

INTERNAL REVENUE SERVICE  
P. O. BOX 2508  
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

MAY 31 2002

Date:  
CRIMINON INTERNATIONAL  
C/O THOMAS C SPRING  
970 CHESTNUT ST STE 12  
SAN FRANCISCO, CA 94109-0000

Employer Identification Number:  
91-2049396  
DLN:  
17053028026002  
Contact Person:  
CHRIS BROWN ID# 31503  
Contact Telephone Number:  
(877) 819-5500  
Accounting Period Ending:  
December 31  
Foundation Status Classification:  
509(a)(1)  
Advance Ruling Period Begins:  
May 30, 2000  
Advance Ruling Period Ends:  
December 31, 2004  
Addendum Applies:  
No

Dear Applicant:

Based on information you 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).

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably expect to be a publicly supported organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

Accordingly, during an advance ruling period you will be treated as a publicly supported organization, and not as a private foundation. This advance ruling period begins and ends on the dates shown above.

Within 90 days after the end of your advance ruling period, you must send us the information needed to determine whether you have met the requirements of the applicable support test during the advance ruling period. If you establish that you have been a publicly supported organization, we will classify you as a section 509(a)(1) or 509(a)(2) organization as long as you continue to meet the requirements of the applicable support test. If you do not meet the public support requirements during the advance ruling period, we will classify you as a private foundation for future periods. Also, if we classify you as a private foundation, we will treat you as a private foundation from your beginning date for purposes of section 507(d) and 4940.

Grantors and contributors may rely on our determination that you are not a private foundation until 90 days after the end of your advance ruling period. If you send us the required information within the 90 days, grantors and contributors may continue to rely on the advance determination until we make

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CB 5/23/02

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a final determination of your foundation status.

If we publish a notice in the Internal Revenue Bulletin stating that we will no longer treat you as a publicly supported organization, grantors and contributors may not rely on this determination after the date we publish the notice. In addition, if you lose your status as a publicly supported organization, and a grantor or contributor was responsible for, or was aware of, the act or failure to act, that resulted in your loss of such status, that person may not rely on this determination from the date of the act or failure to act. Also, if a grantor or contributor learned that we had given notice that you would be removed from classification as a publicly supported organization, then that person may not rely on this determination as of the date he or she acquired such knowledge.

If you change your sources of support, your purposes, character, or method of operation, please let us know so we can consider the effect of the change on your exempt status and foundation status. If you amend your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, let us know all changes in your name or address.

As of January 1, 1984, you are liable for social security taxes under the Federal Insurance Contributions Act on amounts of \$100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the private foundation excise taxes under Chapter 42 of the Internal Revenue 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 let us know.

Donors may deduct contributions to you as provided in section 170 of the Internal Revenue Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Donors may deduct contributions to you only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not necessarily qualify as deductible contributions, depending on the circumstances. Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, gives guidelines regarding when taxpayers may deduct payments for admission to, or other participation in, fundraising activities for charity.

You are not required to file Form 990, Return of Organization Exempt From Income Tax, if your gross receipts each year are normally \$25,000 or less. If you receive a Form 990 package in the mail, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally \$25,000 or less, and sign the return. Because you will be treated as a public charity for return filing purposes during your entire advance ruling period, you should file Form 990 for each year in your advance ruling period.

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that you exceed the \$25,000 filing threshold even if your sources of support do not satisfy the public support test specified in the heading of this letter.

If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of \$20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed \$10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding \$1,000,000 in any year, the penalty is \$100 per day per return, unless there is reasonable cause for the delay. The maximum penalty for an organization with gross receipts exceeding \$1,000,000 shall not exceed \$50,000. This penalty may also be charged if a return is not complete. So, please be sure your return is complete before you file it.

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 your annual information return, Form 990 or Form 990-E2, available for public inspection for three years after the later of the due date of the return or the date the return is filed. You are also required to make available for public inspection your exemption application, any supporting documents, and your exemption letter. Copies of these documents are also required to be provided to any individual upon written or in person request without charge other than reasonable fees for copying and postage. You may fulfill this requirement by placing these documents on the Internet. Penalties may be imposed for failure to comply with these requirements. Additional information is available in Publication 557, Tax-Exempt Status for Your Organization, or you may call our toll free number shown above.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, we will assign a number to you and advise you of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

This determination 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 keep records to show that funds are spent 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), you must have evidence that the funds will remain dedicated to the required purposes and that the recipient will use the funds for those purposes.

If we said in the heading of this letter that an addendum applies,

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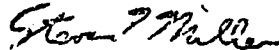
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addendum enclosed is an integral part of this letter.

Because this letter could help us resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,



Steven T. Miller  
Director, Exempt Organizations

Enclosure(s):  
Form 872-C

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1705302802600

**Under Section 501(c)(3) of the Internal Revenue Code**

OMB No. 1545-0058

Note: If 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.  
Complete the Procedural Checklist on page 8 of the instructions.

**Part I Identification of Applicant**

1a Full name of organization (as shown in organizing document) <b>Criminon International</b>		2 Employer identification number (EIN) (If none, see page 3 of the Specific Instructions.) <b>91-2049396</b>
1b c/o Name (if applicable)		3 Name and telephone number of person to be contacted if additional information is needed <b>Thomas C. Spring (415) 922-8885</b>
1c Address (number and street) <b>11712 Moorpark Street</b>	Room/Suite <b>102</b>	4 Month the annual accounting period ends <b>December</b>
1d City, town, or post office, state, and ZIP + 4. If you have a foreign address, see Specific Instructions for Part I, page 3. <b>Studio City, California 91604</b>		5 Date incorporated or formed <b>May 30, 2000</b>
1e Web site address <b>www.criminon.org</b>		6 Check here if applying under section: a <input type="checkbox"/> 501(e) b <input type="checkbox"/> 501(f) c <input type="checkbox"/> 501(k) d <input type="checkbox"/> 501(n)
7 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," attach an explanation.		
8 Is the organization required to file Form 990 (or Form 990-EZ)? <input type="checkbox"/> N/A <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach an explanation (see page 3 of the Specific Instructions).		
9 Has the organization filed Federal income tax returns or exempt organization information returns? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," state the form numbers, years filed, and Internal Revenue office where filed. <b>Form 990, 2000, Ogden, Utah</b>		

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JAN 19 02 JAN 19 02

10 Check the box for the type of organization. ATTACH A CONFORMED COPY OF THE CORRESPONDING ORGANIZING DOCUMENTS TO THE APPLICATION BEFORE MAILING. (See Specific Instructions for Part I, page 3.) See also Pub. 557 for examples of organizational documents.

a  Corporation — Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also include a copy of the bylaws.

b  Trust — Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates.

c  Association — Attach a copy of the 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 the bylaws.

If the organization is 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 *Shelley L Beckmann* (Signature) **Shelley L Beckmann** (Type or print name and title of authority of signer) **Treasurer** **11 Jan 2002** (Date)

**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 the organizational document. List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

See page 2A

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

Gifts, grants and contributions  
Royalty income

- 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.

See page 2M

**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.

**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.

**c** 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 Specific Instructions for Part II, Line 4d, on page 3.)  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 3B

**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 a 501(c)(3) organization): (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 page 3D

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Part II, Question 4(a) and (b). Governing Body.

<u>Name and Title</u>	<u>Address</u>	<u>Compensation</u>
Laurie Zurn Trustee	7065 Hollywood Blvd. Los Angeles, CA 90028	None
Phil Hart Trustee	7060 Hollywood Blvd., Ste 220 Los Angeles, CA 90028	None
Joni Ginsberg Trustee	7060 Hollywood Blvd., Ste 306 Los Angeles, CA 90028	None
Frank Zurn Director	7065 Hollywood Blvd. Los Angeles, CA 90028	None
Tammy Terrenzi Director	8964 Chatsworth Drive Houston, Texas 77024	None (as Director)*
Joan Lonstein Director	4825 Gaynor Ave. Encino, CA 91436	None
Tammy Terrenzi President Executive Director	8964 Chatsworth Drive Houston, Texas 77024	\$40,000*
Joan Lonstein Secretary	4825 Gaynor Ave. Encino, CA 91436	None
Shelley Beckmann Treasurer	637 Chaparral Court Altadena, CA 91001	\$4,800 (as Treasurer)*

\* / Tammy Terrenzi works full time for the corporation as Executive Director at an annual salary of \$40,000. Shelley Beckmann worked for the corporation as a research consultant in 2000/2001 and received an additional \$9,600 in compensation for her services.



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Part II, Question 5. Relationships with other organizations.

As discussed in the response to Question 1, Part I, Criminon International is the outgrowth of a project of Narconon International, a charitable organization that conducts an anti-drug education and rehabilitation project based on principles and techniques developed by L. Ron Hubbard. (Narconon International has been recognized by the Internal Revenue Service as exempt under section 501(c)(3) of the Code.) The Criminon project had been the component in Narconon International's program that addressed various of the social problems inherent in individuals incarcerated in prisons who were going through Narconon's drug detoxification and education program. Narconon transferred this project to Criminon International when Criminon International was incorporated in mid-2000. This transfer included all the books and materials utilized in the program along with critical staff, miscellaneous office equipment and \$85,000 in contributions. There is no formal connection between Narconon International and Criminon International except that one of Narconon International's Trustees serves as one of Criminon International's Trustees.

Criminon International also has a special relationship with two other charitable organizations that utilize the work of Mr. Hubbard to better society in their particular fields of endeavor. One is The Way to Happiness International, a recognized section 501(c)(3) organization that works to raise the ethical standards of society by promoting the moral precepts in The Way To Happiness, the booklet on which Criminon International's The Way To Happiness course is based. One of Criminon's Trustees also serves as a Director and-President of The Way To Happiness International. Criminon International refers to The Way To Happiness booklets on its website and gives the telephone number of The Way To Happiness International for readers who are interested in obtaining a copy.

The other charitable organization with which Criminon International has a special relationship is Association for Better Living and Education International ("ABLE International"), a recognized section 501(c)(3) organization that supports other charitable organizations such as Narconon International and The Way To Happiness International that utilize Mr. Hubbard's work to better society in the fields of drug rehabilitation, education, criminal rehabilitation and public morality. ABLE International is the owner of the Criminon name and symbol and has licensed them to Criminon International for

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Part II, Question 5. Relationships with other organizations (cont'd).

Criminon International to use in its own program and to license to other Criminon groups. A copy of the license is attached as Exhibit D. One of ABLE International's Directors also serves as one of Criminon International's Trustees, and an ABLE International staff member currently serves as one of Criminon International's Directors.

ABLE International provides Criminon International with extensive programmatic services pursuant to its license agreement. ABLE International regularly consults with Criminon International concerning its activities and the programs Criminon International carries out, particularly with respect to its long-term plans and planned capital acquisitions.

Thus, ABLE International is assisting Criminon International in searching for new facilities for its international office (it is anticipated that ABLE International will acquire the facilities with its own funds and then rent them to Criminon International at a reasonable and affordable rental rate), in developing an organizational and management structure, in training staff personnel, in developing the Criminon program and course materials, in fundraising (such as by identifying foundations that are potential donors and then preparing appropriate grant requests), and by promoting the Criminon program in general and Criminon International in particular.

Criminon International keeps ABLE International apprised of its current activities and its plans for future activities by providing ABLE International with weekly and other periodic reports.

In exchange for the right to use the Criminon name and symbol and for much of the technical assistance and support ABLE International provides, Criminon International provides ABLE International with a royalty fee of 10.5 percent of the funding it receives, and 30.5 percent of the royalties it receives pursuant to its sublicenses with the affiliated Criminon groups. In the future Criminon International may compensate ABLE International for technical services it provides that are not covered by their license arrangement.

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Part II, Question 7. Financial Accountability.

As discussed in the response to Part I, Question 5, Criminon International makes royalty payments to ABLE International in accordance with its license agreement for the Criminon name and symbol. As required by paragraph 4 of the agreement (Exhibit D), Criminon International makes weekly payments and, along with the payment, provides ABLE International with a simple statement setting forth the basis of the payment. Subsequently, each calendar quarter, Criminon provides ABLE International with a more detailed statement setting forth the actual computations for determining royalties due under the agreement for the quarter.

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**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."

See page 4A

- 9 Will the organization be the beneficiary of tax-exempt bond financing within the next 2 years?  Yes  No

- 10a 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.

See page 4A

- 11 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.

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

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

- 12a 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 the current fee schedule.

See page 4A

- 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.

- 13 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 that it devotes or plans to devote to this activity.

- 14 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.

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Part II, Question 8. Exempt-function assets.

Criminon International utilizes regular office furniture and equipment (desks, chairs, telephones, etc.) in carrying out its exempt function. It also uses the course books and related materials discussed in detail in the response to Part II, Question 1, which are an essential part of its program. Criminon also utilizes the name Criminon and the Criminon symbol, which are properties licensed to it by ABLE International as described in the response to Part II, Question 5.

Part II, Question 9(b). Leases.

Criminon International is a party to two leases. One covers its international headquarters in Studio City. The other covers its facilities in Los Angeles where it conducts its activities under the name "Criminon West U.S." The Studio City premises originally had been leased to Narconon International, which is where it conducted the Criminon program from which Criminon International developed. (See the response to Part II, Question 5.) Criminon International took over this lease at the same time it took over the Criminon program Narconon International had been conducting. Copies of the leases for the two premises are attached as Exhibits F and G. Criminon International is not related to either lessor.

Part II, Question 12(a). Determination of charges.

Inmates are not required to pay for the courses Criminon International provides. Gifts and contributions fund the overwhelming majority of the courses Criminon's students take. However, there are certain limited circumstances in which a student will be required to pay a fee in order to take a course.

In some instances an individual may want to take a Criminon course after release from prison. There also may be instances when the Criminon course is offered as a component of probation. In both cases either full or partial payment will be required before the student can take the course. The exact rate to be charged will depend on the ability of the individual student to pay. The full rates, given below, are based on the costs

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Part II, Question 12(a). Determination of charges (cont'd).

of delivering the courses (postage, copying, etc.), replacement and overhead.

The courses and their prices are:

The Way To Happiness Course	\$200
Learning Improvement Course	\$100
Overcoming the Effects of Drugs Course	\$ 50
Personal Integrity Course	\$ 50
Handling Suppression Course	\$ 50
Communication Tools Course	\$ 50
Improving Conditions in Life Course	\$ 50
Parenting Skills Course	\$ 50

**Part III** Technical Requirements

- 1 Are you filing Form 1023 within 15 months from the end of the month in which your organization was created or formed?  Yes  No

If you answer "Yes," do not answer questions on lines 2 through 6 below.

- 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 of local units of a church, a convention or association of churches, or an integrated auxiliary of a church. See Specific Instructions, Line 2a, on page 4;
- 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 the organization does not meet any of the exceptions on line 2 above, are you filing Form 1023 within 27 months from the end of the month in which the organization was created or formed?  Yes  No

If "Yes," your organization qualifies under Regulation section 301.9100-2, for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 4 through 6.

If "No," answer question 4.

- 4 If you answer "No" to question 3, does the organization wish to request an extension of time to apply under the "reasonable action and good faith" and the "no prejudice to the interest of the government" requirements of Regulations section 301.9100-3?  Yes  No

If "Yes," give the reasons for not filing this application within the 27-month period described in question 3. See Specific Instructions, Part III, Line 4, before completing this item. Do not answer questions 5 and 6.

If "No," answer questions 5 and 6.

- 5 If you answer "No" to question 4, your organization's qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed. Therefore, do you want us to consider the 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 the organization was created or formed?  Yes  No

- 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 the organization was formed and ending with the date the Form 1023 application was received (the effective date of the organization's section 501(c)(3) status), check here  and attach a completed page 1 of Form 1024 to this application.