

When NMTV generated production revenue of \$9,473 in 1991, that had the effect of decreasing the indebtedness by that amount. The following table shows the impact of these factors on NMTV's indebtedness in each year as well as the cumulative impact. Thus, in 1988 the effect was to decrease the indebtedness by \$5,289; in 1989 the effect was to decrease the indebtedness by \$130,654; so the cumulative impact at the end of 1989 was the sum of those figures, or a reduction in the indebtedness of \$135,944. The table shows that, by the end of 1992, the cumulative impact was to decrease NMTV's indebtedness to TBN by \$318,899.

	Total	Odessa Zip Revenue	Portland Zip Revenue	Network Airtime	Low Power Zip Revenue	Production Revenue
1988						
Revenue received	(130,050.03)	(130,050.03)				
Revenue paid to NMTV	124,760.59	123,694.59	1,066.00			
Remaining amount due for 1988	(5,289.44)	(6,355.44)	1,066.00			
1989						
Revenue received	(679,915.77)	(159,939.59)	(276,016.98)	(243,959.20)		
Revenue paid to NMTV	549,261.07	154,627.26	275,688.38	118,945.43		
Remaining amount due for 1989	(130,654.70)	(5,312.33)	(328.60)	(125,013.77)		
Cumulative amount due	(135,944.14)	(11,667.77)	737.40	(125,013.77)		
1990						
Revenue received	(1,433,088.51)	(191,879.62)	(703,124.24)	(538,084.65)		
Revenue paid to NMTV	1,467,987.25	195,216.97	688,100.72	584,669.56		
Amount repaid in 1990	34,898.74	3,337.35	(15,023.52)	46,584.91		
Cumulative amount due	(101,045.40)	(8,330.42)	(14,286.12)	(78,428.86)		
1991						
Revenue received	(2,172,888.80)	(45,185.52)	(1,180,808.94)	(574,412.26)	(363,008.71)	(9,473.37)
Revenue paid to NMTV	1,963,358.97	65,103.07	1,132,943.43	530,693.77	234,618.70	
Remaining amount due for 1991	(209,529.83)	19,917.55	(47,865.51)	(43,718.49)	(128,390.01)	(9,473.37)
Cumulative amount due	(310,575.23)	11,587.13	(62,151.63)	(122,147.35)	(128,390.01)	(9,473.37)
1992						
Revenue received	(781,910.21)		(458,539.68)	(176,143.33)	(147,227.20)	
Revenue paid to NMTV	785,173.80		445,621.16	206,383.29	133,169.35	
Amount repaid in 1992	3,263.59	0.00	(12,918.52)	30,239.96	(14,057.85)	0.00
Cumulative amount due	(307,311.64)	11,587.13	(75,070.15)	(91,907.39)	(142,447.86)	(9,473.37)
Error Correction						
Odessa revenue not recognized in 1991	(11,587.13)	(11,587.13)				
Corrected cumulative amount	(318,898.77)	0.00	(75,070.15)	(91,907.39)	(142,447.86)	(9,473.37)

42. NMTV's payments to TBN under its network affiliation agreement were separate from the transactions referred to in Paragraph 41, above. To continue with the Portland 1991 example from Paragraph 41, the amount that NMTV paid to TBN in 1991 for network programming on the Portland station was not included either in the \$1,132,943 advance to NMTV (which increased the indebtedness) or in the \$1,180,808 credit to NMTV (which decreased it). That payment had no effect on the NMTV indebtedness to TBN that is discussed beginning with Paragraph 37, above, and that was reflected in the note for \$5,030,442.47 executed January 1, 1993. However, in 1989 an error was made and a total of \$38,957 in network payments was treated as an NMTV payment that reduced the indebtedness. The following table summarizes the advances, repayments, corrections and errors reflected in the calculation that NMTV owed TBN \$5,030,442.47 at the end of 1992:

**CALCULATION OF FACE AMOUNT OF NOTE
JANUARY 1, 1993**

TRANSACTIONS MAY 1987 THROUGH DECEMBER 1992

CASH LOANS AND ADVANCES

AMOUNTS ADVANCED		7,878,081.67
ALLOCATED COSTS		195,543.76
COSTS PAID BY TBN		
ASSETS PURCHASED	1,711,410.12	
LOW POWER COSTS PAID	<u>54,255.23</u>	
TOTAL		<u>1,765,665.35</u>

TOTAL FUNDS LOANED 9,839,290.76

REPAYMENTS AND REPAYMENT EQUIVALENTS

CASH PAYMENTS		(4,210,680.63)
ZIP, PRODUCTION & NETWORK AIRTIME REVENUE		
NET AMOUNT OF REVENUE RECOGNIZED		
IN EXCESS OF CASH RECEIVED		<u>(318,898.77)</u>

TOTAL FUNDS REPAYED 4,529,579.40

NET LIABILITY BEFORE CORRECTIONS AND ERRORS 5,309,711.38

CORRECTIONS

TBN LOW POWER STATIONS ERRONEOUSLY CHARGED		
TO NMIV (CORRECTED 1992)		(179,202.64)
1988 INTEREST INCOME		
ERRONEOUSLY PUT IN TBN		(2,059.92)
1992 TBN EXPENSES PAID BY NMIV		(1,085.50)
1990 TBN LOW POWER COSTS PAID BY NMIV		(59,218.19)
NMIV PROPERTY TAX REFUND ERRONEOUSLY		
DEPOSITED TO TBN'S ACCOUNT IN 1991		<u>(16,136.08)</u>

TOTAL CORRECTIONS (257,702.33)

ERRORS

NETWORK FEED CHARGE (20%) ERRONEOUSLY CHARGED		
TO INTERCOMPANY ACCOUNT IN 1989		(38,957.17)
PROCEEDS FROM 1989 SALE OF TEN LOW POWER		
STATION ERRONEOUSLY DEPOSITED TO NMIV ACCT.	6,300.00	
ODESSA ZIP PAYMENTS NOT RECOGNIZED AS		
REVENUE IN 1991		<u>11,587.13</u>

TOTAL ERRORS (21,070.04)

MISCELLANEOUS AND PETTY CASH TRANSACTIONS--NET (496.54)

5,030,442.47

VII.

43. The note for \$5,030,442 was executed on January 1, 1993. I have seen minutes of an NMTV Board meeting on January 14, 1992, reporting discussion of a schedule for bringing the corporation out of debt and a determination that a 5-year plan was feasible. I have seen a memorandum of July 31, 1992, which refers to a note in the face amount of \$4,030,442, but other than that memorandum, which was signed by TBN and NMTV, no separate note was ever executed. The note that was executed on January 1, 1993, was for exactly \$1,000,000 more, reflecting the additional \$1,000,000 that TBN advanced to NMTV during 1992.

44. The only other note I have found from NMTV to TBN was a note for \$4,000,000 executed on August 23, 1991, for costs associated with the then-expected purchase of the Wilmington television station. NMTV repaid that amount (actually \$4,011,681) later in 1991 when the Wilmington acquisition failed to materialize.

VIII.

45. The \$4,000,000 note of August 23, 1991, bore interest at 5% per annum. The \$5,030,442 note of January 1, 1993, did not contain any provision for interest except that late payments should bear interest at the rate of 10% per annum until paid. I find no provision in the text of the note for any payment prior to the maturity date of January 1, 1998. However, I have

examined a schedule of payments that was prepared at or about the time the note was prepared that refers to monthly payments of \$27,004.50. NMTV did, in fact, begin making monthly payments of \$27,004.50 in January 1993, and such payments have been made each month in 1993. There is no record of TBN forgiving any portion of the NMTV indebtedness at any time since TBN's assumption of NMTV's assets and liabilities, i.e., at any time since February 1987.

DECLARATION

I, David Scott Morris, hereby declare under penalty of perjury that the foregoing testimony is true and correct to the best of my knowledge and belief.


David Scott Morris

November 11, 1993