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WHAT IS SCIENTOLOGY LITERARY AGREEMENT (NEPI)

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WHAT IS SCIENTOLOGY LITERARY AGREEMENT (NEPI)

THIS WHAT IS SCIENTOLOGY LITERARY AGREEMENT (NEPI) ("Agreement"), is made as of the 1st day of October, 1991, by and between **NORMAN F. STARKEY**, Trustee of Author's Family Trust-B, doing business as "L. Ron Hubbard Library", whose address is 6515 Sunset Boulevard, Suite 202, Hollywood, California 90028, hereinafter referred to as "Trustee", **CHURCH OF SCIENTOLOGY INTERNATIONAL**, whose address is 6331 Hollywood Boulevard, Hollywood, California 90028, hereinafter referred to as "CSI", and **NEW ERA PUBLICATIONS INTERNATIONAL Aps**, whose address is Store Kongensgade 55, 1264 Copenhagen K, Denmark, hereinafter referred to as "Publisher", with reference to the following:

A. CSI, the Mother Church of the Scientology religion, wishes NEPI to publish a comprehensive book on the religion of Scientology entitled "What is Scientology" ("Work"). Publisher intends to include in the Work a biography of L. Ron Hubbard, the founder of the religion, together with quotations and excerpts from his literary works (collectively "Quotations"). Publisher also intends to include in the Work photographs of L. Ron Hubbard ("Photos").

B. L. Ron Hubbard died on January 24, 1986, and Norman F. Starkey was appointed the Executor of his Will on February 18 1986, by the San Luis Obispo County Superior Court. On January 3, 1989, the Superior Court ordered distribution of the

Estate of L. Ron Hubbard, including ownership of his literary works and the Photos, to the Trustee.

C. Trustee is willing to license use of the Photos and Quotations so long as the Work does not in any way detract from the image of Mr. Hubbard.

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein by this reference, and of the mutual covenants and conditions contained herein, the parties agree as follows:

1. Grant of Rights. Trustee hereby grants Publisher, for the term of this Agreement, except as otherwise provided, the following rights in connection with the sale and distribution of the Work:

(a) The right to utilize the name and likeness of L. Ron Hubbard in connection with dissemination of the Work;

(b) The right to include in the Work any or all of the Photos, subject to the Trustee's prior approval; and

(c) The right to select and include in the Work the Quotations, subject to the Trustee's prior approval.

This grant of rights pertains only to the publication of the Work in hardbound and paperbound forms in all languages and in all countries and territories except the United States and English speaking Canada ("Territory").

2. Term. The term of this Agreement shall commence as of the date hereof and shall continue until the 1st day of January,

1995. Thereafter, this Agreement shall be renewed automatically and indefinitely for additional and successive one (1) year terms; provided that after the 1st day of January, 1992, this Agreement may be terminated at any time by either party upon two (2) months' written notice.

3. Publisher's Warranties and Representations.

Publisher warrants and represents that:

(a) Publisher shall obtain the right to publish all other literary materials included in the Work, which rights will be secured pursuant to valid and binding agreements with the creators thereof. Publisher shall pay all fees and royalties due and payable to such creators; and

(b) Publisher shall use its best efforts to disseminate and promote the dissemination of copies of the Work in the Territory.

4. Advertising. Advertising or other materials may not be inserted or printed in the Work, including without limitation the dust jacket or cover, without the express written consent of the Trustee, which consent may be withheld in Trustee's sole discretion. Further, upon request of Trustee, all advertising by the Publisher which promotes the dissemination of the Work shall be submitted in advance to Trustee, or his designated representative, for approval.

5. Trustee's Warranties and Indemnification. Trustee represents and warrants that:

(a) All rights granted hereunder are free of liens or encumbrances; and Trustee has full power to execute this Agreement;

(b) Trustee shall indemnify and hold the Publisher and CSI harmless from any final judgment for damages against it (after all appeals have been taken) in any action arising out of facts which constitute a breach of the foregoing warranties and against reasonable costs and attorneys' fees incurred by it in defending an action in which such judgment is recovered. It is understood and agreed, however, that this indemnity applies only to the Quotations and Photos and does not extend to other material contained in the Work.

(c) Publisher and/or CSI shall give Trustee prompt notice of any lawsuit or claim alleging facts which would constitute a breach of the warranties in this Paragraph 5. Trustee, if he chooses, may defend such suit with counsel of his own choosing and at his own expense; provided that if he does, Publisher and/or CSI may nonetheless participate in the defense with counsel of their own choosing and at their own expense. Publisher and/or CSI shall not settle any claim, demand, action or proceeding without Trustee's consent.

6. Publishing Format. Upon Trustee's request, Publisher shall furnish to Trustee, or his designated representative, prior to publication, with galley and page proofs of the Work, together with all artwork and photographs and captions therefor, if any. The format, style of composition, graphic

material and captions shall be determined by Publisher, subject to the written approval of Trustee.

7. Copyright Notices. Publisher shall print in every copy of the Work a proper United States copyright notice, sufficient to secure and protect United States copyright and Universal Copyright Convention rights in the Photos and Quotations used in the Work for Trustee and for CSI, and sufficient to obtain and protect the respective copyright rights in all jurisdictions in which copies of the Work are published and/or sold by Publisher or its subsidiaries.

8. Copyright Administration. Publisher shall cause to be duly registered in the United States Copyright Office a claim for United States Copyright in the Work in the name of "L. Ron Hubbard Library" (a registered fictitious name of Trustee) when such registration is necessary to protect and/or enforce Trustee's rights in the copyright. Publisher shall engage the services of Bridge Publications, Inc. ("BPI") or its successor, to register and/or protect all claims for copyright of the Work, where applicable, and to take such steps as may be necessary to ensure that the copyright is protected in all jurisdictions in which the Work is sold by Publisher or its wholly owned subsidiaries. Publisher shall pay the expenses arising out of the protection and/or registration process necessary to protect and defend the copyright to the Work issued by Publisher and/or its subsidiaries and shall furnish BPI with sufficient copies of the Work for purposes of registration and/or protection.

9. Royalties. Publisher shall pay Trustee five percent (5%) of Publisher's suggested retail price on each copy of the Work (whether hardbound or paperbound) sold by Publisher, less returns. For purposes of this Agreement, "Publisher's suggested retail price" shall be deemed to be without discount of any kind.

10. Royalties in General; Payment.

(a) The Trustee's prior approval is required for sales of copies of the Work at a discount in excess of sixty percent (60%) of the Publisher's suggested retail price. If the Trustee approves such sales, Trustee shall receive ten percent (10%) of the gross received by Publisher.

(b) No reduction in royalties shall be allowed for bad debts or for discounts allowed for payment by Publisher's and/or CSI's customers within a specified time limit. For purposes of this Agreement, a "bad debt" is defined as a debt outstanding for more than one hundred fifty (150) days from the date of shipment of copies.

(c) No royalties shall be paid on copies furnished without charge and not for resale:

(i) To Trustee;

(ii) For purposes of copyright registration;

and

(iii) For review, advertising, public relations or other promotional actions; provided the number of copies furnished for such purposes shall not exceed five hundred (500); provided, however, that a full royalty shall be paid on

each copy of the Work given without charge for resale (for advertising or promotional allowances or other purposes) in connection with the sale of copies of other literary works.

(d) No royalties shall be paid in connection with sale of copies of the Work between NEPI and its wholly owned subsidiaries, or between Publisher and BPI. Moreover, no royalties shall be paid in connection with the sale by Publisher and/or BPI to CSI of up to an aggregate of fifteen thousand (15,000) copies; provided that such purchase by CSI is not for the purpose of resale.

(e) All payments under this Agreement shall be payable in United States currency. Publisher shall be responsible for handling all currency and exchange controls. No reduction in royalties shall be allowed on account of such controls.

(f) Publisher may withhold from royalties payable under this Agreement such amounts as may be required to be withheld under local tax law. In the event Publisher withholds, it shall report the amount withheld to Trustee and shall cooperate with Trustee to effect a refund of such amounts withheld, in the event taxation is governed by a tax treaty.

11. Calculation and Weekly Payment of Royalties. Royalties due the Trustee hereunder shall be (a) paid weekly, and (b) calculated on Publisher's suggested retail prices (excluding customs, shipping charged directly to customer as a separate item, sales taxes and value added taxes) and on net sales (i.e., gross sales less returns). If Publisher is required by local law to

publish an aggregate price which includes the suggested retail price plus one or more of the item excluded in the previous sentence, then royalties will be calculated only on the suggested retail price. Royalties shall be due to the Trustee when monies from sales are received or become bad debts as defined herein; provided shipment of the Work has occurred. For purposes of currency exchange, Publisher shall use the rate on the day monies from sales are received or become bad debts. In the event monies are received prior to shipment, royalties shall not be due until shipment. Weekly payments shall be accompanied by an informal statement indicating the basis for the payment.

12. Accounting and Quarterly Payments.

(a) Publisher shall maintain accurate books and records pertaining to the sale of copies of the Work, in sufficient detail to permit calculation and verification of royalties payable hereunder. Publisher shall prepare statements, in a form acceptable to Trustee, accounting for all royalties payable Trustee under this Agreement during each of the following periods in every year:

From January 1 to March 31;

From April 1 to June 30;

From July 1 to September 30;

From October 1 to December 31.

Publisher shall mail the statement to Trustee within thirty (30) days after the close of each period. Each quarterly statement shall report, for the Work, among other things, the

number of copies sold to date (and total sales for the subject period), the Publisher's suggested retail price, the royalty rate, amount of royalties paid to the Trustee during the quarter, the amount of royalties due to the Trustee, but unpaid, the gross amount received with respect to subsidiary rights, the number of copies of the Work printed, bound and given away in the period, the number of saleable copies on hand at the end of the period, the number of damaged copies destroyed (with independent evidence of such number) and such other information as the Trustee may, from time to time, request. Each statement shall be certified as true and correct by an officer of Publisher. Any amounts shown to be due on the statement shall be paid with the statement. Should such payment not be made within thirty (30) days following the close of the quarter, the amount due shall bear interest from the first day of the month following the end of the quarter for which it is due until paid at the higher of (1) ten percent (10%), or (2) five percent (5%) plus the Federal Reserve Bank of San Francisco's discount rate on the twenty-fifth (25th) day of the last month of the quarter for which payment is due. Should the quarterly statement show an overpayment to Trustee, such overpayment shall be deducted proportionately from the weekly payments during the quarter following the one in which the overpayment was made.

(b) Upon Trustee's written request, Trustee may examine the books and records of Publisher which relate to sales of copies of the Work. If such examination discloses an error of five percent (5%) or more with respect to any royalty statement,

Publisher shall reimburse Trustee for Trustee's costs of the examination, otherwise such costs shall be borne by Trustee.

13. Trustee's Copies. On publication of the Work, Publisher shall give Trustee fifty (50) free copies and Trustee may purchase additional bound or unbound copies at Publisher's maximum standard distributor discount available at the time of the transaction.

14. Out of Print Provision, Termination.

(a) For the purposes of this Agreement, the Work shall be deemed "in print" only when copies are available and offered for sale, through usual retail channels, in an edition issued by Publisher. Publisher shall notify Trustee at such time as the Work is not in print.

(b) Notwithstanding the specified term of this Agreement, if at any time after publication of the Work, Publisher fails to keep the Work in print, Trustee may at any time thereafter serve a written request on Publisher that the Work be placed in print. Within ten (10) days from receipt of such request, Publisher shall notify Trustee in writing whether it intends to comply with said request. If Publisher fails to give such notice or, having done so, fails to place the Work in print as specified in subparagraph (a) within ninety (90) days after receipt of said request from Trustee, then, in either event, Publisher's right to Publish the Work shall automatically terminate and all rights granted to Publisher shall thereupon automatically revert to Trustee.

15. Termination of Rights. If Publisher is adjudicated a bankrupt, makes an assignment for the benefit of creditors, liquidates its operations, comes under the control of persons hostile to L. Ron Hubbard, Trustee, or the religion of Scientology, this Agreement shall thereupon terminate and all rights granted to Publisher shall automatically revert to Trustee.

16. Suits and Infringement.

(a) If there is an infringement of any rights granted to Publisher, Trustee and Publisher shall have the right to participate jointly in an action for such infringement; and if both parties participate, they shall share the expenses of the action equally and shall recoup such expenses from any sums recovered in the action. The balance of the proceeds shall be divided equally between them. Each side will notify the other of infringements coming to its attention. Notwithstanding the foregoing, Publisher and CSI shall have the primary responsibility of prosecuting such infringement action.

(b) If either side declines to participate in such action, the other may proceed. The party maintaining the action shall bear all costs and expenses which shall be recouped from any damages recovered from the infringement; the balance of such damages shall be divided equally between them.

17. Proper Use of Copyright. Publisher and CSI acknowledge their full responsibility for the proper use of the copyright under this Agreement, and for the copies of the Work sold pursuant to this Agreement; and covenant that neither Publisher and

CSI, nor any of their respective officers, directors, employees, trustees, representatives, agents or affiliates ("Affiliates") will make any claim against the Trustee, Trustee's representatives or any person employed by or affiliated with any of the foregoing. Publisher and CSI shall each indemnify Trustee and his agents, employees, representatives, successors, assigns and affiliates, and hold them harmless from and against all costs, liabilities, claims and actions of any kind, including attorneys' fees and court costs, which arise from or relate to any activity of Publisher or CSI under this Agreement, including, without limiting the generality of the foregoing, any and all claims and actions based upon or arising out of advertising statements and claims made by Publisher or CSI, or Publisher's and CSI's respective Affiliates, or based upon or arising out of any alleged failure by Publisher and CSI or any of their respective Affiliates to perform any of their obligations with respect to the Work. All such claims and actions shall be defended at the expense of Publisher and CSI through legal counsel acceptable to Trustee.

18. Governing Law. This Agreement shall be interpreted under the internal laws and judicial decisions of the State of California, U.S.A.

19. Binding on Successors. This Agreement shall be binding on the parties and upon their respective heirs, administrators, successors and assigns. This Agreement may not be assigned by any party without written notice sent to the other.

20. No Waiver. This Agreement constitutes the complete understanding of the parties and no waiver or modification of any provisions shall be valid unless in writing, signed by the parties. The waiver of a breach or of a default under any provision hereof shall not be deemed a waiver of any subsequent breach or default.

21. Notice. Any notice required to be sent hereunder shall be sent by first-class mail, postage prepaid, return receipt requested, to the Trustee or Publisher at the addresses given in the Preamble of this Agreement, which addresses may be changed by either of them by written notice to the other. Any such notice deposited in the mail shall be conclusively deemed delivered to and received by the addressee ten (10) days after deposit in the mail, if all of the foregoing conditions of notice shall have been satisfied.

22. Headings. The headings and captions of the various paragraphs are for convenience only, and they shall not limit, expand or otherwise affect the construction or interpretation of this Agreement.

23. Trustee's Representatives. Any rights or privileges conferred on Trustee hereunder may be exercised by one or more of Trustee's representatives as Trustee may specify in written notice(s) to Publisher. Such notice shall contain the name and address of any designated representative empowered to act on Trustee's behalf hereunder. Where the Trustee has designated a representative, Publisher shall furnish both Trustee and such

representative with a copy of each notice required to be given under this Agreement.

At present, Author Services, Inc., whose address is 7051 Hollywood Boulevard, Suite 400, Hollywood, California 90028, is the designated representative of Trustee pursuant to this paragraph.

24. Entire Agreement. This Agreement supersedes and replaces all previous agreements between the parties hereto regarding the subject matter of this Agreement and may not be amended except in writing and signed by both parties hereto.

25. Arbitration. Any controversy or dispute which arises out of or relates to this Agreement, including, without limitation, the adequacy of performance by Publisher or CSI and of any demands made by Trustee, which cannot be settled by informal means or through the aid of a third party arbitrator mutually acceptable to the parties and through procedures mutually acceptable to the parties, shall be settled through arbitration held in Los Angeles or at such other location as the Trustee may choose. If the parties are unable to settle the matter through informal means, then either party may demand arbitration by serving upon the other party a written demand for arbitration containing the name of an arbitrator to participate in the proceedings. Within ten (10) days after receipt of such notice, the party upon whom demand was served shall select an arbitrator. The two arbitrators shall select a third arbitrator. The decision in writing of the arbitrator or a majority of the arbitrators

appointed by the parties shall be final and conclusive as to all parties to the dispute. Should any party fail or refuse to appear or participate in an arbitration proceeding, the arbitrator or arbitrators so appointed may decide the dispute on the evidence presented in the arbitration proceeding by the other party or parties to this dispute. The arbitrator or arbitrators shall have the power to award to any party or parties to the dispute any sums for costs, expenses, and attorneys' fees that the arbitrator or arbitrators may deem proper. Judgment may be entered on the award in any court of competent jurisdiction. Arbitration shall not be required with respect to any matter in connection with which injunctive relief or specific performance is sought by all or any of the parties hereto.

Each arbitrator shall be a member in good standing under the Scientology Scriptures, a minister of the Religion of Scientology, a member of the Sea Org, and well versed in the Scientology Scriptures, in particular those Scientology Scriptures pertaining to Scientology ethics and justice. As used herein, Scientology Scriptures are defined as the written and recorded spoken words of L. Ron Hubbard regarding Scientology applied religious philosophy and Dianetics spiritual healing technology.

26. Severability. Each and every provision of this Agreement is severable from any and all other provisions of this Agreement. Should any provision or provisions of this Agreement be for any reason unenforceable, the balance shall nonetheless be of full force and effect.

27. Agency. No party shall be deemed to be the employee, agent, joint venturer or partner of any other party, and no party shall have the authority to act on behalf of any other party in any manner whatsoever.

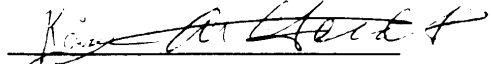
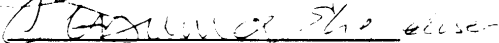
28. Facsimile Transmissions. The parties each agree to accept a signed copy of this Agreement transmitted by facsimile (telecopier) and to rely upon such transmitted copy as if it bore original signatures. If a signed copy of this Agreement is transmitted by facsimile, each party agrees to provide to each other party, within a reasonable time after transmission, the Agreement bearing the original signatures.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.


NORMAN F. STARKEY
Trustee of Author's Family
Trust-B

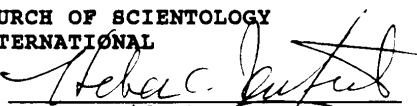

"Trustee"

NEW ERA PUBLICATIONS
INTERNATIONAL APS

By 
By 

"Publisher"

CHURCH OF SCIENTOLOGY
INTERNATIONAL

By 
Its President
By 
Its Secretary

"CSI"