

FLAG SHIP TRUST
FORM 1023 APPLICATION

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Flag Ship Trust
Saint Hill Manor
East Grinstead, West Sussex
England RH19-4JY

Person to Contact:

J. Rotz

Telephone Number:

(202) 622-8100

Refer Reply to:

E:EO:R:2

Date:

OCT 1 1993

Employer Identification Number: 98-6041575
Key District: Baltimore, MD
Accounting Period Ending: December 31
Foundation Status Classification: 509(a)(3)
Form 990 Required: No

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in the section(s) above.

If your sources of support, or your purposes, character, or method of operation change, please let your key district know so that office can consider the effect of the change on your exempt status and foundation status. In the case of an amended document or bylaws, please send a copy of the amended document or bylaws to your key district. Also, you should inform your key District Director of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more you pay to each of your employees during a calendar year. This does not apply, however, if you make or have made a timely election under section 3121(w) of the Code to be exempt from such tax. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

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Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please contact your key District Director.

Contributions to you are not deductible in computing United States income tax. Under section 170(c)(2)(A) of the Code, charitable contributions by donors to organization formed either outside the United States or under foreign law are not deductible.

Bequests, legacies, devises, or transfers to or for your use are deductible in computing the taxable estate of a deceased resident or citizen of the United States for United States estate tax purposes in the manner and to the extent provided by Code sections 2055 and 2106. Gifts of property to or for your use are deductible in computing the United States gift tax of a resident or citizen of the United States in the manner and to the extent provided for by section 2522 of the Code.

Donors (including private foundations) may rely on this ruling unless the Internal Revenue Service publishes notice to the contrary. However, if you lose your 509(a) status as shown above, donors (other than private foundations) may not rely on the classification shown above if they were in part responsible for, or were aware of, the act that resulted in your loss of such status, or they acquired knowledge that the Internal Revenue Service had given notice that you would be removed from that classification. Private foundations may rely on the classification as long as you were not directly or indirectly controlled by them or by disqualified persons with respect to them. However, private foundations may not rely on the classification shown above if they acquired knowledge that the Internal Revenue Service had given notice that you would be removed from that classification.

If your organization conducts fund raising events such as benefit dinners, auctions, membership drives, etc., where something of value is received in return for contributions, you can help your donors avoid difficulties with their income tax returns by assisting them in determining the proper tax treatment of their contributions. To do this you should, in advance of the event, determine the fair market value of the benefit received and state it in your fund raising materials such as solicitations, tickets, and receipts in such a way that your donors can determine how much is deductible and how much is not. To assist you in this, the Service has issued Publication 1391, Deductibility of Payments Made to Organizations Conducting Fund Raising

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Events. You may obtain copies of Publication 1391 from your key district office.

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You are required to make a copy of your exemption application, and supporting documents, and this exemption letter available for public inspection. Failure to make these documents available for public inspection may subject you to a penalty of \$10 per day for each day there is failure to comply. See Internal Revenue Service Notice 88-120, 1988-2 C.B. 454, for additional information.

This ruling is based on evidence that your funds are dedicated to the purposes listed in section 501(c)(3) of the Code. To assure your continued exemption, you should maintain records to show that funds are expended only for those purposes. If you distribute funds to other organizations, your records should show whether they are exempt under section 501(c)(3). In cases where the recipient organization is not exempt under section 501(c)(3), there should be evidence that the funds will remain dedicated to the required purposes and that they will be used for those purposes by the recipient.

If distributions are made to individuals, case histories regarding the recipients should be kept showing names, addresses, purposes of awards, manner of selection, and relationship (if any) to members, officers, trustees or donors of funds to you, so that any and all distributions made to individuals can be substantiated upon request by the Internal Revenue Service. (Rev. Rul. 56-304 1956-2, C.B. 306.)

In this letter, we have not determined the effect on your tax-exempt status of financing your activities with the proceeds of tax-exempt bonds since you have not indicated that you intend to use such methods now or in the future.

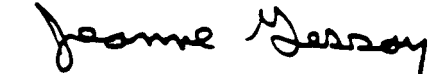
You need an employer identification number even if you have no employees. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service. We are informing your key District Director of this ruling. Because this letter could help resolve any questions about your exempt

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status and foundation status, you should keep it in your permanent records.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter. For other matters, including questions concerning reporting requirements, please contact your key District Director.

Sincerely,



Jeannette S. Gessay
Chief, Exempt Organizations
Rulings Branch 2

**Application for Recognition of Exemption
 Under Section 501(c)(3) of the Internal Revenue Code**

OMB No. 1545-0056
 *Exempt status is approved. This application will be open for public inspection.

Read the instructions for each Part carefully.

A User Fee must be attached to this application.

If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to you.

Part I Identification of Applicant

1a Full name of organization (as shown in organizing document) Flag Ship Trust		2 Employer identification number (If none, see instructions.) 98 6041575	
1b c/o Name (if applicable)		3 Name and telephone number of person to be contacted if additional information is needed Thomas C. Spring (202) 588-8488	
1c Address (number, street, and room or suite no.) Saint Hill Manor		4 Month the annual accounting period ends December 31	
1d City or town, state, and ZIP code East Grinstead, West Sussex, England RH19-4JY		5 Date incorporated or formed December 26, 1985	
6 Activity codes (See instructions.) 004		7 Check here if applying under section: a <input type="checkbox"/> 501(e) b <input type="checkbox"/> 501(f) c <input type="checkbox"/> 501(k)	
8 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? If "Yes," attach an explanation. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
9 Has the organization filed Federal income tax returns or exempt organization information returns? If "Yes," state the form numbers, years filed, and Internal Revenue office where filed. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			

10 Check the box for your type of organization. BE SURE TO ATTACH A COMPLETE COPY OF THE CORRESPONDING DOCUMENTS TO THE APPLICATION BEFORE MAILING.

- a Corporation— Attach a copy of your Articles of Incorporation, (including amendments and restatements) showing approval by the appropriate State official; also include a copy of your bylaws.
- b Trust— Attach a copy of your Trust Indenture or Agreement, including all appropriate signatures and dates. Exhibit A.
- c Association— Attach a copy of your Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence the organization was formed by adoption of the document by more than one person; also include a copy of your bylaws.

If you are a corporation or an unincorporated association that has not yet adopted bylaws, check here

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please Sign Here

Patricia A. ... Trustee
 (Signature) (Title or authority of signer)

8/18/93
 (Date)

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Complete the Procedural Checklist (page 7 of the instructions) prior to filing.

Part II Activities and Operational Information

- 1 Provide a detailed narrative description of all the activities of the organization—past, present, and planned. Do not merely refer to or repeat the language in your organizational document. Describe each activity separately in the order of importance. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

See pages 2A - 2D attached

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- 2 What are or will be the organization's sources of financial support? List in order of size.

See Page 2D attached.

- 3 Describe the organization's fundraising program, both actual and planned, and explain to what extent it has been put into effect. Include details of fundraising activities such as selective mailings, formation of fundraising committees, use of volunteers or professional fundraisers, etc. Attach representative copies of solicitations for financial support.

FST has no fundraising program.

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Part II, Question 1 Statement of Activities

Flag Ship Trust ("FST") was settled on December 26, 1985 to serve as an integrated auxiliary of Church of Scientology International ("CSI"), the Mother Church of the Scientology religion. FST's initial religious purpose was to receive donations from Scientology parishioners for the purpose of acquiring and outfitting a suitable ocean-going vessel to serve as a religious retreat where the most advanced Scientology religious service, New OT VIII, could be ministered. (See trust instrument and amendment at Exhibit A.)

As discussed further below, FST accomplished its initial purpose in 1988. Since then it has served as one of the repositories for the central reserves of the Scientology religion and makes grants to support the activities of churches within the Scientology international ecclesiastical hierarchy pursuant to CSI's direction.

FST's activities are described below. Detailed information concerning the organizational structure, religious activities and financial affairs of the international Scientology ecclesiastical hierarchy and related organizations is contained in the administrative record of the exemption determination proceeding for CSI.

FST's formation came about as a result of a fundraising project to acquire a ship that was initiated by the International Association of Scientologists ("IAS"), the official membership organization of the Scientology religion. At CSI's request, in late 1984, IAS began a worldwide fundraising campaign to raise sufficient funds to acquire a ship that would serve as a suitable facility for ministering New OT VIII to Scientology parishioners. CSI believed that an ocean-going vessel would be the most appropriate facility for ministering New OT VIII because this advanced level of religious service requires a completely safe, aesthetic and distraction-free environment and because L. Ron Hubbard, the religion's founder, had researched and ministered the first OT levels aboard a ship in the late 1960s. A ship therefore would have particular religious significance to Scientologists.

Through the end of 1985 IAS raised over \$5 million for the project, including donations for New OT VIII from Scientologists who wished to receive the service aboard the ship (a portion of these contributions would be used for passage), and at that time IAS concluded that the project should be directly administered by

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Part II, Question 1 Statement of Activities

the hierarchical church. Thus, in December 1985 IAS's trustees, with CSI's approval, formed FST to serve as its successor, and it transferred to FST all the contributions it had received. FST subsequently assumed full responsibility for the project, subject to CSI's supervision, and Scientologists began contributing directly to it.

Eventually CSI located a suitable vessel -- a 7056 ton, 440 foot ship with a capacity for over 300 passengers in addition to its crew, and made the necessary arrangements for its acquisition. The ship was purchased in September 1986 with FST's funds, rechristened the Motor Vessel Freewinds and then refitted with specially designed facilities to minister religious services and berth parishioners (also with FST's funds).

In 1988 FST transferred donations received with respect to OT VIII to Foundation Church of Scientology Flag Ship Service Organization ("CSFSSO"), the Scientology church that ministers all religious services aboard the Freewinds. FST also transferred to Majestic Cruise Lines funds it had received with respect to passage aboard the ship. The Freewinds commenced its maiden voyage in June 1988. Since then, it has sailed almost exclusively in the Carribean, with Curacao as its home port.

In order to acquire and operate the Freewinds, CSI formed the following five corporations, all of which are wholly owned by FST:

San Donato Properties, S.A. is a Panamanian corporation that is the registered owner of the Freewinds. San Donato collects charter fees from Majestic Cruise Lines (see below) which it uses to pay the interest and principal of the Freewinds mortgage to Transcorp Services (see below). San Donato is a wholly-owned subsidiary of Transcorp Services. It has no staff.

Transcorp Services S.A. is a Panamanian corporation which financed the purchase of the Freewinds. It owns all the shares of San Donato Properties and holds the mortgage on the Freewinds. All of its shares are owned by FST. It has no staff.

FSS Organization is a Netherlands Antilles corporation formed to facilitate FSSO's payment of certain taxes pursuant to an agreement with Netherlands Antilles tax authorities. All of its shares of stock are held by FST. It has no staff.

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Part II. Question 1 Statement of Activities

Majestic Cruise Lines ("Majestic") is a Panamanian corporation which actually operates the Freewinds, thereby allowing FSSO to limit its activities solely to the ministry of religious services. Majestic is responsible for the maintenance and operations of the Freewinds as well as providing accommodations, meals, and other facilities for parishioners receiving religious services at FSSO. All of the functions necessary to operate the ship both in port and at sea are conducted by Majestic. FSSO leases its space aboard the Freewinds from Majestic and pays Majestic for the room and board of its staff. Majestic has approximately 129 staff personnel. All of its shares of stock are owned by FST.

MCL Services, N.V. -- is a Netherlands Antilles corporation which provides shore support and liaison services for Majestic and FSSO from the Freewinds' home port. It has an average of five personnel. All of its shares of stock are owned by FST.

As discussed in detail in the exemption application FSSO has filed concurrently with this application, the activities of FSSO and Majestic are undergoing a reorganization whereby FSSO will assume all activities Majestic currently is conducting. The reorganization will be effected by FST donating its stock in Majestic to FSSO and by Majestic liquidating its assets and liabilities to FSSO and then dissolving. In addition, as it is no longer necessary for Netherlands Antilles tax reporting purposes, FSS Organization will dissolve.

Since the Freewinds was put into service as a sea going religious retreat in June 1988, FST no longer has been receiving donations from parishioners and its activities are limited to holding the above corporations and serving as one of the repositories for central reserves of the Scientology religion. As a reserves trust, FST supports the activities of churches and organizations in the Scientology ecclesiastical hierarchy by providing them financial assistance in the form of grants and loans, as directed by CSI and its Instrument of Trust.

FST's Instrument of Trust places significant limitations on the beneficiaries who may qualify for its financial assistance. As provided by subparagraph 7.3.1 of its Instrument of Trust, FST may make grants, contributions and loans only to organizations operated exclusively for purposes of the Scientology religion and so long as the financial assistance is used solely for purposes of the Scientology religion.

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Part II, Question 1 Statement of Activities

Subparagraph 7.3.2 of its Instrument of Trust permits FST to make grants, contributions and loans to other organizations, but only if such financial assistance is used exclusively for the purposes of the Scientology religion and expenditure responsibility is exercised with respect to the funds provided. This means that each recipient must specify the use to which the funds will be put and provide periodic accountings that demonstrate that funds granted have been expended solely and exclusively for accomplishing the trust's purposes, that such funds have not inured to the benefit of any private individual.

As a Scientology reserves entity, FST's financial affairs are directly supervised by CSI's Central Reserves Committee. In this capacity, CSI authorizes all expenditures of FST's funds to ensure they forward specific goals of the Scientology religion. In accordance with CSI's directions, FST's disbursements since 1988 (other than operating expenses) have consisted solely of grants and loans to CSI, Religious Education College and to Scientology International Reserves Trust as detailed on the attachments to Part IV, Section A, Line 15 and Part IV, Section B, line 4.

FST does not have any staff. It employs SOR Services Limited, to conduct its administrative functions. SOR Services is a wholly-owned subsidiary of Scientology International Reserves Trust that performs administrative, bookkeeping and banking services for FST, SIRT and another non-U.S. trust, Trust for Scientologists, and several non-U.S. Scientology churches.

Part II, Question 2 Sources of Financial Support

FST's sources of support primarily have been donations from Scientology parishioners either directly or indirectly through IAS as discussed in the response to Part II, Question 1. It also has received donations from other Scientology organizations to support its religious programs. Currently, its primary source of support is interest on bank deposits.

Part II Activities and Operational Information (Continued)

4 Give the following information about the organization's governing body:

a Names, addresses, and titles of officers, directors, trustees, etc.

See Page 3A attached.

b Annual Compensation

See Page 3A.

c Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? Yes No
If "Yes," name those persons and explain the basis of their selection or appointment.

d Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See the specific instructions for line 4d.) Yes No
If "Yes," explain.

5 Does the organization control or is it controlled by any other organization? Yes No
Is the organization the outgrowth of (or successor to) another organization, or does it have a special relationship with another organization by reason of interlocking directorates or other factors? Yes No
If either of these questions is answered "Yes," explain.

See Page 3A attached and response to Part II, Question 1.

6 Does or will the organization directly or indirectly engage in any of the following transactions with any political organization or other exempt organization (other than 501(c)(3) organizations): (a) grants; (b) purchases or sales of assets; (c) rental of facilities or equipment; (d) loans or loan guarantees; (e) reimbursement arrangements; (f) performance of services, membership, or fundraising solicitations; or (g) sharing of facilities, equipment, mailing lists or other assets, or paid employees? Yes No
If "Yes," explain fully and identify the other organizations involved.

7 Is the organization financially accountable to any other organization? Yes No
If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

See response to Part II, Question 1.

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Part II, Question 4 Trustees

The trustees of FST receive no compensation from FST. each serves as a staff member of other Scientology related entities.

Their names and addresses are as follows:

Carl Heldt
Store Kongensgade 55
1264 Copenhagen K
Denmark

Maureen Brigatti
Abraham De Veerstad
4 Willemstad, Curacao
Netherlands Antilles

Helen Wehl
Abraham De Veerstad 4
Willemstad, Curacao
Netherlands Antilles

FST has no officers or directors.

Part II, Question 5 Relationship With Other Organizations

As discussed in the response to Part II, Question 1, FST is part of the international ecclesiastical hierarchy of the Scientology religion and therefore is related to all Scientology organizations. It is an integrated auxiliary of CSI, and as a Scientology reserves entity FST's financial affairs are directly supervised by CSI's Central Reserves Committee. In this capacity, CSI authorizes all expenditures of FST's funds to ensure they forward specific goals of the Scientology religion.

In addition to the special relationship that FST has with its above-described wholly-owned subsidiaries, FST has a special relationship with several other specific Scientology organizations. FST employs SOR Services, Ltd. to perform financial and accounting services. Two of FST's Trustees, Carl Heldt and Maureen Brigatti, also serve as Trustees or Directors of Scientology International Reserve Trust, Foundation Church of Scientology Flag Ship Service Org, International Association of Scientologists and Trust For Scientologists. Carl Heldt also serves as a director of New Era Publications International ApS and as a Trustee of International Publications Trust.

Part II Activities and Operational Information (Continued)

8 What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken. If "None," indicate "N/A."

Shares of corporations as discussed in the response to Part II, question 1.

9a Will any of the organization's facilities or operations be managed by another organization or individual under a contractual agreement? Yes No

b Is the organization a party to any leases? Yes No

If either of these questions is answered "Yes," attach a copy of the contracts and explain the relationship between the applicant and the other parties. SOR Services performs all administrative functions for FST, as described in the response to part II, question 1, pursuant to a written contract, a copy of which is attached as exhibit B.

10 Is the organization a membership organization? Yes No

If "Yes," complete the following:

a Describe the organization's membership requirements, and attach a schedule of membership fees and dues.

N/A

b Describe your present and proposed efforts to attract members, and attach a copy of any descriptive literature or promotional material used for this purpose.

N/A

c What benefits do (or will) your members receive in exchange for their payment of dues?

N/A

11a If the organization provides benefits, services or products, are the recipients required, or will they be required, to pay for them? N/A Yes No

If "Yes," explain how the charges are determined, and attach a copy of your current fee schedule.

b Does or will the organization limit its benefits, services or products to specific individuals or classes of individuals? N/A Yes No

If "Yes," explain how the recipients or beneficiaries are or will be selected.

12 Does or will the organization attempt to influence legislation? Yes No

If "Yes," explain. Also, give an estimate of the percentage of the organization's time and funds which it devotes or plans to devote to this activity.

13 Does or will the organization intervene in any way in political campaigns, including the publication or distribution of statements? Yes No

If "Yes," explain fully.

Part III Technical Requirements

1 Are you filing Form 1023 within 15 months from the end of the month in which you were created or formed? Yes No
If you answer "Yes," do not answer questions 2 through 6.

2 If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 7

Exceptions—You are not required to file an exemption application within 15 months if the organization:

(a) is a church, interchurch organization, local unit of a church, a convention or association of churches, or an integrated auxiliary of a church;

(b) is not a private foundation and normally has gross receipts of not more than \$5,000 in each tax year; or,

(c) is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submitted a notice covering the subordinate.

3 If you do not meet any of the exceptions in question 2, do you wish to request relief from the 15-month filing requirement? Yes No

4 If you answer "Yes" to question 3, please give your reasons for not filing this application within 15 months from the end of the month in which your organization was created or formed. (See the instructions before completing this item.)

N/A

3

5 If you answer "No" to both questions 1 and 3 and do not meet any of the exceptions in question 2, your qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed with your key District Director. Therefore, do you want us to consider your application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date you were formed? Yes No N/A

6 If you answer "Yes" to question 5 above and wish to request recognition of section 501(c)(4) status for the period beginning with the date you were formed and ending with the date your Form 1023 application was received (the effective date of your section 501(c)(3) status), check here and attach a completed page 1 of Form 1024 to this application. N/A

Part III Technical Requirements (Continued)

- 7 Is the organization a private foundation?
- Yes (Answer question 8.)
- No (Answer question 9 and proceed as instructed.)

- 8 If you answer "Yes" to question 7, do you claim to be a private operating foundation?
- Yes (Complete Schedule E)
- No

N/A

After answering this question, go to Part IV.

- 9 If you answer "No" to question 7, indicate the public charity classification you are requesting by checking the box below that most appropriately applies:

THE ORGANIZATION IS NOT A PRIVATE FOUNDATION BECAUSE IT QUALIFIES:

- | | |
|---|--|
| (a) <input type="checkbox"/> As a church or a convention or association of churches
(CHURCHES MUST COMPLETE SCHEDULE A). | Sections 509(a)(1)
and 170(b)(1)(A)(i) |
| (b) <input type="checkbox"/> As a school (MUST COMPLETE SCHEDULE B). | Sections 509(a)(1)
and 170(b)(1)(A)(ii) |
| (c) <input type="checkbox"/> As a hospital or a cooperative hospital service organization, or a
medical research organization operated in conjunction with a hospital
(MUST COMPLETE SCHEDULE C). | Sections 509(a)(1)
and 170(b)(1)(A)(iii) |
| (d) <input type="checkbox"/> As a governmental unit described in section 170(c)(1). | Sections 509(a)(1)
and 170(b)(1)(A)(v) |
| (e) <input checked="" type="checkbox"/> As being operated solely for the benefit of, or in connection with, one
or more of the organizations described in (a) through (d), (g), (h), or (i)
(MUST COMPLETE SCHEDULE D). | Section 509(a)(3) |
| (f) <input type="checkbox"/> As being organized and operated exclusively for testing for public
safety. | Section 509(a)(4) |
| (g) <input type="checkbox"/> As being operated for the benefit of a college or university that is
owned or operated by a governmental unit. | Sections 509(a)(1)
and 170(b)(1)(A)(iv) |
| (h) <input type="checkbox"/> As receiving a substantial part of its support in the form of
contributions from publicly supported organizations, from a
governmental unit, or from the general public. | Sections 509(a)(1)
and 170(b)(1)(A)(v) |
| (i) <input type="checkbox"/> As normally receiving not more than one-third of its support from
gross investment income and more than one-third of its support from
contributions, membership fees, and gross receipts from activities
related to its exempt functions (subject to certain exceptions). | Section 509(a)(2) |
| (j) <input type="checkbox"/> We are a publicly supported organization but are not sure whether we
meet the public support test of block (h) or block (i). We would like the
Internal Revenue Service to decide the proper classification. | Sections 509(a)(1)
and 170(b)(1)(A)(v)
or
Section 509(a)(2) |

If you checked one of the boxes (a) through (f) in question 9, go to question 14.
If you checked box (g) in question 9, go to questions 11 and 12.
If you checked box (h), (i), or (j), go to question 10.

Part III Technical Requirements (Continued)

- 10 If you checked box (h), (i), or (j) in question 9, have you completed a tax year of at least 8 months?
 Yes—Indicate whether you are requesting: N/A
 A definitive ruling (Answer questions 11 through 14.)
 An advance ruling (Answer questions 11 and 14 and attach 2 Forms 872-C completed and signed.)
 No—You must request an advance ruling by completing and signing 2 Forms 872-C and attaching them to your application.
- 11 If the organization received any unusual grants during any of the tax years shown in Part IV-A, attach a list for each year showing the name of the contributor; the date and the amount of the grant; and a brief description of the nature of the grant.

N/A

- 12 If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here and:
 a Enter 2% of line 8, column (e) of Part IV-A _____ N/A
 b Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts, grants, contributions, etc., were more than the amount you entered on line 12a above.
- 13 If you are requesting a definitive ruling under section 509(a)(2), check here and:
 a For each of the years included on lines 1, 2, and 9 of Part IV-A, attach a list showing the name of and amount received from each "disqualified person."
 b For each of the years included on line 9 of Part IV-A, attach a list showing the name of and amount received from each payer (other than a "disqualified person") whose payments to the organization were more than \$5,000. For this purpose, "payer" includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

14 Indicate if your organization is one of the following. If so, complete the required schedule. (Submit only those schedules that apply to your organization. Do not submit blank schedules.)	Yes	No	If "Yes," complete Schedule:
Is the organization a church?		X	A
Is the organization, or any part of it, a school?		X	B
Is the organization, or any part of it, a hospital or medical research organization?		X	C
Is the organization a section 509(a)(3) supporting organization?	X		D
Is the organization an operating foundation?		X	E
Is the organization, or any part of it, a home for the aged or handicapped?		X	F
Is the organization, or any part of it, a child care organization?		X	G
Does the organization provide or administer any scholarship benefits, student aid, etc.?		X	H
Has the organization taken over, or will it take over, the facilities of a "for profit" institution?		X	I

Part IV Financial Data FLAG SHIP TRUST

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

A. - Statement of Revenue and Expenses

	Current tax year	3 prior tax years or proposed budget for 2 years			(e) TOTAL
	(a) From Jan to Dec 92	(b) 19 91	(c) 19 90	(d) 19 89	
1 Gifts, grants, and contributions received (not including unusual grants-see instructions)	640516	2500000	333046	36415	3509977
2 Membership fees received					
3 Gross investment income (see instructions for definition)	1863	137705	191661	126703	457932
4 Net income from organization's unrelated business activities not included on line 3					
5 Tax revenues levied for and either paid to or spent on behalf of the organization					
6 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge)					
7 Other income (not including gain or loss from sale of capital assets) (attach schedule)			-41908	-106451	-148359
8 Total (add lines 1 through 7)	642379	2637705	482799	56667	3819550
9 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513					
10 Total (add lines 8 and 9)	642379	2637705	482799	56667	3819550
11 Gain or loss from sale of capital assets (attach schedule)		-63779	-57447	-589448	-710674
12 Unusual grants					
13 Total revenue (add lines 10 through 12)	642379	2573926	425352	-532781	3108876
14 Fundraising expenses			4634	584	
15 Contributions, gifts, grants, and similar amounts paid (attach schedule)		9045834	934130	6637704	
16 Disbursements to or for benefit of members (attach schedule)					
17 Compensation of officers, directors, and trustees (attach schedule)					
18 Other salaries and wages					
19 Interest					
20 Occupancy (rent, utilities, etc.)					
21 Depreciation and depletion					
22 Other (attach schedule)	108489	90390	95235	118429	
23 Total expenses (add lines 14 through 22)	108489	9136224	1033999	6756717	
24 Excess of revenue over expenses (line 13 minus line 23)	533890	-6562298	-608647	-7289498	

Part IV Financial Data (Continued) FLAG SHIP TRUST

B. - Balance Sheet (at the end of the period shown)		Current tax year Date 12/31/92
Assets		
1	Cash	1 42875
2	Accounts receivable, net	2 63961
3	Inventories	3
4	Bonds and notes receivable (attach schedule)	4 3351356
5	Corporate stocks (attach schedule)	5 1344932
6	Mortgage loans (attach schedule)	6
7	Other investments (attach schedule)	7
8	Depreciable and depletable assets (attach schedule)	8
9	Land	9
10	Other assets (attach schedule)	10
11	Total assets (add lines 1 through 10)	11 4803124
Liabilities		
12	Accounts payable	12 34065
13	Contributions, gifts, grants, etc., payable	13
14	Mortgages and notes payable (attach schedule)	14
15	Other liabilities (attach schedule)	15
16	Total liabilities (add lines 12 through 15)	16 34065
Fund Balances or Net Assets		
17	Total fund balances or net assets	17 4769059
18	Total liabilities and fund balances or net assets (add line 16 and line 17)	18 4803124
If there has been any substantial change in any aspect of your financial activities since the end of the period shown above, check the box and attach a detailed explanation <input type="checkbox"/>		

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Periods Ended December 31, 1989, 1990, 1991 and 1992

Part IV Financial Data - Method of Accounting

The financial statements have been prepared on an accrual basis, under the historical cost convention.

Schedule 1

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-90

Part IV Section A Line 7 Other Income

Type of Income Source

Amount

Unrealized Loss on Investment (Gold Bullion)

(41,908)

(\$ 41,908)

=====

Schedule 2

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-89

Part IV Section A Line 7 Other Income

Type of Income Source

Amount

Unrealized Loss on Investment (Gold Bullion)

(106,451)

(\$ 106,451)

=====

Schedule 3

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-91

Part IV Section A Line 11 Gain or Loss from Sale of Capital Assets

<u>Asset</u>	<u>To Whom Sold</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Sale Price</u>	<u>Gain(Loss)</u>
Realized Gain on Foreign Currency Conversion to US \$	Kredietbank Luxembourg				78
Precious Metals - Gold Bullion	Kredietbank Luxembourg	1,086,405		1,022,548	(63,857)
					----- (\$ 63,779) =====

Schedule 4

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-90

Part IV Section A Line 11 Gain or Loss from Sale of Capital Assets

<u>Asset</u>	<u>To Whom Sold</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Sale Price</u>	<u>Gain(Loss)</u>
Precious Metals - Gold Bullion	Kredietbank Luxembourg	3,575,840		3,518,393	(57,447)
					----- (\$ 57,447) =====

Schedule 5

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-89

Part IV Section A Line 11 Gain or Loss from Sale of Capital Assets

<u>Asset</u>	<u>To Whom Sold</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Sale Price</u>	<u>Gain(Loss)</u>
Realized Loss on Foreign Currency Conversion to US \$	Kredietbank Luxembourg				(28,595)
Precious Metals - Gold Bullion	Kredietbank Luxembourg	7,101,247		6,540,394	(560,853)
					----- (\$ 589,448) =====

Schedule 6

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-91

Part IV Section A Line 15 Contributions, Gifts, Grants, and Similar Amounts Paid

<u>Recipient</u>	<u>Purpose</u>	<u>Amount</u>
Church of Scientology Celebrity Centre International	Renovations of Church Premises	273,980
Church of Scientology International	Religious Program	6,244,633
Church of Scientology Religious Education College, Inc. (UK)	Construction of Church Premises	2,527,221
	Total	----- \$ 9,045,834 =====

Schedule 7

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-90

Part IV Section A Line 15 Contributions, Gifts, Grants, and Similar Amounts Paid

<u>Recipient</u>	<u>Purpose</u>	<u>Amount</u>
Church of Scientology Religious Education College, Inc. (UK)	Construction of Church Premises	934,130
	Total	----- \$ 934,130 =====

6

Schedule 8

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-89

Part IV Section A Line 15 Contributions, Gifts, Grants, and Similar Amounts Paid

<u>Recipient</u>	<u>Purpose</u>	<u>Amount</u>
Church of Scientology Religious Education College, Inc. (UK)	Construction of Church Premises	6,637,704
	Total	----- \$ 6,637,704 =====

Schedule 9

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-92

Part IV Section A Line 22 Other Expenses

<u>Other Expenses</u>	<u>Amount</u>
Bank Charges	983
Legal, Professional & Accountancy Fees	59,819
Service Fees (SORS)	47,687

	\$ 108,489
	=====

6

Schedule 10

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-91

Part IV Section A Line 22 Other Expenses

<u>Other Expenses</u>	<u>Amount</u>
Bank Charges	10,960
Legal, Professional & Accountancy Fees	6,744
Service Fees (SORS)	72,686

	\$ 90,390
	=====

b

Schedule 11

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-90

Part IV Section A Line 22 Other Expenses

<u>Other Expenses</u>	<u>Amount</u>
Bank Charges	1,690
Legal, Professional & Accountancy Fees	18,383
Service Fees (SORS)	75,162

	\$ 95,235
	=====

Schedule 12

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-89

Part IV Section A Line 22 Other Expenses

<u>Other Expenses</u>	<u>Amount</u>
Bank Charges	4,788
Legal, Professional & Accountancy Fees	28,526
Service Fees (SORS)	85,115

	\$ 118,429
	=====

Schedule 13

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-92

Part IV Section B Line 4 Bonds and Notes Receivable

<u>Name of Borrower</u>	<u>Obligation</u>	<u>Rate of Return</u>	<u>Due Date</u>	<u>Amount</u>
Scientology International Reserves Trust	Loan for carrying out its Religious Program	Interest-free	18-Dec-93	3,351,356
			Total	----- \$ 3,351,356 =====

Schedule 14

Flag Ship Trust

Federal I.D. Number 98-6041575

Form 1023

Period Ended: 31-Dec-92

Part IV Section B Line 5 Corporate Stocks

<u>Name of Corporation</u>	<u>Capital Structure</u>	<u>No. of Shares</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Fair Market Value</u>
FSS Organization N.V.	6,000 Shares Authorized and Issued.	6,000	\$1	\$ 6,000	\$ 6,000
Majestic Cruise Lines, Inc.	302 Shares Authorized and Issued.	302	\$10,000	\$ 1	\$ 1
MCL Services N.V.	30,000 Shares Authorized; 6,000 Issued.	6,000	\$1	\$ 6,000	\$ 6,000
Transcorp Services S.A.	1,000,000 Shares Authorized; 981,500 Issued.	981,500	\$10	\$ 1,332,931	\$ 1,332,931
				----- \$ 1,344,932 =====	----- \$ 1,344,932 =====

Schedule 15

Schedule D.—Section 509(a)(3) Supporting Organization

1a Organizations supported by the applicant organization: Name and address of supported organization	b Has the supported organization received a ruling or determination letter that it is not a private foundation by reason of section 509(a)(1) or (2)?	
Church of Scientology International 533 Hollywood Blvd., LA CA 90028	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
.....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
.....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
.....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
.....	<input type="checkbox"/> Yes	<input type="checkbox"/> No

c If "No" for any of the organizations listed in 1a, explain.
 CSI is a church and therefore is neither a private foundation nor subject to the notice provisions of sections 508(a) or (b). However, CSI has filed a Form 1023 and expects a favorable ruling.

2 Does the organization you support have tax-exempt status under section 501(c)(4), 501(c)(5), or 501(c)(6)? Yes No
 If "Yes," attach: (a) a copy of its ruling or determination letter, and (b) an analysis of its revenue for the current year and the preceding three years. (Provide the financial data using the formats in Part IV-A (lines 1-13) and Part III (questions 11, 12, and 13).)

3 Does your governing document indicate that the majority of your governing board is elected or appointed by the supported organizations? Yes No
 If "Yes," skip to question 9.
 If "No," you must answer questions 4 through 9.

4 Does your governing document indicate the common supervision or control that you and the supported organizations share? Yes No
 If "Yes," give the article and paragraph numbers. If "No," explain.
 See Sections 14.2 and 14.3 of the Instrument of Trust as amended by Amendment of Instrument of Trust Creating Flag Ship trust, dated October 23, 1988 requiring trustees be in good standing with CSI.

5 To what extent do the supported organizations have a significant voice in your investment policies, in the making and timing of grants, and in otherwise directing the use of your income or assets?
 FST's financial affairs are directly supervised by CSI's Central Reserves Committee. (See response to Part II, Question 1.)

6 Does the mentioning of the supported organizations in your governing instrument make you a trust that the supported organizations can enforce under state law and compel to make an accounting? Yes No
 If "Yes," explain.

7a What percentage of your income do you pay to each supported organization?
 FST does not pay a percentage of income to CSI.

b What is the total annual income of each supported organization?
 Financial information for CSI has been provided with CSI's exemption application which has been filed concurrently with this application.

c How much do you contribute annually to each supported organization?
 FST does not make regular contributions to CSI. See response to Part II, Question 1.

For more information, see back of Schedule D.

Schedule D.—Section 509(a)(3) Supporting Organization (Continued)

- 8 To what extent do you conduct activities that would otherwise be carried on by the supported organizations? Explain why these activities would otherwise be carried on by the supported organizations.

Initially FST received funds at CSI's request for the purchase and outfitting of a ship to serve as an ocean-going religious retreat.

FST now serves as a reserves repository for the Scientology religion and makes grants to support activities of churches within the Scientology ecclesiastical hierarchy, as directed by CSI.

- 9 Is the applicant organization controlled directly or indirectly by one or more "disqualified persons" (other than one who is a disqualified person solely because he or she is a manager) or by an organization which is not described in section 509(a)(1) or (2)? Yes No
If "Yes," explain.

Instructions

For an explanation of the types of organizations defined in section 509(a)(3) as being excluded from the definition of a private foundation, see Publication 557, Chapter 3.

Line 1.—List each organization that is supported by your organization and indicate in item 1b if the supported organization has received a letter recognizing exempt status as a section 501(c)(3) public charity as defined in section 509(a)(1) or 509(a)(2).

If you answer "No" in 1b to any of the listed organizations, please explain in 1c.

Line 3.—Your governing document may be articles of incorporation, articles of association, constitution, trust indenture, or trust agreement.

Line 9.—For a definition of a "disqualified person," see specific instructions for Part II, line 4d, on page 3 of the application's instructions.