

20. Neither the bylaws nor the articles of incorporation of Translator T.V., Inc. contain anything reflecting a purpose of promoting minority ownership or programming. Counsel for Translator T.V., Inc./NMTV, Colby May, conceded that there are no documents that have been filed with the Commission or the state which reflect that the corporation was established for some unique purpose of helping minorities. Tr. 3344.

c. Paul Crouch's Conception of Translator T.V., Inc. (NMTV)

21. Paul Crouch proffered a theory that viewed Trinity Broadcasting Network as the "sponsoring organization" of Translator T.V., Inc. He always envisioned, under this rationale, that one day the corporation would "ultimately become viable" and would then be "sent off" to "stand on its own". TBF Exhibit No. 104, para. 32; Tr. 2486-87. As of the hearing in this case, no time frame had been set as to when the corporation would "stand on its own". Tr. 2344. David Espinoza recalled no discussion during his tenure of the possibility of the corporation breaking away from Trinity Broadcasting Network. Tr. 4270. E. V. Hill was also informed of the possibility that NMTV would one day walk on its own. While he claimed to have expressed a desire that a date be set for the "break away", he was in fact unaware that any plans were ever formulated for such an event. Tr. 2025-27.

22. Paul Crouch tied this concept into the goal of promoting minority ownership. He explained this concept as follows:

". . . our purpose was to bring some of these troubled minority people into, as we've just discussed with His Honor, into an ownership position and that isn't always easy. You don't give up the first time some of these folks make a mistake. We, we wanted to complete that process and, and see Mr. Aguilar become a fully trained and competent owner.

Tr. 2412-13 (emphasis added). In excusing failures of Phillip Aguilar to cooperate with counsel, Paul Crouch testified:

"Well, the fact that he refuses to speak to counsel is, is unfortunate. It's wrong. But, again, I don't see that that has a great deal of impact upon our overall purpose of, inviting these individuals into -- it took some training, sir. It took some help. It took some -- they didn't understand a lot of the, the nuances and what was going on and why it was important to talk. This is, in my opinion, part of Reverend Aguilar's training."

Tr. 2420 (emphasis added).

23. The substance of Paul Crouch's concept was evidently internalized by David Espinoza. David Espinoza had the concept of the Trinity Broadcasting Network/Translator T.V., Inc. relationship being that of parent/child. As of the time of his resignation as a director, David Espinoza expressed his thinking as follows:

". . . at the same time I -- it was something that, that it would remain close to my heart and I looked at, at the possibility of the Corporation growing up and somewhere along the line the father cuts the strings and allows the son or the daughter to, to be able to grow, and my feeling is that it's something that might be considered.

Q: So --

A: But it's not something that, that became a reality, because, like I say, at that time I, I knew I was going to resign, sir.

Q: You viewed the relationship that TBN had with TTI and NMTV as a parent-child relationship?

A: In a sense, yes, sir."

Tr. 4309-10. David Espinoza was queried as to why he never considered replacing Paul Crouch in light of his professed disagreement with Paul Crouch's desire to sell the station acquired by NMTV in Odessa, Texas. He testified as follows:

"Q: . . . Isn't the fact that you didn't replace Mr. Crouch is because you knew you couldn't replace Mr. Crouch? As you point out, Mr. Crouch and TBN was the father and you were the children and children don't replace fathers, do they?

A: No, they don't, sir.

Q: And that's why you couldn't replace Mr. Crouch, because Mr. Crouch -- his position and also the fact that they were providing the money for National Minority. Isn't that another reason that you couldn't replace Mr. Crouch?

A: Well, I didn't think of it in that way, sir.

Q: But you did think of it in terms of father or son.

A: That I did, sir. Yes, sir. That's true."

Tr. 4384. E. V. Hill also expressed the view that NMTV was the "child" of Trinity Broadcasting Network. Tr. 1926.

d. Initial Selection of Directors

24. The initial directors were picked by Paul Crouch. Jane Duff was already there as a director of Trinity Broadcasting Network and the selection of David Espinoza was the result of the need for another minority director in order to claim the proposed minority preference. Tr. 2481-82.

25. Jane Duff had initially started at Trinity Broadcasting Network in 1979 as a volunteer; however, shortly thereafter she was offered employment as Public Affairs Director as well as membership on the Trinity Broadcasting Network board. She subsequently learned this was based on a recommendation from her pastor of 20 years. She had little broadcast and no directorial experience. She became administrative assistant to Paul Crouch in 1981. As a Trinity Broadcasting Network employee, she has been responsible for dealing with FCC counsel and supervising Trinity Broadcasting Network's low power activities, among other assignments. TBF Exhibit No. 101, para. 29-30; Tr. 1339; 1550-55; 1587-88. By 1990, a Trinity Broadcasting Network administrative flow chart listed her as one of the three officials in the tier beneath Paul Crouch (the others being his son and brother) with responsibility for station acquisitions (both low power and full power), public affairs, and FCC ascertainment and EEO.

MMB Exhibit No. 309. In a 1992 job description, Jane Duff described her duties as Assistant to the President as including:

". . . interfacing with attorneys regarding all TBN business with the 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."

Glendale Exhibit No. 218, p. 50. Jane Duff's duties also included whatever miscellaneous routine matters that Paul Crouch might call upon her to handle. Examples of such tasks were checking on the feasibility of a trip contemplated by Paul Crouch; checking out whether a low power operator was carrying Trinity Broadcasting Network programming in accordance with his agreement; writing up reports of community ascertainments done by Paul Crouch; and checking the American Express bill for an anticipated credit. Glendale Exhibit No. 94-97; Tr. 1348-51. Jane Duff was also expected to submit absence reports for days on which she missed work. Those reports were directed to Allan Brown, Phillip Crouch or on one occasion Paul Crouch. Glendale Exhibit No. 211. Her son Reginald has worked for Trinity Broadcasting Network for about 8 years. Her daughter in law Cheri worked in the Trinity Broadcasting Network accounting department before becoming Jane Duff's secretary about four and a half years ago. Her

granddaughter Janie worked in a telethon in March 1993. Her husband was a director of TBF in 1980 or 1981. Tr. 1336-39.

28. Paul Crouch knew David Espinoza as the pastor of a church in Southern California and he was also a Trinity Broadcasting Network programmer. Tr. 2481. A programmer was an individual who regularly produced his own show on Trinity Broadcasting Network pursuant to agreed upon financial arrangements. In the case of David Espinoza, he produced a program from 1976 to 1986. Initially, he paid Trinity Broadcasting Network for its carriage of the program, which enabled David Espinoza to keep the proceeds of solicitations made on his program. The arrangement was later changed because of David Espinoza's financial problems so that Trinity Broadcasting Network paid for the production but kept the proceeds received as a result of solicitations on the program. Tr. 4128-30. Before he became a director, David Espinoza made clear to Paul Crouch and Jane Duff that his first priority was to his own church. Tr. 4173.

e. Initial Board Meeting of Translator T.V., Inc.

27. David Espinoza did not attend the initial board meeting of Translator T.V., Inc. MMB Exhibit No. 10. Jane Duff did not know why. Tr. 1579. David Espinoza asserted in his written testimony that while he did not attend the meeting, he had "consented" to the results. TBF Exhibit No. 106, para. 7.

meeting, he had "consented" to the results. TBF Exhibit No. 106, para. 7.

28. Paul Crouch became president of Translator T.V., Inc. because, in his view, Trinity Broadcasting Network was the "sponsoring organization" and would be lending funds. Tr. 2490-91. Jane Duff does not recall discussing or thinking about the reasons for Paul Crouch's selection, which just seemed natural to her since he had the broadcasting and business experience. The selection of a minority president was not considered. Tr. 1579-82. David Espinoza asserted in his written testimony that the election of Paul Crouch "seemed sensible to me" based on Paul Crouch's greater experience. TBF Exhibit No. 106, para. 7. In his cross-examination, David Espinoza initially sought to evade inquiry as to why Paul Crouch was elected president by noting that he was not present at the meeting. When pressed, David Espinoza stated:

"I think its more an impression than an understanding. My feeling was that since he had the knowledge and the experience, and so this is something that I readily accepted."

Tr. 4308-09. Given the tentative nature of this testimony, it is fair to find that David Espinoza "accepted" -- his term -- rather than "consented" to the election of Paul Crouch (as well as the other results of the meeting). The term

"consented" implies a degree of affirmative support that appears lacking from David Espinoza's testimony at hearing.³

29. Jane Duff was elected vice president and secretary. David Espinoza was elected chief financial officer (CFO). MMB Exhibit No. 10. David Espinoza understood based on a discussion with Jane Duff that while he would have the title of CFO, Jane Duff would do the actual work. Tr. 4184-85. By his own admission, David Espinoza never did one thing as CFO. Tr. 4179-80, 4185-87.

30. The meeting ratified that the corporation's principal office would be the Tustin, CA offices of Trinity Broadcasting Network. MMB Exhibit No. 10. It was resolved that the corporation's bank would be the Hacienda Division of Mitsubishi Bank. No bank account was in fact opened. The corporation did not have a bank account until 1987. Tr. 1582-83. Trinity Broadcasting Network used the same bank as authorized at this meeting. MMB Exhibit No. 4.

3. Operations of Translator T.V., Inc. -- Post-formation until Odessa

a. Norman Juggert Letter to FCC Counsel

31. On September 16, 1980, Norman Juggert, who was representing Translator T.V., Inc. in connection with its

³ David Espinoza's written testimony, wherein he uses the term "consented", was in fact prepared by counsel based on their notes of three discussions with him. David Espinoza reviewed one draft of his testimony as prepared by counsel and made only minor changes. Tr. 4125-26.

organization, wrote FCC counsel Jim Gammon a letter inquiring as to the proper relationship between Trinity Broadcasting Network and the new corporation. MMB Exhibit No. 6. Paul Crouch had no recollection of receiving answers to questions such as who should own equipment to be used by the new corporation or whether it should operate in states where there already was a Trinity Broadcasting Network corporation. Tr. 2482-83.

b. Application for IRS Exemption

32. In an application seeking a tax exemption from the IRS, Translator T.V., Inc. described its purposes in terms of religious broadcasting and made no mention of a purpose of promoting minority ownership or programming. Part III, Item 3 of the IRS form called for a "narrative description of the activities presently carried on by the organization, and those that will be carried on." MMB Exhibit No. 13, p. 2. Jane Duff in her cross-examination justified the absence of any reference to the alleged minority purpose as reflecting that the IRS gave no minority preference. She stated:

"Well, this application was for the IRS and for our exemption, and I don't believe that the IRS is focused on minority purposes and their interest is only in if this is a nonprofit organization, and we had to be able to show the reasons that we should accept -- that we should receive a tax exemption. . . . Well, the IRS gives an exemption based on whether this is a charitable organization, and I have never known the IRS to give any preferences for minorities. It's strictly for those that meet

the criteria for exempt purpose, and they're fairly narrowly defined by the IRS, and I don't -- I'm not aware of it ever having anything to do with giving benefits to minorities. So that's what our focus was here."

Tr. 1585-86. This, of course, is irrelevant to the inquiry made in the IRS form which sought to ascertain the organization's activities or intended activities, irrespective of their pertinence to the criteria justifying an exemption. It certainly did not preclude -- and may indeed have required -- information concerning a purpose of promoting minority ownership or programming such as Jane Duff claimed to have existed.

c. Filing of Initial Round of Low Power Applications

33. Translator T.V., Inc. filed 17 applications for television translator stations between November 5, 1980 and January 6, 1981. TBF Exhibit No. 105, para. 14. The criteria -- determined by Paul Crouch -- for selecting cities for application were capital cities or other large cities, subject to engineering and site availability considerations. Tr. 1597; 1598-99; TBF Exhibit No. 101, para. 34. Thus, the presence of minorities in a particular community was not a factor.

34. Engineering for the 1980/1981 applications was performed by James Rieger. He was an independent engineer who did work for Trinity Broadcasting Network. He would also find

sites, contact the owners and make arrangements. Jane Duff would then call to confirm what had already been arranged. Tr. 1592-93. Gammon & Grange were also involved in preparing the applications as legal counsel. Tr. 1591. That firm also represented Trinity Broadcasting Network. Tr. 1593. Trinity Broadcasting Network was also filing translator applications during this period. Jane Duff supervised the preparation of applications for both companies. Tr. 1596. Counsel addressed matters pertaining to both the Translator T.V., Inc. and Trinity Broadcasting Network applications in correspondence addressed to Jane Duff at Trinity Broadcasting Network. MMB Exhibit No. 14; Tr. 1587-88.

35. Jane Duff testified that David Espinoza made suggestions as to appropriate communities for application. TBF Exhibit No. 101, para. 34. David Espinoza appears to have done little more than provide anecdotal impressions of some communities he had happened to visit. He otherwise deferred to Jane Duff and Paul Crouch. Tr. 4312-19.

36. The application for Crestline, CA filed on behalf of Translator T.V., Inc. on November 21, 1980 was signed by Paul Crouch. It listed Norman Juggert as an officer and director and failed to list David Espinoza as an officer. It failed to list one of Jane Duff's offices. It also represented that the applicant shared three common directors with Trinity Broadcasting Network. MMB Exhibit No. 17. Paul Crouch said

that he would typically rely on Jane Duff, counsel and others involved to ensure accuracy. Tr. 2512-13. Jane Duff could not explain the errors. Tr. 1605-07.

37. Jane Duff was compelled to admit that the fees of counsel and Mr. Rieger were in fact paid by Trinity Broadcasting Network. She claimed that this was only a temporary situation pending the solicitation of funds in a November telethon. She had testified at her deposition with respect to Rieger that Trinity Broadcasting Network had paid him. Tr. 1592-95; 1607-08.

d. The November 1980 Telethon

38. The November 1980 telethon was in fact conducted by Trinity Broadcasting Network on its flagship station KTBN-TV in Los Angeles. Translator T.V., Inc. appeared as part of that telethon. MMB Exhibit No. 15; Tr. 1599. Paul Crouch had suggested raising seed money for Translator T.V., Inc. on this telethon. Tr. 2510. In all probability, funds were raised for both Trinity Broadcasting Network and Translator T.V., Inc. pursuant to solicitation for "low-power stations". At that time, it was anticipated that Trinity Broadcasting Network would operate translators associated with full power stations whereas Translator T.V., Inc. would operate satellite stations. Tr. 2519-20.

39. Jane Duff thought there was no further telethon participation by Translator T.V., Inc. until much later after

the name change. Tr. 1599-1600. Paul Crouch believed otherwise based on references in Trinity Broadcasting Network's newsletter Praise The Lord. The October 1981 issue reflected solicitation for low power stations without distinguishing between Translator T.V., Inc. and Trinity Broadcasting Network. MMB Exhibit No. 43, p. 6. Similar references appeared in MMB Exhibit No. 49, p. 18 (April/May 1982); MMB Exhibit No. 53, p. 12 (October/November 1982); and MMB Exhibit No. 56, p. 10 (April/May 1983).

40. The allocation of some funds raised in Trinity Broadcasting Network telethons to Translator T.V., Inc. translator applications does not support Jane Duff's claim that Translator T.V., Inc. paid for services used in connection with the applications. The telethons were premised on the facilities and audience of Trinity Broadcasting Network and any time devoted to solicitations for Translator T.V., Inc. (assuming that it had been separately identified) was time that otherwise could have been devoted to solicitations for Trinity Broadcasting Network projects. Ultimately, Trinity Broadcasting Network -- not Translator T.V., Inc. -- was responsible for meeting the cost of the applications.

e. Praise The Lord Newsletters

41. The Praise The Lord newsletter for July 1981 made reference to "26 medium power stations which we have filed with the FCC". This reference included both Translator T.V.,

Inc. and Trinity Broadcasting Network applications. MMB Exhibit No. 39; Tr. 2540-42. This was in the context of a discussion as to the fact that Trinity Broadcasting Network was approaching the limit of seven full power stations then allowed by FCC rules. The reference assured the readership that the translators were in addition to those. See also MMB Exhibit No. 40 (the August 1981 newsletter), wherein the grant of a Trinity Broadcasting Network "Satellator" station in Denver was reported and the readership was reminded that "we have filed for 26 more of these Satellator Stations and await FCC action on them."

42. The Praise The Lord newsletter for April/May 1982, in describing David Espinoza's program then broadcast on Trinity Broadcasting Network, characterized him as a board member of "our Satellite Division". This was a reference to Translator T.V., Inc. MMB Exhibit No. 49, p. 17; Tr. 2556. Similar references occurred in subsequent issues of the newsletter. MMB Exhibit No. 53, p. 11 (October/November 1982); MMB Exhibit No. 56, p. 9 (April/May 1983); MMB Exhibit No. 66, p. 5 (November 1983); and MMB Exhibit No. 76, p. 5 (May 1984).

f. IRS Inquiries

43. In connection with its request for an IRS tax exemption, Translator T.V., Inc. was required to file supplemental information concerning its proposed activities,

the preparation of which involved both FCC counsel and Norman Juggert. MMB Exhibit No. 27, 30, 31, 35, 36 and 37. None of this material reflected a goal of furthering minority ownership or programming but rather focuses on the purpose of religious broadcasting.

g. Annual Board Meetings

44. During the period prior to the acquisition of Odessa, Translator T.V., Inc. held its annual board of directors meeting as part of the annual meeting of the boards of Trinity Broadcasting Network and its subsidiaries. MMB Exhibit No. 47 are minutes of the 1982 Translator T.V., Inc. meeting which indicate that the meeting was held as part of a joint meeting with "all corporations affiliated with Trinity Broadcasting Network, Inc." and are largely identical to the minutes of the Trinity Broadcasting Network meeting, MMB Exhibit No. 48. See also MMB Exhibit No. 55 (1983); MMB Exhibit No. 70 (1984); MMB Exhibit No. 91 (1985); MMB Exhibit No. 101 (1986); and MMB Exhibit No. 124 (1987). Each of these minutes reflected Translator T.V., Inc.'s participation in the joint annual meeting of Trinity Broadcasting Network and related entities. Jane Duff attributed the holding of joint meetings to considerations of convenience. Tr. 1626.

h. Trinity Broadcasting Network Change of Counsel

45. In 1983, Trinity Broadcasting Network switched counsel to the firm of May, Dunne & Gay. MMB Exhibit No. 59. The agreement with the firm was negotiated by Paul Crouch and Colby May. It involved a retainer for each station with hourly fees for services in excess thereof. The same rate applied for each corporation. Tr. 2577-78. The first bill under this arrangement was sent to Jane Duff. In a cover letter, Colby May references "Trinity and Trinity-related" work. The bill itself lists various Trinity Broadcasting Network companies. Translator T.V., Inc. is not on this bill. MMB Exhibit No. 62. As noted above, the change of counsel was occasioned in part by mistakes by former counsel Jim Gammon in connection with the correction of errors in an FCC application.

i. Trinity Broadcasting Network FCC Limit

46. The January 1983 newsletter reflected that Trinity Broadcasting Network had reached the then applicable limit of seven full power stations. MMB Exhibit No. 54; Tr. 2563-64. In the April-May 1983 newsletter, funds were solicited for as many as 100 new noncommercial stations. This reflected that, having reached the commercial limit, Paul Crouch now intended to extend Trinity Broadcasting Network's reach through noncommercial outlets. MMB Exhibit No. 56; Tr. 2568-69. Paul Crouch testified:

"There is no question that I sought to extend the, the reach of Trinity Broadcasting Network by every legitimate means at my disposal. Since we had reached the limit of seven full-power commercial stations, as we just discussed, with Seattle/Tacoma, this was a -- an area that I felt we could explore, at least, to extend at least some of the programming of, of Trinity Broadcasting. I, I knew, of course, that the noncommercial stations had some different programming requirements, and we were certainly prepared to accommodate those distinctions for programming, but this seemed to be at least another way to extend the program affiliation arrangements and agreements with other affiliated corporations."

Tr. 2569.

47. The August 1983 newsletter discussed the possibility of acquiring low power stations through purchase. Paul Crouch indicated that it was intended that Trinity Broadcasting Network would pursue the purchase route rather than Translator T.V., Inc., which was intended to take advantage of the minority preference in seeking new stations. MMB Exhibit No. 63; Tr. 2586-87. In explaining why Trinity Broadcasting Network rather than Translator T.V., Inc. would pursue low power stations by purchase, Paul Crouch explained that the original purpose of Translator T.V., Inc. was to file for new low power stations taking advantage of the minority preference. He indicated that it would not make sense for Trinity Broadcasting Network to finance the purchase of stations by Translator T.V., Inc. since Trinity Broadcasting Network could purchase stations itself. He conceded that this

created a conflict of interest between Trinity Broadcasting Network and Translator T.V., Inc. Tr. 2687-89.

j. Change in Trinity Broadcasting Network Board

48. At a May 27, 1983 special meeting of the Trinity Broadcasting Network board, Janice Crouch, Paul Crouch's wife, was elected to the Trinity Broadcasting Network board, which had previously consisted of Paul Crouch, Jane Duff and Norman Juggert. This was done at Paul Crouch's request because he wanted to give his wife security and ensure continuity. MMB Exhibit No. 57; Tr. 2572-73. Shortly thereafter, Janice Crouch gave her husband a proxy because she had little interest in attending board meetings. MMB Exhibit No. 58; Tr. 2574-75. More often than not she would be in attendance at most briefly, and her vote would be exercised by Paul Crouch pursuant to the proxy. Tr. 2605. Paul Crouch exercised her proxy 75 to 80 percent of the time. Tr. 3902-03. It was Norman Juggert's belief that Mrs. Crouch became a director in part to ensure against the possibility of a hostile takeover. Tr. 3656-57. He testified that the practical effect of adding Janice Crouch to the Trinity Broadcasting Network board was to give Paul Crouch two votes and that that is what Paul Crouch had suggested and what he (Norman Juggert) and Jane Duff intended in adopting the suggestion. Tr. 3913.

k. Minority Preference

49. Translator T.V., Inc. interposed claims of minority and diversification preferences on February 28, 1984 for several translator applications filed in 1980. This was in response to the FCC's August 19, 1983 public notice initiating procedures for the utilization of lotteries in low power television/ television translator licensing proceedings. TBF Exhibit No. 105, Tab G and H.

50. Jane Duff signed the certifications based on the advice of Colby May. She also claimed to have discussed it with Paul Crouch and David Espinoza. Tr. 1639-40. Paul Crouch recalled no specific discussions. He just always assumed preferences would be claimed. Tr. 2613-14. Paul Crouch stated in response to inquiry as to whether he had discussed the propriety of claiming the preference with anyone:

"I don't recall any specific conversation, I think it was just well-known to all of us that the original purpose of TTI, later National Minority, was that if and when the Commission ever did through its policies create this preference that it certainly would be claimed and apparently this now is the case."

Tr. 2613.

51. Jane Duff understood that the diversification preference could be claimed only because Paul Crouch's interest in Trinity Broadcasting Network was reduced by the

addition of his wife to the board. Tr. 1643. Thus, the diversification preference could not be claimed if owners of the applicant held interests of more than 50 percent in other media of mass communications. TBF Exhibit No. 105, Tab G, p. 7. Mrs. Crouch had been added on the same day as the release of the Commission's decision adopting the minority/diversification preference; however, Paul Crouch denied any connection between these events. Tr. 2576-77.

52. Colby May premised his advice on the mere fact that two of the three directors were minorities. Tr. 3106. He conceded that such advice would not be appropriate if a director were not fulfilling his or her responsibilities as a director as defined by the bylaws and state law. Tr. 3110. The criteria for fulfilling a director's responsibility recognized by Colby May included:

1. Attendance at meetings;
2. Participation in discussions and votes; and
3. General direction of the affairs and policies of the company.

Tr. 3111; 3121-22. Translator T.V., Inc. was not billed for the preparation of the February 1984 certifications. Either Trinity Broadcasting Network was billed for them or they were not billed to anyone. Tr. 3307-12.

53. At the time of his advice that Trinity Broadcasting Network could claim the minority/diversification preference,

Colby May had been an attorney for less than four years. From June, 1980, when he became an attorney, he was associated with James A. Gammon, prior counsel for Trinity Broadcasting Network, until January 1981 when he became a partner in the successor law firm of Gammon & Grange. In May, 1983, he left Gammon & Grange and co-founded his own firm, May, Dunne & Gay. TBF Exhibit No. 105, para. 5. Trinity Broadcasting Network left Gammon & Grange with Colby May. From its inception, Trinity Broadcasting Network has been the major client of May's firm in terms of revenues. Tr. 3248-49. Colby May recognized that his firm's representation of both Trinity Broadcasting Network and NMTV involved a potential conflict of interest. Tr. 3057.

54. Colby May conceded that the claim for a diversification preference was suspect notwithstanding that Janice Crouch had been added to the Trinity Broadcasting Network board thereby reducing the combined interest of Paul Crouch and Jane Duff to 50 percent. Thus, a similar change may not have been effected for the board of the Florida subsidiary so that it at least remained an attributable interest. Tr. 3286-88. In fact, the diversification preference must be separately found to have been falsely claimed since the position of Janice Crouch as a director of Trinity Broadcasting Network was purely nominal. Her interest was in fact controlled by Paul Crouch, who in the large

majority of cases exercised his wife's nominal interest pursuant to a proxy. As noted, Trinity Broadcasting Network's counsel and director, Norman Juggert, conceded that the effect of adding Janice Crouch to the Trinity Broadcasting Network board was to give Paul Crouch two votes. Moreover, Colby May agreed that no consideration could be given to a nominal director who did not function as such. The record is clear that Janice Crouch did not function as a director and, indeed, had no interest in fulfilling the duties of a director. There was accordingly no basis for Translator T.V., Inc.'s assertion of a preference. Attributing Janice Crouch's interest to Paul Crouch, he and Jane Duff constituted 75 percent of the Trinity Broadcasting Network board. It must also be emphasized that according to Norman Juggert, Jane Duff, who executed the Translator T.V., Inc. certifications, was aware of the fact that the actual impact of adding Janice Crouch to the Trinity Broadcasting Network board was to give Paul Crouch two votes.

1. Jane Duff Resignation from TBN Board

55. Jane Duff resigned from the board of directors of Trinity Broadcasting Network on August 7, 1984. MMB Exhibit No. 80. She attributed this to increasing duties as a director of Community Educational Television, which was formed to take advantage of an FCC ruling that allowed educational stations to sell blocks of time to Trinity Broadcasting

Network. Her resignation had no effect on her duties as a Trinity Broadcasting Network employee. Tr. 1650-52.

m. Addition of Officer to Translator T.V., Inc.

56. On January 14, 1985, Phillip Crouch was elected assistant secretary of Translator T.V., Inc. at the combined annual meeting. MMB Exhibit No. 91. According to Jane Duff, he was added so he could sign checks and documents since as Trinity Broadcasting Network's Director of Finance he supervised the financial and accounting departments. Tr. 1657-58.

n. The FCC Limit of Twelve

57. Trinity Broadcasting Network was spared from its prior concerns as to the FCC's limitation on the ownership of commercial stations to seven because the agency increased that limit to twelve. The June 1986 newsletter noted that Trinity Broadcasting Network was fast approaching the new limit of 12 full power stations. It had pending applications that would reach that limit if granted. MMB Exhibit No. 104. The newsletter also discussed how "we" have taken steps to ensure continued expansion notwithstanding the full power limit through educational stations, low power and cable television.

o. Colby May Statement for Translator T.V., Inc.
Legal Services

58. The May, Dunne & Gay statement dated June 12, 1986 covered the period from May 9 to June 6, 1986. It was addressed to Paul Crouch at Trinity Broadcasting Network. It included legal services for Translator T.V., Inc. as well as Trinity Broadcasting Network and other TBN-owned companies. This was the first time Translator T.V., Inc. appeared separately on a bill. It probably reflected legal activity in connection with the Odessa purchase. MMB Exhibit No. 105; Tr. 2652-54.

59. Jane Duff was asked why the bill was sent to Paul Crouch at Trinity Broadcasting Network rather than directly to Translator T.V., Inc. She responded in terms of why the bill was sent to Paul Crouch rather than her, citing the fact she handled all attorney's bills. Thus, she skirted the issue of why it wasn't sent to Translator T.V., Inc. directly. She suggested there were discussions sometime later as to billing Translator T.V., Inc. separately. The bill was in fact paid by Trinity Broadcasting Network's accounting department and carried on the books as a Translator T.V., Inc. expense. Tr. 1685.

4. The Purchase of Odessa and Related Events

a. The Basis for The Decision to go Forward with Odessa Notwithstanding the FCC 12 Station Limit

60. The acquisition of a full-power television station in Odessa, Texas, arose during this time period when Paul Crouch recognized the impending applicability of the FCC limitation on one licensee owning more than 12 full-power commercial stations. The acquisition was initiated by David Roever. His brother Alfred Roever was the holder of an unbuilt construction permit for a television station at Odessa. Tr. 2669-70. David Roever was a frequent guest on Trinity Broadcasting Network's Praise The Lord program and was also a Trinity Broadcasting Network programmer. He advised Paul Crouch, probably in a personal encounter, of the fact that they had a CP for Odessa that they couldn't build and which was nearing expiration. Tr. 2668-69.

61. Paul Crouch recalled discussing this thereafter with Jane Duff and Colby May. He recalled that Colby May told him that the proposed acquisition could qualify as an exception to the Rule of 12 based solely on the minority status of Jane Duff and David Espinoza. He recalls, however, no discussion of the basis for this conclusion in terms of the roles and duties of the directors, the combined board meetings with Trinity Broadcasting Network, Trinity Broadcasting Network's keeping of the books or the sharing of consulting engineers.