

**Ex. HH**

**Subject:** RE: [Norton AntiSpam] RE: Clarification needed to put rumor to rest  
**From:** "Danny Shelton"  
**Date:** Sat, 4 Nov 2006 17:26:24 -0600  
**To:** "Bob"

Bob,

Anything rumor retold is a lie. No matter what the intention. That's why Christians shouldn't be involved in the rumor mill. People also shouldn't assume anything. For instance there is a number of reasons why I don't want to give out certain information to the public. Also because I don't answer your question the way you want it answered doesn't mean that it "suggests" what you think it does.

I have hundreds of emails sent to me. Most of them are very good ones such as praise reports ect. I enjoy hearing them and am glad that people share them with me but there are times that even answering praise reports begin to take a lot of my time that I should be spending with my family.

At first you asked me a few general questions. I answered them the truthfully the best way I know how. But I will not continue to answer one question after another about every terrible thing you read on Black SDA or get from Gailon. Lack of answering does not make one guilty. Jesus showed us this when the bible says He answered them not a word even though they were of accusing Him of things that He was not guilty of.

I believe that He got to a point when He knew for certain that it would do no good to answer anymore questions as the accusers was going to crucify Him anyway.

It seems that is the way it is with those accusing me. They will not believe truth even when it is staring them in the face.

I will just say this, I did have biblical grounds to go along with a mutually consented divorce with Linda, and I have done nothing legally wrong in my administration with 3ABN. The Illinois court case looked at virtually every thing they could to prove such a thing so that it would make it easy for them to deny our non profit status. They found nothing and 3ABN is still non profit. Our appeal currently going on with the state of Illinois is not about financial misconduct or anything else. The State of Illinois does not believe that our property is used for religious purposes because they do not accept the health messages presented on 3ABN as part of our religion. We are trying to prove them wrong.

If the state of Illinois which gathered something like 2000 pages of info in discoveries with 3ABN plus 3 days of testimony in court plus hours of depositions from 3ABN employees including Linda, could find nothing wrong with how our administration of 3ABN including finances, how possibly could some one like Galon who has never been privy to one page of documents from 3ABN that I know of, possibly think he knows more than the state of Illinois.

Here's the difference. The State of Illinois had access to all our records. Gailon has access to a few people who worked there who have an ax to grind and have told him twisted stories which are lies. He's either not to bright or gullible, or is out to prove something himself. It could be other reasons, but I do know this, he does not want truth. There are two sides to every story and He has only gathered info from one side. He is upset because we will not give him the info he wants an believes that if he is accusing enough against us that we will take him into confidence with the truth that we have. This will not happen.

Church leaders will soon be looking at both sides of this divorce and each side will have a fair chance to present truth to them.

Both sides will have to live by their decision whether we like it or not.

Gailon sees himself involved. He is delusional. He is not involved. We will trust church leaders with the truth not some self proclaimed reporter.

God Bless!

Danny

ps. I need to quit answering questions even like yours for now as church leaders as well as my attorneys have said that anything I put in emails will only be used against me, not for me. I guess I should start listening to them.

----- Original Message -----

**From:** Bob

**To:** Danny Shelton

**Sent:** 11/3/2006 2:34:10 PM

**Subject:** [Norton AntiSpam] RE: Clarification needed to put rumor to rest

Hi Danny. Thanks so much for your reply.

If Remnant owns the copyright of TCTR, why does it say inside the book, "Copyright 2004, 2005 by Danny Shelton and Shelley J. Quinn"? Why doesn't it say that Remnant holds the copyright?

Ex. II



## *An Attempt to Mend a Broken Network & Save the Cause of Christ from Reproach*

Home Page  
Tommy Shelton  
Danny Shelton  
ASI  
Smokescreen  
Abuse of Power  
Ethical  
Allegations  
Financial  
Allegations  
Book Deals  
Emails  
Financial Aff.

### Danny Shelton's Book Deals

[< Prev.](#)
[Next >](#)

#### "Probably Several Hundred Thousand Dollars"

In the early days of the present 3ABN crisis, a former 3ABNer commented on 3ABN president Danny Shelton's book deals and their significance:

----- Original Message -----

**From:** \*\*\*\*\*

**To:** G. Arthur Joy

**Subject:** RE: MAP

**Date:** Tue, 19 Sep 2006 17:02:39 -0700

Hello Gailon,

...

I have wondered about the numbers. When I spoke with Danny about a month or so ago, he insisted that numbers were up by a couple of million. But when I spoke with a board member he indicated that the finances were not doing well, in part relating to a tremendous amount of money 3ABN put into the "Ten Commandments Twice Removed Book" which was distributed by the millions during the spring. I am quite certain that Danny received royalties on this, probably to the tune of several hundred thousand dollars, although he is refusing to disclose the amount to his own board members. This is a gross conflict of interest and also an improper personal inurement that could cause the ministry to lose its tax exempt status if it came to light. ...

...

Form 990's

Correspondence  
Untruths  
Alleged Illegal  
Activities  
Mene, Mene,  
Tekel, Parsin

Danny's Apologists  
Leonard Westphal  
Litigation, etc.  
Letters of Support  
Letters of Criticism  
News Releases  
Contact Us

Added on 5/9/2007  
Anonymous #2

Added on 5/8/2007  
Merger ?'s  
Lisa M #3  
Reactions #3  
(Updated)

Added on 5/4/2007  
Alfred Smith

Added on 5/3/2007  
Lawsuit Filed!!!

Added on 4/27/2007  
Mene, Mene,  
Tekel, Parsin

Added on 4/26/2007  
The Corrupt  
Mary Penny #2  
"Not a Victim"  
SH

Added on 4/25/2007  
Resignation  
(Updated)  
PJMusic  
Pastor Doug  
Constituency

Must Read:  
Mom in Pain #1

#### Danny Appears to Confirm the Problem

One concerned individual, after [hearing](#) that Danny was not disclosing these profits in order to avoid having to share them with his ex-wife in their marital property settlement, [wrote](#) to him directly. Danny [made it quite clear](#) that he was indeed keeping these profits a secret during the marital property distribution proceedings. But why would he do that, unless he really had made a hefty profit?

#### The July 13, 2006, Financial Affidavit

The accounting of 3ABN appears to be off limits to nearly everyone. That is unfortunate, for it makes it extremely difficult to demonstrate that various allegations of financial improprieties are simply untrue. Yet the [Financial Affidavit](#) is one piece of financial information that is fairly accessible, having been filed at the Franklin County Circuit Court in July 2006. What follows are questions raised by that affidavit.

#### Not Much Money in the Bank?

Danny lists only two bank accounts in the [affidavit](#), one containing \$1,500 and the other containing \$1,000. Since around 4.5 million copies of his book, *Ten Commandments Twice Removed*, were distributed in the spring of 2006, and since [Danny's personal responses](#) suggest that he did make a lot of money on those sales, why does he list only \$2,500 in those two bank accounts?

#### On the Other Hand ...

The amount declared in the [affidavit](#) for charitable contributions, \$500, suggests that there couldn't have been any royalty payments at all. The declared gross monthly income is \$5,991, and the charitable contributions are but 8.35% of this total.

After subtracting the taxes that got withheld, but before figuring in what the tax refund might be, the declared net monthly income is \$4,323. Thus the charitable contributions would amount to 11.57% of this figure. Given the Seventh-day Adventist teaching on tithes and offerings, it seems impossible that \$500 in contributions could represent tithe and offerings on both Danny's salary from 3ABN and hundreds of thousands of dollars of alleged profits from book deals.

The declared gross monthly income figure of \$5,991 should be about right, since that would amount to \$71,892 for the year, which is comparable to the annual salary of \$70,944 reported for Danny on [3ABN's 2005 Form 990](#). (See Statement 9 on page 4 of the "Supplemental Information" attached to the Form 990.)

### 3ABN Area: Low Housing Costs

Since we are talking about the [financial affidavit](#), we'll add this one item that doesn't pertain to royalties. Based on the [affidavit](#), it would appear that right around 3ABN is an excellent place to find low-cost housing. Consider that Danny has declared that his residence is worth only \$275,000. Just how much can one get for that sum? Our understanding is that his home has the following features:

- 4 bedrooms.
- 4 full baths.
- 1 half bath.
- 5000+ sq. ft.
- 2-car garage.
- Wrap-around porch.
- 18½ acres.
- Large pond.
- Large horse barn.
- Paved driveway.
- Swimming pool.

For comparison, consider the higher-priced area of West Frankfort, not very far away at all. (Actually, it's so close that Danny's mailing address is West Frankfort too.) There we have a home being offered for sale in March 2007 for \$204,300, a listing with an MLS ID of 257978. Located at 18297 Lone Oak Terrace in the Forrest Ridge subdivision, you just can't get as much for your money as you can next to 3ABN:

#### Description

**Wooded-Cul-De-Sac-Over an Acre** Beautiful wooded lot in a country subdivision is the location for this lovely, well maintained home featuring a great room well arranged to entertain a large group or a cozy family evening, large arched windows, crown molding, well designed kitchen with all appliances, dining room, master bedroom suite, with jet tub and separate shower in master bath.

#### Features

3 beds  
2 baths  
2358 Sq. Ft.  
1.18 Acres

#### **Lot Features**

Lot Dimensions (203x210x235x28)  
Lot Topography (Wooded-Gently Rolling)  
Road Type (County)  
Sewer Utilities (Aerator)  
View (Wooded)  
Water Utilities (City)

#### **Building Features**

Cooling System (Central)  
First Floor Sq Ft (2,358)  
Gross Living Area Sq Ft (2,358)  
Heating System (Geo Thermal Electric)

**Interior Features**

Bedroom 2 Dim (12x11.5)  
Bedroom 3 Dim (12.5x11.2)  
Dining Room Dim (12.5x12)  
Great Room Dim (35x19.5)  
Kitchen Dim (11.4x14.2)

**Appliances**

Dishwasher  
Disposal  
Microwave  
Range/Oven  
Refrigerator

**Exterior Features**

Parking (2 car attached)

(Found on [DonnaPrattHomes.com](http://DonnaPrattHomes.com) on March 21, 2007)

**On Second Thought ...**

On second thought, is it at all possible that this [financial affidavit](#) does not reflect reality, that Danny's house is worth much more than \$275,000, that he does have a lot more than \$2,500 in two bank accounts, that he is trying to hide his book deal profits and his assets lest he have to fork over more to the lady he divorced and called an adulteress when he had [no proof to that effect](#)? Then that would help make more sense out of comments by folks who live around Thompsonville and West Frankfort who think Danny is quite wealthy, perhaps even a millionaire.

And should DLS Publishing, Inc., Danny Lee Shelton's publishing company, be listed somewhere on the affidavit? Or is it not considered an asset?

**CORP/LLC - CERTIFICATE OF GOOD STANDING - SeaMonkey**

http://www.ilsos.gov/corporate/CorporateLlcCc

**CYBERDRIVEILLINOIS** JESSE WHITE SECRETARY OF STATE

SERVICES PROGRAMS PRESS PUBLICATIONS DEPARTMENTS CONTACT

### CORPORATION FILE DETAIL REPORT

<b>Entity Name</b>	DLS PUBLISHING, INC.	<b>File Number</b>	63911682
<b>Status</b>	GOODSTANDING		
<b>Entity Type</b>	CORPORATION	<b>Type of Corp</b>	DOMESTIC BCA
<b>Incorporation Date (Domestic)</b>	11/30/2004	<b>State</b>	ILLINOIS
<b>Agent Name</b>	DANNY L SHELTON	<b>Agent Change Date</b>	11/30/2004
<b>Agent Street Address</b>	2954 NEW LAKE RD	<b>President Name &amp; Address</b>	DANNY L SHELTON 2954 NEW LAKE RD W FRANKFORT 62896
<b>Agent City</b>	WEST FRANKFORT	<b>Secretary Name &amp; Address</b>	NONE
<b>Agent Zip</b>	62896	<b>Duration Date</b>	PERPETUAL
<b>Annual Report Filing Date</b>	11/03/2006	<b>For Year</b>	2006

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(One Certificate per Transaction)

BACK TO CYBERDRIVEILLINOIS.COM HOME PAGE

[< Prev.](#)

[Next >](#)

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182551

***"Truth invites examination & needs no defense.  
Lies hide in darkness & blame everyone else."***



An Attempt to Mend a Broken Network & Save the Cause of Christ from Reproach

Did Remnant's Dwight Hall Conspire with Danny Shelton to

Hide Hundreds of Thousands in Royalties from the 3ABN Board?

Remnant Reports Payments; 3ABN and Danny Shelton Do Not

< Prev.

Next >

We'll first lay out the story as we have gotten it from various sources, and then analyze Remnant Publications' Form 990's, which appear to confirm many of the details.

An Early Tip: "Danny Is Hiding His Royalties from the 3ABN Board"

A former 3ABNer wrote on September 19, 2006:

----- Original Message -----
From: \*\*\*\*\*
To: G. Arthur Joy
Subject: RE: MAP
Date: Tue, 19 Sep 2006 17:02:39 -0700
Hello Gailon,
...
I have wondered about the numbers. When I spoke with Danny about a month or so ago, he insisted that numbers were up by a couple of million. But when I spoke with a board member he indicated that the finances were not doing well, in part relating to a tremendous amount of money 3ABN put into the "Ten Commandments Twice Removed Book" which was distributed by the millions during the spring. I am quite certain that Danny received royalties on this, probably to the tune of several hundred thousand dollars, although he is refusing to disclose the amount to his own board members. This is a gross conflict of interest and also an improper personal inurement that could cause the ministry to lose its tax exempt status if it came to light. ...

Newer Sources Confirm Tip, Dwight Hall Implicated

According to various sources, Danny Shelton asked Dwight Hall, president of Remnant Publications of Coldwater, Michigan, to hide his royalties for the Ten Commandments Twice Removed book so that the 3ABN Board would not know how much Danny was getting and so that Linda wouldn't get any. These sources, including an administrator in an independent ministry, claim that Dwight Hall agreed to hide Danny's royalties, and that at some point in 2007, almost \$300,000 sat in a secret account in a Coldwater, Michigan, bank, which Danny could access via an ATM machine.

What was the timeline? From what we can piece together from our sources:

- Danny reportedly first asked Dwight to hide his royalties in June 2006.
• At that point Dwight allegedly stopped running his typical quarterly royalty report on Danny's book.
• A sizable amount of royalties had allegedly already been calculated prior to that point, but Dwight held on to it at Remnant.
• Sources claim that at year's end that same amount still sat on Remnant's books, and that by some point in 2007 that fund had grown to nearly \$300,000.

Now since Remnant Publications' 2006 Form 990 reports an increase in royalty payments in 2006 of more than \$480,000 over 2004, Remnant must have run the royalty reports at some point and calculated what Danny had earned for royalties in 2006.

Danny Hides His Royalties from the Court

On July 13, 2006, Danny Shelton filed a financial affidavit with the Circuit Court of the Second Judicial Court which appears to contain false information. For example, he claimed that he owed 3ABN Board member Merlin Fjarli a balance of \$200,000 on a mortgage loan with a required payment of "ann. interest." Yet Franklin County Courthouse records in the spring of 2007 indicate that the mortgage loan was in the name of the Fjarli Foundation, not Merlin Fjarli. Also, the Fjarli Foundation's 2005 Form 990 documents that the balance as of December 31, 2005, was down to \$150,000, not \$200,000, and the loan was interest-free that year, since no interest was reported on Line 4, raising questions as to the claim of "ann. interest." Lastly, the Fjarli Foundation's 2006 Form 990 documents that

- Home Page
Site Map
Tommy Shelton
Danny Shelton
ASI
Smokescreen
Abuse of Power
Ethical
Allegations
Financial
Allegations
Book Deals
Emails
Financial Aff.
Dwight Hall
See Quinn Clip
Download
Quinn Clip

- Form 990's, etc.
Real Estate
Cheating the IRS?
Jet Costs
Send Your Tithe
Selling K36FJ
Selling K58DL

- Correspondence
Untruths
Alleged Illegal
Activities
Mene, Mene, Tekel, Parsin

- Danny's Apologists
Leonard Westphal
3ABN Board
Litigation, etc.
Letters of Support
Letters of Criticism
News Releases
Sign Up!
Contact Us

- Added 5/23/2008
Initial Tax Case
Public Record

- Added 4/10/2008
Tax Case Lost
Copyright Trouble

- Added 3/29/2008
Gilley Winning Staff

- Added 3/7/2008
Terminated

- Added 2/10/2008
Objections Heard

- Added 1/25/2008
Church Vote

- Must Read:
Mom in Pain #1
Mene, Mene, Tekel, Parsin
The Actual Lawsuit
IRS Criminal Investigation

the loan was paid in full sometime in 2006, so the balance may have been less than \$150,000 in July.

As far as his income goes, Danny reported in [his affidavit](#) an expected income of but \$5,991 per month for the entire year of 2006 (\$71,892 for the year). Since 3ABN's [2006 Form 990](#) reports Danny's salary from 3ABN as being \$72,802 for 2006, Danny in essence was claiming that in 2006 he wasn't going to earn a single cent in royalties from Remnant or income from DLS Publishing (his personal, for-profit corporation) for the entire year, even though he already knew that he had earned substantial royalties from Remnant.

### Danny's Lawyers Declare Such To Be a Crime

How serious are these discrepancies? As Danny's personal lawyers John Pucci and Lizette Richards put it, lawyers that represent both Danny and 3ABN in the lawsuit over [Save3ABN.com](#):

In connection with the Financial Affidavit, Joy authored a "Comments" section in which he raises a number of questions, ultimately concluding Plaintiff Shelton was untruthful in the Affidavit. [See](#) Attachment 3. Since the Affidavit was filed under the pains and penalties of perjury, Joy is, in essence, accusing Shelton of a crime.

While we have serious misgivings about some of the conclusions and tactics of Danny's lawyers, and they do make serious blunders from time to time, we feel that they very well may be correct this time around in suggesting that if Danny provided false information in his financial affidavit regarding the royalties he earned in 2006, he may have committed a crime.

### CFO Larry Ewing Claims Danny Received No Income from Related Organizations in 2005

3ABN's [2005 Form 990](#) was signed by 3ABN CFO Larry Ewing:

Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.
Signature of officer	_____ Larry Ewing - Treasurer <small>Type or print name and title</small>
Date	5/26/06

He answered Line 75c in the following way:

c Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to this organization through common supervision or common control? <b>Note.</b> Related organizations include section 509(a)(3) supporting organizations.	75c	<input checked="" type="checkbox"/>
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So what exactly does that mean? Consider the instructions for Line 75c:

**Line 75c. Compensation From Related Organizations**  
 Answer "Yes" to this question if any officer, director, trustee, key employee, or highest compensated employees, or highest compensated professional and non-professional independent contractors received aggregate compensation amounts of \$50,000 or more from your organization and all related organizations (as defined below). ...

Organizations answering "Yes" must attach a schedule that lists, for each officer, director, trustee, key employee, highest compensated employees, or highest compensated professional and non-professional independent contractors, a description of the relationship between the organization and the other organization, receiving such compensation, the name and EIN of each related organization that provided the compensation and the amount each provided. Use the same format as required by columns (C) through (E) of Part V-A.

... For purposes of reporting on the Form 990, related organizations are tax-exempt or taxable entities with a close connection. A close connection that binds related organizations may include:

...

- Common persons exercising substantial influence over all of the organizations.

[\("2005 Instructions for Form 990 and Form 990-EZ," p. 28.\)](#)

Danny's compensation from 3ABN in 2005 exceeded the \$50,000 threshold referred to above, since it is listed in the [2005 Form 990](#) amounting to \$70,944. Now if Danny Shelton being founder, director, and president of 3ABN as well as president of DLS Publishing makes him a common person "exercising substantial influence over" both organizations, we could be left with the following possibilities:

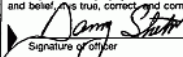
- Larry Ewing knew or should have known that Danny was getting income from DLS Publishing, but chose to answer "No" anyway; and/or
- Danny hid his DLS Publishing income from Larry Ewing so that Larry didn't know anything about it, even though 3ABN



- purchased \$44,724.38 worth of product from DLS in 2004, according to Note 14 of 3ABN's [2004 financial statement](#); and/or
- In 2005 3ABN funnelled all payments to Danny through Remnant Publications instead of through DLS Publishing in order to avoid answering "Yes" on Line 75c.

### 3ABN's 2006 Form 990 Does Not Disclose Figures

3ABN's [2006 Form 990](#) was signed by then-president Danny Shelton. Why didn't Larry Ewing sign it? We won't know until he is deposed, for he won't answer questions till then.

Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief this return, including accompanying schedules and statements, is based on all information of which preparer has any knowledge.	16/2007
	 Signature of officer <b>Danny Shelton President</b> Type or print name and title	Date

Search the entire [Form 990](#), and you will not find any figures given for:

- The substantial royalties Danny earned from his *Ten Commandments* book due to his position at 3ABN.
- The value of any free advertising his *Ten Commandments* book was given by 3ABN, which resulted in his earning substantial royalties.
- The value of any free order-taking services that facilitated his earning substantial royalties, when people would call 3ABN to order the book.

Including figures for the above would raise concerns among the stockholders in the pew, who would hesitate to donate to a ministry if they think it is lining the pockets of its president.

Line 89b was left blank. Why?

88a At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX . . . . .	88a	✓
b At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI . . . . .	88b	✓
89a 501(c)(3) organizations: Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ . . . . . 0 ; section 4912 ▶ . . . . . 0 ; section 4955 ▶ . . . . . 0	89a	
b 501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction . . . . .	89b	
c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 . . . . .	89c	
d Enter: Amount of tax on line 89c, above, reimbursed by the organization . . . . .	89d	
e All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction? . . . . .	89e	✓
f All organizations. Did the organization acquire a direct or indirect interest in any applicable insurance contract? . . . . .	89f	✓

Danny answered Line 75c in the following way:

c Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to the organization? See the instructions for the definition of "related organization." . . . . .	75c	✓
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The above, if truthful, suggests that DLS Publishing did not make one single cent during the entire year of 2006. (See page 35 of ["2006 Instructions for Form 990 and Form 990-EZ."](#))

### Ten Commandments Book Debacle Hits 3ABN Hard

According to sources, the *Ten Commandments* book campaign was a splendid idea that brought dire results to 3ABN because of apparent greed. Here's the history as we have been able to put it together:

- 500,000 books were printed by Pacific Press at a cost of less than 26¢ a book, and were quickly sold.
- Rather than contact Pacific Press again, with whom 3ABN had a partnership, Danny asked Dwight Hall to print 300,000 more copies at a cost of 67¢ a book, with Dwight agreeing to continue paying Danny 10% in royalties.
- Those being quickly sold, Danny got Dwight to do another 500,000 copies.
- After those were sold, Dwight started farming out the printing, getting presses in Grand Rapids (which charged the most of any of them because of a shortage of the particular paper needed: 29¢ per book), the Review and Herald, and elsewhere to help out, never going back to Pacific Press.
- Before it was over, the 2006 campaign totalled 4.8 million books: 500,000 from Pacific Press and 4.3 million through Remnant Publications, 900,000 of which were in Spanish.

Now remember that 3ABN's [2006 Form 990](#) shows a deficit for the year of almost \$3 million. And that is about how much Remnant billed 3ABN for the 4.3 million books and shipping they were responsible for.

What if Danny had gotten Pacific Press to do the 4.3 million books for less than 26¢ instead of Remnant for 67¢? At a savings of 41¢ per book, 3ABN could have saved \$1,763,000 and ended the year with a much lower deficit. But there's more.

### Paying With 3ABN Trust Department Funds



Sources claim that 3ABN managed to pay Remnant for the first 1.2 million copies, and then stopped. Dwight subsequently pressed Danny to do something about it, and so Dwight and Danny contacted the 3ABN Board. According to sources, the 3ABN Board agreed to pay Remnant by advancing money from 3ABN Trust Department funds. This could explain how 3ABN sustained a loss of \$3 million, Dwight Hall got paid his \$3 million, and Danny earned his windfall royalties from Remnant.

But the 3ABN Trust Department funds that paid Dwight and ultimately Danny have to get paid back somehow, for the Trust Department has payment obligations it has to make to its clients. Thus [K36FJ is being sold](#) for \$400,000 cash up front, and on October 2, 2007, Jim Gilley [agreed to sell K58DL](#) in Yakima, Washington, for an additional \$450,000.

Some may remember that those who ordered the free *Ten Commandments Twice Removed* book during the 2006 campaign only had to pay 25¢ a book for shipping. This should have raised \$1,075,000 toward the roughly \$3,000,000 bill from Remnant. In reality, that sum could have paid for the entire cost of printing if Pacific Press had done the entire job.

### Shelley Quinn Says Nearly 7 Million Copies Distributed

Out of the hundreds of thousands of dollars Danny Shelton has already allegedly earned in royalties from the *Ten Commandments Twice Removed* book, how much has co-author Shelley Quinn received from Danny? While we do not know how much, if any, he has shared with Shelley, we do know that she had the following to say on the air by early October 2007:

"Nearly 7 million copies of the English and Spanish translations have already been distributed in less than two years. And the book has also been translated into 7 languages, including French, Tamil, Russian, Afrikaans, and Portuguese. There's really no way for us to track the total number of books distributed in these other languages, but we do know that tens of thousands have been shipped."

Thus, there have been a whole lot more than 4.8 million copies sold. What do Danny's royalty earnings amount to at this point? Whether new 3ABN Board member Larry Romrell would know we cannot say, though sources claim he did help cover 3ABN's unpaid *Ten Commandment* invoices this year by sending a substantial, six-figure donation to Remnant Publications. Yet we do wonder why he sent his checks directly to Remnant rather than to 3ABN.

To watch the entire video clip of Shelley's *Ten Commandments Twice Removed* commercial, click on the link you prefer below.

While it is exciting to hear Shelley describe reports from anonymous writers regarding how they are switching their day of worship from Sunday to the Bible Sabbath, we think it better to be able to verify that such alleged reports are indeed genuine before justifying this enriching of Danny Shelton at the expense of the financial health of 3ABN.

Quality	View Now (Download Speed)	Download to Disk (File Size)
Better	<a href="#">141K</a>	<a href="#">3.1M</a>
Good	<a href="#">102K</a>	<a href="#">2.3M</a>
So-So	<a href="#">24K</a>	<a href="#">599K</a>

### Data from Remnant Publications' Form 990's

#### Donations, Sales, Printing, Shipping, and Royalties

For the table below, we have pulled some of the data from the revenue and expense sections of Remnant's [Form 990's for 1999 through 2006](#). We have added two columns at the end that calculate the percentage of sales that the royalties amount to.

Year	Revenue (Part I)				Expenses (Part II)					[Royalties As % of Sales]	[Average Royalty %]	
	Donations & Grants (Ln 1)	Sales of Inventory (Ln 10)		Sales of Literature (Ln 2)	Postage & Shipping (Ln 35)	Printing & Publications (Ln 38)	Other (Ln 43)					
		Gross Sales	Cost of Goods				Gross Profit	Freight	Print Supplies			Royalties
1999	\$147,044	\$461,470	(\$170,414)	\$291,056				\$39,333				
2000	\$285,875				\$721,476			\$56,356	\$287,172	\$6,542	0.91%	
2001	\$111,752				\$570,894			\$58,689	\$135,015	\$17,652	3.09%	
2002	\$184,841			\$0	\$743,348	\$63,265	\$216,148			\$12,438	1.67%	1.76%
2003	\$328,388			\$0	\$888,844	\$77,539	\$262,297			\$16,226	1.83%	
2004	\$194,944			\$0	\$2,009,825	\$152,734	\$592,153			\$26,178	1.30%	
2005	\$451,004	\$0	\$0	\$0	\$1,228,662	\$112,769	\$445,558			\$116,556	9.49%	
2006	\$265,682	\$0	\$0	\$0	\$4,316,011	\$394,640	\$1,680,814			\$508,767	11.79%	10.64%

Those who wonder why Remnant Publications reported to the IRS that they had \$0 in sales of inventory for each year after 1999 should direct such questions to Remnant.

Danny [incorporated DLS Publishing on November 30, 2004](#), just in time to make sure that DLS Publishing published his new book *Antichrist Agenda* rather than D & L Publishing. While DLS did the publishing, Remnant did the printing. The 2006 book *Ten Commandments Twice Removed* is a smaller version of *Antichrist Agenda*.

Remnant's payment of royalties increased greatly after the incorporation of DLS Publishing and the printing of *Antichrist Agenda*. Adding the amounts that the royalties paid out in 2005 and 2006 exceeded what was paid out in 2004 gives us a figure of \$90,378 (2005) + \$482,589 (2006) = \$572,967 (total increase). How much of this \$572,967 went to Danny Lee Shelton? Sources tell us that what Remnant pays out to other authors in royalties just doesn't amount to much.

Note 14 of 3ABN's [2005 financial statement](#) claims that 3ABN bought \$82,712.43 worth of books "authored by a member of management" "from the publisher," and that "royalties are paid by the publisher to the author." Perhaps coincidentally, Remnant's increase in royalty expenses in 2005 over 2004 amounted to \$90,378, a figure rather close to \$82,713.43.

If we subtract the printing costs of 2005 from those of 2006 in order to get the approximate cost of printing all the *Ten Commandments Twice Removed* books in 2006, and then divide that result by 4.3 million copies, we end up with a cost of 28.7¢ a book.

If we subtract the postage and shipping costs of 2005 from those of 2006 in order to get the approximate cost of shipping the *Ten Commandments Twice Removed* books in 2006, and then divide that result by 4.3 million copies, we end up with a cost of 6.6¢ a book.

Should Remnant Publications consider returning to 3ABN however much of the 25¢ per book shipping charge that went beyond actual shipping costs, whatever those actual costs were? If they did, perhaps 3ABN wouldn't have to sell as many TV stations.

### Occupancy and Travel

The purpose of the legal requirement of making these Form 990's available to the public is that it helps to make charitable organization more accountable for how they use the funds that are donated to them. For example, consider two other categories of expenses, with "Utilities" from 1999 to 2001 probably actually a part of "Occupancy":

Year	Expenses (Part II)		
	Occupancy	Other (Ln 43)	Travel
		Utilities	
1999	\$400	\$9,931	\$5,925
2000		\$26,119	\$6,199
2001		\$23,303	\$15,440
2002	\$72,792		\$17,460
2003	\$74,879		\$27,521
2004	\$60,000		\$61,462
2005	\$96,500		\$103,547
2006	\$120,000		\$148,964

Obviously, occupancy expenses increased dramatically after 2001, travel increased dramatically after 2003, and 2006's expenses were 200% or more that of 2004 for both these categories. What happened?

### Occupancy

"Occupancy" can include whatever it costs to occupy the building your charity resides in:

**Line 36. Occupancy**  
 Enter the total amount paid or incurred for the use of office space or other facilities, heat, light, power, and other utilities (other than telephone expenses reported on line 34), outside janitorial services, mortgage interest, property insurance, real estate taxes, and similar expenses.

[\("2006 Instructions for Form 990"\)](#)

Remnant Publications is located at 649 East Chicago Road in Coldwater, Michigan, in a building owned by R & D Development, according to Branch County, Michigan, records:

Property Address		[collapse]
649 E CHICAGO RD COLDWATER, MI 49036		
Owner Information		[collapse]
R & D DEVELOPMENT COMPANY 649 E CHICAGO RD COLDWATER, MI 49036	Unit:	070
Taxpayer Information		[collapse]
HALL, DANNY 310 DAYBURG RD COLDWATER, MI 49036		

Notice how R & D Development is also located at 649 East Chicago Road, Remnant's own address, according to the "Owner Information" above. Notice also how the taxpayer is Danny Hall at 310 Dayburg Road. 310 Dayburg Road happens to be another address that R & D Development uses, according to Branch County records:

Owner Information		[collapse]
R & D DEVELOPMENT 310 DAYBURG RD COLDWATER, MI 49036	Unit:	030

That address is also the same one listed in Part V-A of a number of Remnant's [Form 990's](#) as being the address of Daniel Hall, Remnant's vice-president, secretary, and treasurer.

Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) (See the instructions.)				
(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation plans	(E) Expense account and other allowances
Name Dwight Hall ..... Str 378 S Fremont Rd City Coldwater ST MI zip 49036	Title President H/WK 2	22,789	0	0
Name Daniel Hall ..... Str 310 Dayburg Rd City Coldwater ST MI zip 49036	Title VP/Sec/Treas H/WK 2	22,789	0	0
Name Rudy W. Hall ..... Str 398 Rugged Mount City Cullowhee ST NC zip 28723	Title Director H/WK 2	0	0	0
Name C. Darwin Hall ..... Str 308 Dayburg Rd City Coldwater ST MI zip 49036	Title Director H/WK 2	0	0	0
Name ..... Str ..... City ..... ST ..... zip .....	Title ..... H/WK .....			

Thus, if Daniel Hall could speak with the powers that be at R & D Development, one of which is likely himself, perhaps whatever charges Remnant is incurring from R & D could revert back to the levels of prior years.

You may notice that all the above directors and officers have Hall for a last name. In light of that fact consider the questions immediate following the list of directors in Part V-A as answered in 2005:

Form 990 (2005)	Remnant Publications, Inc.	38-2810502	Page 6
Part V-A Current Officers, Directors, Trustees, and Key Employees (continued)		Yes	No
75 a	Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings		
b	Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If "Yes," attach a statement that identifies the individuals and explains the relationship(s).	75b	X
c	Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to this organization through common supervision or common control? Note. Related organizations include section 509(a)(3) supporting organizations. If "Yes," attach a statement that identifies the individuals, explains the relationship between this organization and the other organization(s), and describes the compensation arrangements, including amounts paid to each individual by each related organization.	75c	X
d	Does the organization have a written conflict of interest policy?	75d	X

Line 75b regarding whether Dwight Hall, Dan Hall, Rudy Hall, or Darwin Hall are related by family or business ties is answered "No" above, a rather peculiar error. However, it is correctly answered "Yes" in 2006. Yet the required statement explaining what exactly those family and business relationships are is missing from the copy of the Form 990 we received.

Out of the \$120,000 Remnant paid for Occupancy costs, how much of that went for property taxes? Not a whole lot. Notice the taxable value listed below:

General Information for Tax Year 2007			
<b>Property Class:</b>	201	<b>Assessed Value:</b>	\$580,200
<b>School District:</b>	12010 - COLDWATER	<b>Taxable Value:</b>	\$141,454
<b>State Equalized Value:</b>	\$580,200	<b>Map #</b>	
<b>User Num Idx:</b>	0	<b>Date of Last Name Chg:</b>	08/14/2007
<b>Date Filed:</b>	04/06/199		
<b>Principal Residence Exemption (2006 May 1):</b>	0.0000 %		
<b>Principal Residence Exemption (2006 Final):</b>	0.0000 %		
<b>Principal Residence Exemption (2007 May 1):</b>	0.0000 %		

Previous Year Info	MBOR Assessed	Final S.E.V.	Final Taxable
2006	\$580,200	\$580,200	\$136,407
2005	\$580,200	\$580,200	\$132,050

Now plug the \$141,454 taxable value figure above into [Michigan's property tax estimator](#), and you end up with an estimate of \$7,904 c tax for the year 2007 for the entire building, if it resides in the city of Coldwater:

**Department of Treasury**

Michigan.gov Home | Treasury Home | Taxes Home | Sitemap | Contact Treasury | FAQ | Forms

**Property Tax Estimator**  
 You can now access estimates on property taxes by local unit and school district, using 2006 millage rates. Simply enter the Taxable Value (approximately 50% of your home value), and select your county from the drop down list provided. You will then be prompted to select your city, village or township along with your school district.

1. Enter your Taxable Value: (Approximately 50% Home Value)

2. Select Your County:

3. Select Your City/Village/Township:

4. Select Your School District:

Estimated Property Tax For Primary Residence or Qualified Farm (Homestead):

Estimated Property Tax For Second Home, Rental or Business (Non-Homestead):

But then again, if Remnant Publications is a 501(c)3 organization, and if it owned the building instead of R & D Development, it might not have to pay any property tax at all.

**Travel**

Other businesses that find their home at 649 East Chicago Road in Coldwater include A Better Way of Life Fitness & Nutrition Center with [Dwight Hall as owner](#). And then there is [Millennium Enterprise](#), an aircraft renovation company whose website includes [contact information](#) for Dwight Hall. Millennium Enterprise incorporated in Michigan on September 22, 2004, as a foreign limited liability company from Delaware, after incorporating in Delaware the previous April 23.

<b>Searched for:</b> MILLENNIUM ENTERPRISE LLC
<b>ID Num:</b> B9109K
<b>Name:</b> MILLENNIUM ENTERPRISE LLC
<b>Type:</b> Foreign Limited Liability Company
<b>Resident Agent:</b> DANIEL HALL
<b>Registered Office Address:</b> 310 DAYBURG RD COLDWATER MI 49036
<b>Mailing/Office Address:</b>
<b>Formation/Qualification Date:</b> 9-22-2004
<b>Jurisdiction of Origin:</b> DELAWARE
<b>Managed by:</b>
<b>Status:</b> ACTIVE <b>Date:</b> Present

Daniel Hall at 310 Dayburg Road thus shows up again in the record above.

<a href="#">File Number:</a>	3794542	<a href="#">Incorporation Date / Formation Date:</a>	04/23/2004 (mm/dd/yyyy)
<a href="#">Entity Name:</a>	MILLENNIUM ENTERPRISE LLC		
<a href="#">Entity Kind:</a>	LIMITED LIABILITY COMPANY (LLC)	<a href="#">Entity Type:</a>	GENERAL
<a href="#">Residency:</a>	DOMESTIC	<a href="#">State:</a>	DE

2004, the year that Millennium Enterprise incorporated, was the same year that travel expenses began climbing dramatically.

Millennium Enterprise advertises that it has renovated three planes, of which it still owns two. Are these planes used for Remnant-related business? Flight records, though incomplete, indicate that these planes were used to make a round trip from Coldwater to Marion, Illinois, and Denver, Colorado, on June 20-21, 2007, a trip from Marion, Illinois, to Coldwater on July 25, 2007, and round trips from Coldwater to Marion, Illinois, on September 20 and 28-29. Since Marion is just down the road from 3ABN, there is a chance that these planes are used for Remnant-related business ventures with 3ABN, and if so, charges to Remnant for their use may be part of the cause of Remnant's 2006 travel expenses jumping 441% from 2003 to 2006.

So what exactly would be a possible problem with Millennium Enterprise, as well as with the numbers for "Occupancy"? As the excerpt from the 2005 Form 990 above indicates, Dwight and Dan Hall reported salaries that year from Remnant of \$22,789, in exchange for "2 hours of work a week. Is it possible that these amounts are not their total compensation for their work at Remnant, and that they are supplementing their income with payments from Remnant to other companies they own, such as R & D Development, Millennium Enterprise, or others?

## Dwight Hall Concerned

Sources indicate that Remnant Publications is presently in lock-down mode. Dwight Hall's office is now constantly locked, and he is reviewing all emails being sent out by employees. Anyone who says anything about him in emails will get fired, and there has already been at least one casualty from this new policy, according to reports.

What might prompt such concern? One possibility is suggested by what a reporter wrote [Save3ABN.com](http://Save3ABN.com) toward the end of September, asking us for assistance in verifying a tip:

```
----- Original Message -----
From: *****
To: AURreporter
Subject: IRS
Date: Wed, 26 Sep 2007

Have followed this site, as of late. ... We have been asked to investigate whether or not the IRS has taken records from 3ABN, even now with Mr. Shelton ill. Hoping for any info you might have on financial investigation. ... Just looking to see if this tip is legit. ...
```

To date we still can't confirm the above story. However, a former 3ABNer did tell us about two weeks prior to the above inquiry that the IRS had contacted him/her, and that he/she had passed on the contact info for that IRS agent to 3ABN board chairman Walt Thompson perhaps three weeks before the above inquiry, and that Dr. Thompson was going to contact the agent.

It was presumably after Walt Thompson received this notice from the former 3ABNer that Danny Shelton on the air on September 6 declared that there was no truth in the report that the IRS was secretly investigating him. He emphatically added that people who say otherwise are enemies of the gospel.

## Remnant-Related Pictures

Here is the front of R & D Development's building that provides a home for Remnant Publications and Better Way of Life Fitness Center:

Ex. KK

STATE OF ILLINOIS  
County of Frankli  
Document No. 2015-4805  
Filed for record

AUG 12 2005  
at 10:00 plock A M.  
Fee paid \$ 44.00  
RHSP Surcharge \$ 10.00  
Rose B. Hill  
County Clerk & Recorder

\_\_\_\_\_[Space Above This Line for Recording Data]\_\_\_\_\_

**MORTGAGE**

**MAXIMUM LIEN.** At no time shall the principal amount of Indebtedness secured by the Mortgage, not including sums advanced to protect the security of the Mortgage, exceed \$200,000.00.

**THIS MORTGAGE** dated August 1, 2005, is made and executed between **DANNY L. SHELTON**, whose address is 2954 New Lake Road, West Frankfort, IL 62896 (referred to below as "Grantor") and **THE FJARLI FOUNDATION**, whose address is 670 Mason Way, Medford OR 97501 (referred to below as "Lender").

**GRANT OF MORTGAGE.** For valuable consideration, Grantor mortgages, warrants, and conveys to Lender all of Grantor's right, title and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights, watercourses and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, the ("Real Property") located in Franklin County, State of Illinois:

A PART OF THE NORTHWEST ONE-FOURTH (NW ¼) OF THE NORTHEAST QUARTER (NE ¼) OF SECTION 20, TOWNSHIP 7 SOUTH, RANGE 4 EAST OF THE THIRD PRINCIPAL MERIDIAN; MORE PARTICULARLY DESCRIBED AS BEGINNING AT AN IRON PIN MARKING THE NORTHWEST CORNER OF THE SAID NORTHWEST ONE-FOURTH (NW ¼) OF THE NORTHEAST QUARTER (NE ¼); THENCE RUNNING SOUTH ALONG THE WEST LINE THEREOF A DISTANCE OF 593.32 FEET TO A POINT; THENCE RUNNING EAST ALONG A LINE PARALLEL TO THE NORTH LINE OF THE SAID QUARTER-QUARTER A DISTANCE OF 1329.86 FEET TO THE POINT LOCATED ON THE EAST LINE OF THE SAID QUARTER-QUARTER; THENCE RUNNING NORTH ALONG THE SAID EAST LINE A DISTANCE OF 593.32 FEET TO AN IRON PIN MARKING THE NORTHEAST CORNER OF THE SAID QUARTER-QUARTER; THENCE RUNNING WEST ALONG THE SAID NORTH LINE A DISTANCE OF 1330.12 FEET TO THE POINT OF BEGINNING; ALL BEING SITUATED IN FRANKLIN COUNTY, ILLINOIS, EXCEPTING THE COAL, OIL, GAS AND OTHER MINERALS UNDERLYING THE SAME AND ALL RIGHTS AND EASEMENTS IN FAVOR OF THE OWNER.



Form **990-PF**

**Return of Private Foundation  
or Section 4947(a)(1) Nonexempt Charitable Trust  
Treated as a Private Foundation**

OMB No 1545-0052

**2004**

Department of the Treasury  
Internal Revenue Service

Note: The organization may be able to use a copy of this return to satisfy state reporting requirements.

For calendar year 2004, or tax year beginning , and ending

G Check all that apply:  Initial return  Final return  Amended return  Address change  Name change

Use the IRS label. Otherwise, print or type. See Specific Instructions.	Name of organization <b>FJARLI FOUNDATION</b>		A Employer identification number <b>6466</b>
	Number and street (or P.O. box number if mail is not delivered to street address)	Room/suite	B Telephone number (see page 10 of the instructions) <b>541/779-2233</b>
	City or town, state, and ZIP code <b>MEDFORD OR 97501</b>		C If exemption application is pending, check here <input type="checkbox"/>

H Check type of organization:  Section 501(c)(3) exempt private foundation  
 Section 4947(a)(1) nonexempt charitable trust  Other taxable private foundation

I Fair market value of all assets at end of year (from Part II, col. (c), line 16) **\$ 313,986**

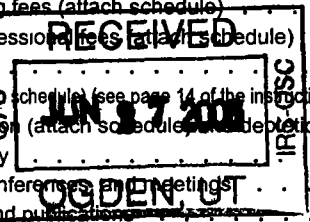
J Accounting method:  Cash  Accrual  
 Other (specify) \_\_\_\_\_

E If private foundation status was terminated under section 507(b)(1)(A), check here

F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here

**Part I Analysis of Revenue and Expenses** (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 11 of the instructions).)

	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
<b>Revenue</b>				
1 Contributions, gifts, grants, etc., received (attach schedule)	0			
2 Check <input type="checkbox"/> if the foundation is not required to attach Sch. B				
3 Interest on savings and temporary cash investments	0	2,885	2,885	
4 Dividends and interest from securities	0			
5 a Gross rents	0			
b Net rental income or (loss)	0			
6 a Net gain or (loss) from sale of assets not on line 10	0			
b Gross sales price for all assets on line 6a	0			
7 Capital gain net income (from Part IV, line 2)		0		
8 Net short-term capital gain			0	
9 Income modifications				
10 a Gross sales less returns and allowances	0			
b Less: Cost of goods sold	0			
c Gross profit or (loss) (attach schedule)	0			
11 Other income (attach schedule)	0	0	0	
12 Total. Add lines 1 through 11	0	2,885	2,885	
<b>Operating and Administrative Expenses</b>				
13 Compensation of officers, directors, trustees, etc.	0			
14 Other employee salaries and wages	0			
15 Pension plans, employee benefits	0			
16 a Legal fees (attach schedule)	0			
b Accounting fees (attach schedule)	0			
c Other professional fees (attach schedule)	0			
17 Interest	0			
18 Taxes (attach schedule) (see page 14 of the instructions)	0			
19 Depreciation (attach schedule) (see page 14 of the instructions)	0	0	0	
20 Occupancy	0			
21 Travel, conferences, and meetings				
22 Printing and publications				
23 Other expenses (attach schedule)	23,381	0	0	23,381
24 Total operating and administrative expenses. Add lines 13 through 23	23,381	0	0	23,381
25 Contributions, gifts, grants paid	715,067			715,067
26 Total expenses and disbursements. Add lines 24 and 25	738,448	0	0	738,448
27 Subtract line 26 from line 12:				
a Excess of revenue over expenses and disbursements	-738,448			
b Net investment income (if negative, enter -0-)		2,885		
c Adjusted net income (if negative, enter -0-)			2,885	



SCANNED JUL 22 2005



Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only. (See instructions.)			
		Beginning of year (a) Book Value	End of year (b) Book Value (c) Fair Market Value		
Assets	1	Cash—non-interest-bearing . . . . .			
	2	Savings and temporary cash investments . . . . .	1,066,246	113,986	113,986
	3	Accounts receivable ▶ . . . . . 0			
		Less: allowance for doubtful accounts ▶ . . . . . 0	0	0	0
	4	Pledges receivable ▶ . . . . . 0			
		Less: allowance for doubtful accounts ▶ . . . . . 0	0	0	0
	5	Grants receivable . . . . .	0		
	6	Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see page 15 of the instructions) . . . . .	0	0	0
	7	Other notes and loans receivable (attach schedule) ▶ . . . . . 200,000			
		Less: allowance for doubtful accounts ▶ . . . . . 0	0	200,000	200,000
	8	Inventories for sale or use . . . . .	0		
	9	Prepaid expenses and deferred charges . . . . .	0		
	10 a	Investments—U.S. and state government obligations (attach schedule) . . . . .	0	0	0
	b	Investments—corporate stock (attach schedule) . . . . .	0	0	0
	c	Investments—corporate bonds (attach schedule) . . . . .	0	0	0
	11	Investments—land, buildings, and equipment: basis ▶ . . . . . 0			
	Less: accumulated depreciation (attach schedule) ▶ . . . . . 0	0	0	0	
12	Investments—mortgage loans . . . . .	0			
13	Investments—other (attach schedule) . . . . .	0	0	0	
14	Land, buildings, and equipment: basis ▶ . . . . . 0				
	Less: accumulated depreciation (attach schedule) ▶ . . . . . 0	0	0	0	
15	Other assets (describe ▶ . . . . .)	0	0	0	
16	<b>Total assets</b> (to be completed by all filers—see page 16 of the instructions. Also, see page 1, item I) . . . . .	1,066,246	313,986	313,986	
Liabilities	17	Accounts payable and accrued expenses . . . . .	0		
	18	Grants payable . . . . .	0		
	19	Deferred revenue . . . . .	0		
	20	Loans from officers, directors, trustees, and other disqualified persons . . . . .	0	0	
	21	Mortgages and other notes payable (attach schedule) . . . . .	0	0	
	22	Other liabilities (describe ▶ . . . . .)	0	0	
23	<b>Total liabilities</b> (add lines 17 through 22) . . . . .	0	0		
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ▶ <input checked="" type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31.				
	24	Unrestricted . . . . .	1,066,246	313,986	
	25	Temporarily restricted . . . . .			
	26	Permanently restricted . . . . .			
	Organizations that do not follow SFAS 117, check here ▶ <input type="checkbox"/> and complete lines 27 through 31.				
	27	Capital stock, trust principal, or current funds . . . . .			
	28	Paid-in or capital surplus, or land, bldg., and equipment fund . . . . .			
29	Retained earnings, accumulated income, endowment, or other funds . . . . .				
30	<b>Total net assets or fund balances</b> (see page 17 of the instructions) . . . . .	1,066,246	313,986		
31	<b>Total liabilities and net assets/fund balances</b> (see page 17 of the instructions) . . . . .	1,066,246	313,986		

**Part III Analysis of Changes in Net Assets or Fund Balances**

1	Total net assets or fund balances at beginning of year—Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return) . . . . .	1	1,066,246
2	Enter amount from Part I, line 27a . . . . .	2	-738,448
3	Other increases not included in line 2 (itemize) ▶ . . . . .	3	
4	Add lines 1, 2, and 3 . . . . .	4	327,798
5	Decreases not included in line 2 (itemize) ▶ <u>income taxes</u> . . . . .	5	16,697
6	<b>Total net assets or fund balances at end of year</b> (line 4 minus line 5)—Part II, column (b), line 30 . . . . .	6	311,101

Form **990-PF**

**Return of Private Foundation  
or Section 4947(a)(1) Nonexempt Charitable Trust  
Treated as a Private Foundation**

OMB No 1545-0052

Department of the Treasury  
Internal Revenue Service

Note: The organization may be able to use a copy of this return to satisfy state reporting requirements

**2005**

For calendar year 2005, or tax year beginning , and ending

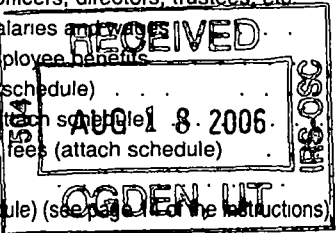
G Check all that apply:  Initial return  Final return  Amended return  Address change  Name change

Use the IRS label. Otherwise, print or type. See Specific Instructions.	Name of organization <b>FJARLI FOUNDATION</b>		A Employer identification number <b>6466</b>
	Number and street (or P O. box number if mail is not delivered to street address) Room/suite <b>670 MASON</b>		B Telephone number (see page 10 of the instructions) <b>541/779-2233</b>
	City or town, state, and ZIP code <b>MEDFORD OR 97501</b>		C If exemption application is pending, check here <input type="checkbox"/>
H Check type of organization: <input checked="" type="checkbox"/> Section 501(c)(3) exempt private foundation <input type="checkbox"/> Section 4947(a)(1) nonexempt charitable trust <input type="checkbox"/> Other taxable private foundation			D 1. Foreign organizations, check here <input type="checkbox"/> 2. Foreign organizations meeting the 85% test, check here and attach computation <input type="checkbox"/>
I Fair market value of all assets at end of year (from Part II, col (c), line 16) <b>\$ 205,533</b>		J Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____ (Part I, column (d) must be on cash basis.)	
		E If private foundation status was terminated under section 507(b)(1)(A), check here <input type="checkbox"/>	
		F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here <input type="checkbox"/>	

Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 11 of the instructions))		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
1	Contributions, gifts, grants, etc., received (attach schedule)				
2	Check <input checked="" type="checkbox"/> if the foundation is not required to attach Sch B				
3	Interest on savings and temporary cash investments	395	395		
4	Dividends and interest from securities	0			
5 a	Gross rents				
b	Net rental income or (loss)	0			
6 a	Net gain or (loss) from sale of assets not on line 10	0			
b	Gross sales price for all assets on line 6a	0			
7	Capital gain net income (from Part IV, line 2)		0		
8	Net short-term capital gain			0	
9	Income modifications				
10 a	Gross sales less returns and allowances	0			
b	Less Cost of goods sold	0			
c	Gross profit or (loss) (attach schedule)	0			
11	Other income (attach schedule)	0	0	0	
12	<b>Total.</b> Add lines 1 through 11	395	395	0	
13	Compensation of officers, directors, trustees, etc.	0			
14	Other employee salaries and benefits				
15	Pension plans, employee benefits				
16 a	Legal fees (attach schedule)	0			
b	Accounting fees (attach schedule)	0			
c	Other professional fees (attach schedule)	0			
17	Interest				
18	Taxes (attach schedule) (see page 10 for the instructions)	0			
19	Depreciation (attach schedule) and depletion	0	0	0	
20	Occupancy				
21	Travel, conferences, and meetings				
22	Printing and publications				
23	Other expenses (attach schedule)	4,848	0	0	38,048
24	<b>Total operating and administrative expenses.</b> Add lines 13 through 23	4,848	0	0	38,048
25	Contributions, gifts, grants paid	104,000			104,000
26	<b>Total expenses and disbursements.</b> Add lines 24 and 25	108,848	0	0	142,048
27	Subtract line 26 from line 12				
a	<b>Excess of revenue over expenses and disbursements</b>	-108,453			
b	<b>Net Investment income</b> (if negative, enter -0-)		395		
c	<b>Adjusted net Income</b> (if negative, enter -0-)			0	

SCANNED SEP 11 2006

Operating and Administrative Expenses



25

Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only (See instructions)			
		Beginning of year	End of year		
		(a) Book Value	(b) Book Value	(c) Fair Market Value	
Assets	1	Cash—non-interest-bearing			
	2	Savings and temporary cash investments	113,986	55,533	55,533
	3	Accounts receivable	0	0	0
		Less: allowance for doubtful accounts	0	0	0
	4	Pledges receivable	0	0	0
		Less: allowance for doubtful accounts	0	0	0
	5	Grants receivable			
	6	Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see page 15 of the instructions)	0	0	0
	7	Other notes and loans receivable (attach schedule)	150,000		
		Less: allowance for doubtful accounts	0		
	8	Inventories for sale or use			
	9	Prepaid expenses and deferred charges			
	10 a	Investments—U.S. and state government obligations (attach schedule)	0	0	0
	b	Investments—corporate stock (attach schedule)	0	0	0
	c	Investments—corporate bonds (attach schedule)	0	0	0
	11	Investments—land, buildings, and equipment: basis	0		
	Less: accumulated depreciation (attach schedule)	0	0	0	
12	Investments—mortgage loans				
13	Investments—other (attach schedule)	0	0	0	
14	Land, buildings, and equipment: basis	0			
	Less: accumulated depreciation (attach schedule)	0	0	0	
15	Other assets (describe)	0	0	0	
16	<b>Total assets</b> (to be completed by all filers—see page 16 of the instructions. Also, see page 1, item I)	313,986	205,533	205,533	
Liabilities	17	Accounts payable and accrued expenses			
	18	Grants payable			
	19	Deferred revenue			
	20	Loans from officers, directors, trustees, and other disqualified persons	0	0	
	21	Mortgages and other notes payable (attach schedule)	0	0	
	22	Other liabilities (describe)	0	0	
23	<b>Total liabilities</b> (add lines 17 through 22)	0	0		
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31.				
	24	Unrestricted	313,986	205,533	
	25	Temporarily restricted			
	26	Permanently restricted			
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 27 through 31.				
	27	Capital stock, trust principal, or current funds			
	28	Paid-in or capital surplus, or land, bldg., and equipment fund			
	29	Retained earnings, accumulated income, endowment, or other funds			
	30	<b>Total net assets or fund balances</b> (see page 17 of the instructions)	313,986	205,533	
31	<b>Total liabilities and net assets/fund balances</b> (see page 17 of the instructions)	313,986	205,533		

Part III Analysis of Changes in Net Assets or Fund Balances

1	Total net assets or fund balances at beginning of year—Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return)	1	313,986
2	Enter amount from Part I, line 27a	2	-108,453
3	Other increases not included in line 2 (itemize)	3	
4	Add lines 1, 2, and 3	4	205,533
5	Decreases not included in line 2 (itemize)	5	
6	Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30	6	205,533

Ex. NN

Form **990-PF**

**Return of Private Foundation  
or Section 4947(a)(1) Nonexempt Charitable Trust  
Treated as a Private Foundation**

OMB No. 1545-0062

**2006**

Department of the Treasury  
Internal Revenue Service

Note: The foundation may be able to use a copy of this return to satisfy state reporting requirements.

For calendar year 2006, or tax year beginning , and ending

G Check all that apply:  Initial return  Final return  Amended return  Address change  Name change

Use the IRS label. Otherwise, print or type. See Specific Instructions.	Name of foundation <b>FJARLI FOUNDATION</b>	A Employer identification number <b>6466</b>
	Number and street (or P.O. box number if mail is not delivered to street address) Room/suite <b>670 MASON</b>	B Telephone number (see page 11 of the instructions) <b>541/779-2233</b>
	City or town, state, and ZIP code <b>MEDFORD OR 97501</b>	C If exemption application is pending, check here <input type="checkbox"/> D 1. Foreign organizations, check here <input type="checkbox"/> 2. Foreign organizations meeting the 85% test, check here and attach computation <input type="checkbox"/> E If private foundation status was terminated under section 507(b)(1)(A), check here <input type="checkbox"/> F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here <input type="checkbox"/>
H Check type of organization: <input checked="" type="checkbox"/> Section 501(c)(3) exempt private foundation <input type="checkbox"/> Section 4947(a)(1) nonexempt charitable trust <input type="checkbox"/> Other taxable private foundation		
I Fair market value of all assets at end of year (from Part II, col. (c), line 16) <b>\$ 217,628</b>	J Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____	

Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 11 of the instructions).)		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1 Contributions, gifts, grants, etc., received (attach schedule)				
	2 Check <input type="checkbox"/> if the foundation is not required to attach Sch. B				
	3 Interest on savings and temporary cash investments	23,233	23,233		
	4 Dividends and interest from securities	0			
	5 a Gross rents				
	b Net rental income or (loss)	0			
	6 a Net gain or (loss) from sale of assets not on line 10	0			
	b Gross sales price for all assets on line 6a	0			
	7 Capital gain net income (from Part IV, line 2)		0		
	8 Net short-term capital gain			0	
	9 Income modifications				
	10 a Gross sales less returns and allowances	0			
b Less: Cost of goods sold	0				
c Gross profit or (loss) (attach schedule)	0				
11 Other income (attach schedule)	0	0	0		
12 Total. Add lines 1 through 11	23,233	23,233	0		
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc.	0			
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16 a Legal fees (attach schedule)	0	0	0	0
	b Accounting fees (attach schedule)	0	0	0	0
	c Other professional fees (attach schedule)	0	0	0	0
	17 Interest				
	18 Taxes (attach schedule) (see page 14 of the instructions)	0	0	0	0
	19 Depreciation (attach schedule) and depletion	0	0	0	
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule)	3,340	0	0	3,340
	24 Total operating and administrative expenses. Add lines 13 through 23	3,340	0	0	3,340
	25 Contributions, gifts, grants paid	7,800			7,800
26 Total expenses and disbursements. Add lines 24 and 25	11,140	0	0	11,140	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	12,093				
b Net investment income (if negative, enter -0-)		23,233			
c Adjusted net income (if negative, enter -0-)			0		

For Privacy Act and Paperwork Reduction Act Notice, see the instructions.

Form 990-PF (2006)

(HTA)



Form 990-PF (2008)

FJARLI FOUNDATION

6466

Page 2

Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only. (See instructions.)		
		Beginning of year	End of year	
		(a) Book Value	(b) Book Value	(c) Fair Market Value
Assets	1 Cash—non-interest-bearing . . . . .			
	2 Savings and temporary cash investments . . . . .	55,533	217,626	217,626
	3 Accounts receivable ▶ . . . . .			
	Less: allowance for doubtful accounts ▶ . . . . .	0	0	0
	4 Pledges receivable ▶ . . . . .			
	Less: allowance for doubtful accounts ▶ . . . . .	0	0	0
	5 Grants receivable . . . . .			
	6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see page 16 of the instructions) . . . . .	0	0	0
	7 Other notes and loans receivable (attach schedule) ▶ . . . . .	0		
	Less: allowance for doubtful accounts ▶ . . . . .	150,000	0	0
	8 Inventories for sale or use . . . . .			
	9 Prepaid expenses and deferred charges . . . . .			
	10 a Investments—U.S. and state government obligations (attach schedule) . . . . .	0	0	0
	b Investments—corporate stock (attach schedule) . . . . .	0	0	0
	c Investments—corporate bonds (attach schedule) . . . . .	0	0	0
	11 Investments—land, buildings, and equipment: basis ▶ . . . . .	0		
Less: accumulated depreciation (attach schedule) ▶ . . . . .	0	0	0	
12 Investments—mortgage loans . . . . .				
13 Investments—other (attach schedule) . . . . .	0	0	0	
14 Land, buildings, and equipment: basis ▶ . . . . .	0			
Less: accumulated depreciation (attach schedule) ▶ . . . . .	0	0	0	
15 Other assets (describe ▶ . . . . .)	0	0	0	
16 <b>Total assets</b> (to be completed by all filers—see page 17 of the instructions. Also, see page 1, item I) . . . . .	205,533	217,626	217,626	
Liabilities	17 Accounts payable and accrued expenses . . . . .			
	18 Grants payable . . . . .			
	19 Deferred revenue . . . . .			
	20 Loans from officers, directors, trustees, and other disqualified persons . . . . .	0	0	
	21 Mortgages and other notes payable (attach schedule) . . . . .	0	0	
	22 Other liabilities (describe ▶ . . . . .)	0	0	
23 <b>Total liabilities</b> (add lines 17 through 22) . . . . .	0	0		
Net Assets or Fund Balances	<b>Foundations that follow SFAS 117, check here</b> ▶ <input checked="" type="checkbox"/> <b>and complete lines 24 through 26 and lines 30 and 31.</b>			
	24 Unrestricted . . . . .	205,533	217,626	
	25 Temporarily restricted . . . . .			
	26 Permanently restricted . . . . .			
	<b>Foundations that do not follow SFAS 117, check here</b> ▶ <input type="checkbox"/> <b>and complete lines 27 through 31.</b>			
	27 Capital stock, trust principal, or current funds . . . . .			
	28 Paid-in or capital surplus, or land, bldg., and equipment fund . . . . .			
29 Retained earnings, accumulated income, endowment, or other funds . . . . .				
30 <b>Total net assets or fund balances</b> (see page 18 of the instructions) . . . . .	205,533	217,626		
31 <b>Total liabilities and net assets/fund balances</b> (see page 18 of the instructions) . . . . .	205,533	217,626		

Part III Analysis of Changes in Net Assets or Fund Balances

1 Total net assets or fund balances at beginning of year—Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return) . . . . .	1	205,533
2 Enter amount from Part I, line 27a . . . . .	2	12,093
3 Other increases not included in line 2 (itemize) ▶ . . . . .	3	
4 Add lines 1, 2, and 3 . . . . .	4	217,626
5 Decreases not included in line 2 (itemize) ▶ . . . . .	5	
6 Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30 . . . . .	6	217,626

**Ex. 00**

From: **Walt Thompson**

Date: Jun 20, 2007

Subject: Re: 3abn

To:

Thanks \*\*\*\*\* for your reply. Please permit me to respond to each of the issues.

False allegations. Danny is accused of dumping Linda for a younger woman. This is totally false. Danny's wife and partner in ministry was stolen from him. There is abundant evidence and credible witnesses to confirm the truth of this statement. There are accusations that 3abn has mismanaged its finances and used them for personal gain. This too is completely false. We have an excellent financial officer, and have one of the most noteworthy auditing firms of the state auditing our records annually. If you have received your information from the postings on the Internet, nearly everything there is false, twisted, edited to say other than intended, or one sided and unproven allegations. I could itemize many of these, but suspect this is sufficient to demonstrate my point.

Yes, I mean the General Conference. Elder Paulsen told me that the leadership of the GC had decided to take a "neutral" position regarding 3abn until we have resolved the our problems. When I asked for a hearing by our board by GC leadership, I was told that if the GC heard us, they would also have to hear the opposition. While I have no trouble with this, he said that the church has no mechanism for accomplishing such a thing. We would have to find another way to do it. That was after ASI had already tried, but had failed because Linda and her spokesmen were unwilling to abide by the procedures established by the ASI people trying to give a fair hearing.

Yes, the Internet and the words of the General Conference reaches to the far reaches of the church around the world. Just yesterday I received word from the Netherlands as another example confirming my statement. An ASI engagement overseas was canceled before that. we hear similar problems from many places.

3ABN does not have anything to hide. The problem is, everything we have said either privately by e mail or publicly in an attempt to explain our position has been posted on the world wide web, often with editing to alter the intent, denials of our facts, etc., with the result of projecting a very distorted picture of the facts. When in fact ASI tried to do their work, they too were unable to do so for the same reasons.

This law suit has not been forever sealed as you suggest. It was filed to prove our case that we have nothing to hide, but that proof can never be determined if the process is not permitted to do its work. When the work has been done, and all have had opportunity to be heard by a non biased court, you can be sure the world will know all they want to know. (Note: I am not sure whether the testimonies in court will be open to the public or not.)

I hope this is helpful to you in trying to decide regarding your continues support of the ministry. I hope further that the quite obvious continuing blessings of God on this ministry will also be reassuring to you.

Sincerely in Jesus' precious name,

Walter Thompson MD  
Chairman, 3abn board

**PT 04-1**  
**Tax Type: Property Tax**  
**Issue: Religious Ownership/Use**

**STATE OF ILLINOIS  
 DEPARTMENT OF REVENUE  
 OFFICE OF ADMINISTRATIVE HEARINGS  
 SPRINGFIELD, ILLINOIS**

<p><b>3 ANGELS BROADCASTING NETWORK</b></p> <p style="text-align: center;">v.</p> <p><b>THE DEPARTMENT OF REVENUE              OF THE STATE OF ILLINOIS</b></p>	}	<table style="width: 100%; border: none;"> <tr> <td style="padding: 2px;"><b>A.H. Docket #</b></td> <td style="text-align: right; padding: 2px;"><b>01-PT-0027</b></td> </tr> <tr> <td style="padding: 2px;"><b>P. I. #</b></td> <td style="text-align: right; padding: 2px;"><b>174-116-11</b></td> </tr> <tr> <td style="padding: 2px;"><b>Docket #</b></td> <td style="text-align: right; padding: 2px;"><b>00-28-01</b></td> </tr> <tr> <td style="padding: 2px;"><b>Docket #</b></td> <td style="text-align: right; padding: 2px;"><b>01-28-07</b></td> </tr> </table> <p style="text-align: right; padding: 5px;"><b>Barbara S. Rowe              Administrative Law Judge</b></p>	<b>A.H. Docket #</b>	<b>01-PT-0027</b>	<b>P. I. #</b>	<b>174-116-11</b>	<b>Docket #</b>	<b>00-28-01</b>	<b>Docket #</b>	<b>01-28-07</b>
<b>A.H. Docket #</b>	<b>01-PT-0027</b>									
<b>P. I. #</b>	<b>174-116-11</b>									
<b>Docket #</b>	<b>00-28-01</b>									
<b>Docket #</b>	<b>01-28-07</b>									

**RECOMMENDATION FOR DISPOSITION**

**Appearances:** Mr. Kent R. Steinkamp, Special Assistant Attorney General for the Illinois Department of Revenue; Mr. Nicholas P. Miller, Sidley, Austin, Brown, Wood, L.L.C., Mr. Lee Boothby, Boothby and Yingst, and Mr. D. Michael Riva for 3 Angels Broadcasting Network; Ms. Merry Rhodes and Ms. Joanne H. Petty, Robbins, Schwartz, Nicholas, Lifton and Taylor, Ltd. for Thompsonville Community High School District 112.

**Synopsis:**

The hearing in this matter was held to determine whether Franklin County Parcel Index No. 174-116-11 qualified for exemption during the 2000 and/or 2001 assessment years.

Danny Shelton, president of Three Angels Broadcasting, (hereinafter referred to as the "Applicant" or "3ABN"); Larry Ewing, director of finance in 2002 of applicant; Alan Lovejoy, CPA and accountant; Walter Thompson, chairman of the board in 2002 of applicant; Bill Bishop, minister in the Seventh-day Adventist Church and member of the pastoral staff of applicant; Kenneth Denslow, president of the Illinois Conference of the Seventh-day Adventist Church; Mollie Steenson, department coordinator of applicant; and Linda Shelton, vice president of



17. Linda Shelton attended one year of college after high school graduation. Prior to working for applicant she worked as a receptionist in a law office and held other odd jobs such as a secretary at City Hall. (Tr. pp. 590-592)

18. Linda Shelton is responsible for the content in the magazines, sales catalogs, and newsletters applicant distributes. Publication of the items does do not take place on the subject property. The periodicals are distributed to between 100,000 and 150,000 people. People get on applicant's mailing list by sending in a donation or by request. (Intervenor's Ex. Nos. 5-9; Tr. pp. 342, 592-594, 605-607)

19. Linda Shelton is in charge of applicant's production, programming, and scheduling. (Tr. p. 592)

20. Linda Shelton writes the contents of the newsletters and promotional magazines applicant produces. They are distributed free of charge. She has recorded four CDs that applicant produced and sells. (Applicant's Ex. No. 24; Tr. pp. 592-595)

21. Linda Shelton receives royalty payments for the CDs she produces. Broadcast Music Incorporated, a private company unaffiliated with applicant, licenses her songs. The songs on the CD, "I Think About Grace" belong to Linda, and were copyrighted by her in 2001. Applicant's (800) area code telephone number is listed on the inside label of "I Think About Grace" for ordering additional CDs. The outside label of the CD has the (618) area code telephone number listed with the address of applicant. Applicant's Fall/Winter 2001-2002 newsletter has an advertisement for the CD. The advertisement has the (800) toll free telephone number listed for orders. (Intervenor's Ex. No. 8; Applicant's Ex. No. 24; Tr. pp. 617-623, 644-645)

22. As president of applicant, Danny Shelton carries forth the policies that the board sets and oversees the operations of the broadcasting department, the programming department,

69. The General Conference of the Seventh-day Adventist Church purchased airtime from applicant during the 2000 and 2001 calendar years. (Tr. pp. 368-369)

70. Applicant is not part of the Seventh-day Adventist Church. (Tr. p. 368)

71. Applicant is not a Seventh-day Adventist institution. (Tr. p. 97)

72. Applicant was established, organized and is operated by lay people. (Intervenor's Ex. No. 8 p. 400033)

73. Applicant is not owned by or controlled by the Seventh-day Adventist Church. (Tr. p. 99)

74. Applicant's staff includes four Seventh-day Adventist ministers that answer telephones and pray with people in the two 14' x 18' offices. The pastors lead daily worship services and view the videotapes for content that is consistent with applicant's purposes.<sup>17</sup> Sabbath services, foot washings, marriages, and baptisms are not held on the property in question. (Tr. pp. 531-541)

#### **Charitable Considerations**

75. Applicant is not required to pay federal income tax pursuant to a finding by the Internal Revenue Service that applicant is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. (Applicant's Ex. Nos. 4, 5)

76. Applicant's board has no written policy to give away or donate its satellite systems. If an individual were unable to pay the cost of the system, applicant's secretary would contact Danny Shelton who would determine, with the board's guidance, whether the product should be given away. "Applicant has no policy that says give away." (Tr. pp. 295-303)

77. Applicant has no records of materials given away in 2000 or 2001. Applicant has no specific written policy that outlines what factors are used or what direction is given by

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<sup>17</sup> See Finding of Fact No. 7.

applicant's board that allows applicant to distribute items at a reduced rate or free of charge. (Tr. pp. 586-589, 614-616)

**CONCLUSIONS OF LAW:**

Article IX, §6 of the Illinois Constitution of 1970, provides in part as follows:

The General Assembly by law may exempt from taxation only the property of the State, units of local government and school districts and property used exclusively for agricultural and horticultural societies, and for school, religious, cemetery and charitable purposes.

This provision is not self-executing but merely authorizes the General Assembly to enact legislation that exempts property within the constitutional limitations imposed. City of Chicago v. Illinois Department of Revenue, 147 Ill.2d 484 (1992).

Pursuant to the authority granted by the Constitution, the legislature has enacted exemptions from property tax. Applicant asserts that it is entitled to a property tax exemption under either the religious or charitable exemptions found in the Illinois Property Tax Code.

The religious exemption is found at 35 ILCS 200/15-40. In 2000, a portion of the statute stated:

§ 15-40. Religious purposes, orphanages or school and religious purposes. All property used exclusively for religious purposes, or used exclusively for school and religious purposes, or for orphanages and not leased or otherwise used with a view to profit, is exempt, . . .<sup>18</sup>

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<sup>18</sup> Amended by P.A. 92-333, §5, eff. Aug. 10, 2001, the statute was changed to state:

§ 15-40. Religious purposes, orphanages, or school and religious purposes.

(a) Property used exclusively for:

- (1) religious purposes, or
- (2) school and religious purposes, or
- (3) orphanages

qualifies for exemption as long as it is not used with a view to profit.

In Inter-Varsity Christian Fellowship v. Hoffman, 62 Ill.App.3d 798 (2<sup>nd</sup> Dist. 1978) the Illinois appellate court addressed whether property of an evangelical organization used to prepare and distribute Christian literature could qualify for exemption under the religious property tax exemption. Although the court held that the applicant fellowship did qualify for the exemption, the facts presented in Inter-Varsity are readily distinguishable from those before me.

First, the record in Inter-Varsity shows that the fellowship based the price of each publication that it sold strictly on its cost to the fellowship. *Id.* at 800, 803. The record contains absolutely no evidence proving how 3ABN determines the prices of the satellite dishes, videos, airtime, CD's and other items that it sells other than Danny Shelton's testimony that the pricing guide applicant uses for sales of its videos, CD's etc. is "that they are affordable." (Tr. pp. 168-170). Absent this evidence, I must resolve all failures of proof against the applicant and in favor of taxation. People ex rel. Norland v. Home for the Aged, 40 Ill.2d 91 (1968); Gas Research Institute v. Department of Revenue, 154 Ill.App.3d 430 (1<sup>st</sup> Dist. 1987). Therefore, I conclude that applicant employs a non-exempt commercial or retail pricing system unlike the Inter-Varsity Fellowship pricing method.

Second, the Inter-Varsity record specifically disclosed that the fellowship provided "a substantial amount of materials free or below cost to groups that are targeted for its message." Inter-Varsity, *supra*, at 803. Specifically, the fellowship gave away no less than 10% of its total publications free of charge and sold an unspecified amount of its literature "at half price to individuals with the idea that they would give the books away." *Id.* at 800.

Such is not the case here. Applicant did not establish that they gave anything away free except for the catalogues that list the merchandise that is for sale. In addition, absent evidence to the contrary, I conclude that at least one private individual, Linda Shelton, profits from the sale of items listed in the catalogue. Applicant's board has no written policy to give away or donate

sufficient direction and control over the foundation to place equitable ownership of the properties in the university.

Applicant's contract with the Seventh-day Adventists does not state that applicant's use of the property is contingent upon any control what so ever of the Seventh-day Adventist Church. The document merely states that the entities support the efforts of each other. Nothing in the record establishes the Seventh-day Adventist's authority to operate the subject property under its own jurisdiction, and, in fact, the testimony of Danny Shelton was that applicant is not owned by or controlled by the Seventh-day Adventist Church. Although Danny Shelton testified that he has written three books about the teachings and principles of the Seventh-day Adventist Church, (Tr. pp. 155-157) those books were not admitted into evidence, nor were the circumstances regarding the religious nature or financial information about the books admitted into evidence. Certainly nothing connects the writing, publication, or distribution of that material to the property at issue.

In addition, there is discrepancy in the testimony of Linda Shelton. She stated she did not receive royalty payments for the CDs (Tr. pp. 595, 617) and later admitted that she did (Tr. p. 619). The CD admitted into evidence, entitled "I think About Grace", has a copyright mark on it. (Applicant's Ex. No. 24). Broadcast Music Incorporated, a private company unaffiliated with applicant, licenses her songs. (Tr. pp. 617-620). The songs on the CD belong to Linda, and were copyrighted by her in 2001. (Tr. pp. 620-623). Linda insisted that the (800) area code, toll free telephone number is strictly for prayer requests (Tr. p. 608, 612); however, it is the number listed on the inside label of her CD that was admitted into evidence. The (800) telephone number is listed for ordering additional CDs. The outside label had the (618) area code telephone number listed with the address of applicant. Applicant's Fall/Winter 2001-2002 newsletter has an advertisement for Linda Shelton's new CD, "I Think About Grace." The advertisement has the

toll free number listed for orders. (Intervenor's Ex. No. 8; Applicant's Ex. No. 24; Tr. pp. 644-645).

Based upon the record, I conclude that applicant, a non-religious entity and commercial enterprise, maintains control over the operations conducted on the property at issue.

Where property is used for two purposes, one of which is exempt from taxation and the other of which is not, tax should be imposed against the part of the property that does not qualify for exemption, and not imposed against the portion that qualifies. Fairview Haven v. Department of Revenue, 153 Ill.App.3d 763 (4<sup>th</sup> Dist. 1987). In the second floor of the administrative production center, applicant has two offices, each 14' x 18'. Applicant's staff includes four Seventh-day Adventist ministers that answer telephones in those offices and pray with people. The pastors lead daily worship services in these rooms. The use of the two offices for prayer is consistent with the religious activities required under Deutsche Gemeinde, *supra*.

#### **Leased or Otherwise Used With a View to Profit**

The religious property tax exemption also mandates that the property not be "leased or otherwise used with a view to profit." 35 ILCS 200/15-40<sup>20</sup> Applicant's property is most definitely used with a view to profit. Both applicant's own corporate growth and the profit inuring to individuals result from applicant's use of the subject property. According to applicant's 2001 financial statement, applicant's assets have accumulated to over forty-two million dollars (\$42,000,000), approximately three times the total revenue for 2001 of slightly under fourteen million dollars (\$14,000,000). The income raised and accumulated by applicant has allowed it to purchase an airplane, a state-of-the art recording studio, and other audio/video production facilities and tools. The airplane is a business airplane that is used to promote the Shelton's commercial enterprises and expand the target audience areas where 3ABN does its

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<sup>20</sup> See Footnote No. 20 for the 2001 amendment to the statute.

According to the incorporation documents submitted, the four directors of the company are Danny L. Shelton, Linda Shelton, Kenneth Joel Shelton, and Emma Lou Shelton. Applicant failed to produce any evidence that this is not a closely held business with profits inuring to the family. Applicant failed to establish what the relationship is between Kenneth Joel Shelton, Emma Lou Shelton, Danny Shelton and Linda Shelton or that the relationship of Kenneth Joel Shelton and Emma Lou Shelton with Linda and Danny Shelton is not one of direct family. This is of import because these are the only names of the directors of the applicant, and two of them are controlling corporate officers. Applicant has produced no evidence to negate the supposition that Danny and Linda Shelton maintain control of this organization. Although the by-laws state that the number of directors of the corporation is seven (7) to fifteen (15), applicant failed to explain the discrepancy between these numbers and the four Shelton directors shown on the articles of incorporation.

Decisions concerning terms and conditions of employment are normally left to the business judgment of an applicant's governing board and courts generally presume that a governing board will act in good faith and in furtherance of a company's best interest when making such decisions. Spillyards, et al. v. Abboud, et al. 278 Ill.App.3d 663, 681 (4<sup>th</sup> Dist. 1996). As such, courts usually will not interfere with governing board's business judgment absent a showing that the governing board acted in bad faith, abused its discretion, or committed gross negligence. *Id.*

This protective presumption does not attach where the directors have an improper interest in the subject matter. *Id.* 3ABN's corporate documents create such an improper interest by providing that all four directors share the last name of Shelton and have Rural Route #2, West Frankfort, Illinois 62896 as their mailing address. As presumed family members, the corporate control rights normally exercised by the board become personal and one can fully expect the



board's authority to be exercised in a manner that provides them with the greatest financial return. I must conclude from the evidence of record, that applicant is controlled by Danny and Linda Shelton, and all final decisions are made by them and not by a disinterested impartial board of directors.

Linda Shelton is certainly operating a commercial enterprise with the production of her CDs. The programming done on the property generates large sums of money. Applicant has failed to establish that it is not charging everyone that purchases or uses its products, facilities, and programs at prices above the cost of operation. On the contrary, these appear to be arms-length transactions producing fees no different than a non-exempt business enterprise would generate. Programming and broadcasting are done for profit on this property, as clearly shown by applicant's financial statements.

Section 15-40 expressly forbids this type of management by barring exemption where the property is "used with a view to a profit." 35 ILCS 200/15-40. Although most of the case law concerning uses for profit has developed in the context of leased property, Illinois courts have uniformly denied exemption to properties primarily used for purposes of providing their owners with some form of return on their investment. People ex rel. Baldwin v. Jessamine Withers Home, 312 Ill. 136, 140-141 (1934); People ex rel. Lloyd v. University of Illinois, 357 Ill. 369 (1924); People ex rel. County Collector v. Hopedale Medical Foundation, 451 Ill.2d 450 (1970); Victory Christian Church v. Department of Revenue, 264 Ill.App.3d 919, 923-924 (1<sup>st</sup> Dist. 1988); Wheaton College v. Department of Revenue, 155 Ill.App.3d 945 (2<sup>nd</sup> Dist. 1987); American National Bank and Trust Company v. Department of Revenue, 242 Ill.App.3d 716 (2<sup>nd</sup> Dist. 1993); Immanuel Evangelical Lutheran Church of Springfield v. Illinois Department of Revenue, 267 Ill.App.3d 678 (1994).

The operation of 3ABN on the property in question generates a significant profit for applicant. Applicant broadcasts its programs to a customer base comprised of persons that purchase applicant's dish systems. The nature of applicant's programming and CDs is the encouragement of a healthy lifestyle, for a price. Although there may be religious overtones in applicant's use of the property, that is not sufficient to qualify for a religious property tax exemption. Were I to recommend a grant of tax exemption for the majority of the property at issue, which is clearly a commercial enterprise, it would give applicant an unfair commercial advantage over other commercially owned and operated radio and television stations.

Although applicant executed the declaration with the General Conference of Seventh-day Adventists, the declaration simply expresses the support of each entity for the endeavors of the other. The declaration confirms that the Seventh-day Adventist church supports the principles of the applicant but establishes no formal interaction between the two entities. There is no obligation on the part of the applicant to use the property for Seventh-day Adventist activities, doctrines or programming, and in fact applicant charged the Seventh-day Adventist Church for its programs, just like it charged all its other customers.

Applicant's activities have brought it to a position where it can consider the spin-off of for-profit corporations dedicated to activities that cannot be done by a not-for-profit entity. (Tr. pp. 376-385). Additionally, accumulated capital equipment and resources obtained and maintained by applicant (for example, the 800 toll free telephone number) are used in conjunction with ordering applicant's equipment and products. Applicant has accumulated sufficient wealth that it is currently in the process of setting up its own music label and has purchased additional properties for various uses not contemplated under the not-for-profit statutes. (Tr. pp. 371-372, 376-385). At least one person, Linda Shelton, will benefit from that.

(Tr. pp. 617-623, 643-645). Applicant has, therefore, not established that it does not profit from the enterprise conducted on the subject property, a fatal flaw to its exemption claim.

The audited financial statements prove that applicant netted a profit during the years at issue. Applicant has total revenues and other support in 2000 of \$14,452,519.91 and expenses of \$13,239,904.62 for a net profit of \$1,212,615.29. For 2001, total revenues and other support were \$13,935,318.64 and expenses were \$11,940,167.11 for a net profit of \$1,995,151.53. It is difficult to totally understand applicant's financial position based solely on the financial statements submitted. The mere fact that applicant's financial records show a surplus may not be sufficient, in and of itself, to prevent 3ABN from obtaining exempt status. *See, Children's Development Center v. Olson, 52 Ill.2d 332 (1972)*. Nevertheless, the fact that applicant maintained such a sizeable surplus *at the same time as* it was able to comfortably cover its operating expenses through its cash resources negates a finding that applicant does not use the property with a view to profit. Applicant has not established that it conducts charitable activities when it clearly has the resources to extend the use of the property and equipment on the property to charitable and/or religious entities at no cost. The record does not indicate that it did so.

#### **Charitable Tax Exemption Standards and Applicant's Claim for Charitable Exemption**

Section 15-65 of the Property Tax Code authorizes an exemption for property actually and exclusively used for charitable purposes and not leased or used with a view to profit. In Crerar v. Williams, 145 Ill. 625 (1893), the Illinois Supreme Court defined charity as follows:

A charity, in a legal sense, may be more fully defined as a gift, to be applied consistently with existing laws, for the benefit of an indefinite number of persons, either by bringing their hearts under the influence of education or religion, by relieving their bodies from disease, suffering or constraint, by assisting them to establish themselves for life, or by erecting or maintaining public government. *Id.* at 643

religious video tapes, audio tapes, and books for Christian organizations world-wide. Those sections of the house qualified for a property tax exemption. The areas of the house used primarily for residential purposes did not qualify for exemption.

In Muhammad's Holy Temple of Islam, an Islamic organization owned a three-story building that was used for training in the Islamic religion. At hearing, Muhammad's Holy Temple established that it was, in fact, a religious Islamic organization and that the training was an essential part of its religious purposes.

The Department, as shown by these cases, grants exemptions for religious organizations that use property for exempt religious purposes and not with a view to profit. As discussed above, applicant is not only not a religious organization, but, more importantly, does not primarily use the property for religious purposes without a view to profit.

For the aforementioned reasons it is recommended that Franklin County Parcel Index No. 174-116-11 remain on the tax rolls for the 2000 and 2001 assessment years and be assessed to the applicant, the owner thereof, except for the two pastor's offices, each measuring 14 feet by 18 feet, on the second floor of the administrative production center building, and a corresponding amount of land. That area, I recommend, be granted a property tax exemption as used for religious purposes without a view to profit.

Respectfully Submitted,

Barbara S. Rowe  
Administrative Law Judge  
January 28, 2004

1 is excused.

2 THE WITNESS: Thank you.

3 ADMINISTRATIVE LAW JUDGE: Next?

4 MR. MILLER: We have Mr. Alan Lovejoy we'd  
5 like to call to the witness stand.

6 (The Witness was sworn  
7 by the ALJ.)

8 ALAN LOVEJOY

9 called as a witness herein, at the instance of the  
10 Applicant, having been first duly sworn on his oath,  
11 was examined and testified as follows:

12 ADMINISTRATIVE LAW JUDGE: Mr. Lovejoy, please  
13 have a seat.

14 MR. MILLER: Welcome to the courtroom and  
15 we're happy you are here with us.

16 DIRECT EXAMINATION

17 BY MR. MILLER:

18 Q. Mr. Lovejoy, can you please state your full  
19 name and address for the record?

20 A. My name is Brian Alan Lovejoy. My address is  
21 [REDACTED] Illinois.

22 Q. Can you give us your educational background,  
23 Mr. Lovejoy?

24 A. I received a Bachelor of Science Degree in

1 Accounting from Southern Illinois University in  
2 December of 1983. I received my CPA certificate in  
3 February of 1985.

4 Q. And what have you done since that time?  
5 What jobs have you held?

6 A. I started with the accounting firm of Gray,  
7 Hunter & Stenn in 1984. I've been with them ever  
8 since. On January 1 of 1999 I was promoted to  
9 partner.

10 Q. And what kinds of activities or work  
11 experience have you done with your firm?

12 A. I've worked on many different types of  
13 audits. I've worked on several nonprofit audits dating  
14 back to the midnineteen eighties.

15 Q. And have you had any seminars or continuing  
16 education regarding not-for-profit institutions?

17 A. Yes. In May of this year I had a 12 hour  
18 course on nonprofit audits. I also had another one the  
19 prior fall, and I had another one the prior June I  
20 believe.

21 Q. And are you familiar with the operating  
22 requirements for not-for-profit status under both  
23 federal and Illinois laws and guidelines?

24 A. Yes.

1 Q. And do you audit not-for-profit institutions  
2 on a regular basis?

3 A. I do.

4 Q. Here in the State of Illinois?

5 A. Yes.

6 Q. And have you audited the Three Angels  
7 organization that we are dealing with in this  
8 proceeding?

9 A. I have audited them for the past five years  
10 or so.

11 MR. MILLER: I'd like to proffer Mr. Lovejoy  
12 both as a fact witness who has firsthand knowledge of  
13 Three ABN's operations and as a professional expert  
14 witness who can give professional opinions regarding  
15 not-for-profit issues as a certified public accountant  
16 in the State of Illinois.

17 MS. RHOADES: And we would object with respect  
18 to the expert witness or opinion witness standard. I  
19 believe the Department of Revenue rules specifically  
20 require that they follow Supreme Court Rules with  
21 respect to disclosure. They cannot produce that those  
22 were disclosed.

23 As a matter of fact, during the course of his  
24 deposition he was asked that question, or if he was



1 asked if he was to present any opinion or expert  
2 testimony and he was advised he was not.

3 MR. MILLER: I think the questions he were  
4 asked were a fair bit narrower than that, Your Honor.  
5 But the only opinions I will be asking him are opinions  
6 about the operations of Three ABN underneath and  
7 relating to the standards for not-for-profit  
8 organizations in Illinois.

9 So I'm not -- I'm not asking him to be an  
10 expert witness who is unfamiliar with the facts of this  
11 case and he's coming as an outside expert with the  
12 rules that allow him to make opinions based purely on  
13 the examination of the records after the fact.

14 MS. RHOADES: With respect to his disclosure,  
15 here's what we've been disclosed. He will testify  
16 concerning the financial affairs of the organization  
17 and as to the substantial burden on Applicant's  
18 religious activities in the event the tax exemption is  
19 denied.

20 He will further testify that the corporation  
21 has issued no capital stock, nor shareholders, that  
22 funds are derived from charity and held in trust for  
23 purposes expressed in the organization's corporate  
24 charter, that charity is disbursed for such purpose,

1 and that there is no personal inurement. They did not  
2 disclose him for these purposes.

3 Also, we specifically asked in interrogatory  
4 to them, to disclose any and all expert opinion  
5 witnesses and the answer that we got provided to us is,  
6 we don't have any at this time, and we have never had  
7 that supplemented to us.

8 MR. MILLER: All I'm asking, Your Honor, is  
9 that in doing the audit relating to these issues of  
10 personal inurement and other issues, in producing the  
11 audit opinion he provides his expert opinion regarding  
12 whether Three ABN is meeting these standards or not,  
13 and I want him to be able to present those to the  
14 court.

15 They in fact are contained at least in part  
16 in the audited statement that you have in front of you,  
17 and will relate to the issues that were in fact  
18 disclosed in the witness statement.

19 MS. RHOADES: I would refer Your Honor to 86  
20 Illinois Administrative Code Section 200.125, which  
21 governs discovery, and in particular that rule's  
22 subpart G says: An expert or opinion witness when  
23 requested by interrogatory served, all parties are  
24 under the duty to disclose the identity of opinion

1 witness as that term is defined by Supreme Court Rules,  
2 and further disclose the subject matter of any intended  
3 testimony of such witness.

4 MR. MILLER: Well, I think we have --

5 MS. RHOADES: The Department's own rules.

6 MR. MILLER: I mean, the subject matter was  
7 discussed, and I'm happy to limit his opinions to  
8 those -- to those issues.

9 ADMINISTRATIVE LAW JUDGE: I don't think he --  
10 what I'm hearing from counsel for the Applicant is that  
11 he's not tendering him as a quote, expert witness. All  
12 he's doing is tendering him on his opinion that is  
13 included in this exhibit as to whether the Applicant  
14 adheres to what are, and this is something -- let's go  
15 off the record for a second.

16 (Discussion off the record.)

17 ADMINISTRATIVE LAW JUDGE: Going back on the  
18 record. Regarding the testimony of this witness, it's  
19 going to be regarding the financial statements that he  
20 did audit and the opinion expressed in there, and in  
21 that regard, I'm going to go ahead and allow the  
22 testimony.

23 However, I agree with counsel for the  
24 Intervenor that he has not been tendered as a quote,

1 expert witness, and should not be answering questions  
2 in that regard.

3 MR. MILLER: Someone to talk about the  
4 professional opinions he's rendered in this -- for this  
5 entity.

6 ADMINISTRATIVE LAW JUDGE: That's correct.

7 MR. MILLER: Mr. Lovejoy, are you familiar --  
8 did you audit the organization Three Angels  
9 Broadcasting in the year 2000?

10 THE WITNESS: Yes, I did.

11 Q. And did you do the same for the year 2001?

12 A. Yes.

13 Q. And what -- what do you do? What did you do  
14 in auditing the Three Angels?

15 What process do you go through?

16 A. We go through a process of, first, we plan  
17 the audit and then we go in and we do a field work,  
18 which consists generally of examining various documents  
19 to support their assets and liabilities on their  
20 balance sheet, as well as their revenues and expenses  
21 on their income statement.

22 Q. Do you go and look at any of the physical  
23 assets themselves?

24 A. Yes.

1 Q. And did you do so in the case of Three  
2 Angels?

3 A. Yes.

4 Q. What kind of assets did you review?

5 A. We look at their fixed assets, as far as  
6 their buildings and structures. We confirm other  
7 assets, such as investments, cash held in bank. We  
8 look at annuity documents, trust documents on hand.

9 Q. And undertaking this activity do you -- do  
10 you look out for items in their operations that may be  
11 inconsistent with their tax exempt not-for-profit  
12 status?

13 A. Yes.

14 Q. And in 2000 did you find any such items in  
15 your examination?

16 A. No, I did not.

17 Q. In reviewing the financial figures in  
18 documents, did you come to an understanding or an  
19 opinion regarding -- have you come to an understanding  
20 or opinion regarding whether or not Three Angels made a  
21 profit from its sales activities during the year 2000?

22 A. They did not.

23 Q. And the same question as to the year 2001.  
24 In reviewing these documents and doing your audit did

1 you arrive at an opinion about whether Three Angels  
2 made a profit in the year 2001 from its sales  
3 activities?

4 A. No, they did not.

5 Q. And what were those -- what are your opinions  
6 based on?

7 A. I actually did an analysis of their revenues  
8 received from sales of items, and I also offset  
9 directly related expenses against those items, and the  
10 bottom line was that they had a loss in both years.

11 MS. RHOADES: I'm going to object to the  
12 testimony of this witness. He's not referring to the  
13 audit. My understanding is that he was to confine his  
14 to the opinions of what were contained in the audit.  
15 He has gone far beyond the auditing analysis and is  
16 testifying as an expert witness. That's what his  
17 testimony just was.

18 MR. MILLER: I just asked him if his opinion  
19 was based on what was done in the audit and the  
20 financials and I believe that he indicated that it was,  
21 and that based on that he had arrived at these  
22 conclusions. It's opinion testimony.

23 MS. RHOADES: Can we have the -- can we have  
24 the court reporter read that back, because I believe it

1 was allocating expenses.

2 (Whereupon the requested  
3 portion of the record was read  
4 back by the Reporter.)

5 MS. RHOADES: Judge, we just went through with  
6 Mr. Ewing with respect to this very same issue, and  
7 it's not any different with respect to this witness,  
8 and to the extent they're tendering it for that purpose  
9 is way beyond the audit. The audit does not specify  
10 and break it down as to direct expenses that are  
11 related to a specific line item.

12 With respect to 2001, we did not even, we got  
13 that as a late disclosure for the purposes of this  
14 hearing, and did not have an opportunity to inquire as  
15 to that even, so now he's expressing opinions that  
16 weren't even disclosed to us.

17 MR. MILLER: These are fact testimony. This  
18 is based on materials that he's gathered during his  
19 review of Three ABN. I mean, if all I could ask him  
20 were things that he would, that actually were in this  
21 document, then I would just submit this document to the  
22 court.

23 I'm asking him within the perimeters of this  
24 document for questions that have now become relevant

1 during this hearing, what these facts mean, and he's  
2 testifying to that. I don't believe it's an -- it's  
3 not an expert opinion. It's an -- it's based on a  
4 factual review.

5 MS. RHOADES: And, again, I would refer the  
6 Judge to my statement as to what was disclosed to us.  
7 None of that was disclosed to us.

8 ADMINISTRATIVE LAW JUDGE: I think I'm going  
9 to sustain the objection and let's just move on. I  
10 think the document speaks for itself as far as  
11 different categories, and I think common sense can  
12 attribute certain of these areas to other areas of  
13 expenditure to areas of income.

14 MR. MILLER: Have you attempted to breakdown,  
15 based on the figures in the financial statements and in  
16 doing your audit, in your -- strike that.

17 What are work papers?

18 THE WITNESS: That's the evidence of our  
19 audit.

20 Q. And what do they consist of?

21 A. They consist of all of our documentation that  
22 we've examined.

23 Q. And did you create work papers in this, in  
24 this case?



1 A. Yes.

2 Q. In the audit of Three ABN in 2000 and 2001?

3 A. Yes.

4 Q. And did the other side ask you for those work  
5 papers?

6 A. No.

7 Q. Based on the auditor's financials and the  
8 work papers, have you been able to assess whether or  
9 not Three Angels made a profit during the year 2000?

10 A. I have been able to make that.

11 MS. RHOADES: Objection. That's been asked and  
12 answered.

13 MR. MILLER: Okay. Have you been able to  
14 summarize?

15 MS. RHOADES: He asked if they made a profit.

16 MR. MILLER: Have you been able to summarize?

17 ADMINISTRATIVE LAW JUDGE: I think that was  
18 what you objected to before though, and I think he's  
19 asked it in a different manner, and I don't -- I don't  
20 think the answer was accepted previously, so I --

21 MR. MILLER: Have you been able to summarize  
22 those findings in any convenient way?

23 THE WITNESS: Yes.

24 Q. We have an exhibit.

1 Who created this document, Mr. Lovejoy?

2 A. I did.

3 Q. And what did you -- where did you get the  
4 figures that are in here?

5 A. From the audit work papers and the audit  
6 reports.

7 Q. And what do these figures show?

8 MS. RHOADES: Objection, foundation. We don't  
9 know when it was created.

10 MR. MILLER: He testified that he created it.

11 MS. RHOADES: He testified he created it, but  
12 he didn't say when it was created.

13 MR. MILLER: When was it created?

14 THE WITNESS: Yesterday.

15 MS. RHOADES: I'm sorry, Judge, I mean, I  
16 object to any line of questioning on this document.  
17 They created it yesterday. It's created after the  
18 fact. It was created in anticipation of litigation.  
19 Nothing else but that. It's hearsay.

20 MR. MILLER: Your Honor, it's a summary of  
21 testimony. It summarizes underlying evidence and  
22 information that would otherwise be admissible. I  
23 don't sense that the court wants us to drag all the  
24 financials records from Three Angels Broadcasting over

1 here and dump them before the court.

2 ADMINISTRATIVE LAW JUDGE: I appreciate that.

3 MR. MILLER: Mr. Lovejoy is an outside  
4 independent professional who has gone through those  
5 records, and based on the financial, audited  
6 financials, which the other side has received, and  
7 based on the work papers which the other side didn't  
8 ask for, he has created this summary.

9 If the court would like the underlying work  
10 papers, I imagine certainly Three Angels would allow  
11 them to come to the court, but I believe that summaries  
12 of underlying evidence are certainly an appropriate way  
13 of bringing evidence before the court.

14 MS. RHOADES: I'm going to renew my  
15 objection. It's done in anticipation of litigation.  
16 It's purely self-serving. There is no basis. There is  
17 no foundation. It was not previously disclosed.

18 This witness was deposed on this very subject  
19 and claimed that he had no knowledge of it, and now  
20 today, on a day before trial, we have knowledge.

21 ADMINISTRATIVE LAW JUDGE: No. This is the  
22 day of trial.

23 MS. RHOADES: The day of trial.

24 MR. MILLER: The second day of trial. It's

1 just a fact. It's just fact testimony that's come in a  
2 summarized form. He could have been asked to produce  
3 work papers, asked specific questions about his work  
4 papers. This is not opinion. This is proof of his  
5 factual investigation.

6 MS. RHOADES: Well, for example, he comes up  
7 with 20 percent. Where does he come up with 20 percent  
8 at? From information provided by Mr. Shelton. It's  
9 not his own independent work.

10 MR. MILLER: Certainly the depreciation is his  
11 own independent work, the 20 percent figure.

12 MS. RHOADES: So they didn't depreciate any of  
13 their property in previous times when they filed tax  
14 returns?

15 Well, bring in the tax returns, Mr. Miller.

16 MR. MILLER: I'm not sure I understand your  
17 comment.

18 MS. RHOADES: Well, you got depreciation  
19 here. They filed depreciation with respect to on their  
20 tax returns.

21 MR. MILLER: Yes.

22 MS. RHOADES: I mean --

23 ADMINISTRATIVE LAW JUDGE: I guess I don't see  
24 that this document in fact adds anything to this

1 hearing, and in fact it could be very detrimental  
2 because it's a summary without the underlying  
3 information. And I understand that they did not  
4 request the work papers, however, I think this goes  
5 beyond what the work papers. I think there is just too  
6 much.

7 MR. MILLER: Well, perhaps -- oh, I see.

8 ADMINISTRATIVE LAW JUDGE: If you want to do  
9 an offer of proof or something for this, that would be  
10 fine, but I just have a problem with this particular  
11 document.

12 MR. MILLER: Why don't I make an offer of  
13 proof?

14 I'd like to make an offer of proof and do so  
15 and the Illinois law seems clear on this, that I can do  
16 that by asking the questions that I would ask and  
17 then --

18 ADMINISTRATIVE LAW JUDGE: Having them  
19 objected to and then --

20 MR. MILLER: No, no. The objection is at the  
21 beginning and it's on the record. If you will just  
22 allow me.

23 ADMINISTRATIVE LAW JUDGE: So you'd prefer to  
24 do it that way rather than --

1 MR. BOOTHBY: I think the fact it's going to  
2 shorter and simpler, and as I understand it, I really  
3 do appreciate what you did.

4 It seemed to indicate that would also give an  
5 opportunity for the other side to place their  
6 objections on, and in the event a court later on should  
7 agree with our position then everything would be  
8 there:

9 ADMINISTRATIVE LAW JUDGE: That's fine. I  
10 have a problem in having it in the transcript just  
11 because then the court has to make sure that they  
12 separate that out. That's my own personal preference  
13 and that's why, but you're right, it can be done either  
14 way.

15 Let's just go ahead and under the  
16 understanding that I really don't think that this is  
17 coming in. But go ahead and ask the questions and you  
18 can do the cross and, but it's going in strictly as an  
19 offer of proof.

20 MR. MILLER: Uh-huh.

21

22

23

24

1 (At this time Offer of Proof  
2 Number 2 was given and has  
3 been removed from this  
4 transcript at the request  
5 of the ALJ.)

6 MR. MILLER: I just have a final question.

7 FURTHER DIRECT EXAMINATION

8 BY MR. MILLER:

9 Q. In doing the audit in 2000 and 2001 did  
10 anything come to your attention in the operations or  
11 finances of Three Angels Broadcasting that would be  
12 inconsistent with its not-for-profit status under  
13 Illinois law?

14 A. No, it did not.

15 ADMINISTRATIVE LAW JUDGE: Now, did you want  
16 that included within the offer of proof or --

17 MR. MILLER: No, no, no.

18 MS. RHOADES: That was outside. I thought it  
19 was.

20 ADMINISTRATIVE LAW JUDGE: I thought it was  
21 too and that's why I want to make sure that is  
22 separate.

23 MR. MILLER: It's outside.

24 ADMINISTRATIVE LAW JUDGE: And outside the

1 offer of proof. So the offer of proof has been  
2 concluded, is that correct?

3 MR. MILLER: That was from Steinkamp's  
4 testimony.

5 ADMINISTRATIVE LAW JUDGE: I didn't know if  
6 you had anything on redirect on that.

7 Just for clarity for the court reporter and  
8 anyone that reads this transcript, the offer of proof  
9 was concluded with Mr. Steinkamp's question and then  
10 your question was outside that.

11 MR. MILLER: Yes.

12 ADMINISTRATIVE LAW JUDGE: All right.

13 MR. MILLER: I have nothing further.

14 ADMINISTRATIVE LAW JUDGE: All right.

15 And do you have anything?

16 MS. RHOADES: I have just a few brief  
17 questions if I may.

18 CROSS EXAMINATION

19 BY MS. RHOADES:

20 Q. Now, you indicated I believe, Mr. Lovejoy,  
21 that you have done the audits for Three ABN for  
22 approximately five years, is that correct?

23 A. Approximately, yes.

24 Q. During those period of five years in which



1 you conducted audits of Three ABN, prior to yesterday  
2 are you aware of any practices where Three ABN has  
3 allocated such costs in such a manner that you have  
4 done here today?

5 A. No.

6 MS. RHOADES: I have no further questions. I  
7 believe Mr. Steinkamp does.

8 EXAMINATION

9 BY MR. STEINKAMP:

10 Q. I notice in the financial statement for 2001  
11 that the accumulated assets, and I believe these are  
12 the liquid assets not including real estate, am I  
13 correct on that assumption?

14 A. I may need to look at the document.

15 Q. The figure I'm referring to is the bottom.  
16 Let me get them.

17 ADMINISTRATIVE LAW JUDGE: Is this 2001?

18 MR. STEINKAMP: I'm talking about 2001.

19 ADMINISTRATIVE LAW JUDGE: All right.

20 MR. STEINKAMP: I'm talking about statement of  
21 financial position. This is your Page 3 dated December  
22 31, 2001?

23 THE WITNESS: Yes.

24 Q. Under total assets the figure there is, as I

1 read it, \$42,350,373.94.

2 Those -- first of all, do those assets  
3 include the real estate that Three ABN owns?

4 A. It does.

5 Q. All of the real estate?

6 A. Yes.

7 Q. Okay. Does that amount of assets, which is  
8 something like, well, it's over three times annual  
9 revenues, does that concern you as an accumulation of  
10 assets for a not-for-profit or 501(c)(3)?

11 A. No, and I'll explain that. If you look under  
12 revokable trusts you'll see a figure of \$16 million,  
13 \$16,229,000. And if you look under long-term  
14 liabilities you'll see an offset amount that says  
15 \$16,229,000. That's a direct offset of that asset and  
16 liability.

17 Those merely represent trusts to Three ABN  
18 which may be revoked at any point in time, so there is  
19 no asset there for them to distribute.

20 Q. Are those revokable trusts, those are  
21 revokable for income tax purposes I presume, but is  
22 the, I forget the terminology. There is something  
23 called a crummy trust.

24 Are you aware of that?

1 A. It's not a crummy trust.

2 Q. No.

3 It's a --

4 A. I'm not sure. I don't recall what you want.

5 Q. My point is, is that they're revokable but  
6 seldom are revoked?

7 A. These were revokable. These may be revokable  
8 at any time and they have been and are.

9 MR. STEINKAMP: All right. I have no other  
10 questions.

11 THE WITNESS: Okay.

12 ADMINISTRATIVE LAW JUDGE: Anything else on  
13 redirect?

14 MR. MILLER: Yes.

15 REDIRECT EXAMINATION

16 BY MR. MILLER:

17 Q. Mr. Lovejoy, \$42 million does seem like a lot  
18 of money, and I think you pointed out that the \$16  
19 million is your testimony that Three ABN doesn't  
20 actually have, isn't able to use those moneys at the  
21 present time?

22 A. That's correct.

23 Q. Are there any other moneys represented here  
24 that Three ABN, Three Angels would not be able to use

1 at the present time?

2 A. Yes. The investment of \$2.8 million, the  
3 majority of that represents money coming from  
4 charitable related unit trust agreements. Those are  
5 temporarily restricted assets, and they cannot be used  
6 until the donor dies.

7 Q. And what are -- what are the charitable gift  
8 annuities of seven and a half million dollars?

9 A. That represents money that donors have sent  
10 in to acquire a charitable gift annuity. An agreement,  
11 Three ABN has agreed to pay them an annuity for the  
12 rest of their life. That's listed down here under the  
13 long-term liabilities of charitable gift annuities of  
14 \$4,008,000, and also under the short-term liabilities  
15 they have a current liability of \$397,000.

16 So you would have to offset those liabilities  
17 against the \$7.6 million in assets to estimate what  
18 could be used by Three ABN.

19 Q. So in laymen's terms, this total, let's look  
20 at these other assets figure of \$27 million.

21 How much of that \$27 million would actually  
22 be available to Three ABN presently?

23 A. Maybe around four to five million dollars.

24 Q. And those would be primarily what?

1           A.     The gift annuity, the difference between the  
2 gift annuity assets and liability of approximately half  
3 of the investments, all of the deposits, none of the  
4 revokable trusts.

5           Q.     Now, the figure under total current assets,  
6 where it says cash restricted to investment and  
7 equipment, property and equipment unless accumulated  
8 depreciation. There was a figure of \$11 million there?

9           A.     The \$11.8 million represents the net book  
10 value of the fixed assets of the organization. The  
11 \$122,000 represents donor restricted cash to be used by  
12 Three ABN to purchase equipment.

13          Q.     I see.

14                     And in current assets there is cash of \$2.6  
15 million, is that right?

16          A.     Yes.

17          Q.     Would these other items under here be  
18 available for use presently or as of the date of this  
19 document?

20          A.     Not as of the date of the document, but  
21 apparently in the short-term it would be available.

22          Q.     Do you know the approximate monthly operating  
23 cost of Three ABN?

24          A.     No, I don't.

1 MR. MILLER: I have no further questions.

2 ADMINISTRATIVE LAW JUDGE: Okay.

3 Anything else?

4 MS. RHOADES: No further questions.

5 FURTHER EXAMINATION

6 BY MR. STEINKAMP:

7 Q. How much of that \$42 million can be borrowed  
8 against just to complete?

9 A. I don't know if I'm able to answer that.

10 MR. STEINKAMP: Okay. That's fine.

11 ADMINISTRATIVE LAW JUDGE: Okay. The witness  
12 is excused. Thank you.

13 Did we want to take a break? Do you want me  
14 to get Mr. Thompson? How do you want to handle this?

15 MR. MILLER: Let's just keep going.

16 (The Witness was sworn  
17 by the ALJ.)

18 DR. WALTER THOMPSON

19 called as a witness herein, at the instance of the  
20 Applicant, having been first duly sworn on his oath,  
21 was examined and testified as follows:

22 ADMINISTRATIVE LAW JUDGE: For the record,  
23 before we get started with this witness, Applicant has  
24 given me a copy of Intervenor's Exhibit Number 9, which