Methodist Church moves the authorization of the Board of Trustees to submit the form for a new EIN (Employer Identification Number) and the new church will need to file for its own 501 (c) (3) status.

Unanimous voice vote

Consensus Agreement as needed the Shabbona United Methodist Church will make resolutions pertaining to amending names and designated distributions from endowments and restricted funds. Resolutions to amend terms of Endowment Funds.

Meeting Adjourned

Respectfully Submitted,

A handwritten signature in black ink, reading "Barbara S Davidson". The signature is written in a cursive, flowing style.

Barbara S Davidson