

**EPISCOPAL DIOCESE OF EAST CAROLINA
STANDING COMMITTEE**

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**GUIDELINES FOR TRANSACTIONS REQUIRING
STANDING COMMITTEE APPROVAL**

Revised as of February 7, 2019

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These Guidelines are intended to help parishes and institutions affiliated with the Episcopal Diocese of East Carolina satisfy the canonical requirement that the Standing Committee, the Bishop and the Trustees of the Diocese provide their consents before certain transactions involving parish-owned or institution-owned property can take place. Certain capitalized terms used throughout these Guidelines are defined in Part III below. References to applicable Canons are set forth in brackets (e.g., “[Ref: Canon 10.2]”).

I. INTRODUCTION

Vestries of parishes and governing bodies of Diocesan institutions may from time to time wish to undertake transactions that affect the property of the churches or institutions they serve. These transactions can take various forms.

The Constitution and Canons of The Episcopal Church and the Constitution and Canons of our Diocese provide that all property held by a parish vestry, the Trustees of the Diocese, or the governing body of a Diocesan institution is held in trust for the use of the named entity and for the benefit of the Diocese and the Church.¹ When a vestry or institutional governing body desires to undertake a transaction affecting Church property, the Canons work to assure that the interests of the Diocese and the Church are considered. This is done by requiring the vestry of a congregation, or the governing body of a Diocesan institution, to obtain the written consent of the Bishop and the Standing Committee before completing transactions that convey or grant interests in Church property.² The Trustees either hold all parish and institutional property by title or by beneficial interest on behalf of the Diocese and The Episcopal Church, and must also give their consent.³

Obtaining the necessary consents to undertake certain property transactions is thus a three-step process. First, the vestry or governing body must request that the Standing Committee give its advice and consent by providing to the Standing Committee the resolutions and documents described in the appropriate checklist appended to these Guidelines. Second, the vestry or governing body must obtain the written consent of the Bishop. Third, the Trustees must consent to the transaction and sign the appropriate documents to effect the transaction. By

¹ Canon I.7.4, Canons of the Episcopal Church (2009)

² Constitution, Art. IX.4, Diocese of East Carolina (2010)

³ Canon I.12.4, Canons of the Diocese of East Carolina (2010)

agreement among the Bishop, Trustees and Standing Committee, Standing Committee approval is the essential “gateway” for vestries and other governing bodies seeking to complete transactions affecting Church property. The Standing Committee will share all documentation received from the applicant Governing Body with the Trustees and Bishop for their review.

II. THE STANDING COMMITTEE AND THE TRUSTEES

A. Membership. The Standing Committee consists of three clergy and three lay members elected by the Convention of the Diocese. The membership of the Standing Committee, the manner in which Standing Committee members are elected, and the role of the Standing Committee are set forth in Article IX of the Constitution of the Diocese.

The Trustees of the Diocese are the Bishop along with two clergy and two lay persons nominated by the Bishop and elected by the Convention of the Diocese. The membership of the Trustees, the manner in which the Trustees are elected, and the role of the Trustees are set for the in Canon I.12 of the Canons of the Diocese. The role of the Trustees is also regulated by State law, NCGS Chapter 61.

B. Meetings. The Standing Committee holds regular meetings at Diocesan House in Kinston on the third Tuesday of each month. The dates of upcoming Standing Committee meetings are published on the Diocesan website at <http://www.diocese-eastcarolina.org>. A portion of the agenda is routinely devoted to considering requests by parish vestries and the governing bodies of Diocesan institutions for the Standing Committee’s consent in connection with various transactions.⁴ Meetings are sometimes canceled when there is no pressing business. The Standing Committee has a tradition of conducting its business in face-to-face meetings rather than via conference call or other electronic means, but will use alternative means where appropriate.

C. Officers. The officers of the Standing Committee are the President and the Secretary.⁵ The President sets the agenda of the Standing Committee and chairs all meetings. The Secretary records the proceedings of the Standing Committee and prepares an annual report to the Diocesan Convention of all official acts taken during the preceding year.

D. Review of Requests for Consent in Real Property Transactions. The President may appoint a member of the Standing Committee to review and confirm the adequacy of documents submitted by Governing Bodies asking the Standing Committee to provide its consent to the Ecclesiastical Authority. When a member of the Standing Committee is a licensed attorney, he or she may be asked by the President to review these requests, determine whether all supporting documents required by these Guidelines are present and in order, and

⁴ Under the Constitution and Canons of General Convention, the Standing Committee has other responsibilities, such as admitting candidates to the ordination process and monitoring their progress, acting on the election of bishops by other dioceses, and serving as a Council of Advice to the Bishop. These responsibilities are beyond the scope of these Guidelines, which only address the Standing Committee’s responsibility to advise and give its consent to property transactions as required by the Canons.

⁵ Constitution, Art. IX.1

provide a summary of the proposed transaction to the full Standing Committee. The Standing Committee may consult with the Chancellor as appropriate.

The Standing Committee reviews proposed transactions with care. Governing Bodies seeking Standing Committee approval for a transaction should bear in mind that sufficient time is needed for a careful review. Although the Committee makes every effort to work with Governing Bodies, the Committee cannot ensure that last-minute requests will be accommodated. Failure to submit required documents may result in delays in obtaining the consent of the Standing Committee. Governing Bodies desiring to consummate transactions under a particular schedule should bear in mind the requirement to submit documents to the President at least fourteen (14) days prior to the Standing Committee's next regular monthly meeting.

The Standing Committee welcomes any additional material or background a Governing Body may wish to submit in connection with a request for advice and consent. In particular, Governing Bodies seeking to borrow funds are encouraged to submit descriptions of their proposed sources and timing of repayment.

E. Expiration of Consents. The Standing Committee's consent for a given transaction expires 365 days from the date of the Standing Committee's written consent, which is ordinarily communicated to the requesting Governing Body by letter with copies to the Bishop and the Trustees who will provide separate written notice of their decision. The Standing Committee's written consent may specify a different expiration date. Transactions for which Standing Committee consent has expired must be authorized anew with submission of current information.

F. Consent of Trustees. The consent of the Trustees for a transaction affecting Church property is required in addition to the consent of the Standing Committee.⁶ Traditionally, the consent of the Trustees is given after the consent of the Standing Committee has been obtained but before the written consent of the Bishop has been granted. Thus, the written consent of the Bishop, as communicated (ordinarily by letter) to the applying Governing Body, is the formal acknowledgment to the Governing Body that the consent process is complete.

In addition to the consent requirement, Governing Bodies should bear in mind that the Trustees are a necessary party to any transaction affecting title to property. Governing Bodies should take into account the necessity of coordinating the signatures of the Trustees on transaction documents in planning for the timing of closing.

⁶ Canon I.12.4, Canons of the Diocese of East Carolina (2010)

III. TRANSACTIONS REQUIRING THE CONSENT OF THE STANDING COMMITTEE

Checklists A through D, attached to these Guidelines, are intended to assist Governing Bodies in obtaining the Standing Committee's advice and consent in connection with transactions involving Church property for which the Ecclesiastical Authority is required by the Canons to give its written consent. Such transactions typically conform to five basic types, which are described in Parts III.A through III.D below. Transactions for which the written consent of the Ecclesiastical Authority is not required, and for which Standing Committee approval is therefore likewise not required, are described in Part IV below.

For purposes of these Guidelines, the following terms have the meanings given below:

"Constitution" means, as appropriate to the particular context, (i) the Constitution of The Episcopal Church, as amended; or (ii) the Constitution of the Diocese, as amended.

"Canons" means, as appropriate to the particular context, (i) the Canons of The Episcopal Church, as amended; or (ii) the Canons of the Diocese, as amended, and "Canon" means any one of such Canons.

"Church" means The Episcopal Church.

"Diocese" means the Episcopal Diocese of East Carolina.

"Governing Body" means, as appropriate to the particular context: (i) in the case of a parish or mission, the vestry of such parish or mission; (ii) in the case of a Diocesan institution, the board of directors or other body exercising similar functions; (iii) the Trustees; or (iv) the Annual Convention or Special Convention of the Diocese or the Executive Council acting between such Conventions.

"Intangible Personal Property" means bank deposits, investments, securities, funds held in endowments, negotiable instruments, and other similar types of personal property.

"Normal Operating Income" means all funds available for operations as defined in the Parochial Report.

"Real Property" means land and permanent appurtenances to land, including fixtures.⁷

"Tangible Personal Property" means any type of property that can generally be moved (i.e., it is not permanently affixed to Real Property), touched or felt. Examples include items such as furniture, jewelry, art, writings, or similar goods.

⁷ "Personal property" is the legal term for all property that does not fit the definition of real property. The primary distinguishing characteristic of personal property is movability. Items of personal property, also referred to as **chattels**, include such tangibles as chairs, tables, clothing, money, bonds and bank accounts. (Source: Galaty, Fillmore W., Allaway, Wellington, J., and Kyle, Robert C., Modern Real Estate Practice in North Carolina, Dearborn Financial Publishing, Inc., 2000)

“Trustees” means the Trustees of the Diocese, as they may be named from time to time pursuant to Canon I.12.

A. Sales, Gifts and Other Conveyances or Alienations.

A Governing Body desiring to sell, donate or otherwise convey or alienate any of its interest in Real Property must obtain the written consent of the Standing Committee, Trustees and Bishop.

Checklist A lists documents that should be furnished to the Standing Committee for transactions involving sales, gifts or conveyances of Real Property by parishes, Diocesan institutions and the Trustees.

Leases of Real and Tangible Personal Property, although a form of “conveyance,” are treated separately in Part III.B below.

B. Leases.

Except as set forth in Part IV.A below, a Governing Body desiring to lease Real Property (as lessor) to a third party must obtain the written consent of the Bishop, acting with the advice and consent of the Standing Committee.

Checklist B lists documents that should be furnished to the Standing Committee for transactions involving leases (as lessor) by parishes, missions, Diocesan institutions and the Trustees.

C. Easements and Rights of Way.

Except as set forth in Part IV.A below, a Governing Body desiring to grant an easement or right of way appurtenant to Real Property must obtain the written consent of the Standing Committee, Trustees and Bishop.

Checklist C lists documents that should be furnished to the Standing Committee for transactions involving grants of easements and rights of way.

D. Loans Secured by Real Property or Tangible Personal Property (Including Refinancing Loans).

A Governing Body desiring to encumber title to Real Property by executing a mortgage or note and deed of trust as security for the repayment of a loan must obtain the written consent of the Standing Committee, Trustees and Bishop.

Checklist D lists documents that should be furnished to the Standing Committee for transactions involving loans secured by Real Property or Tangible Personal Property.

The consent requirements apply to purchase money loans secured by the Real Property

being purchased in the same way as to non-purchase money loans. A purchase money loan, sometimes referred to a “seller financed” loan, is an arrangement in which a seller conveys Real Property to a buyer and accepts the buyer’s promissory note for a portion of the purchase price. The seller may insist that repayment of the note be secured by an encumbrance, in the form of a mortgage or deed of trust on the Real Property.

Governing Bodies seeking to refinance loans secured by Real or Tangible Personal Property may be required to obtain the consent of the Ecclesiastical Authority under certain circumstances. A representative of the Governing Body should contact the President of the Standing Committee to discuss the details of the proposed refinancing loan.

Governing Bodies shall inform potential lenders that the Diocese of East Carolina will not guarantee repayment of any loan issued to a parish, mission, or institution affiliated with the Diocese.

IV. TRANSACTIONS NOT REQUIRING THE ADVICE AND CONSENT OF THE STANDING COMMITTEE

Certain types of Church property transactions are exempt from the requirement that the Governing Body obtain the written consent of the Standing Committee, Trustees and Bishop. The following is a representative but not exclusive list of these exempt transactions:

A. Loans Exceeding 30% of Normal Operating Income and the Repayment of Which May Extend Beyond Twelve (12) Months (Including Refinancing Loans).

A Governing Body desiring to engage in a borrowing or similar financing transaction, the aggregate amount of which exceeds 30% of the normal operating income of the parish or Diocesan institution for the previous calendar year and the repayment of which may extend beyond a term of twelve (12) months, must obtain the written consent of the Standing Committee, Trustees and Bishop. Consent is required if the loan is secured by Real Property or secured by personal property. If unsecured, notice should be given to the Standing Committee of intent to borrow at least 30 days prior to execution of any documentation.

Checklist E lists documents that are to be furnished to the Standing Committee for these loan transactions.

Governing Bodies seeking to refinance loans meeting the criteria described in this Part IV.A may be required to obtain the consent of the Ecclesiastical Authority under certain circumstances. A representative of the Governing Body should contact the President of the Standing Committee to discuss the details of the proposed refinancing loan.

Governing Bodies shall inform potential lenders that the Diocese of East Carolina will not guarantee repayment of any loan issued to a parish or institution affiliated with the Diocese.

B. Real Property Transactions.

No consent is required for any of the following transactions involving Real Property that is not consecrated for use as a church or chapel:

- (1) Leases that can be canceled without penalty upon notice of thirty (30) days or less to the lessee;
- (2) Temporary easements of less than twelve (12) months' duration; and
- (3) Transactions involving cemetery lots or other interment rights.

C. Routine Dispositions of Tangible Personal Property.

No consent is required for the sale, exchange, abandonment, surrender, or other disposition of any Tangible Personal Property (for example, typewriters and other office equipment, motor vehicles, general furniture and furnishings, appliances, books, etc.) acquired and used directly in the normal and routine course of the conduct of the work and program of the Church in the Diocese. This exemption does not apply to items of personal property that have been consecrated and furniture, furnishings, and fixtures that are peculiarly designed for and used within a church.

D. Intangible Personal Property.

No consent is required for the sale or disposition of Intangible Personal Property pursuant to a written policy adopted by the Governing Body.

E. Unsecured Loans Not Exceeding 30% of Normal Operating Income and Repayment Not Extending Beyond Twelve (12) Months.

No consent is required for unsecured loans that do not exceed 30% of the normal operating income of a parish, mission or Diocesan institution for the previous calendar year, and the repayment of which will not extend beyond twelve (12) months. Please note that if such a loan is secured by Real Property, the written consent of the Standing Committee, Trustees and Bishop *is required*. Please refer to Part III.D above.

F. Leases (as Lessee).

No consent is required for leases entered into by Governing Bodies as lessees.

V. OTHER TRANSACTIONS

If a contemplated transaction does not appear to fall within any of the categories described in Parts III or IV above, the seeker of the required consents should address inquiries to the President of the Standing Committee, who may consult with the Chancellor or Vice Chancellor of the Diocese.

Parish/Mission/Diocesan Institution: _____
Date: _____

Checklist A

Sale, Outright Conveyance or Alienation

To obtain the consent of the Standing Committee for a sale, outright conveyance or alienation of Real Property, the applicant shall provide the following documents to the President of the Standing Committee at least fourteen (14) days prior to the next regularly scheduled Standing Committee meeting. The Standing Committee may, in its discretion, require a delegation of the Governing Body to appear and present the proposal in person:

_____ Resolutions. A certified copy of a resolution of the Governing Body authorizing the sale or conveyance. For sample resolutions, please refer to **Exhibit A-1**. The resolution shall:

- (a) Identify the property;
- (b) Set forth the terms of the sale (including the price agreed or sought);
- (c) Describe the main provisions of any listing with a real estate agent and attach a copy of any listing agreement;
- (d) Give the reasons for the sale, including the proposed application or reservation of the sale proceeds; and
- (e) Include a statement that the property is not needed for the ongoing operations of the parish or institution.

Along with the Resolution, a parish applicant shall submit the following documents:

1. The most recent Parochial Report.
2. The most recent Annual Audit.
3. A copy of the deed(s) to all parish property. If the deed(s) is/are not in the name of the Trustees of the Diocese as Grantee, the parish shall execute a deed in a form approved by the Chancellor to transfer ownership into the names of the Trustees.

_____ Appraisal. A copy of a recent appraisal of the Real Property to be sold or conveyed, conducted by a real estate appraiser licensed by the State of North Carolina who is not a member or connected to any party involved in the transaction. (If no appraisal is available and the Governing Body wishes to request that the Standing Committee waive the appraisal requirement, a representative of the Governing Body shall contact the President of the Standing Committee. The Standing Committee may waive this requirement in its discretion. In the case of waiver of an appraisal, the Governing Body shall provide evidence of the most recent County tax valuation for the property.)

_____ Purchase Money Financing. If the sale contemplates any purchase money financing, a written explanation thereof with copies of any proposed legal documents (e.g., the sale agreement, promissory note and mortgage (primary or second) or deed of trust securing repayment of such note).

_____ Required Statement in Transaction Documents. If the Standing Committee consents to the transaction, every transaction document that is executed shall contain a recital that it is executed with the consent of the Bishop of East Carolina, the Trustees and the Standing Committee of the Diocese.

_____ Special Warranty Deed Only. Governing Bodies are advised not to enter into contracts of sale requiring the seller to execute and deliver a "General Warranty Deed" to the grantee. Diocesan policy requires that only "Special Warranty Deeds" or "No Warranty Deeds" be used to convey Real Property.

_____ Final Documents. Within thirty (30) days after a transaction has been completed, a full set

of copies of the final executed legal documents shall be forwarded to the President of the Standing Committee.

Exhibit A-1

Form of Resolution for Sale, Outright Conveyance or Alienation⁸

Parish:

RESOLVED, that the Parish of _____, Diocese of East Carolina (the "Parish"), acting through its duly elected vestry, does hereby determine that it is in its best interests to sell and convey the Real Property known and described as _____ **[insert description of property]**, for a consideration of \$ _____ **[insert contract purchase price]**, less usual costs of sale⁹ **[and a real estate agent's commission of ___% of the sales price/ \$ _____ pursuant to the attached listing agreement]**, and, in connection with such determination, does find that the property is **[not used by the Parish]** and is not needed for the Parish's contemplated operations in the future.

FURTHER RESOLVED, that the net proceeds from the sale of the property shall be used to _____ **[insert proposed uses such as "added to the permanent funds of the parish," "make necessary repairs to the parish house," etc.]**

FURTHER RESOLVED, that the Senior Warden and the Junior Warden are authorized and directed to seek the written consent of the Bishop, the Trustees and the Standing Committee by submitting a certified copy of this resolution and the additional materials required by the Standing Committee of the Diocese for its advice and consent, all as provided by the Constitution and Canons of the Diocese.

Adopted this _____ day of _____, 20____.

Senior Warden

ATTEST:

Clerk of the Vestry

⁸ Diocesan institutions (other than parishes) may use or adapt this resolution. Consult with the Chancellor about any questions.

⁹ Normally, cost of deed preparation and revenue stamps.

Parish/Mission/Diocesan Institution: _____

Date: _____

Checklist B

Lease (as Lessor)

To obtain the consent of the Standing Committee for a lease of Real Property to a third party, a Governing Body shall provide the following documents to the President of the Standing Committee at least fourteen (14) days prior to the next regularly scheduled Standing Committee meeting:

_____ Resolution. A copy of a resolution of the Governing Body authorizing the lease. For a sample resolution, please refer to **Exhibit B-1**. The resolution shall:

- (a) Identify the property;
- (b) Set forth the proposed terms of the lease (including the rental payments, term, renewal or cancellation options and other pertinent provisions);
- (c) Give the reasons for the lease, including the application of the rents to be received;
- (d) Include a statement that the property is not otherwise needed during the lease period for the ongoing operations of the congregation or institution; and
- (e) Contain facts supporting the opinion of the Governing Body that the rent and other provisions of the lease are fair and adequate.

Along with the Resolution, a parish applicant shall submit the following documents:

1. The most recent Parochial Report.
2. The most recent Annual Audit.
3. A copy of the deed(s) to all parish property. If the deed(s) is/are not in the name of the Trustees of the Diocese as Grantee, the parish shall execute a deed in a form approved by the Chancellor to transfer ownership into the names of the Trustees.

_____ Lease Document. A copy of the proposed lease.

_____ Required Statement in Transaction Documents. If the Standing Committee consents to the transaction, every transaction document that is executed shall contain a recital that it is executed with the consent of the Bishop, the Trustees and the Standing Committee of the Diocese.

_____ Final Documents. Within thirty (30) days after a transaction has been completed, a full set of copies of the final executed legal documents shall be forwarded to the President of the Standing Committee.

Exhibit B-1

Form of Resolution for Lease (as Lessor)¹⁰

Parish:

RESOLVED, that the Parish of _____, Diocese of East Carolina (the "Parish"), acting through its duly elected vestry, does hereby determine that it is in its best interests to lease the Real Property known and described as _____ **[insert description of property]**, for a consideration of \$ _____ **[insert rental rate]** and a term of ____ years, to _____ **[insert name of lessee]**, and, in connection with such determination, does find that **[the property is not used by the Parish] [the lease will not impair the parish's use of the property]** and is not needed for the Parish's contemplated operations in the future.

FURTHER RESOLVED, that the vestry believes that the rent and other provisions of the lease are fair and adequate on the basis of **[describe facts supporting this belief]**

FURTHER RESOLVED, that the Senior Warden and the Junior Warden are authorized and directed to seek the written consent of the Standing Committee, Trustees and the Bishop of the Diocese by submitting a certified copy of this resolution and the additional materials required by the Standing Committee of the Diocese for its consent.

FURTHER RESOLVED, that after receiving the written consent of the Bishop of the Diocese, the Senior Warden and the Junior Warden are authorized, empowered and directed to execute and deliver all such documents and instruments as they may deem necessary or appropriate to effect the foregoing transactions.

Adopted this _____ day of _____, 20____.

Senior Warden

ATTEST:

Clerk of the Vestry

¹⁰ Diocesan institutions (other than parishes) may use or adapt this resolution. Consult with the Chancellor about any questions.

Parish/Mission/Diocesan Institution: _____
Date: _____

Checklist C

Easements and Rights of Way

To obtain the consent of the Standing Committee to grant an easement or right of way appurtenant to Real Property, a Governing Body shall provide the following documents to the President of the Standing Committee at least fourteen (14) days prior to the next regularly scheduled Standing Committee meeting:

_____ Resolution. A copy of resolution of the Governing Body authorizing the easement or right of way. For sample resolution, please refer to **Exhibit C-1**. The resolution shall:

- (a) Identify the property;
- (b) Set forth the proposed details of the easement or right of way
- (c) State the consideration or lack of consideration to be paid and the Governing Body's opinion as to the adequacy thereof;
- (c) State whether the Governing Body considers that the grant will enhance or injure the property;
- (d) State the application or use to be made of any consideration to be paid for the grant; and
- (e) State whether the grantee has the power of eminent domain.

Along with the Resolution, a parish applicant shall submit the following documents:

1. The most recent Parochial Report.
2. The most recent Annual Audit.
3. A copy of the deed(s) to all parish property. If the deed(s) is/are not in the name of the Trustees of the Diocese as Grantee, the parish shall execute a deed in a form approved by the Chancellor to transfer ownership into the names of the Trustees.

_____ Map. A map locating the right of way or easement on the property.

_____ Grant Document. A copy of the proposed easement or right of way document.

_____ Required Statement in Transaction Documents. If the Standing Committee consents to the transaction, every transaction document that is executed shall contain a recital that it is executed with the consent of the Bishop, the Trustees and the Standing Committee of the Diocese

_____ Final Documents. Within thirty (30) days after a transaction has been completed, a full set of copies of the final executed legal documents shall be forwarded to the President of the Standing Committee.

Exhibit C-1

Form of Resolution for Easement or Right of Way¹¹

Parish:

RESOLVED, that the Parish of _____, Diocese of East Carolina (the "Parish"), acting through its duly elected vestry, does hereby determine that it is in its best interests to grant to _____ **[name of grantee]** (the "Grantee") an **[easement] [right of way]** encumbering the Real Property known and described as _____ **[insert description of property]** (the "Property"), for a consideration of \$_____ **[insert rental rate]** and **[a term of ___ years] [in perpetuity]**, and, in connection with such determination, does find that the grant of such **[easement] [right of way]** will **[enhance] [not injure]** the Property. The Grantee **[has] [does not have]** the power of eminent domain.

FURTHER RESOLVED, that the net proceeds from the grant of the **[easement] [right of way]** shall be used to _____ **[insert proposed uses such as "added to the permanent funds of the Parish," "make necessary repairs to the Parish house," etc.]**

FURTHER RESOLVED, that the Senior Warden and the Junior Warden are authorized and directed to seek the written consent of the Bishop and the Standing Committee of the Diocese by submitting a certified copy of this resolution and the additional materials required by the Standing Committee of the Diocese for its consent, all as provided by the Constitution and Canons of the Diocese, and the concurrence of the Trustees.

Adopted this _____ day of _____, 20____.

Senior Warden

ATTEST:

Clerk of the Vestry

¹¹ Diocesan institutions (other than parishes) may use or adapt this resolution. Consult with the Chancellor about any questions.

Parish/Mission/Diocesan Institution: _____

Date: _____

Checklist D

Loan Secured by Real Property or Tangible Personal Property (Including Refinancing Loans)

To obtain the consent of the Standing Committee, the Trustees and the Bishop for an encumbrance on title to Real Property pursuant to a mortgage or deed of trust entered into as security for the repayment of a loan, a Governing Body shall provide the following documents to the President of the Standing Committee at least fourteen (14) days prior to the next regularly scheduled Standing Committee meeting. The Standing Committee may, in its discretion, require a delegation of the Governing Body to appear and present the proposal in person:

_____ Resolution. A copy of a resolution of the Governing Body authorizing the encumbrance. For a sample resolution, please refer to **Exhibit D-1**. The resolution shall:

- (a) Identify the property to be encumbered;
- (b) Set forth the reasons for the proposed loan;
- (c) Set forth the amount, rate of interest and repayment period of the loan; and
- (d) Set forth the anticipated schedule and source of repayment, and the terms of any repayment privileges or penalties.

_____ Appraisal. A copy of a recent appraisal of the Real Property to be encumbered, conducted by a real estate appraiser licensed by the State of North Carolina who is not connected to any party involved in the transaction. (The Standing Committee may grant waivers of the appraisal requirement in its discretion. In the case of waiver of an appraisal, the Governing Body shall provide evidence of the most recent County tax valuation for the property.)

_____ Purchase Money Financing. If the loan involves purchase money financing, a written explanation thereof with copies of any proposed legal documents (e.g., the sale agreement, promissory note and mortgage or deed of trust securing repayment of such note).

_____ Closing Documents. Copies of any contracts or instruments to be signed.

_____ Financial Reports. A copy of:

- (a) The audit report and parochial report for the previous year (the parochial report need not be submitted if information as to communicant and financial strength is readily available in the *Journal of Convention* for the previous year);
- (b) The current year's budget;
- (c) The most recent balance sheet and year-to-date statement of revenues and expenditures (if a current balance sheet is not available, a comprehensive statement of (1) ALL capital assets, including real estate, endowment funds, funds held in reserve, special funds, investments, bank accounts, and other assets of any kind, and (2) ALL liabilities, including notes payable, federal and state withholding taxes payable, unpaid ad valorem taxes constituting a lien on Real Property, arrears in Church Pension Fund assessments, arrears in accepted Diocesan Askings, arrears in health insurance premiums, other accounts payable, and other liabilities of any kind); and
- (d) Next year's budget (if available).
- (e) The deed(s) to all parish property. If the deed(s) is/are not in the name of the

Parish/Mission/Diocesan Institution: _____

Date: _____

Checklist D (continued)

Trustees of the Diocese as Grantee, the parish shall execute a deed in a form approved by the Chancellor to transfer ownership into the names of the Trustees.

_____ Required Statement in Transaction Documents. If the Standing Committee consents to the transaction, every transaction document that is executed shall contain a recital that it is executed with the consent of the Bishop, the Trustees and the Standing Committee of the Diocese.

_____ Final Documents. Within thirty (30) days after a transaction has been completed, copies of all final executed legal documents shall be forwarded to the President of the Standing Committee.

Exhibit D-1

Form of Resolution for Loans Secured by Real Property¹²

Parish:

RESOLVED, that the Parish of _____, Diocese of East Carolina (the "Parish"), acting through its duly elected vestry, does hereby determine that it is in its best interests to borrow the sum of \$ _____ (the "Loan") from _____ **[name of lending institution]** (the "Lender") at an interest rate of ____% per annum, such Loan to be repaid in ____ equal monthly installments with the final such installment due and payable in _____, 20____ **[insert maturity date]**. The Loan shall be secured by a **[deed of trust]** to _____, as trustee, in favor of the Lender on the Real Property known and described as _____ **[insert description of property]** (the "Property").

FURTHER RESOLVED, that the proceeds of the Loan shall be used to _____ **[insert proposed uses such as "make necessary repairs to the Parish house," etc.]**.

FURTHER RESOLVED, that the schedule and source of repayment of the Loan are as follows: _____ **[describe schedule and source of repayment, including any pledges received thus far or capital campaign undertaken or to be undertaken]**.

FURTHER RESOLVED, that the schedule and source of repayment of the Loan are as follows: _____ **[describe schedule and source of repayment, including any pledges received thus far or capital campaign undertaken or to be undertaken]**.

FURTHER RESOLVED, that the Senior Warden and Junior Warden are authorized and directed to seek, as provided by the Canons of the Diocese: (i) the consent of the Standing Committee and the Bishop of the Diocese by submitting a certified copy of this resolution and the additional materials required by the Standing Committee of the Diocese for its consent, and (ii) the concurrence of the Trustees of the Diocese.

Adopted this _____ day of _____, 20____.

Senior Warden

ATTEST:

Clerk of the Vestry

¹² If the terms of repayment are different from the foregoing, this language may be modified to describe the repayment terms more accurately.

Parish/Mission/Diocesan Institution: _____
Date: _____

Checklist E

Loans Exceeding 30% of Normal Operating Income and Requiring Repayment Beyond a Term of Twelve (12) Months

To obtain the consent of the Standing Committee for to enter into a loan exceeding 30% of normal operating income and the repayment of which may extend beyond a term of twelve (12) months, a Governing Body should provide the following documents to the President of the Standing Committee at least fourteen (14) days prior to the next regularly scheduled Standing Committee meeting:

_____ **Resolution.** A copy of resolution of the Governing Body authorizing the loan. For a sample resolution, please refer to **Exhibit E-1**. The resolutions shall:

- (a) Identify personal property, if any, to be encumbered;
- (b) Set forth the reasons for the proposed loan;
- (c) Set forth the amount, rate of interest and repayment period of the loan; and
- (d) Set forth the anticipated schedule and source of repayment, and the terms of any repayment privileges or penalties.

_____ **Closing Documents.** Copies of any contracts or instruments to be signed.

_____ **Financial Reports.** A copy of:

- (a) The audit report and parochial report for the previous year (the parochial report need not be submitted if information as to communicant strength is readily available in the *Journal of Convention* for the previous year);
- (b) The current year's budget;
- (c) The most recent balance sheet and year-to-date statement of revenues and expenditures (if a current balance sheet is not available, a comprehensive statement of (1) ALL capital assets, including real estate, endowment funds, funds held in reserve, special funds, investments, bank accounts, and other assets of any kind, and (2) ALL liabilities, including notes payable, federal and state withholding taxes payable, unpaid ad valorem taxes constituting a lien on Real Property, arrears in Church Pension Fund assessments, arrears in accepted Diocesan Askings, arrears in health insurance premiums, other accounts payable, and other liabilities of any kind); and
- (d) Next year's budget (if available).
- (e) The deed(s) to all parish property. If the deed(s) is/are not in the name of the Trustees of the Diocese as Grantee, the parish shall execute a deed in a form approved by the Chancellor to transfer ownership into the names of the Trustees.

_____ **Required Statement in Transaction Documents.** If the Standing Committee consents to the transaction, every transaction document that is executed shall contain a recital that it is executed with the consent of the Bishop of North Carolina who has obtained the advice and consent of the Standing Committee of the Diocese.

_____ **Final Documents.** Within thirty (30) days after a transaction has been completed, copies of all final executed legal documents shall be forwarded to the President of the Standing Committee.

_____ If the loan will be secured by Real Property, the documents set forth in **Checklist D** shall be provided in addition to the documents listed in this Checklist E.

Exhibit E-1

**Form of Resolution for Loans Exceeding 30% of Normal Operating Income
and Requiring Repayment Beyond a Term of Twelve (12) Months¹³**

Parish:

RESOLVED, that the Parish of _____, Diocese of East Carolina (the "Parish"), acting through its duly elected vestry, does hereby determine that it is in its best interests to borrow the sum of \$ _____ (the "Loan") from _____ **[name of lending institution]** (the "Lender") at an interest rate of ___% per annum, such Loan to be repaid in ___ equal monthly installments with the final such installment due and payable in _____, 20__ **[insert maturity date]**.¹⁴ The Loan shall be secured by a **[security interest]** in favor of Lender in the following personal property: _____ **[insert description of property]** (the "Property").

FURTHER RESOLVED, that the proceeds of the Loan shall be used to _____ **[insert proposed uses such as "make necessary repairs to the Parish house," etc.]**.

FURTHER RESOLVED, that the schedule and source of repayment of the Loan are as follows: _____ **[describe schedule and source of repayment, including any pledges received thus far or capital campaign undertaken or to be undertaken]**.

FURTHER RESOLVED, that the proceeds of the Loan shall be used to _____ **[insert proposed uses such as "make necessary repairs to the Mission church house," etc.]**.

FURTHER RESOLVED, that the schedule and source of repayment of the Loan are as follows: _____ **[describe schedule and source of repayment, including any pledges received thus far or capital campaign undertaken or to be undertaken]**.

FURTHER RESOLVED, that the Senior Warden and Junior Warden are authorized and directed to seek, as provided by the Canons of the Diocese: (i) the consent of the Standing Committee and the Bishop of the Diocese by submitting a certified copy of these resolutions and the additional materials required by the Standing Committee of the Diocese for its advice and consent, and (ii) the concurrence of the Trustees of the Diocese.

Adopted this _____ day of _____, 20__.

Senior Warden

ATTEST:

Clerk of the Vestry

¹³ Diocesan institutions (other than parishes) may use or adapt this resolution. Consult with the Chancellor about any questions.

¹⁴ If the terms of repayment are different from the foregoing, this language may be modified to describe the repayment terms more accurately.