

**Response of Eagle Mountain International Church, Inc./Kenneth Copeland Ministries to
November 5, 2007, Grassley Letter**

On November 5, 2007, Senator Grassley sent a letter to Eagle Mountain International Church/Kenneth Copeland Ministries (the “Church”) and five other church ministries that preach the “Word of Faith” message. The Church was one of only two ministries that filed a timely response to Senator Grassley’s initial request for information by the Senator’s December 6, 2007 deadline. The Church’s response reflected a sincere and good faith effort by the Church to provide answers to as many of the Senator’s questions as possible without compromising the protections afforded to the Church by the United States Constitution and the Internal Revenue Code.

The Church provided responses to 17 of the 42 questions Senator Grassley posed. Where the Church provided a partial answer or response, or did not answer a question asked by Senator Grassley, the Church determined that the question raised constitutional and or statutorily based privacy and confidentiality concerns.

Below is a brief summary of how Church responded to each of the questions Senator Grassley asked in his November 5, 2007, letter.

General

- 1. The audited financial statement for Eagle Mountain International Church (EMIC), Kenneth Copeland Ministries (KCM) and any other non-profit entities organized by the Copelands, including, but not limited to, Pitcherman, Inc. for years 2004, 2005 and 2006.**

Response: The Church explained that Kenneth Copeland Ministries is an assumed business name for Eagle Mountain International Church. As such, KCM is not a separate entity from EMIC.

The Church also explained that: (1) Pitcherman, Inc. and Pitcherman Bahamas, Inc. are dormant, inactive entities; (2) the Church has organized no other non-profit entities; and (3) the Church is unaware of any non-profit entities organized by the Copelands.

The Church provided Senator Grassley a chart demonstrating how the Church’s revenues are spent on a percentage basis. The Church did not, however, provide copies of the Church’s audited financial statements. Rather, the Church asked Senator Grassley to request the Church’s audited financial statements from the IRS after the IRS obtained them from the Church through an official IRS church tax inquiry. Information obtained in this matter would be subject to appropriate confidentiality protections under the Internal Revenue Code.

- 2. The names of all integrated auxiliaries of EMIC.**

Response: The Church informed Senator Grassley that the Church has no integrated auxiliaries.

3. The names and addresses of members of the EMIC and KCM board of directors for years 2004 to present and an explanation of their relationship to Kenneth and Gloria Copeland.

Response: The Church explained to Senator Grassley that the Church's Board of Directors (the "Board") consists of Brother Copeland, Sister Copeland, and nine other members. The Church further explained that none of the other Board members is related to the Copelands and none is employed by the Church.

The Church did not provide the Senator with the names and addresses of these other Board members, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS. Although it did not provide names and addresses for them, the Church did describe generally the occupations or callings of the members of its Board, as follows:

- An Oklahoma architect;
- Husband and wife pastors from Minnesota;
- A Missouri businessman;
- A Texas pastor;
- Husband and wife pastors from Texas;
- A Louisiana evangelist; and
- An Arkansas businessman.

The Church also informed Senator Grassley that the Board members are mindful of their responsibility to act in the best interests of the Church as an entity, to not allow any person to use church resources for personal inurement or benefit, to avoid conflicts of interest, and to exercise due diligence with respect to Church affairs.

4. Names and addresses of EMIC and KCM Compensation Committee members for years 2004 to present and an explanation of their relationship to Kenneth and Gloria Copeland.

Response: The Church explained to Senator Grassley that the Church has an independent Compensation Committee, which approves the compensation of the top officers and employees of the Church based on data compiled by an independent consulting firm. The Church further explained that none of the independent Compensation Committee members is related to the Copelands and none is employed by the Church; in addition, they reflect a mix of persons with business and pastoral backgrounds. Accordingly, no independent Compensation Committee member has a conflict of interest with respect to the compensation arrangements approved by the committee. Finally, the Church informed Senator Grassley that compensation is approved consistently with procedures established by the Internal Revenue Code for setting compensation for a tax-exempt organization.

The Church did not provide the Senator with the names and addresses of the members of its independent Compensation Committee, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

5. The dates and locations of all board meetings for EMIC and KCM and the names of the persons in attendance from 2003 to present. Provide the total cost associated with conducting each meeting, including, but not limited to, lodging, meals, travel, entertainment and any extracurricular activities.

Response: The Church informed Senator Grassley that it conducted annual Board meetings in the Spring of each year from 2003 through 2007. The Church further explained that, in addition to its annual meeting, the Board meets as necessary by telephone to consider Church business and adopt necessary resolutions. Such procedures are permitted by applicable state corporate law.

The Church also informed the Senator that all in-person Board meetings were conducted at the Church's main campus located in Newark, Texas in its Administrative Building. Newark is a town having approximately 1,000 residents. The closest major metropolitan area is Fort Worth, Texas. The Church further explained to the Senator that Board members who were from out of town were housed at a local motel or at the parsonage. Average total expenses associated with an annual board meeting for the past five years, including travel, mileage reimbursement, food/catering, hotels, car rentals, office supplies and other incidentals is approximately \$4,500.00 per year.

The Church did not provide the Senator with the names and addresses of the persons who attended these Board meetings, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

Executive Compensation

1. A detailed explanation of the compensation paid by EMIC and KCM to Kenneth Copeland, Gloria Copeland and John Copeland, including, but not limited to, cash and non-cash gifts, housing allowances (to include a detailed break-down of expenses paid to maintain housing) and loans (including the terms of the loans and a schedule of repayment) for years 2004 to present.

Response: The Church informed Senator Grassley that it is mindful that all compensation paid to its employees must be reasonable based upon the organization's available resources and the level of services or skills provided by the employee. The Church also reminded Senator Grassley that, as discussed in a response to a previous question, the Church has an independent Compensation Committee that follows the procedures for setting reasonable compensation that are set out in the Internal Revenue Code.

The Church did not provide the Senator, however, with a detailed explanation of the compensation paid to the Copelands, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

2. A detailed explanation of the personal use of assets of the tax-exempt organization (i.e. jets, employees, facilities) and an account of any repayments made to the tax-exempt entity for the personal use of stated assets for years 2004 to present.

Response: The Church informed Senator Grassley that, as a general policy, the Church prohibits personal use of its assets. Use of Church facilities and assets is limited to activities related to or in support of the Church, to entities that are owned or controlled by the Church, or to another nonprofit church or ministry engaged in similar nonprofit activities.

The Church further explained to the Senator that, to an insubstantial degree, Church-owned aircraft has been used for personal reasons. Other Church-owned assets are used for personal reasons only to the extent, and subject to the limitations described in responses to other questions asked by Senator Grassley. The value of any personal use of Church-owned assets is treated as compensation and reported as taxable income on the respective employee's IRS Form W-2, unless specifically excluded by statute. These procedures and limitations are described in response to other questions.

Because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS, the Church did not provide Senator Grassley with a detailed explanation and accounting of the personal use of the Church's assets.

3. Any other payments to Kenneth Copeland, Gloria Copeland and John Copeland including all cash or cash equivalent excluded from income reported to the IRS on Form W-2 or Form 1099 for years 2004 through 2006.

Response: The Church explained to Senator Grassley that, other than non-taxable fringe benefits, the Church provides no other payments or benefits to the Copelands that are not reported on their respective IRS Forms W-2.

4. A detailed accounting of total housing allowances paid by EMIC, KCM and any other related tax-exempt entity for the purpose of providing housing for Kenneth Copeland, Gloria Copeland, John Copeland and any other related persons for years 2003 to present.

Response: The Church informed Senator Grassley that the Church provides a parsonage to Revs. Kenneth and Gloria Copeland and a housing allowance to Rev. John Copeland. The Church further explained to the Senator that the Church's independent Compensation Committee takes into account the fair rental value of the parsonage or housing allowance provided to these individuals when it determines whether the overall compensation it pays to them is reasonable.

The Church did not provide Senator Grassley with a detailed accounting of housing allowances paid by the Church, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

5. A detailed accounting for the total monthly expenses to maintain the personal residence of Kenneth and Gloria Copeland for years 2003 to present. A detailed accounting of all expenses paid by EMIC and KCM to purchase, furnish and maintain all residences used by Kenneth Copeland and Gloria Copeland including, but not limited to, the property located at 6000 Indian Creek in Tarrant County Texas.

Response: The Church did not provide Senator Grassley with a detailed accounting of parsonage-related expenses paid by the Church, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

6. Credit card statements for all credit cards used by Kenneth Copeland, Gloria Copeland and John Copeland for years 2004 to present for expenses paid by EMIC and KCM. An explanation of all credit cards expenses paid by the organization on behalf of Kenneth and Gloria Copeland for years 2004 to present.

Response: The Church explained to Senator Grassley that any personal expenses that may inadvertently be charged to a Church credit card is repaid to the Church. The Church did not, however, provide Senator Grassley with credit card statements for the Copelands, or an explanation of credit card expenses paid by the Church, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

7. A detailed accounting of all expense account items for Kenneth Copeland, Gloria Copeland and John Copeland for years 2004 to present.

Response: The Church informed Senator Grassley that the Copelands are subject to the same written expense reimbursement policy as the other over 500 employees of the Church. The Board approved this policy. The policy allows for reimbursement of expenses incurred with respect to Church-related activities (including any expenses incurred on personal or Church credit cards), for items purchased for Church use, for all ordinary and necessary expenses required for the exercise of ministry work, and for work within and on behalf of the Church. Employees seeking reimbursement, including the Copelands, must complete an expense report no more than 60 days following the time the expense was incurred, and the request for reimbursement must include documentation that is sufficient to comply with applicable federal income tax laws. The Church also provided Senator Grassley with a copy of the Church's Cash Disbursement Procedures.

The Church did not provide Senator Grassley with a detailed accounting of all expense account items for the Copelands, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

8. A list of all vehicles (Year, Make and Model) purchased, leased or maintained by EMIC, KCM or any other tax-exempt entity for the benefit of Kenneth Copeland, Gloria Copeland, John Copeland and any other related person. A detailed accounting for the yearly expense to purchase and maintain each vehicle for years 2000 to present. This accounting should also include date(s) of purchase, purchase amount(s), date(s) of disposition and an explanation of the disposition.

Response: The Church explained to Senator Grassley that the Church includes the value of all personal use of Church-owned vehicles in an employee's total taxable income for federal tax reporting purposes, as well as for purposes of determining whether the employee's compensation is reasonable. In determining value for these purposes, the Church follows procedures established by the Internal Revenue Code. The Church further explained to the Senator that the Church includes 100% of any automobile allowance in the compensation of any employee who receives an allowance, and also reports the full amount of the allowance as taxable income on the employee's IRS Form W-2.

The Church did not provide Senator Grassley with a listing of Church-provided or Church-maintained automobiles, or a detailed accounting of related automobile expenses, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

Real and Personal Assets

1. A list of all domestic and overseas bank accounts and investments of EMIC, KCM, and any of its integrated auxiliaries and related tax-exempt entities for years 2004 to present.

Response: The Church informed Senator Grassley that the Church has various domestic checking, payroll, and investment accounts with the following banks: JP Morgan Chase, Wachovia, Bank of America, Wells Fargo, Washington Mutual, and Frost. The Church's affiliated international offices have their own bank accounts. The Church also explained to the Senator that the Church owns 100% of the stock of Security Petrol, Inc. The Church's other investments are composed of cash (approximately 11%), Treasury bills and money market investments (approximately 88%), and individual stocks (approximately 1%). The stocks held by the Church are primarily stocks donated by individuals that the Church determined were more prudent to retain than to liquidate.

The Church did not provide the Senator with a detailed listing of its bank accounts and investments, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

2. A list of all real property purchased by EMIC and KCM from ministry inception to present, including the square footage and tax-exempt purpose of each property.

Response: The Church informed Senator Grassley that its principal campus in Newark, Texas is located on land purchased from the Estate of Paul H. Pewitt in the early

1980's. This property consists of roughly 1,516 acres and has a sanctuary and worship center, a chapel, a parsonage, class rooms, administrative offices, a prayer call center, media development services facilities, an aircraft hangar and a runway, and other service buildings. The Church further explained to the Senator that all of the facilities on the Church's principal campus are used for religious worship or fostering religious worship. The Church also described several significant real estate transactions.

3. Has any of the land or assets tied to the land that was deeded to the church from the estate of Paul H. Pewitt been transferred, conveyed, gifted or otherwise placed in the control or possession of any other entity or person? If so, who, when, for what amount and for what purpose? Provide the names and addresses of all person(s) who made to the decision to relinquish control of the real property.

Response: The Church explained to Senator Grassley that a few days after the purchase of land from the Estate of Paul H. Pewitt, the Church sold approximately 322 acres of such land at its fair market value to an unrelated third party in an arm's length transaction. The Church further explained to the Senator that, after the purchase of land from the Estate of Paul H. Pewitt, it was discovered that a substantial portion of the land consisted of an oil and gas-producing field. Due to the liability exposure associated with oil and gas production, and in an effort to minimize the interference of such production activities with the Church's tax-exempt religious activities, the Church made the decision in 1997 to create a wholly owned, for-profit subsidiary, Security Petrol, Inc., and to transfer the producing portions of the land, related mineral interests in the land, and initial operating capital to that entity. Neither the Copelands nor any other individual has any ownership interest in Security Petrol, Inc.; therefore, no income or royalties from oil and gas production are received by any private individual, including the Copelands.

The Church informed Senator Grassley that the decision to transfer the producing properties to Security Petrol, Inc. was approved by the Church's Board. The Church did not provide the Senator with names and addresses of the persons who made this decision, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

4. A copy of all mineral leases and division orders related to any portion of land originally deeded to the church by the estate of Paul H. Pewitt.

Response: The Church provided Senator Grassley with public records responsive to this question.

5. A list of all real property owned or purchased by EMIC, KCM or any related entity, including the square footage and tax-exempt purpose of each property from ministry inception to present.

Response: The Church responded to this question by referring to its answer to the Real and Personal Assets Question No. 2 above.

6. Provide detailed information (Year, Make, Model and Number) of any aircraft owned, used or leased by EMIC, KCM or any related or integrated auxiliary, including amounts paid for the purchase and/or lease of the aircraft and all maintenance expenses from 2004 to present. Copies of the flight records of any aircraft owned, used or leased by EMIC, KCM or any related or integrated auxiliary from 2004 to present. Copies of Kenneth and Gloria Copeland's itinerary from 2004 to present.

Response: The Church provided the Senator with a summary of the Church's travel itinerary from 2004 through the present. The Church explained that it owns five aircraft that it uses in connection with its tax-exempt religious purposes, including worldwide ministry conventions, Church meetings and conferences, prison outreaches, military outreaches, television tapings, appearances and speaking, disaster relief ministry, and partner ministry. The Church aircraft consist of: (i) a 1962 Beech H-18 Twin, (ii) a 1973 Cessna 421B Golden Eagle, (iii) a 1975 Cessna 500 Citation, (iv) a 1998 Cessna 550 Citation Bravo, and (v) a 2005 Cessna 750 Citation X. The Church further explained to the Senator that it estimates that its aircraft are used approximately 90-91% of the time for Church-related activities. With respect to the small percentage of the time that the aircraft are used for personal matters, such use is Board-approved, and the value of the personal use of Church-owned aircraft is calculated under the method prescribed by the federal tax laws, and is reported as taxable income to the employee.

The Church did not provide Senator Grassley with the detailed information requested, however, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

7. On December 15, 1997, EMIC caused the formation of the for-profit company, Security Petrol, Inc. (SPI) by contributing cash and a mineral deed to SPI. This deed caused the 100 percent interest in oil, gas and other minerals once belonging to the church to capitalize this for-profit corporation. Provide the names and addresses of the persons who authorized this use of the church's assets. Provide the value of the mineral deed at the date of this transaction. Provide the amount of cash that was used to form SPI and the original source of this cash. Does Kenneth Copeland, Gloria Copeland or any related parties, officers of EMIC or KCM, or board members of EMIC or KCM currently have any interest in Security Petrol, Inc. or any related subsidiaries? Who are (were) the officers of SPI?

Response: The Church responded to this question by referring to the Response to Real and Personal Assets Question No. 3 above.

Other

1. Provide a copy of all employment agreements between Kenneth Copeland and EMIC in effect from 2000 to present. Provide a copy of all employment agreements between Gloria Copeland and EMIC in effect from 2000 to present.

Response: The Church explained to Senator Grassley that the Church has written employment agreements with Revs. Kenneth and Gloria Copeland that provide essential employment terms, including job title, description of duties and powers, a general description

of compensation and benefits available (noting that precise amounts of such compensation and benefits are to be as determined through the independent Compensation Committee), term of employment, procedures for either party to terminate the contract, intellectual property rights and licensing agreements, provision for Christian mediation to resolve disputes, and other common employment contract terms.

The Church did not, however, provide Senator Grassley with the requested employment agreements, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

2. A detailed list of all cash and/or non-cash payments received by each board and Compensation Committee member for years 2002 to present. Copies of Form 1099 and Form W-2 issued to these persons.

Response: The Church explained to the Senator that the Church's Board members and Compensation Committee members are not compensated by cash or non-cash payments in their capacity as Board or Compensation Committee members. Board members may be reimbursed for expenses related to attending board meetings.

The Church did not, however, provide Senator Grassley with the requested information and returns, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

3. Provide an explanation of the relationship between EMIC, KCM, Kenneth Copeland, Gloria Copeland, John Copeland and the following entities: Pitcherman, Inc., Integrity Media, Inc., Security Petrol, Inc., Victory Eagle Utility Service Y, Inc., Victory Eagle Marketing and Distribution Z, Inc. Provide the names and addresses of the officers of the above-mentioned corporations and each officer's relationship, if any, to Kenneth and/or Gloria Copeland.

Response: The Church explained to Senator Grassley that Pitcherman, Inc. is a dormant, inactive entity, wholly owned by the Church, which was incorporated, but never capitalized.

Integrity Media, Inc. ("Integrity Media") is a company unrelated to the Church that negotiates the purchase of media/television time for the Church, as well as other third-party clients. Its principal officer is Doug Neece, Gloria Copeland's brother. Integrity Media buys time for the Church as a broker, the time is purchased at market rates, and Integrity Media is compensated at below-market rates for its services. Doug Neece's relationship to the Copelands has been disclosed to the Board pursuant to the Church's conflict of interest policy.

Security Petrol, Inc. is a taxable, for-profit oil and gas production company wholly owned by the Church.

Victory Eagle Service Utility Y, Inc. (a.k.a. Victory Eagle Utility Service Y, Inc.) is a wholly owned subsidiary of Security Petrol, Inc.

Victory Eagle Marketing and Distribution Z Inc. is an entity that was merged into Victory Eagle Service Utility Y, Inc.

The Church did not provide the Senator with information regarding the officers of the named entities, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

4. A list of all for-profit companies operating on the real property of EMIC and the officers of each for-profit. Identify all officers related to or affiliated with Kenneth and Gloria Copeland.

Response: The Church informed Senator Grassley that Security Petrol, Inc. is working under an arm's length agreement with XTO Energy, an unrelated publicly traded corporation, with respect to the operation of the wells on the land owned by Security Petrol, Inc. The Church further informed the Senator that the Church believes that the officers of XTO Energy are publicly available, but has not compiled a listing of those officers. The Church further informed the Senator that Rev. John Copeland is operating on land owned by the Church under a cattle lease, as described in more detail in the answer to another question.

The Church did not provide the Senator with information regarding the officers of the named entities, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

5. El Rancho Fe is a for-profit working ranch owned by Kenneth and John Copeland. Is any of the property used by El Rancho Fe the same property deeded to the church by the estate of Paul H. Pewitt? If so, how is the church compensated for use of this asset and in what amounts for tax years 2002 to present? Who approved the use of this asset? If the Board of Directors approved, provide the names and addresses of the board members.

Response: The Church explained to Senator Grassley that Rev. John Copeland leases part of the land acquired by the Church from the Estate of Paul H. Pewitt for cattle operations, which are conducted through El Rancho Fe, a corporation owned by John Copeland, and Copeland Cattle Company, a limited partnership owned by John and Marty Copeland and El Rancho Fe. Rev. Kenneth Copeland does not have any interest in El Rancho Fe or Copeland Cattle Company. Pursuant to a written lease agreement, Rev. John Copeland makes lease payments to the Church and is required to make improvements to the quality of the soil through a fertilizer program, to improve the grasses, and to maintain the leased area. The payments required to be made under the lease are based on local market comparables. The Board has approved this lease agreement. The lease is subject to at-will termination by the Church. These cattle operations entitle the Church to an agriculture exemption, which saves the Church approximately \$100,000 per year in state ad valorem taxes.

The Church further explained to the Senator that the Board also approved the sale, at a fair market rate, of a small parcel of land to Rev. John Copeland for personal use as a residence and for his cattle operations. The Church did not provide the Senator with the names and addresses of the Board members who approved these transactions, because the

Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

6. The written contract between Kenneth Copeland and EMIC d/b/a KCM regarding the publishing of his works. If there is no written contract, but a verbal agreement exists, provide the date and the persons who were part of that verbal agreement, the terms of the agreement and the amount to be paid to Kenneth Copeland.

Response: The Church explained to Senator Grassley that Rev. Kenneth Copeland and the Church have a written contract regarding the publication of his creative works that are related to Church activities. Rev. Copeland has retained the ownership of these works but has granted the Church a perpetual license to use these works in exchange for a market-based royalty.

The Church did not, however, provide Senator Grassley with the requested information, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

7. The written contract between Gloria Copeland and EMIC d/b/a KCM regarding the publishing of her works. If there is no written contract, but a verbal agreement exists, provide the date and the persons who were part of that verbal agreement, the terms of the agreement and the amount to be paid to Gloria Copeland.

Response: The Church explained to Senator Grassley that Rev. Gloria Copeland and the Church have a written contract regarding the publication of her creative works that are related to Church activities. Rev. Copeland has retained the ownership of these works but has granted the Church a perpetual license to use these works in exchange for a market-based royalty.

The Church did not, however, provide Senator Grassley with the requested information, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

8. The name and addresses of the person and/or company that prints, audio records and video records Kenneth and Gloria Copeland's material? The name and address of the person and/or company that owns the titles, copyrights, royalties or similar interests in sermons, videotapes, books, CDs, DVDs, or other materials prepared by EMIC and/or KCM. Are any of the ministry's paid employees involved in the printing, publishing, recording and distribution of the books, videotapes, CDs, or DVDs?

Response: The Church provided Senator Grassley with a vendor list of third-party companies that print and make audio and video recordings of Revs. Kenneth and Gloria Copeland's material. The Church further explained that the Church itself records, produces, and distributes a large portion of its own media and Internet products. In this regard, the Church has full-time, paid personnel devoted to production of the Church's television programming. As discussed in responses to other questions, Revs. Kenneth and Gloria

Copeland own the copyrights (or other ownership) interests in their works, but have granted the Church a perpetual license to make use of those materials, for which they receive market-rate royalties.

The Church did not, however, provide Senator Grassley with all of the requested information, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

9. The names and addresses of the persons who decide how the funds of EMIC and KCM are spent. Are these decisions, both operational and financial, subject to the oversight by any body within the organization? If so, is this body elected or appointed? If appointed, by whom and on what basis are the members of the body appointed? Who has voting rights within EMIC and KCM? How often does the board meet? Provide copies of all board meeting minutes for years 2004 through 2006.

Response: The Church explained to Senator Grassley that it is governed by its Board, which provides general oversight of all financial and operational decisions and approves capital spending and major financial transactions. Corporate officers and staff-level employees have day-to-day management authority including spending on behalf of the Church within a predetermined budget as set by the officers and directors of the Church with input from department heads and financial and accounting personnel. The Board approves the annual budget and also approves by consent motion any changes to the budget during the year. The Board is self-perpetuating (i.e., vacant Board positions are filled by majority vote of the remaining board members), and all Board members are voting members.

The Church did not, however, provide the Senator with Board meeting minutes, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

10. Provide a detailed list of all entities operated by related parties that received payment from EMIC and/or KCM. Provide a detailed list of all persons related to Kenneth and Gloria Copeland that received any form of payment or benefit from EMIC or KCM for years 2004 to present.

Response: The Church responded to this question by referring to its response to Other Question No. 3 above.

11. For years 2004 through 2006, provide a detailed list of all payments, including any honorariums and love offerings, paid to visiting ministers, musicians or guests. Include the name and address(es) of each person and copies of Forms 1099 that were issued.

Response: The Church explained to Senator Grassley that, consistent with its policies for providing compensation to its employees, the Church only makes payments to third parties that are reasonable based upon the nature and extent of the service provided. The amounts that the Church pays to visiting ministers and other service providers are consistent with

generally accepted Christian ministry standards and are reported on the appropriate federal tax forms.

The Church did not, however, provide Senator Grassley with the requested information, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

12. In January 2004, Attorney Dennis G. Brewer, Sr., advised EMIC d/b/a KCM that based on proposed IRS amendments, the Compensation Committee could not have any disqualified person, board member, or other person that depends on the ministry for remuneration on the committee. Did KCM follow the advice of counsel? When? Who was present when these decisions were made? What steps were taken? Did any members of the Compensation Committee receive payment, cash or non-cash, from January 31, 2004 to present? If so, who and in what amounts?

Response: The Church explained to Senator Grassley that it considers all communications with its attorneys to be privileged and confidential and does not believe that it has taken any steps to waive the privilege with respect to the referenced advice. However, in its response to General Question No. 4, above, the Church described its independent Compensation Committee's practices.

13. According to documents provided to the Finance Committee, in November 2000, EMIC borrowed \$1,000,000 from Gloria Copeland for operation of ministry affairs. In 2002, the EMIC board of directors executed a replacement promissory note in the amount of \$1,083,407.20. Provide the committee with copies of the executed notes and a copy of the board meeting minutes for each date, an explanation of the loan distribution including the original source of the loan (i.e. personal check, cashier's check, wire transfer), names and addresses of the board members present at each meeting and a breakdown of the loan repayments to Gloria Copeland since the inception of the original note. Also explain why the church borrowed money from Gloria Copeland when it owns assets in excess of \$20 million dollars.

Response: The Church explained to Senator Grassley that, in November 2000, Revs. Kenneth and Gloria Copeland agreed to make a \$1 million interest-free loan to the Church to allow the Church to address short-term cash-flow needs. The Church further explained that its financial theology has traditionally been one of avoiding debt as a means of financing its operations; however, at the time, it would have been imprudent and impractical to liquidate any long-term investments or real property assets to meet a short-term financing need. The loan was a bona fide loan to the Church made from the personal assets of Revs. Kenneth and Gloria Copeland.

It was subsequently brought to the Church's attention that the interest-free nature of the loan created imputed interest income to Revs. Kenneth and Gloria Copeland under applicable tax laws, which imposed an unanticipated personal tax burden on them. Therefore, to alleviate this unintended burden, the Board approved issuance of a replacement promissory note in the amount of \$1,083,407.29 reflecting the imposition and accrual of interest. The amount of interest was calculated consistent with established IRS guidelines. The Church has fully repaid the note.

The Church did not, however, provide Senator Grassley with the requested information, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

14. KCM solicited donations through brochures to ministry partners to build “The Revival Capital of the World.” This project was to include ministry facilities, a headquarters, a resort hotel, a radio and television center, a kingdom park and a retirement community called Wisdom Heights. What is the current building status of “The Revival Capital of the World?” What is the status of the donations given for this project? Are the funds being held apart from other ministry donations? Have donors been given an update or status report for the ministry project? Is there a relationship between “The Revival Capital of the World” and the land currently being used for El Rancho Fe a/k/a Copeland Cattle Company?

Response: The Church explained to Senator Grassley that it named the property purchased from the Estate of Paul H. Pewitt (i.e., the location of its current principal campus in Newark, Texas) the “Revival Capital of the World” and encouraged donors to support the improvement of that property for various church-related uses. The property currently has, among other things, a sanctuary and worship center, a chapel, a parsonage, class rooms, administrative offices, a prayer call center, and media development services facilities. These Church facilities have been built not only from donations received from donors during the “Revival Capital of the World” campaign, but also in subsequent years. The Church has since ceased referring to the Church’s Newark, Texas campus as the “Revival Capital of the World” and has abandoned plans to build certain facilities such as a kingdom park; however, the facilities that have been constructed on the Newark campus are consistent with the original vision for the “Revival Capital of the World”; moreover, the funds expended to purchase the land for, and to build the Church’s current campus, far exceed donations received in response to the “Revival Capital of the World” campaign. Accordingly, any donations given for this project were long ago fully expended for the purposes for which they were given, and to the extent such donations were insufficient to pay for all of the Church land and facilities described above, other donations have been used to make up the shortfall.

The Church further explained that Church members and donors are informed on a periodic basis regarding improvements to the Church’s Newark campus, as well as regarding other ministry activities, through membership newsletters, Internet updates, media presentations, Church events, and other literature. The Church also clarified for Senator Grassley that there is no relationship between the “Revival Campaign of the World” campaign and El Rancho Fe or Copeland Cattle Company.

15. The names of all affiliated churches/ministries that have made personal donations and/or gifts to Kenneth and/or Gloria Copeland in years 2004 to present and the amount of each gift or donation. If the donation or gift was a non-cash item, provide a list of the donations/gifts.

Response: The Church did not provide Senator Grassley with any information regarding the amount of, or donor identity with respect to, any personal gifts received by Kenneth and Gloria Copeland, because the Church believes that the United States

Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

16. The names and addresses of speakers paid for their participation in any conferences sponsored by EMIC and/or KCM for years 2004 through 2006. A list of amounts paid to each speaker and copies of Form 1099 issued.

Response: The Church explained to Senator Grassley that, consistent with its policies for providing compensation to its employees, the Church only makes payments to third parties that are reasonable based upon the nature and extent of the services provided. The amounts that the Church pays to visiting ministers and other service providers are consistent with generally accepted Christian ministry standards and are reported on the proper IRS forms.

The Church did not, however, provide Senator Grassley with the requested information, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

17. Detailed list of all the donations/gifts made to other ministers, ministries/churches from EMIC and KCM, to include the name of each recipient, address and amount of each donation/gift for years 2004 to present.

Response: The Church explained to Senator Grassley that the Church supports other nonprofit ministries with similar tax-exempt purposes, typically in the form of regularly scheduled payments. The Church did not, however, provide Senator Grassley with the requested information, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

18. Copies of executive compensation recommendations received by Kenneth and Gloria Copeland and the name and address of any person provided recommendations.

Response: In responding to this question, the Church referred to its responses to General Question No. 4 and the Executive Compensation Questions above. The Church did not, however, provide the compensation evaluations prepared with respect to Revs. Kenneth and Gloria Copeland, because these evaluations are protected by the attorney-client privilege.

19. Explain the procedures for handling cash received during crusades, meetings or conferences held outside the United States, including if bank deposits are made prior to returning to the United States.

Response: The Church provided Senator Grassley with copies of the Church's procedures used for collection, sorting, and counting of offerings outside the U.S. All monies collected in connection with crusades, meetings, or conferences outside the U.S. remain in those locations and are deposited in foreign bank accounts. Expenses incurred by the Church's domestic office in connection with international crusades, meetings, or conferences are reimbursed by the Church's foreign offices after the meeting is completed.

20. It has been reported to the committee that in October 2006, the Copelands used the ministry jet for layovers in Maui, the Fiji Islands and Honolulu. Provide an explanation of the tax-exempt purpose of each layover and the names and addresses all ministry personnel who were part of these layovers. Provide a detailed accounting of the cost of each layover to the ministry, including, but not limited to, salary expenses, housing, food, jet fuel, incidentals and any extra curricular activities. What entity paid for these expenses? Who authorized the payment of these expenses?

Response: The Church explained to Senator Grassley that the Church participates in a number of international meetings, conferences, and conventions each year in furtherance of its religious purposes. The Board approves an annual budget for these international events, but the actual destination of such events is determined by the Church's pastors based on the particular annual spiritual needs and goals of the Church.

The Church further explained to Senator Grassley that the Australia and Fiji Islands trip was part of an international preaching effort to spread the Christian Gospel. The stop in the Fiji Islands was not for a layover, but rather for a scheduled ministry event. The Copelands did make layover stops in Maui and Honolulu during their October 2006 ministry trip to Australia and the Fiji Islands. The layovers were concomitants of these Church trips, were necessary to allow the pilots to rest, and also afforded the Copelands an appropriate opportunity to rest before and after the ministry events. The chosen destinations were logical points to stop. Each location had the appropriate runway and supporting services to make the stops, and such runways are limited when traveling across the Pacific Ocean. The Church provided the Senator with a copy of the Australia/Fiji Island trip itinerary.

The Church did not, however, provide Senator Grassley with the requested detailed accounting and the names and addresses of Church personnel who were present during the referenced layovers, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

21. In December 2006, the Copelands used the ministry jet for trips to Yampa Valley, CO, and the La Fonda Ranch in South Texas. Provide an explanation of the tax-exempt purpose of each trip, the names and addresses of the persons who were part of each trip and the hotel where personnel stayed. Provide a detailed accounting of the cost of each trip, including, but not limited to, salaries, housing, food, jet fuel, incidentals and any extra curricular activities. Which entity paid for these expenses? Who authorized the payment of these expenses?

Response: The Church explained to Senator Grassley that the Yampa Valley trip was a personal trip taken by the Copelands, who reimbursed the Church according to the policies and procedures described elsewhere in the Church's response to Senator Grassley. The Church further explained that the La Fonda Ranch trip was a Church-related trip, the purpose of which was to provide transportation to Church members related to an official Church-sponsored event. These Church members were stranded as the result of unforeseeable damage to their aircraft. The use of the Church's aircraft to pick up stranded Church members was an out-of-the ordinary use, but was approved by a Church officer based on the emergency and distressing nature of the situation.

The Church did not, however, provide Senator Grassley with the requested detailed accounting and the names and addresses of persons who were present on the referenced trips, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.

22. It has been reported to the Finance Committee from several independent sources that in celebration of KCM's 40th anniversary, there was a gathering of ministers from all over the country. It has further been reported that during this celebration, Kenneth Copeland was presented a "personal gift" in excess of \$2 million. Please provide the names and addresses of all ministers present at this celebration and the total amount received by the Copelands.

Response: The Church explained to Senator Grassley that the referenced event was not a Church event, but rather an informal effort of ministers and supporters of the Copelands' ministry to honor the Copelands with a gift on the 40th anniversary of their time in ministry and in honor of Rev. Kenneth Copeland's 70th birthday. The Church further explained that the Copelands received personal gifts or payments of less than \$2 million. In any case where it was unclear whether a gift was made to the Copelands personally or to the Church, the gift was treated as a donation to the Church.

The Church did not, however, provide Senator Grassley with the requested information regarding the amount of, or donor identity with respect to, any personal gifts received by Kenneth and Gloria Copeland, because the Church believes that the United States Constitution protects the Church from having to disclose such information to the Federal Government outside the context of a legitimate church tax inquiry conducted by the IRS.