

DISAFFILIATION AGREEMENT PURSUANT TO ¶ 2553

This DISAFFILIATION AGREEMENT PURSUANT TO ¶ 2553 (the “Disaffiliation Agreement”) is entered into this 29th day of March, 2020, by and between BETHEL UNITED METHODIST CHURCH, a North Carolina unincorporated non-profit association (the “Local Church”) and THE BOARD OF TRUSTEES, WESTERN NORTH CAROLINA CONFERENCE, UNITED METHODIST CHURCH, INC., a North Carolina non-profit corporation, on behalf of and for THE WESTERN NORTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH (collectively, the “Annual Conference”). The Local Church and the Annual Conference are sometimes referred to herein collectively as the “Parties”, and each individually, a “Party”.

RECITALS:

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

WHEREAS, the 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* (2016 Edition, as amended)(the “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.

WHEREAS, per the *Discipline*, The Board of Trustees, Western North Carolina Conference, United Methodist Church, Inc., holds title to all real and personal property and interests related thereto regarding the real and personal property of The Western North Carolina Conference of The United Methodist Church, and has the authority to institute and settle litigation and convey, buy, sell, and release such property and assets on behalf of The Western North Carolina Conference of The United Methodist Church.

AGREEMENT:

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

ARTICLE 1
DEFINITIONS

Definitions. Unless otherwise defined, for the purposes of this Disaffiliation Agreement, the following terms shall have the meanings indicated below:

“Bill of Sale” shall mean a bill or bills of sale in a form substantially in conformance with the form attached as the **Exhibit B** hereto.

“Closing” shall mean the consummation of the transactions contemplated herein including the payments by the Local and Church and the transfer and/or release of interest(s) in the Real Estate and Personal Property by the Annual Conference.

“Closing Date” shall mean fifteen (15) days after the fulfillment of the conditions set out in Section 2.1 below, or anytime thereafter by written agreement of the Parties. The Closing Date is intended to be the same day as the Disaffiliation Date.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Deed” shall mean a quitclaim deed(s) substantially in the form set out in the attached **Exhibit C**.

“Disaffiliation Date” shall mean the Closing Date and have that additional meaning set out in Section 2.4 below.

“Financial Statements” shall have that meaning set out in Section 3.4 below.

“FIRPTA Certificate” an affidavit from the Annual Conference pursuant to Section 1445(b)(2) of the Code in the form attached hereto as **Exhibit D**, and on which Buyer is entitled to rely, that Seller is not a “foreign person” within the meaning of Section 1445(f)(3) of the Code

“Fixtures” shall mean all equipment, machinery, fixtures, and other items of real and/or personal property, including all components thereof, now or on the Closing Date located in, on or

used in connection with, and permanently affixed to or incorporated into, the Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, electronic security equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and similar systems, all of which, to the greatest extent permitted by law, are hereby deemed by the Parties to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the definition of Personal Property.

“Garden Lease” shall mean that lease agreement between the Local Church and the Cabarrus County Board of Education dated March 14, 2016.

“Improvements” shall mean all buildings, improvements, structures and Fixtures now or on the Closing Date located on the Real Property, including, without limitation, landscaping, parking lots and structures, roads, drainage and all above ground and underground utility structures, equipment systems and other so-called “infrastructure” improvements.

“Knowledge” shall mean knowledge of the Local Church or Annual Conference, as the case may be, after reasonable inquiry or investigation.

“Land” shall mean the real property legally described on **Schedule 4.7** attached hereto and made a part hereof, and any substitutions therefor, together with all of Annual Conference’s rights, titles, appurtenant interests, covenants, licenses, privileges and benefits thereunto belonging, and Annual Conference’s right, title and interest in and to any easements, right-of-way, rights of ingress or egress or other interests in, on or under any land, highway, street, road or avenue, open or proposed, in, on, across, in front of, abutting or adjoining such real property including, without limitation, any strips and gores adjacent to or lying between such real property and any adjacent real property.

“Laws” shall mean all federal, state and local laws, moratoria, initiatives, referenda, ordinances, rules, regulations, standards, orders and other governmental requirements, including, without limitation, those relating to the environment, health and safety and disabled or handicapped persons.

“Lease” shall mean the lease or leases described in **Schedule 4.7** attached hereto and made a part hereof.

“Personal Property” shall mean all tangible and intangible personal property, including equipment, furniture, money, accounts, vehicles and the like, other than the Fixtures, now or on the Closing Date owned by the Local Church and located on or about the Land or Improvements or used in connection with the operation thereof.

“Real Property” shall mean the Land, the Improvements and the Fixtures.

“Subsidiary” means any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms

thereof ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is at the time directly or indirectly owned or controlled by the Local Church or the functional operations of the corporation or other organization is controlled by the Local Church.

“Well Easement” shall mean that easement for well rights between the Local Church and Little Properties of Midland, LLC dated April ____, 2017.

ARTICLE 2

DISAFFILIATION PROCESS

2.1 **Conditions Precedent to Closing.** The Local Church and Annual Conference acknowledge and agree that the obligations of the parties to effectuate the Closing on or about the Disaffiliation Date are expressly contingent and conditional on the following:

(a) **Church Conference Vote.** At least two-thirds (2/3) of the professing members present at a church conference of the 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 shall 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 A** 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 The Western North Carolina Annual Conference of The United Methodist Church, as required by Judicial Council *Decision* 1379 and ¶ 2529.1b(3) of the *Discipline*. The Local Church acknowledges that the Annual Conference has no control over the voting approval of the voting delegates and the voting approval is subject to the will and voting of the body.

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

2.2 **Petition for Annual Conference Session.** The Local Church acknowledges that pursuant to the governing standing rules of the Annual Conference, petitions for consideration of the legislative body must be submitted to the Secretary of the Annual Conference on or before April 1 of the current Annual Conference year. The Annual Conference will make reasonable efforts to assist the Local Church in completing the required petition, which will include this Disaffiliation Agreement as an attachment thereto making it subject to public review. If the petition is not filed in a timely manner, the Parties will make good faith efforts under the standing rules of the Annual Conference to cooperate to bring the petition to the legislative floor for consideration by appropriate motions to suspend the standing rules for the purposes of considering the petition.

2.3 **Applicability of ¶ 2501.** Local Church acknowledges and agrees that pursuant to ¶ 2501 of the *Discipline*, the Local Church holds all its property, real and personal, tangible and intangible, in trust for the benefit of The United Methodist Church, including the Real Property and Personal Property, and the Local Church will not take any actions that are inconsistent therewith or opposing or negating the same.

2.4 **Date of Disaffiliation.** Should Local Church timely comply with all of its obligations, representations, and warranties as set forth in this Disaffiliation Agreement and the conditions in Section 2.1 above have been satisfied, Local Church's disaffiliation from The United Methodist Church will be effective on July 15, 2020 (the "Disaffiliation Date"), unless Closing is otherwise delayed by rescheduling of the 2020 session of the Annual Conference, in which case the Parties shall agree on a subsequent date. Such Disaffiliation Date must be subsequent to the Annual Conference's ratification referenced in Section 2.1 (b) above.

ARTICLE 3 **FINANCIAL OBLIGATIONS & MATTERS**

3.1 **Local Church's Payment Obligations.** At Closing or otherwise prior to or on the Disaffiliation Date, Local Church shall pay to the Annual Conference, in a manner specified by Annual Conference, the following:

(a) Local Church shall have the right to retain its Real Property and Personal Property, tangible and intangible property *without charge*. Any costs relating to Local Church's retention of its property will be borne by Local Church. The amounts paid hereunder are not a purchase price for the Land, Real Property or Personal Property but rather for the release of any interest therein by the Annual Conference.

(b) Any unpaid apportionments for the twelve (12) months immediately prior to the Disaffiliation Date, as calculated by Annual Conference, totaling Fifty Five Thousand Twenty Three and 00/100 Dollars (\$55,023.00);

(c) An additional twelve (12) months of apportionments, as calculated by Annual Conference, totaling Fifty Five Thousand Twenty Three and 00/100 Dollars (\$55,023.00); and,

(d) 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 Three Hundred Thirty Seven Thousand Five Hundred Sixty Five and 00/100 Dollars (\$337,565.00).

3.2 **Other Liabilities.** Local Church represents and warrants that it has no loans, leases or other debts secured by the Real Property or Personal Property, except those matters set out **Schedule 3.2**, and that if any debts exist, secured or unsecured, it shall either satisfy all of

its debts, loans, and liabilities, or assign or transfer such obligations to its new operating entity prior to or simultaneous with Closing, and solely bear the cost thereof. Local Church must provide sufficient documentation of the same to Annual Conference.

3.3 **No Undisclosed Liabilities.** Local Church has, and at the Disaffiliation Date will have, no debts, liabilities, commitments, or obligations of any nature, absolute, accrued, contingent or otherwise, relating to its business, other than those which (a) are fully reflected or reserved against on the Financial Statements (defined below) or (b) have been incurred since the date of the most recent balance sheet included in the Financial Statements in the ordinary course of business in amounts and for terms consistent, individually and in the aggregate, with the past practices of its business. Except as shown in the Financial Statements, the Local Church is not directly or indirectly liable upon or with respect to (by discount, repurchase agreements or otherwise), or obliged in any other way to provide funds in respect of, or to guarantee or assume, any debt, obligation or dividend of any other party, except endorsements in the ordinary course of business in connection with the deposit, in banks or other financial institutions, of items for collection.

3.4 **Financial Statements.** Attached hereto as **Schedule 3.4** are true and correct copies of the unaudited balance sheets as of December 31, 2019, of Local Church (the "**Financial Statements**") The Financial Statements: (x) have been prepared in accordance with generally accepted accounting principals ("**GAAP**"), consistently applied, as of the dates and for the periods covered thereby; (y) present fairly the financial condition, cash flow and results of operations of the Local Church as of the respective dates thereof and for the periods therein referred to, all in accordance with GAAP consistently applied; and (z) have been derived from and are in agreement with the books and records of the Local Church.

ARTICLE 4 **REPRESENTATIONS AND WARRANTIES OF LOCAL CHURCH**

The Local Church represents and warrants to the Annual Conference as of the date hereof and the Disaffiliation Date as follows:

4.1 **Organization and Qualification.** Local Church is an unincorporated non-profit association duly organized, validly existing and in good standing under the laws of the State of North Carolina. The Local Church, subject to the *Discipline*, has all requisite power and authority to own or lease its properties and assets and to carry on its business as it is now being conducted.

4.2 **Authorization; Enforceability.** The Local Church has full power and authority to execute, deliver and perform this Disaffiliation Agreement and all agreements and transactions contemplated hereby. The execution, delivery and performance of this Disaffiliation Agreement and all transactions contemplated hereby have been duly authorized by all corporate action required by Local Church. This Disaffiliation Agreement has been duly and validly executed and delivered by Local Church, and constitutes, and each of the other agreements to be executed pursuant to the terms hereof and upon execution and delivery will constitute, legal, valid and binding obligations of the Local Church, enforceable in accordance with their terms.

4.3 **No Conflict or Violation.** The execution, delivery and performance of this Disaffiliation Agreement or any document related hereto by Local Church and the consummation by Local Church of all of the transactions contemplated hereby or thereby, will not (with or without the giving of notice or the lapse of time or both): (a) violate or require any consent or approval under any applicable provision of any order, writ, injunction, decree, rule, regulation or law; (b) require any consent under, conflict with, result in termination of, accelerate the performance required by, result in a breach of, constitute a default under, or otherwise violate the terms of any leases, promissory notes, loans, agreements, instruments, obligations, contributions, gifts or endowments to which Local Church or a Subsidiary is a party or is beneficiary; (c) require any consent or approval by, notice to or registration with any governmental authority or any other person or entity; (d) violate any organizational documents or bylaws of Local Church; or (e) result in the creation or imposition of any lien or encumbrance upon any of the assets of the Local Church or accelerate any indebtedness of the Local Church, or result in the cancellation, modification, revocation or suspension of any of the licenses, permits, governmental authorizations or accreditations held by the Local Church.

4.4 **No Subsidiaries.** Except as set out on **Schedule 4.3**, the Local Church has no Subsidiaries.

4.5 **Litigation.** There are no actions, proceedings or investigations pending or, to the Knowledge of the Local Church, threatened against the Local Church or any Subsidiaries before any court, arbitral panel, or administrative or governmental agency or administrative officer or executive. Local Church is not subject to any order, writ, judgment, award, injunction or decree of any court, arbitral panel, or administrative or governmental agency, that affects the assets or operation of the Local Church, or that would or might interfere with the transactions contemplated by this Disaffiliation Agreement.

4.6 **Restriction on Funds.** The Local Church, nor its Subsidiaries, are party to any agreement, contract, loan, debt or the like, aside from the *Discipline*, that restricts the use or spending of its funds.

4.7 **Real Property.** Other than the Land and Real Property set on **Schedule 4.7**, the Local Church nor its Subsidiaries own or lease or have any other interest in any other Land or Real Property.

4.8 **Personal Property.** Other than the Personal Property set out on **Schedule 4.8**, the Local Church nor its Subsidiaries own, lease, or have any other interest in any other Personal Property.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF ANNUAL CONFERENCE

The Annual Conference represents and warrants to the Local Church as of the date hereof and the Disaffiliation Date as follows:

5.1 **Organization and Qualification.** Annual Conference is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina. Annual Conference has all requisite corporate power and authority to own or lease its properties and assets and to carry on its business as it is now being conducted.

5.2 **Authorization; Enforceability.** The Annual Conference has full power and authority to execute, deliver and perform this Disaffiliation Agreement and all agreements and transactions contemplated hereby. The execution, delivery and performance of this Agreement and all transactions contemplated hereby have been duly authorized by all corporate action required by the Annual Conference. This Disaffiliation Agreement has been duly and validly executed and delivered by the Annual Conference, and constitutes, and each of the other agreements to be executed pursuant to the terms hereof and upon execution and delivery will constitute, legal, valid and binding obligations of the Annual Conference, enforceable in accordance with their terms.

5.3 **No Conflict or Violation.** The execution, delivery and performance of this Disaffiliation Agreement or any document related hereto by Annual Conference and the consummation by Annual Conference of all of the transactions contemplated hereby or thereby, will not (with or without the giving of notice or the lapse of time or both): (a) violate or require any consent or approval under any applicable provision of any order, writ, injunction, decree, rule, regulation or law; (b) require any consent or approval by, notice to or registration with any governmental authority or any other person or entity; or, (c) violate any provision of the Articles of Incorporation of Annual Conference or its Bylaws.

ARTICLE 6

CORPORATE MATTERS; PROPERTY; RELEASES

6.1 **Intellectual Property.** As of the Disaffiliation Date, the Local Church and Subsidiaries shall cease all use of the terms “United Methodist” or “UMC”, the Cross & Flame insignia, and any other intellectual property of the denomination and Annual Conference, including the removal of all signage containing the same, and shall refrain from using any similarly confusing names, logos, designs, trademarks or service marks in any fashion. In addition, the Local Church and Subsidiaries shall remove “United Methodist” or “UMC” from any URL’s, e-mail addresses, websites, social media pages and sites, as well as the other items of Intellectual Property noted hereunder. However, nothing herein shall prevent the Local Church from continuing to use hymnals, books of worship or bibles which have the Cross & Flame insignia on them or were already purchased and in use with the Local Church. The Local Church shall be allowed to keep and display awards and honorary plaques and the like which say “United Methodist” or “UMC” or which display the Cross & Flame insignia. Likewise, the Local Church shall not be required to remove any stained glass which contain the Cross & Flame insignia or any similar art or marks.

6.2 **Group Tax Exemption Ruling.** As of the Disaffiliation Date, Local Church shall cease to use, and also shall ensure that any Subsidiaries or 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 Subsidiaries and affiliates which have been included in the group tax exemption ruling will be removed as of the Disaffiliation Date.

6.3 **Historical Documents.** Prior to the Disaffiliation Date, the Local Church will work with the Archives for the Annual Conference to turn over originals or acceptable copies (whether hard copy or electronic) of church archives, membership rolls, and other historical documents related to funerals, baptisms, weddings, minutes, etc., of the Local Church for archiving with the Annual Conference.

6.4 **Cemetery.** The Local Church agrees and insures that, after the Disaffiliation Date, its cemetery and/or columbarium, will continue to be maintained in substantially the same manner as presently maintained. In addition, Local Church will honor any and all contracts, deeds, and agreements for burial and/or internment in its cemetery or columbarium, as well as insuring and continued access for families and loved ones of United Methodists buried there and for burials in unfilled graves and columbarium slots.

6.5 **Conduct of Local Church Operations.** From the date of this Disaffiliation Agreement through and until the Closing, the Local Church: (a) will conduct its operations substantially in accordance with past practice and will use commercially reasonable efforts, subject to the foregoing, to maintain and preserve its operations and organization consistent with past practice and efficient and economical management, (b) will not take any action that is inconsistent with its charitable purposes under Section 501(c)(3) of the Code or that otherwise adversely affects its tax-exempt status, and (c) will not take any action that would cause its representations and warranties in this Disaffiliation Agreement not to remain true and correct as of Closing, except with the prior written consent of the Annual Conference.

6.6 **Organizational Transition.** Local Church shall take all steps necessary to [close and/or dissolve any legal entities of the Local Church 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.

6.7 **Restricted Gifts.** During the period between the date of this Disaffiliation Agreement and Closing, the Parties shall work together to identify any restrictions or change of control provisions in gifts, grants, endowments, restricted accounts and similar funds available or pledged to the Local Church. The Parties shall cooperate to determine any actions that may be necessary, including without limitation any consent or acknowledgment from the grantor of such funds, in order that such funds, resources or pledges will not be adversely affected by the disaffiliation of the Local Church. The Local Church, after disaffiliation, shall treat such funds and any future bequests or other gifts received in the pre-disaffiliation name of the Local Church, consistent with requirements of law and such donor's direction in the written gift instrument, as restricted for the church related operations and activities as conducted by the Local Church.

6.8 **Real Property; Personal Property.**

(a) On the Disaffiliation Date, Local Church will have full title and ownership of the Real Property and Personal Property, less and excepting the Garden Lease and Well Easement. The parties shall ensure all necessary transfers or other transactions relating to the above properties are completed on or 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 Property and Personal Property, both tangible and intangible, of Local Church.

(b) At Closing, the Annual Conference shall deliver to the Local Church: (i) the Deed(s) quitclaiming and releasing all interest of the Annual Conference in the Real Property to the Local Church; (ii) the Bill of Sale conveying all the interest of the Annual Conference in the Personal Property to the Local Church; and, (iii) a FIRPTA certificate.

(c) At Closing, the Local Church shall have obtained consents from both the Cabarrus County Board of Education to assign the Garden Lease and from Little Properties of Midland, LLC to assign the Well Easement to the new operating entity of the Local Church, such consents subject to the reasonable satisfaction of the Annual Conference.

6.9 AS/IS Conveyance. THE PARTIES AGREE THAT, EXCEPT AS MAY BE EXPRESSLY SET FORTH IN THIS AGREEMENT, THE INTERESTS OF THE ANNUAL CONFERENCE IN THE REAL PROPERTY AND PERSONAL PROPERTY SHALL BE CONVEYED TO THE LOCAL CHURCH "AS IS, WHERE IS, WITH ALL FAULTS", SUCH CONVEYANCES SHALL BE WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED (INCLUDING ANY WARRANTY OF OR WITH RESPECT TO INCOME POTENTIAL, DEVELOPMENT FEASIBILITY, POTENTIAL OR COSTS, OPERATING EXPENSES, USES, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), AND THE ANNUAL CONFERENCE DOES HEREBY DISCLAIM AND RENOUNCE ANY SUCH REPRESENTATION OR WARRANTY, EXCEPT AS MAY BE EXPRESSLY SET FORTH HEREIN. THE LOCAL CHURCH IS NOT RELYING, AND AGREES THAT IT SHALL NOT RELY, UPON ANY REPRESENTATION, INDUCEMENT OR UNPERFORMED PROMISE OF THE ANNUAL CONFERENCE EXCEPT TO THE EXTENT SUCH INDUCEMENT, REPRESENTATION OR UNPERFORMED PROMISE IS EXPRESSLY SET FORTH HEREIN. THE LOCAL CHURCH HAS BEEN IN SOLE AND EXCLUSIVE POSSESSION OF THE REAL PROPERTY AND THE PERSONAL PROPERTY AND IS FULLY AWARE OF ALL FAULTS AND MATTERS RELATING THERETO.

6.10 Release of Claims. Upon Closing, 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. For the purposes of this provision, "Local Church" shall include all Subsidiaries.

6.11 **Indemnification**. The Local Church shall defend, indemnify, and hold the Annual Conference (including its officers, directors, trustees, agents, employees, members and the like) harmless against any and all investigations, actions, claims, demands, lawsuits, loss, costs, damages, judgments, liabilities, settlement or expenses incurred, claimed, obtained, or sustained, including without limitation attorneys' fees and costs, of any nature whatsoever, whether in law or in equity, including without limitation claims relating to or allegedly relating to employment matters, personal injuries, the Real Property, the Personal Property, contracts, agreements, loans, Subsidiary operations or claims related thereto, or relating to the transactions contemplated in this Disaffiliation Agreement, including the disaffiliation of the Local Church. Annual Conference reserves the right to select counsel to defend and/or bring any such claims. Notwithstanding the Annual Conference's right to the choice of counsel, Local Church shall solely be responsible for any and all attorneys' fees, costs, and expenses relating to any and all such actions. The Annual Conference shall promptly notify the Local Church of any claims hereunder, and the Annual Conference shall have the sole right to control and direct all litigation and settle any and all claims hereunder.

ARTICLE 7

CLOSING, TIME, AND TERMINATION

7.1 **Closing**. Subject to the satisfaction or appropriate waiver of all conditions set forth in this Disaffiliation Agreement, the Closing of the transactions contemplated shall be effective as of the Disaffiliation Date. The Closing shall take place at the offices of Purser & Glenn, PLLC at 10 A.M. Eastern Time (US).

7.2 **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.

7.3 **Termination upon Mutual Consent**. This Agreement may be terminated and the disaffiliation and the other transactions contemplated hereby may be abandoned at any time prior to the Disaffiliation Date by the mutual written consent of the Parties.

7.4 **Other Termination**. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Disaffiliation Date by either Party if:

(a) prior to the Disaffiliation Date, there has been a material breach of any representation, warranty, covenant or agreement on the part of a Party set forth in this Agreement; provided, however, that, if such breach is curable by the breaching Party through the exercise of its commercially reasonable efforts and for so long as the breaching Party continues to exercise such commercially reasonable efforts (but in no event longer than thirty (30) days

after the non-breaching Party's written notification to the breaching Party of the occurrence of such breach), the non-breaching Party may not terminate this Agreement; or,

(b) if all the conditions set forth in this Agreement have not been satisfied or waived on or before the Disaffiliation Date, unless such satisfaction has been frustrated or made impossible by any act or failure to act of non-breaching Party.

7.5 **Effect of Termination.** In the event of termination of this Disaffiliation Agreement, no Party hereto (or any of its trustees or officers) shall have any liability or further obligation to the other Party to this Disaffiliation Agreement, except that nothing herein will relieve either Party from liability for any breach of this Disaffiliation Agreement.

ARTICLE 8 **MISCELLANEOUS**

8.1 **Severability.** If any provision of this Disaffiliation Agreement or the application of any such provision to any Party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Disaffiliation Agreement or the application of such provision to such Party or circumstances other than those to which it is so determined to be invalid and unenforceable shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law.

8.2 **Waiver.** Any provision of this Disaffiliation Agreement may be waived prior to the Closing if, and only if, such waiver is in writing and signed by an authorized representative of the Party against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege under this Disaffiliation Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Except as otherwise provided in this Disaffiliation Agreement, the rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

8.3 **Notices.** All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed given: (i) when delivered, if delivered personally to the intended recipient; (ii) three (3) business days following sending by registered or certified mail, postage prepaid; and (iii) one (1) business day following sending, if sent by overnight delivery via a national courier service providing proof of delivery, and in each case, addressed to a party at the following address for such party (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8.3):

If to Annual Conference:	WNCC Attn. R. Mark King 13924 Professional Center Drive Suite 200 Huntersville, NC 28078
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Execution Version

with a copy to: Ascension Law
5821 Fairview Road
Suite 500
Charlotte, NC 28209
Attention: Gregory D. Huffman

If to Local Church: Bethel United Methodist Church
Attn. Jeremy Brackett
12700 Idlebrook Road
Midland, NC 28017

with a copy to: Purser & Glenn, PLLC
Attn. Rodney L. Purser
2760 E. W.T. Harris Blvd.
Suite 200
Charlotte, NC 28213

8.4 **Applicable Law.** This Disaffiliation Agreement shall be governed and construed and interpreted in accordance with the laws of the State of North Carolina, excepting only its conflict of laws principles.

8.5 **Publicity.** The Parties agree that no press release or other announcement concerning the transactions contemplated hereby shall be issued by any Party without the advance written consent of the other Party, except as such release or announcement may be required by law, in which case the Party making the release or announcement shall show such release or announcement in advance to the other Party. Nothing herein shall prevent the Local Church from giving regular updates to its congregation regarding the disaffiliation process and/or related financial and budgetary matters.

8.6 **Assignment.** This Disaffiliation Agreement may not be assigned by any Party without the prior written consent of the other Party, such consent to be in the sole discretion of the Party from which it is sought. Any such assignment without the consent of the other party, whether by merger, operation of law, agreement or otherwise shall be void and a breach of this Disaffiliation Agreement.

8.7 **Binding Effect Benefits.** This Disaffiliation Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective permitted successors and assigns; provided, however, that nothing in this Disaffiliation Agreement shall be construed to confer any rights, remedies, obligations or liabilities on any person other than the Parties hereto or their respective successors and permitted assigns.

8.8 **Entire Agreement.** This Disaffiliation Agreement, together with the exhibits and schedules hereto which are incorporated herein by this reference, embodies the entire agreement and understanding of the Parties hereto and supersedes any prior agreement or understanding between the Parties with respect to the subject matter of this Disaffiliation Agreement.

8.9 **Amendment.** This Disaffiliation Agreement may be amended only by a writing duly executed by the Parties hereto.

8.10 **Further Assurances.** Each Party to this Disaffiliation Agreement will execute and deliver, or cause to be executed and delivered, such additional or further transfers, assignments, endorsements or other instruments as the other Party or its counsel may reasonably request for the purpose of carrying out the transactions contemplated by this Disaffiliation Agreement.

8.11 **Counterparts.** This Disaffiliation Agreement may be executed in one or more counterparts (and by facsimile or portable document format (pdf) transmission), each of which shall be deemed an original, but all of which together shall constitute one and the same document.

8.12 **Headings.** Headings of the articles and sections in this Disaffiliation Agreement are for reference purposes only and shall not be deemed to have any substantive effect.

[Signature Page Immediately Follows]

IN WITNESS WHEREOF, the parties have caused this Disaffiliation Agreement to be executed by their duly authorized representatives.

THE BOARD OF TRUSTEES, WESTERN NORTH CAROLINA CONFERENCE, UNITED METHODIST CHURCH, INC., a North Carolina non-profit corporation

By: Robert E. Wilhoit
Robert E. Wilhoit, President

By: _____
Susan K. Irvin, Vice-President

BETHEL UNITED METHODIST CHURCH, a North Carolina unincorporated non-profit association

By: Joey Hartsell
Joey Hartsell, Chairperson
Board of Trustees

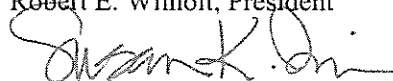
By: Mitchell Haigler
Mitchell Haigler, Vice-Chair
Board of Trustees

Execution Version

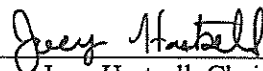
IN WITNESS WHEREOF, the parties have caused this Disaffiliation Agreement to be executed by their duly authorized representatives.

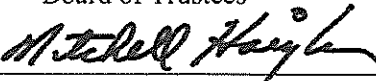
THE BOARD OF TRUSTEES, WESTERN NORTH CAROLINA CONFERENCE, UNITED METHODIST CHURCH, INC., a North Carolina non-profit corporation

By: _____
Robert E. Wilhoit, President

By:  _____
Susan K. Irvin, Vice-President

BETHEL UNITED METHODIST CHURCH, a North Carolina unincorporated non-profit association

By:  _____
Joey Hartsell, Chairperson
Board of Trustees

By:  _____
Mitchell Haigler, Vice-Chair
Board of Trustees

SUPPLEMENTARY INDEX

Exhibit A-Local Church Vote Certification
Exhibit B-Bill of Sale
Exhibit C-Deed(s)
Exhibit D-FIRPTA

Schedule 3.2-Other Liabilities
Schedule 3.4-Financial Statements
Schedule 4.3-Subsidiaries
Schedule 4.7-Leases & Land

Execution Version

EXHIBIT A
Local Church Certification

[To Be Provided]

CHURCH CONFERENCE
February 16, 2020, 2:00 pm

The Church Conference called today was designated as the meeting at which the members of Bethel United Methodist Church would vote on the Disaffiliation of this church from the United Methodist Church.

Attached to these minutes is a copy of the Disaffiliation Ballot that each member received as they entered the meeting.

David Hockett, District Superintendent of the Metro District, opened the meeting with prayer.

After a brief explanation of the purpose of the meeting to the members in attendance, he gave an opportunity to allow members to speak. One member took the opportunity to speak.

The vote was then taken and each member brought the ballot forward and placed it in containers provided.

The ballots were counted by three members of the planning committee overseen by David Hockett.

The final count was: 226 votes for disaffiliation (78.4%)
62 votes against disaffiliation (21.6%)

Andy Ragan, chairman of the Board of Stewards, announced the results to the members of the congregation.

David Hockett spoke briefly of the steps that still need to be taken as we work with the trustees of the Western NC Conference to meet our April 1, 2020 deadline. The trustees will then make a recommendation to the Western NC Conference of the United Methodist Church for approval our disaffiliation vote during Annual Conference in June 2020.

David Hockett closed the meeting in prayer.

Respectfully submitted by



Kathy Moorhead

Execution Version

EXHIBIT B
Bill of Sale

[Form Attached]

BILL OF SALE

This Bill of Sale is made and entered into as of this ____ day of [____], 2020 (the "Effective Date") by and between THE BOARD OF TRUSTEES, WESTERN NORTH CAROLINA CONFERENCE, UNITED METHODIST CHURCH, INC., a North Carolina non-profit corporation (the "Seller") and [____], a [North Carolina non-profit corporation] (the "Buyer").

1. PURCHASE OF EQUIPMENT AND PERSONAL PROPERTY. For valuable consideration, the sum of \$1.00, receipt of which is acknowledged, Seller agrees to quitclaim, transfer, sell, waive and release any interest it has or may have, including as the beneficiary of any trust interest created by the provisions of The Book of Discipline of The United Methodist Church, and Buyer agrees to accept all of Seller's interest in the personal property, contents, furnishings, and equipment found in that real property located at [____], North Carolina, including all accounts, monies, funds, notes, and other intangibles (hereinafter collectively, the "Personal Property") on the terms and conditions set forth in this Bill of Sale.

2. INSPECTION. Buyer has been in exclusive possession of the Personal Property and and waives all rights to inspect and/or reject the Personal Property or any part thereof.

3. RISK OF LOSS. The sole risk of loss arising from the Personal Property, regardless of the cause, shall pass to Buyer upon execution hereof.

4. DISCLAIMER OF WARRANTIES. Seller hereby excludes, and Buyer waives, all express or implied warranties with respect to the Personal Property, and further:

THERE ARE NO WARRANTIES THAT EXTEND BEYOND THE DESCRIPTION ON THE FACE OF THIS BILL OF SALE. WITH THIS SALE, AND SELLER EXPLICITLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY AND ANY WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE. BUYER ACKNOWLEDGES THAT IT IS PURCHASING THE EQUIPMENT AS-IS AND WHERE LOCATED WITH NO CLAIMS OR WARRANTIES REGARDING CONDITION OR SUITABILITY, EITHER EXPRESS OR IMPLIED.

5. This Bill of Sale shall be construed and governed in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the Parties have caused their respective duly authorized representative to execute and deliver this Bill of Sale.

The Board of Trustees, Western North Carolina Conference,
United Methodist Church, Inc.

By: _____

Name/Office: _____

[_____]

By: _____

Execution Version

EXHIBIT C
Deed(s)

[Form Attached]

QUITCLAIM DEED

THIS INSTRUMENT WAS PREPARED BY:

Gregory D. Huffman
Ascension Law
5821 Fairview Road
Suite 500
Charlotte, NC 28209

Mail after recording to: [_____]

NORTH CAROLINA

NO REVENUE

[_____] COUNTY

THIS QUITCLAIM DEED made this ____ day of [_____], 2020, by and between **THE TRUSTEES OF THE WESTERN NORTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH, INC.**, a North Carolina Not-For-Profit corporation, whose mailing address is [_____] (“Grantor”) and [_____], a North Carolina [_____], whose mailing address is [_____] (“Grantee”).

The designation Grantor and Grantee as used herein shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.

WHEREAS, Bethel United Methodist Church was a “Local Church,” as defined by The Book of Discipline of The United Methodist Church (2016 Edition, as amended)(the “Discipline”);

WHEREAS, pursuant to that Disaffiliation Agreement Pursuant to ¶ 2553 between Grantor and Bethel United Methodist Church dated March [____], 2020, Grantor agreed to transfer all its right, title and interest in the real property set out herein to Grantee.

WITNESSETH, that the Grantor, for a valuable consideration paid by the Grantee, the receipt of which is hereby acknowledged, has remised and released, and by these presents does remise, release and forever quitclaim unto Grantee and its assigns all right, title, and interest of said Grantor in and to that certain tract of land lying and being in [_____] Township, [_____]

County, North Carolina, as more particularly described:

**See the attached Exhibit A which is
incorporated by reference herein as if set out in full.**

THE PREPARER OF THIS INSTRUMENT DID NOT SEARCH OR CERTIFY TITLE.

To have and to hold the aforesaid tract or parcel of land and all privileges thereunto belonging to said Grantee and its assigns free and discharged from all right, title, claim and interest of the Grantor or anyone claiming by, through or under them.

IN WITNESS WHEREOF, the Grantor has hereunto set their hands and seals the day and year first above written.

[Signatures Pages Attached Separately]

**SIGNATURE AND ACKNOWLEDGMENT PAGE
FOR QUITCLAIM DEED**

**THE BOARD OF TRUSTEES, WESTERN NORTH
CAROLINA CONFERENCE, UNITED METHODIST
CHURCH, INC., a North Carolina non-profit
corporation**

By: _____
[_____], **President and Board Chair**

State of North Carolina - County of _____

I, _____, a Notary Public of the aforesaid state and county do hereby certify that _____, personally appeared before me this day and who is personally known to me or who produced satisfactory evidence of their identity in the form of a driver's license, and who acknowledged that they voluntarily executed the foregoing instrument for the purposes stated therein and that they are the **President and Board Chair of The Board of Trustees, Western North Carolina Conference, United Methodist Church, Inc., a North Carolina non-profit corporation, Grantor**, and that they, as President and Board Chair, being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and Notarial stamp or seal this _____ day of [_____], 2020.

My Commission Expires: _____ Notary Public

(Affix Seal)

Notary's Printed or Typed Name

**SIGNATURE AND ACKNOWLEDGMENT PAGE
FOR QUITCLAIM DEED**

**THE BOARD OF TRUSTEES, WESTERN NORTH
CAROLINA CONFERENCE, UNITED METHODIST
CHURCH, INC., a North Carolina non-profit
corporation**

By: _____
[_____], Vice President

State of North Carolina - County of _____

I, _____, a Notary Public of the aforesaid state and county do hereby certify that [_____], personally appeared before me this day and who is personally known to me or who produced satisfactory evidence of their identity in the form of a driver's license, and who acknowledged that they voluntarily executed the foregoing instrument for the purposes stated therein and that they are the Vice President of **The Board of Trustees, Western North Carolina Conference, United Methodist Church, Inc., a North Carolina non-profit corporation, Grantor**, and that they, as Vice President, being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and Notarial stamp or seal this _____ day of March, 2020.

My Commission Expires: _____ Notary Public

(Affix Seal)

Notary's Printed or Typed Name

EXHIBIT A

PROPERTY DESCRIPTION

[]

Execution Version

EXHIBIT D
FIRPTA

[Form Attached]

FIRPTA AFFIDAVIT

NON-FOREIGN STATUS

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. For U.S. tax purposes (including section 1445), the owner of a disregarded entity (which has legal title to a U.S. real property interest under local law) will be the transferor of the property and not the disregarded entity. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by **The Board of Trustees, Western North Carolina Conference, United Methodist Church, Inc.**, a North Carolina non-profit corporation (“Transferor”), the undersigned hereby certifies the following on behalf of Seller:

Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

Transferor is not a disregarded entity as defined in §1.1445-2(b)(2)(iii);

Transferor’s U.S. employer identification number is: 56-6001440; and

Transferor’s office address is Post Office Box 2757, Huntersville, NC 28070.

Transferor understands that this certification may be disclosed to the Internal Revenue Service by transferee and that any false statement contained herein could be punished by fine, imprisonment or both.

Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Transferor.

Dated: [July] __, 2020

The Board of Trustees, Western North Carolina
Conference, United Methodist Church, Inc.,
a North Carolina non-profit corporation

By: _____
Name: [_____]
Its: President

NOTICE TO TRANSFEREE (BUYER): You are required by law to retain this Certificate until the end of the fifth tax year following the tax year in which the transfer takes place and make the Certificate available to the Internal Revenue Service if requested to do so during that period.

Execution Version

SCHEDULE 3.2
Other Liabilities

None.

Execution Version

SCHEDULE 3.4
Financial Statements

[Attached]

Accounts

Assets		
CURRENT ASSETS		
Checking Accounts		
001150 - First Bank (Church Budget)	\$92,638.02	
001151 - First Bank (Church Designated)	\$375,981.74	
Total Checking Accounts	<u>\$468,619.76</u>	
Total CURRENT ASSETS		<u>\$468,619.76</u>
Total Assets		<u><u>\$468,619.76</u></u>
Liabilities, Fund Principal, & Restricted Funds		
Liabilities		
CURRENT LIABILITIES		
Federal Payroll Tax Pay.		
002110 - Fed. Income Tax Payable	\$3,071.54	
002120 - Employee Fed SS tax pay	(\$854.69)	
002121 - Employee Medicare Tax Pay	(\$631.30)	
002122 - Employer SS Tax Pay	\$2,372.51	
002123 - Employer Medicare Tax Pay	(\$1,144.92)	
Total Federal Payroll Tax Pay.	<u>\$2,813.14</u>	
N. C. Payroll Tax Pay.		
002140 - N. C. Income Tax Payable	(\$10.00)	
Total N. C. Payroll Tax Pay.	<u>(\$10.00)</u>	
Total CURRENT LIABILITIES		<u>\$2,803.14</u>
Total Liabilities		<u>\$2,803.14</u>
Excess Cash Received	<u>\$89,834.88</u>	
Total Fund Principal and Excess Cash Received		<u>\$89,834.88</u>
Restricted Funds		
Total Temporary Restricted	<u>\$375,981.74</u>	
Total Restricted Funds		<u>\$375,981.74</u>
Total Liabilities, Fund Principal, & Restricted Funds		<u><u>\$468,619.76</u></u>

SCHEDULE 4.3
Subsidiaries

Entity	State of Incorporation/Organization	Sec. of State ID No.
Bethel UMC Preschool and Afterschool, LLC	North Carolina	1487028
Bethel Learning Center, LLC	North Carolina	1588844

SCHEDULE 4.7
Leases & Land

Interests in Land

County	Deed Book/Page	Acreage	Notes
Cabbarus, NC	67/360	9.750	Fee Interest
	234/315	1.300	Fee Interest
	337/3	0.048	Fee Interest
	367/99	2.230	Fee Interest
	392/482	0.980	Fee Interest
	431/132	0.369	Fee Interest
	434/673	0.603	Fee Interest
	747/63	0.079	Fee Interest
	Mecklenburg, NC	20770/233	68 acres
20770/285		68 acres	14.595% Interest

Leases

- Unwritten lease to Bethel UMC Preschool and Afterschool, LLC
- Unrecorded lease between Bethel United Methodist Church and the Cabarrus County Board of Education dated March 14, 2016 whereby Bethel United Methodist Church leases a small parcel of land from the Cabarrus County Board of Education for a community garden
- Unrecorded easement agreement between Bethel United Methodist Church and Little Properties of Midland, LLC, dated April ___ 2017, whereby Bethel United Methodist Church owns and operates a water well located on the real property of Little Properties of Midland, LLC for irrigating the community garden located on the Cabarrus County Board of Education property noted above.