

**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.

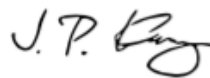
2. Because the Severance Agreements are invalid (having not been properly authorized by the session, the congregation, or the presbytery) and inoperative (the Schulzes having severed their pastoral relationships with FPCS when they renounced the jurisdiction of the church), and because the Severance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



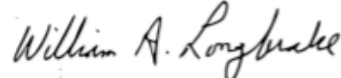
Steve Aeschbacher



Shelley Dahl



J.P. Kang



Bill Longbrake



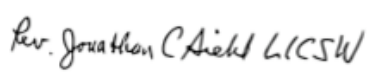
Heidi Husted Armstrong



Kathy Smith



Bob Wallace



Jonathan Siehl

**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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