

AMICABLE RECONCILIATION AGREEMENT

This **AMICABLE RECONCILIATION AGREEMENT** (this "Agreement") is entered into as of the 5th day of March, 2023 (the "Effective Date"), by and between **CENTRAL UNITED METHODIST CHURCH, INC.**, an Arkansas nonprofit corporation ("Central") and Christ Church of NWA, Inc., an Arkansas nonprofit corporation ("Christ Church"). Central and Christ Church are sometimes referred to herein individually as a "Party" or collectively as the "**Parties.**"

WITNESSETH:

WHEREAS, the Parties, through their duly authorized representatives and members, have been involved in the Discernment and Disaffiliation Process at Central regarding the possibility of disaffiliation from the United Methodist Church (the "Disaffiliation Process") in accordance with the requirements of the United Methodist Book of Discipline, applicable United Methodist Judicial Council Rulings and the Arkansas "Principles for Disaffiliation" adopted by the 2021 Arkansas Annual Conference;

WHEREAS, certain advocacy groups comprised of professing members of Central have taken an active role in the discussions surrounding the Disaffiliation Process, namely the Central Wesleyan advocacy group (hereinafter the "Wesleyan Advocacy Group") and the United for Central advocacy group (hereinafter the "United Group" and, together with the Wesleyan Group, collectively, the "Advocacy Groups");

WHEREAS, the Parties and the Advocacy Groups have negotiated and agreed to an amicable resolution to fully and definitively end the Disaffiliation Process at Central;

WHEREAS, this Agreement represents the Parties' negotiated and specifically agreed to terms regarding the end of the Disaffiliation Process at Central and their amicable resolution regarding any additional terms, provisions and conditions related thereto;

WHEREAS, the Pastors (as defined below) and members of the Wesleyan Advocacy Group wish to leave the United Methodist denomination and expect to start and participate in the Wesleyan Entity;

WHEREAS, as part of such amicable resolution, Central desires to facilitate this departure in peace and agrees to make a charitable contribution (which is comprised of a series of payments to Christ Church as described in this Agreement, subject to the terms, provisions and conditions herein) to Christ Church to be used by Christ Church for religious purposes hereafter;

WHEREAS, Christ Church agrees to accept the charitable contribution from Central and use such charitable contribution for religious purposes hereafter as specified in this Agreement; and

WHEREAS, the Advocacy Groups and Parties agree that they are currently professing members of Central United Methodist Church, a local church of the Arkansas Conference of the United Methodist Church. The Pastors are current United Methodist clergy. Accordingly, all agree that their actions, this Agreement, and the implementation of this Agreement, shall forever conform in all ways, and shall forever remain subject to, the terms and provisions of the current United Methodist Book of Discipline. They further agree that this Agreement cannot and shall not encumber or obligate the Arkansas Conference of the United Methodist Church or its Districts consistent with ¶ 2510 and other applicable provisions of the current United Methodist Book of Discipline.

WHEREAS, the Parties, the Advocacy Groups and the Pastors (defined below) agree with the express provisions of this Agreement and desire to be bound by its terms.

NOW, THEREFORE, in consideration of the premises, the mutual promises and other good and valuable consideration contained herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. **Recitals.** The recitals set forth above are hereby incorporated into this Agreement as if specifically stated herein.
2. **Consideration.** The consideration for this Agreement is the mutual benefit to be obtained by each of the Parties regarding the end of the Disaffiliation Process, the monetary sums to be paid hereunder to Christ Church and the mutual promises made in this Agreement. The adequacy of the consideration for this Agreement is admitted by the Parties, and the Parties intend to be legally bound by this Agreement. Further, the additional signatories to the Agreement hereby represent that they concur with this Agreement and agree to be bound with respect to their obligations undertaken herein.
3. **End of Disaffiliation Process.** By entering into this Agreement, the Parties and all signatories hereby agree that the Disaffiliation Process for Central is fully and conclusively terminated and acknowledge that Central will remain a congregation within the Arkansas Conference of the United Methodist Church (hereafter the "Arkansas Conference") indefinitely. The Parties and signatories specifically agree that not only will the current Disaffiliation Process be fully terminated, but also that there will be no renewed efforts toward any type of disaffiliation or separation of any type of Central from the Arkansas Conference of the United Methodist Church, whether under current provisions of the Book of Discipline or those that may be established in the future, or under any type of civil proceeding involving Central or its real and personal property, for a period of at least fifteen (15) years from the Effective Date.
4. **Contribution, Donation, Payments and Surety for Payments.** Pursuant to the provisions and conditions of this Agreement, Central covenants and agrees to contribute and pay Five Hundred Thousand and No/100 Dollars (\$500,000.00) (the "Contribution") to Christ Church. Central shall pay the Contribution to Christ Church in accordance with the following schedule:

<u>Payment Due on or Before</u>	<u>Amount Due</u>
April 1, 2023	\$200,000
July 1, 2023	\$100,000
April 1, 2024	\$100,000

April 1, 2025	\$100,000
<i>Aggregate Total</i>	<i>\$500,000</i>

For clarification and avoidance of doubt, the Contribution amounts set forth above are the total aggregate amount of such sums to be paid by Central pursuant to this Section 4. Furthermore, the Contribution amounts set forth above shall not bear interest and may be paid, either in full or in part, prior to the dates set forth above by Central without penalty or charge. As security for and to ensure payment to Christ Church regarding the payments to be made in 2024 and 2025, a surety bond in the amount of Two Hundred Thousand Dollars (\$200,000) shall be delivered by Central at its cost and expense to the Wesleyan Entity and naming Christ Church as the payee and beneficiary within thirty (30) days following the Effective Date of this Agreement (the "Surety Bond"). If Central fails to pay any of the payments of the Contribution on the applicable payment due date to Christ Church in the schedule reflected above, such failure to pay by Central shall constitute an "Event of Default" by Central and upon any such Event of Default, Christ Church shall have the full and unrestricted authority and right to promptly deliver the Surety Bond to the bonding company and receive payment in full of the Bond Amount, less prior payments, if any, made by Central to Christ Church on April 1, 2024, from the bonding company. Upon receipt of payment by Christ Church from the bonding company, the Contribution shall be deemed to be paid in full by Central to Christ Church and the recourse for nonpayment or any or other liability, cost and expense shall be that of Central to and with respect to the bonding company, without there being any further liability or responsibility on the part of Christ Church related thereto. In the event the Surety Bond cannot be obtained by Central for any reason after good faith efforts to secure the same, Central shall maintain a line of credit (the "Line of Credit") with a local banking institution in a principal amount equal to or in excess of Two Hundred Thousand Dollars (\$200,000) (the "Line of Credit Amount") and shall maintain at least enough reserve on such Line of Credit through April 1, 2025, to ensure that all payments to Christ Church pursuant to this Section 4 hereof are made in a timely manner. As part of the Line of Credit loan documents executed by Central and the local banking institution, the local banking institution shall be made aware of this Agreement along with Central's obligations under this Agreement and Christ Church's rights under this Agreement. Appropriate documents shall be executed by each of Central, the Wesleyan Entity and the local banking institution providing assurance to Christ Church that such Line of Credit will provide the same level of security as the Surety Bond would have provided. Upon any Event of Default and provided the Line of Credit is used by Central to serve as the applicable security for the payments due to Christ Church hereunder, Christ Church shall have the full and unrestricted authority and right to promptly notify the local banking institution of such Event of Default and receive payment in full of the Line of Credit Amount, less prior payments, if any, made by Central to Christ Church on April 1, 2024, from the local financial institution. Upon receipt of payment by Christ Church from the local financial institution, the Contribution shall be deemed to be paid in full by Central to Christ Church and the recourse for nonpayment or any or other liability, cost and expense shall be that of Central to and with respect to the local financial institution, without there being any further liability or responsibility on the part of Christ Church related thereto.

5. **Additional Contribution if Central Property Sold Within 5 Years Following Effective Date.** In addition to the Contribution as provided in Section 4 of this Agreement, should Central complete the sale of or legally agree to sell any real property currently owned and able to be sold by Central within five (5) years of the Effective Date (the “Additional Contribution Timeline”), Central shall make an additional contribution to Christ Church of an amount equal to Two Hundred Fifty Thousand Dollars (\$250,000) (the “Additional Contribution”). The payment for the Additional Contribution shall be made in full at the closing of the sale of the applicable real property. For purposes of clarification, (i) the maximum total Additional Contribution to be made to Christ Church based on this Section 5 is Two Hundred Fifty Thousand Dollars (\$250,000), regardless if more than one (1) or more parcels of real property are sold by Central, (ii) this provision regarding the Additional Contribution excludes the planned transfer of the real property currently owned by Central generally located at 205 MLK Blvd., Fayetteville, Arkansas 72701, to Genesis Church of Fayetteville, Inc., an Arkansas nonprofit corporation, pursuant to the previously approved resolution dated February 13, 2023, regarding the same, which the Parties mutually support, (iii) a transfer of an easement, lease or any other purported transfer of rights in real property by Central that does not dispose Central of its fee simple legal ownership of the real property in question shall not be subject to this Agreement nor trigger the payment of the Additional Contribution to Christ Church, (iv) Christ Church agrees that it shall not have any right, title and/or interest in any real property owned by Central or its affiliate entities and shall only have the contingent, and temporary rights provided herein regarding the Additional Contribution, (v) Central intends for the Wesley campus ministry to continue to be an important part of Central’s ministry efforts and, thus, Central does not intend to sell or seek permission from the Arkansas Conference to sell the Wesley property or waive any restriction of proceeds clauses currently associated with such Wesley property during the Additional Contribution Timeline, and (vi) if the Line of Credit is utilized by Central to provide security for the payments due to Christ Church pursuant to Section 4 of this Agreement, such Line of Credit shall not be required to maintain additional reserves for any payment that may become due pursuant to this Section 5.
6. **Use of Donations.** Christ Church agrees that all donations from Central shall be used by Christ Church only for the Agreed Purpose. For purposes of this Agreement, the term “Agreed Purpose” shall mean the furtherance of the religious purposes of Christ Church.
7. **Pastoral Leadership and Church Transition Matters.**
- a. The Parties agree that the current pastoral leadership of Central including Senior Pastor Carness Vaughan, Dr. Steve Pulliam, Pastor Greg Gibson, and Dr. Daniel Rupp (hereinafter, collectively, the “Pastors”) will be provided full salary and benefits by Central until June 30, 2023, in accordance with the normal appointment schedule. The last Sunday under their pastoral leadership will be May 14, 2023. All four (4) Pastors will be placed on a paid leave of absence from May 15, 2023, to June 30, 2023, or until a pastor accepts a position with a new employer (in which case payments by Central would cease as of the date payments begin with the new employer). Current pastoral leadership will provide pastoral duties for any weddings already booked during the paid leave of absence period and will provide pastoral duties for any funerals during that period if

requested. Senior Pastor Carness Vaughan will work in good faith with the Northwest District Superintendent Dr. Blake Bradford and lay leadership to ensure an orderly transition between pastors and staff departing Central and new pastors and staff arriving at Central, including updating financial accounts and corporate officers of Central as registered with the Arkansas Secretary of State and any other efforts that may be required in the best interests of Central and its ministries.

- b. In addition, Senior Pastor Carness Vaughan will direct Dr. Steve Pulliam to work in good faith with key lay leaders and designated Central leaders from the United Group to ensure replacement of key committee members that are expected to leave Central and join Christ Church, and Dr. Steve Pulliam agrees to do so. Central's nominating committee will begin working on finding replacements for key lay leaders/committees. Dr. Steve Pulliam will be assigned by Senior Pastor Carness Vaughan to take the lead in this process with Northwest District Superintendent Dr. Blake Bradford assisting and Dr. Steve Pulliam agrees to fully assist in these efforts in the best interest of Central and its ministries.
8. **Communications to Advocacy Group Members by Advocacy Groups.** The Advocacy Groups agree to end their advocacy functions upon the execution of this Agreement. Any subsequent emails or other correspondence from the Advocacy Groups to their constituents will provide only factual information regarding this Agreement and directing their membership to the applicable group's new or existing websites.
9. **Communications to Membership by Central.** Regular communications to the membership of Central after approval and execution of this Agreement will be jointly provided by Senior Pastor Carness Vaughan and District Superintendent Dr. Blake Bradford (or another Arkansas Conference UMC representative designated by the Bishop of the Arkansas Conference in writing) explaining pastoral and staff changes, as they develop, and the options to attend different churches going forward. All information will be conveyed as factual with no persuasive language utilized. Senior Pastor Carness Vaughan and Northwest District Superintendent Dr. Blake Bradford (or another designated Arkansas Conference UMC representative) will create and broadcast a video message to the full Central membership as soon as possible after the Effective Date to provide the Central membership with an understanding of the actions taken by this Agreement, the implications, and the upcoming plans for Central and Christ Church in a manner consistent herewith.
10. **Central's Assets Safeguarded.** It is agreed by the Parties and the signatories that Central's current assets shall be safeguarded and no action shall be taken by or at the direction of the current pastoral leadership or any of the lay leaders or executive staff of Central in a manner inconsistent herewith recognizing that all payments made by Central in accordance with the terms, provisions and conditions of this Agreement shall be considered as Central's current assets being safeguarded. All staff of Central with any responsibilities for handling assets of any type will be so instructed by the Parties and signatories of the same. Aside from the Contribution and Additional Contribution (if applicable), Christ Church is not entitled to any monetary or other property transfers of any type from Central.

11. Mutual Release of Claims.

- a. Except as provided in Section 11(d) below, Central, on the one hand, and Christ Church, on the other hand, on behalf of themselves and their successors, heirs and assigns (each, a "Releasing Party"), and each of the additional signatories to this Agreement, release one another and each of their respective successors, heirs and assigns (each a "Released Party") from any and all actions, controversies, cross-claims, counter-claims, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (from the beginning of the world through the date of this Agreement) and whether known or unknown, seen or unforeseen, suspected, or claimed against any Released Party which such Releasing Party has or may have, which arise out of or are connected with the Disaffiliation Process (other than those arising out of or in connection with this Agreement), whether arising under any federal, state or local civil or human rights law, the United Methodist Book of Discipline, or any other local, state, or federal law, regulation or ordinance, or under any public policy, contract or tort, or under common law, or any claim for breach of contract, infliction of emotional distress, defamation, or any claim for costs, fees, or other expenses including, without limitation, attorneys' fees incurred in these matters (all of the foregoing collectively referred to herein as such Releasing Party's "Released Claims").
- b. Each Releasing Party represents that it has made no assignment or transfer of any Released Claim and agrees to indemnify and hold harmless each Released Party from and against any and all losses arising from or in any way related to any such assignment. Each Releasing Party acknowledges and intends that its execution and delivery of this release shall be effective as a bar to each and every one of the Released Claims, and expressly consents and agrees that this release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Released Claims (notwithstanding any applicable law that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Released Claims), if any, as well as those relating to any other Released Claims hereinabove mentioned or implied.
- c. Each Releasing Party hereby covenants not to sue or to institute or cause to be instituted any Action in any federal, state or local agency or any court or other tribunal against any Released Party that is related, directly or indirectly, to any of the matters released in this Section 11. If any Releasing Party sues or otherwise institutes any such Action, that Action shall be dismissed upon presentation of this Agreement to the applicable agency, court or tribunal.
- d. Notwithstanding the release provided in this Section 11, nothing herein shall prevent any Releasing Party from seeking to enforce any rights or remedies arising under or out of this Agreement.
- e. Once approved by the authorized representatives of the Arkansas United Methodist Church and executed by the Parties and additional signatories, in the event of any challenge to the validity of this Agreement by any person or entity,

all signatories hereto covenant and agree to provide their full and complete cooperation in the defense of this Agreement and its validity.

12. **Non-Disparagement.** Neither Central nor Christ Church, nor any of the additional signatories, will make any oral or written statements about the other that are or could reasonably be interpreted to be of a negative or critical nature concerning their dispute or this Agreement. Any action or proceeding by Christ Church to enforce its right to receive any or all payments due it as part of the terms and conditions of this Agreement shall not be considered disparagement for purposes of this Agreement.
13. **Tax Matters.** Christ Church is a public charity as defined in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). It is the intent of the Parties that the Contribution and Additional Contribution (if applicable) made by Central pursuant to this Agreement be used for religious purposes as permitted by an organization organized and operated under Section 501(c)(3) of the Code.
14. **Miscellaneous.**
 - a. All prior negotiations and agreements between the parties are superseded by this Agreement, and there are no representations, warranties, undertakings or agreements other than those expressly set forth herein, attached hereto or delivered pursuant hereto, except as modified in writing concurrently herewith or subsequent thereto.
 - b. Any term, provision, covenant, representation, warranty or condition of this Agreement or any other document or instrument executed or delivered and attached hereto may be waived, but only by a written instrument signed by the Party or other signatory entitled to the benefits thereof. The failure, delay or indulgence of any party at any time or times to require performance of any provision or to exercise its rights with respect to any provision hereof, or in any other document or instrument executed or delivered and attached hereto, shall in no manner operate as a waiver of or affect such Party's right at a later time to enforce the same.
 - c. The Parties agree that from time to time hereafter, and upon request, each of them will execute, acknowledge and deliver such other instruments and documents and take such further action as may be reasonably necessary to carry out the intent of this Agreement. Each Party represents and warrants that such Party has the full power and authority to execute, deliver and perform this Agreement on its own behalf and on behalf of its members.
 - d. No modification or amendment of this Agreement or any other document or instrument executed or delivered and attached hereto shall be valid and binding unless it is in writing and signed by all Parties.
 - e. This Agreement shall inure to the benefit of, and be binding upon, the Parties and other signatories and those represented by the same and their respective successors, heirs, representatives, agents and assigns. No Party or other signatory may transfer or assign any of its rights under this Agreement without the prior written consent of both of the Parties and any other signatory whose rights are affected.
 - f. This Agreement shall be deemed to have been prepared jointly by the Parties and other signatories hereto. Any ambiguity herein shall not be interpreted against

the drafter and shall be interpreted as if each of the Parties hereto had prepared this Agreement.

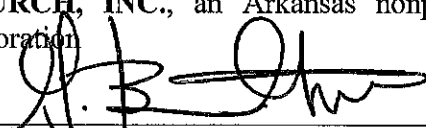
- g. If any provision of this Agreement is held to be invalid or unenforceable for any reason, it shall not affect the validity or enforceability of any other provision herein, but all other provisions of this Agreement shall remain in full force and effect.
- h. This Agreement shall be governed by and construed in accordance with the laws and decisions of the State of Arkansas without regards to conflicts of laws principles. Each Party hereby: (i) waives trial by jury in any suit, action, proceeding, claim or counterclaim brought by or on behalf of any Party related to or arising out of this Agreement or the transactions contemplated hereby. Each Party hereby: (i) irrevocably submits to exclusive jurisdiction of any Arkansas State Court or Federal Court of the United States of America sitting in Washington County, Arkansas in any suit, action or proceeding arising out of or relating to this Agreement; and (ii) irrevocably waives, to the fullest extent permitted by applicable law, any objection to the laying of venue of any such suit, action or proceeding brought in any such court and any defense of an inconvenient forum to the maintenance of such suit, action, or proceeding in any such court. The Parties hereto agree that a final, non-appealable judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon them and may be enforced in any other courts to whose jurisdiction such parties are or may be subject, by suit upon judgment.
- i. In the event of a breach of this Agreement by either Party, the non-breaching party agrees to provide written notice to the other Party stating in particular the circumstances regarding the purported breach and providing the other Party a period of at least ten (10) days to cure such purported breach; provided, however, as aforesaid, the failure of Central to pay any Contribution due hereunder shall constitute an "Event of Default" by Central and shall not require a written notice and the provision of a ten (10) day cure period by Christ Church.
- j. The rights and remedies expressed in this Agreement are cumulative and not exclusive of any rights and remedies otherwise available under applicable law. In the event of a breach or threatened breach by any of the Parties of any provision of this Agreement, the Parties may, in addition to any other rights and remedies available to them at law or in equity, seek injunctive relief to enjoin or restrain any of the Parties from breaching or continuing any breach of this Agreement (subject to the below dispute resolution provision).
- k. This Agreement may be executed via facsimile or e-mail and in two (2) or more counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than one counterpart.


[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the date first written above.

CENTRAL:

CENTRAL UNITED METHODIST CHURCH, INC., an Arkansas nonprofit corporation

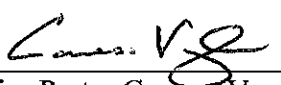
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Brock Gearhart
Chair, Board of Trustees

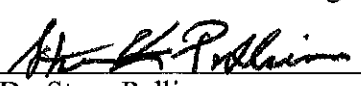
By: 
Sally Davis
Chair, Church Council

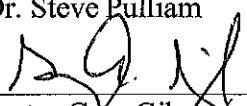
WESLEYAN ENTITY:

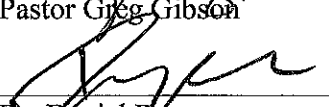
[WESLEYAN ENTITY], INC., an Arkansas nonprofit corporation

By: _____
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Chair, Board of Trustees

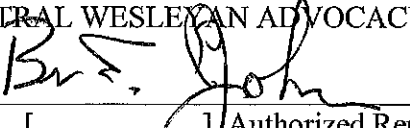

Senior Pastor Carness Vaughan


Dr. Steve Pulliam

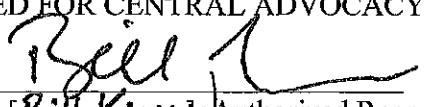

Pastor Greg Gibson


Dr. Daniel Rupp

CENTRAL WESLEYAN ADVOCACY GROUP

By: 
[], Authorized Representative

UNITED FOR CENTRAL ADVOCACY GROUP

By: 
[Bill Kinn], Authorized Representative