

Ex. O Ex. NN

(NN-YY)

OMB No. 1545-0062

Form **990-PF**

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

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 FJARLI FOUNDATION	A Employer identification number 6466
	Number and street (or P.O. box number if mail is not delivered to street address) Room/suite 670 MASON	B Telephone number (see page 11 of the instructions) 541/779-2233
	City or town, state, and ZIP code MEDFORD OR 97501	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"/>
I Fair market value of all assets at end of year (from Part II, col. (c), line 16) \$ 217,628	J Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____	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)
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	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 16 of the instructions)	0	0	0
	7	Other notes and loans receivable (attach schedule)	0	0	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	0	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	0	0	
	Less: accumulated depreciation (attach schedule)	0	0	0	
15	Other assets (describe)	0	0	0	
16	Total assets (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	Total liabilities (add lines 17 through 22)	0	0		
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31.				
	24	Unrestricted	205,533	217,626	
	25	Temporarily restricted			
	26	Permanently restricted			
	Foundations 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	Total net assets or fund balances (see page 18 of the instructions)	205,533	217,626		
31	Total liabilities and net assets/fund balances (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

[Exhibit PP for the motion to compel filed in the Southern District of Illinois is identical to Exhibit O filed in the motion to compel in the Western District of Michigan, which is found in Exhibit J in this filing.

To conserve resources it is not duplicated here.]

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

1 OFFER OF PROOF NUMBER TWO

2 (The Witness is Mr. Alan Lovejoy.)

3 MR. MILLER: Now, in preparing this
4 document where did you get these figures from, Mr.
5 Lovejoy?

6 THE WITNESS: The sales figures were taken
7 from the audit report and statement of activities. The
8 satellite purchase figure is taken directly off of the
9 audit report.

10 The newsletter expense is taken off of the
11 audit report, as well as the literature and the rental
12 expense. The depreciation was taken from my
13 depreciation schedule.

14 Q. And you would depreciate these schedules as
15 part of what?

16 A. The work papers, the audit work papers. The
17 depreciation only shows in total in the audit report,
18 so I went to the audit work papers to select the amount
19 of depreciation that was taken on production type
20 facilities and equipment during the year, and that's
21 the amount in the parenthesis to the left, the full
22 amount.

23 The airtime expense, the amount on the left
24 again was taken directly from the financial statement,

1 as well as downlink expense and broadcasting supplies.

2 Q. And where did you get the 20 percent figure
3 from?

4 A. It is my understanding from Danny and from
5 Larry Ewing that approximately 20 percent of their
6 programming results in these airtime sales.

7 Q. So that's the one figure that you would have
8 received from outside your work papers or the audit
9 report, is that right?

10 A. Correct.

11 Q. Okay. And what did it show the overall
12 profit or loss for the year 2000 as being?

13 A. It shows the overall loss to be almost
14 \$642,000.

15 MR. MILLER: Okay. That's a sufficient offer
16 of proof for this document.

17 MS. RHOADES: I would like to do some cross
18 examination if I may.

19 ADMINISTRATIVE LAW JUDGE: Yeah.

20 Do you want to do that now or have you
21 finished?

22 MR. MILLER: No. Let me finish my offer of
23 proof.

24 ADMINISTRATIVE LAW JUDGE: Let him finish.

1 MS. RHOADES: And I'll let you know.

2 MR. MILLER: I'll do this quickly. It's the
3 same --

4 ADMINISTRATIVE LAW JUDGE: Yeah. I think he
5 probably has both years.

6 MS. RHOADES: I mean, Judge, if I may, I think
7 it might be easier to do the cross after --

8 MR. MILLER: There is another one.

9 ADMINISTRATIVE LAW JUDGE: I believe that it's
10 the next year.

11 MR. MILLER: I'm just meaning the 2000/2001.

12 I've given you another document.

13 Do you recognize this document?

14 THE WITNESS: Yes.

15 Q. And what is this document?

16 Is this the same as the document I just
17 proffered you but for the year 2001?

18 A. It is the same as that document only for the
19 year 2001.

20 Q. And were the figures gained in the same way?

21 A. Yes, they were.

22 Q. And at the end, the bottom line, your review
23 of what happened in 2001 as far as a profit or loss
24 from sales?

1 A. It was a loss of \$3,979.82.

2 MR. MILLER: Okay. I'd make an offer of proof
3 with Applicant's Number 22, and I will -- that's the
4 end of my offer of proof.

5 ADMINISTRATIVE LAW JUDGE: All right.

6 MR. MILLER: And maybe we should allow the
7 cross examination.

8 ADMINISTRATIVE LAW JUDGE: I think the cross
9 now.

10 MS. RHOADES: I think it would be easier for
11 purposes of the record.

12 CROSS EXAMINATION

13 BY MS. RHOADES:

14 Q. With respect to Applicant's Exhibit Number
15 22, Mr. Lovejoy, you include expenses in there for
16 newsletters.

17 Why did you include the expense of
18 newsletters under video and other?

19 A. Okay. Video and other includes other items
20 like books and literature. These newsletters we
21 consider to be freebee giveaways, free giveaways. That
22 would be lumped in with this other miscellaneous sales.

23 Q. But it is not -- it is not something that,
24 for instance, Three Angels Broadcasting Network does

1. not charge anybody for their newsletters, correct?

2. A. Correct.

3. Q. You have other items in here that are
4. freebees or giveaways that are listed in here?

5. A. Well, let me put it this way. I could have
6. made another line with zero revenue and just have shown
7. this as a free, shown this as an expense also. It
8. would have the same result.

9. Q. Let me ask you this, why is it an expense
10. when it's a newsletter that they produce?

11. It doesn't directly relate to their -- to
12. their videos, CDs or cassette sales.

13. A. I believe it does, because it makes people
14. aware of those.

15. Q. So that's how you do it, is because they use
16. it as an advertising mechanism?

17. A. Well, it is a newsletter. It's a giveaway.
18. It also provides information about the organization.
19. It costs them money to do that. They could charge
20. people for that newsletter, but they don't.

21. Q. Now, you also include in there rental
22. expenses. Why do you include rental income?

23. Yeah. Are you talking about the properties
24. that they rent and somehow that's related to and get

1 profits off of, that that's somehow related to CDs,
2 video sales, or airtime sales or satellite sales?

3 A. To me these are four different categories.
4 They each stand on their own.

5 Q. Okay. Now, you have expenses related to, it
6 says analysis of sales, so rental income is sales?

7 Is that what you're testifying?

8 A. No, I'm not, but.

9 Q. Isn't that what your document is entitled?

10 A. That's what the document says, yes.

11 Q. Now, with regard to literature, you have
12 \$139,459.55 attributed as an expense, correct?

13 A. Uh-huh.

14 Q. To video and others, and, again, do you have
15 any records or any documents that would indicate that
16 that is directly related to that revenue generated item
17 of video, CDs, and cassettes?

18 A. Yes, because it includes book purchases and
19 books are included in this other.

20 Q. And how much, did you go back and
21 subsequently do an analysis with regard to the amounts
22 of books that were given away and done a cost analysis
23 with respect to that line item?

24 A. That would be ridiculous.

1 Q. Can I ask you this question?

2 Did you look at this in the year 2000, these
3 very issues?

4 A. I looked at --

5 Q. This document, did you do this analysis in
6 the year 2000 that it purports to be?

7 A. No.

8 MR. MILLER: Objection, asked and answered.

9 MS. RHOADES: You did not do it in 2000?

10 ADMINISTRATIVE LAW JUDGE: He answered.

11 MS. RHOADES: Okay. With respect to 2001, that
12 particular document, now, you again attribute
13 newsletters.

14 I would assume that that's the same responses
15 you gave for 2000?

16 THE WITNESS: Yes.

17 Q. And the same thing with regard to literature?

18 A. Yes.

19 Q. And that those items would in fact encompass
20 other information, other offers that are given that are
21 not revenue generated?

22 A. I believe they would, yes.

23 Q. Now, with respect to the 20 percent, you did
24 not do an analysis whether or not that 20 percent is in

1 fact an accurate percentage?

2 A. No.

3 Q. And you relied solely on the statement of
4 Danny Shelton with respect to that percentage?

5 MR. MILLER: Objection, asked and answered. I
6 believe that was brought out on direct in fact.

7 MS. RHOADES: I don't believe so. It was in
8 the offer of proof.

9 ADMINISTRATIVE LAW JUDGE: I don't remember it
10 being only Danny Shelton.

11 MS. RHOADES: Yeah.

12 ADMINISTRATIVE LAW JUDGE: Would be my -- I
13 don't remember it exactly that so.

14 MR. MILLER: That's fine.

15 ADMINISTRATIVE LAW JUDGE: I go ahead and
16 direct you to answer that.

17 THE WITNESS: Please repeat that.

18 (Whereupon the requested
19 portion of the record was read
20 back by the Reporter.)

21 THE WITNESS: I believe I said I relied on the
22 statements of Danny and, Danny Shelton and Larry Ewing.

23 MS. RHOADES: And with regard to Larry Ewing,
24 were you apprised of any information or time studies

1 that he had performed in order to come up and verified
2 the 20 percent figure?

3 A. No.

4 Q. And are you aware of any time studies that
5 were done by Mr. Shelton to verify the 20 percent
6 allocation figure?

7 A. No.

8 MS. RHOADES: I have no further questions for
9 this offer of proof. I think Mr. Steinkamp does.

10 MR. STEINKAMP: I just have a couple of
11 questions.

12 EXAMINATION

13 BY MR. STEINKAMP:

14 Q. When you talk about your expense for
15 newsletter and literature that's on the second last and
16 third last lines there, where do you get that figure?

17 How do you calculate the cost of an item
18 that's been given away?

19 A. These figures come directly from our audit
20 report.

21 Q. Uh-huh.

22 Are they -- are you counting these expenses
23 twice then, because aren't you also -- aren't you
24 attributing some of the expenses that have already been

000703

1 attributed to these giveaways to the expenses that
2 you're breaking down here for these?

3 It's just a question.

4 A. No. There is no double expense here. I
5 guess I'm not following.

6 Q. Where does the cost for the giveaway items,
7 from what is that calculated?

8 A. What I'm saying is, the newsletter would be
9 considered a giveaway item.

10 Q. Uh-huh.

11 A. And it cost \$173,000 to produce those items,
12 and those were given away.

13 Q. Okay. Does -- does any of the cost that goes
14 into the production of those giveaways also get
15 included in your other six categories?

16 A. No, that's not duplicated elsewhere.

17 MR. STEINKAMP: Okay. Thank you. I have no
18 further questions.

19

20

21

22

23

24

THREE ANGELS BROADCASTING NETWORK, INC.

ANALYSIS OF SALES
FOR THE YEAR 2000

Ex. SS

	Airtime Sales	Satellite Sales	Video and Other	Rental Income	Total
Sales	603,842.23	2,665,397.84	146,300.30	31,347.49	3,446,887.86
Expenses					
Depreciation on buildings (53,390.82 X 20%)	(10,678.16)				(10,678.16)
Depreciation on downlinks (465,759.24 X 20%)	(93,151.84)				(93,151.84)
Depreciation on production equipment (483,474.54 X 20%)	(96,694.91)				(96,694.91)
Airtime expense (1,851,467.75 X 20%)	(370,293.55)				(370,293.55)
Downlink expense (878,101.18 X 20%)	(175,620.24)				(175,620.24)
Supplies Broadcasting (398,275.86 X 20%)	(79,655.17)				(79,655.17)
Satellite purchases		(2,995,088.49)			(2,995,088.49)
Newsletter			(114,936.03)		(114,936.03)
Literature			(139,459.55)		(139,459.55)
Rental expenses				(13,295.49)	(13,295.49)
	(222,251.64)	(329,690.65)	(108,095.28)	18,052.00	(641,985.57)

EXHIBIT
APPLICANT'S
22

001531

THREE ANGELS BROADCASTING NETWORK, INC.

ANALYSIS OF SALES
FOR THE YEAR 2001

Ex. TT

	Airtime Sales	Satellite Sales	Video and Other	Rental Income	Total
Sales	857,768.47	618,832.21	251,109.82	35,039.93	1,762,750.43
Expenses					
Depreciation on building (65,506.74 X 20%)	(13,101.35)				(13,101.35)
Depreciation on downlinks (497,594.59 X 20%)	(99,518.92)				(99,518.92)
Depreciation on production equipment (503,594.59 X 20%)	(100,718.92)				(100,718.92)
Airtime expense (2,139,050.5 X 20%)	(427,810.10)				(427,810.10)
Downlink expense (841,049.96 X 20%)	(168,209.99)				(168,209.99)
Supplies Broadcasting (209,142.00 X 20%)	(41,828.40)				(41,828.40)
Satellite purchases		(460,500.32)			(460,500.32)
Wages (825,160.07 X 20%)	(165,032.01)				(165,032.01)
Newsletter			(173,655.01)		(173,655.01)
Literature			(105,779.46)		(105,779.46)
Rental expenses				(10,575.77)	(10,575.77)
	(158,451.22)	158,331.89	(28,324.65)	24,464.16	(3,979.82)
Depr allocated		1,066,695.92			
Total depr		1,594,085.78			

EXHIBIT
APPLICANT'S
23

001532

[The pages used as Exhibit UU for the motion to compel filed in the Southern District of Illinois were already filed in this case as part of Docket No. 63-28.

To conserve resources they are not duplicated here.]

[Exhibit VV for the motion to compel filed in the Southern District of Illinois was already filed in this case as page 35 of Docket No. 49-2.

To conserve resources it is not duplicated here.]

[Exhibit WW for the motion to compel filed in the Southern District of Illinois was already filed in this case as pages 36–37 of Docket No. 49-2.

To conserve resources it is not duplicated here.]

Ex. XX

SEARCH

Sign Up!

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

A Save3ABN Exclusive

How to Turn \$6,139 into \$135,000 in Just 7 Days???

7 Simple Steps to Easy Money???

[< Prev.](#)

[Next >](#)

This topic concerns real estate transactions from the year 1998, transactions regarding a piece of property identified as "Lot 6" in the legal description, a piece of property that at one time was the Shelton home. Scans of the actual documents in question appear at the bottom of this web page.

Step 1: Non-Profit Buys "Lot 6"

A number of things transpired prior to the start of those allegedly highly profitable 7 days of September 25 through October 2, 1998. As the story goes, philanthropist May Chung either put up the money for 3ABN to buy "Lot 6," as suggested by one of the documents below, or bought "Lot 6" and deeded it to 3ABN.

Step 2: Non-Profit Grants Life Estate

The next step to an alleged \$129,000 profit in 7 days was for 3ABN president Danny Shelton, his then wife and 3ABN corporation secretary Linda Shelton, and philanthropist May Chung to receive a life estate in "Lot 6," allowing them to use this 3ABN property as long as they lived.



- Home Page
- Site Map
- Tommy Shelton
- Danny Shelton
- ASI
- Smokescreen
- Abuse of Power
- Ethical
- Allegations
- Financial
- Allegations
- Book Deals
- Form 990's, etc.
- Real Estate
- \$129,000 Profit
- Improper 990
- Perjury?
- 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 2/10/2008
Objections Heard

Added 1/25/2008
Church Vote

Added 1/22/2008

Fiscalini Fired

**Added 1/21/2008
Right to Know**

**Added 11/30/2007
IRS Criminal
Investigation**

**Added 11/9/2007
Dwight Hall
Selling K58DL
10/2007 Interview**

**Must Read:
Mom in Pain #1
Mene, Mene,
Tekel, Parsin
The Actual Lawsuit**

This is to certify that Linda S. Shelton is the duly qualified and elected Secretary, and Walter C. Thompson is the duly qualified and elected Chairman of the Board of Directors of THREE ANGELS BROADCASTING NETWORK, INC., a corporation, of the City of West Frankfort, County of Franklin and State of Illinois, and that at a regular meeting of the Board of Directors, held on September 15, 1996, the following action was taken and recorded in the minutes of said corporation, of which action, this is a true copy, to-wit:

15) It was voted to convey a life estate to Danny L. Shelton, Linda S. Shelton and May Chung, or the survivors and/or survivor of them, on the property located at Route 3, Box 10, in Thompsonville, as provided in the original gift that provided for the purchase of the property, and to authorize the officers to sign the deed for conveyance purposes. Said property is legally described as follows:

Lot Six (6) in Surveyor's Plat of the Northeast Quarter (NE 1/4) of Section Sixteen (16), Township Seven (7) South, Range Four (4) East of the Third Principal Meridian, except the coal, oil, gas and other minerals underlying the same, situated in Franklin County, Illinois.

The records of THREE ANGELS BROADCASTING NETWORK, INC. disclose that Danny L. Shelton is the President, and Linda S. Shelton is the Secretary, and Walter C. Thompson is Chairman of the Board of Directors.

THREE ANGELS BROADCASTING
NETWORK, INC.

Dated: February 18, 1998. By: [Signed]
Walter C. Thompson
Board Chairman

Dated: February 16, 1998. By: [Signed]
Linda S. Shelton
Corporation Secretary/p>

Page -1- CORPORATION RESOLUTION

Page 3 of 3

If May Chung really was the one who put up the money to buy "Lot 6," why were the Sheltons given a life estate in "Lot 6" too?

And what exactly does it mean for the officers to be authorized "to sign the deed for conveyance purposes" in connection with a vote "to convey a life estate to Danny L. Shelton"? When someone is granted a life estate by an organization, there is no need to sign a deed, as we point out below.

Step 3: Non-Profit Deeds "Lot 6"

Now is where things really start getting a bit strange: In February 1998, "Lot 6" is titled in Danny, Linda, and May's names because of their life estate, almost a year and a half after they were allegedly given that life estate by the 3ABN Board. If the 3ABN Board really voted in September 1996 to authorize the officers to "convey" the property to Danny by signing a deed, why did they wait a year and a half to do it?

We have consulted a number of real estate and trust services experts, and each tells us that when you receive a life estate, you never have the property titled in your name. Was "Lot 6" deeded to Danny Shelton in February just so that he could sell the property at a substantial profit in October?

(Life Estate only)

WARRANTY DEED - JOINT TENANCY

THE GRANTORS, THREE ANGELS BROADCASTING
NETWORK, INC., a corporation, of 3391
Charley Good Road, West Frankfort,
County of Franklin and State of Illinois

for and in consideration of Ten Dollars (\$10) O.V.C. Dollar in hand paid,
Conveys and warrants to DANNY L. SHELTON, LINDA S. SHELTON,

and MAY CHUNG, not as tenancy in common but in JOINT TENANCY, the following described real estate:

A life estate only for the lifetime of DANNY L. SHELTON and LINDA S. SHELTON, husband and wife, and MAY CHUNG, or the survivors/survivor of them, in the following property:

Lot Six (6) in Surveyor's Plat of the Northeast Quarter (NE 1/4) of Section Sixteen (16), Township Seven (7) South, Range Four (4) East of the Third Principal Meridian, except the coal, oil, gas and other minerals underlying the same, situated in Franklin County, Illinois.

situated in the County of Franklin, in the State of Illinois, hereby releasing and waiving all rights and under and by virtue of the Homestead Exemption Laws of this State.

Dated February 16, 1998.

THREE ANGELS BROADCASTING NETWORK, INC.

Attested By:

By: [Signed]
Danny L. Shelton, President

 [Signed]
Walter C. Thompson
Board Chairman, 3ABN

By: [Signed]
Linda S. Shelton, Secretary

DEED PREPARED BY: Herald Follett, Attorney
P.O. Box 3092
Portland, Oregon 97208

Page -1- WARRANTY DEED - JOINT TENANCY

(See copy of Corporate Resolution attached hereto)

PAGE 1 OF 3

Step 4: Philanthropist Surrenders Life Estate

At the time of Danny's allegedly super-profitable sale on October 2, 1998, he would have had to split his profits with May Chung, unless he could get her off the title of "Lot 6" before that point. And thus on August 24, 1998, just 6 months after her name got on the title, May Chung's name is off again.

Kind of odd, isn't it, that May Chung would have been given a life estate in a property in Illinois, and then deeded that property, if all the while she remained a resident of San Bernardino, California, as the deed below suggests? And why put her name on the title of "Lot 6" at all if she was only going to be on for six months?

WARRANTY DEED

THE GRANTOR, MAY CHUNG
of 155 Manchester Lane
San Bernardino, CA 92408

for and in consideration of Ten Dollars (\$10.00) O.V.C. Dollar in hand paid, Grantor conveys and warrants to THREE ANGELS BROADCASTING NETWORK, INC., a Corporation, all of Grantor's interest in the following described real estate:

Grantor's life estate for her lifetime, and any survivorship rights she may have related to the interest of Danny L. Shelton and Linda S. Shelton, or the survivor of them, in the following property:

Lot Six (6) in Surveyor's Plat of the Northeast Quarter (NE 1/4) of Section Sixteen (16), Township Seven (7) South, Range Four (4) East of the Third Principal Meridian, except the coal, oil, gas and other minerals underlying the same, situated in the County of Franklin, and State of Illinois,

hereby further releasing and waiving all rights in and under by virtue of the Homestead Exemption Laws of this State.

Dated August 24, 1998.

[Signed]
May Chung

Attested By:

[Signed, Herald Follett]

Approved and consented to by:

[Signed]

Danny L. Shelton, President

[Signed]

Linda S. Shelton, Secretary

Step 5: Non-Profit Surrenders Interest for \$6,139

It is this transaction that raises a lot of questions. What it appears from the deed is that the Sheltons in essence bought "Lot 6" in September 1998 for a mere \$6,139, just one week before they sold it to Elora Ford for \$135,000. Now the fact that \$6,139 is below fair market value raises some serious tax questions.

- Was the total consideration given by the Sheltons to 3ABN for "Lot 6" really only \$6,139?
- Did the total consideration given for "Lot 6," even if more than \$6,139, fall below fair market value?
- If so, does this real estate transaction constitute "private inurement"?
- If it does, will the IRS revoke 3ABN's tax exempt status, or have all applicable statutes of limitations run out?
- If 3ABN's tax exempt status is revoked, will the IRS assess some of 3ABN's donors for back taxes?

In case you haven't caught on, the IRS does not allow non-profit organizations to give away property at prices below market value for the benefit of private citizens. Doing so can jeopardize that organization's tax exempt status. And the loss of tax exempt status can affect donors retroactively, particularly if donations were given in bad faith.

While the IRS is highly unlikely to go after small donors, some of 3ABN's larger donors will undoubtedly breathe a lot easier if the IRS decides that there are no tax implications to the deed below. And since we are talking about something that happened in 1998, the typical statute of limitations for such things has most likely run out.

WARRANTY DEED

THE GRANTOR, Three Angels Broadcasting Networks, Inc.
3391 Charley Good Road
West Frankfort, Illinois 62896-0220,

for and in consideration of Six thousand one hundred thirty nine and no/100 (\$6,139.00) Dollars, O.V.C. Dollar in hand paid, Grantor conveys and warrants to Danny L. Shelton and Linda S. Shelton, husband and wife, all of Grantor's interest in the following described real estate:

Lot Six (6) in Surveyor's Plat of the Northeast Quarter (NE 1/4) of Section Sixteen (16), Township Seven (7) South, Range Four (4) East of the Third Principal Meridian, except the coal, oil, gas and other minerals underlying the same, situated in the County of Franklin, and State of Illinois,

(Note: This deed is given for the purpose of the Grantor conveying its remainder interest in said property to the Grantees herein, Danny L. Shelton and Linda S. Shelton, who at the date of this transfer have a life estate in said property.)

hereby further releasing and waiving all rights in and under by virtue of the Homestead Exemption Laws of this State.

Dated 9/25, 1998.

Three Angels Broadcasting Network,
Inc.

By: [Signed]
Danny L. Shelton, President

By: [Signed]
Linda S. Shelton, Secretary

Attested By:

[Signed]

Walter C. Thompson
Chairman of the Board of Directors

Step 6: The Sheltons Sell Property for \$135,000

First, here is the deed that governed the sale of the property, a deed prepared by D. Michael Riva, the same attorney that sent those nasty cease and desist letters [to Pastor Glenn Dryden](#) and [to the Church Board](#) of the Community Church of God in Dunn Loring, Virginia:

WARRANTY DEED

ILLINOIS STATUTORY

MAIL TO:

ELORA L. FORD, Trustee
2804 NEW LAKE ROAD
WEST FRANKFORT IL
62896

NAME & ADDRESS OF TAXPAYERS:

ELORA L. FORD, Trustee
2804 NEW LAKE ROAD
WEST FRANKFORT 62896

THE GRANTORS, DANNY L. SHELTON and LINDA S. SHELTON, Husband and Wife each in their own right and as spouse of the other, of the City of Thompsonville, County of Franklin, State of Illinois, for and in consideration of the sum of **TEN DOLLARS (\$10.00), AND OTHER GOOD AND VALUABLE CONSIDERATION**, in hand paid, the receipt of which is hereby acknowledged, **CONVEY and WARRANT TO: ELORA L. FORD**, as Trustee of **THE FORD FAMILY TRUST** established by the provisions of **THE FORD REVOCABLE TRUST Agreement dated September 23, 1992**, of West Frankfort, Franklin County, Illinois, all interest in the following described Real Estate situated in the County of Franklin, State of Illinois, to-wit:

LOT SIX (6) IN SURVEYOR'S PLAT OF THE NORTHEAST QUARTER (NE 1/4) OF SECTION 16 TOWNSHIP 7 SOUTH RANGE 4 EAST OF THE THIRD PRINCIPAL MERIDIAN EXCEPT THE COAL OIL, GAS AND OTHER MINERALS UNDERLYING THE SAME, SITUATED IN FRANKLIN COUNTY, ILLINOIS.

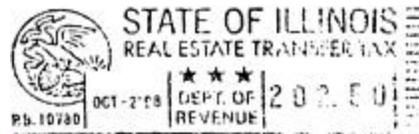
hereby releasing and waiving all rights under and by virtue of the Homestead Exemption Laws of the State of Illinois.

D. MICHAEL RIVA, AS PREPARER OF THIS DEED, HAS MADE NO INVESTIGATION CONCERNING ANY POSSIBLE VIOLATIONS OF ANY ENVIRONMENTAL LAWS OR REGULATIONS INCLUDING, BUT NOT LIMITED TO, THE ILLINOIS RESPONSIBLE TRANSFER ACT; AND THE PARTIES OF THIS DEED, BY VIRTUE OF THEIR EXECUTION, DELIVERY AND/OR ACCEPTANCE, ACKNOWLEDGE THAT THEY HAVE READ THE FOREGOING AND ACKNOWLEDGE THAT D. MICHAEL RIVA, HAS NOT BEEN ASKED TO REPRESENT AND/OR ADVISE THEM IN ANY WAY CONCERNING SUCH LAWS AND REGULATIONS; AND FURTHER ACKNOWLEDGE THAT SHOULD THIS REAL ESTATE BE GOVERNED BY, OR SUBJECT TO, SUCH LAWS AND REGULATIONS, THAT SUCH COULD YIELD VERY SUBSTANTIAL DAMAGES AND PENALTIES TO THE PARTIES.

Permanent Index Number:

Property Address: 2804 New Lake Road, West Frankfort IL 62896

DATED October 2, 1998.



[Signed] (SEAL)
Danny L. Shelton

[Signed] (SEAL)
Linda S. Shelton

See the Real Estate Transfer Tax stamp above with the amount \$202.50 in it? That consists of 0.15% of the total consideration of \$135,000 the Sheltons paid, 0.10% which goes to the State of Illinois and 0.05% which goes to Franklin County:

Document Fees

Type	Description	Calc Method	Fee Amount
------	-------------	-------------	------------

001	STATE OF ILLINOIS	Net	\$135.00
002	COUNTY FEE	Net	\$67.50
003	AUTOMATION FEE	Document	\$3.00
004	RECORDING FEE 1-4 PGS	1-4 Pages	\$12.00
Total Fee			\$217.50

Consideration

Full Actual Consideration	\$135,000.00
Personal Property	\$.00
Net Consideration	\$135,000.00
Other Real Property	\$.00
Mortgage Property	\$.00
Net Taxable Consideration	\$135,000.00

Other Comments and Questions

1998 was allegedly a very profitable year for Danny Shelton, not just because of "Lot 6." Below you will find a June 1998 real estate transaction in which Elora Ford gave Danny a gift of the 18 acres upon which his present house sits. No real estate transfer taxes were paid due to what looks like paragraph "e" of "Section 35 ILCS 200/31-45," a paragraph which states that no transfer taxes have to be paid if the total consideration given is less than \$100.

Speaking of taxes, it is interesting that the February 1998 deed claimed that the board action granting Danny a life estate in "Lot 6" was taken in September 1996. Was Danny trying to avoid taxes on short-term capital gains by holding the property for more than two years? But then, since the property apparently did not actually become his until September 25, 1998, and he sold it on October 2 just one week later, wouldn't there be no way to say that he owned "Lot 6" for two years?

- Did Danny Shelton report this profit on his 1998 tax return?
- If so, did he report it as a short-term or as a long-term capital gain?
- Did 3ABN report their "gift" of "Lot 6" to Danny on his W-2?
- Did 3ABN also report it on their [1998 Form 990](#) as part of their compensation to Danny?

Ex. YY

Subject: Board members, new board members, Rule 26(a)(1) materials

From: Bob

Date: Fri, 30 Nov 2007 11:43:35 -0600

To: Jerrie Hayes

CC: "G. Arthur Joy", Gerald Duffy, William Christopher Penwell, "Kristin L. Kingsbury", John Pucci, Lizette Richards

Ms. Hayes:

Your reply of November 28, 2007, comes at a bit of surprise.

First of all, you state that "you will not provide me with the names and proposed dates and locations of the Board Members you wish to depose." And yet I already made it clear that I wanted to depose all the board members in southern Illinois during the week of the January board meeting. And that is why I need to know the date of the January board meeting.

Regarding my query as to which board members you felt were too new to know anything, you neglected to reply. I will simply remind you that the Plaintiffs' initial disclosures listed 12 board members as witnesses, including the name of the new board member Larry Romrell. It is clear that your clients have no problem calling new board members to testify.

And certainly new board members Stan Smith and Garwin McNeilus are not less knowledgeable than Mr. Romrell. Mr. Smith is listed as a board member on 3ABN's Form 990 for 1998, the same year Danny Shelton bought a house from 3ABN for about \$6,100 and sold it a week later for \$135,000. And Mr. McNeilus is one who purportedly was involved in the surveillance of Linda Shelton in 2004.

Regarding the Plaintiffs' refusal to authorize the inspection or production of Rule 26(a)(1) materials, despite no motions being filed seeking protective orders for particular documents, and your unwillingness to further "discuss any details concerning copying of materials," I suppose the next step is to bring this matter to the attention of the court.

Lastly, perhaps you did not understand my final paragraph. (206) 203-3751 was my fax number long before Mr. Joy or I became aware of the scandals at 3ABN, and he uses my fax number at my permission, not vice versa.

Bob Pickle

P.S. It is a puzzle to me why the defendants have not received any "written demand for settlement" from the plaintiffs, even though the plaintiffs' Rule 26(f) Conference report said they would make such a written demand by August 31, 2007. Did I miss something?