

16. Is any SBA employee or any member of any Advisory Council for the Small Business Administration related to you by blood, marriage or adoption? Does any SBA employee or member of any such Advisory Council have present or have they had any past, direct or indirect, financial interest in or affiliation with any concern of which you are a director, officer, or owner of 10% or more of any class of its stock or other proprietary interest? Yes No (If yes, list their names, addresses, and relationships on a separate attachment.)
17. If you own or will own 10% or more of the Private Capital of the Licensee, were borrowed funds, used or will they be used in purchasing said Private Capital? Yes No (If yes, attach a statement giving full details, including your net worth, amount borrowed or to be borrowed, source of funds borrowed or to be borrowed, security and/or guarantors and terms of repayment.)
18. Have you or any concern with which you are affiliated directly, or indirectly borrowed funds from or sold securities to any licensed small business investment company? Yes No (If yes, attach a statement giving all pertinent details relative thereto, including the names of all parties to the transaction, the amounts involved, terms, use of proceeds, etc.)

The information on this form will be used in connection with an investigation of your experience and character. It is against SBA policy to provide assistance not in the best interest of the United States, i.e., if there is reason to believe that the effect of such assistance will be to encourage or support directly or indirectly, activities inimical to the security of the United States.

The nature and scope of the investigation may include contact with banks, other financial institutions, individuals, business associates, law enforcement offices, and any other areas which will assist SBA in making an adequate appraisal of your general business reputation, character, management experience and financial soundness. This constitutes the notifications required by section 606 of the Federal Fair Credit Reporting Act.

Under the Privacy Act (5 U.S.C. 552a) requests for information about another party may be denied unless SBA has the written permission of the individual to release the information to the requesters or unless the information is subject to disclosure under the Freedom of Information Act. Note: Any person concerned with the collection of information, its voluntariness, disclosure or routine use under the Privacy Act or requesting information under the Freedom of Information Act may contact the Director, Freedom of Information/Privacy Acts Division, Small Business Administration, 1441 L Street, N.W., Washington, D.C. 20416, for information about the Agency's procedures on these two subjects.

PLEASE NOTE: The estimated burden hours for the completion of this form is 1.5 hours per response. If you have any questions or comments concerning this estimate or any other aspect of this information collection please contact, William Cline, Chief Administrative Information Branch, Small Business Administration, Washington, D.C. 20416 and Gary Waxman, Clearance Officer, Paperwork Reduction Project (3245-0062), Office of Management and Budget, Washington, D.C. 20503.

FOR SBA USE ONLY
No.

CERTIFICATE: I hereby certify that all information submitted in this SBA Form 415A, and in the Exhibits submitted therewith or in connection therewith, is true and complete to the best of my knowledge and belief. I have read SBA Form 415 "License Application," filed by _____ and the Amendments thereto, and hereby agree that in my proposed capacity as _____ (show affiliation); I will be bound by the representations made in said Application and Amendments.

Signature Title Date

Small Business Administration
STATEMENT OF PERSONAL HISTORY AND QUALIFICATION OF MANAGEMENT

OMB Approval No.: 3245-0062
 Expiration Date: 9-30-93

Name of Applicant or Licensee	Social Security Number
Paul Franklin Crouch	504-26-3509

Address (Street, City, State and Zip Code)
 1973 Port Chelsea Place, Newport Beach, CA 92660

1. First Name in Full	Middle Name in Full (If none, so state)	Last Name
PAUL	FRANKLIN	CROUCH

2. Date of Birth (Month, Day & Year)	3. Place of Birth (City, State or Foreign County)	4. Citizen of United States?
03/30/34	St. Joseph, Missouri	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

5. Starting with present address, list residence addresses for last ten years:

<u>From (Date)</u>	<u>To (Date)</u>	<u>Address</u>
1971	Present	1973 Port Chelsea Place Newport Beach, CA 92660

6. Employment and Professional History and Education: Attach a summary of business or professional experience during the last ten years up to and including the present, stating the periods of each primary activity, the names, addresses and nature of business of the firms, concerns or entities with which associated; title, position in such concerns; basic functions and responsibilities; and a summary of your education showing highest level attained (such as high school graduate, some college, one year college, three years college, bachelor's degree, master's degree, etc.-giving, when applicable, name of higher educational institution, your specialization, and date of degree), together with a summary of any special experience or qualification pertinent to the Applicant's management responsibilities.

7. Present Affiliations: Attach a list of all business concerns with which you are presently affiliated as an officer, director, or in any other official capacity, or by way of direct or indirect ownership or control of 10% or more of any class of stock of, or proprietary interest in, such concerns. Show names, addresses, and nature of business of such concerns, and details of relationship and ownership; including the percentage of any stock or proprietary interest owned.

8. List Three Character References: (other than former employers, relatives or fellow Applicants.)

<u>Full Name</u>	<u>Home or Business Address</u>	<u>Business or Occupation</u>
Colby M. May	1000 Thomas Jefferson St., N.W. Suite 520, Washington, D.C. 20007	Attorney
Jay Sekulow	1201 Clairmont, Ste. 100 Atlanta, GA 30030	Attorney
Jim Cochran	1855 W. Katella Ave, Orange, CA 92667	Insurance Broker

9. Have you ever been, directly or indirectly, the subject of an insolvency, bankruptcy, or creditor's rights proceeding, or has any corporation of which you have been an officer, director, or controlling shareholder, been the subject of such proceedings? Yes No (If yes, furnish complete details of such proceedings in a separate exhibit, including, if pertinent, the court, title of proceedings, date and docket number, as well as the ultimate disposition thereof.)

10. Have you ever been charged with or convicted of any criminal offense other than a misdemeanor involving minor motor vehicle violations? Yes No (If yes, furnish details as described in Item 9.)

11. Have you, or has any corporation, partnership or other business entity with which you are presently or have heretofore been affiliated (as defined in Item 7) ever been charged with or convicted of a felony or other criminal offense involving dishonesty or breach of trust or found civilly liable or permanently or temporarily enjoined by a court by reason of any act or practice involving fraud or breach of trust? Yes No (If yes, furnish relevant details of any such proceeding in a separate exhibit including the information, indictment or complaint and the court, title of proceeding, date and docket number)

12. Have you ever been refused bond? Yes No (If yes, explain)

13. Are you affiliated with any other Licensee or are you a close relative of any person affiliated with the Applicant or Licensee as described in Section 107.3 of the Regulations? Yes No (If yes, explain.)

14. During any part of the past five years has a request for financial assistance been made to any Federal agency by you or any corporation, partnership or other business entity with which you are presently or have been heretofore affiliated (as defined in Item 7)? Yes No (If yes, furnish details in a separate exhibit, including current status of any assistance received.)

15. Describe any affiliation, past or present, with any other Small Business Investment Company. (See Section 107.702 of the Regulations.)

P. JANE DUFF

From 1984 to the present, serves as the Assistant to the President. Responsibilities include interfacing with attorneys regarding all TBN business with FCC, purchasing television stations, applying to FCC for licenses, real estate negotiations, leases, affiliation for programming, EEO and personnel matters as related to FCC, supervision of office staff, training of public affairs staff for affiliated network stations as well as the hiring and evaluating of employees.

Member of Board of Directors of Community Educational Television, which owns stations in Houston, Harlingen and Beaumont, Texas. Member of Board of Directors of Jacksonville Educators Broadcasting, Inc., which owns television stations in Ft. Pierce and Jacksonville, Florida. Member of Board of Directors of National Minority Television, Inc. which owns a Portland television station as well as several low power television stations around the country.

From 1979 to 1984 served as Public Affairs Director. Responsible for interviews with civic, political, business, and educational leaders in the local community. Produced and hosted a public affairs format television program. During this time period, served as the Vice President of TBN and acted as liaison to the public.

High school graduate, attended course in Broadcasting at Southern California College.

PAUL F. CROUCH

Biographical Sketch

Paul Crouch began his career in radio and television in the early 1950's by pioneering and building an educational AM radio station (KCBI) on the campus of Central Bible Institute and Seminary. In 1955, he graduated from Central Bible Institute with a major in theology and went on to serve as assistant pastor for an Assemblies of God church in Rapid City, South Dakota and then moved on to serve as the assistant pastor of the Assembly of God church in Muskegon, Michigan.

In 1957 he accepted a position as radio announcer at KRSD in Rapid City, South Dakota, and progressed rapidly to Program Director and finally, Manager of KRSD-TV Channel 7, an NBC affiliate.

In 1961, he was appointed by the Assemblies of God to lead their newly-formed department of television and motion film production in Burbank, California. Mr. Crouch served in this position for four years, during which time he produced most of missionary and promotional films for the Assemblies of God denomination.

In 1965, he was invited to become General Manager of KREL-AM, a Christian-owned radio station in Corona, California. In 1966, an opportunity was available for Mr. Crouch to purchase a minority stock interest in KREL radio. He held this position for over five years. During his tenure at KREL, Mr. Crouch successfully completed the station's application for an increase in power to 5,000 watts which had been stalled in the FCC for over eight years. The station also prospered financially under his leadership.

In 1970, Mr. Crouch was invited to serve as General Manager for KHOF-FM and KHOF-TV, Channel 30 in Los Angeles. During Mr. Crouch's tenure, both stations moved from a deficit position into a profitable position with a \$200,000 surplus after the end of the second year. This information is presently on file with the FCC.

Mr. Crouch was led to found the Trinity Broadcasting Network (TBN) in 1973. The following year, TBN purchased its first TV station, KLXA-TV (later to become KTBN) Channel 40, in Los Angeles, California. Since then, under the direction of Mr. Crouch, TBN, has become the largest group owner of broadcast TV stations in the world.

Paul Crouch and TBN have been the recipients of numerous awards and citations of appreciation by both local and national leaders. But out of all of these, three such recognitions are particularly outstanding. The National Religious Broadcasters awarded Trinity Broadcasting Network an Honor Citation in appreciation of outstanding service in religious broadcasting and consistent

adherence to the principles and code of ethics of National Religious Broadcasters." Mr. Crouch also was chosen and awarded the honorary degree of Litterarum Doctor (Litt.D) from the California Graduate School of Theology in Glendale, California in 1981 and an honorary Doctor of Laws degree from Oral Roberts University in 1985, both for his pioneering work in the field of Christian television.

Community Brace, Inc.

5109 Crenshaw Blvd.
Los Angeles, CA 90043
(213) 296-4160

November 23, 1992

To: Terrence M. Hickey

Fr: Cal E. Burton

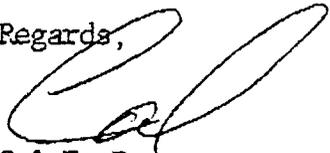
Re: SBA Form 415A and Fingerprint Clearance form for the FBI

Per our telephone conversation you will find the SBA Form 415A and FBI Fingerprint forms which are to be completed by Norman Juggert, Esq., Paul Crouch and Ms. Jane Duff of National Minority Television, Inc./Trinity Broadcasting Network, Inc. The fingerprint form must be completed by a law enforcement or state agency such as the DMV local office which provides fingerprinting on a daily basis for a fee of \$5.00 each set. After completion of the documents contain herein please return by express mail to:

Ms. Cheryl A. Covey, Principal
Crescent Financial
6930 Greenvale Street
N.W. Washington, D.C. 20015
(202) 363-6930

I will ensure that the above documents are completed and returned to SBA for Rev./DR. E.V. Hill, Cal E. Burton and Vernal Claiborne on behalf of Community Brace. It is important that all of the above be completed and returned to Washington, D.C. by Wednesday 11/25/92. In addition to the completion of the forms please advise Norm that Atty. Smothers advised me that he and Norm would discuss the remaining legal revisions today and make the required changes to conform to SBA rules and the requests of National Minority Television, Inc. If you have any additional questions please let me know.

Regards,


Cal E. Burton

cc: E.V. Hill
V. Claiborne

JUGGERT & WAYMAN, APC
LAW FIRM
2845 MESA VERDE DRIVE EAST, SUITE 4
COSTA MESA, CA 92626

Telephone: (714) 546-3600

Telecopier: (714) 546-0264

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Telecopier Transmission

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Date: December 1, 1992

Time: 10:30 A.M.

Total pages, including this cover: 3

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TO: Jim Guinn

Company Name: Guinn, Smith, Certified Public Accounts

Telecopier No: (214) 570-3750

Name of Sender: Norman Juggert

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.....

Message: Re: TBN/National TV/Community Brace

FAXed

JUGGERT & WAYMAN, APC
LAW FIRM
2845 MESA VERDE DRIVE EAST, SUITE 4
COSTA MESA, CA 92626

Telephone: (714) 546-3600

Telecopier: (714) 546-0264

=====

Telecopier Transmission

=====

Date: December 1, 1992

Time: 10:30 A.M.

7 AX 2 J

Total pages, including this cover: 3

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.....

TO: Paul Crouch

Company Name: TBN-Guest House

Telecopier No: ~~(817) 421-8801~~ (714) 730-0657

Name of Sender: Norman Juggert

=====

Message: Re: Letter to Jim Guinn re Community Brace.

Paul, I have discussed this matter with Jim Guinn. He reports the directors of both National and Trinity would be in breach of their fiduciary obligations to our donors if we made the loan in question. It is not the type of investment that a reasonably prudent man would make with his funds. Jim indicated that the crucial point was that Community Brace would not immediately receive all of the matching funds when our investment is made.

I have talked to Cal Burton about this. (He begged to send me their proforma business plan to show that what they are doing is prudent.) He also indicated that the SBA will fund the additional \$1,500,000.00 after six months.

I will submit this information to Jim, but I don't believe it will change his mind. He is sending me a letter.

The bottom line is that we as fiduciaries are at risk to the donors and to the Attorney General.

JUGGERT AND WAYMAN

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

2845 MESA VERDE DRIVE EAST, SUITE 4
COSTA MESA, CALIFORNIA 92626

NORMAN G. JUGGERT
KENNETH L. WAYMAN

TELEPHONE
AREA CODE 714
546-3600

December 1, 1992

Via Facsimile and U.S. Mail

Guinn, Smith & Company
Certified Public Accounts
2408 Texas Drive
Irving, Texas 75062

Attn: Jim Guinn

Re: Trinity Broadcasting Network/
National Minority TV/Community Brace

Dear Jim:

I would appreciate an opportunity to discuss the current status of the Specialized Small Business Investment Company that Trinity and National Minority are considering. The terms of our participation are substantially different than we originally anticipated.

As you will recall, Trinity agreed to loan National Minority \$1,500,000.00, which National Minority was to loan to Community Brace, Inc. National is a nonprofit religious corporation engaged in Christian television. Community Brace is a California corporation that proposes to loan funds to the minority community.

We originally proposed a short-term loan from National to Community Brace that would be secured by all of the assets of Community Brace. We also anticipated that the SBA would immediately match our loan.

We have now been informed that we cannot loan the money, nor can we receive security. We are required to reserve preferred stock that would provide priority payment to National from the profits of Community Brace.

We have just been informed that the federal government will not immediately fund the project, but that it will require \$1,000,000.00 of National's investment first be used for operational expenses and loans. The SBA will then audit Community Brace and, if approved, the SBA will loan another \$1,500,000.00 on extremely favorable terms.

The Board of Directors of Community Brace will not be controlled by National. National will be entitled to

Jim Guinn
December 1, 1992
Page 2

representation on the Board of Directors, but will not be in control.

One of the shareholders of Community Brace will be a board member of National Minority.

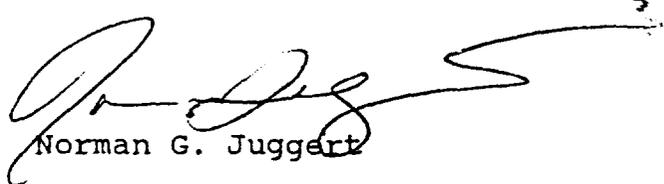
We are concerned about the use of funds that were received by Trinity from donors that had in mind its television ministry for an unsecured loan to National, which would in turn use the funds to make an investment in a new company that has no track record and no working capital apart from National's investment.

As mentioned, I would appreciate your thoughts and ideas.

Sincerely,

JUGGERT & WAYMAN, APC

By:


Norman G. Juggert

cc: Paul Crouch

P.S. Community Brace is sending a proforma. Brace also claims that the matching funds will be paid after six months.

GUINN, SMITH & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
2408 TEXAS DRIVE
IRVING, TEXAS 75062

 (214) 255-7120

December 1, 1992

Norman Juggert
Juggert & Wayman, APC
2845 Mesa Verde Drive East, Suite 4
Costa Mesa, CA 92626

Re: Community Brace Project

Dear Norm:

Based on my understanding of the new developments with regard to the SBA matching funds and TBN's investment, it is my opinion it would not be wise to invest TBN donated funds in the Community Brace Project.

As we discussed, the Directors of TBN have fiduciary responsibility to their donors to be prudent in handling donated funds, and they do not have sufficient Board representation to control the project.

A foremost concern is that the matching funds from the SBA are not automatically forthcoming and may not even approximate the amount of TBN's investment. It was my original understanding that the TBN investment would be used to leverage the SBA funds that would be in multiples of the TBN investment. It is now my understanding that the SBA may not provide any matching funds until a substantial amount of the TBN original investment has been spent. It is, also, my understanding the expenditure of these funds would then be audited, and then perhaps the SBA would supply *some* matching funds.

Also, there were several uncertainties in the package I reviewed. For example, the amount of compensation for the professionals involved in the preparation of the package was not disclosed, and all financial projections did not tie to the narrative of the package.

As there are apparently no solid guarantees from the SBA and too many uncertainties in the project, I would not deem it prudent for TBN to invest donated funds in this project. The Board of Directors simply would not want to be placed in the position of having to justify this massive expenditure to its donors. Even though the donors have given the funds for the general fund of

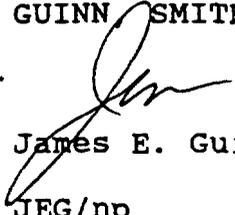
Norman Juggert
Juggert & Wayman, APC
December 1, 1992
Page 2

TBN, I believe it was with the understanding these funds would be used primarily for Christian television outreach and only incidentally for other exempt projects.

If you have any additional questions, do not hesitate to let me know.

Cordially,

GUINN SMITH & CO.



James E. Guinn

JEG/np

NORM
PER YOUR
REQUEST!

MUNITY BRACE, INC./SSBIC
BALANCE SHEET
CAL YEAR ENDING 9/30/93

EXHIBIT J 7-1

ASSETS

15/1 Ratio

Value

\$ 2,400,000 — 10%
-0-
720,000
3,120,000

LIABILITIES

-0-

13-Total Other Investments

-0-

CURRENT ASSETS

14-Cash 35,000
15-Invested Idle Funds 600,000
16-Interest & Dividends Rec'ble 37,000
23-Other Current Assets 25,000

OTHER ASSETS

24a-Furniture & Equipment 25,000
24b-Less: Accumulated Depreciation (1,676)
26-TOTAL ASSETS 3,744,176

COMMUNITY BRACE, INC./SSBIC

BALANCE SHEET

FISCAL YEAR ENDING 9/30/93

LIABILITIES & CAPITAL

LONG TERM DEBT

Value

27-Notes & Debentures Payable to SBA	\$ 1,500,000
28-Notes & Debentures Payable to Others	-0-

CURRENT LIABILITIES

29-Accounts Payable	5,500
30-Accrued Interest Payable	60,000
31-Accrued Taxes Payable	27,489
32a-Current Maturities of Line 27	-0-
32b-Current Maturities of Line 28	-0-
33-Distributions Payable	-0-
34-Other Current Liabilities	9,219

OTHER LIABILITIES

35-Trust Receipts	-0-
36-Deferred Credits	60,000
37-Other Liabilities	16,000
38-TOTAL LIABILITIES	<u>1,678,208</u>

CAPITAL

39-Capital Stock	500,000
40-Paid in Surplus	1,061,000
41-Paid in Capital Stock and Surplus	561,000
43-Unrealized Gain (loss) on Securities Held(note B&C)	391,536
44-Non-cash Gains on Income	-0-
45-Undist. Net Realized Earnings	113,432
(b) Free	113,432
(c) Subtotal	<u>113,432</u>
49-TOTAL CORPORATE CAPITAL	<u>2,065,968</u>

STATEMENT OF OPERATIONS REALIZED

FOR THE PERIODS ENDING

5 Year
Totals

INVESTMENT INCOME

	9/30/93	9/30/94	9/30/95	9/30/96	9/30/97	5 Year Totals
1. Interest on Loans and Debt Securities	240,000	240,000	240,000	360,000	480,000	1,560,000
2. Dividend Income	0	18,750	37,500	37,500	55,500	149,250
3. Income from Investments Reported on the Equity Method of Accounting	37,500	18,750	37,500	55,500	73,500	222,750
4. Management Services	50,000	50,000	50,000	74,000	98,000	322,000
5. Applications and Other Fees	75,000	0	0	36,000	36,000	147,000
6. Interest on Invested Idle Funds	30,000	30,000	30,000	45,000	60,000	195,000
7. Income from Assets Acquired in Liquidation of Loans and Investments (Net of \$ Expenses)	0	0	0	0	0	0
8. Other Income	0	3,008	4,213	6,444	11,206	24,871
9. GROSS INVESTMENT INCOME	432,500	360,508	399,213	614,444	814,206	2,620,871

EXPENSES

10. Interest on Long Term Debt	60,000	60,000	60,000	120,000	180,000	480,000
11. Commitment Fees	2,025	2,025	2,025	2,025	2,025	10,125
12. Other Financial Costs	5,000	5,000	5,000	5,000	5,000	25,000
13. Officer Salaries	110,000	110,000	110,000	120,000	130,000	580,000
14. Employee Salaries	30,000	31,000	31,000	32,550	34,100	168,650
15. Employee Benefits	15,000	16,920	16,920	18,306	19,692	86,838
16. Investment Advisory and Management Services	16,667	17,669	18,071	26,815	36,402	115,624
17. Directors' and Stockholders' Meetings	4,200	4,200	4,200	4,200	4,200	21,000
18. Advertising & Promotion	6,200	6,200	6,200	6,200	6,200	31,000
19. Appraisal & Investigation	5,400	0	0	5,400	5,400	16,200
20. Communication	2,400	3,600	3,600	3,600	3,600	16,800
21. Legal Fees	12,000	12,000	12,000	15,000	20,000	71,000
22. Travel Expenses	5,000	5,000	5,000	5,000	5,000	25,000
23. Cost of Space Occupied	14,000	14,000	14,000	14,000	14,000	70,000
24 a. Depreciation	1,676	2,857	2,857	2,857	2,857	13,104
24 b. Amortization Expense	12,000	12,000	12,000	12,000	12,000	60,000
25. Audit and Examination Fees	7,500	7,500	7,500	7,500	7,500	37,500
26. Insurance Expense	5,000	5,025	5,025	5,025	5,025	25,100
27. Taxes Expense (Excluding Income Taxes)	5,000	5,025	5,025	5,025	5,025	25,100
28. Provision for Losses on Accounts Receivable	0	0	0	0	0	0
29. Miscellaneous Expenses	0	0	0	0	0	0
30. TOTAL EXPENSES	319,068	320,021	320,423	410,503	498,028	1,868,041

31. NET INVESTMENT INCOME BEFORE PROVISION FOR INCOME TAXES	113,432	40,487	78,790	203,941	316,180	752,830
32. Provision for Income Taxes (Note 1)	(27,489)	(6,073)	(15,025)	(67,883)	(107,501)	(223,971)
33. NET INVESTMENT INCOME (LOSS)	85,944	34,414	63,765	136,058	208,679	528,859

REALIZED GAIN (LOSS) ON SALE OF SECURITIES

34. Net Sales Price						
35. Cost of Securities Sold						
36. Net Prior to Income Taxes						
37. Provision for Income Taxes						
38. REALIZED GAIN (LOSS) ON SALE OF SECURITIES						

(Note 1) Compute a tax only if lines 31 or line 36 show a gain.

Net Taxable Income	113,432	40,487	78,790	203,941	316,180	752,830
Federal & State Tax Rate	24%	15%	19%	33%	34%	45%
Income Tax	27,489	6,073	15,025	67,883	107,501	223,971

STATEMENT OF OPERATIONS REALIZED

FOR 12 MONTHS ENDED September 30, 1993

INVESTMENT INCOME

1. Interest on Loans and Debt Securities	see note a	240,000
2. Dividend Income	see note b	<u>0</u>
3. Income from Investments Reported on the Equity Method of Accounting	see note c	37,500
4. Management Services	see note d	<u>50,000</u>
5. Applications and Other Fees	see note e	<u>75,000</u>
6. Interest on Invested Idle Funds	see note f	<u>30,000</u>
7. Income from Assets Acquired in Liquidation of Loans and Investments (Net of \$ _____ Expenses)		<u>0</u>
8. Other Income		<u>0</u>
9. GROSS INVESTMENT INCOME		<u>432,500</u>

EXPENSES

10. Interest on Long Term Debt	see note h	60,000
11. Commitment Fees		<u>2,025</u>
12. Other Financial Costs		<u>5,000</u>
13. Officer Salaries	see note i	<u>110,000</u>
14. Employee Salaries	see note i	<u>30,000</u>
15. Employee Benefits	see note i	<u>15,000</u>
16. Investment Advisory and Management Services	see note j	<u>16,667</u>
17. Directors' and Stockholders' Meetings		<u>4,200</u>
18. Advertising & Promotion		<u>6,200</u>
19. Appraisal & Investigation		<u>5,400</u>
20. Communication		<u>2,400</u>
21. Legal Fees		<u>12,000</u>
22. Travel Expenses		<u>5,000</u>
23. Cost of Space Occupied	see note k	<u>14,000</u>
24 a. Depreciation		<u>1,676</u>
24 b. Amortization Expense	see note m	<u>12,000</u>
25. Audit and Examination Fees		<u>7,500</u>
26. Insurance Expense		<u>5,000</u>
27. Taxes Expense (Excluding Income Taxes)		<u>5,000</u>
28. Provision for Losses on Accounts Receivable	see note n	<u>0</u>
29. Miscellaneous Expenses		<u>0</u>
30. TOTAL EXPENSES		<u>319,068</u>

31. NET INVESTMENT INCOME BEFORE PROVISION FOR INCOME TAXES	113,432
32. Provision for Income Taxes (Note 1)	<u>(27,489)</u>
33. NET INVESTMENT INCOME (LOSS)	<u>85,944</u>

REALIZED GAIN (LOSS) ON SALE OF SECURITIES

34. Net Sales Price	_____
35. Cost of Securities Sold	_____
36 Net Prior to Income Taxes	_____
37. Provision for Income Taxes	_____
38. REALIZED GAIN (LOSS) ON SALE OF SECURITIES	_____

(Note 1) Compute a tax only if lines 31 or line 36 show a gain.

Net Taxable Income	113,432
Federal & State Tax Rate	<u>24%</u>
Income Tax	<u>27,489</u>

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NOTES TO STATEMENT OF OPERATIONS
For the Period Ending 9/30/93

INCOME

- Note a : Interest income computed at 80 % of available funds to loan at 10 % interest.
- Note b : Dividend income is not applicable in the first year of operations.
- Note c : Income from Investments is computed on an estimated number of loans made from available capital assuming an average after tax income from each business with Community Brace participating share of 30% per business.
- Note d : Management Services Income is computed as a fee of \$2,000 per loan consummated. The purpose of the fee is for an annual review analyzing the borrower's ability to perform. Fee to be based on industry norm.
- Note e : Application fees are computed at \$ 3,000 per loan consummated. Fee to be based on industry norm.
- Note f : Invested Idle funds are identified as 20 % of contributed capital. Interest is computed on available funds. (Contributed capital less funds loaned = Idle funds)

EXPENSES

- Note h : Interest on long term debt is computed at 4% on Federal loans.
- Note i : Salaries and benefits are based upon three officers and one employée.
- Note j : Investment Advisory and Management Services are computed at 33.3% of Management Services charged and other income earned. Community Brace will contract with professional consultants for the management/advisory services required.
- note k : Space costs are estimated at \$ 1.20 per square foot for approximately 1000 to 1200 square feet.
- note m : Start-up costs of \$60,000 amortized over a five year period.
- Note n : The 20% capital reserves is used for the Provision for losses on Accounts Receivable.

STATEMENT OF OPERATIONS REALIZED

FOR 12 MONTHS ENDED September 30, 1994

INVESTMENT INCOME

1. Interest on Loans and Debt Securities	see note a	240,000	
2. Dividend Income	see note b	18,750	
3. Income from Investments Reported on the Equity Method of Accounting	see note c	18,750	
4. Management Services	see note d	50,000	
5. Applications and Other Fees	see note e	0	
6. Interest on Invested Idle Funds	see note f	30,000	
7. Income from Assets Acquired in Liquidation of Loans and Investments (Net of \$ _____ Expenses)		0	
8. Other Income	see note g	3,008	
9. GROSS INVESTMENT INCOME			360,508

EXPENSES

10. Interest on Long Term Debt	see note h	60,000	
11. Commitment Fees		2,025	
12. Other Financial Costs		5,000	
13. Officer Salaries	see note i	110,000	
14. Employee Salaries	see note i	31,000	
15. Employee Benefits	see note i	16,920	
16. Investment Advisory and Management Services	see note j	17,669	
17. Directors' and Stockholders' Meetings		4,200	
18. Advertising & Promotion		6,200	
19. Appraisal & Investigation		0	
20. Communication		3,600	
21. Legal Fees		12,000	
22. Travel Expenses		5,000	
23. Cost of Space Occupied	see note k	14,000	
24 a. Depreciation		2,857	
24 b. Amortization Expense	see note m	12,000	
25. Audit and Examination Fees		7,500	
26. Insurance Expense		5,025	
27. Taxes Expense (Excluding Income Taxes)		5,025	
28. Provision for Losses an Accounts Receivable	see note n	0	
29. Miscellaneous Expenses		0	
30. TOTAL EXPENSES			320,021

31. NET INVESTMENT INCOME BEFORE PROVISION FOR INCOME TAXES	40,487
32. Provision for Income Taxes (Note 1)	(6,073)
33. NET INVESTMENT INCOME (LOSS)	34,414

REALIZED GAIN (LOSS) ON SALE OF SECURITIES

34. Net Sales Price	_____
35. Cost of Securities Sold	_____
36 Net Prior to Income Taxes	_____
37. Provision for Income Taxes	_____
38. REALIZED GAIN (LOSS) ON SALE OF SECURITIES	_____

(Note 1) Compute a tax only if lines 31 or line 36 show a gain.

Net Taxable Income	40,487
Federal & State Tax Rate	15%
Income Tax	6,073

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NOTES TO STATEMENT OF OPERATIONS
For the Period Ending 9/30/94

INCOME

- Note a : Interest income computed at 80 % of available funds to loan at 10 % interest.
- Note b : Dividend income is computed assuming an average net income per business, distributing 50% of net income, and Community Brace having a 30% vested interest.
- Note c : Income from Investments is computed on an estimated number of loans made from available capital assuming an average after tax income from each business with Community Brace participating share of 30% per business.
- Note d : Management Services Income is computed as a fee of \$2,000 per loan consummated. The purpose of the fee is for an annual review analyzing the borrower's ability to perform. Fee to be based on industry norm.
- Note e : Application fees are computed at \$ 3,000 per loan consummated. Fee to be based on industry norm.
- Note f : Invested Idle funds are identified as 20 % of contributed capital. Interest is computed on available funds. (Contributed capital less funds loaned = Idle funds)

EXPENSES

- Note h : Interest on long term debt is computed at 4% on Federal loans.
- Note i : Salaries and benefits are based upon three officers and one employee.
- Note j : Investment Advisory and Management Services are computed at 33.3% of Management Services charged and other income earned. Community Brace will contract with professional consultants for the management/advisory services required.
- note k : Space costs are estimated at \$ 1.20 per square foot for approximately 1000 to 1200 square feet.
- note m : Start-up costs of \$60,000 amortized over a five year period.
- Note n : The 20% capital reserves is used for the Provision for losses on Accounts Receivable.

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STATEMENT OF OPERATIONS REALIZED

FOR 12 MONTHS ENDED September 30, 1995

INVESTMENT INCOME

1. Interest on Loans and Debt Securities	see note a	240,000
2. Dividend Income	see note b	37,500
3. Income from Investments Reported on the Equity Method of Accounting	see note c	37,500
4. Management Services	see note d	50,000
5. Applications and Other Fees	see note e	0
6. Interest on Invested Idle Funds	see note f	30,000
7. Income from Assets Acquired in Liquidation of Loans and Investments (Net of \$ _____ Expenses)		0
8. Other Income	see note g	4,213
9. GROSS INVESTMENT INCOME		<u>399,213</u>

EXPENSES

10. Interest on Long Term Debt	see note h	60,000
11. Commitment Fees		2,025
12. Other Financial Costs		5,000
13. Officer Salaries	see note i	110,000
14. Employee Salaries	see note i	31,000
15. Employee Benefits	see note i	16,920
16. Investment Advisory and Management Services	see note j	18,071
17. Directors' and Stockholders' Meetings		4,200
18. Advertising & Promotion		6,200
19. Appraisal & Investigation		0
20. Communication		3,600
21. Legal Fees		12,000
22. Travel Expenses		5,000
23. Cost of Space Occupied	see note k	14,000
24 a. Depreciation		2,857
24 b. Amortization Expense	see note m	12,000
25. Audit and Examination Fees		7,500
26. Insurance Expense		5,025
27. Taxes Expense (Excluding Income Taxes)		5,025
28. Provision for Losses an Accounts Receivable	see note n	0
29. Miscellaneous Expenses		0
30. TOTAL EXPENSES		<u>320,423</u>
31. NET INVESTMENT INCOME BEFORE PROVISION FOR INCOME TAXES		78,790
32. Provision for Income Taxes (Note 1)		<u>(15,025)</u>
33. NET INVESTMENT INCOME (LOSS)		<u>63,764</u>

REALIZED GAIN (LOSS) ON SALE OF SECURITIES

34. Net Sales Price	_____
35. Cost of Securities Sold	_____
36 Net Prior to Income Taxes	_____
37. Provision for Income Taxes	_____
38. REALIZED GAIN (LOSS) ON SALE OF SECURITIES	_____

(Note 1) Compute a tax only if lines 31 or line 36 show a gain.

Net Taxable Income	78,790
Federal & State Tax Rate	19%
Income Tax	<u>15,025</u>

NOTES TO STATEMENT OF OPERATIONS
For the Period Ending 9/30/94

INCOME

- Note a : Interest income computed at 80 % of available funds to loan at 10 % interest.
- Note b : Dividend income is computed assuming an average net income per business, distributing 50% of net income, and Community Brace having a 30% vested interest.
- Note c : Income from Investments is computed on an estimated number of loans made from available capital assuming an average after tax income from each business with Community Brace participating share of 30% per business.
- Note d : Management Services Income is computed as a fee of \$2,000 per loan consummated. The purpose of the fee is for an annual review analyzing the borrower's ability to perform. Fee to be based on industry norm.
- Note e : Application fees are computed at \$ 3,000 per loan consummated. Fee to be based on industry norm.
- Note f : Invested Idle funds are identified as 20 % of contributed capital. Interest is computed on available funds. (Contributed capital less funds loaned = Idle funds)

EXPENSES

- Note h : Interest on long term debt is computed at 4% on Federal loans.
- Note i : Salaries and benefits are based upon three officers and one employee.
- Note j : Investment Advisory and Management Services are computed at 33.3% of Management Services charged and other income earned. Community Brace will contract with professional consultants for the management/advisory services required.
- note k : Space costs are estimated at \$ 1.20 per square foot for approximately 1000 to 1200 square feet.
- note m : Start-up costs of \$60,000 amortized over a five year period.
- Note n : The 20% capital reserves is used for the Provision for losses on Accounts Receivable.

STATEMENT OF OPERATIONS REALIZED

FOR 12 MONTHS ENDED September 30, 1996

INVESTMENT INCOME

1. Interest on Loans and Debt Securities	see note a	360,000	
2. Dividend Income	see note b	37,500	
3. Income from Investments Reported on the Equity Method of Accounting	see note c	55,500	
4. Management Services	see note d	74,000	
5. Applications and Other Fees	see note e	36,000	
6. Interest on Invested Idle Funds	see note f	45,000	
7. Income from Assets Acquired in Liquidation of Loans and Investments (Net of \$_____ Expenses)		0	
8. Other Income	see note g	6,444	
9. GROSS INVESTMENT INCOME			<u>614,444</u>

EXPENSES

10. Interest on Long Term Debt	see note h	120,000	
11. Commitment Fees		2,025	
12. Other Financial Costs		5,000	
13. Officer Salaries	see note i	120,000	
14. Employee Salaries	see note i	32,550	
15. Employee Benefits	see note i	18,306	
16. Investment Advisory and Management Services	see note j	26,815	
17. Directors' and Stockholders' Meetings		4,200	
18. Advertising & Promotion		6,200	
19. Appraisal & Investigation		5,400	
20. Communication		3,600	
21. Legal Fees		15,000	
22. Travel Expenses		5,000	
23. Cost of Space Occupied	see note k	14,000	
24 a. Depreciation		2,857	
24 b. Amortization Expense	see note m	12,000	
25. Audit and Examination Fees		7,500	
26. Insurance Expense		5,025	
27. Taxes Expense (Excluding Income Taxes)		5,025	
28. Provision for Losses an Accounts Receivable	see note n	0	
29. Miscellaneous Expenses		0	
30. TOTAL EXPENSES			<u>410,503</u>

31. NET INVESTMENT INCOME BEFORE PROVISION FOR INCOME TAXES	203,942
32. Provision for Income Taxes (Note 1)	<u>(67,883)</u>
33. NET INVESTMENT INCOME (LOSS)	<u>136,058</u>

REALIZED GAIN (LOSS) ON SALE OF SECURITIES

34. Net Sales Price	_____
35. Cost of Securities Sold	_____
36 Net Prior to Income Taxes	_____
37. Provision for Income Taxes	_____
38. REALIZED GAIN (LOSS) ON SALE OF SECURITIES	_____

(Note 1) Compute a tax only if lines 31 or line 36 show a gain.

Net Taxable Income	203,942
Federal & State Tax Rate	33%
Income Tax	<u>67,883</u>

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NOTES TO STATEMENT OF OPERATIONS
For the Period Ending 9/30/94

INCOME

- Note a : Interest income computed at 80 % of available funds to loan at 10 % interest.
- Note b : Dividend income is computed assuming an average net income per business, distributing 50% of net income, and Community Brace having a 30% vested interest.
- Note c : Income from Investments is computed on an estimated number of loans made from available capital assuming an average after tax income from each business with Community Brace participating share of 30% per business.
- Note d : Management Services Income is computed as a fee of \$2,000 per loan consummated. The purpose of the fee is for an annual review analyzing the borrower's ability to perform. Fee to be based on industry norm.
- Note e : Application fees are computed at \$ 3,000 per loan consummated. Fee to be based on industry norm.
- Note f : Invested Idle funds are identified as 20 % of contributed capital. Interest is computed on available funds. (Contributed capital less funds loaned = Idle funds)

EXPENSES

- Note h : Interest on long term debt is computed at 4% on Federal loans.
- Note i : Salaries and benefits are based upon three officers and one employee.
- Note j : Investment Advisory and Management Services are computed at 33.3% of Management Services charged and other income earned. Community Brace will contract with professional consultants for the management/advisory services required.
- note k : Space costs are estimated at \$ 1.20 per square foot for approximately 1000 to 1200 square feet.
- note m : Start-up costs of \$60,000 amortized over a five year period.
- Note n : The 20% capital reserves is used for the Provision for losses on Accounts Receivable.

STATEMENT OF OPERATIONS REALIZED

FOR 12 MONTHS ENDED September 30, 1997

INVESTMENT INCOME

1. Interest on Loans and Debt Securities	see note a	<u>480,000</u>
2. Dividend Income	see note b	<u>55,500</u>
3. Income from Investments Reported on the Equity Method of Accounting	see note c	<u>73,500</u>
4. Management Services	see note d	<u>98,000</u>
5. Applications and Other Fees	see note e	<u>36,000</u>
6. Interest on Invested Idle Funds	see note f	<u>60,000</u>
7. Income from Assets Acquired in Liquidation of Loans and Investments (Net of \$_____ Expenses)		<u>0</u>
8. Other Income	see note g	<u>11,206</u>
9. GROSS INVESTMENT INCOME		<u>814,206</u>

EXPENSES

10. Interest on Long Term Debt	see note h	<u>180,000</u>
11. Commitment Fees		<u>2,025</u>
12. Other Financial Costs		<u>5,000</u>
13. Officer Salaries	see note i	<u>130,000</u>
14. Employee Salaries	see note i	<u>34,100</u>
15. Employee Benefits	see note i	<u>19,692</u>
16. Investment Advisory and Management Services	see note j	<u>36,402</u>
17. Directors' and Stockholders' Meetings		<u>4,200</u>
18. Advertising & Promotion		<u>6,200</u>
19. Appraisal & Investigation		<u>5,400</u>
20. Communication		<u>3,600</u>
21. Legal Fees		<u>20,000</u>
22. Travel Expenses		<u>5,000</u>
23. Cost of Space Occupied	see note k	<u>14,000</u>
24 a. Depreciation		<u>2,857</u>
24 b. Amortization Expense	see note m	<u>12,000</u>
25. Audit and Examination Fees		<u>7,500</u>
26. Insurance Expense		<u>5,025</u>
27. Taxes Expense (Excluding Income Taxes)		<u>5,025</u>
28. Provision for Losses an Accounts Receivable	see note n	<u>0</u>
29. Miscellaneous Expenses		<u>0</u>
30. TOTAL EXPENSES		<u>498,026</u>
31. NET INVESTMENT INCOME BEFORE PROVISION FOR INCOME TAXES		<u>316,180</u>
32. Provision for Income Taxes (Note 1)		<u>(107,501)</u>
33. NET INVESTMENT INCOME (LOSS)		<u>208,679</u>

REALIZED GAIN (LOSS) ON SALE OF SECURITIES

34. Net Sales Price	_____
35. Cost of Securities Sold	_____
36. Net Prior to Income Taxes	_____
37. Provision for Income Taxes	_____
38. REALIZED GAIN (LOSS) ON SALE OF SECURITIES	_____

(Note 1) Compute a tax only if lines 31 or line 36 show a gain.

Net Taxable Income	316,180
Federal & State Tax Rate	34%
Income Tax	<u>107,501</u>

NOTES TO STATEMENT OF OPERATIONS
For the Period Ending 9/30/94

INCOME

- Note a : Interest income computed at 80 % of available funds to loan at 10 % interest.
- Note b : Dividend income is computed assuming an average net income per business, distributing 50% of net income, and Community Brace having a 30% vested interest.
- Note c : Income from Investments is computed on an estimated number of loans made from available capital assuming an average after tax income from each business with Community Brace participating share of 30% per business.
- Note d : Management Services Income is computed as a fee of \$2,000 per loan consummated. The purpose of the fee is for an annual review analyzing the borrower's ability to perform. Fee to be based on industry norm.
- Note e : Application fees are computed at \$ 3,000 per loan consummated. Fee to be based on industry norm.
- Note f : Invested Idle funds are identified as 20 % of contributed capital. Interest is computed on available funds. (Contributed capital less funds loaned = Idle funds)

EXPENSES

- Note h : Interest on long term debt is computed at 4% on Federal loans.
- Note i : Salaries and benefits are based upon three officers and one employee.
- Note j : Investment Advisory and Management Services are computed at 33.3% of Management Services charged and other income earned. Community Brace will contract with professional consultants for the management/advisory services required.
- note k : Space costs are estimated at \$ 1.20 per square foot for approximately 1000 to 1200 square feet.
- note m : Start-up costs of \$60,000 amortized over a five year period.
- Note n : The 20% capital reserves is used for the Provision for losses on Accounts Receivable.