

APPENDIX
ATTORNEY'S INITIAL RESPONSE OF TWO-YEAR ORDEAL

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August 23, 2007

BY FEDERAL EXPRESS

Michael Allen
Assistant Attorney General
State of Kansas, Office of the Attorney
General
Consumer Protection and Antitrust Division
120 SW 10th Ave., 2nd Floor
Topeka, KS 66612-1597

**Re: Our Client: First Family Church
Paul Davis - Consumer Protection File C-07-001470
Patty Coleman - Consumer Protection File C-07-001490**

Dear Michael:

This letter contains a narrative response to the items listed in my letter of August 3, 2007 relating to the *Subpoena Duces Tecum* mailed to me on behalf of First Family Church ("FFC") on July 3, 2007. Enclosed with this letter are binders or documents tabbed to correspond to the items listed below, where applicable.

No. 1: Associate Pastor Jeremiah Johnston assisted counsel in responding to these requests. He may be contacted through the undersigned counsel.

No. 2: First Family Church, 7700 W. 143rd. St., Overland Park, KS 66233. (913) 681-3341.

No. 3: Not applicable.

No. 4(a): First Family Church is a church incorporated in the State of Kansas as a Not For Profit Corporation. Attached are the Amended and Restated Articles of Incorporation dated February 4, 2007; Annual Report filed with the Kansas Secretary of State on June 13, 2007, which lists the Officers and the Board of Directors. Items 4(b), (c), and (d) are Not Applicable.

No. 5: Not Applicable

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No. 6: Registered Agent is Corporate Creations Network, Inc. 2850 SW Mission Woods Drive, Topeka, KS 66614. See attached information from the Kansas Secretary of State website.

No. 7: FFC is currently recognized as a tax exempt organization. See attached IRS Group Exemption Letter and List of Churches under the Group Exemption.

No. 8: See response to No. 7. FFC is exempt from registration under K.S.A. 17-1762(k) as a corporation established for "religious purposes."

No. 9: See Article 4, "Purposes, Operations and Dissolution" of Amended and Restated Articles of Incorporation of First Family Church.

No. 10: See Amended Bylaws of First Family Church dated February 4, 2007 and Constitution and By-Laws of the First Family Church adopted May 31, 1996.

No. 11: See W-2 for each FFC employee for years 2005 and 2006. Also attached is a listing of job titles.

No. 12: See response to No. 11.

No. 13: FFC does not have any employee, board member, or church member whose primary purpose of their employment or relationship with FFC is to plan, manage, advise, consult or prepare materials for charitable solicitation on behalf of FFC. When FFC plans and executes a charitable solicitation, there is a team involved in planning and executing the solicitation that includes pastors, directors, church employees and church members. None of these people are compensated for such work separate from any regular compensation they may earn from FFC.

No. 14: Denied that Paul Davis is or was an employee of FFC. However, during 2004 an entity Paul Davis' company, Kaosweaver, did perform contract services for FFC and was paid a total of \$2,212.80. See attached schedule of payments.

No. 15: Not Applicable.

No. 16: Not Applicable.

No. 21: FFC purchased 60 acres in Overland Park, KS on July 6, 1998 for \$2,700,000 (see enclosed deeds). There was no donation of this property. On September 14, 1998, FFC sold approximately 30 acres of the 60 acres (see enclosed deed).

On June 23, 1999, FFC purchased approximately 13 adjacent acres for \$654,878 (see enclosed deeds). There was no donation of this property.

On December 23, 2005, FFC purchased 211 acres in Linn County, KS. The enclosed Sale Contract provided an acknowledgement by Seller and First Family Church that the fair market

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value of the property was \$566,500, that the purchase price was \$400,000, with the difference between the fair market value and the purchase price was considered a donation by the Seller. A contribution receipt was issued by FFC to the Seller in the amount of \$166,500. In addition, another donor had agreed to make a donation to FFC each year sufficient to make the annual payment under the purchase money promissory note.

No. 22: The only "building project" for which FFC has solicited charitable contributions that were intended to be used toward building costs (as compared to building contents) was the 2003 Children-Youth Building Campaign. The "goal" of the campaign was to raise \$8.5 million. There was no solicitation of charitable funds for the "main sanctuary or church structure."

No. 23: [to be provided]

No. 28: You have inquired regarding charitable solicitation information as it related to the Gray's missionary work, including the total amount solicited and the total amount received for that particular missionary project.

Bobby and Heidi Gray are former FFC church members who were doing mission work in the Czech Republic. In January 2005, FFC made a gift to the Gray's of \$616 for transportation expenses. In September 2005, the Gray's met with FFC leaders about additional support for their work. At that time, FFC agreed, subject to available funds and continued support of the mission, to send the Gray's \$2,000 per month. FFC made clear that FFC could not be the primary source of support for the Gray's and that the Gray's would need to supplement FFC support from other sources. There was no solicitation of funds by FFC for this mission other than \$1000 was raised at the vacation bible school by the church's children's director. During the balance of 2005, FFC sent the Gray's an additional \$7000, for a total of \$7616. Unfortunately, FFC was not able to send more money to the Gray's at the end of 2005 and early 2006 as a result of low cash flow caused by ongoing construction of the Children-Youth Building. On January 30, 2006, the Gray's advised FFC that they were releasing FFC from any further financial support of their ministry. The Gray's also advised FFC on February 9, 2006 that the Gray's needed to return to the United States to meet the medical needs of one of their children and were not returning to the Czech Republic. FFC offered to assist in paying transportation expenses back to the United States, but the Gray's declined any such assistance.

No. 30: In 2006, FFC conducted a Senior High Camp and a Middle School Camp. The Senior High Camp was conducted June 10-17, 2006 in Panama City Beach, FL. The Camp Fee was set at \$465 per student. The Middle School Camp was conducted July 10-14, 2006 in Roach, MO. The Camp Fee was set at \$275 per student. Total fee revenues for both camps was \$151,088.85. The total cost of operating the camps, exclusive of compensation of FFC employees, was \$169,188.57.

In 2005, FFC conducted a Senior High Youth Camp. The Camp was conducted June 11-18, 2005 in Panama City Beach, FL. The Camp Fee was set at \$400 per student. The Middle

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School Camp was conducted July 11-15, 2005 in Roach, MO. The Camp Fee was set at \$275 per student. The total fee revenue for both camps was \$92,339.26. The total cost of operating the camps, exclusive of compensation of FFC employees, was \$131,887.94.

No. 31: FFC solicited contributions for the 2006 Camps by conducting a Garage Sale on October 18, 2005 which raised \$4000.76; a golf tournament which raised \$14,802.62 in excess of expenses; one donor also sponsored four students with a contribution of \$1,860; there was also a Love Offering for an additional bus (needed because so many students signed up for camp) which raised \$6,800.

FFC solicited contributions for the 2005 Camps by conducting a garage sale in March 2005 which raised \$3,500; a golf tournament which raised \$22,860.04 in excess of expenses; and a Youth Love Offering to raise camp scholarship funds for students from a church in Olathe of \$8,960.

No. 35: FFC's stance is that tithing is between the individual and God. FFC has never made the tithe mandatory for membership, though it is encouraged. FFC provides materials to church members relating to tithing and other matters of Christian discipleship. The Membership Kit provided to church members has included compact discs containing materials relating to tithing. Enclosed are two recordings titled "Living The Blessed Life" and "It's the Heart of the Matter." Also enclosed is a tithing form entitled, "I Am Living the Blessed Life.

No. 39: Attached is a listing of all FFC accounts at financial institutions and the statements for those accounts for the last two years.

No. 40: FFC payroll is paid from Account 24201 at Valleyview Bank.

No. 41: See response to No. 39.

No. 42: There were no financial transactions between FFC and Jerry Johnston Publications since January 26, 1995.

No. 43: Not Applicable.

No. 44: Not Applicable.

No. 45: The FFC Board of Directors has entered into contracts with J Cubed Media, LLC under which J Cubed purchases broadcast time from media outlets. J Cubed negotiates and contracts directly with media outlets. The invoices from the media outlets show an actual gross billing, agency commission and net due to the media outlet. FFC pays J Cubed the actual gross billing. J Cubed then pays the net due to the media outlet and retains the agency commission, as is customary in the industry. The industry standard agency commission is 15%. Attached is a schedule of all such transactions since July 26, 2004.

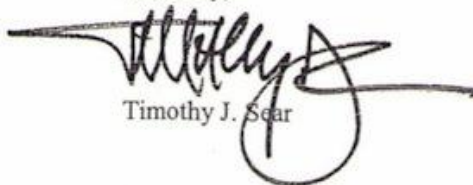
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No. 46: Copies of all invoices from media outlets to J Cubed are enclosed. See also response to No. 45.

No. 47: See responses to No. 45 and 46.

Sincerely,

A handwritten signature in black ink, appearing to read 'Timothy J. Sear', with a large, stylized flourish extending to the right.

Timothy J. Sear

TJS:smg

cc: David Middlebrook; Anthony & Middlebrook, P.C.
Bruce Hopkins, Esq.
Pastor Jerry Johnston

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