

7 IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
8 IN AND FOR THE COUNTY OF KING

9 THE PRESBYTERY OF SEATTLE, a
10 Washington nonprofit corporation; and
11 THE FIRST PRESBYTERIAN CHURCH
12 OF SEATTLE, a Washington nonprofit
13 corporation,

14 Plaintiffs,

15 v.

16 JEFF SCHULZ and ELLEN SCHULZ, as
17 individuals and as the marital community
18 comprised thereof,

19 Defendants.

No. 16-2-03515-9 SEA
No. 16-2-23026-1 SEA
Consolidated

DECLARATION OF SHELLEY
M. DAHL IN SUPPORT OF
PLAINTIFFS' AMENDED MOTION
FOR SUMMARY JUDGMENT IN
PRESBYTERY II

19 I, Shelley M. Dahl, pursuant to RCW 9A.72.085, declare as follow:

20 1. I am a Ruling Elder at University Presbyterian Church and a member of the
21 Presbytery of Seattle (the "Presbytery"). I have personal knowledge of the matters set
22 forth in this declaration and am competent to testify about those matters.

23 2. On November 17, 2015, I was appointed by the Presbytery as one of eight
24 members of the Administrative Commission for First Presbyterian Church of Seattle (the
25 "Administrative Commission"). At the Administrative Commission's initial meeting on

1 November 18, 2015, I was selected as the co-moderator of the Commission. My co-
2 moderator is Steve Aeschbacher, Ruling Elder at Bellevue Presbyterian Church.

3 3. The Administrative Commission held a series of meetings in November
4 and December 2015 and January and February 2016. The Administrative Commission
5 met with or received information from 50 persons.

6 4. The Presbytery's charge to the Administrative Commission, the
7 proceedings of the Administrative Commission, the Administrative Commission's initial
8 findings, and the actions taken by the Administrative Commission in light of those
9 findings are all described in the Report of the Administrative Commission for First
10 Presbyterian Church of Seattle dated February 16, 2016 (the "Report"). A true copy of the
11 Report is attached as **Exhibit A**.

12 5. When the former leaders of First Presbyterian Church of Seattle ("FPCS")
13 refused to accept the Report and failed to comply with the Administrative Commission's
14 directions, the Presbytery, FPCS, Robert Wallace, and William Longbrake filed a lawsuit
15 against them entitled *Presbytery of Seattle, et al. v. Schulz, et al.*, King County Superior
16 Court No. 16-2-03515-9 (*Presbytery I*).

17 6. Discovery in *Presbytery I* revealed that former co-pastors Jeff and Ellen
18 Schulz had signed memoranda of understanding in November 2015 that purported to give
19 them severance and other benefits if their pastoral relationships were severed by the
20 Administrative Commission. After confirming that Jeff and Ellen Schulz intended to
21 assert rights under these documents, the Administrative Commission prepared a First
22 Supplemental Report of the Administrative Commission for First Presbyterian Church of
23 Seattle dated August 25, 2016 (the "Supplemental Report"). A true copy of the
24 Supplemental Report is attached as **Exhibit B**.

1 7. On August 25, 2016, the Administrative Commission adopted a series of
2 resolutions. The second resolution reads as follows:

3 Whereas, Seattle Presbytery on November 17, 2015, responded to
4 allegations and concerns regarding First Presbyterian Church of Seattle by
5 appointing an Administrative Commission in accordance with G-3.0109b
6 and G-3.0303 of the Constitution of the Presbyterian Church (U.S.A.); and

7 Whereas, Seattle Presbytery entrusted to the Administrative Commission the
8 responsibility to conduct an ecclesiastical investigation of the allegations
9 and concerns regarding First Presbyterian Church of Seattle and to take
10 action, as appropriate, in light of the results of that investigation; and

11 Whereas, the Administrative Commission conducted a thorough
12 ecclesiastical investigation of the matters entrusted to it by the presbytery
13 and authored a report reflecting its findings and actions; and

14 Whereas, the Administrative Commission later received information about a
15 "Memorandum of Understanding Regarding Severance Compensation
16 Obligations" that each of the former co-pastors signed in November 2015;
17 and

18 Whereas, the Administrative Commission has evaluated this information in
19 light of the requirements of church polity and its prior findings; now,
20 therefore, be it

21 *Resolved*, That the Supplemental Report of the Administrative
22 Commission for First Presbyterian Church of Seattle, dated August 25,
23 2016, is hereby approved and adopted; and it is further

24 *Resolved*, That all decisions, declarations, and actions set forth in the
25 Supplemental Report, except those specifically addressed in another
resolution, are hereby formally adopted and announced.

I declare under penalty of perjury under the laws of the State of Washington that
the foregoing is true and correct.

DATED this 24 day of January, 2017 at Seattle, Washington.

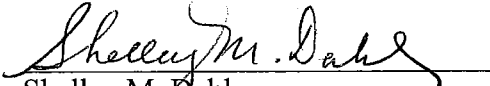

Shelley M. Dahl

EXHIBIT A

Report of the Administrative Commission for First Presbyterian Church of Seattle

February 16, 2016

Executive Summary

After thoroughly investigating allegations of mismanagement by the leadership of First Presbyterian Church of Seattle (FPCS), the Administrative Commission for FPCS has determined that the governing board of FPCS (the FPCS session) is unable or unwilling to manage wisely its affairs. The Administrative Commission has, therefore, assumed original jurisdiction with the full power of the session, in accordance with the Constitution of the Presbyterian Church (U.S.A.). This decision was not arrived at lightly, but after much prayer and deliberation.

Seattle Presbytery appointed the Administrative Commission (AC) on November 17, 2015, and assigned it a number of responsibilities. First, the AC was asked to reiterate the Presbytery's invitation to the FPCS session to enter into the Presbytery's Communal Discernment and Gracious Separation process. Second, the AC was directed to investigate "... allegations, admissions, and events [which] suggest that the session is affected with disorder and call into question its ability and willingness to exercise its authority and manage wisely its affairs." And third, the AC was instructed to take actions it deemed appropriate based upon its findings. The accompanying Report of the Administrative Commission for First Presbyterian Church of Seattle describes how the AC discharged the responsibilities entrusted to it. It sets forth detailed findings and identifies the actions taken by the AC.

The Report's findings focus on the conduct of the session and former co-pastors of FPCS. The AC determined that the FPCS leadership:

- Failed to follow the Constitution of the Presbyterian Church (U.S.A) and its own procedures;
- Failed to be truthful and forthcoming with its own congregation, ministry partners, and the Seattle Presbytery; and
- Failed to wisely manage the affairs of the church

FPCS leadership attempted to declare unilaterally that FPCS is no longer a part of the Presbyterian Church (U.S.A.) and not subject to the jurisdiction of the Presbytery. The FPCS session did this rather than engage in the process set forth in the Presbytery's Communal Discernment and Gracious Separation Policy.

The AC extended repeated invitations to FPCS leadership to enter into the Gracious Separation process, which were ignored or rebuffed.

The AC also repeatedly invited the FPCS session to engage in a non-conditional meeting "... to listen to your concerns, to build trust, and to find a way forward." The FPCS session refused these invitations and responded that they would meet only if the AC agreed to legal conditions that would treat any such meeting not as part of the AC's ecclesiastical process but rather as a confidential "settlement" negotiation.

The AC determined that the FPCS session's attempt to amend the existing bylaws of the church on October 27, 2015, was improper and ineffective, as was the congregation's subsequent vote to "disaffiliate" from the Presbyterian Church (U.S.A.). Therefore, the existing bylaws, adopted on May 8, 2005, remain in effect. The church remains a part of the Presbyterian Church (U.S.A.) because it has not been dismissed--a step that only the Presbytery is constitutionally authorized to take.

The Constitution of the Presbyterian Church (U.S.A.) also requires that a congregation may be released only to another Reformed body. No Reformed body has advised the Presbytery that it is prepared to accept the FPCS congregation. In addition, some members of the congregation want to remain within the Presbyterian Church (U.S.A.). The AC has concluded that the actions of the FPCS session have caused a schism within the congregation and those who disagree with the actions of the FPCS session constitute the "true church," in accordance with the denomination's Constitution.

The AC reviewed pertinent available documents, but the FPCS session refused to provide any documents requested by the AC. The AC also met with and received information from more than 45 individuals. The AC's investigation confirmed the allegations made to the Presbytery about the FPCS session. It also revealed additional irregularities in the records and the finances of the church and a broad-based pattern of misconduct by the former co-pastors.

Because the former co-pastors of FPCS renounced the jurisdiction of the Presbyterian Church (U.S.A.) effective December 16, 2015, leaving the church without a pastor, the AC has appointed an interim pastor.

In summary, the AC conducted a thorough investigation and afforded the FPCS session a full opportunity to be heard. But the FPCS session refused to produce any records, and it refused to meet with the AC except under unacceptable conditions. Despite this non-cooperation, the AC's investigation, as reflected in the Report, confirmed allegations and identified additional irregularities, which together show a broad-based pattern of misconduct by the FPCS leadership.

The AC has advised the persons who previously constituted the FPCS session that they no longer may act in that capacity. The AC has elected church officers and has appointed an individual to handle administrative matters. It also has called for an audit of the church's finances. The AC expects to supplement this report after it has had an opportunity to review church records.

Report of the Administrative Commission for First Presbyterian Church of Seattle

February 16, 2016

Background

On July 21, 2015, Seattle Presbytery (the “presbytery”) authorized its moderator to name a Committee for Special Administrative Review or CSAR “to review allegations and concerns raised regarding Seattle First Presbyterian Church, including the work of COM [the presbytery’s Committee on Ministry] in relationship to Seattle First Presbyterian Church,” and to report to the presbytery any recommendations from that review. The CSAR made its recommendations in a report to the presbytery dated December 5, 2015.

In the course of the CSAR’s work, two elders on the session of First Presbyterian Church of Seattle (“FPCS”) raised many new allegations and concerns, which the CSAR regarded as beyond the scope of its charge. These allegations included that the FPCS session:

1. was unwilling to utilize the Communal Discernment and Gracious Separation policy approved by the presbytery;
2. was following a detailed strategy involving the establishment of a separate corporation and was planning to engage the presbytery in a long legal battle;
3. was contemplating the possible transfer of the congregation’s funds (restricted and otherwise) to this separate corporation or its lawyers;
4. was considering naming the current elders to a separate board of this corporation;
5. had held unauthorized meetings of the session with irregularities in proceedings, including failure to vote on duly moved and seconded motions;
6. had kept inaccurate record of actions taken and had restricted access to minutes [G-3.0107; see G-3.0108b]¹;
7. had given no opportunity or provision for dissent [G-3.0105a and 3.0105b] and had isolated and intimidated elders who expressed their conscience [G-2.0105]; and
8. had not apprised the congregation about the matters stated above.

The presbytery directed the FPCS session to produce documents. In response, the FPCS session² wrote the presbytery on October 30, 2015, as follows:

¹ All citations in this report refer to provisions of the *Constitution of the Presbyterian Church (U.S.A.), Part II, Book of Order, 2015-2017*. The *Book of Order* describes the polity and form of government of the Presbyterian Church (U.S.A.). “Each congregation of the Presbyterian Church (U.S.A.) shall be governed by this constitution.” [G-1.0103]

² By the time that this response was written, resignations had reduced the FPCS session to the following individuals: Liz Cedergreen, David Martin, Lindsey McDowell, George Norris, Nathan Orona, and Kathryn Ostrom, along with then co-pastors Jeff and Ellen Schulz as moderators of session. Church records indicate that Lindsey McDowell, George Norris, and Nathan Orona have now been on the FPCS session more than six consecutive years, which is contrary to G-2.0404.

1. "On Tuesday, October 27, 2015, the Session voted to reestablish the FPCS Board as a body separate from the Session. The FPCS Board is governed by the Corporation's Articles of Incorporation and Corporate Bylaws, as well as the provisions of the Washington Nonprofit Corporation Act, and is not subject to the authority of the Presbytery of Seattle ('Presbytery') or the PCUSA Book of Order. Nevertheless, as an accommodation to the FPCS Session, the FPCS Board has authorized the Session to provide the following information to Presbytery: The Board held a meeting following the FPCS Session meeting on October 27, 2015."
2. "[A]ll assets of FPCS are owned by and under the control of the Corporation, and are therefore not subject to Presbytery authority. Nevertheless, as an accommodation to the FPCS Session, the FPCS Board has authorized the Session to provide a copy of the Corporation's most recent financial statements."
3. "The Corporation transferred approximately \$420,000 into the trust account of law firm Lane Powell PC in October 2015."

On November 15, 2015, the congregation of FPCS voted to "disaffiliate" from the Presbyterian Church (U.S.A.), to ratify changes to the bylaws of the congregation and the corporation that the FPCS session had adopted on October 27, 2015, and to amend the articles of incorporation of the church. The presbytery had advised the FPCS session before November 15, 2015, that these actions were out of order, that only the presbytery can dismiss a congregation, and that the Book of Order does not allow proxy voting. The FPCS session ignored this advice.

A special meeting of the presbytery took place on November 17, 2015, for the purpose of considering the circumstances summarized above. By a vote of 136 to 8, with three abstentions, the presbytery approved a resolution appointing an administrative commission to work on the presbytery's behalf with the following purposes and authority:

1. "to reiterate the presbytery's invitation to the session of First Presbyterian Church of Seattle (FPCS) to enter into the presbytery's Communal Discernment and Gracious Separation policy and, if that invitation is accepted, to appoint the members of the Discernment Team;
2. "to require or request, have access to, receive, and review all documents of FPCS, including but not limited to business and financial records of the congregation and the corporation [G-3.0107, G-3.0108, G-3.0204];
3. "to ensure that the provisions of the Constitution are followed in the governance of FPCS, including but not limited to G-4.0101, G-4.0102, G-4.0202, and G-4.0204;
4. "to direct that corrective action be taken if matters are determined to be out of compliance with the Constitution [G-3.0108c];
5. "to make provision for and to name a moderator [G-1.0504 and G-3.0201];
6. "to call meetings of the congregation [G-1.0502] and the session [G-3.0203], if necessary, to transact business in accordance with the Book of Order;
7. "if it becomes evident that the church is in 'schism,' to determine the 'true church' within the Presbyterian Church (U.S.A.) in this matter [G-4.0207];
8. "to thoroughly investigate and provide a full opportunity for the session to be heard, and if it concludes that the session is unable or unwilling to manage wisely its affairs, to assume original jurisdiction with the full power of the session [G-3.0303e];
9. "to consult with ruling elders and teaching elders, to provide written notice of disapproval, and, if the ruling or teaching elder persists in the work, to conclude that he

or she has renounced the jurisdiction of the Presbyterian Church (U.S.A.) [G-2.0407; G-2.0509];

10. “if necessary, to dissolve pastoral relationships, both temporary and installed, fully observing the due process requirements of the Constitution [G-2.0901 ff.];
11. “to consider the viability of the congregation and make recommendations to the presbytery in that regard;
12. “to negotiate terms for the dismissal of the congregation if it becomes evident that a sufficient majority of the active membership desires to be dismissed to another Reformed body, utilizing the presbytery’s Communal Discernment and Gracious Separation Policy;
13. “to safeguard all property of FPCS, which continues to be held in trust for the use and benefit of the Presbyterian Church (U.S.A.), and to determine the ownership of any FPCS property that has been transferred to third parties; and
14. “to seek relief in civil court, if necessary, and/or to respond to court actions instituted by others, to remedy any omission, error, or misdeed on the part of the session, the congregation, or the trustees (or any other entity that purports to act or have acted on behalf of FPCS).”

The presbytery appointed the following eight individuals to serve as members of the Administrative Commission:

- Steve Aeschbacher (Ruling Elder, Bellevue Presbyterian Church)
- Heidi Husted Armstrong (Teaching Elder, Member-at-large)
- Shelley Dahl (Ruling Elder, University Presbyterian Church)
- J.P. Kang (Teaching Elder, Japanese Presbyterian Church)
- Bill Longbrake (Ruling Elder, First Presbyterian Church of Seattle)
- Jonathan Siehl (Teaching Elder, Honorably Retired)
- Kathy Smith (Commissioned Ruling Elder, North Point Church)
- Bob Wallace (Ruling Elder, Bellevue Presbyterian Church)

Proceedings of the Administrative Commission

At its initial meeting on November 18, 2015, the Administrative Commission elected Shelley Dahl and Steve Aeschbacher as co-moderators. After reviewing and discussing background documents, the Administrative Commission determined that letters should be sent to the FPCS session identifying concerns, requesting additional documents, and inviting the FPCS session to appear before the Administrative Commission on December 4, 2015, at 3:00 p.m. to address the issues described in the Administrative Commission’s charter. The letters were sent to the FPCS session on November 20, 2015.

The FPCS session did not respond. Instead, its lawyers wrote a letter dated December 1, 2015, to the presbytery’s legal counsel. This letter asserted: “Because the AC [Administrative Commission] has no ongoing ecclesiastical or legal authority over the Church or the Corporation, its production requests, stated areas of inquiry, and the Presbytery’s discernment and dismissal process are moot and require (and will therefore receive) no further response.” The Administrative Commission did not receive any other response to its request for documents from the FPCS session, and no member of the FPCS session attended the meeting of the Administrative Commission on December 4, 2015.

The Administrative Commission continued to encourage the FPCS session to appear before it. To that end, the Administrative Commission twice rescheduled the meeting time that it had initially offered, to December 16 and then to December 17, 2015. The Administrative Commission also advised the FPCS session that its appearance would be without prejudice to any argument that it was no longer under the authority of the presbytery. The lawyers for the FPCS session assured the Administrative Commission that the FPCS session was available at the appointed hour, but they refused to permit any meeting to occur except under conditions that would treat the session's meeting with the Administrative Commission in this ecclesiastical proceeding as if it were a litigation settlement conference and that would preclude the Administrative Commission from disclosing the fact or the substance of the meeting. The Administrative Commission could not accept those conditions. Once again, despite repeated invitations, no member of the FPCS session attended the meeting of the Administrative Commission on December 17, 2015.

On December 18, 2015, the Administrative Commission again wrote to the FPCS session, urging it to engage with the Commission and to "step out from behind your lawyer and communicate with us so we can hear more of your perspectives" On December 30, 2015, the FPCS session responded. It stated that "FPCS is no longer affiliated with the Presbytery. Engaging in an investigation or having an 'opportunity to be heard' is not appropriate" The Administrative Commission replied on December 31, 2015, reiterating its invitation to the FPCS session to appear and participate in the Administrative Commission's meeting on January 7, 2016, to which members of the presbytery, members of FPCS, and other interested persons had been invited. But again the FPCS session did not appear.

At the Commission's meeting on January 7, several members of the presbytery lamented the breakdown in communication between the FPCS session and the presbytery. They also voiced concern that the lawyers had become an impediment to open communication. With that encouragement, the Administrative Commission wrote to the FPCS session on January 11, 2016, inviting the session members to a non-conditional listening meeting on January 20, 2016, from which all lawyers, staff, and spokespersons would be excluded and at which no notes would be kept. The FPCS session said that it would attend only if the Administrative Commission agreed that the fact of the meeting, its participants, and any communications or actions relating to the meeting would never be used as evidence in any legal proceeding. This would preclude the Administrative Commission from reporting to the presbytery the fact of the meeting or, if it did, from using its report in any subsequent proceeding, including one initiated by the FPCS session.

Even though such conditions were inconsistent with a non-conditional meeting and betrayed the influence of persons who were not supposed to be part of such a meeting, the Administrative Commission offered a revised agreement that would bar participants from publicly attributing any statement to any speaker (either by name or position) without that person's permission. The Administrative Commission also agreed not to use the FPCS session's appearance at the meeting as evidence that it acknowledged the continuing jurisdiction of the presbytery. But the FPCS session rejected that proposal, insisting that the January 20 meeting occur on its terms or not at all. The meeting did not occur.

Besides reaching out repeatedly to the FPCS session, the Administrative Commission invited all interested persons to provide input about the matters before it. The Administrative

Commission also followed up with everyone who contacted it. In addition to holding meetings and gathering information from members of the Administrative Commission and presbytery staff, the Administrative Commission interviewed and/or received information from 14 ruling elders, 18 teaching elders, and 27 current or former members, attenders, and employees of FPCS (some categories overlap):

Judy Andrews	Ruling Elder at Woodland Park Presbyterian Church
John Baker	FPCS member
Becki Barrett	Teaching Elder, Overlake Park Presbyterian Church; Committee for Special Administrative Review
Steven B. Bass	CPA who conducted audits and financial reviews of FPCS for many years up to and including 2010 and who interacted with members of the FPCS session in 2013-14
Michael Bennett	Ruling Elder and former FPCS member who served on session
Tiesa Blankenship	Former FPCS employee
Lynne Faris Blessing	Teaching Elder, Bethany Presbyterian Church
Gordy Boyd	Ruling Elder and Union Church member
Carla Brown	FPCS bookkeeper, 2007-early 2010
Claudie Cassady	Former FPCS member and former FPCS Operations Committee and Nominating Committee member
Mark Cassady	Ruling Elder and former FPCS member who served on session
Colleen Chinen	Ruling Elder, Steel Lake Presbyterian Church; co-moderator, Committee on Ministry
Fred Choy	Teaching Elder, Seattle Community Church
Peter Chung	Ruling Elder, Seattle Community Church
Sheri Edwards Dalton	Teaching Elder and Seattle Presbytery member-at-large
Barbara Danhoff	FPCS bookkeeper, 2010-2013
Susan Denton	FPCS member
Tyler Easley	Teaching Elder and Seattle Presbytery member-at-large; Committee for Special Administrative Review
Nancy Emerson	Ruling Elder (Wabash Valley Presbytery, Indiana); Exeter House resident and FPCS visitor
Dave Erland	Ruling Elder, Sammamish Presbyterian Church; Committee for Special Administrative Review
Brian Fuson	Former FPCS attender
Mona Gacutan	Ruling Elder and FPCS member who served on session until October 25, 2015

Melinda Glass	Ruling Elder, Lake Burien Presbyterian Church; Committee for Special Administrative Review
Larry Grounds	Teaching Elder, Redmond Presbyterian Church; former co-moderator, Committee on Ministry
Julie Gustavson	Ruling Elder and former FPCS member who served on session
Jerry Hardcastle	Exeter House resident; FPCS visitor (member, Trinity Episcopal Church)
Gail Irving	Teaching Elder and FPCS Shelter Team employee
Mansour Khajehpour	Teaching Elder and Operations Manager at FPCS from January 2013 until July 2014
Neal Lampi	Ruling Elder and FPCS member who served on session until October 27, 2015
David Lapse	Former assistant organist and sexton at FPCS (1987-2007); current musician at Exeter House
Della Lium	Ruling Elder, Brighton Presbyterian Church; Exeter House resident and FPCS attender
Jim Lium	Ruling Elder, Brighton Presbyterian Church; Exeter House resident and FPCS attender
Scott Mann	Teaching Elder, Bellevue Presbyterian Church, and Moderator of Seattle Presbytery
Will Mason	Teaching Elder, Steel Lake Presbyterian Church; former co-moderator, Committee on Ministry
Jack Merner	Teaching Elder, Cascades Presbytery; Exeter House resident and FPCS attender
James B. Notkin	Teaching Elder, Union Church
Binh Nguyen	Director of Southeast Asia Ministries, Seattle Presbytery
Lyle Oliver	Deacon and Ruling Elder; Exeter House resident and current FPCS attender
Cindy O'Sullivan	FPCS Shelter Team member
Rajat (RJ) Parsad	FPCS member
Jane Pauw	Teaching Elder, Rainier Beach Presbyterian Church
Charles Peet	Teaching Elder; Exeter House resident and FPCS visitor
Michelle Perrigo	Former FPCS member; former worship team member and small group leader
Steve Quant	FPCS Shelter Team member
Dale Sewall	Teaching Elder, Honorably Retired
Dick Steele	Teaching Elder; Exeter House resident and FPCS attender
Elizabeth Steele	Exeter House resident
Laurinda Steele	FPCS member
Vonna Thomas	Teaching Elder and Seattle Presbytery member-at-large
Kelly Wadsworth	Teaching Elder/Validated Ministry (Exeter House chaplain)

Findings of the Administrative Commission

Having carefully and prayerfully considered the information before it in light of the authority, roles, and responsibilities that the presbytery has entrusted to it, the Administrative Commission makes the following findings:

1. The Administrative Commission reiterated to the FPCS session multiple times the presbytery's invitation to enter into the Communal Discernment and Gracious Separation process. See, e.g., letters to FPCS session dated November 20, 2015, and December 18, 2015. The FPCS session ignored or explicitly rejected every invitation to follow the presbytery's Communal Discernment and Gracious Separation policy.
2. The presbytery's Communal Discernment and Gracious Separation Policy constitutes the only policy under which a congregation in the presbytery may be dismissed or otherwise separated from the Presbyterian Church (U.S.A.).
3. The presbytery has received no request from another Reformed denomination to dismiss the FPCS congregation. Nor has the presbytery received any information suggesting that another Reformed denomination is willing to receive the FPCS congregation.
4. By written statement submitted to the stated clerk of the presbytery, Jeff and Ellen Schulz, until then the co-pastors of FPCS,³ renounced the jurisdiction of the Presbyterian Church (U.S.A.). In accordance with G-2.0509, renunciation is effective upon receipt, and the Schulzs' letter was received by the presbytery on December 16, 2015.
5. Under G-2.0509, renunciation of jurisdiction removes a pastor from membership in the presbytery and terminates the exercise of the pastor's ministry. The roles occupied by Jeff and Ellen Schulz as co-pastors at FPCS therefore ended on December 16, 2015, leaving FPCS without any pastor. On January 19, 2016, the stated clerk reported the Schulzs' renunciation at a meeting of the presbytery, and their names were deleted from the roll.
6. The Administrative Commission requested documents from the FPCS session, including business and financial records of the congregation and the corporation. The Administrative Commission was entitled to such documents under G-3.0108b. The FPCS session refused to comply with the Administrative Commission's requests. This refusal violates G-3.0108 and G-3.0202.
7. On October 30, 2015, the FPCS session sent to the presbytery audited financial statements for 2014. The Administrative Commission has questions about these statements, which were the first CPA-reviewed statements for FPCS since 2010.
8. Multiple witnesses supplied the Administrative Commission with credible reports of financial irregularities involving the FPCS session. These irregularities include but are not limited to the following: tampering with the books; failing to reconcile bank

³ In this report, "pastor" refers to a teaching elder and minister of the Word and Sacrament who has been called by a congregation and installed in a pastoral relationship. See G-2.0501, G-2.0504a.

statements and to balance the general ledger; failing to provide complete information to accountants; having unauthorized signers sign checks; and failing to submit accurate financial information to the presbytery. In addition, the Administrative Commission received information suggesting that the FPCS session may have impermissibly used restricted funds and improperly recharacterized certain assets. The actions by the FPCS session described in this paragraph violate G-3.0113 and G-3.0205.

9. There are numerous irregularities in the records maintained by the FPCS session. For example, the minutes that the FPCS session provided to the presbytery on October 30, 2015, reflect alterations and deletions of relevant material that had been included in the earlier versions of the minutes obtained by the Committee on Ministry in 2014. The minutes maintained by the FPCS session also fail to reflect discussions and actions leading up to the decision to unilaterally “disaffiliate” from the Presbyterian Church (U.S.A.). These irregularities violate G-1.0505, G-3.0107, and G-3.0204.
10. Members of the FPCS session isolated and drove out ruling elders who expressed their conscience, and they sought to supplant the elders’ ordination vows with vows of secrecy and deception. These actions violate G-3.0103, G-3.0105, G-3.0201, and G-3.0202.
11. The Administrative Commission received many credible reports that reflect a pattern of intimidation and manipulation by the former co-pastors and other members of the FPCS session. These reports came from elders, congregants, staff, volunteers, and others.
12. Jeff Schulz gave ruling elders scripts and directed them to read the scripts verbatim before the congregation. Elders were also instructed as to what they could and could not say when visitors attended session meetings.
13. The record of the dealings between the former co-pastors and the presbytery reflects a pattern of duplicity rather than candor, including specifically with respect to the proposed merger with A Seattle Church and the attempt to “disaffiliate” from the presbytery unilaterally. The FPCS session has also not been candid with the congregation about these subjects. The FPCS session has demonstrated a disregard for transparency, accountability, and polity. Its actions violate G-3.0201 and G-3.0202.
14. From 2010 through 2015, the Administrative Commission has been told, the full terms of call for the then co-pastors were not brought before the congregation for its approval, contrary to G-1.0503 and G-2.0804. The Administrative Commission has seen no documents suggesting otherwise. In addition, the FPCS session entered into agreements with the then co-pastors purporting to guarantee future severance compensation if the presbytery formed an administrative commission. These agreements were neither disclosed to nor approved by the congregation, contrary to G-1.0503c.
15. Multiple witnesses supplied the Administrative Commission with credible reports of improper conduct involving the former co-pastors. Among other things, it was reported that the former co-pastors were paid amounts not authorized by the congregation; that funds in accounts maintained for the upkeep of the church were used on the former co-pastors’ personal residence, without corresponding increases in the church’s equity interest or the pastors’ reported compensation; and that in late 2013 the former co-pastors

took some of their compensation in cash in order to make a better case for financial aid for a college-age child. These actions violate G-2.0104a.

16. The Administrative Commission heard from many of those whom it interviewed that the former co-pastors frequently did not act in the manner called for by G-2.0501, G-2.0503, and G-2.0504. They failed to support many people in the disciplines of the faith amid the struggles of daily life and did not enable the ministry of others.
17. The Administrative Commission found irregularities in the manner in which the FPCS session added congregants to or removed them from membership rolls and in the vetting of prospective elders. There has been arbitrary and inconsistent treatment of potential and current members; David Martin was made an elder before he was baptized into church membership; and elders were not rotated off the session after six years. These actions violate G-2.0104, G-2.0402, G-2.0404, G-3.0201c, and G-3.0204.
18. Until very recently (the second half of 2015), the FPCS session (including the co-pastors) and congregational leadership through their conduct and statements proclaimed the authority of the Presbyterian Church (U.S.A.) with respect to both temporal and spiritual matters at FPCS. For example, in a report to presbytery dated September 18, 2012, in which Jeff Schulz asked that the Seattle First Redevelopment Committee be reconstituted as the Seattle First Redevelopment Commission, he wrote that FPCS “owns its property in trust of the Presbytery, which must approve a purchase/sale agreement.” In a letter dated April 16, 2014, he wrote that “because PC(USA) properties owned by local congregations are held in ‘trust’ of the denomination, Presbytery has the authority to deny dismissal with the property, or to approve dismissal with property with a negotiated financial settlement.”
19. In 2014, at the request of FPCS, the FPCS session and the presbytery through another administrative commission collaborated on and approved agreements to sell and redevelop church properties, using agreed legal counsel. As this was happening, the FPCS session secretly hired a lawyer with a reputation for advising churches that seek to leave the denomination about property disputes. When this was discovered, Jeff Schulz first denied that the lawyer had been hired and then claimed that his hiring had nothing to do with church property. He also denied that he had any plans to take the congregation out of the Presbyterian Church (U.S.A.).
20. On July 31, 2015, ten days after the appointment of the CSAR, elders David Martin and George Norris met with then-elder Mona Gacutan in Kirkland, Washington. They outlined to her a plan to unilaterally pull out of the Presbyterian Church (U.S.A.), while keeping such discussions out of the session’s minutes. They also discussed “how to isolate” another elder, Neal Lampi, whom they saw as unsympathetic to their plan. They supported their arguments with false information about the finances of other churches in the presbytery.
21. At a session meeting on August 6, 2015, the FPCS session discussed this “disaffiliation” plan, although the discussion there and at other meetings was not disclosed in the minutes. The moderator, Jeff Schulz, asked the members of the FPCS session to take a vow of secrecy. Ms. Gacutan left the room rather than do so.

22. At a session meeting on October 25, 2015, Ms. Gacutan made a motion, which was duly seconded, to pursue the presbytery's Communal Discernment and Gracious Separation policy. The FPCS session failed to take a vote on Ms. Gacutan's motion, in violation of section 4 of Robert's Rules of Order and G-3.0105. At the end of the meeting, Ms. Gacutan resigned from the FPCS session. She asked that her resignation letter be placed in the minutes, but that request was refused.
23. At a session meeting on October 27, 2015, ruling elder Neal Lampi resigned from the FPCS session. His seven-page letter of resignation described this as "the culmination of [the session's] long often duplicitous struggle with the Presbytery." He described the session's practice of "concealing [its] deliberations" as having "now emerged to be the norm." He called upon his fellow session members to consider their own motivations rather than just attack the presbytery's. And he lamented that the conflict with the presbytery would now take place in civil court; "other options available to our congregation have been set aside in favor of the satisfaction of self-righteous indignation."
24. At its meeting on October 27, 2015, the remaining members of the FPCS session took several actions that violated the Constitution of the Presbyterian Church (U.S.A.). They began by voting to rescind the existing bylaws of the church and to adopt separate congregational and corporate bylaws.
25. The existing "Bylaws of the First Presbyterian Church of Seattle" were adopted by a vote of the congregation on May 8, 2005. Those bylaws are not subject to amendment by the FPCS session, and they remain in full force and effect.
26. Article II of the bylaws is entitled "Relation to the Presbyterian Church (U.S.A.)," and it provides as follows: "The First Presbyterian Church of Seattle is a member church of the Presbyterian Church (U.S.A.)."
27. Article V of the bylaws is entitled "Governance of the Church." It provides as follows:
- This church shall be governed in accordance with the current edition of the *Constitution of the Presbyterian Church (U.S.A.)*. Consistent with that *Constitution*, these bylaws shall provide specific guidance for this church. *Robert's Rules of Order (Newly Revised)* shall be used for parliamentary guidance. Any matter of church governance not addressed in these bylaws shall be governed by the *Constitution of the Presbyterian Church (U.S.A.)*.
28. Article VI of the bylaws, entitled "Meetings," requires an annual meeting of the congregation and the corporation during the first quarter, at which changes in the terms of call for the pastor(s) must be presented. It also provides that special meetings may be called by the Session, if the call for the meeting states clearly the purpose of the meeting and business is restricted to that which is specified. Under Article VI, an annual special meeting is required during the second quarter for receipt of the nominating committee report and election of church officers. Consistent with the Constitution of the Presbyterian Church (U.S.A.), Article VI states that only active members may vote and that "[p]roxy voting is not permitted in meetings of the congregation and the corporation."

29. Article VII of the bylaws, entitled "Notice of Meetings," requires that public notice of meetings of the congregation "be given and printed and verbal form on at least two successive Sundays prior to the meeting." It also requires that printed notice of meetings of the corporation "be included in the church bulletin, signed by the Clerk of the Session, . . . which notice shall be audibly read at public worship to the assembled congregation on at least two successive Sundays prior to the date of such meeting."
30. Article XI of the bylaws, entitled "Elders," states that "[t]he Session shall have such duties and powers as are set forth in the *Constitution of the Presbyterian Church (U.S.A.)*." It provides further that the session "shall act as officers and directors of the corporation, and shall form such committees as are necessary to carry out its work and maintain the corporation's good standing with the State of Washington."
31. Article XV of the bylaws, entitled "Amendments," states that those bylaws "may be amended [a] subject to the Articles of Incorporation, [b] the laws of the state of Washington and [c] the *Constitution of the Presbyterian Church (U.S.A.)* [d] by a two-thirds vote of the voters present, [e] providing that the proposed changes in printed form shall have been distributed at the same time as the call of the meeting at which the changes are voted upon." The bylaw amendments that the FPCS session purported to adopt on October 27, 2015, satisfied none of these five requirements.
32. The bylaw amendments purportedly adopted by the FPCS session on October 27, 2015, violate both the Articles of Incorporation and the Constitution of the Presbyterian Church (U.S.A.). The restated Articles of Incorporation, adopted in 1985, provide that the corporation exists and acts "under the Form of Government and discipline of the 'Presbyterian Church (U.S.A.)'." The Presbyterian Form of Government requires, among other things, that the powers exercised by any corporation formed by a congregation are "subject to the authority of the session and under the provisions of the Constitution of the Presbyterian Church (U.S.A.). The powers and duties of the trustees shall not infringe upon the powers and duties of the session or the board of deacons." G-4.0101. The corporate bylaws approved by the FPCS session on October 27, 2015, however, purport to place the property of the church outside the control of session, contrary to the Constitution of the Presbyterian Church (U.S.A.). The purported amendments are, therefore, void.
33. The bylaws provide that they can be amended only by the congregation, not by the session. The changes to the bylaws that the FPCS session purported to adopt on October 27, 2015, were made without the knowledge, much less a two-thirds majority vote, of the congregation. Nor were they distributed in printed form to the congregation until after the FPCS session adopted them. For these reasons as well, the amendments adopted by the FPCS session on October 27, 2015, were improper and ineffective.
34. Acting under the improperly amended bylaws, the FPCS session on October 27, 2015, appointed themselves trustees of a supposedly independent corporation. Under the restated Articles of Incorporation, the board of trustees must be elected by the congregation at its annual meeting, but that did not happen in this case. The FPCS session/trustees also transferred approximately \$420,000 in church funds to the trust account of Lane Powell PC. This transfer was contrary to G-4.0201. The presbytery has

demanded an accounting of the funds and either their return or their deposit in the court registry. The lawyers for the FPCS session have refused to do any of those things.

35. On October 30, 2015, the FPCS session asserted to the presbytery that the FPCS Board of Trustees “is not subject to the authority of the Presbytery of Seattle . . . or the Book of Order.” This assertion is fundamentally contrary to the Constitution of the Presbyterian Church (U.S.A.): a board of trustees is subject to the session, just as the session is accountable to the presbytery, and the actions of the board of trustees are subject to the Book of Order. See G-3.0101, G-3.0201c, G-4.0202, and G-4.0203.
36. The FPCS session called a meeting of the congregation for November 15, 2015, to vote on a resolution calling for the church to “disaffiliate” from the Presbyterian Church (U.S.A.). The notice of this meeting violated the requirements of the bylaws and G-1.0502. Among other things, it was not given in printed and verbal form on at least two successive Sundays prior to the meeting. It was not mentioned at all in the service on November 8, 2015, which was a joint service with two other churches. The meeting notice also did not meet the bylaw requirements for a public notice of a meeting of the corporation: it did not appear in the church bulletin, and it was not audibly read at public worship to the assembled congregation on at least two successive Sundays.
37. “Disaffiliation” is not among the matters that are proper to a congregational meeting under G-1.0503. The FPCS session also called for proxy voting at this meeting in violation of G-1.0501 and Article VI of the bylaws, both of which permit only active members of the congregation who are present at a meeting to vote. The presbytery informed the FPCS session of these constitutional flaws, but the FPCS session proceeded anyway. It counted proxy votes and required that all ballots be signed, thereby intimidating members. It disregarded protests from the floor. The FPCS session acted contrary to G-3.0202c and section 45 of Robert’s Rules of Order.
38. The meeting of the congregation on November 15, 2015, had 54 individuals in attendance in addition to the then co-pastors, two lawyers, and two security guards. One member of the congregation, RJ Parsad, was dragged out of the meeting and was readmitted only after police intervention. As of November 15, 2015, according to the Administrative Commission’s review of session minutes, the roster of active or occasional members at FPCS should have had 101 names, including Mr. Parsad’s, plus four youth members.
39. Liz Cedergreen, clerk of session, wrote a letter to the Stated Clerk and the Executive Presbyter that was received by them on November 17, 2015. Ms. Cedergreen reported that at the congregational meeting on November 15, 2015, “81 out of 104 members were present,” and 73 of them “approved disaffiliation from Presbyterian Church (U.S.A.)”
40. Under G-3.0303b and G-4.0207, a congregation’s relationship with Presbyterian Church (U.S.A.) can be severed only by constitutional action on the part of the presbytery. The “disaffiliation” resolution presented by the FPCS session to the congregation on November 15, 2015, was unconstitutional and has no effect.
41. The amendments to the articles of incorporation that the congregation approved on November 15, 2015, are also invalid and of no effect, because (among other things) those amendments purport to effect a unilateral “disaffiliation” from the Presbyterian Church

(U.S.A.). The FPCS session's attempt to validate its bylaw changes retroactively by congregational ratification on November 15, 2015, was ineffective as well, because (among other things) those bylaw changes violated the Constitution of the Presbyterian Church (U.S.A.). The meeting of the congregation and corporation at which these actions were taken was also not validly called and was not properly noticed as the bylaws require.

42. Ms. Cedergreen's letter of November 17, 2015, signed "For the Session," states that FPCS "is no longer affiliated with either PCUSA or the Presbytery of Seattle." Ms. Cedergreen's letter appears to be a written statement by the ruling elders of FPCS renouncing the jurisdiction of this church.
43. On January 27, 2016, Neal Lampi found that the door to the room where he regularly met for Bible study with FPCS shelter guests had been boarded up. On January 28, 2016, Gail Irving resigned from her position as shelter employee. She lamented the closing of "the one evangelical piece of the shelter where the gospel of Christ was literally shared" and described other aspects of the "shameful treatment" that shelter guests had received as a result of the steps taken by FPCS leaders in recent months.
44. The actions of the FPCS session described in these findings violate G-4.0202, which states:

The provisions of this Constitution prescribing the manner in which decisions are made, reviewed, and corrected within this church are applicable to all matters pertaining to property.

45. The actions of the FPCS session described in these findings violate G-4.0203, which states:

All property held by or for a congregation . . . whether legal title is lodged in a corporation, a trustee or trustees, or an unincorporated association, and whether the property is used in programs of a congregation or of a higher council or retained for the production of income, is held in trust nevertheless for the use and benefit of the Presbyterian Church (U.S.A.).

46. The actions of the FPCS session described in these findings violate their ordination vows, including specifically W-4.4003e and i:

e. Will you be governed by our church's polity, and will you abide by its discipline? Will you be a friend among your colleagues in ministry, working with them, subject to the ordering of God's Word and Spirit?

i. (1) (For ruling elder) Will you be a faithful ruling elder, watching over the people, providing for their worship, nurture, and service? Will you share in government and discipline, serving in councils of the church, and in your ministry will you try to show the love and justice of Jesus Christ?

(2) (For teaching elder) Will you be a faithful teaching elder, proclaiming the good news in Word and Sacrament, teaching faith and caring for people? Will you be active in government and discipline,

serving in the councils of the church; and in your ministry will you try to show the love and justice of Jesus Christ?

47. The FPCS session has failed to act in accordance with basic principles of accountability and responsibility, consistent with the mutual commitments of Presbyterian polity, including those governing the shared responsibilities of councils (e.g., sessions and presbyteries) and the governance of congregations, as required by F-3.01 and G-1.01.
48. The conduct of the FPCS session has caused a schism within the congregation. The members of the congregation who oppose the actions taken by the FPCS session on and after October 27, 2015, are “the true church within the Presbyterian Church (U.S.A.)” G-4.0207.
49. The Administrative Commission has conducted a thorough investigation of the matters entrusted to it by the presbytery.
50. The Administrative Commission has accorded the FPCS session a full opportunity to be heard.
51. The FPCS session is unable or unwilling to manage wisely its affairs.
52. For all these reasons, the FPCS session “cannot exercise its authority.” G-3.0303e.
53. The FPCS session has ceased to use FPCS’s property as a congregation of the Presbyterian Church (U.S.A.) in accordance with the Constitution of the Presbyterian Church (U.S.A.). See G-4.0204.
54. The FPCS congregation is not viable under its current leadership. Under other circumstances, there are ministry opportunities that appear to be viable.

Actions by the Administrative Commission

After prayerful deliberation and with a heavy heart, but as required by the findings set forth above and consistent with its delegated authority and responsibilities, the Administrative Commission has decided, declared, and taken action as follows:

1. Effective 10:00 a.m. on February, 16, 2016, the Administrative Commission has assumed original jurisdiction with the full power of the session of First Presbyterian Church of Seattle under G-3.0303e. The individuals who constituted the FPCS session prior to this action by the Administrative Commission no longer have any role in the governance of FPCS and have no authority with respect to its ministry or its property. The Administrative Commission will now perform the duties of the session.
2. The Administrative Commission, acting as the session, will (a) provide that the Word of God may be truly preached and heard, (b) provide that the Sacraments may be rightly administered and received, and (c) nurture the covenant community of disciples of Christ, consistent with the responsibility and power conferred by G-3.0201.

3. The Administrative Commission has appointed Shelley Dahl and Steve Aeschbacher as co-moderators of the session in accordance with G-3.0104 and G-3.0201. If there are any meetings of the congregation, the Administrative Commission has appointed Shelley Dahl and Steve Aeschbacher to act as co-moderators under G-1.0504.
4. Acting as the session, the Administrative Commission has elected Kathy Smith as the clerk of session.
5. Acting as the session, the Administrative Commission has appointed Heidi Husted Armstrong as temporary pastor to serve the FPCS congregation.
6. Acting as the session, the Administrative Commission has appointed Scott Lumsden as the person having authority to oversee the property and financial affairs of FPCS.
7. The amendments to the bylaws of FPCS that were purportedly adopted on October 27, 2015, and purportedly ratified on November 15, 2015, are null and void.
8. The amendments to the 1985 restated articles of incorporation of FPCS that were purportedly adopted by the congregation on November 15, 2015, are null and void.
9. The Administrative Commission believes that ruling elders Liz Cedergreen, David Martin, Lindsey McDowell, George Norris, Nathan Orona, and Kathryn Ostrom have renounced the jurisdiction of this church. If they have not, the Administrative Commission acting as the session will give them as well as Blair Bush notice of its disapproval of their work. If any of these individuals wishes to consult with the session, he or she should contact Kathy Smith within five calendar days. If, having been provided opportunity for consultation and having been given this written notice, Liz Cedergreen, David Martin, Lindsey McDowell, George Norris, Nathan Orona, Kathryn Ostrom, and Blair Bush, or any of them, persist in acting as if they are leaders of the FPCS congregation or the FPCS corporation, the Administrative Commission acting as the session will conclude that they have renounced the jurisdiction of this church under G-2.0407.
10. As provided in the bylaws of the church, the members of the Administrative Commission, as the current ruling elders on session, are the officers and directors of the corporation. They have elected Bob Wallace as president, Shelley Dahl as vice president, and Bill Longbrake as secretary/treasurer of the FPCS corporation to serve terms of one year or until their successors are elected, if sooner, and have empowered them to take appropriate steps and to pursue appropriate remedies to implement this report.
11. The individuals who previously constituted the FPCS session are no longer officers, directors, or trustees of the FPCS corporation. Their successors have been named in accordance with the bylaws of the church and the corporation.
12. Even if the bylaws were not clear on this point, the members of the Administrative Commission, as the current ruling elders on session, are the trustees of the FPCS corporation under G.-4.0102, unless the corporation has determined another method for electing its trustees. The 1985 restated articles of incorporation of FPCS call for the

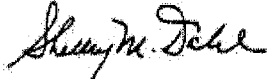
election of corporate trustees at the annual meeting of the congregation, but the former corporate trustees were not so elected.

13. Because only persons eligible for membership in the congregation or council are eligible to be members of the corporation and to be elected as trustees under G-4.0102, loss of membership and ordered ministry disqualifies the individuals who previously constituted the FPCS session from continuing to serve as trustees of the FPCS corporation.
14. If the former FPCS session members nevertheless continue to claim the status of corporate trustees, they are subject to the Administrative Commission acting as the session and are answerable to the Administrative Commission acting as the session in all respects under G-3.0201c, G-4.0101, and G-4.0202.
15. All property held by or for FPCS--including real property, personal property, and intangible property--is subject to the direction and control of the Administrative Commission exercising original jurisdiction as the session of the church. Under G-4.0204, such property must be held, used, applied, transferred, or sold as the presbytery may provide.
16. All funds that were transferred to the Lane Powell trust account must be returned to the church immediately. Acting as the session, the Administrative Commission further directs that all funds held in the name or under the control of the FPCS corporation be turned over immediately to the Administrative Commission in its capacity as the session of the church.
17. Until the Administrative Commission directs otherwise, no church or corporate funds of FPCS may be used or expended without the prior approval of the Administrative Commission acting as the session.
18. To the extent that any books and records related to FPCS, including membership and communicant rolls or financial records, are currently in the possession of the corporation, the former trustees, or any individual who, before today's Administrative Commission action, was a member of the FPCS session, those books and records must be turned over to the Administrative Commission acting as the session within five calendar days.
19. The financial records of FPCS will be audited as soon as possible by a certified public accountant appointed by the Administrative Commission acting as the session.
20. The Administrative Commission acting as the session directs all persons who were responsible for any financial transactions involving FPCS since December 31, 2014, to provide a full accounting of such transactions to the Administrative Commission within five calendar days.
21. Acting as the session, the Administrative Commission directs the individuals who previously constituted the FPCS session and any persons acting under their direction and control, including the former co-pastors, to vacate the church premises and turn over the keys, electronic door openers, and all other means of egress/ingress to Scott Lumsden by 10:00 a.m. on February 18, 2016. The Administrative Commission, acting as the session, will provide for the continuation of the ministries of the church.

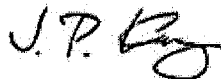
22. The Administrative Commission acting as the session directs all persons doing business with FPCS to do so through Scott Lumsden.
23. The Administrative Commission has authorized and directed the presbytery's staff and its legal counsel to take all steps deemed necessary or appropriate to carry out these actions.
24. The Administrative Commission reserves the right to make additional findings and to take further actions as necessary or appropriate.



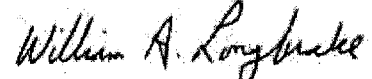
Steve Aeschbacher



Shelley Dahl



J.P. Kang



Bill Longbrake



Heidi Husted Armstrong



Kathy Smith



Bob Wallace



Jonathan Siehl

EXHIBIT B

First Supplemental Report of the Administrative Commission for First Presbyterian Church of Seattle

August 25, 2016

Background

On November 17, 2015, Seattle Presbytery appointed the Administrative Commission for First Presbyterian Church of Seattle and authorized it to work on the presbytery's behalf with purposes and authority as described on pp. 2-3 of the Administrative Commission's Report dated February 16, 2016. The final paragraph of that Report states that the Administrative Commission "reserves the right to make additional findings and to take further actions as necessary or appropriate."

On June 2, 2016, the plaintiffs in *Presbytery of Seattle v. Schulz, et al.*, King County Superior Court Cause No. 16-2-03515-9 SEA, served their first requests for production to defendants Jeff Schulz, Ellen Schulz, Liz Cedergreen, David Martin, George Norris, and Kathryn Ostrom. In response, those defendants produced (among other things) a "Resolution of the Board of Trustees of the First Presbyterian Church of Seattle" dated October 27, 2015. Attached to this document were a "Memorandum of Understanding Regarding Severance Compensation Obligations" signed on November 10, 2015, by Kathryn G. Ostrom, President of First Presbyterian Church of Seattle (FPCS), and Jeffrey Eric Schulz, and a substantially identical "Memorandum of Understanding Regarding Severance Compensation Obligations" signed on November 10, 2015, by Kathryn G. Ostrom, President of FPCS, and Ellen Schulz. These three documents are attached. Together, the memorandum of understanding with Jeff Schulz and the memorandum of understanding with Ellen Schulz are referred to as the "Severance Agreements."

Findings of the Administrative Commission

Having carefully and prayerfully considered the information before it in light of the authority, roles, and responsibilities that the presbytery has entrusted to it, the Administrative Commission makes the following supplemental findings:

1. The Severance Agreements were approved at the same meeting where the former session members took other actions that the Administrative Commission has found violated the Constitution of the Presbyterian Church (U.S.A.). See Report, Findings 24-34.
2. The resolution approving the Severance Agreements was passed by a "Board of Trustees" that the Administrative Commission has found was not validly constituted. See Report, Finding 34. The Severance Agreements state that they are based "upon the authority of certain resolutions duly adopted by the Session of FPCS," but the Administrative Commission has not seen any such resolutions.
3. The Severance Agreements seek to alter the terms of call for Jeff Schulz and Ellen Schulz.

4. If a proposed agreement with a pastor contemplates the continuation of salary and benefits after the dissolution of the pastoral relationship, that agreement constitutes a change in the terms of call that requires the approval of the congregation. *Saurbaugh v. Pby. of Great Rivers*, Remedial Case 206-13; *see also Baumann and Griffiths v. Session of Bellefield Church*, Remedial Case 202-1.
5. Under G-1.0503, congregations are authorized to change existing pastoral relationships by approving changes to the terms of call of the pastor or pastors. Under G-2.0804, the session is required to propose for congregational action such changes in the terms of call as the session deems appropriate. Neither the session nor a board of trustees may alter the terms of call for a pastor without both fully informing the congregation and securing its approval. Jeff and Ellen Schulz knew or should have known this.
6. The Severance Agreements were neither presented to nor approved by the congregation of FPCS.
7. Under G-2.0502, no pastoral relationship may be established, changed, or dissolved without the approval of the presbytery. A proposed severance package is a change in the terms of call that requires the approval of the presbytery. See Advisory Opinion: Clergy Compensation and Terms of Call (updated October 2012) (“The session, congregation and presbytery must approve the severance package as it is considered a change in the terms of call.”). Jeff and Ellen Schulz knew or should have known this.
8. The Severance Agreements were neither presented to nor approved by the presbytery.
9. The Severance Agreements are invalid because they were not properly authorized by the session, the congregation, or the presbytery. Alternatively, even if the Severance Agreements could be considered to be valid and enforceable against Ms. Ostrom and the other former session members, they may not be enforced against FPCS because the session, the congregation, and the presbytery did not authorize them and Jeff and Ellen Schulz knew this.
10. The Severance Agreements provide in paragraph 1 that Jeff [Ellen] Schulz will continue his [her] pastorate for FPCS “until such time as either Pastor Schulz or the Session of FPCS determines to end the pastoral relationship, which may occur at any time without any liability from either party to the other, unless such Session is acting under the control of PCUSA in terminating or dissolving the pastoral relationship”
11. By written statement submitted to the stated clerk of the presbytery and received on December 16, 2015, Jeff and Ellen Schulz renounced the jurisdiction of the Presbyterian Church (U.S.A.). Under G-2.0509, their renunciation of jurisdiction was effective on December 16, 2015. See Report, Finding 4.
12. Renunciation of jurisdiction removes a pastor from membership in the presbytery and terminates the exercise of the pastor’s ministry. See G-2.0509. The roles occupied by Jeff and Ellen Schulz as co-pastors at FPCS therefore ended on December 16, 2015. At the next presbytery meeting on January 19, 2016, the stated clerk of the presbytery reported

the Schulzes' renunciation, and their names were deleted from the roll. See Report, Finding 5.

13. Jeff and Ellen Schulz ended their pastoral relationship with FPCS when they voluntarily renounced the jurisdiction of the Presbyterian Church (U.S.A.). See Request 90-4 (Minutes, 1990, Part 1, p. 255) ("If a pastor of a particular church renounces the jurisdiction of the church under [G-2.0509], the pastoral relationship is thereby dissolved, and the pulpit is vacant.").
14. The Session did not terminate or dissolve the Schulzes' pastoral relationship; rather, the Schulzes terminated or dissolved their pastoral relationship by their renunciation of jurisdiction. In addition, the Administrative Commission did not assume original jurisdiction and become the Session of FPCS until February 16, 2016, two months after the effective date of the Schulzes' renunciation of jurisdiction and four weeks after their names had been deleted from the roll.
15. The Severance Agreements in paragraph 2 assume that, in order to be entitled to any benefits, "Pastor Schulz continues to serve FPCS . . . in good faith and in good standing." Jeff and Ellen Schulz ceased to serve FPCS in good faith and in good standing by no later than the effective date of their renunciation of the jurisdiction of the church, which was December 16, 2015.
16. The Severance Agreements purport to set forth a "Good Cause" standard for pastoral conduct that alone would justify termination or dissolution of the pastoral relationship if the "Session is acting under the control of PCUSA in terminating or dissolving the pastoral relationship." This "Good Cause" standard does not and cannot replace the requirements placed upon teaching elders by the *Book of Order* (see, e.g., G-2.0504), which continue to govern.
17. Even if the "Good Cause" standards set forth in the Severance Agreements applied here, they would be satisfied. The Report describes conduct manifesting "[d]ishonesty . . . or intentional and knowing misrepresentation by Pastor Schulz" as well as "[m]isconduct in the performance of Pastor Schulz's duties and responsibilities" (Severance Agreements, paragraph 4(a) and (e)). See, e.g., Report, Findings 10-16, 19, and 21.
18. The Severance Agreements are conditioned upon "a full and comprehensive release of all possible claims that Pastor Schulz might have or assert against FPCS, its Session, and its Congregation." Neither Jeff nor Ellen Schulz has provided such a release.

Actions by the Administrative Commission

After prayerful deliberation, as required by the findings set forth above and consistent with its delegated authority and responsibilities, the Administrative Commission has decided, declared, and taken action as follows:

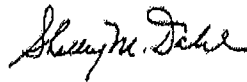
1. Because the Severance Agreements are invalid (having not been properly authorized by the session, the congregation, or the presbytery) and inoperative (the Schulzes having severed their pastoral relationships with FPCS when they renounced the jurisdiction of

the church), and because the Severance Agreements presume conditions that have not and cannot be fulfilled (e.g., continued "good standing"), the Administrative Commission has directed Scott Lumsden, as the person having authority to oversee the property and financial affairs of FPCS, not to pay Jeff or Ellen Schulz anything under the Severance Agreements.

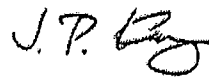
2. Because the Severance Agreements are invalid (having not been properly authorized by the session, the congregation, or the presbytery) and inoperative (the Schulzes having severed their pastoral relationships with FPCS when they renounced the jurisdiction of the church), and because the Severance Agreements presume conditions that have not and cannot be fulfilled (e.g., continued "good standing"), the Administrative Commission acting as Session is entitled to exercise its rights and remedies under the Home Equity Sharing Agreement executed by Jeff and Ellen Schulz and dated August 16, 2006, as well as the corresponding Deed of Trust dated August 16, 2006, without regard to any forbearance or restriction purportedly required or imposed by the Severance Agreements.
3. With respect to the Home Equity Sharing Agreement executed by Jeff and Ellen Schulz and dated August 16, 2006, as well as the corresponding Deed of Trust dated August 16, 2006, the Administrative Commission confirms that the employment of Jeff and Ellen Schulz by FPCS ceased effective December 16, 2015.
4. The Administrative Commission reserves the right to make additional findings and to take further actions as necessary or appropriate.



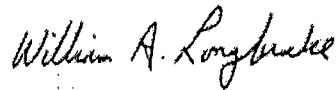
Steve Aeschbacher



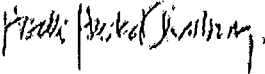
Shelley Dahl



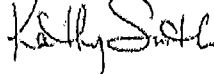
J.P. Kang



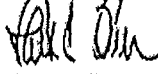
Bill Longbrake



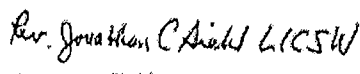
Heidi Husted Armstrong



Kathy Smith



Bob Wallace



Jonathan Stehl

RESOLUTION
OF
THE BOARD OF TRUSTEES
OF
THE FIRST PRESBYTERIAN CHURCH OF SEATTLE

October 27, 2015

WHEREAS, Reverend Jeffrey Eric Schulz and Reverend Ellen Adair Schulz (the "FPCS Pastors") have faithfully served the First Presbyterian Church of Seattle ("FPCS") as Co-Pastors under certain terms of call for a period of at least nine (9) years;

WHEREAS, the Board of Trustees (the "Board") of FPCS believes that it is in the best interests of the corporation and its members to encourage and induce the FPCS Pastors to remain as Co-Pastors of FPCS and to continue serving FPCS, its Session, and its Congregation under their current terms of call, including in the event of any conflict between FPCS, its Session, and its Congregation, on the one hand, and Presbyterian Church (U.S.A.), or any Presbytery, Synod, Administrative Commission, or affiliate (other than FPCS) of Presbyterian Church (U.S.A.) (collectively, "PCUSA"), on the other hand; and

WHEREAS, in consideration of the commitment and agreement of the FPCS Pastors to continue serving FPCS, the Board believes it is in the best interest of FPCS to commit to provide severance compensation and forbear from exercising certain rights relating to real property owned by the FPCS Pastors in the event that PCUSA seeks to remove the FPCS Pastors from their current terms of call.

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board hereby approves and adopts the Memorandum of Understanding Regarding Severance Compensation Obligations between FPCS and Reverend Jeffrey Eric Schulz, attached hereto as Exhibit A; and it is hereby

FURTHER RESOLVED THAT the Board hereby approves and adopts the Memorandum of Understanding Regarding Severance Compensation Obligations between FPCS and Reverend Ellen Adair Schulz, attached hereto as Exhibit B; and it is hereby

FURTHER RESOLVED THAT any officer of FPCS is hereby authorized and directed, in the name of and on behalf of FPCS, to execute and deliver any and all documents and take any and all other steps and do any and all other things which they deem necessary or advisable, in order to effectuate the purpose of each and all of the foregoing resolutions, and the performance of any such acts and the execution and delivery by any of them of any such agreements and other documents shall conclusively establish the authority of such officer therefor.

MEMORANDUM OF UNDERSTANDING REGARDING SEVERANCE COMPENSATION
OBLIGATIONS

WHEREAS, the Reverend Jeffrey Eric Schulz ("Pastor Schulz") has been serving as co-pastor of the First Presbyterian Church of Seattle, a Washington nonprofit corporation ("FPCS"), under certain current terms of call for a period of at least nine (9) years; and

WHEREAS, FPCS wishes to encourage Pastor Schulz to remain as Pastor of FPCS, including in the event of any conflict between FPCS, its Session, and its Congregation, on the one hand, and Presbyterian Church (U.S.A.), or any Presbytery, Synod, Administrative Commission, or affiliate (other than FPCS) of Presbyterian Church (U.S.A.) (collectively, "PCUSA"), on the other hand; and

WHEREAS, as an inducement and encouragement to Pastor Schulz to continue serving FPCS, its Session and its Congregation under his current terms of call, and in consideration of Pastor Schulz's commitment and agreement to do so, regardless of and including in the event of conflict between FPCS, its Session, and its Congregation, on the one hand, and PCUSA, on the other hand; and

WHEREAS, upon the authority of certain resolutions duly adopted by the Session of FPCS, and in consideration of the recitals above and the mutual promises below, FPCS and Pastor Schulz do hereby agree as follows:

1. Except as set forth below, Pastor Schulz shall continue his pastorate for FPCS in accord with his current terms of call until such time as either Pastor Schulz or the Session of FPCS determines to end the pastoral relationship, which may occur at any time without any liability from either party to the other, unless such Session is acting under the control of PCUSA in terminating or dissolving the pastoral relationship, in which case the provisions of Sections 2 through 6 of this Agreement shall govern the rights, duties, and obligations of the parties hereto.

2. Assuming Pastor Schulz continues to serve FPCS to the satisfaction of the Session, in good faith and in good standing, under his current terms of call, then if, *and only if*, the pastoral relationship and terms of call between Pastor Schulz and FPCS are terminated and/or dissolved by PCUSA, other than for "Good Cause" (as defined below), then, in exchange for a full and comprehensive release of all possible claims that Pastor Schulz might have or assert against FPCS, its Session, and its Congregation, FPCS shall:

a. Continue to pay to Pastor Schulz all of his "Regular Compensation" (as defined below) for a certain period of time that shall end upon the earlier of: (i) Pastor Schulz securing a pastoral relationship with another congregation or securing other comparable employment; and (ii) two (2) years from the date of such termination and/or dissolution by PCUSA.

b. Forbear from exercising its rights and remedies under that certain Home Equity Sharing Agreement executed by Pastor Schulz and dated August 16, 2006 (the

"Home Equity Sharing Agreement"), as well as that certain corresponding Deed of Trust of same date executed by Pastor Schulz and granted to secure performance by Pastor Schulz under the Home Equity Sharing Agreement (the "Deed of Trust"), until three (3) years from the date of such termination and/or dissolution by PCUSA. Notwithstanding the foregoing, all provisions relating to the consequences of sale or refinance of the property set forth in the Home Equity Sharing Agreement and Deed of Trust shall not be affected by this Memorandum of Understanding. Except as specifically modified herein, the rights, duties, and obligations of the parties under the Home Equity Sharing Agreement and Deed of Trust shall not be modified or affected in any way by this Memorandum of Understanding.

3. For purposes of this Memorandum of Understanding, "Regular Compensation" shall mean the total compensation, inclusive of housing allowance and any other compensation-related benefits, paid to or for the benefit of Pastor Schulz during the twelve (12) month period immediately preceding any termination or dissolution of Pastor Schulz's terms of call by PCUSA. In the event that FPCS discontinues contributing to the Presbyterian Board of Pensions on Pastor Schulz's behalf, then FPCS shall instead contribute an equivalent amount into some other appropriate tax-deferred program for Pastor Schulz's benefit.

4. For purposes of this Memorandum of Understanding, "Good Cause" shall mean:

a. Dishonesty, fraud, theft, embezzlement or intentional and knowing misrepresentation by Pastor Schulz, occurring after the date of this Memorandum of Understanding, in the performance of his duties;

b. Use of alcohol or legal drugs or prescription medications by Pastor Schulz in a manner or to the extent that it impairs performance of his duties;

c. Use of illegal drugs at any time;

d. Any conduct involving moral turpitude by Pastor Schulz that causes harm to either his or FPCS's reputation or community standing, or any arrest or violation of law other than for minor traffic infractions;

e. Misconduct in the performance of Pastor Schulz's duties and responsibilities or conduct that would be likely to cause financial or reputational detriment to Pastor Schulz or FPCS;

f. Harassing or otherwise subjecting FPCS employees, volunteers, parishioners, students, or members of the public to inappropriate behavior or language, after given notice and reasonable opportunity to correct any inappropriate behavior or language; or

g. Failure to materially comply with the reasonable written rules and/or written policies of FPCS, after given notice and reasonable opportunity to correct any noncompliance.

5. Pastor Schulz acknowledges and agrees that he is solely responsible for any and all income or other tax consequences, including interest and penalties, arising from his receipt of his Regular Compensation and Mortgage Forbearance as set forth in Section 2 of this Memorandum of Understanding, and that he will defend, indemnify, and hold harmless FPCS from any and all liability related to such tax consequences.

6. The rights, duties, and obligations of the parties under this Memorandum of Understanding shall be binding upon and inure to the benefit of the parties, and their heirs, successors, and assigns.

Acknowledged and agreed to:

<p>THE FIRST PRESBYTERIAN CHURCH OF SEATTLE</p> <p>By <u>Kathryn G. Ostrom</u> Kathryn G. Ostrom, President</p> <p>Dated: <u>11/10/15</u></p>	<p><u>Jeffrey Eric Schulz</u> Reverend Jeffrey Eric Schulz</p> <p>Dated: <u>11/10/15</u></p>
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MEMORANDUM OF UNDERSTANDING REGARDING SEVERANCE COMPENSATION
OBLIGATIONS

WHEREAS, the Reverend Ellen Schulz ("Pastor Schulz") has been serving as co-pastor of the First Presbyterian Church of Seattle, a Washington nonprofit corporation ("FPCS"), under certain current terms of call for a period of at least nine (9) years; and

WHEREAS, FPCS wishes to encourage Pastor Schulz to remain as Pastor of FPCS, including in the event of any conflict between FPCS, its Session, and its Congregation, on the one hand, and Presbyterian Church (U.S.A.), or any Presbytery, Synod, Administrative Commission, or affiliate (other than FPCS) of Presbyterian Church (U.S.A.) (collectively, "PCUSA"), on the other hand; and

WHEREAS, as an inducement and encouragement to Pastor Schulz to continue serving FPCS, its Session, and its Congregation under her current terms of call, and in consideration of Pastor Schulz's commitment and agreement to do so, regardless of and including in the event of conflict between FPCS, its Session and its Congregation, on the one hand, and PCUSA, on the other hand; and

WHEREAS, upon the authority of certain resolutions duly adopted by the Session of FPCS, and in consideration of the recitals above and the mutual promises below, FPCS and Pastor Schulz do hereby agree as follows:

1. Except as set forth below, Pastor Schulz shall continue her pastorate for FPCS in accord with her current terms of call until such time as either Pastor Schulz or the Session of FPCS determines to end the pastoral relationship, which may occur at any time without any liability from either party to the other, unless such Session is acting under the control of PCUSA in terminating or dissolving the pastoral relationship, in which case the provisions of Sections 2 through 6 of this Agreement shall govern the rights, duties, and obligations of the parties hereto.

2. Assuming Pastor Schulz continues to serve FPCS to the satisfaction of the Session, in good faith and in good standing, under her current terms of call, then if, *and only if*, the pastoral relationship and terms of call between Pastor Schulz and FPCS are terminated and/or dissolved by PCUSA, other than for "Good Cause" (as defined below), then, in exchange for a full and comprehensive release of all possible claims that Pastor Schulz might have or assert against FPCS, its Session, and its Congregation, FPCS shall:

a. Continue to pay to Pastor Schulz all of her "Regular Compensation" (as defined below) for a certain period of time that shall end upon the earlier of: (i) Pastor Schulz securing a pastoral relationship with another congregation or securing other comparable employment; and (ii) two (2) years from the date of such termination and/or dissolution by PCUSA.

b. Forbear from exercising its rights and remedies under that certain Home Equity Sharing Agreement executed by Pastor Schulz and dated August 16, 2006 (the "Home Equity Sharing Agreement"), as well as that certain corresponding Deed of Trust

of same date executed by Pastor Schulz and granted to secure performance by Pastor Schulz under the Home Equity Sharing Agreement (the "Deed of Trust"), until three (3) years from the date of such termination and/or dissolution by PCUSA. Notwithstanding the foregoing, all provisions relating to the consequences of sale or refinance of the property set forth in the Home Equity Sharing Agreement and Deed of Trust shall not be affected by this Memorandum of Understanding. Except as specifically modified herein, the rights, duties, and obligations of the parties under the Home Equity Sharing Agreement and Deed of Trust shall not be modified or affected in any way by this Memorandum of Understanding.

3. For purposes of this Memorandum of Understanding, "Regular Compensation" shall mean the total compensation, inclusive of housing allowance and any other compensation-related benefits, paid to or for the benefit of Pastor Schulz during the twelve (12) month period immediately preceding any termination or dissolution of Pastor Schulz's terms of call by PCUSA. In the event that FPCS discontinues contributing to the Presbyterian Board of Pensions on Pastor Schulz's behalf, then FPCS shall instead contribute an equivalent amount into some other appropriate tax-deferred program for Pastor Schulz's benefit.

4. For purposes of this Memorandum of Understanding, "Good Cause" shall mean:

a. Dishonesty, fraud, theft, embezzlement or intentional and knowing misrepresentation by Pastor Schulz, occurring after the date of this Memorandum of Understanding, in the performance of her duties;

b. Use of alcohol or legal drugs or prescription medications by Pastor Schulz in a manner or to the extent that it impairs performance of her duties;

c. Use of illegal drugs at any time;

d. Any conduct involving moral turpitude by Pastor Schulz that causes harm to either her or FPCS's reputation or community standing, or any arrest or violation of law other than for minor traffic infractions;

e. Misconduct in the performance of Pastor Schulz's duties and responsibilities or conduct that would be likely to cause financial or reputational detriment to Pastor Schulz or FPCS;

f. Harassing or otherwise subjecting FPCS employees, volunteers, parishioners, students, or members of the public to inappropriate behavior or language, after given notice and reasonable opportunity to correct any inappropriate behavior or language; or

g. Failure to materially comply with the reasonable written rules and/or written policies of FPCS, after given notice and reasonable opportunity to correct any noncompliance.

5. Pastor Schulz acknowledges and agrees that she is solely responsible for any and all income or other tax consequences, including interest and penalties, arising from her receipt of her Regular Compensation and Mortgage Forbearance as set forth in Section 2 of this Memorandum of Understanding, and that she will defend, indemnify, and hold harmless FPCS from any and all liability related to such tax consequences.

6. The rights, duties, and obligations of the parties under this Memorandum of Understanding shall be binding upon and inure to the benefit of the parties, and their heirs, successors, and assigns.

Acknowledged and agreed to:

<p>THE FIRST PRESBYTERIAN CHURCH OF SEATTLE</p> <p>By <u>Kathryn G. Ostrom</u> Kathryn G. Ostrom, President</p> <p>Dated: <u>11/10/15</u></p>	<p><u>Ellen Schulz</u> Reverend Ellen Schulz</p> <p>Dated: <u>11/10/15</u></p>
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