

RESPONSE TO THIRD SERIES OF QUESTIONS (November 23, 1992)

Question 1-a

a. On page 1-4 of your prior response, you state that you "exclude unrelated commercial licensees from [certain] subparts..." Do all members of this excluded class meet the definition of "wholly unrelated commercial vendor."

* * * *

We confirm that all members of this excluded class meet the definition of "wholly unrelated commercial vendor."

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QUESTION 1-b

b. Do all United States Missions have substantially identical organizing documents? Please provide representative samples of two Missions' organizing documents.

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In 1982, attorneys for the church prepared uniform model articles and bylaws for use in incorporating a mission.

The purpose of the model articles and bylaws is to ensure that all missions of Scientology are organized and operated for exclusively religious purposes as described in section 501(c)(3) as well as organized and operated solely for purposes of the Scientology religion.

The models were prepared to conform to California law, and all missions in California are instructed by Scientology Missions International to use these without variation. Missions outside of California are sometimes required to make relatively minor changes to conform to state corporation law. They are instructed to conform as closely as possible to the model articles and bylaws, and to ensure that the mission and its assets are dedicated exclusively to purposes of the religion of Scientology.

Copies of articles and bylaws for two missions, one within California and another outside of California, are enclosed as Exhibits III-1-A and III-1-B.

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Question 1-c

c. As part of the response to Question 1 and elsewhere, entities are listed about which the Service has little or no information. Have any of the following entities had, at any time after December 31, 1988, gross assets in excess of \$1,000,000 or annual gross receipts/contributions in excess of \$250,000? If so, please provide for each such entity the information contained at Exhibit I-9 and Exhibit I-17. Where possible, data should be for 1989 and 1990. The entities are as follows: (i) the publications organizations that were first described in your June 29, 1992 response; (ii) Nesta Investments, Ltd.; (iii) C.W. Properties, Inc.; (iv) Dexter Development Company; (v) Graymoss, Inc.; and (vi) Northstar Publishing (disclosed on CSI Form 1120 for 1987). If the entity dissolved or otherwise wound up its operations, please state when and to whom all assets were distributed.

(i) The answers relating to the publications organizations are as follows:

(1) New Era Publications International ApS Tokyo

This corporation did not have gross assets over \$1,000,000 or gross receipts over \$250,000 at any time since 31 December 1988.

(2) Nueva Era Dinamica, S.A.

This corporation did not have gross assets over \$1,000,000 or gross receipts over \$250,000 at any time since 31 December 1988.

(3) Importaciones y Exportaciones Nueva Civilizacion S.A. de C.V.

This corporation did not have gross assets over \$1,000,000 or gross receipts over \$250,000 at any time since 31 December 1988.

(4) Continental Publications (Pty) Ltd

This corporation did not have gross assets over \$1,000,000, but it did have gross receipts over \$250,000 since 31 December 1988. Therefore, a schedule of its Exhibit I-9 data for 1989 and 1990 is attached.

(5) South African Publications Trust

This trust did not have gross assets over \$1,000,000 or gross receipts over \$250,000 at any time since 31 December 1988.

(6) 719008 Ontario Limited

This company did not have gross assets over \$1,000,000 or gross receipts over \$250,000 at any time since 31 December 1988.

(7) Scientology Publications Limited

This company did not have gross assets over \$1,000,000 or gross receipts over \$250,000 at any time since 31 December 1988.

(ii) Nesta Investments, Ltd. (page 1-45);

This company did not have gross assets over \$1,000,000 or gross receipts over \$250,000 at any time since 31 December 1988.

(iii) C.W. Properties, Inc. (page 1-46);

This US corporation, which was formed in 1990 as a wholly owned subsidiary of Church of Scientology Religious Trust, was dissolved in September 1991. It did not have gross assets over \$1,000,000 or gross receipts over \$250,000 at any time since 31 December 1988. All of its assets were transferred to Church of Scientology Religious Trust.

(iv) Dexter Development Company (page 1-46);

This US corporation, which was formed in 1990 as a wholly owned subsidiary of Church of Scientology Religious Trust, was dissolved in September 1991. It did not have gross assets over \$1,000,000 or gross receipts over \$250,000 at any time since 31 December 1988. All of its assets were transferred to Church of Scientology Religious Trust.

(v) Graymoss, Inc. (page 1-46);

This corporation was formed in 1990 as a wholly owned subsidiary of Church of Scientology Religious Trust. It was inactive until early 1991 when it purchased real estate in Clearwater with funds provided by the Trust on behalf of the Trust. It was dissolved in October 1991 and all of its assets were distributed to Church of Scientology Religious Trust. Exhibit I-9 information for 1989 and 1990 is therefore not applicable.

(vi) Northstar Publishing

This corporation was dissolved in September 1988 and its assets were transferred to Church of Scientology International. No Exhibit I-9 information for 1989 and 1990 is therefore applicable.

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CONTINENTAL PUBLICATIONS (PTY) LTD.
Analysis of Financial Money Flow
1990

<u>RECEIPTS</u>	<u>SOURCE(S)</u>	<u>PERCENT</u>	<u>US\$ AMOUNT</u>
SALE OF BOOKS & MATERIALS	SCIENTOLOGY CHURCHES	97.32%	1,074,467
SALE OF BOOKS & MATERIALS	COMMERCIAL COMPANIES	2.38%	26,229
BANK INTEREST RECEIVED	COMMERCIAL BANK	0.13%	1,471
COMMISSIONS	SCIENTOLOGY CHURCHES	0.17%	1,907
		100.00%	\$1,104,074
<u>DISBURSEMENTS</u>	<u>RECIPIENT(S)</u>	<u>PERCENT</u>	<u>US\$ AMOUNT</u>
PURCHASES FOR RESALE	NEW ERA PUBLICATIONS	49.51%	535,123
FREIGHT & DUTY	COMMERCIAL VENDORS	23.97%	259,046
SALARIES	STAFF	1.71%	18,521
OPERATING EXPENSES	COMMERCIAL VENDORS	20.49%	221,523
OPERATING COSTS	S.A. CHURCH	2.34%	25,240
CORPORATION TAX	RECEIVER OF REVENUE	1.96%	21,418
		100.00%	\$1,080,872

CONTINENTAL PUBLICATIONS (PTY) LTD.
Analysis of Financial Money Flow
1989

<u>RECEIPTS</u>	<u>SOURCE(S)</u>	<u>PERCENT</u>	<u>US\$ AMOUNT</u>
SALE OF BOOKS & MATERIALS	SCIENTOLOGY CHURCHES	99.52%	888,404
BANK INTEREST RECEIVED	COMMERCIAL BANK	0.38%	3,422
COMMISSIONS	SCIENTOLOGY CHURCHES	0.10%	876
		100.00%	\$892,702
<u>DISBURSEMENTS</u>	<u>RECIPIENT(S)</u>	<u>PERCENT</u>	<u>US\$ AMOUNT</u>
PURCHASES FOR RESALE	NEW ERA PUBLICATIONS	50.82%	438,250
FREIGHT & DUTY	COMMERCIAL VENDORS	19.62%	169,212
SALARIES	STAFF	1.79%	15,460
OPERATING EXPENSES	COMMERCIAL VENDORS	22.87%	197,240
OPERATING COSTS	S.A. CHURCH	2.98%	25,696
CORPORATION TAX	RECEIVER OF REVENUE	1.91%	16,497
		100.00%	\$862,356

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QUESTION 1-d (i)

(i) "We are concerned with the private ownership of Author Services, Inc. ("ASI"). This concern is based on an understanding that the corporation has private shareholders and that no other Scientology-related organization appears to retain an ownership interest in this corporation. Please provide all currently in force shareholder agreements related to ASI, including any buy-sell agreements, redemption agreements, voting trusts, or other similar interests in control or ownership. In addition, please provide all management or other service-provider agreements currently in force between ASI and other Scientology-related organizations. After resolution of issues relating to Mr. Hubbard's estate (including distribution of the residual assets), does the Church intend to continue to use the services of ASI?"

* * * *

The only in force shareholder agreement is a Stock Redemption Agreement between ASI and its shareholders; the agreements for all current shareholders are enclosed as Exhibit III-1-C. The Agreement basically prohibits the shareholders from selling their stock except on separation from employment and then only to ASI for \$1.00 a share. There are no other shareholder agreements relating to ASI, nor any other buy-sell agreements, redemption agreements, voting trusts, or other similar interests in control or ownership.

All of ASI's outstanding shares of stock are owned by three of its staff members: Ryland Hawkins (5 shares), Doug Hay (5 shares) and Hugh Wilhere (5 shares). Each of these shares is subject to the above redemption agreement and each share bears a legend that restricts transfer of the shares. See shares at Exhibit III-1-D.

The only reason ASI issued stock was to comply with requirements of California corporate law. ASI was originally separately incorporated so that Mr. Hubbard's literary affairs were managed by an entity that was not part of the Church. ASI's shareholders have never received any personal benefit as a result of their ownership of its stock. They never have and never will receive any dividend or other distribution of profits, compensation, expense reimbursement or other benefit as a result of their status as shareholders. (They do receive compensation and other benefits for their service as full time staff of ASI on the same terms and conditions as other ASI staff.) All changes in share ownership in the past have followed the share redemption agreement.

There is an in force service-provider agreement between ASI and Mr. Hubbard's estate and Author's Family Trust. This is a Business Management Agreement dated March 1, 1986, which is enclosed as Exhibit III-1-E. As a result of ASI's extensive

experience in managing Mr. Hubbard's properties, Author's Family Trust and his estate entered into this Business Management Agreement with ASI.

Following the resolution of issues relating to Mr. Hubbard's estate and the distribution of the residual assets to CST, it is expected that ASI's ownership structure will be changed at that time by making it a wholly-owned subsidiary of CST and that the Church will continue to use the services of ASI. There is, however, some uncertainty on exactly what the arrangement between ASI and CST will be and the final resolution will be monitored by an overriding concern to protect the exempt status of the Church, just as the original formation of ASI was arranged as discussed above.

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Question 1-d (ii)

An individual owned stock in New Era Publications International ApS Tokyo prior to its acquisition by NEP. Please identify the individual and describe the sale or transfer of the stock to NEP.

There were two individuals who owned stock in New Era Publications International ApS Tokyo. The majority shareholder was Makoto Jimbo who owned 270 shares and the minority shareholder was Toru Hoshino who owned 30 shares.

Neither Jimbo nor Hoshino are Scientologists or have or had any connection to the Church or a Scientology-related entity other than as discussed here. They were originally hired by New Era Publications International ApS as consultants to assist in the edit, publication and distribution of Mr. Hubbard's books in Japan - which was a new and unfamiliar territory for New Era at that time.

While working for New Era, Jimbo and Hoshino formed a publishing company for the purpose of publishing the book they were then working on, which they called New Era Publications International ApS Tokyo. Neither New Era nor any other Scientology-related organization was aware of this fact that they had formed this corporation with New Era's name.

When New Era learned of this corporation, it decided that it should acquire this existing corporation and use it to publish Mr. Hubbard's books in Japan.

The sale was concluded in March of 1991 and resulted in the unconditional conveyance to New Era of all shares of New Era Publications International ApS Tokyo, including all its assets which consisted of 3,000,000 yen cash (the equivalent of \$22,400) as paid-in capital. New Era's purchase price was equal to the corporations paid-in capital, or 3,000,000 yen. Jimbo received 2,700,000 yen (the equivalent of \$20,200) and Hoshino received 300,000 yen (the equivalent of \$2,200). In addition, Jimbo received the equivalent of \$3,000 for his initial expenses establishing the company.

QUESTION 1-d (iii)

(iii) Please describe the transfer of stock in SOR Management Services, Ltd. between Ms Beryl Garside and CSREC. In addition, who or what entity owns SOR Services U.K., Ltd. as of the date of this letter.

* * * *

SOR Management Services Limited ("SORMS") was wholly-owned by Church of Scientology Religious Education College ("CSREC") from late 1985 until 31 December 1988 when it was liquidated.

Under relevant U.K. law, a U.K. limited company is required to have a minimum of two registered shareholders. Thus CSREC was unable to hold all of the shares in SORMS itself. Ms Beryl Garside was a director of Church of Scientology Religious Education College ("CSREC") and any share(s) of SORMS registered in her name were held as a nominee for CSREC, under a declaration of nominee shareholding. Any transfers of stock in her name were done on the instructions of CSREC. She never, at any time, had any beneficial interest in the shares of SORMS.

As at the date of this letter, SOR Services U.K. Limited is a wholly-owned subsidiary of Church of Scientology Religious Education College Inc., as indicated on page (1-45) and (1-52) of our June submission. It currently has an issued capital of Two Pounds comprising two ordinary shares of One Pound each, which are held in the names of CSREC (One) and Ms Jane Fraser, a director of CS REC, (One). The latter holds this share as a nominee for CSREC, under a declaration of nominee shareholding. She has no beneficial interest in the shares of SOR Services U.K. Limited.

Question 1-e

e. Why is CSC listed as "inactive." Please define the terms "inactive" and "dormant".

* * * *

We have used the term "inactive" to refer to entities that were once active but are no longer carrying on any activity. The term "dormant" is used to describe entities that were formed but never conducted any activities.

CSC is termed inactive because it is no longer carrying out any activity though it was once an active church corporation.

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Question 1-f

f. What does the term "N/A" imply concerning the jurisdiction of certain trusts, including SIRT, TFS, and FST.

* * * *

The term "N/A" means that the trust instrument does not require the trust to operate in a specific jurisdiction. In the case of TFS, the amended trust declaration provides that the trust shall not be administered from within the United States. To date, the trustees have had no reason to determine the applicable jurisdiction of these trusts other than to determine that such trusts are not U.S. trusts.

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Question 1-g

g. At various places you refer to one entity as "owned by" or as a "subsidiary of" another entity. Do both terms mean that the first entity is "owned" entirely by the second entity or is the 100-percent subsidiary of such entity.

* * * *

The phrase "subsidiary of" has been used in a technical sense to indicate ownership of a corporation by another corporation, while the phrase "owned by" has been used to indicate ownership of a corporation by a non-corporate entity (e.g., by a trust). In the broader, nontechnical sense, both phrases mean that the first entity is owned entirely by the second entity.

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QUESTION 1-h

h. Are you aware of the existence of a Florida corporation named Majestic Cruise Lines, Inc.? Is that corporation related, directly or otherwise, with any Scientology-related organization, including Majestic Cruise Lines, Inc., the Panamanian corporation? If so, please explain.

* * * *

We were unaware of the existence of any Florida corporation by the name of Majestic Cruise Lines, Inc. Following receipt of your letter we contacted the Florida Secretary of State of State, Corporations Division and determined that a corporation by that name was incorporated on January 12, 1989 and dissolved on October 9, 1992.

We subsequently obtained a copy of the articles of incorporation which show no connection whatsoever with the Scientology religion.

The names of the incorporator, agent for service of process, director and corporate addresses shown in the state records are all completely unfamiliar to us. That Florida corporation's use of the name "Majestic Cruise Lines" is simply a coincidence.

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QUESTION 1-1

i. According to the information you provide, San Donato Properties ("SDP") is the registered owner of the M.V. Freewinds, and is in turn wholly owned by Transcorp Services, which is in turn wholly owned by Flag Ship Trust. However, the Service has information that SDP is owned by a Venezuelan company named Consolidada de Ferrys. Please provide any information that will enable us to clarify this issue.

* * * *

We were unaware of the existence of a Venezuelan company called Consolidada de Ferrys prior to receiving your letter.

In an effort to resolve this question, we contacted the American Embassy in Caracas, Venezuela and learned that Consolidada de Ferrys operates four car and passenger ferries between two ports of the Venezuelan mainland and Margarita Island, which is located off the Venezuelan coast. The company has been in operation for over thirty years which predates our existence in the Caribbean by a considerable period.

There is no connection between this company and any Church of Scientology or related organization.

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QUESTION 1-j

j. In Exhibit I-2, the directors of SDP, Transcorp Services, S.A. and Majestic Cruise Lines, Inc. are described as "compensated and unaffiliated Panamanian individuals." Please identify all directors of these corporations as of December 31, 1989, and as of the date of this letter. Please provide the same information for the director of MCL Services, N.V. who is described as an "unaffiliated Netherlands Antilles individual."

The corporation laws of Panama and the Netherlands Antilles, respectively, require that the directors of a corporation be nationals of those respective countries. The individual directors shown below are professionals in the respective countries who act as directors of the respective corporations.

The compensated and unaffiliated Panamanian individuals who serve as directors of SDP, Transcorp Services, S.A. and Majestic Cruise Lines, Inc. as of December 31, 1989 and as of the date of this letter, are as follows:

SAN DONATO PROPERTIES CORPORATION:

Ricardo A. Durling
Luis A. Durling
Orlando Lopez

TRANSCORP SERVICES S.A.

Ricardo A. Durling
Luis A. Durling
Orlando Lopez

MAJESTIC CRUISE LINES, INC.

Manuel Salerno Abad
Rudolph V. A. Van Der Wall Arnemann
Vielka Chiari Rivera

The sole director of MCL Services, N.V. described as an unaffiliated Netherlands Antilles individual in Exhibit I-2, as of December 31, 1989 and as of the date of this letter, is Reginald Antonio Emiliano Marques. Mr. Marques also is an employee of MCL Services, N.V., performing services on matters such as government and public affairs, labour relations and the like.