

BENNY HINN MINISTRIES



September 9, 2008

The Honorable Charles Grassley
United States Senate
Washington, D.C. 20510

Dear Senator Grassley:

I will not soon forget the day in November 2007 that your office delivered the well-publicized letter to our offices in Dallas, Texas, requesting a breathtaking inquiry into the finances of our ministry.

As you are aware, our executive staff, legal professionals, and Board of Directors deliberated for some time regarding what our response was to be. Weighing the constitutional protections afforded a church against the greater burden of transparency to my congregants and partners, I knew after prayer, study, and the counsel of others that my higher duty was to the cause of the Gospel to which I have devoted my life.

It has been my practice in my life and ministry to give everything I have to whatever cause to which I dedicate my time, talent, and treasure. And when it came to our responses to your questions, I made the decision to do no less in this regard. Subsequently I directed my executive staff and professionals to cooperate fully, exhaustively, and go beyond what was requested. I believe you and your dedicated staff will confirm that, nearly 5,000 pages of production later, we have been thorough and comprehensive in our submissions.

Dear Senator Grassley, I want you to know that I honor the office and the authority given to you by the constituents of your beautiful home state of Iowa, who sent you to faithfully defend the constitution of our wonderful country. And although I might not have initially invited this far-reaching examination of our ministry, I do believe it has made us stronger, more vigilant, and ultimately more accountable to our congregants, members, and partners. Accordingly, this exercise has caused us to look more closely at the manner in which we have conducted business and has heightened an awareness of self-reforms that are the basis of the accompanying document. We have undertaken this endeavor with great sobriety and circumspectness, knowing that God Himself was a witness to the manner in which we deal with the most sacred of all trusts—the confidence and reliance of our partners.

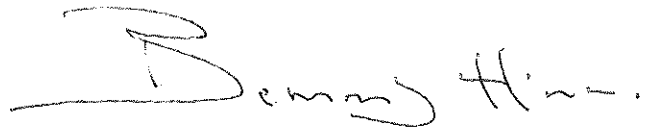
As you may also know, I was born in Jaffa, Israel, during a time of political turmoil and strife. As a child I remember watching my neighbor tend to the flowers in her garden and recall wondering why she would spend time caring for a garden that, in my mind, would soon be destroyed by the advancing thunder of war that reverberated in my mind. Because of incredible sacrifice on the part of my father, who rescued my young brothers and me, and brought us to the United States (via Canada), I am a citizen of the greatest nation on earth. Besides my faith in my precious Lord and residency in heaven itself, no association on earth holds greater meaning than my distinction as a citizen of the United States of America. The privilege afforded to me to travel the world preaching the Gospel of Jesus Christ is a right and honor that could not have been possible in any other place on earth.

So as an extension of my gratefulness to the nation that has given me opportunity beyond my wildest comprehension as a young boy trembling in the rumbling of war and with humility and gratitude, I have submitted the answers you have

requested and the documented reforms that came as a result of your inquiry. Moreover, I thank you for causing this ministry to look deeper and with greater introspection than ever before at the trust and privilege we enjoy.

And finally, I have directed my staff to a continuing dialogue of transparency, an openness to critique, and a commitment to urge others to follow the course we have followed so that we might bring honor to the God we serve and the Gospel we preach.

Respectfully yours,

A handwritten signature in cursive script, reading "Benny Hinn". The signature is written in dark ink and is positioned above the printed name.

Benny Hinn

MEMORANDUM

To: Michael D. Clarke
Cc: File
Date: September 10, 2008
Re: Policies and Procedures Recently Implemented by World Healing Center Church

At Pastor Hinn's request, I have prepared a brief summary of the governance review, corporate compliance, and operational reforms we have initiated under the direction of Pastor Hinn and the Board, the issues we uncovered in that process, and the steps taken to move the Church towards a "best-practices" model. That summary follows.

The Initial Review:

Background

Shortly after a reorganization of the Church's executive staff began, the newly appointed senior executives observed several facets of the Church's operation that they believed needed attention. Recognizing that these areas were of paramount importance, they reported their concerns to the Board. After extensive discussion, the Board, led by Pastor Hinn, determined it appropriate to continue to overhaul the senior staff, with the newly appointed executive staff given a mandate to work closely with the Board to make governance and internal restructuring a priority.

The newly appointed executive staff began the Board's mandated control and governance review.

After a series of initial reports to the Board, specifically addressing the issues the executive staff and the Board had uncovered, executive staff made an informal presentation to Pastor Hinn and the Board, making them aware of its overall concerns and Pastor Hinn commenced a round table discussion regarding how to proceed with addressing such concerns. Thereafter, the Board requested that the executive staff initiate under its guidance a thorough review of the Church's then-current governance procedures and update, edit, bolster, supplement, replace, or change such governance policies as needed to create a "best-practices" model for nonprofit corporate governance.

So instructed by the Board, as specifically spiritually charged by Pastor Hinn to ensure a Church of sound stewardship, you asked for and received my assistance in implementing the Board's directive. You and I then discussed at length the existing policies and controls, the issues they created, and possible steps to improve the same. Thereafter, in short order, you accepted the resignation of the Church's auditors, general counsel, and

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Memo to Michael D. Clarke
Governance Summary
September 10, 2008

multiple Church staff members. Concurrently, you observed some transition in the structure of the Church's Board of Directors.

The following represents a summary of the actions taken following such terminations through the present, under the initial and later stages of Senator Grassley's inquiry, to move the Church as directed by Pastor Hinn and the Board. Throughout this process, we were in communication with, reported to, and received specific instruction from Pastor Hinn and the Board as to where to direct priorities and energy.

Specific Steps Taken to Review the Church's Policies and Procedures

Status Review

a. Steps Undertaken

Initially, we reviewed all existing resolutions and policies, both formal and informal, regarding the governance of the Church. This review focused on the Church's practices concerning (i) the oversight of funds, (ii) the handling of funds domestically and internationally, and (iii) all matters requiring an expenditure of funds and the compliant use of such funds. We also focused on all aspects of governance and day-to-day operations, with an emphasis on creating or memorializing guidelines for review of and controls on related-party and third party interactions.

In connection with this and all subsequent reviews we undertook, we were empowered by the Board and Pastor Hinn to retain, consult, and request the advice and counsel of lawyers and others with specific expertise in nonprofit governance issues, including Larry Gibbs of Miller & Chevalier and Fred Goldberg of Skadden, Arps, Slate, Meagher & Flom (both former IRS commissioners, Mr. Goldberg having held this position when the current IRS rules regarding churches were considered and implemented) and Bruce Hopkins of Polsinelli Shalton Flanigan Suelthaus PC, perhaps the nation's most knowledgeable and respected nonprofit law practitioner.

The following represents a summary of the areas of review we undertook:

1. Reviewed the process by which compensation is set;
2. Reviewed the protocol by which major purchases (buildings, airplanes) are processed and approved;
3. Reviewed the then-current make-up of and efficacy of the Board;
4. Reviewed the use and purpose of the Church's parsonage;
5. Reviewed the operational practices of the Church, focusing on vendor relations and evaluation;
6. Reviewed the Church's related-party policies and actual practices;
7. Reviewed in detail past and present unrelated third-party evaluations of, comments, allegations concerning, and "newsmagazine" reports regarding the Church, without regard to their bias or motive, and compared the same to the actual facts to determine whether any compliance steps were required or recommended based thereon; and
8. Based on all the forgoing, sought and received further, specific input from the above-mentioned tax law professionals and prepared and presented a summary of the duties, responsibilities, obligations, and potential liabilities expected of and facing each individual serving as a Director of the Church.

b. Results of Status Review

This review revealed several categories of issues to be confronted: (i) Areas where the Church's practices were compliant, and a procedure was in place, but there was no written record of that procedure; (ii) Areas where controls had not yet been implemented, without regard to compliant behavior, and (iii) Areas where the

Church's actions were not compliant, without regard to whether a procedure was in place regarding such activity.

The following represents several examples of the areas where we recommended changes of one kind or another:

1. *Recommended the commissioning of a regular written executive compensation study, with regular updates:* While Pastor Hinn's salary has always been determined by the Board, based in part on a third-party salary review and evaluation, and while it was apparent that Pastor Hinn's salary was and had consistently been below those of other evangelists working in the same sphere, it was equally evident that a transparent process based on a third party review and recommendation would better suit the Church's needs and ensure that his salary would remain within an acceptable and reasonable range. Therefore, the Church commenced a best-in-class third-party salary review process, which for Pastor Hinn involves a review by a first-tier executive compensation firm on a bi-annual basis that makes an informed recommendation to the Board regarding Pastor's salary range and is available for Q&A with the Board regarding that recommendation. The final decision regarding Pastor Hinn's salary remains with the Board, which is an independent board (see paragraph 6).
2. *Relocation of Board Meetings:* For several years, meeting of the Board of Directors were held in leisure-centric locations and were convened to satisfy minimum board duties and requirements. After a review of that practice and the predicates therefore, the now-existent Directors determined that such meetings and related expenses were not sufficiently justified. Therefore, since 2005, the Church has held meetings more frequently, with a goal of quarterly meetings, and holds them either telephonically or in a more perfunctory location, or both. In addition, by meeting more often, the Board is now exercising more oversight over the policies and procedures of the Church and its operations.
3. *Cessation of WHCC provided vehicles:* Prior to 2005, it was routine for the Church to provide Pastor Hinn and his family with vehicles. (The value of the use of these automobiles was always included in their W-2s.) After a review of that practice and the predicates therefore, the Directors determined that the overall expense associated with providing vehicles was no longer reasonable. Therefore, commencing in 2005, the Church began to reduce the automobiles available to the Hinns and by 2007 had ceased providing any vehicles to Pastor Hinn or his family.
4. *Cessation of WHCC provided credit cards:* Prior to 2005, it was routine for the Church to provide credit cards to Pastor Hinn, his family, and related parties. These cards were sometimes used for personal expenses (which were repaid to the Church in due course). After a review of that practice and the predicates therefore, the Directors determined that such practice was no longer necessary. Therefore, beginning in 2006, the Church began to curtail the use of the cards by Pastor Hinn and his family and by the end of 2007, had eliminated them altogether. Now, no member of the Hinn family has a Church-issued credit card.
5. *Recommended the use of an aircraft feasibility study whenever such purchases are contemplated to inform all facets of the acquisition:* The Church had for some years acquired aircraft by purchase or lease without entertaining a study regarding what method, and what craft, best suited the Church's needs. After a review of that process, the Directors determined that a third-party review of the Church's aircraft needs, and whether it should own or lease such craft, was prudent. Therefore, the Church enacted a series of steps that provide for the use of a best-in-class review and recommendation process to determine the Church's specific craft needs, based on usage, travel schedule, destination locations chosen, and ownership and resale preferences. After that review is complete, the review entity makes a recommendation to the Board and is available for Q&A with the Board regarding that recommendation. The final decision for acquisition remains with the Board.

6. *Recommended changes within make-up of the Board of Directors:* Historically, Pastor Hinn had been primarily responsible for choosing the members of the Board. While he used stringent criteria, it was felt prudent to allow others a larger role in that process and thereby create a more independent Board of Directors. To that end, the Church expanded the size of the Board from three to five and created criteria regarding the qualities, experience, and competencies a potential director should possess. It also set forth a director search process. To this end, we also reviewed the existing Board make-up to determine who would not meet the revised criteria if nominated today. Thereafter, we commenced a search, and ultimately appointed, strong, independent directors with little to no personal relationship with Pastor Hinn and have in place a protocol to ensure only such directors are appointed in the future.

7. *Changes to the Ministerial Housing Allowance:* The Church had historically applied a liberal standard in granting housing allowances for its employees. After a review of that practice and the predicates therefore, we determined that the allowances were not fully supported nor were those being granted this designation practicing their ministerial duties at a level that the Directors felt was reasonable. Therefore, the process was overhauled, resulting in substantially more stringent qualifications and is offered to far fewer employees.

8. *Recommended changes to the specific use and purpose of the parsonage in light of Pastor Hinn's purchase of a home:* Upon Pastor Hinn's purchase of a home (for which he receives no parsonage allowance), the Church was faced with the decision regarding the continued use and viability of the property located at 34-35 Ritz Cove. Options included sale (in a declining market) or reclassifying the facility for a different purpose. After a detailed review of the available options, the Church decided the best use for the facility was as a retreat for Pastor's contemplation and study, Church-purposed entertaining, and for short-term overnight stays preceding or following travel. Thereafter, we prepared a resolution for Board consideration and execution regarding the repurposing of the parsonage as a retreat and setting rules and limits as to the use and operation of the newly created retreat.

9. *Recommended changes to and documentation of the operational practices of the Church – expenses:* As was evident from the dismissal of the Church's long-time auditors and outside accounting staff as well as its general counsel, operations at the Church as of 2004 were not as desired. As a result, a detailed review regarding each aspect of the Church's operation was undertaken. This included: (i) all handling of cash (whether at a crusade or on a business trip), (ii) all gratuities (whether at home or abroad), and (iii) all travel expenses and limitations for all personnel, including Pastor Hinn.

In each instance, while the manner in which cash was handled was generally acceptable and accountability was maintained at a basic level through true-ups, there were no written policies regarding any of these matters. We also determined that without such policies, personal transactions were carried on the Church's books longer than appropriate (e.g., Pastor Hinn's 2003 personal expenses repaid—with interest—in 2005) and were at risk of being categorized as private inurement or benefit. Therefore, we reviewed the policies of several substantial nonprofits in varying areas (churches, hospitals, humanitarian aid), we sought and received the input of outside counsel, and we applied biblical principles to this review. After doing so, we prepared a series of resolutions that set forth limitations and governing principals regarding the handling of and the reimbursement of cash and expenses on a going forward basis for Board consideration and execution. Further, the Church reviewed and thoroughly revised and tightened its Accountability Plan. Where the Church did a true up annually, it now does so not less than monthly and has imposed strict restrictions on the use and disbursement of any funds provided by the Church.

10. *Recommended changes to and documentation of the operational practices of the Church -- vendor relations and evaluation:* Our initial review of the vendor relations policies revealed a lack of a cohesive

approach to determine (i) which vendor was best suited for supplying goods and services to the Church, (ii) how to address the situation where a related party is competing as a current or prospective vendor with non-related parties, and (iii) how to generally evaluate the acquisition of services or products offered by a related party. The Church had no policy in place to guide the determination of whether the use of one vendor over another (whether or not a related party) was appropriate (preventing us, for example, from going back and reviewing purchasing decisions to determine whether they were appropriate).

We saw two problems with the then-existent situation: (i) The general principle of stewardship required better accountability for the use of donor funds and (ii) the situation was ripe with potential accountability issues in that there was no cohesive policy to be applied to guide and protect a purchaser for the Church when determining from which vendor to acquire services. To remedy this, we drafted a series of protocols to be used when evaluating products or services being offered by vendors and related parties. These protocols allow a purchaser to evaluate and compare product and services over a broad array of criteria to determine which is best for the Church and create a record substantiating that choice that can be reviewed and critiqued by others within the Church as needed or desired. Importantly, this now allows the Church to determine based on objective criteria whether it is prudent to use a family member for a specific task or service.

c. Specific Relevant Resolutions Passed and Policies Adopted by the Board During This Process

1. Resolution re Appointment of Additional Board Members;
2. Resolution re Policy re Reporting Violations of the Law or Company Policy;
3. Resolution re Policy re Acquisition of Vestments;
4. Resolution re Policy for Personal Use of or Access to Church-Owned Vehicles;
5. Resolution re Policy for Vendor and Acquisition Protocol;
6. Resolution re Conversion of Parsonage to a Retreat;
7. Resolution re Approval of Retreat Staff;
8. Resolution re Related-Party Transactions;
9. Resolution re Record Management;
10. Resolution re Layovers;
11. Resolution re Housing Allowances;
12. Resolution re Hotel Accommodations for Pastor Hinn;
13. Resolution re Gratuity Policy;
14. Resolution re Conflicts of Interest Policy;
15. Resolution re Cash Advance Policy;
16. Resolution re Policies and Procedures re Expense Reimbursements, Business Gifts, and Charitable Contributions;
17. Resolution re Qualifications for Consideration for and Serving as a Director of the Church, Duties, and Make-up of Same; and
18. Resolution re Benevolence Policy.