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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In Re Applications of	)	MM Docket No. 93-75
TRINITY BROADCASTING OF FLORIDA,	)	
INC.	)	BRCT-911001LY
For Renewal of License of	)	
Television Station WHFT(TV)	)	
Miami, Florida	)	
GLENDALE BROADCASTING COMPANY	)	BPCT-911227KE
For Construction Permit	)	
Miami, Florida	)	

VOLUME II-F

HEARING EXHIBITS

TRINITY BROADCASTING OF FLORIDA, INC.  
TRINITY BROADCASTING NETWORK  
NATIONAL MINORITY TELEVISION, INC.

TBF Exhibit 116

TRINITY BROADCASTING OF FLORIDA,  
INC.,

TRINITY BROADCASTING NETWORK,

NATIONAL MINORITY TELEVISION,  
INC.

Mullin, Rhyne, Emmons and Topel,  
P.C.  
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**VOLUME II-F**

**HEARING EXHIBITS**

**TRINITY BROADCASTING OF FLORIDA, INC.  
TRINITY BROADCASTING NETWORK  
NATIONAL MINORITY TELEVISION, INC.**

TBF Exhibit 116 . . . . Testimony of David Scott Morris



**TESTIMONY OF DAVID SCOTT MORRIS**

My name is David Scott Morris. The following is my sworn testimony for submission to the Federal Communications Commission in MM Docket No. 93-75.

I.

1. I am a certified public accountant with the firm of Goodrich, Goodyear and Hinds, 6700 East Pacific Coast Highway, Long Beach, California 90803. We have been the outside auditors for National Minority Television, Inc. ("NMTV") and Trinity Broadcasting Network, Inc. ("TBN") since early 1990. I have conducted a study of the books and records of NMTV (formerly known as Translator T.V., Inc. ("TTI")) and of TBN for the purpose of ascertaining, insofar as it is now possible to do so, how the tax returns for TTI/NMTV (Federal Form 990, California Form 199) for the years 1980 through 1988 were prepared, whether those returns contained any erroneous entries, and, if so, whether and how the errors were corrected. I have also reviewed TBN's loans or advances to TTI/NMTV and other entities to determine amounts loaned, amounts repaid, and the present status of the indebtedness. The records I examined and the persons with whom I consulted are indicated in the body of

Federal Communications Commission

Docket No. 93-75 Exhibit No. TBF 116

Presented by Topel  
W. Thadman

Disposition { Identified \_\_\_\_\_  
Received \_\_\_\_\_  
Rejected \_\_\_\_\_

Reporter A. Wilson

Date 12-2-93

the report. I also consulted during my investigation with counsel for TBN and NMTV.

## II.

2. NMTV was incorporated as TTI on September 16, 1980, under the California Nonprofit Religious Corporation Law. TTI applied to the IRS for tax-exempt status, which was granted in August 1981. The company changed its name to NMTV in February 1987.

3. Between November 1980 and June 1981, TTI filed 17 applications with the FCC for construction permits for translator stations. It is my understanding that in 1980-81, the FCC's policies, rules and procedures for television translators were evolving, and the FCC did not act on TTI's applications. In April 1981, the FCC imposed a freeze on new translator applications; the freeze was not lifted until 1987. In March 1982, the FCC adopted new rules and policies for translators, now known as Low Power Television Stations or LPTV stations. In May 1983, the FCC prescribed procedures for selecting LPTV grantees through a lottery process. In February 1984, TTI filed with the FCC its first certifications as a participant in the LPTV lotteries.

4. NMTV had no broadcast authorizations prior to June 1987, when it acquired a construction permit for a full-power television station in Odessa, Texas. NMTV commenced building

the station in late 1987, and it went on the air in October 1988. NMTV received its first grant for an LPTV station in June 1988.

5. Prior to this time, NMTV had no employees and no bank account. It opened its first bank account in June 1987, and it hired its first employee in May, 1988.

### III.

6. TBN is also a non-profit corporation. Beginning with TBN's audited financial statements for the 17-month period ending December 31, 1981, and continuing with the audited statements for each calendar year 1982 through 1987, TBN's auditors prepared each year a combined balance sheet and a combined statement of revenues and expenses both of which included separate columns for TBN (actually, for TBN and its wholly owned subsidiary, International Panorama TV, Inc., or IPTV) and for a number of other companies, including TTI. For example, in the auditor's report for the 17 months ending December 31, 1981 (the first audited report after the formation of TTI), the combined balance sheet and the combined statement had columns for nine entities. There was a column for Trinity Broadcasting Network, Inc. & Subsidiary (i.e., TBN and IPTV). There were separate columns for Trinity Broadcasting of Arizona, Inc. ("TBA"); Trinity Broadcasting of Denver, Inc. ("TBD"); Trinity Broadcasting of Florida, Inc. ("TBF"); Trinity

Broadcasting of Hawaii, Inc. ("TBH"); Trinity Broadcasting of Indiana, Inc. ("TBI"); Trinity Broadcasting of Oklahoma, Inc. ("TBOC"); Trinity Broadcasting of Seattle, Inc. ("TBS"); Trinity Broadcasting of Texas, Inc. ("TBT"); and Translator T.V., Inc. ("TTI"). There were changes in the lineup of companies in subsequent reports, but TTI was included in each year through 1987 (in 1987 with its new name, NMTV).

7. The auditors' reports are not clear or consistent as to the basis for including TTI in the combined statements as an "affiliate." The 1981 report contained a note that undertook to explain why various companies were included in the combined statements. The note did not mention TTI or explain the basis for including a TTI column in the combined balance sheet and the combined statement of revenues and expenses. The note did, however, refer specifically to every other company shown on a separate column on those statements (i.e., TBN, TBA, TBD, etc.). The note stated (and notes in the reports for 1982 and 1983 contain similar statements) that the combined financial statements included the accounts of TBN and its subsidiary, IPTV, and also the accounts of "its affiliates," which were listed as TBA, TBD, etc. TTI was not included in that listing. The note stated that the basis for combining the listed companies (TBA, TBD, etc.) with TBN was that: "The majority of the Board of Directors of each of the affiliate companies consists of individuals who are also members of the Board of

Directors of TBN." However, I am advised that that was also the case with TTI, which was not listed in the note along with TBA, TBD, etc. That is, two of TTI's three Directors, Rev. Crouch and Mrs. Duff, were also Directors of TBN. I understand that in 1984 Mrs. Duff ceased to be a Director of TBN, and from then on it was no longer true that a majority of TTI's Directors were also TBN Directors. Nevertheless, TTI was included in the combined statements for 1984, 1985, 1986 and 1987.

8. The auditor's reports for 1981 through 1983 were prepared by the accounting firm of Main, Hurdman. The reports for 1984 through 1988 were prepared by the firm of Huffman & Co. The 1989 report and all subsequent reports have been prepared by my company, Goodrich, Goodyear & Hinds. As already noted, NMTV did not appear in the combined reports after 1987, the year in which it began to be an active company.

9. In the reports prepared by Huffman & Co. for 1984 through 1987, there was no auditor's note similar to the note mentioned in Paragraph 7, above, in the Main Hurdman reports for 1981 through 1983. In the Huffman-prepared report for 1984, there was "a list of TBN and its Subsidiary and Affiliates." TTI was included as one of two "Direct Affiliates" with this listing: "Translator T.V., Inc. (Designed to Build Translators)." The wording changed in the 1985 report, which stated: "Following is a list of TBN and its Subsidiary and Affiliates by region and direct financial relationships. The

following format is for Financial Statement purposes only."

(Underlining in original.) Otherwise, the listing was the same as for 1984. That is, TTI was listed as one of two "Direct Affiliates" and its name was followed by "Designed to Build Translators." The other "affiliates" (TBA, TBD, etc.) were grouped geographically: "TBN Western Affiliates ... Midwest TBN Affiliates ... Eastern TBN Affiliates." The reports for 1986 and 1987 were the same except that the parenthetical statement "Designed to Build Translators" was omitted.

10. The TBN audited report for 1987 was the last to include NMTV in TBN's combined balance sheet and combined statement of revenues and expenses. Beginning with the year ending December 31, 1988, a separate audit report has been prepared for NMTV. Huffman & Co. prepared the report for 1988, and Goodrich, Goodyear & Hinds has prepared the report for each subsequent year.

#### IV.

11. As a tax-exempt, non-profit corporation, TTI was required to file annually Form 990 with the IRS and Form 199 with the State of California. TTI first filed these information returns in August 1981 for the year 1980. The Federal Form 990 for 1980 gave the reporting period as September 19 through December 31, 1980. The State Form 199 stated the period as September 16 through December 31. Both returns stated that TTI

had received contributions (\$31,033), incurred expenses (\$19,436 exclusive of depreciation of \$3,812), and acquired assets (\$61,012 less depreciation of \$3,812) in 1980. The expenses were in five categories: "Other Professional Services" -- \$385; "Rental and Maintenance of Equipment" -- \$15,542; "Utilities" -- \$767; "Advertising-Legal Notices" -- \$537; and "Rent-Land Lease" -- \$2,205. Both returns also reported that as of December 31, 1980, TTI had a liability ("Intercompany Payable") of \$49,415 (i.e., cost of assets plus expenses less contributions).

12. As explained in more detail below, these revenue and cost items were the amounts that Trinity Broadcasting Network, Inc. ("TBN") had shown on its books as allocable to TTI. For example, the amount of \$31,033 that TTI reported on the 1980 Form 990 as "Contributions ... Directly from the public" (Part I, line 1(a)) was, so I have been advised, the portion of TBN's receipts from a November 1980 telethon that TBN had credited on its books to TTI.

13. One of the questions on Form 990 (Part VI, line 72) was whether "the organization [is] related ... through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organizations ... ?" If the answer was yes, then the reporting entity was to "enter the name of the organization" and indicate whether it was exempt or non-exempt. TTI responded on the 1980 Form 990 with a statement that listed nine entities as "Related Organizations": TBN, TBD, TBF, TBS,

TBA, TBH, TBT, TBOC, and IPTV. IPTV was identified as non-exempt. The status of the others was given as "Exempt. In 1981, 1982 and 1983, the same question (now Part VII, line 80) was left blank on the form although a statement of related organizations (TBN, TBA, etc.) was attached. For 1984 through 1987, the question was answered "Yes" and a statement of related organizations was attached.

14. Line 79 of Part VI called for the name, address and telephone number of the custodian of the books. TTI responded that its books were in the custody of TBN, and it gave TBN's address and telephone number.

15. TTI stated on Schedule A of the 1980 Form 990 that "Trinity Broadcasting Network, Inc., allocates general and administrative expenses to the taxpayer." This was a note to TTI's "Yes" answer to the question in Paragraph 2(c) of Section II of the Schedule: "During the year have you, either directly or indirectly, engaged in any of the following acts with a trustee, director, principal officer or creator of your organization, or any organization or corporation with which such person is affiliated as an officer, director, trustee, majority owner or principal beneficiary: ... (c) Furnishing of goods, services or facilities?"

16. In response to another question on the 1980 Schedule A (Part IV, line 6), TTI checked that it was "An organization

that normally receives a substantial part of its support from a governmental unit or from the general public."

17. There were, of course, no tax consequences to the revenue, expense and balance sheet information that TTI reported on Federal Form 990 and State Form 199. TTI, like TBN, was tax-exempt. Moreover, for the years 1981 through 1987, TTI was not even required to provide the revenue, expense and balance sheet figures that it did, in fact, provide on these forms. I do not know why the auditors chose to file information that was not required. Federal Form 990 does not require the exempt organization to provide any financial information if it checks a box stating that "gross receipts are normally not more than \$25,000." (For 1980 and 1981 tax returns the cut-off figure was \$10,000.) TTI checked that box on the Form 990s for each of the years 1981 through 1985. It did not check that box for 1986 or for 1987 (by which time the name had changed to NMTV), which was clearly an oversight because the 1986 return showed no revenues and the 1987 return showed only \$5,176. TTI did not put expense or balance sheet figures on the Form 990s for 1981, 1982, and 1983. The company did, however, put expense and balance sheet information on the Form 990s for 1984 through 1987 even though it was not required to do so.

18. California has a Form 199B, which may be filed in lieu of Form 199 if the gross receipts are less than \$25,000. It requires no financial information other than a certification

that gross receipts are normally less than \$25,000. TTI filed Form 990B only in 1983. In every other year between 1982 and 1987, TTI filed a Form 990. For 1981, 1982, and 1984, the Form 990s contained expense figures and for 1982 and 1984 (but not 1981) balance sheet data. The 1985 Form 990 contained expense and balance sheet figures. The 1986 Form 990 gave balance sheet figures and attached the Federal Form 990 for expense figures. The 1987 Form 990 attached the Federal Form 990 for revenue, expense and balance sheet figures.

V.

19. The amounts stated on the Form 990s and Form 990s for 1980 through 1987 for revenues, expenses, assets, liabilities and depreciation are consistent with entries in the TTI columns of the combined balance sheets and combined statements described in Paragraph 6, above.

20. As stated in Paragraph 11, above, the 1980 Form 990 and Form 990 reported contributions of \$31,033, expenses of \$19,436, the acquisition of assets costing \$61,012, and depreciation of \$3,813. The cost of the assets (\$61,012) plus the expenses (\$19,436) less the contributions (\$31,033) was \$49,415, and that amount was reported on the tax forms as an "Intercompany Payable." These numbers cannot be matched with an audited statement because there was no separate audited statement for 1980. The first relevant audited statement is for

the 17-month period ending December 31, 1981. Therefore, to relate the figures from TTI's 1980 returns to an audited statement it is first necessary to add to them the analogous entries on the 1981 returns.

21. The 1981 Form 990 contained no figures for that year for revenues or expenses and did not have to do so. In the 1981 Form 199, however, TTI reported zero receipts and expenses totalling \$46,418. ("Rent" -- \$20,344; "Professional Fees" -- \$128; "Advertising" -- \$3,192; and "Repairs and Maintenance of Equipment" -- \$22,754.)

22. The combined 1980 and 1981 figures for receipts and disbursements can be traced to the TTI column in the combined statement in Main Hurdman's audited statement for the 17 months ending December 1981. That statement showed revenue for TTI of \$31,033 (the revenue figure on TTI's Form 990 and Form 199 for 1980). It showed expenses totalling \$65,853 (\$27,857 in "Supporting services: General and administrative" and \$38,296 in "Programming Services: Broadcasting and programming production.") These are the totals of the expense figures reported by TTI on its 1980 returns (Form 990 and Form 199) and on its 1981 Form 199. Thus, TTI's 1980 returns showed \$19,436 in expenses (before depreciation) and its 1981 Form 199 showed \$46,418. Those two figures total \$65,854. The combined statement for the 17 months ending December 31, 1981, shows

"Total Expenses" for TTI as \$65,853, apparently a rounded off figure.

23. It is not possible to determine from the records now available what portion of the translator expenses reported for 1980 (\$19,436) or 1981 (\$46,418) were for expenses associated with the 17 translator applications that TTI filed in those years and what portion was for other TBN expenditures relating to translators. It is clear, however, that the practice began in 1980 and 1981 of recording all TBN expenditures relating to translators as an advance to TTI. As a result, the TTI columns on the combined statements for the 17-month period ending December 31, 1981, and the revenue, expense, and balance sheet entries in TTI's 1980 and 1981 tax returns showed TTI as owning translator equipment and incurring translator expenses. TBN's accounting department continued to keep the books in the same way in succeeding years.

24. This was an error. The erroneous practice continued, however, until February, 1987. (In Paragraphs 34-36, below, I discuss in more detail the correction of the errors on tax returns and in the books and records of TBN and NMTV.)

25. In 1980, TBN spent \$61,012 to purchase translator equipment, and in 1981, it spent \$62,839. The total, \$123,851, appears in the TTI column as "Property and Equipment, less accumulated depreciation" in the combined balance sheet for the

period ending December 31, 1981. The 1980 figure (\$61,012) appears on the balance sheet portion of TTI's 1980 Form 990 and Form 199. The balance sheet portions of TTI's Form 990s and Form 199s for 1981 through 1983 were left blank. For 1984 through 1987, the balance sheets on the tax returns and the TTI column (in 1987, the NMTV column) on the combined balance sheets showed the following amounts for assets less accumulated depreciation:

1984	\$202,495
1985	\$202,112
1986	\$182,653
1987	\$156,560

26. As with the translator expense figures for the same period, these asset figures should not have been allocated to TTI or NMTV. TTI did not, in fact, acquire or own any translator equipment or other non-cash assets in the years 1980-86.

27. David Sumner is the only person now in TBN's accounting department whose tenure goes back to 1980. Mr. Sumner believes that it was William Phipps, who was then Director of Finance, who decided that all items relating to translators should be allocated to TTI and that this decision was made after Mrs. Duff requested early in 1981 that a balance sheet be prepared for TTI. Mr. Phipps, who left the company in

1981, has no clear recollection of making the decision (or of preparing the balance sheet referred to in Paragraph 28, below). Mr. Phipps has reviewed, at my request, memos that he prepared dated December 1, December 3, and December 4, 1980, as well as a letter of November 10, 1980, from Colby May to Mrs. Duff, all of which relate to translators, but these have not aided his recollection.

28. The earliest document I have located reflecting the practice is the unaudited balance sheet for TTI as of December 31, 1980, that TTI filed with the FCC on February 17, 1981, as part of an amendment to its translator applications. Mr. Sumner believes that Mrs. Duff asked him to prepare a balance sheet for TTI, and that he was uncertain as to how to proceed and discussed the matter with Mr. Phipps. He believes that Mr. Phipps prepared it. The balance sheet filed with the FCC is captioned "TRANSLATOR TV, INC." I have located what appears to be another version of the same balance sheet, but captioned "TRANSLATOR, INC.", which Mr. Phipps, Director of Finance, signed as preparer. Both versions of this balance sheet show the same figure for translator equipment (\$61,012.68) that was later to appear on the balance sheet in the 1980 Form 990 and Form 199, which were signed on August 12, 1981. However, there are minor differences between this early balance sheet and the later-prepared tax returns and combined statements. The early balance sheet shows liabilities ("Accounts with Affiliates") of

\$51,120, as compared to \$49,415 on the tax forms. It also shows expenses of \$21,141, as compared to \$19,436 on the tax forms. These differences are probably attributable to the fact that the earlier balance sheet, in both versions, was based on unaudited figures.

29. The practice of attributing all translator items to TTI that apparently began with the preparation of a TTI balance sheet early in 1981 continued through February 1987. Moreover, each of the translator expenditures (whether for equipment purchases or for translator expenses) was also treated as an advance by TBN to TTI (with the qualification that, in 1985 and 1986, relatively minor portions of the translator expenses were booked as advances from TBA or TBD rather than TBN). The result of this process was that at the end of 1986 the TTI column on the combined balance sheet showed TTI's assets as "PROPERTY AND EQUIPMENT - Less Accumulated Depreciation" at \$182,653 and its liabilities as "Amount Due Affiliates" at \$627,599. (The \$627,599 was divided as follows: \$611,312 owing to TBN, \$6,866 to TBA, and \$9,421 to TBD.)

30. In January 1987, TTI undertook to purchase the construction permit for the Odessa station and in February 1987 the company changed its name to NMTV. The practice of recording all translator items to TTI's account ended at that same time (i.e., the end of February 1987). Thereafter, NMTV's books and records were kept separately. Before the practice ended,

however, an additional \$11,293 had been recorded in 1987 as a TBN advance to TTI for translator expenses and an additional \$597 as an additional TBA advance to TTI for translator expenses. At that point, the records showed that TTI owed \$622,604 to TBN, \$7,463 to TBA, and \$9,421 to TBD.

31. Mr. Sumner has no specific recollection of the change that occurred at the end of February 1987. Nor does Terrence Hickey, who was Director of Finance at the time. Mr. Huffman, the outside auditor, has no recollection except that there was some discussion at the time about NMTV accounting. It is clear, however, from my examination of the records that the change did occur at that time.

32. On June 25, 1987, NMTV opened a checking account at a branch of Mitsubishi Bank. This was the company's first bank account. I have seen a resolution authorizing the opening of a bank account was adopted at a meeting of NMTV's Board of Directors on June 22, 1987. The account was opened with a \$500 advance from TBN. On June 30, 1987, another \$100,000 was advanced by TBN. On July 1, 1987, \$99,000 was withdrawn from the account to purchase a certificate of deposit in NMTV's name with American Diversified Savings, with the monthly interest on the certificate going into the NMTV checking account. On November 30 or December 1, 1987, TBN advanced another \$100,000 to NMTV and NMTV purchased a \$100,000 certificate of deposit in its name at Far West Savings. The first certificate matured on

December 28, 1987, and NMTV repaid the \$99,000 to TBN. The second certificate matured in 1989, and NMTV repaid that \$100,000 to TBN at that time.

33. TBN made another \$20,000 advance on December 22, 1987. It was deposited in the checking account. NMTV drew on the account in 1987 to pay \$22,000 to acquire land for the Odessa station. Checks were also drawn on the account during 1987 to pay for newspaper public notices for NMTV's LPTV applications in seven communities. All of the other disbursements from the checking account were also for NMTV purposes. That is, none of them were for translator expenses of TBN or TBA, TBD, etc.

34. After NMTV became active in 1987 (that is, after the change in the company name, the opening of the bank account, and the cessation of the prior accounting practice of attributing all translator expenses to TTI), TBN advanced a total of \$221,954 to NMTV during that year, of which \$99,000 was repaid (see Paragraph 32, above), leaving an NMTV indebtedness to TBN at the end of 1987 of \$122,954. As a result of the prior accounting practice, the books still showed (see Paragraph 30, above) \$622,604 owed to TBN, \$7,463 owed to TBA, and \$9,421 owed to TBD. These obligations were eliminated by TBN's assumption of TTI's assets and liabilities as they stood at the end of February 1987. TBN's assumption of TTI's assets and liabilities was reflected in TBN's Form 990 for 1987 and was explicitly stated in NMTV's Form 990 for 1988. However, the combined audit

report for 1987 was prepared with an NMTV column in both the combined balance sheet and in the combined statement of revenues and expenses. TTI's assets and liabilities as they stood at the end of February 1987 were, therefore, included in the NMTV column in the combined balance sheet for 1987. (This did not happen in 1988 or subsequent years, when there was a separate audit report for NMTV and no NMTV column in the combined statements.)

35. NMTV's Form 990 for 1988 contained a note stating: "TBN - Assume all of T.V. Translator's assets and liabilities." The result was that Line 21 in Part I of the return gave the company's net worth at the end of 1988 as \$28,476. NMTV's assets at that point were correctly stated in Part V of Form 990 as \$1,229,592. NMTV's liabilities, principally its debts to TBN for TBN advances for Odessa and Portland, was \$1,201,116. The difference, \$28,476, was NMTV's worth. The same figures for NMTV assets, liabilities and net worth appear on NMTV's 1988 Form 990 and on the separate NMTV audit report for 1988. (The last year in which NMTV was included in the combined statements for TBN and its affiliates was 1987. Since 1988, NMTV has had separate audit reports.)

36. To sum up: The TTI/NMTV tax returns for 1980 through 1988 reflected an erroneous accounting practice of attributing to TTI the translator expenses of TBN (and, to some extent, of TBA, TBD, etc.) and reporting those expenses as advances or

loans to TTI. That practice ended in February 1987, when NMTV became an active company and acquired the construction permit for a full-power television station. The accounting error was corrected by TBN's assumption of all of TTI's assets and liabilities as reflected in TBN's 1987 Form 990 and NMTV's 1988 Form 990.

## VI.

37. As stated in Paragraphs 30, 32, and 34, above, during 1987 TBN advanced \$221,954 to NMTV, of which \$99,000 was repaid. At the end of that year, NMTV owed \$135,454 to TBN (\$220,500 in cash advances less a \$99,000 repayment plus \$1,454 in allocated legal costs, plus \$12,500 advanced for NMTV's Odessa construction permit). By the end of 1988 NMTV's indebtedness to TBN had increased to \$1,859,943, by the end of 1989 to \$3,735,571, and by the end of 1990 to \$4,251,848. By the end of 1991 the amount owed had decreased to \$4,088,652. At the end of 1992 the obligation was \$5,030,442.47; and on January 1, 1993, NMTV executed a promissory note for that amount.

38. The most significant factor in the obligation was TBN advances to NMTV. As noted (Paragraphs 30, 32, 34, and 37, above), TBN advanced \$221,954 in 1987, of which \$99,000 was repaid. In 1988, an additional \$942,582 was advanced. In 1989, \$1,305,000 was advanced and \$100,000 was repaid. In 1990, \$410,000 was advanced. In 1991, \$4,000,000 was loaned, and it

was repaid with interest of \$11,681 that same year after NMTV's Wilmington purchase failed to materialize. In 1992, another \$1,000,000 was loaned.

39. Another factor was payments by TBN for equipment purchases for NMTV or other NMTV expenses. In 1988, TBN paid \$769,377 for NMTV's Portland station and \$3,855 for Odessa assets. In 1989, TBN paid \$843,671 (including \$407,181 for Portland and \$308,383 for LPTV equipment). In 1990, TBN paid \$79,435 for LPTV equipment and \$20,278 for LPTV expenses. In 1991, TBN paid NMTV costs of \$10,994 and in 1992, \$25,556.

40. The indebtedness was also affected by TBN's charging to NMTV the NMTV portion of expenses such as legal costs. These were principally from the bills submitted by the law firm of May & Dunne. Listed below are the costs allocated to NMTV from 1987 through 1992 and the portion of each year's amount attributed to the May & Dunne bills:

	<u>Expenses Allocated to NMTV</u>	<u>Amount from May &amp; Dunne Bills</u>
1987	\$ 1,454	\$ 1,454
1988	13,965	13,112
1989	12,551	10,480
1990	11,156	10,606
1991	62,903	60,160
1992	93,434	41,811

Each May & Dunne bill listed for various entities (TBA, TBD, TBN/General, etc.), the hours charged for attorney time and for clerk time, and the expenses incurred for that entity. Beginning with the bill dated February 17, 1987, for the period January 12-February 13, 1987, NMTV was included in the list of entities, and each bill gave the attorney hours, clerk hours, and expenses for NMTV. The amount to be allocated to NMTV from each bill was calculated in the TBN accounting department from the information given on that bill for NMTV hours and NMTV expenses, and the same was done for each other entity.

41. NMTV'S indebtedness to TBN was also substantially affected by the treatment of amounts received by TBN from donors in zip codes in areas where NMTV operated stations. For example, in 1991 TBN received \$1,180,809 from Portland zip codes of which \$1,132,943 was credited to NMTV in that year. (The two amounts are not equal because there was always a lag between TBN's receipts and the crediting to NMTV's account.) The \$1,180,808 was, in effect, a reduction in NMTV's indebtedness to TBN and the \$1,132,943 was, in effect, an increase in that indebtedness. The effects of the treatment of NMTV's share of network airtime charges were similar. For example, in 1991 the NMTV stations' share of TBN receipts from the purchasers of time on the network was \$574,412, of which \$530,694 was credited to NMTV during the year. The effect was to reduce NMTV's indebtedness to TBN by \$574,412 and to increase it by \$530,694.