

CASE TYPE: OTHER CIVIL

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF SHERBURNE

TENTH JUDICIAL DISTRICT

EDWARD G. PALMER,

Plaintiff

COMPLAINT

Vs.

Court File No. _____

SOLID ROCK CHURCH, INC. of
ELK RIVER, MINNESOTA, a
Minnesota Non-Profit Corporation,

JURY TRIAL DEMANDED

WILLIAM NEAL MATTHEWS,
MARY BETH MATTHEWS,
LORIN STEPHENSON,
KYLE SMITH, JOHN DOE and
OTHER UNNAMED INDIVIDUALS.

Defendants.

Plaintiff, Edward G. Palmer of Otsego, Minnesota complains of Defendants named herein and for a cause of action alleges as follows:

FACTUAL BACKGROUND

1. Plaintiff Edward G. Palmer (“Palmer”) is an individual residing in Otsego, Minnesota.
2. Defendant Solid Rock Church, Inc. (“SRC”) is a Minnesota Non-Profit Corporation (“MNPC”) located in Elk River, Minnesota. From its incorporation in 1977 until 1993, SRC was known under the name of — Elk River Assembly of God Church (“ERAG”).

3. Defendant William Neal Matthews (“Matthews”) is an individual residing in Elk River, Minnesota. At all times since about September 1992, Matthews has been an officer and director of SRC. He has also served as President of the corporation and its senior pastor.
4. Defendant Mary Beth Matthews (“Mary”) is an individual residing in Elk River, Minnesota and is also the wife of Matthews. At all times since about September 1992, Mary has been an officer and director of SRC. While her name might not appear on corporate documents, Mary was at all times exerting a controlling authority over the corporation in the capacity of an agent, officer, director or pastor.
5. Lorin Stephenson (“Stephenson”) is an individual residing in Elk River, Minnesota and is related in a familial manner or has a close personal relationship to Matthews. At all times from Sept 1992 to Jan 1997, Stephenson was an agent, officer or director of SRC exerting a controlling authority and signing Article filings with the state under oath.
6. Kyle Smith (“Smith”) is an individual residing in Elk River, Minnesota and is the son in law of Matthews married to daughter Rachel. At all times since about September 1992, Smith functioned in the capacity of business manager for SRC and served in other official controlling capacities. Kyle Smith drafted Article filings filed with the state under oath.
7. John Doe (“Doe”) represents the unnamed officers, directors, other family members, friends and corporate members whom the plaintiff has not yet identified, but should be listed as co-defendants in this cause of action.
8. An officer of a non-profit corporation is not entitled to the immunity afforded under the Minnesota Nonprofit Corporation Act at Minn. Stat. § 317A where he or she purposefully withheld material information from other officers and members of the corporation. See *Shepherd of the Valley v. Hope Lutheran Church*, Minn. Appeals Case No. C3-00-1518.

9. Under Minnesota law, an officer of a non-profit corporation owes a fiduciary duty to that corporation to act in good faith, with honesty in fact, with loyalty, in the best interests of the corporation, and with the care of an ordinary, prudent person under similar circumstances. An officer is not to engage in conduct that is either contrary to the best interests of the corporation, or that furthers the interests of only a portion of the corporate membership. Minn. Stat. § 317A.361 (2000); *see also Miller v. Miller*, 301 Minn. 207, 219, 222 N.W.2d 71, 78 (1974) (recognizing the common law principle that officers of a corporation occupy a fiduciary relationship with the corporation); *Wenzel v. Mathies*, 542 N.W.2d 634, 641 (Minn. App. 1996) (same), *review denied* (Minn. Mar. 28, 1996). In order to establish a breach of fiduciary duty claim, a plaintiff must show that the action attacked is so far opposed to the true interests of the corporation as to lead to the clear inference that no officer thus acting could have been influenced by an honest desire to secure such interests.
10. Both equitable and monetary relief may be awarded to a party in order to remedy the party's injuries that result from a breach of fiduciary duty in violation of Minnesota law. *See Shepherd of the Valley v. Hope Lutheran Church*, Minn. App. Case No. C3-00-1518.
11. Based on the following, defendants breached their fiduciary duty to plaintiff and were negligent at all times from about July 1, 1992 to the present time.

The Congregational Church

12. A district court has subject-matter jurisdiction to determine any legal issue confronting a religious non-profit corporation and may examine governance documents of the religious entity for the purpose of applying neutral principles of law to a non-religious dispute. *See Minn. Appeals Case C4-02-1533 / CX-02-1584, J.M. v District Assemblies of God.*

13. Palmer was raised as a Lutheran and confirmed circa 1959 at Redeemer Lutheran Church on Glenwood and Logan Avenue in Minneapolis. All members of this congregational church were, and are still, entitled to vote on changes to the Articles of Incorporation (“Articles”) and Articles of By-laws (“Bylaws”). Further, all members have equal voting rights in both governing documents of the corporation.
14. Palmer was married in 1964 while serving in the U.S. Navy. During a seven year Naval career, Palmer served on three tours to Vietnam and was honorably discharged. While in the Navy, Palmer attended Protestant services. Palmer’s upbringing, training and belief in the Protestant tradition of congregational churches were reinforced in the Navy.
15. After returning to Minnesota in December 1970, Palmer attended the church his wife was raised in, the Bryn Mawr Presbyterian Church located off of Penn and Cedar Avenue in South Minneapolis. All members of this congregational church were, and are still, entitled to vote on any changes to their Articles and Bylaws. Furthermore, every member of this non-profit corporation has equal voting rights in both governing documents.
16. Palmer and family moved to Otsego, Minnesota (Elk River area) in July of 1973 to raise their three children. The family soon attended Union Congregational Church in Elk River. All members of this congregational church were, and are still, entitled to vote on any changes to their Articles and Bylaws. Furthermore, every member of this non-profit corporation has equal voting rights in both governing documents.
17. Palmer transferred his family to the Nowthen Christian Missionary Alliance Church in Nowthen, Minnesota circa 1982. All members of this congregational church were, and are still, entitled to vote on any changes to their Articles and Bylaws. Furthermore, every

member of this non-profit corporation has equal voting rights in both governing documents.

18. During 1985, Palmer moved his family to Goleta, California and attended the Living Faith Center in Santa Barbara, California. All members of this congregational church were, and are still, entitled to vote on any changes to their Articles and Bylaws.

Furthermore, every member of this non-profit corporation has equal voting rights in both governing documents. Living Faith Center is a ministry of the Assemblies of God Church (“AG church”). This was the first AG church that Palmer attended.

19. Palmer and family returned to their Otsego, Minnesota home in September 1985 and once again attended the Christian Missionary Alliance Church in Nowthen, Minnesota.

20. All of the above Protestant congregational churches had Articles and Bylaws for governing the operation and business side of their non-profit religious corporations. Members of these congregations enjoyed the full governance right to review and challenge any change proposed to either the Articles or Bylaws. Proper notice of any impending change was required to be duly served upon members with sufficient time to reflect on any impending governance change. Proposed changes to an Article or Bylaw would require posting the change in a conspicuous and specific place several weeks ahead of time in the church building and providing at least a minimum of 10 days written notice by mail to every member of the congregation at their last known address.

Elk River Assembly of God Church

21. The Elk River Assemblies of God Church (“ERAG”) was formed as a MNPC under law at Minn. Stat. § 317A on September 5, 1977. Church incorporators formulated Articles and Bylaws to govern business operations. ERAG granted all members equal voting

rights under its governing documents wherein every member had the right to vote for or against proposed changes to Articles or Bylaws thus exercising oversight authority.

22. ERAG also granted equal property rights to all members in governing documents.
23. Retired Tenth District Judge Robert Danforth, who was the ERAG attorney in 1977, drafted and filed the original Articles with the Minnesota Secretary of State and provided the ERAG incorporators the Bylaws they needed to operate and manage the corporation.
24. ERAG Articles and Bylaws required that any change to the governing documents be posted on a wall of the church for four consecutive Sundays; that notice from the pulpit of the church be given each Sunday; and, that written notice be mailed to members no later than 10 days prior to the proposed Article or Bylaw change. Therefore, ERAG members had full congregational oversight of changes to both governing documents. As such, they enjoyed the standard governance structure of all congregational churches.
25. ERAG never filed a single Article change over a period of 17 years until July 22, 1993.
26. The Minnesota District Council of the Assemblies of God (“Council”) is an oversight organization for all Minnesota based Assemblies of God ministers and churches. The Council offices are located in Minneapolis and the organization was instrumental in both the funding and construction of the ERAG ministry in the City of Elk River.
27. ERAG in its Articles and Bylaws specifically acknowledged that it was a constitutional church organized under the auspices of the Assemblies of God Church. Its governing documents made provision for the Council to assume all property if an internal dispute threatened to split the membership. The Council was then entitled to assign all church property to the faction that most adhered to Assemblies of God Church principles.

28. Part of the Council's governing oversight activities included the licensing of all ministers or pastors that work in Minnesota Assemblies of God churches.
29. ERAG's governing documents required the Council to license and provide credentials for all ministers or pastors prior to being employed by the church in any ministerial position.
30. After returning from Goleta, California and having been exposed to an AG church, Palmer watched with personal interest, as the new ERAG church seemed to take off on a meteoric rise within the City of Elk River. Under the direction of Senior Pastor James Hoogenboom, ERAG established food, clothing and several other outreach ministries to help people in the local community. At the time, the church had the public appearance of an exemplified Christian service organization and as a result it saw rapid growth. The attendance exceeded 600-800 people at ERAG's ministry's zenith in 1991.
31. Palmer was spiritually attracted to the ERAG ministry in large part due to the AG style of individualized worship as combined with the traditional Protestant congregational governing structure, but remained at Nowthen Alliance Church until 1992.

Hoogenboom Sexual Scandal

32. As Palmer and the community observed, ERAG suddenly began to implode in 1991 over allegations of sexual impropriety by its Senior Pastor James Hoogenboom.
33. Hoogenboom was charged with multiple counts of sexual abuse with the female members of the church and for clearly social stigma reasons the church then became anathema to those who had previously attended. As a result, ERAG began to drastically shrink in attendance, membership and community outreach. See Plaintiff Exhibit 1.
34. Prior to these ERAG events unfolding and after returning from Goleta, California, Palmer founded Attic Technology, Inc. for the purpose of developing a new energy technology.

The company's name was later changed to SolarAttic, Inc. ("SolarAttic"). Through this and other ventures, Palmer gained knowledge and experience in the area of Articles and Bylaws used in the management of profit and non-profit corporations.

35. Palmer studied extensively both Minn. Stat. § 302A and Minn. Stat. § 317A, profit and non-profit corporate acts respectively. Therefore Palmer gained expertise in these corporate areas of law and had a long history of attending congregational churches that afforded all members equal voting and property rights under Articles and Bylaws wherein said law and governance documents were used to properly and legally manage corporate business and its property and dispositions of property.
36. As an entrepreneur, Palmer was particularly interested in areas of corporate governance.
37. From August 11, 1986 to July 18, 1993 — Palmer was the exclusive owner of property in the form of 545,000 shares of Attic Technology, Inc. common stock.
38. From July 14, 1993 to December 23, 1996 — Palmer was a part owner in all of ERAG's property. His property ownership rights, at all times are estimated to be about 1%.
39. From June 1992 to December 1996 — Palmer was the owner of cash and other resources.
40. Defendants converted Palmer's property in paragraphs 37 to 39 through fraud.
41. A court can apply neutral principles of law in resolving church property disputes so long as it does not determine disputes by examining the basis of religious doctrine. *Jones v. Wolf*, 443 U.S. 585, 601-605, 99 S.Ct 3020, 3024-3026 (1979); *Piletich v. Deretich*, 328 N.W.2d 696, 701 (Minn. 1992). It is not necessary to examine any religious doctrine in the present case and the court applying neutral principles of law can resolve this dispute.
42. In the aftermath of the sexual scandal of Pastor Hoogenboom and watching ERAG sink into almost total decimation and despair, Palmer felt spiritually compelled to attend the

church with the idea of examining whether or not he could help rebuild the church.

Palmer understood that in the wake of the Pastoral deception and officer misconduct, that this would be a hard task for the limited remaining membership at ERAG.

43. That Hoogenboom engaged in misconduct, deception, dishonesty, a lack of integrity, a lack of righteousness and a total disregard for the well being of the corporation by his adulterous behavior is self-evident. His illegal and immoral officer behavior almost totally destroyed ERAG.
44. The Council stepped up to the challenge of helping to find a permanent replacement senior pastor. They were very concerned over officer misconduct and impropriety.
45. Palmer began to attend ERAG in the middle of 1992 when pastor Markese was acting as senior pastor. Markese left and pastor Paul Johnson temporarily took over. Palmer advised pastor Johnson that the church should change its corporate name due to the parochial aspects of the existing name. The surrounding geographical area had several other city names whereas the church limited its outreach with Elk River in its name.

Enter William Neal Matthews

46. Based on his degree from North Central Bible College, an Assemblies of God owned college, references from prior Assemblies of God ministry work, and a test to determine that his doctrinal position was consistent with the doctrinal position of the Assemblies of God Church; Matthews was licensed and credentialed by the Council.
47. In the third quarter of 1992, Matthews had family members inside ERAG who sought to have him apply for the position of senior pastor. These family members represented to the board and leadership that Matthews was a honest man of good character that would

put ERAG affairs back in order and place the corporation back in right standing with the community. At the time, Matthews was pastor at an AG church in Chelsea, Michigan.

48. Matthews presented himself to Palmer and other ERAG attendees as an experienced AG church pastor experienced in the governance of non-profit religious corporations.
49. ERAG was eager to establish a strong righteous man of integrity as their new president. Only with a strong new leader could the stigma of the past be put behind ERAG.
50. Matthews candidated for senior pastor with ERAG around September of 1992 and was elected as senior pastor and president of the corporation. At all times, Matthews represented himself as a man of honesty, integrity and righteousness, a man who would not lie or engage in any illegal or dishonest conduct.
51. Matthews was formally installed as senior pastor of ERAG on December 13, 1992. During his installation message to the membership, he taught on honesty and integrity. He used the righteousness text of Jeremiah 23 to reaffirm to the members that he would put ERAG's house back in order following the shame associated with prior pastor Hoogenboom's sexual scandal and the resulting fallout that affected the church.

Mapson Financial Scandal

52. On or about September 16, 1992 after being voted president, Matthews hired Paul Volstad, a licensed public accountant to bring ERAG's financial records up to date.
53. At the time of hiring Volstad, Matthews informed him that approximately 17 boxes of ERAG records had been turned over to the County Attorney's office in conjunction with an investigation of Dexter Mapson, the former business manager. Matthews and other defendants initiated and made the request to the Sherburne County Attorney for a criminal investigation of the suspected fraud and dishonesty of Dexter Mapson.

54. When defendants requested the County Attorney's office investigate Mapson, they implicitly reaffirmed to the ERAG members and plaintiff that Matthews was a righteous man whom expected honesty within the corporation.
55. On November 2, 1992, Volstad found improprieties in checks written by former ERAG business manager Dexter Mapson who had worked with ERAG since the early 1980's. Volstad and associates eventually determined that Mapson had paid out \$370,326.93 of ERAG's funds in transactions that were not justified by valid business reasons or proper documentation.
56. Upon learning the extent of Mapson's misappropriation of funds and the illegal siphoning off of cash, Matthews caused to have filed an ERAG civil lawsuit against Dexter Mapson for fraudulent conversion of church property. See Plaintiff Exhibit 2.
57. That Mapson engaged in misconduct, deception, dishonesty, a lack of integrity, a lack of righteousness and a total disregard for the well being of the corporation by his illegal financial behavior is self-evident. His illegal and dishonest behavior was just cause for the action ERAG filed under the Minnesota Consumer Fraud Act against Mapson.
58. Based upon Matthews' governing actions and messages to ERAG's attendees over the next several months, Palmer became thoroughly convinced that ERAG had indeed obtained an honest man of integrity who restored honesty back into the corporation.

Sullied Reputation Sets Up Defendants' Con

59. ERAG's reputation had become sullied and the membership shamed because of Hoogenboom's dishonest behavior and sexual scandal. The embezzlement of ERAG's long-standing business manager Mapson only deepened the level of dishonesty and everyone associated with the ERAG ministry was subjected to a strong social stigma.

60. ERAG corporate members were ready to believe anyone who claimed to be an honest person of integrity and righteousness. Therefore, everyone believed Matthews and his outward actions only reinforced the idea he was honest and would do no further harm.
61. For a period of about 10 years, Mapson who had volunteered his services as the business manager siphoned off a huge amount of cash without being detected in the corporation.
62. After discovery of the inept board of directors and officers in regards to Mapson's fraud, which was estimated at \$3,000 to \$4,000 every month for about 10 years, Matthews and other defendants hatched a scheme to convert the corporation and its members' property.
63. Matthews' family had found the perfect environment for deception and fraud. As they pretended to be honest, no one could challenge what they would not know concerning the false Articles filings. As defendants unleashed their scheme to defraud the corporation, plaintiff and other members were caught up and had their personal property outside the corporation also stolen. Defendants' plan included the objective of at some point kicking out all attendees that existed prior to Matthews' election as president. At least anyone who was considered honest or smart enough to uncover the con would be eliminated.
64. Several times Matthews made the statement that God had "given" him the corporation and that long after everyone was gone, he and his family would still be there. He said this in the context of the many corporate members leaving. No one knew that the defendants' planned a systematic elimination and "ejection" of corporate members.

Matthews' Finance Mantra

65. The fallout of the Hoogenboom sex scandal and the Mapson financial scandal drastically affected ERAG's finances. As a result, Matthews made constant financial appeals at every meeting for cash and other donations to help restore ERAG to the glory it once

knew in the community. Often, Matthews would speak for one hour or more on just the issue of giving more cash and resources to the church. Matthews sought 15-20% of everyone's gross income as a resource for his ministry. The constancy of his financial distress and financial neediness message became a mantra in virtually every single corporate meeting. Often Matthews would hold meetings 5-10 times a week.

Programming Palmer

66. Palmer became programmed with misrepresentations about Matthews' character, the real nature of the corporate governance structure, and the issue of giving cash and other resources to the church along with the use defendants specified for those resources.
67. Having been programmed to believe in Matthews' honesty and integrity, Palmer decided to attend membership classes and further explore becoming a member of the corporation.
68. ERAG held regular membership classes and in April-June of 1993, Palmer attended the classes over a period of several weeks with Rick and LeAnn Strauss and several other prospective new members. Matthews instructed Palmer's membership classes.
69. Over a period of at least 8 weeks or more, Matthews presented the fundamentals of faith that the Assemblies of God Church believed in. Therefore, at all times, Matthews represented to Palmer that he was loyal to the Council and AG principles. This included the congregational structure of the AG church and the resulting rights of its members.
70. At one of the membership classes, Palmer specifically asked Matthews about the governing structure of the church and whether, when the name was changed, he intended to keep it an AG church. Matthews reaffirmed that ERAG was an AG church and that even if ERAG changed its name to Solid Rock Church, it would not change the basic fundamentals of being an AG church.

71. After attending membership classes, Palmer informed his wife that he felt God wanted him to join ERAG. His wife did not believe in the church and wanted no part of the social stigma associated with the church, but indicated to Palmer if he felt God wanted it, he should do it. As a result, Palmer decided to attend the special business meeting scheduled for July 1, 1993 to determine whether it would be governed properly.
72. Palmer informed Matthews that he had a background and interest in Articles, Bylaws and non-profit corporate law and that he could help him in these specific areas of governance if needed. Matthews indicated he didn't need any help.
73. Matthews requested that all volunteers whether a member or not needed to complete a detailed background check form disclosing a lot of personal information. Palmer completed the form. ERAG and Matthews obtained detailed personal information on Palmer and all other volunteers whether a member or not. Defendants used this detailed personal information in their fraud scheme to weed out any potential opposition that could hinder the success of their con.
74. Matthews knew that Palmer came from a Protestant congregational church background and fully expected ERAG to adhere to Articles, Bylaws and Minnesota law in the governance of its non-profit corporation. Matthews also knew that member property and voting rights were important to Palmer as part of his congregational church rights.
75. Palmer attended the business meeting on July 1, 1993, and testified in favor of the name change. ERAG members voted to change the name of the corporation in Article I from Elk River Assemblies of God Church (ERAG) to Solid Rock Church, Inc (SRC). No other Article changes were presented or voted on at this business meeting. Plaintiff Exhibit 3 is Palmer's contemporaneous diary record of the July 1, 1993, meeting vote and

its sole Article resolution. Plaintiff Exhibit 4 is the actual ERAG corporate meeting minutes obtained from an affidavit of Matthews dated October 5, 1999.

76. Therefore, Plaintiff Exhibits 3 and 4 provide prima facie and conclusive proof of the sole Article change voted on by the members at the July 1, 1993, meeting. A name change.
77. ERAG conducted the July 1, 1993 meeting in accordance with Articles and Bylaws. Notice of the meeting was posted four consecutive weeks ahead of time on a church wall, it was announced at all meetings during that four week period and written notice was mailed to all members. Matthews demonstrated an understanding and a working knowledge of the non-profit corporate law at Minn. Stat. § 317A and that he understood the significance of proper notice to members of all changes to Articles and Bylaws. He also demonstrated that he fully understood the existing Articles and Bylaws of ERAG and its member's rights.
78. Following the membership classes and the successful special business meeting held on July 1, 1993, Palmer decided to join ERAG. See Plaintiff Exhibit 5.
79. On July 14, 1993, Palmer joined ERAG, which was then to be called SRC. In Palmer's eyes, he was joining ERAG as indicated on the membership form. Palmer was led to believe the church was back to being honest and nothing had changed from a governing perspective concerning the Articles and the Bylaws, except the name of the corporation.
80. On July 18, 1993, Palmer transferred 545,000 shares of common stock in SolarAttic to ERAG-SRC. It was Palmer's specific intent to help rebuild this now honest church from its destruction and shame and to use his own business as a resource whenever possible.
81. On July 18, 1993, defendants illegally converted Palmer's stock and cash resources through deception, misrepresentation, negligent misrepresentation and fraud.

82. Defendants continued to defraud Palmer of stock, cash, property and other assets at all times from July 14, 1993 through the present time.
83. On December 23, 1996, Palmer attended a meeting to ask Matthews some questions about a prior meeting. Smith attended the meeting as a witness. Matthews immediately accused Palmer of not supporting “his” ministry and refused a reasoned dialogue.
84. As a result, Palmer left and later that day faxed his resignation. See Plaintiff Exhibit 16. When Palmer faxed his resignation, it became just another part of the con and fraud against him. Matthews had engaged in a pattern of deceptive tactics that eliminated any corporate member who sought accountability. Matthews’ false accusation left Palmer with little to do other than leave the church. It is difficult to attend a church where a Pastor exhibits such an attitude. Palmer didn’t realize his exit was just a part of the con.
85. Matthews routinely deployed such accusatory tactics to thin out the existing membership. It was his goal to “eject” all members who would pose a potential threat to the con.
86. The statute of limitations for fraud is six years from the date of discovery. Palmer discovered the fraud on April 3, 1998. Palmer tried several times to resolve the issue with defendants from the time of fraud discovery, but was rebuffed every time. This filing is timely. Palmer was unable to re file earlier due to his wife’s cancer and death.

Corporate Con “Setup Phase” Complete

87. On July 22, 1993, defendants filed dishonest and illegal changes to ERAG Articles.
88. Palmer had relied upon leadership representations as to ERAG honesty, being a congregational church and members having property and voting rights. However, before Palmer had joined the church and transferred his stock to SRC, defendants had already launched their fraudulent scheme to steal the property of the church and of its members.

89. In July 1993 contemporaneously with the false programming of Palmer, the fraud scheme took direct aim at altering the congregational governance structure of ERAG.
90. Defendants conversion plan was simple in nature. First they would make fraudulent Articles filings behind the scene. Second, they would eliminate anyone who posed an opposition or who might be able to find out about the nature of their family theft (con).
91. When defendants stole the corporation's property, they stole Palmer's property since Palmer was then a member of the non-profit corporation and was entitled to an approximate 1% share of all property in conjunction with other members, every member having equal voting rights in all property disposition issues.
92. Palmer was led to believe he would be able to exert a measure of control over the resources he gave the corporation through his voting rights and limited ownership rights.
93. Defendants worked continuously to eliminate all member property and voting rights through fraudulent Articles filings with the Minnesota Secretary of State.
94. Defendants fraudulently converted plaintiff's ERAG/SRC property rights.
95. Defendants fraudulently converted plaintiff's ERAG/SRC voting rights.
96. Defendants' Article filings were perjurious and a violation of Minn. Stat. § 609.48.
97. If Palmer knew the true nature of Matthews' family's plans to steal the church through conversion, he would not have joined, given stock or any other resource such as cash.
98. Defendants false Articles filing with the Minnesota Secretary of State on July 22, 1993 constitute an act of willful disregard for all of the members of the corporation. It is an act of misrepresentation and fraud against plaintiff and other members that cannot be reconciled as any honest action of a corporate officer. It is an illegal violation of Minn. Stat. § 317A and other Minnesota law.

99. When Matthews was ready to file the name change with the Minnesota Secretary of State, according to Ernest Harpster who was a director at the time, he refused to show the entire filing document to the board of directors and demanded that they simply sign the signature page. Matthews misrepresented to the board of directors that he was only filing a name change. Therefore, Matthews withheld material information from the board of directors and other officers. Matthews told the board that Kyle Smith, the business manager was still typing the balance of the document and that they didn't need to see the rest of it. That they should "just trust him."
100. Given the crisis facing the church and his constant reassurance of honesty, the board decided to take Matthews at his word that the filing was only a name change.
101. Matthews had successfully duped SRC directors, on the first major test of his con. Could he get a set of fraudulent Articles past the board of director's oversight? Matthews succeeded and was emboldened to proceed with the next step of the con. That would be actually filing a complete set of false Articles with the Minnesota Secretary of State. The first set of signatures from the board was the toughest to get and Matthews knew that the rest would be easier because they would be incrementally based on the first filing.
102. Defendants made incremental changes to the July 1993 Articles document during 1994. Therefore, a diligent director would be easier to dupe with succeeding changes since they were incremental changes to a document that had already been massively altered.
103. When Defendants completed their conversion scheme in October 1995, it was Matthews and Stephenson who signed the Articles filing and represented under penalty of perjury to the State of Minnesota that the members had actually voted in the changes. The members did not even know about the changes or the filing defendants made or for that matter that

defendants had been manipulating corporate Articles for the last two years. Plaintiff and other members did not authorize the Article changes filed in 1995, and defendants with intent of taking away property and voting rights did it surreptitiously.

104. Palmer volunteered his services as an usher and became the scheduler and recruiter of ushers. In this regards, Palmer contributed freely of his time and business resources.

105. At the time Palmer joined SRC, he simply became viewed as another “mark” entrapped in the defendants’ corporate “con.” Defendants took aim at Palmer’s personal assets.

COUNT ONE

Misrepresentation

106. Plaintiff reasserts and realleges the allegations of Paragraphs 1 through 105 above.

107. Plaintiff relied upon the above fraudulent misrepresentations of corporate members, officers and directors to his personal detriment.

108. Defendants misrepresented ERAG as a congregational church wherein each member was entitled to equal voting rights and possessed oversight capabilities on any changes to the Articles and Bylaws and the ability to elect officers and board members.

109. Defendants misrepresented to plaintiff that ERAG members had equal property rights.

110. Defendants misrepresented their loyalty and commitment to the Assembly of God church.

111. Defendants misrepresented their governing intention to follow Articles, Bylaws and Minn. Stat. § 317A and on July 22, 1993 filed a set of illegal wholesale Article changes.

112. Defendants misrepresented the honesty, integrity and righteousness of its president, other officers and directors.

113. Defendants misrepresented the competency of Matthews’ leadership.

114. Matthews and his family controlled SRC. It was not operated under the control of SRC Articles, Bylaws and Minn. Stat § 317A. Therefore, despite such corporate documents existing, SRC was in fact a Matthews and Mary owned family business partnership.
115. Defendants misrepresented the reason many members were leaving and systematically eliminated membership opposition by actually “kicking” people out of the church that disagreed with them using a variety of methods and tactics. It was “planned” ejection.
116. A group of about 80 members left the church around the time of the name change vote and the defendants withheld material information about the reasons why they left.
117. Defendants misrepresented to the plaintiff that radio ministry contributions would be used exclusively for the radio ministry. However, when Chad Jones who headed up the radio ministry asked Matthews why the radio advertising bills weren’t being paid by the radio contributions that were collected, Matthews told Jones that it was none of his business—even though Jones was responsible for radio ministry commitments.

COUNT TWO

Negligent Misrepresentation

118. Plaintiff reasserts and realleges the allegations of Paragraphs 1 through 117 above.
119. A series of Article filings were made with the Minnesota Secretary of State signed under oath as the actions of the voting members of ERAG/SRC. Virtually all of them were fraudulent, based upon deception and were not authorized by the voting members of the corporation. All filings with the state were fraud against the plaintiff, the corporation, the State of Minnesota and a violation of Minnesota laws. All Article filings were negligent misrepresentations of the truth by the defendants who operated outside the boundaries of the law in an attempt to steal property worth millions of dollars.

120. Stephenson told plaintiff that at all times Mary was the actual secretary of SRC and that he did not know why his name was on corporate Article filings along with Matthews.
121. ERAG was negligent in its hiring of Matthews and misrepresented his qualifications and the integrity of his character. ERAG failed in its due diligence to ensure that the fraud, deception, dishonesty and unrighteousness, which had already occurred in the corporation was put to an end. Instead, ERAG just hired another dishonest president and officer without performing its due diligence even as its own governing actions and statements assured plaintiff and other members to the contrary.
122. ERAG was negligent in its retention of Matthews. The standard used to determine negligent retention is based on neutral principles of law. The court need not investigate the role of the pastor within church hierarchy or the nature of Matthews' employment to resolve a claim of negligent retention. See *J.M. v. District Assembly of God Et Al*, Minn. Court of Appeals Case No. C4-02-1533 / CX-02-1584. ERAG, given the honesty crisis it faced in 1991-1992, was grossly negligent in its due diligence duty to ensure that the current level of dishonesty and theft would not continue to be perpetrated upon the plaintiff, its other members and the community when it hired Matthews as its president.
123. Defendants negligently misrepresented the nature of the Article filings made with the Minnesota Secretary of State to the Council during the discovery process in a lawsuit the Council initiated against SRC for removing AG interests in ERAG Articles and Bylaws. Defendants misled the Council to believe that the Article filings were the legal actions of plaintiff and the other members of the corporation. This was an outright lie to the Council and a material misrepresentation in which the Council relied upon in their settlement agreement with defendants.

124. Defendants were negligent when they misrepresented the nature of its dealings with the Council to plaintiff. Plaintiff and other members were led to believe that the Council filed suit to take away the church property. This was an outright lie to the members.
125. At no time did the defendants reveal the truth to either the Council or the plaintiff. The defendants withheld material information from both the Council and the plaintiff and negligently misrepresented material governance related details to both parties.
126. The Council eventually settled with SRC. However, their settlement was based on fraud perpetrated by the defendants. In addition, the defendants then misrepresented the nature of the settlement with the Council to plaintiff and other members.
127. SRC officers negligently misrepresented governing actions to plaintiff and such behavior was fraudulent and outside the limits of acceptable corporate officer behavior.
128. SRC directors negligently misrepresented governing actions to plaintiff and such behavior was fraudulent and outside the limits of acceptable corporate director behavior.
129. Defendants used as a ruse the reaffiliation of SRC with the Association of Faith Church Ministers (“AFCM”). The AFCM affiliation requires that no members shall have voting rights except the pastor and the board. When defendants presented their AFCM affiliation plan, they misrepresented the nature of the affiliation change and negligently misrepresented that no materially changes would occur in SRC governance documents.
130. Plaintiff Exhibit 6 is the meeting notice provided members for a July 11, 1995 meeting. The date on the notice is four days earlier. Defendants claim plaintiff waived his property rights on the night of July 11, however the notice of the meeting was not in accordance with Articles, Bylaws and Minnesota law. Therefore, defendants negligently misrepresented the purpose and timing of the July 11, 1995 meeting.

131. Plaintiff Exhibit 7 is Palmer's contemporaneous diary record of the resolution presented July 11, 1995 for consideration. Note that there were no Articles or Bylaw changes voted on during this meeting. In fact, no such changes were proposed and none could be voted on because SRC governing documents specifically required that all such changes be identified and posted on the church wall for four consecutive weeks prior to the business meeting. Governing documents also required a minimum of 10 days notice via mail to members detailing the actual changes requested. Defendants made a negligent misrepresentation of the event.
132. Plaintiff Exhibit 8 and 9 are the actual July 11, 1995, SRC meeting minutes of the resolution made as obtained from a Matthews' affidavit dated October 5, 1999.
133. Plaintiff Exhibits 10-11 show clearly that defendants negligently misrepresented the October 1995 filing as the result of the July 11, 1995 business meeting. It is a lie.
134. Defendants filed the October 1995 Articles filing with the Secretary of State using citations of non-profit laws that had expired several years earlier. Defendants cited Minn. Stat. § 317.27 Subd. 3 and 4, which were made obsolete in 1989 a full seven years earlier. Defendants also cited Minn. Stat. § 317.22 Subd. 2 and 9, which were also made obsolete in 1989. See Plaintiff's Exhibits 10 and 11. On its face, defendants' filing was not the work of any attorney and is further evidence of the fraud worked upon the plaintiff. Making citations of expired Minnesota law in filings with the Secretary of State is negligent misrepresentation of corporate actions.
135. Defendants negligently misrepresented to the Minnesota Secretary of State that the October 1995 filing were the actions of the plaintiff and other members at the business meeting held on July 11, 1995. See Plaintiff Exhibits 10 and 11.

136. Matthews attempted to use the doctrine of “waiver” to assert that the defendants had the right to file the October 1995 Articles documents. However, the doctrine of waiver does not apply to material in which the plaintiff and other members were not even apprised of. In fact, one cannot waive something he or she is not made aware of. It is also illogical to assert such a legal defense when your own documents state that the filing was a result of a meeting in which meeting minutes show virtually no Article changes were voted on. One cannot assert the veracity of a filing when one’s own meeting minutes refute the assertion. Therefore, Matthews made a willful negligent misrepresentation to the plaintiff and the court in asserting such a prior defense.
137. Defendants’ willful negligent misrepresentation in paragraph 136 led to deception of the Court in plaintiff’s prior lawsuit and great financial distress and emotional harm to plaintiff and his family. Defendants’ used his lawyers to promote lies to the Court.
138. Plaintiff Exhibits 6-9 are prima facie proof that no Articles or Bylaw resolutions were presented. A committee was supposed to return to plaintiff and other members with their recommendations to Articles and Bylaws. Defendants were negligent in their misrepresentation of the July 11, 1995 meeting when they surreptitiously filed a new set of Articles with the state and kept the members in the dark about its contents and filing.
139. Plaintiff Exhibits 6-12 show that defendants negligently misrepresented plaintiff’s actions and engaged in deception and fraud.
140. Plaintiff Exhibit 12 shows defendants’ Article IV filing of October 1995 in which defendants finished the conversion of plaintiffs’ property rights. Defendants’ were negligent in their misrepresentation to the State of Minnesota that plaintiff and other

members voted to surrender their property and voting rights by turning away from a congregational church governance structure to an AFCM governance structure.

141. The Council requested an opportunity to talk to the members and plaintiff in September of 1996 at which time SRC would take a “legal” vote on the issue of disaffiliation with the Council and AG church. Defendants negligently misrepresented the nature of this meeting and vote to plaintiff, because defendants already had made their illegal AFCM changes to the Articles months earlier. However, since SRC was still in litigation with the Council, they had to maintain the facade. Defendants refused to allow any discussion or dialogue to take place with the Council. Therefore, plaintiff was led to believe that the Council only sought to confiscate SRC property and the Council was led to believe that a legitimate vote on disaffiliation had actually occurred by the members. It hadn’t.
142. At all times, the defendants willfully lied and negligently misrepresented the truth to the Council, plaintiff and other members regarding corporate governance issues and the intent and desires of each party towards the others.
143. Defendants settled with the Council on November 1, 1996 by agreeing to pay the Council a sum of \$90,000. Since defendants could not pay the funds immediately to the Council, the Council accepted a mortgage against about five acres of undeveloped SRC property pledged, said property located adjacent and south of the church. At all times, defendants willfully and negligently misrepresented and withheld material information from plaintiff about the Council settlement and the disposition of corporate property.
144. On or about October 1998, the Council proceeded to foreclose on SRC property pledged by the defendants due to their inability to satisfy the agreement. Plaintiff Exhibit 14 is a copy of the notice that appeared in the Sherburne County Citizen. Defendants

negligently misrepresented the nature of its dealings with the Council to plaintiff. Said dealings affected the plaintiffs' property rights in an adverse way.

145. Shortly after the defendants settled with the Council, they faxed AFCM a resolution to disaffiliate. See Plaintiff Exhibit 15. Therefore, defendants presented to plaintiff a first "legal" vote to switch affiliations in September 1996 while in front of the Council, but then sent a resolution to disaffiliate from AFCM within 60 days. Defendants negligently misrepresented the purpose of the September 1996 meeting and the true nature of AFCM.
146. Defendants used AFCM as a ruse to defraud plaintiff of his property rights. However, the Council's litigation disrupted the timing of the defendants' con. Therefore, a detailed paper trail had inadvertently been left providing proof of the defendants' negligent misrepresentations to plaintiff, the Council and other corporate members.
147. Plaintiff Exhibit 15 is the corporate resolution Matthews faxed to AFCM on November 7, 1996. The disaffiliation resolution was faxed within a week after the defendants settled the dispute with the Council. Neither the settlement with the Council nor the actions to affiliate or disaffiliate with the AFCM were disclosed to plaintiff. Both actions were material facts withheld from the plaintiff and willful negligent misrepresentations.
148. Three weeks later on November 20, 1996 at a Wednesday night meeting, Palmer began to think that something was not right. Matthews made a pitch to raise "another" \$100,000 at a "Harvest Banquet" meeting set for the following Friday on November 23 (in two days), but his monetary pitch message had shifted and changed. Palmer wanted to discuss the change in the "money" message, but Matthews refused to meet with Palmer for over one month. Palmer was unaware that earlier on November 7, that the defendants had secretly settled with the AG Council and needed \$90,000 to pay them off. Therefore,

a changed monetary message was needed to extract more cash from plaintiff and others.

Palmer would not return to the church until Matthews would meet and explain himself.

149. Plaintiff Exhibit 13 is a letter sent to Palmer on April 29, 1996 as a result of an earlier “money” banquet in which defendants sought to raise \$100,000. At all times, defendants negligently misrepresented to plaintiff that Matthews was unaware of what corporate members were giving to the corporation and the amount of their donations. Therefore, Matthews presented a façade of treating members the same because he presumably did not know what individual members were giving as charitable donations.
150. At all times defendants negligently misrepresented the finances of the corporation to plaintiff and the value and stability of his property interest.

COUNT THREE

Breach of Fiduciary Duty

151. Plaintiff reasserts and realleges the allegations of Paragraphs 1 through 150 above.
152. Defendants systematically worked a pattern of lies and dishonesty on plaintiff, the council and the membership of the corporation. Defendants’ illegal Articles filings are prima facie evidence of behavior that is outside the acceptable legal boundaries for officers and directors and cannot be reconciled as honest actions in the best interests of the corporation. All Article filings are a breach of fiduciary duty to the plaintiff.
153. Defendants’ Articles filing on July 22, 1993 did not serve Palmer and the other members of the corporation and only served Matthews’ family faction within the church. Serving only a faction within the corporation was a breach of fiduciary duty to plaintiff.
154. On July 22, 1993, defendants filed illegal and unauthorized changes to ERAG Articles II, III, IV, V, VI, VII, VIII, IX, X, and XI. It was a breach of fiduciary duty to plaintiff.

155. On July 22, 1993, defendants illegally and without authority altered the purpose of the corporation and in so doing breached their fiduciary duty to plaintiff.
156. On July 22, 1993, defendants illegally and without authorization altered the membership criteria of the corporation and in so doing breached their fiduciary duty to plaintiff.
157. On July 22, 1993, defendants illegally and without authorization altered the definitions of the officers and their election criteria of the corporation and in so doing breached their fiduciary duty to plaintiff.
158. On July 22, 1993, defendants illegally and without authorization altered the definitions of the directors and their election criteria of the corporation and in so doing breached their fiduciary duty to plaintiff.
159. On July 22, 1993, defendants illegally and without authorization altered the annual meeting criteria of the corporation and in so doing breached their fiduciary duty to plaintiff.
160. On July 22, 1993, defendants illegally and without authorization altered the affiliation criteria of the corporation and in so doing breached their fiduciary duty to plaintiff.
161. On July 22, 1993, defendants filed illegal and unauthorized changes to ERAG Articles by adding new Articles XII, XIII, XIV and XV. It was a breach of fiduciary duty to plaintiff.
162. By failing to follow existing Articles, Bylaws and Minn. Stat. § 317A, on July 22, 1993 the defendants breached their fiduciary duty to plaintiff.
163. Defendants' Articles filing on July 22, 1993 was a violation of Minnesota law.
164. Defendants' Articles filing on July 22, 1993 was a material misrepresentation of facts to plaintiff concerning the corporate name change business meeting held on July 1, 1993.

165. Defendants withheld material information from Palmer during his membership classes, during the business meeting of July 1, 1993, prior to joining the corporation on July 14, 1993 and prior to Palmer's stock transfer on July 18, 1993. It was a breach of their fiduciary duty to Palmer.
166. Defendants continued to breach their fiduciary duty to Palmer during the entire time he was a corporate member.
167. Defendants continued illegal Article filings in violation of Minnesota law during the period of July 1993 through October 1995 was a breach of fiduciary duty to Palmer.

COUNT FOUR

Fraud and Conversion

168. Plaintiff reasserts and realleges the allegations of Paragraphs 1 through 167 above.
169. Defendants planned a takeover and conversion of plaintiffs' property.
170. Defendants delivered a "proverbial sucker punch" to an unsuspecting corporation and plaintiff on July 22, 1993 who relied upon the integrity and veracity of the defendants as they surreptitiously made massive, illegal and unauthorized material changes to ERAG's Articles adversely affecting plaintiffs' property in the guise of a corporate name change.
171. Defendants worked continuously to dump the AG and Council and used the AFCM as ruse with the plaintiff to steal his property.
172. Defendants' fraud and conversion culminated in October 1995 when a final set of false Articles and Bylaws deprived plaintiff of his property rights and deprived him of his voting rights under the congregation governance structure ERAG was founded with.
173. During the course of the corporate theft, defendants stole and converted other property and assets of the plaintiff such as stock, cash, business resources and time.

174. As a final touch to the fraud and conversion, defendants “ejected” plaintiff and others before they could uncover the hidden fraud that was wreaked upon them.

COUNT FIVE

Defamation of Character

175. Plaintiff reasserts and realleges the allegations of Paragraphs 1 through 174 above.

176. When Plaintiff tried to place ads in the local paper to tell the truth about what had occurred, defendants used their lawyers to engage in prior restraint by threatening a lawsuit against the Elk River Star News if they printed any of plaintiff’s materials.

177. As a result, the Elk River Star News who was friendly towards Palmer turned against Palmer. Part of their unfriendliness was financial in nature. A \$35 ad from Palmer was turned into \$1,000 of potential litigation under threats from the defendants. Palmer lost respect and credibility with the local reporters and newspaper as a result of defendants’ maintenance of their lies and their threats of litigation accusing Palmer of lies.

178. Palmer lost respect and credibility and was defamed with the local police department as a result of defendants’ maintenance of their lies.

179. Palmer lost respect and credibility and was defamed with the Sherburne County Sheriff as a result of defendants’ maintenance of their lies.

180. Palmer lost respect and credibility and was defamed with the Sherburne County Attorney as a result of defendants’ maintenance of their lies.

181. Palmer lost respect and credibility and was defamed with the Minnesota Attorney General’s Office as a result of defendants’ maintenance of their lies.

182. Palmer lost respect and credibility and was defamed with the Minnesota Court system as a result of defendants’ maintenance of their lies.

183. Defendants defamed plaintiff in public meetings regularly held every week at corporate offices over a prolonged period of two years or more. Therefore, Palmer lost respect and credibility among former friends and corporate members who were led to believe by Matthews that Palmer was an evil, wicked and lying person. Former friends began to run the other direction when they saw Palmer coming in what used to be a normal social encounter. Matthews programmed people with false information about Palmer and in the process defamed Palmer among his friends and former corporate associates.
184. At all times the defendants' maintenance of their lies in the face of plaintiff trying to get the truth out to the local community worked to defame plaintiff in the eyes of his long standing community, which he chose for his family to live in and contribute to.
185. Defendants' defamed plaintiff in the eyes of local businesses and banks that became aware of the dispute and were led to believe that plaintiff was a dishonest and evil man out for vengeance.

SUMMATION

186. Based on the foregoing, defendants breached their fiduciary duty to plaintiff and were negligent.
187. Based on the foregoing, defendants engaged in conduct constituting fraud, misrepresentation, negligent misrepresentation and conversion.
188. Based on the foregoing, defendants have breached express and implied contracts with plaintiff, have converted plaintiff's stock, property and cash assets, and have been unjustly enriched to the detriment of plaintiff.
189. Based on the foregoing, defendants' conduct and transactions constituted fraud and deceit and a violation of the Minnesota Consumer Fraud Act, Minn. Stat. § 325F.68-70, Minn.

Stat. § 8.31, subd. 3(a) (private remedies for violation of the Minnesota Consumer Fraud Act) and Minn. Stat. § 609.48 (perjurious filings with the Minnesota Secretary of State).

190. Based on the forgoing, defendants engaged in dishonest behavior that defamed plaintiff.

191. Based on the foregoing, plaintiff believes that the cumulative value of the defendants' fraud now involves property that could appraise in 2004 at over \$10,000,000.

192. Based on the foregoing, plaintiff believes that defendants engaged in criminally negligent and fraudulent behavior, which the Court should reflect upon in its considerations.

WHEREFORE, Plaintiff requests a Court order directing defendants to pay plaintiff in an amount in excess of \$50,000, along with interest and attorney fees and costs arising from this lawsuit, the return of all securities in SolarAttic, and such other relief as is fair and equitable in the eyes of the Court.

Dated: March _____, 2004

PLAINTIFF

Edward G. Palmer, Plaintiff
Attorney Pro Se

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16 EXHIBITS ATTACHED:

Exhibit list and Acknowledgement on last page.

DESCRIPTION OF ATTACHED EXHIBITS:

1. Hoogenboom Sex Scandal News Clipping.
2. Mapson Financial Scandal News Clipping.
3. Plaintiff's Contemporaneous Record of July 1, 1993, Articles Resolution.
4. Defendants' Meeting Minutes of July 1, 1993, Special Business Meeting.
5. Plaintiff's Application To Join "Elk River Assembly of God" Congregational Church.
6. Defendants' Meeting Notice dated July 7, 1995, for Special Meeting of July 11, 1995.
7. Plaintiff's Contemporaneous Record of July 11, 1995, Business Resolution.
8. Defendants' Meeting Minutes of July 11, 1995, Resolution – page 1 of 2.
9. Defendants' Meeting Minutes of July 11, 1995, Resolution – page 2 of 2.
10. Defendants' State Certificate of Amendment for July 11, 1995, meeting – page 1 of 2.
11. Defendants' State Certificate of Amendment for July 11, 1995, meeting – page 2 of 2.
12. Defendants' Article IV Filing of July 11, 1995, Meeting with Secretary of State.
13. Defendants' Letter To Plaintiff dated April 29, 1996.
14. Defendants' Foreclosure Sale Notice of a Mortgage dated November 4, 1996.
15. Defendants' faxed Disaffiliation Resolution to AFCM dated November 7, 1996.
16. Plaintiff's faxed Withdrawal of Membership Memo dated December 23, 1996.

ACKNOWLEDGMENT

The party, upon whose behalf this pleading is submitted, by and through the undersigned, hereby acknowledges that sanctions may be imposed for a violation of Minn. Stat. § 549.211.

Dated: March _____, 2004

Edward G. Palmer, Plaintiff
Attorney Pro Se