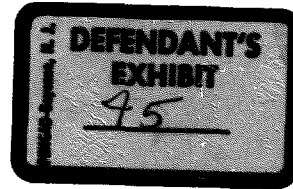


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February 8, 1988

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Gentlemen:

I have been asked to expand and make more clear my letter of January 22, 1988.

The sections of the By-Laws, which I believe are in contradiction with state law and your Articles of Incorporation (which both require that your corporation be governed by a board of directors), are as follows:

1. Division One, Section IV, Article Two, B. This provision states that Donald Lee Barnett cannot be removed from office while living. Certainly, one of the key responsibilities of a governing body is to establish leadership for the corporation. This power can not be taken away by the By-Laws.
2. Division One, Section IV, Article Three. This section purports to give to the Senior Pastor complete veto power over new members of the Senior Elders. This is not consistent with having a governing board.
3. Division One, Section IV, Article Five, F. This provides that the original Pastor cannot be subject to removal from the position of Chairman of the Board of Senior Elders. Again, this usurps the power of the Board of Directors.
4. Division One, Section IV, Article Seven and Eight. These sections clearly give the Chairman of the Board of Senior Elders

power to override the majority actions of the Board. This clearly is in violation of the principle that the corporation be ruled by a Board of Directors.

5. Division One, Section IV, Article Eleven. This section appears to place pastoral rights and authority beyond the control of the Board.

6. Division One, Section V. This section is permeated with provisions which put the original Senior pastor above the Board of Directors. This section would have to be completely re-written.

7. Division One, Section XI, Article One. This provision prohibits any amendment of the By-Laws without the original pastor's concurrence. Since the By-Laws need to be amended to limit the Senior Pastor's power pursuant to state law, so far as this provision would limit this action, it is not proper.

8. Division Two, Section I. This whole section seems to put the original Senior Pastor over the Board of Directors. This is not allowed.

These are the portions of the By-Laws which are the most concern to me. There may be additional provisions along this line, as I have not been exhaustive in my review of the By Laws. But these should be sufficient to allow you to see the problem.

By way of incidental information, state law does allow for a "corporate sole." This is a corporation organized under R.C.W. 24.12. This type of corporation is governed by an individual, with all of the property held in the person's name. The most prominent "corporate sole" is the Roman Catholic Bishop. He governs without a Board of Directors.

I was also asked to comment further on situations where the members of the Board of Senior Elders could be held personally liable for actions by the church or its officers. Basically, before a member of the Board of Senior Elders could be held personally liable, the members would have to have knowledge of facts which could create liability and take no steps to remedy the situation, and the claim would have to arise after the facts

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became known, and no action was taken. The classic illustration of the principle is the California case where members of a board became aware that the corporation's lack of lighting created a dangerous situation. After taking no action within a reasonable time, a rape occurred in the darkened area of the premises, and the board of directors were held to be individually liable for the injuries suffered by the rape victim.

In your present situation, a number of cases have alleged that people affiliated with the church have engaged in tortious conduct, and some of these allege that the conduct continues. If the Board members reasonably believe that this conduct is on-going and take no action to remove the offending person from the position that allows the continuing misconduct, the Board members could be held personally liable for torts committed as a result of their inaction.

It is very difficult to "pierce the corporate veil" and find individuals personally liable, but if, for example, your board became aware that a member of your pastoral staff is taking advantage of persons sexually by color of their office, and if you take no steps to remove that person from the pastoral staff, or to prevent the continued conduct, the board members could be held personally liable.

Let me say, quickly, that I have no reason to know that there are factual circumstances which exist that could create individual liability. But this should answer the questions which I have been asked, and I hope you find this helpful. If you have further questions, please feel free to call me.

Very truly yours,

James G. Leach

JGL:mw