

resign, nor was he aware that Paul Crouch's presence on the board limited the number of full power stations NMTV could own. Tr. 2027. E. V. Hill never made any efforts to bring Portland minorities unto the NMTV board. Tr. 2014.

200. Until his deposition in this case, E. V. Hill thought Jim McClellan, the manager at Portland, was a director of NMTV. He did not know as of his deposition who Terrence Hickey and Al Brown were, let alone that they were assistant secretaries of NMTV. Tr. 1962-63. Until his deposition, E. V. Hill didn't know the difference between an officer and a director. Tr. 1965. He never received drafts of minutes before they were signed by Jane Duff. The final versions were not sent to him unless he had missed the meeting and had to consent to the actions taken. He would otherwise not receive minutes until the next meeting. Tr. 1931-32.

201. E. V. Hill didn't know as of his deposition how much money NMTV owed Trinity Broadcasting Network. Tr. 1979-80, 1989. He had learned since his deposition that NMTV was paying off its debt at the rate of \$27,000 per month. Tr. 1981-82. He had not seen the January 1, 1993 note to Trinity Broadcasting Network prior to preparing for his testimony. Tr. 1988. He assumed the payment of the debt would require a balloon payment, although the note does not so provide. Tr. 1983-86. He was unaware of the July 31, 1992 memorandum from Trinity Broadcasting Network to the NMTV board concerning the

debt (MMB Exhibit No. 339). Tr. 1989-90. When he joined the board, he assumed that there would be notes covering NMTV's debt; however he never saw any such notes. Tr. 2023-24.

202. E. V. Hill could not recall the name of NMTV's accountants although he knew they were also Trinity Broadcasting Network's accountants. He didn't know who hired the accountants; the terms of their employment; how they were compensated or where their bills were sent. He did not receive copies of their work and he didn't know who did. Tr. 1933-35. E. V. Hill was generally aware of the Business Services Agreement with Trinity Broadcasting Network; however, he had not actually seen it prior to his deposition. Tr. 1948. He did not know how the payments under the Agreement were arrived at. Tr. 1950-51. It was his understanding that NMTV paid for outside professional services but not for internal Trinity Broadcasting Network services such as paying bills. Tr. 1945. He had not seen the board resolution appointing Trinity Broadcasting Network as accounting agent (MMB Exhibit No. 125). He indicated that it was no longer in effect, which was inconsistent with his deposition. He reasoned that it related to Odessa which had since been sold. Tr. 1942-44. He didn't know who would get the lawyer's, accountant's and engineer's bills, which he did not get. Tr. 1938.

203. E. V. Hill didn't know whether NMTV had retained a consulting engineer. He believed that Ben Miller was an employee of NMTV but he didn't know what he did. He didn't know who George Sebastian or George Horvath were. Tr. 1938-39. He didn't know until he was told by counsel after his deposition that Trinity Broadcasting Network provided free engineering services to NMTV. Tr. 1941.

204. E. V. Hill didn't know how many hours a day NMTV's station in Portland was on the air. He didn't know whether the station ever substituted programs for Trinity Broadcasting Network programs. Tr. 1946. He did not know even approximately how many hours of Trinity Broadcasting Network programming the Portland station was required to carry pursuant to its affiliation agreement, nor did he know how many hours of Trinity Broadcasting Network programming were in fact carried per week in 1992 or 1993. Tr. 1946-47. He had not seen the Portland station's rate card prior to his deposition, nor did he know how the rates were arrived at, which was never discussed at a board meeting. Tr. 1951-52. He didn't know whether the Portland station sold spot announcements. Tr. 1953. He had never visited the Portland station. Tr. 1958. The last official report he received concerning Portland was at the January 1992 annual meeting. He had received an oral report from Jane Duff after his deposition; but had received none prior thereto so that all he

knew was what he read in the Trinity Broadcasting Network newsletter Praise The Lord. Tr. 1959-61. He had not seen revenue, expense or audience circulation information concerning Portland for 1992 or 1993. Tr. 1961-62.

205. E. V. Hill was under the impression that NMTV had 40 to 50 employees, 15 at Portland and the rest working contractually for the low power stations. He was uncertain as to how many of these employees were full-time. He believed some were contractors. Tr. 1957-58. He did not know the compensation paid Jim McClellan. He said that the board determined Jim McClellan's salary; however no review of his salary had been conducted since E. V. Hill joined the board in October, 1991 until his testimony (December 10, 1993). Indeed, there had never been a board salary review for any employee during his tenure. Tr. 1954-56. He did not know what NMTV's policy was for employee sick leave. Tr. 1965. He did not know whether Paul Crouch and Jane Duff were compensated by NMTV. Tr. 1935-36.

206. E. V. Hill didn't know the number of low power stations NMTV had as of his deposition. Tr. 1925. He had received a list of stations at one point (MMB Exhibit No. 388); however, he did not study it in depth. Tr. 2050-51. He had no say as to the markets in which NMTV would seek low power licenses. Tr. 2030. He didn't know what programs were carried on the low power stations. He was under the

impression that local programs would have been carried on them. Tr. 2043. He was not aware that Trinity Broadcasting Network did not offer to NMTV the opportunity to buy low power stations that were for sale and that Trinity Broadcasting Network was itself buying and building such stations under Jane Duff's direction. Tr. 2024-25. He never visited any of NMTV's low power stations. Tr. 1958.

207. In his direct testimony, E. V. Hill claimed credit for suggesting that a minority communications attorney be hired by NMTV to review the allegations against it (for which credit was also claimed by Phillip Aguilar). His direct testimony asserted that this resulted in the retention of Tyrone Brown by NMTV. TBF Exhibit No. 102, para. 25. In his cross-examination, however, E. V. Hill testified that Tyrone Brown was in fact hired by Trinity Broadcasting Network, not NMTV. Tr. 2062.

208. According to E. V. Hill, there were no disagreements on the NMTV board, nor any split votes, since he joined. Tr. 1965.

### 13. NMTV's Proposed Investment in Community Brace

209. Community Brace, Inc. was a for-profit MESBIC (Minority Enterprise Small Business Investment Corp.) in which E. V. Hill was a stockholder, officer and director. TBF Exhibit No. 102, para. 28. E. V. Hill approached Paul Crouch with a proposal that NMTV loan to and/or invest in Community

Brace 1.5 million dollars. TBF Exhibit No. 102, para. 29; Tr. 2978.

210. NMTV approved the proposal at a special meeting held October 15, 1991, leaving the details to be determined by Paul Crouch and Jane Duff. Phillip Aguilar was absent from the meeting although he signed a consent later. E. V. Hill did not vote on the matter. MMB Exhibit No. 405. Also present at the meeting was Cal Burton, President of Community Brace, although not reflected in the meeting. Tr. 3747-48. On the same date, the Trinity Broadcasting Network board held a special meeting authorizing a loan to NMTV of the funds to be loaned to Community Brace. MMB Exhibit No. 404. According to Paul Crouch, NMTV was chosen as the vehicle for the Community Brace transaction so it would look to be the "hero". Tr. 2979.

211. Implementation of the proposal was primarily the responsibility of Norman Juggert. Glendale Exhibit No. 218. Terrence Hickey was responsible for arranging bank financing. Tr. 3759. Norman Juggert was working on this matter prior to its formal approval by the NMTV board. Thus, Glendale Exhibit No. 218, p. 1 is an October 14 fax of a draft agreement sent to E. V. Hill. On October 15, faxes went out from Norman Juggert to the bank involved, Paul Crouch and Cal Burton distributing for approval drafts of implementing documents. Id., p. 2-4. Norman Juggert received a fax from the bank on

11:52 AM of October 15, consisting of the bank's form security agreement. Id., p. 7-9. It is evident that the underlying decision to go forward with this project had already been made prior to the NMTV board meeting of October 15, which was merely a formality.

212. On October 16, Norman Juggert advised Cal Burton that a letter of credit should be established by October 19. He also provided Burton with copies of the proposed agreement, which he instructed Burton to sign if it was acceptable. Id., p. 10. Also on October 16, Norman Juggert sent faxes to Jane Duff and Paul Crouch to obtain signatures on the implementing documents. Id., p. 13-14.

213. On October 26, Norman Juggert sent a memo to Paul Crouch, Jane Duff and Terrence Hickey reporting on a meeting with counsel for Community Brace at which he learned that the deal as proposed would not be approved by the SBA. Thus, the SBA was concerned a loan would create cash obligations that could jeopardize Community Brace's ability to operate its business successfully. It thus required that any involvement by NMTV be in some form of equity investment. The SBA was also concerned about involvement by investors without assets at least twice as great as their debts. Id., p. 11-12. A copy of this memo was not sent to E. V. Hill or Phillip Aguilar.

214. On November 2, Norman Juggert faxed a newspaper article he deemed pertinent to the situation to Paul Crouch, Jane Duff, and Terrence Hickey but not E. V. Hill or Phillip Aguilar. Id., p. 32-34. On November 5, Colby May wrote a letter to Norman Juggert in which he urged that efforts be made to obtain a ruling from the SBA that could be used to rebut allegations against NMTV pending at the FCC. Colby May stated:

" . . . As you know, my only concern is that the final ruling, authorization, or grant issued by the SBA actually contain language finding NMTV to be a legally formed, properly operated, minority-controlled company. Additional language acknowledging that NMTV is a recognized tax exempt public charity, a majority of whose directors are minorities, would also be helpful.

My reason for emphasizing this, as you know, is to use it at the FCC in a "collateral estoppel" argument, viz, one federal agency has made a legal finding that NMTV is minority-controlled estops a second agency from making a contrary finding."

Colby May's letter indicated that blind copies were sent to E. V. Hill and Phillip Aguilar. Id., p. 35. By fax of November 5, Norman Juggert sent a letter to Cal Burton in which he sought to further this suggestion. Id., p. 36.

215. On November 6, Norman Juggert faxed a memo to Paul Crouch, Jane Duff, Terrence Hickey and Colby May. The memo reported that any participation by NMTV would have to be in the form of preferred stock. It also advised that a financial statement would be required of NMTV. It stated as follows

with respect to Colby May's scheme to elicit a finding that could be used at the FCC:

" Attorney Strothers [counsel for Community Brace] will have to advise us as to the possibility of including the findings in the SBA order that Colby has requested. I recommend that if we go forward that we put together the necessary information for the SBA to base its findings on, such as Certificate of Good Standing, copies of National's Articles, a Secretary's Certificate regarding the composition of the Board of Directors and an affidavit from Rev. Hill regarding National's minority control and activities. This information would be included in our financial statement."

No copy of this memo was sent to E. V. Hill and Phillip Aguilar. Id., p. 38-43.

216. On November 23, Cal Burton sent to Terrence Hickey SBA background forms to be completed by Norman Juggert, Paul Crouch and Jane Duff of "National Minority [sic] Television, Inc./Trinity Broadcasting Network, Inc." E. V. Hill was to complete the forms as a principal of Community Brace. There was no mention of Phillip Aguilar. Id., p. 44-53.

217. On December 1, Norman Juggert sent a fax to Paul Crouch reporting that Trinity Broadcasting Network's accountant Jim Guinn disapproved of the deal due to its riskiness and E. V. Hill's interest in Community Brace and enclosing a letter to Guinn concerning the situation. The crux of Guinn's concern as reported by Norman Juggert was that the directors of NMTV and Trinity Broadcasting Network would

be in breach of their fiduciary obligations to the donors since the investment in Community Brace was not one a reasonably prudent man would make with his own funds. Id., p. 55-57. The fax also included a letter being sent by Norman Juggert to Guinn detailing the facts concerning the situation and requesting an opportunity to discuss it. There is no indication that a copy of this material was sent to anyone other than Paul Crouch. Also on December 1, Guinn sent a letter to Norman Juggert detailing his objections. Id., p. 58-59.

218. Based on the advice of Norman Juggert and Guinn, Jane Duff and Paul Crouch decided not to participate in the Community Brace deal. TBF Exhibit No. 101, p. 56. There was no further action by the NMTV board reflecting that decision. Tr. 1355.

219. Phillip Aguilar had no knowledge as to why the Community Brace loan didn't go forward. He had no recollection of anyone ever discussing the matter with him nor of his ever asking about it. TBF Exhibit No. 107, p. 177-79.

220. Norman Juggert stated that he was consulted by individuals in NMTV, Paul Crouch and Jane Duff, who asked him to look into the propriety of the Community Brace transaction, which he did. Tr. 3738-40. Later, however, he claimed that he was acting as Trinity Broadcasting Network's lawyer in

connection with the matter, but was keeping NMTV informed. Tr. 3755.

221. In light of the foregoing, it must be found that Trinity Broadcasting Network assumed all decision-making authority with respect to the question of NMTV's involvement in the Community Brace transaction, to the exclusion of any independent decision-making capability on the part of NMTV. The only NMTV director not associated with Trinity Broadcasting Network (given E. V. Hill's necessary exclusion as an interested party) was Phillip Aguilar; however, he was wholly excluded from involvement in this matter to the extent that he was not even kept informed of developments.

14. The Directorship of Armando Ramirez

222. Armando Ramirez was the pastor of a church in East Los Angeles. TBF Exhibit No. 103, p. 1. He had been interviewed by Jane Duff as a prospective director of Translator T.V., Inc. when the corporation was first formed but was found to be ineligible since he was not then a U.S. citizen. Id., p. 7. From approximately 1975 to 1977, he assisted on a volunteer basis in the production of a Spanish language Praise The Lord program broadcast on Trinity Broadcasting Network, serving as a guest coordinator and co-host. From 1979 to 1982 he hosted a Spanish language public affairs program on Trinity Broadcasting Network under the supervision of Jane Duff. Id., p. 5. In early 1993, he began

hosting another public affairs program on Trinity Broadcasting Network at the suggestion of and under the supervision of Jane Duff. Tr. 4030-32. He also produced a program on Community Educational Television's station in Houston. It was suggested by Jane Duff and Terrence Hickey that he produce and host this program and Jane Duff was his main liaison in connection with the program. Tr. 4033-35.

223. Armando Ramirez was again approached to join the NMTV board by Jane Duff shortly prior to the NMTV board meeting of April, 1993. Tr. 4032. He was elected a director at the meeting of April 20, 1993. MMB Exhibit No. 412. It was also apparently intended that he be elected vice president (the post previously held by Phillip Aguilar) although this was omitted from the minutes of the April 20, 1993 meeting. It was reported in a May 10, 1993 informational filing. Armando Ramirez considered himself to be vice president but had never requested correction of the minutes. Tr. 4035-39. He attended a second meeting about a month thereafter. There were no meetings after that second meeting. Armando Ramirez anticipated that there would be another meeting after the hearing. Tr. 4040-42. The second meeting (minutes of which are not in the record) concerned only the issue of the waiver of the attorney-client privilege in this proceeding. Tr. 4045, 4104. There were no disagreements among the directors

or split votes at the two meetings Armando Ramirez attended. Tr. 4057-58.

224. The principal issue at the April 20, 1993 meeting was the question of the forgiveness of the debt to Prime Time Christian Television arising from the sale of Odessa. Armando Ramirez was ultimately forced to concede that his performance in this respect was deficient. He initially sought to justify the forgiveness of the debt based on the desirability of keeping the programming available in the face of Prime Time Christian Television's possible collapse. Tr. 4064-65. It was subsequently developed that as of his September 21, 1993 deposition, he didn't even know where Prime Time Christian Television's station was. He did not know if the station was full power or low power. He did not know the original amount of the debt or how long it had been outstanding. He did not request any written report or documentation on the matter prior to voting on it. Tr. 4065-66. Initially, he testified that while it would have been better to have documentation, he did not feel it was necessary to have it since his primary concern was the need for the programming and he felt he had enough information to cast a vote. Tr. 4067-68. He denied that his posture reflected a reluctance to raise issues because of his newness as a director or a deference to Jane Duff and E. V. Hill. Tr. 4068-69. At his deposition, however, he had indicated reliance on those who were "more

knowledgeable", i.e., E. V. Hill, Paul Crouch and Jane Duff. Tr. 4070. Armando Ramirez later testified that he did not give consideration to options other than forgiving the debt since he assumed such possibilities had been explored by others at earlier stages in the "process" prior to his involvement. He did not know, however, what possibilities had been explored and he did not ask any one about it. Tr. 4116-17, 4121. At the time he voted to forgive the debt, he did not know the magnitude of NMTV's own debt and he gave no consideration to whether NMTV could afford to be charitable. Tr. 4070-71. He was not aware of Prime Time Christian Television's assets and liabilities and, as noted, did not consider other options such as a revised payment schedule. Tr. 4072. He knew that Prime Time Christian Television was a Trinity Broadcasting Network affiliate, but he did not know whether that company was indebted to Trinity Broadcasting Network. Tr. 4072-73. He did not know whether Prime Time Christian Television had made any payments on its debt, saw no documents supporting the claim that it would close if the debt were not forgiven, and knew nothing about whether there were minorities involved in Prime Time Christian Television. Tr. 4117-18. He was forced to concede that forgiving the Prime Time Christian Television debt yielded no benefit to NMTV but only served to benefit Trinity Broadcasting Network by

ensuring the continued availability of its programming. Tr. 4118-19. He finally conceded:

"Um-hum. I will admit that in the light of all the proceedings that it would have been wiser for me to either abstain from voting or require more information. And that is not how I usually do things. It was just my first meeting. I believe our goals were, were the same. I had been helped. I went through college, you know, because somebody cared for me. And they told me if you want to repay us, try to help whenever you can. So I thought I was doing that. Whether it was an unwise decision on my part to, to vote, I wish I could stand here and say I abstained, you see. So I will stand corrected in terms of the process. But in no way was it to bow to anybody but to be kind and charitable and to further a cause I believe in."

Tr. 4119-20 (paragraph break omitted). In point of fact, it can be found that in the principal decision confronting him in his brief career as an NMTV director, Armando Ramirez merely ratified the position presented to him without making any effort even to obtain the information necessary for the formation of a responsible opinion of his own.

225. Armando Ramirez made some inquiry into the facts concerning NMTV when he became a director; however, he remained ignorant of many essential facts concerning NMTV. He never focused on the fact that there was an absence of reference to the purported purpose of assisting minorities in any NMTV corporate document. Tr. 4017-21. He had never thought about the possibility of expanding the NMTV board to include a minority from the Portland area, although he thought

it was a good idea. Tr. 4024. He didn't know the terms of office of the directors and officers of NMTV. Tr. 4025. He was under the impression that Jane Duff was NMTV's chief operating officer. Tr. 4035. He did not know why Paul Crouch had abstained at the April 20, 1993 meeting. Tr. 4043-45. He had no specific knowledge of what the roles of Terrence Hickey and Allan Brown in NMTV were. Tr. 4046. He did not know that Norman Juggert kept the official corporate minute book. Tr. 4050-51. He did not know that Norman Juggert provided legal services to NMTV or why he attended the April 20, 1993 meeting. Tr. 4057; 4059-61.

226. Armando Ramirez did not know until about two weeks prior to the hearing that NMTV owed Trinity Broadcasting Network over five million dollars. Tr. 4058-59. He never saw any documents concerning NMTV's debt and also never saw the January 1, 1993 note to Trinity Broadcasting Network. Tr. 4095-97. He did not know the interest or collateral pursuant to the note and learned for the first time at the hearing that NMTV was paying \$27,000 per month. Tr. 4098-99. No one ever discussed with him that there was a five year plan to bring NMTV out of debt. Tr. 4100.

227. The only signatory to NMTV's bank account that he knew of was Jane Duff, although he knew there were probably more. He was uncertain as to NMTV's bank and he did not know how many bank accounts NMTV had. Tr. 4047-48. He indicated

his willingness to be a signatory to NMTV's account; however, he had never been asked. Tr. 4048. He had not received copies of NMTV's most recent tax returns. Tr. 4048-49. He did not know whether NMTV employed an independent auditor. Tr. 4053-54.

228. Armando Ramirez did not know at his deposition that Ben Miller provided services to NMTV. The lawyers told him later that Ben Miller did provide services; however, Armando Ramirez remained ignorant of what services Ben Miller provided or whether he was paid. Tr. 4051-52. Nor did he know what engineering services were provided by Trinity Broadcasting Network or the basis on which such services were provided. He did not know who George Horvath was. Tr. 4052-53. He did not know if NMTV had a consulting engineer. Tr. 4054.

229. Armando Ramirez did not know how much Jim McClellan was paid. Tr. 4053. He did not know whether Jim McClellan was separately compensated for producing Joy in the Morning. Tr. 4094-95. At his deposition, he did not know how many employees NMTV had. Tr. 4054-55. He had seen the Agreement to Provide Business Services with Trinity Broadcasting Network but he had never discussed it with any one, did not know whether Trinity Broadcasting Network was providing oral or written reports to NMTV and did not know the basis for the monthly fee specified in the agreement. Tr. 4082-86. He had never given much thought to the carriage of programming other

than that of Trinity Broadcasting Network and had never discussed it with the other directors. Tr. 4089. He did not know what Media Services Agency or Planck Technical Services, Inc. were. Tr. 4079.

15. Financial History and Business Services

a. Financial History

230. Prior to its acquisition of Odessa, NMTV had no bank account and no employees. It opened its first bank account in June 1987 and hired its first employee in May 1988. Joint Exhibit 1, p. 3.

231. Beginning with Trinity Broadcasting Network'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, Trinity Broadcasting Network's auditors prepared each year a combined balance sheet and a combined statement of revenues and expenses both of which included separate columns for Trinity Broadcasting Network (actually, for Trinity Broadcasting Network and its wholly owned subsidiary, International Panorama TV, Inc., or IPTV) and for a number of other companies, including Translator T.V., Inc. Joint Exhibit 1, p. 3.

232. The auditors' reports were not clear or consistent as to the basis for including Translator T.V., Inc. 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 Translator T.V., Inc. or explain the basis for including a Translator T.V., Inc. 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., Trinity Broadcasting Network and acknowledged subsidiaries). The note stated (and notes in the reports for 1982 and 1983 contained 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. Translator T.V., Inc. was not included in that listing. The note stated that the basis for combining the listed companies (TBA, TBD, etc.) with Trinity Broadcasting Network 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." This was, however, also true of Translator T.V., Inc. until Jane Duff resigned from the Trinity Broadcasting Network board in 1984. Nevertheless, Translator T.V., Inc. was included in the combined statements for 1984, 1985, 1986 and 1987. Joint Exhibit 1, p. 4-5.

233. 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 were prepared by 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. Joint Exhibit 1, p. 5.

234. In the reports prepared by Huffman & Co. for 1984 through 1987, there was no auditor's note similar to the note mentioned 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." Translator T.V., Inc. 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, Translator T.V., Inc. 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. Joint Exhibit 1, p. 5-6.

235. As a tax-exempt, non-profit corporation, Translator T.V., Inc. was required to file annually Form 990 with the IRS and Form 199 with the State of California. Translator T.V., Inc. 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 Translator T.V., Inc. 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, Translator T.V., Inc. had a liability ("Intercompany Payable") of \$49,415 (i.e., cost of assets plus expenses less contributions). Joint Exhibit 1, p. 6-7.

236. These revenue and cost items were the amounts that Trinity Broadcasting Network had shown on its books as allocable to Translator T.V., Inc. For example, the amount of \$31,033 that Translator T.V., Inc. reported on the 1980 Form 990 as "Contributions ... Directly from the public" (Part I, line 1(a)) was the portion of Trinity Broadcasting Network's

receipts from a November 1980 telethon that Trinity Broadcasting Network had credited on its books to Translator T.V., Inc. Joint Exhibit 1, p. 7.

237. 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. Translator T.V., Inc. 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. Joint Exhibit 1, p. 7-8.

238. Line 79 of Part VI called for the name, address and telephone number of the custodian of the books. Translator T.V., Inc. responded that its books were in the custody of Trinity Broadcasting Network, and it gave Trinity Broadcasting Network's address and telephone number. Joint Exhibit 1, p. 8.

239. Translator T.V., Inc. 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 Translator T.V., Inc.'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?" Joint Exhibit 1, p. 8.

240. In response to another question on the 1980 Schedule A (Part IV, line 6), Translator T.V., Inc. checked that it was "An organization that normally receives a substantial part of its support from a governmental unit or from the general public." Joint Exhibit 1, p. 8-9.

241. The tax returns reflected translator expenses of \$19,436 in 1980 and \$46,418 in 1981. It was not possible to determine from records now available what portion of these expenses related to the 17 translator applications Translator T.V., Inc. filed during those years and what portion reflected Trinity Broadcasting Network translator expenses. It is, however, clear that the practice began in 1980 and 1981 of recording all Trinity Broadcasting Network expenditures

relating to translators as an advance to Translator T.V., Inc. As a result, the Translator T.V., Inc. columns on the combined statements for the 17-month period ending December 31, 1981, and the revenue, expense, and balance sheet entries in Translator T.V., Inc.'s 1980 and 1981 tax returns showed Translator T.V., Inc. as owning translator equipment and incurring translator expenses. Trinity Broadcasting Network's accounting department continued to keep the books in the same way in succeeding years. This was an error. The erroneous practice continued, however, until February, 1987. Joint Exhibit 1, p. 11-12.

242. In 1980, Trinity Broadcasting Network spent \$61,012 to purchase translator equipment, and in 1981, it spent \$62,839. The total, \$123,851, appeared in the Translator T.V., Inc. 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) appeared on the balance sheet portion of Translator T.V., Inc.'s 1980 Form 990 and Form 199. The balance sheet portions of Translator T.V., Inc.'s Forms 990 and Form 199s for 1981 through 1983 were left blank. For 1984 through 1987, the balance sheets on the tax returns and the Translator T.V., Inc. 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

As with the translator expense figures for the same period, these asset figures should not have been allocated to Translator T.V., Inc. or NMTV. Translator T.V., Inc. did not, in fact, acquire or own any translator equipment or other non-cash assets in the years 1980-86. Joint Exhibit 1, p. 12-13.

243. David Sumner was the only person in Trinity Broadcasting Network's accounting department whose tenure went back to 1980. Mr. Sumner believed that it was William Phipps, who was then Director of Finance, who decided that all items relating to translators should be allocated to Translator T.V., Inc. and that this decision was made after Jane Duff requested early in 1981 that a balance sheet be prepared for Translator T.V., Inc. Mr. Phipps, who left the company in 1981, had no clear recollection of making the decision. The earliest document that could be located reflecting the practice is an unaudited balance sheet for Translator T.V., Inc. as of December 31, 1980 that Translator T.V., Inc. filed with the Commission on February 17, 1981 as part of an amendment to its translator applications (TBF Exhibit No. 101, Tab M, p. 53). Joint Exhibit 1, p. 13-15.