

QUESTION 3-a

We have sought to identify individuals within the Church hierarchy with fiduciary responsibility to prevent asset diversions and who would be most likely to benefit if, in fact, inurement exists. Therefore, we are asking certain follow-up questions, particularly about certain individuals' compensation. For ease of reference, we have designated these compensation questions as Question 3A.

a. We have several follow-up questions which will allow us to better understand the Sea Organization's ("Sea Org's") role in the ecclesiastical management of the Church.

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As explained at our conference on October 26, 1992, the Service has a misconception of the Sea Organization. We have previously described the Sea Org as a religious commitment and as a religious order and those explanations have apparently not fully communicated the concept since you are asking further questions. The WORLD BOOK ENCYCLOPEDIA defines a religious order as: "groups of men or women who live by common religious, moral, and social regulation." As covered in earlier submissions and presentations and as further covered below, the Sea Org certainly fits that definition.

In fact the Sea Org is probably more purely a religious order than any of the other well known orders. That is because most of the Catholic and Eastern religious orders are formally incorporated or organized by articles of association. Although they operate similarly in that their members go about the world carrying out their religious missions in the employ of other Churches, other religious orders generally have property, assets, and considerable personnel whose full-time job has to do with administration of the order. The Sea Org has none of this.

You may also have trouble applying this comparative for another reason. Religious orders are sometimes stigmatized and thought of as retreats where reclusive monks avoid contact with the secular world and spend their time in quiet meditation. Sea Organization members are associated with action. This of course does not make the Sea Organization any less a religious order. One of the more famous religious orders, the Jesuits, had a similar reputation for action in earlier years prior to the Catholic Church's general decline in membership and vitality.

Perhaps it is the word "organization" in Sea Organization that creates difficulty in communicating what the Sea Org is. The word

"org" may connote to you a formal ecclesiastical Scientology organization with a 7 division organizing board withan executive structure and command lines. As we have shown you, even though called the Sea Org, it does not have an ecclesiastical organizing board or command channels chart or secular existence such as an incorporated or unincorporated association. In order to understand how the word "organization" or "org" originated in the term "Sea Org," and to understand the Sea Org at all, it is necessary to know something of its history.

In 1967, having retired from his position as Executive Director, Mr. Hubbard set to sea with a handful of dedicated Scientologists to conduct his researches. This group was called the "Sea Project". One research project was to test Mr. Hubbard's whole track recall by locating ancient ruins with which he was familiar from former lifetimes around the Mediterranean. This successful project was chronicled in a book, MISSION INTO TIME. Another project around that time was to establish a safe base where the newly researched and evolving upper bands of spiritual awareness, the OT (Operating Thetan) levels, could be delivered, and where Mr. Hubbard could research higher OT levels.

The term "Sea Project" was a temporary name given to the above activities and it became apparent that it was a misnomer because it was in fact an ongoing activity rather than a finite project. Another name was needed to identify this original group and they adopted the name "Sea Organization." At that same time the crew got together and wrote a staff contract for this new organization. Instead of using the 5-year contracts that were common to Scientology organizations around the world, they adopted one which is not a contract in any legal sense but is rather a religious pledge or commitment and set a term of one billion years. This term reflected both their dedication to the religion of Scientology and their awareness of themselves as immortal spiritual beings who have lived countless lives and who will live again and again.

At inception, the Sea Org was in fact an ecclesiastical organization. The Sea Org was the crew of the original two ships, the Diana and the Avon River - it had an organizing board and was housed in a corporation. It was an "entity" in the same sense that CMO INT today is an ecclesiastical organization, has an organizing board and is housed in CSI.

However, the Sea Org rapidly grew and soon was no longer a single ecclesiastical organization and evolved into a religious order. Within a short time of its inception, Sea Org members, who had each signed the billion year contract, were not only manning the original ships but several other ships, including the much larger Flagship Apollo and land bases as well, such

as the advanced organizations in Los Angeles and Denmark. By now the Sea Org not only spanned different ships and locations, but different corporations as well. Each ecclesiastical organization had its own organizing board and command structure.

The Executive Council Worldwide ("ECWW") in East Grinstead, England, to whom Mr. Hubbard had entrusted the management of the Church upon his retirement, failed in its duties and the Church experienced a decline in the late 60's. After several unsuccessful attempts to rectify this matter, ECWW was disbanded in 1971 and the management of the Church was fully taken over by the newly formed ecclesiastical management organization, Flag Bureaux, comprised of Sea Org members aboard the Flagship Apollo.

Also in the late 60's, with Mr. Hubbard conducting researches and no longer teaching courses in church organizations, the technology of Dianetics and Scientology experienced a decline. Left in other hands, vital scriptural materials were deleted from course checksheets or improperly labelled "background information" or "for historical interest only" and the effectiveness of auditing was diminished. In this same period the delivery of OT levels was kept pure and unaltered because they were only ministered by dedicated Sea Org members. For this reason, only Sea Org members are entrusted with the delivery of OT levels as well as with management of the Church as above.

The main thing that sets Sea Org members apart from other Scientology staff is the eternal commitment to the religion.

Although there is no such "organization" as the Sea Organization, the term Sea Org has a colloquial usage which implies that there is. There are general recruitment posters and literature for "The Sea Org" which implies that people will be employed by the Sea Org when in reality they will join, making the billion year commitment, at some church that is staffed by Sea Org members and become employees of that church corporation.

But the above is just a colloquial usage of the term "Sea Org" and does not alter the fact that the Sea Org is in fact a religious order, albeit different from those of other religions.

In the final analysis, one can look at all the indicia of the Sea Org and Sea Org members and say it is a this, or it isn't a that, but the essential difference is the billion year

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or essentially eternal commitment to the religion of Scientology and its goals and purposes. To fully understand the gravity of that pledge, one would have to have certainty of oneself as an immortal spiritual being who has inhabited countless bodies and will inhabit countless more - as did those first Sea Org members who wrote the Sea Org Contract and most who joined later. It is a deeply personal and intensely religious decision for a trained and audited Scientologist, who has a subjective and objective reality of himself as an immortal spirit, to commit himself to the Sea Org and its transcendent goals and purposes. One cannot really view the Sea Org in a temporal plane and gain any insight into its essence or dynamics. The Sea Org exists as a spiritual commitment that is factually beyond the full understanding of the Service or any other but a trained and audited Scientologist.

(i) Please describe the Sea Org's system of rank including a complete explanation of the promotional board system, and how (and by whom) one is appointed or removed from the board. Please list the 10 highest ranking individuals in the Sea Org, as of the date of this letter. Please include all relevant documents relating to the Sea Org's system of rank, organization and structure.

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Among the traditions of the Sea Org which were originally formed aboard ship and which are carried on to this day are the wearing of maritime uniforms and a maritime system of ratings and ranks.

There are two systems of rank and rating in the Sea Organization -- earned rank or rating and brevet rank. Earned rank or rating is awarded by Officer Selection Boards as covered below and brevet rank accompanies certain high ecclesiastical positions within church organizations and the person who holds that position automatically holds the brevet rank that goes with it. Both systems reflect a maritime tradition in terms of nomenclature and sequence. The Sea Organization's system of earned ratings range from Swamper, to Petty Officer 3rd Class, to Petty Officer 2nd Class, to Petty Officer 1st Class, to Chief Petty Officer. Its system of ranks (which are senior to ratings) range from Midshipman, to Warrant Officer, to Ensign, to Lieutenant Junior Grade, to Lieutenant, to Lieutenant Commander, to Commander, to Captain. Mr. Hubbard was the only Commodore and there will never be another as this rank is his alone.

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Ranks and Ratings vary in one other respect - whether or not the person is trained and qualified to command a ship at sea. If so qualified, then his rating or rank will be modified as "right arm" and will have a slightly different insignia with a star included along with regular chevrons or bars and his rank or rating will have "RA" after it - standing for right arm. This is to acknowledge individual accomplishments in seamanship and is only applicable aboard ship where it is of course necessary to have a qualified seaman commanding a ship.

Brevet ranks are assigned to certain positions within the Church and have the purpose of equating rank and ecclesiastical authority. One holds a brevet rank so long as one holds the position to which the brevet rank applies.

The highest ranking officers in the Sea Organization are as follows:

<u>NAME</u>	<u>RANK</u>	<u>EARNED RANK</u>
David Miscavige	Captain	Captain
Marc Yager	Captain (Brevet)	Lt. Commander
Ray Mithoff	Captain (Brevet)	Lt. Commander
Mark Rathbun	Captain (Brevet)	Ensign
Mark Ingber	Captain (Brevet)	Ensign
Guillaum Leserve	Captain (Brevet)	Lt. Commander
Tom Ashworth	Commander (Brevet)	Petty Officer 1st Class Ken
Delderfield	Commander (Brevet)	Ensign
John Eastment	Commander (Brevet)	Lieutenant
Cherie Eves	Commander (Brevet)	Warrant Officer
Greg Hughes	Commander (Brevet)	Midshipman
Diana Hubbard	Commander (Brevet)	Midshipman
Katherine Lemmer	Commander (Brevet)	Petty Officer 3rd Class
William Lindstein	Commander (Brevet)	Warrant Officer
Pablo Lobato	Commander (Brevet)	Chief Petty Officer
Myles Mellor	Commander (Brevet)	Chief Petty Officer
Ron Miscavige	Commander (Brevet)	Midshipman
Amy Mortland	Commander (Brevet)	Midshipman
Sherry Murphy	Commander (Brevet)	Petty Officer 3rd Class
Ellen Prager	Commander (Brevet)	Chief Petty Officer
Cathy Rinder	Commander (Brevet)	Warrant Officer
Mike Rinder	Commander (Brevet)	Ensign
Norman Starkey	Commander RA	Commander RA
Barbara Tompkins	Commander (Brevet)	Ensign
Jens Urhskov	Commander (Brevet)	Warrant Officer
Kurt Weiland	Commander (Brevet)	Midshipman
Barbara Widmore	Commander (Brevet)	Petty Officer 3rd Class

While rank is an honor and is accorded prestige and respect within the Sea Organization, it is separate and distinct from the level of authority one has in the Church hierarchy. Relationships wherein a person of lower earned rank is in a senior capacity to one holding a higher earned rank are not uncommon in the Church hierarchy. For example, a member of the Sea Organization might work at the Advanced Organization in Denmark for a number of years and attain a very high rank and position. He might thereafter transfer to a more senior Church organization, such as the FSO, and hold a junior position there. He would retain the rank that he earned in Denmark and his senior at the FSO might hold a lower earned rank. His rank does not entitle him to a senior position in the ecclesiastical hierarchy. However, the fact that one has served in the Sea Org for a long time and has earned rank will result in deference and respect - no matter one's position in an organization.

Brevet ranks are designed in part to resolve the inconsistency between ecclesiastical position/authority and rank - at least for the uppermost positions in a Church organization.

Earned ranks and ratings are awarded to Sea Org members by Officer Selection Boards ("OSB"). OSBs are usually made up of senior officers in a location where there are one or more churches or organizations of Scientology which are staffed by Sea Org members. These officers have their own posts; the OSB is extra-curricular to their normal duties. They meet every few months to consider applications for promotion that have accumulated since their last meeting. The composition of a particular OSB may vary somewhat depending on who is available to fulfill this function at any given time.

Enclosed at exhibits III-3-A, III-3-B and III-3-C are the key issues that explain the OSB and promotion system and specify the composition of the OSBs at various locations. As can be seen from these issues, the composition of various OSBs is determined by whoever is holding certain posts at any given time. For example, if one is the Commanding Officer of a CLO, he is an ex-officio member of that Continental OSB; if one is the Qualifications Secretary of the International Training Org, one is an ex-officio member of the Flag OSB; if one is the Sea Org Image Officer in CMO INT, one is an ex-officio member of the INT OSB and so forth.

Typically, a member of the Sea Organization who feels deserving of promotion by reason of performance, advancement within the religion through training and auditing, and longevity, applies for such to his local continental OSB. These applications are also originated by church executives on behalf

of deserving juniors. Applications are then approved or rejected by the local OSB.

If an application is approved by the local OSB at a continental Sea Org location, it is forwarded to Flag in Los Angeles where it is considered by the Flag OSB. The Flag OSB also acts as the local OSB for any promotion applications within this middle management echelon.

Any approved promotion applications from the Flag OSB, for both continental areas and for Flag middle management level promotions, are then forwarded to the Int OSB at CMO INT for approval. The Int OSB also acts as the local OSB for international management. All decisions by the INT OSB are final and approved applications are sent back to the Flag OSB or the local OSB for the promotion to be effected.

RTC maintains its own OSB for its own staff. It is composed of the members of the RTC Executive Council.

Promotions are awarded at local quarterly Ranks and Ratings Ceremonies. At a Ranks and Ratings Ceremony promotions and other honors are awarded. This includes insignia in the form of ribbons which signify a Sea Org member's participation in some historic accomplishment. It also includes the awarding of ornamental throwing knives and naval dirks for extraordinary accomplishment. These are a sea tradition and are worn only with full dress uniforms thereafter, typically at similar such ceremonies.

One of the quarterly Ranks and Ratings Ceremonies falls on or close to August 12th, the anniversary date of the Sea Organization, and which is celebrated by its members as a religious holiday. On this occasion all of the Sea Org members in an area, regardless of which church corporation they are in, gather together for the ceremony and then spend the rest of the day engaging in sports and festivities.

The above explanation and accompanying issues concerning the ratings and ranks system and the OSB system of promotion provide a complete overview of whatever "structure" or "organization" might exist for the Sea Org itself. However, none of the above has any relationship whatsoever to the actual management of the Church. For that one has to look to the ecclesiastical hierarchy and the parallel corporate structure as described in several places in these submissions.

The only other thing that could be mentioned regarding the "structure" or "organization" of the Sea Org is that there are officers' and petty officers' councils at various church

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organizations which are staffed with Sea Org members. These councils concern themselves only with such things as Sea Org image, discipline, etiquette, events and so forth. They have nothing to do with the running of any church organization and, like the OSBs described above, are strictly extra-curricular activities for the staff members involved.

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(ii) Are there any "operating arms" of the Sea Org? By "operating arms" we mean organizations that carry out the actual operations of the Sea Org in a manner similar to the manner in which IAS Administration, Aps, and Theta Management carry on the operations of IAS. Does the Sea Org own any assets, either directly, through nominees or otherwise (e.g., the reference to the "Sea Org Building" in your prior response?

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As described in our prior response and as further discussed below, the Sea Organization is a religious order.

The Sea Organization is not incorporated, nor is it an unincorporated association, nor does it have a formal or informal ecclesiastical or other management structure. It does not maintain any books or records. The Sea Organization also has no income, disbursements, assets or liabilities. Since the Sea Organization has no assets or other property and has no secular identity, it does not have any need to "operate" as an entity. It therefore has no operating arms.

In addition, as we informed you during our October 26, 1992 conference, there is no "Sea Org Building" nor has there ever been a "Sea Org Building". The reference you cited:

"Scores of GO staff responded, locking CMO INT Missionaires out of their premises and were intending to hire armed guards to bar access to the Sea Org.",

is correctly interpreted as,

"Scores of GO staff responded, locking CMO INT Missionaires out of their premises and were intending to hire armed guards to bar access to Sea Org members."

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QUESTION 3-b

b. The Service seeks to understand the method by which the Church hierarchy ensures that funds are not diverted to private interests in the lower level organizations. Towards this end, please assume that an FBO at a Class V Church embezzled funds. Please describe who would be likely to detect such embezzlement, by what means, and the likely subsequent course of events upon discovery of such embezzlement.

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The primary means of detection of whether the FBO of a Class V Church embezzles funds are at the level of the local Church. As a result of several very significant controls, Scientology administrative policy applies both with respect to the FBO's authority in particular and as to the receipt and disbursement of church funds in general, it is impossible for the FBO to embezzle funds without detection.

As an initial matter, the extent of an FBO's authority is significantly limited as to bank accounts, possible bank account balances, and the kinds of disbursements he or she may make. The FBO is primarily responsible and has custody of checks for only three bank accounts -- the Finance Office Number 1 Account, the Finance Office Number 2 Account, and the Finance Office Number 3 Account. Other church staff working in the church's Treasury Division, generally its Treasury Secretary, are responsible for and have custody of checks for all other of the church's bank accounts.

Each of the three accounts over which the FBO has primary responsibility serves the very limited function of a temporary depository for funds. One of the accounts never has more than a week's worth of receipts for the church and a minimum float; the other two accounts generally have zero or nominal balances.

For example, the Finance Office Number 1 Account is a temporary depository for the church's receipts for the week until its financial plan for the upcoming week is approved by the Advisory and Executive Councils. At that time, the FBO transfers funds in the account pursuant to approved allocations for the week. These transfers will be either to other churches, primarily CSI, or to other accounts the church maintains for specific purposes such as paying third-party vendors. All receipts for the week must be transferred from this account at the end of each week; at that time the only balance remaining in the account would be a limited "float" prescribed by Scientology administrative policy to guard against possible bounced checks from previous receipts.

The Finance Office Number 2 Account serves the even more limited purpose of holding funds for paying local expenses

incurred by a senior management church in managing the local church. This account ordinarily has a zero or nominal balance unless a management church (generally CSI) happens to have a mission at the local church. Disbursements from this account must be approved by the Treasury Bureau of the Flag Bureaux of CSI.

Scientology administrative policy requires that the Finance Office Number 3 Account be used only in the unusual event the local church receives a large donation or other payment that might have to be returned to the donor, such as a donation designated for training the staff of a church organization that has yet to be formed. Every disbursement from this account must be approved by the church's Executive and Advisory Councils in a weekly financial plan. This account in all likelihood will have a zero or nominal balance.

The FBO does not have unfettered control over these three accounts, and no one has exclusive signatory authority over them. Rather, as required by Scientology administrative policy, all checks drawn on the three FBO accounts must be jointly signed by the FBO and another senior staff member of the church, who is a participant in the Executive Council. The Executive Council approves the church's financial plan and therefore each co-signatory is familiar with every approved disbursement for the week.

It would be impossible for the FBO to embezzle the church's receipts to be deposited in the Finance Office accounts without immediate detection for the simple reason that the organization's Treasury Division collects and invoices all receipts before providing them to the FBO to deposit. In this process the Treasury Division totals all receipts and verifies that they equal the total balance of the invoices. Any embezzlement of funds prior to deposit would be immediately detected when the FBO prepares the FBO Allocation form for the week (see the sample form submitted in response to Question 4a) since copies of deposit slips for deposits to all three Finance Office accounts must be attached to the form and totals stated on the form itself, which is reviewed by the church's Treasury Secretary, Executive and Advisory Councils. Any discrepancy between receipts as recorded on the invoices by the Treasury Division and actual deposits as reflected by the deposit slips would be immediately detected and prompt an immediate investigation.

The only exception to this invoicing procedure relates to the collection of bounced checks, which is the FBO's responsibility. (The FBO is responsible for invoicing each bounced check that it collected and providing the invoices to the Treasury Division.)

However, any embezzlement of a bounced check would be detected when the parishioner in question asks to receive services at the church. Since the FBO would not have given Treasury an invoice, there would be no record that the parishioner is entitled to receive services.

The FBO also could not embezzle funds once they have been deposited without immediate detection. As noted above, the FBO never has exclusive signatory authority with respect to a bank account; he only has joint signatory authority. The other signatories on the FBO bank accounts are executives who share responsibility for monitoring administration of the church's weekly financial plan. Thus, the co-signatory always is very familiar with the church's authorized expenditures for the week and will be familiar with every disbursement to be made from the Finance Office accounts. When presenting a check for signature, the FBO is required by policy to provide the following information: (a) the total debts and bills owed by the church (b) the total cash in the bank; (c) total checks being signed from that account; (d) a tape giving the total of the checks presented for signature; and (e) an authorized purchase order for each expenditure other than a transfer to another local church bank account. The executive therefore can immediately verify that the check is drawn for an approved purpose and that funds exist in the bank to cover it.

Moreover, since the FBO accounts are not normally used for paying third party bills, the vast bulk of check payees would be to another bank account and not to individuals or outside vendors. The likelihood of there being a fictitious payee and this not being detected by a co-signatory executive is very unlikely.

The FBO also cannot embezzle funds from other church bank accounts not under his or her primary authority since other church staff located in the Treasury Division have authority over and custody of all checks for those accounts. They are responsible for preparing checks only for disbursements approved in the church's weekly financial plan. If the FBO attempted to draw money from other org bank accounts, he would have to manufacture fictitious reasons to pay out money, create phoney bills and then persuade another signatory to sign the check. However, any such attempt would be detected by the second signatory who would be aware of approved disbursements.

Any embezzlement would be detected through the normal reporting and auditing processes required by Scientology ecclesiastical policy. It could be detected in this way either locally or at any of the management echelons which receive copies of the reports.

For example, the FBO is required to prepare weekly financial reports, such as the FBO Allocation form and Financial Planning Executive Directive, for review by the Treasury Secretary and by the appropriate Continental and Flag Finance Offices. Failure to submit these reports would result in an investigation.

The reports include copies of bank statements against which check payments and income deposits are cross-checked; copies of accounts which are cross-checked against the Church's reported income and receipts for the corresponding week; details of disbursements made which are checked for regularity and consistency with the FBO's reported allocations to other bank accounts; the week's FBO Weekly Allocation form and the organization's Financial Planning Executive Directive for the week; all of which are cross-checked to each other and to the FBO's deposits and disbursements.

Inconsistencies in any of these reports would normally be detected by the Treasury Secretary and would result in alerts or written reports to other executives of the church and to the FBO's seniors at Continental and Flag Finance Offices, and to the International Finance Ethics Officer. Such reports would be investigated and followed up as covered in more detail below.

Every month an audit of all of the church's financial transactions is conducted by its Audits Officer, who is part of the Treasury Department. A monthly audit is described in detail in Question 4b of our prior response.

During the course of this audit, all of the original records for all of the org's bank accounts, including FBO accounts, are independently examined, verified and reconciled to the corresponding bank statements. This includes every invoice and disbursement voucher issued during the period under audit. Any missing income (not deposited) or falsified check payments would be detected and alerted upon by the Audit Officer to the executives of the church and confirmed by review of the audit by the Director of Special Affairs. Any inconsistencies which could indicate embezzlement would be immediately followed up and investigated.

When an inconsistency is noticed, an investigation would be commenced at the origination of the local church or by the Continental, Flag or International Finance Office. If the investigation showed the probability of embezzlement by the FBO, he would be suspended from post. If this was proven out and he was found guilty of such by an ecclesiastical justice proceeding he would be removed from post. Suspension from post

would deny him access to the checkbooks and other means by which he could control church financial transactions. Removal would result in his removal as a signatory and remove him completely from any involvement with Church finances.

The penalty imposed on the individual would depend on various factors including the magnitude of the offense, his willingness to rectify the situation and his demonstrated worth to the group. The penalty would certainly include restitution and may also include criminal prosecution, dismissal from staff and expulsion from the Church.

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QUESTION 3 c.

c. Who has the authority to select or remove members of the following committees or organisations: (i) WDC; (ii) International Management FBO; (iii) International Management Executive Committee; (iv) Flag Network Coordination Committee; (v) Commodore's Messenger Organisation; and (vi) Central Reserves Committee?

SELECTION

Selection of personnel in a Scientology church is the responsibility of both the Hubbard Communications Office ("HCO" - Division 1 in a Scientology organization which deals with personnel matters) and the executives over the area concerned. The normal procedure, when a vacancy exists, is for the HCO of the organization to review the qualifications of prospective candidates and make a proposal for the one best qualified to hold the position. The appropriate executive decides based on the information presented whether to accept or reject the proposal.

An executive over any area in an organization may request HCO to find a qualified person to fill a post. HCO then sets about locating such a person. The executive over the area may also suggest a candidate to HCO. HCO would then verify that the person met the necessary qualifications. In either event, once HCO determines someone is qualified for the post in question, they compile the individual's personnel information so that it can be fully reviewed and approved.

(i) WDC

The determination that a WDC member needs to be replaced or a vacancy be filled is made by the WDC Chairman. He directs HCO CMO INT to find a qualified candidate for the post. He may also give suggested names to look into as candidates. HCO would then locate the person most qualified for the position. They would prepare a personnel proposal for the candidate - listing all of his or her qualifications in terms of attainments in Scientology training and auditing, previous positions successfully held and so forth.

The proposal is then reviewed by the WDC Chairman and, based on the information contained in the proposal, the posting is either approved or disapproved by him.

(ii) International Management FBO:
(v) Commodore's Messenger Organisation:
and (vi) Central Reserves Committee?

The direction to fill vacancies in executive positions

within Commodore's Messenger Organization International ("CMO INT"), including the International Management FBO, and those remaining positions within CMO INT which serve on the Reserves Committee are originated by the Commanding Officer CMO INT, as the senior officer of the organization, or by HCO.

HCO CMO INT would then locate a staff member who qualifies for the position that needs to be filled. As described above, a personnel proposal is compiled by HCO CMO INT giving all of the information as to qualifications and it is approved or disapproved by the CO CMO INT.

A proposal to fill a non-executive position within CMO INT would follow the same path as above except that the suggestion for filling a position would come from the executive over the area which has the vacancy. For example, if CMO INT workload was such that it required a full time Folder Review In Charge in the Senior C/S Office, the Senior C/S Int (located in CMO INT) would alert HCO to the need. After verifying the need was valid, HCO would go about finding a qualified candidate, or verifying the availability and qualifications of anyone the Senior C/S Int may have suggested as a candidate. Once the most qualified available person was found a personnel proposal, as described above, would be compiled. The proposal would be ok'd by the Senior C/S Int, his direct senior, the Chief Officer, and the CO CMO INT for final approval.

(iii) International Management Executive Council

The direction for the locating and posting of personnel for the International Management Executive Committee ("IMEC") originate from the Executive Director International, as the senior officer of IMEC.

The direction is given to Deputy Executive Director for Establishment, the person holding the HCO functions for IMEC. She then locates the most qualified person available for the post. She does a personnel proposal similar to those described above. If the proposal is then approved by Executive Director International, it is forwarded to the WDC Chairman, the administrative senior of Executive Director International, for final approval.

(iv) Flag Network Coordination Committee

The Flag Network Coordination Committee ("FNCC") is

comprised of the different heads of management organizations and networks.

Suggestions to fill vacancies at this level come from an international management executive over that area. For example, the WDC member for Scientology Missions International ("SMI") would suggest a candidate to fill a vacancy for the position of Commanding Officer SMI.

The HCO of the organization concerned would then prepare a personnel proposal. If a candidate were not suggested, HCO would locate a qualified personnel.

The completed proposal would then be reviewed and approved or rejected by the WDC Member concerned with that area and the WDC Chairman.

An approved personnel proposal for any of the above described positions is finally forwarded to AVC INT in RTC. AVC cross checks the proposal against an exact set of requirements set forth in policy to verify the posting comports with Church policy. These would include exact ecclesiastical requirements, auditor training, auditing such as rundowns completed, as set forth in policy as for given positions.

REMOVAL

There are three ways by which a person holding such a position may be removed. The first of these is through the individual's own decision. In this instance, the staff member recognizes that he or she is failing at the position and voluntarily relinquishes the post.

The second means is through a Scientology justice proceeding known as a Committee of Evidence. A Committee of Evidence, consisting of four or five staff of comparable position, would review the person's performance and recommend whether or not he should be removed from post. A Committee of Evidence reviewing ones qualifications for remaining on post would be convened by HCO at the request of an executive over the area in question. For example, the Int Finance Director might request a Committee of Evidence be convened on the International Management FBO if the latter was repeatedly committing errors of some magnitude on post. Removal of a WDC member would require the ultimate approval of WDC Chairman. Removal of the International Management FBO, Central Reserves Committee member or other staff member in the Commodores Messenger Organization would require the approval of the CO CMO International. Removal of an International Management Executive Committee member would require the approval of the ED INT and the WDC Chairman.

Committees of Evidence are subject to review at the individual's request.

The third means by which one of the above individuals may be suspended is by order of a senior executive such as the WDC Chairman in the case of a WDC member or by Executive Director International in the case of an IMEC member. In this instance a Committee of Evidence would be convened to determine the actual truth of the matter and whether post removal is warranted.

In any event, if a person is failing on a post the idea is to replace him or her with someone who will succeed and to repost the removed person in some lower position that is within his or her capabilities and where success is assured.

RTC may become involved in either personnel selection or removal actions when its staff discover a serious violation of the ethics codes or gross misapplication of Scientology technology. If someone posted in CMO INT was found by an RTC executive to be sending out false interpretations and instructions on auditing technology application, a high crime per Scientology justice codes, that RTC executive would likely investigate the offender's entire post performance and review his qualifications for the post he is on. The investigation results might prompt directions to CMO INT HCO to handle the matter in accordance with justice policy, including possibly directing that a Committee of Evidence be convened to determine whether the offender should remain on post or not. CMO INT HCO would then convene the Committee of Evidence and its findings and recommendations would be reviewed by RTC prior to final approval. RTC might also require that CMO INT clear with RTC the person they choose to replace the person who was taken off post, so that RTC is assured the scriptures are being standardly administered in that particular area.

If someone who is unqualified to hold a position by reason of a poor ethics history is approved for posting and RTC finds out about it, RTC would step in to see that the scriptures were properly applied. Conversely, there are times when a post removal is unwarranted and is an injustice. In this instance RTC exists as a last recourse of Scientology justice to review such matters and see they are rectified in accordance with the Scientology scriptures.

CORPORATE POSITIONS

Although the Service did not enquire about the power to appoint or remove directors of CSI, we feel it is important to comment on this point as it is with the Board of Directors of CSI that the ultimate responsibility for its secular affairs lies.

The bylaws of CSI, which follow the model bylaws for any Class V church or above in the United States, provide that there will be Trustees who meet annually (or more often in the event of vacancies) to appoint directors of the corporation or to confirm incumbents for the new year. The Trustees are not involved in the day to day affairs of the corporation.

Typically, the Trustees of a Scientology church corporation are either from the next highest echelon or chosen from the most trusted Sea Org members. They exist as insurance to replace board members or an entire board in the event that it departs from the ethical standards and goals of the religion. On only one occasion in the history of the Church have Trustees of a Church corporation had to invoke this failsafe power - which was the removal of Vicki Aznaran and her cohorts from the Board of Directors of RTC in March 1967.

In the case of CSI, a majority of the Trustees are trusted staff members of RTC along with two very senior executives of CSI. The current Trustees are as follows: Mark Rathbun, Marc Yager, Michael Sutter, John Eastment and Mark Ingber.

The current Directors of CSI are: Guillaume Lesevre (Chairman), Michael Rinder, Kurt Weiland, Stephanie Horwich and Catherine Rinder.

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QUESTION 3-d

d. In your prior response you state that "...as a routine matter, the full [Central Reserves] Committee meets only when there is a need for everyone's input and participation." Please describe the process by which funds are approved for disbursement (including any transfer of funds to other organizations) when no meeting is held. In your response, please indicate on whose authority a disbursement may be made and provide actual representative examples of any such authorization after December 31, 1989.

* * * *

The statement "as a routine matter, the full [Central Reserves] Committee meets only when there is a need for everyone's input and participation" has been misconstrued to imply that there are times when no meeting is held.

There is a full Reserves Committee meeting at least once a week, sometimes more often. Each week the Committee considers the CSI financial planning for the coming week and also considers any new major proposals for such things as dissemination campaigns, renovations projects, financing for new technical films, property acquisitions, and the like.

At times it is necessary to have less formal meetings to implement something that has been previously approved by the full Reserves Committee. This might be authorizing a purchase order against a previously approved funding for a film or renovations project. It might involve the transfer of funds between reserves accounts (i.e. from a CSI Luxembourg account to Los Angeles) so that the funds are in place to disburse to a vendor when needed.

In these instances, when they are acting on previously authorized matters, only a skeleton Reserves Committee meets - which consists of the WDC Member for Reserves, the International Finance Director, the Sea Org Reserves Chief and the International Management FBO.

Question 3.e

e. We appreciate your efforts to address the Service's concerns about the Guardian's Office and the activities of the persons associated with that Office. Have any of those persons who have at any time been barred from serving with/for any Scientology-related organization by reason of their service or actions on behalf of the Guardian's Office at any time since being barred, become re-affiliated with any Scientology-related organization, including for purposes of this question, any Mission or Class V Church, either as a staff member or in any other capacity? Your prior response refers to the deposition of a government prosecutor. Please provide a complete copy of the testimony.

* * * *

The Church has provided a detailed description of the actions taken within the Church to investigate and ultimately disband the Guardian's Office, including the removal from Church staff of any members of the Guardian's Office who were found to have been involved in any illegal activities.

You have now asked if any of these individuals have become "re-affiliated with any Scientology-related organization, including for purposes of this question, any Mission or Class V Church, either as a staff member or in any other capacity?"

None of the individuals involved in the criminal activities of the Guardian's Office are serving on the staff of any organization within the Church hierarchy at the level of Class V Church or above.

During the reform and disbandment of the G.O. in the years 1981 through 1983, we kept a record of the names of individuals we found to have been involved in illegal activities, who condoned them, or who were in a position where they should have known and done something to stop them. Any individuals who were found at that time to be on staff were dismissed and informed never to apply for re-employment.

By the mid 80s all but one of these ex-GO staff had been dismissed. Ironically, the lone exception was created by Vicki Aznaran. During her tenure in RTC, Aznaran retained an individual who had been directly involved in criminal acts while working in the GO in the early 70s. She knew that he did not qualify for staff, but kept him anyway and kept his background a secret from others. Aznaran admitted in deposition that she was severely rebuked by RTC Trustee David Miscavige when he discovered her violation of this policy in late 1986. She also testified that this incident was the starting point of an

investigation that ultimately led to her resignation from RTC in March, 1987. Aznaran also admitted that she knew of the policy prohibiting ex-GO criminal employment and that she disagreed with it. The staff member in question is no longer on staff and will not be allowed to return. Despite Aznaran's avowed loyalty to the GO, or perhaps because of it, IRS CID agent Al Lipkin and LA EO agents Mel Young and Carl Corsi embraced Aznaran as an informant for the IRS against Scientology.

A list of names of ex-GO members either involved in, condoning, or being in a position to stop criminal acts is maintained by the International Justice Chief (IJC) at Flag Bureaux. Church organizations are required to check with IJC prior to hiring any ex-Guardian's Office staff member; that means anybody who was ever employed by the GO, whether he was involved in or cognizant of any criminal acts or not. The IJC then checks the names against the list of those banned from staff and informs the local Church organization whether they can hire the individual or not.

We are aware of just one instance where one such person was very briefly hired and employed at a Class V Church until the fact of his background was discovered by checking with IJC - at which time he was removed.

Missions do not inform Church management of the names of every staff member they hire. However, they do provide the names of the Mission Holders and the members of the boards of directors. Those names are checked with IJC against the list of ex-GO criminals. If a name of one of the ex-GO criminals shows up as being on mission staff through this cross-check, or if the matter comes to the attention of the IJC by any other means, the person is removed from mission staff.

The Church has no control over the staff of the Social Betterment Groups - such as Narconons and the schools licensed by Applied Scholastics. Many employees of these groups are not Scientologists. We have no way of determining whether some of these individuals are on staff of these organizations. Neither the Church nor the Service has any reason for concern because employees of such groups are not in any position to influence the policies or activities of the Church. Indeed, such employment could be regarded as community service.

The relevant section of the deposition testimony of Raymond Banoun, who was an Assistant U.S. Attorney involved in the prosecution of the criminal cases against Guardian's Office staff is included at Exhibit III-3-D.

QUESTION 3-f

f. As required on Part II of the Schedule A, Form 990, please name the 5 highest paid service providers and list the amounts paid to them by Scientology-related organizations, in calendar years 1989, 1990 and 1991. "Service Providers," for purposes of this Question 3-f, excludes all Scientology-related organizations and individuals (including but not limited to individuals listed in response to Question 3A-c (i)-(iii) below). To identify the service providers to be listed, please aggregate all payments from all Scientology-related organizations. Please explain the services and purposes for which payment was made and separately list each payor and the amount it paid.

* * * *

Following is the list of the 5 highest paid service providers for each of the calendar years 1989, 1990 and 1991.

This information was gathered from all major Scientology-related organizations including US Class V Churches and the larger US missions. While the Church does not maintain service provider compensation information in centrally located files, we believe that we have compiled materially complete aggregate payment figures.

YEAR 1989

INTERNATIONAL COMMUNICATIONS GROUP

\$ 2,841,062.00	FSO
322,281.64	WISE
211,086.02	CSWUS
174,464.00	CSI

\$ 3,484,950.66	

International Communications Group is a media booking agency that was paid by various Scientology-related organizations to book media time to air various productions concerning Scientology and Dianetics for the proselytization of the religion. Their services encompassed acquiring time or space in print media (newspapers and national news and feature magazines); on radio (national radio networks, city-wide radio stations); and on television (national and local cable TV, syndicated TV and national network television). The productions were designed to interest the public in books about Scientology and Dianetics or invited the people to attend lectures and seminars about the religion. These payments cover the actual time and space purchased.

WILLIAM KANAYAN CONSTRUCTION

\$ 2,592,750.31 CST

William Kanayan Contruction built several buildings at CST's central repository and archival production facility in Southern California. CST is engaged on an enormous project to preserve the Scientology scriptures for all time. To date CST has spent over \$52,000,000 on these projects and expects to spend another \$114,000,000 in the next 5 years to complete the current phase of its program. Many of the archival scriptures are produced, assembled, packaged and staged at the Mile High facility in buildings especially constructed by William Kanayan Construction. One of them is a 4 story production building. (Exhibit binder, III-3-E, Photos A1 - A9). Preservation activities conducted in this building include preserving the scriptures on etched stainless steel plates. Scriptures are also reproduced and protected in such media as archival laser disks and copper records protected by a nickel coating. The archival scriptures are then placed in capsules made of pure, indefinite-life titanium. (These were shown to you during our October 1991 presentation of CST's activities and the wherewithal and materials it uses for preservation and storage.) (Photos A10 - A17).

The vault at Mile High is an underground facility that protects the original scriptures from any conceivable environmental hazard or act of war. It consists of two 100 foot long heavy gauge steel underground structures which provide maximum protection against earthquakes and which are fully conditioned for both temperature and humidity so as to maintain perfect storage conditions for the priceless originals stored in the vault. (Photos A18 - A31)

DENMAN & ASSOC., INC.

\$ 2,509,692.57 CST

During the 1980's CST constructed a 700 foot tunnel vault in New Mexico. The vault is designed and built to last a minimum of 1,000 years. It is a rock tunnel, constructed by drilling and blasting, which has high strength concrete floors and walls made of high durability and water resistant materials. The tunnel finish is gunnite followed by troweled lime for long

term durability, followed by a spray applied layer of acrylic/marble dust mixture for extreme hardness and water resistance, followed by three coats of polyurethane paint. Several complete sets of the archival scriptures will be stored in this vault. In order to maintain the facility and to properly protect and service the vault and its contents, it was necessary for Denman & Associates, Inc. to construct ancillary facilities to support the vault, such as miles of roads, irrigation lines, utility lines, gatekeeper/material receiving building and maintenance structures. (Exhibit B1 - B27)

NIELSEN CONSTRUCTION

\$ 2,344,415.98 CSI

In 1989 Nielsen Construction was involved in major construction and renovations projects at Gilman Hot Springs related to Golden Era Productions. These included a large building for Golden Era Productions which includes manufacturing facilities for the reproduction of Mr. Hubbard's taped lectures on Dianetics and Scientology and for the Hubbard Electrometer. (See Photos C1 through C8.) The communal dining hall and kitchen facilities for the 700 Sea Org members based at Gilman Hot Springs also underwent extensive renovations. (See Photos C9 through C15.)

IGSS, INC.

\$ 2,106,725.03 CST

In order to better guarantee the preservation of the Scientology scriptures against large-scale disasters, a variety of vault sites have to be established. Therefore, in Northern California a horizontal underground vault has been constructed in addition to the Mile High and the New Mexico facilities. This additional vault consists of two levels, each 372 feet long, which are covered with up to 30 feet of earth. This facility, too, is designed to remain safe and accessible for 1000 years without maintenance. The uniquely segmented structure can withstand earthquakes of a 8.5 Richter magnitude without rupture. Each of the 540 segments was individually constructed of 8 inch thick high-strength concrete completely encased with a 1/4 inch thick, continuously welded steel plate. When assembled, the vault segments formed over 5.8 linear miles of joints which were bolted together and sealed with material allowing for utmost flexibility. This construction, which took one year to design, was created by IGSS, Inc. (Exhibits D1 - D15) Like the New Mexico facility mentioned above, this vault will contain several complete sets of scriptures preserved on

the most durable and longest lasting materials known to man at this time. (Exhibit C16)

YEAR 1990

INTERNATIONAL COMMUNICATIONS GROUP

\$ 4,916,841.68	FSO
3,495,507.37	CSWUS
9,213.11	CSI

\$ 8,421,562.16	

As discussed above, International Communications Group is paid by various Scientology-related organizations to book media time Scientology and Dianetics productions. These payments cover the actual time and space purchased.

IGSS, INC.

\$ 7,289,036.39 CST

The aforementioned Sunset View vault construction in Northern California continued in 1990 when over half of the cost was incurred. The vault was equipped with seven concrete and steel blast resistant doors custom designed for CST utilizing stainless and other corrosion resistant steels. The larger doors in the facility weigh up to 10,000 lbs each. The vault is now capable of absorbing the shock of the most severe earthquake and to withstand a near direct nuclear blast. (Photos D14 - D16)

TAIWAN DANPORT CO.

\$ 4,188,250.00 CST

As described above, CST's archival preservation program includes storage of the Scientology scriptures in specially designed and engineered pure, indefinite-life titanium capsules. Written scriptures are first etched into stainless steel plates and are then placed in titanium time capsules which are filled with an inert gas and hermetically sealed. These time capsules cost over \$2,000 apiece and CST projects that it will need at least and additional 10,500 units for which it will have to spend over \$21,000,000. The Taiwan Danport company is the manufacturer of these capsules. CST's current program will utilize over 15,000 of these capsules. (Photos A16 - A17)

DENMAN & ASSOC INC.

\$ 3,531,218.30 CST

These funds were paid to Denman & Associates, Inc. to complete the work performed at the New Mexico vault site as described under the payment to this company in 1989.

BOWLES AND MOXON

\$ 1,681,806.20	CSI
311,579.24	CSWUS
47,450.00	ORANGE COUNTY CHURCH
33,946.22	FSO
19,454.50	CST
17,199.20	BPI
14,374.75	ASI
10,783.16	SAN FRANCISCO CHURCH
6,842.64	AUTHOR'S FAMILY TRUST
4,944.75	SACRAMENTO CHURCH
4,671.64	NARCONON
4,068.53	CSC
3,715.00	LOS ANGELES CHURCH
3,450.00	STEVENS CREEK CHURCH
1,800.23	CC INT CHURCH
1,617.50	TWIN CITIES CHURCH
1,457.00	AUSTIN CHURCH
1,000.00	ABLE
1.70	LONG ISLAND CHURCH
2.00	IHELP
3.50	CC LAS VEGAS CHURCH
4.00	NEPI
5.00	APPLIED SCHOLASTICS

\$ 2,172,515.76	

Bowles & Moxon is the law firm which does the majority of the day to day legal work of Church of Scientology International (CSI) and other Churches of Scientology in the United States. CSI retained the firm at its formation in 1987 in an effort to save money on legal expenses and increase the efficiency of its legal representation by consolidating as much of its legal work as possible in one firm.

Since its formation, Bowles & Moxon has expanded its resources and facilities to take on increasing portions of the legal work of CSI and other Churches of Scientology. In 1989, Bowles & Moxon consisted of six attorneys, including partners, associates and attorneys of counsel to the firm. At this

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writing, Bowles & Moxon has grown to 14 attorneys, including partners, associates and attorneys of counsel to the firm. There is also secretarial and other support personnel working for the law firm. The highest paid attorney in the firm in 1990 was Kendrick Moxon who received \$110,270 in compensation.

Bowles & Moxon contains specialized departments which deal with corporate and transactional matters, litigation prevention, civil and government litigation, including litigation brought under the Freedom of Information Act. The above figures include fees and costs.

YEAR 1991

LUCKY CITY ENTERPRISES, LTD. - NEW NAME FOR TAIWAN DANPORT CO.

\$ 7,615,504.80 CST

Lucky City Enterprises Ltd., formerly Taiwan Danport Co., manufactures the titanium time capsules for CST's archival preservation program which were fully described above. (They were also shown to you as part of CST's presentation in Washington in October 1991.)

JAN GILDERSLEEVE, formerly with INT'L COMMUNICATIONS GROUP

\$ 4,281,951.59 CSI
8,734.57 BPI
3,036.00 CSWUS

\$ 4,293,722.16

Jan Gildersleeve worked for International Communications Group ("ICG") until 1991 when she left to start her own firm. She handled Church accounts while at ICG, and continues to perform media purchasing and placement services for the Church. These payments cover the actual time and space purchased.

BOWLES AND MOXON

\$ 3,199,232.53	CSI
162,191.45	WUS
61,442.54	AUTHOR SERVICES INC.
48,210.86	CST
43,265.37	CC INT CHURCH
42,018.11	NARCONON
37,814.74	FSO
17,244.58	SAN FRANCISCO CHURCH
13,358.00	ORANGE COUNTY CHURCH
12,762.50	WISE
11,600.00	SMI
8,690.00	BPI
8,574.60	BOSTON CHURCH
8,414.20	STEVENS CREEK CHURCH
1,388.70	COLUMBUS CHURCH
6.00	VALLEY CHURCH
7.00	ANN ARBOR CHURCH
8.00	LOS ANGELES CHURCH
9.00	APPLIED SCHOLASTICS
10.00	ILLINOIS CHURCH
11.00	AUSTIN CHURCH

\$ 3,678,259.18	

The specific role and functions of Bowles & Moxon was explained above. The increase in funds paid to the firm is due to more legal work being assigned to Bowles & Moxon; the firm increased the number of its attorneys accordingly.

The highest paid attorney in the firm in 1991 was Marcello di Mauro who received \$ 123,027 in compensation.

IGSS, Inc.

\$ 3,607,845.75 CST

IGSS, Inc. constructed the vault at CST's Sunset View site in Northern California. The character and purpose of this archival preservation and storage site is fully explained above in the descriptions of the payments to this company in 1989 and 1990.

ARCATA

\$	475,701.70	AUTHOR'S FAMILY TRUST
	2,986,735.61	BPI

\$	3,462,437.31	

Arcata is a large printing firm which was used by both BPI and Author's Family Trust to print books authored by L. Ron Hubbard. Bridge Publications, Inc. publishes and sells books by L. Ron Hubbard and utilizes Arcata for printing and binding. Author's Family Trust contracted Arcata to print, bind and store leatherbound books by L. Ron Hubbard for the purpose of making especially aesthetic editions of these books available for collectors of L. Ron Hubbard's written works.

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Question 3A-a

Please describe all forms of compensation that are designated staff welfare under the Church's system of accounting. In addition, please describe the method of reporting all such staff welfare to the employee (or independent contractor) and to the Service. If such compensation is not reported to the Service, please provide the rationale for such practice.

* * * *

Members of the Sea Organization traditionally receive a living allowance and have necessities provided to them by the Church. The purpose of this is so that they can devote their attention to performance of their duties and spiritual progress without distraction. The furnishing of these types of necessities are what is classified as staff welfare. It should be noted that for Class V Churches and Missions there is no staff welfare system, and staff in these churches receive only monetary compensation. Following is a summary of staff welfare items provided to Sea Organization members.

Room & Board - All Sea Organization members receive lodging and meals on church premises and at the church's convenience. They are on call 7 days a week, 24 hours a day. Sea Organization members are specifically forbidden to live elsewhere except with special permission.

Typically, married couples are provided with a single bedroom. In England Sea Org berthing is in large houses that have been acquired for this purpose. At the FSO, the corporation purchased a large multi-building apartment complex consisting mainly of one and two bedroom apartments. The apartments have been reconfigured so that the living rooms are now private bedrooms. Each bedroom is either assigned to a married couple or used as a male or female dormitory. At Gilman Hot Springs some of the staff live in converted motel units on the Church owned property and others live in rented apartments in town. Two married couples share each two bedroom apartment. These apartments, since they are rented, have not been modified to utilize the living rooms as bedrooms. A few such apartments are used as male dormitories and others are used as female dormitories for unmarried staff. Plans exist to build staff housing on the Church property and the use of rented apartments exists due to the lack of currently owned facilities. On the Freewinds, each married couple has a cabin in portions of the ship designated for crew berthing and other cabins are utilized as dormitories for unmarried staff.

All Sea Org members are provided, breakfast lunch and dinner, in communal dining halls on pre-set schedules. This arrangement

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dates back to the days when the Sea Org was mainly aboard ships, but has proven the most efficient in terms of cost and especially in terms of time. There are Sea Org members who specialize in the purchase and preparation of food. Consolidating this activity with a small portion of the staff frees the time and attention of the rest of the staff to concentrate on their duties.

The church directly pays all expenses connected with feeding and housing members of the Sea Organization. Because such is provided on church premises and for the church's convenience, they are not reportable to the staff member or the Service.

Child Care & Schooling - The Church maintains on-site child care & educational facilities for the children of Sea Organization members. The essence of the program is that the Church will provide a parochial education and provide necessary care to children of Sea Org members to allow the children to grow up as Scientologists and future members of the Sea Org while allowing their parents to fulfill their commitment to the future of mankind. Children under school age attend a day care center and their nights at home with their parents. The day care center is open to all children of Sea Org members and is non-discriminatory. The annual cost per child for day care is significantly less than \$5,000.

Children six and above attend a church-run school, all costs of which are paid by the Church. There are boarding schools at several locations - Gilman Hot Springs, North of Los Angeles near Saugus, and in Clearwater. They are especially chosen and designed so that children may be nurtured in a safe and friendly environment where they can reach their full potential. They generally visit their parents on weekends. As with all benefits for Sea Organization members, this practice applies to all members of the Sea Organization. Costs of this schooling are therefore a qualified tuition reduction and thus excluded from income.

Clothing - Members of the Sea Organization are furnished with standard uniforms for different environments and seasons, at the expense of the local church corporation which employs them. The uniforms remain the property of the employer. From time to time the Church will provide a Sea Organization member with business clothes when required for his or her work. When on church premises a Sea Org member wears a uniform but this is often not appropriate attire when interfacing with society off church premises. Staff members who deal with public relations or legal matters are particularly required to have suitable clothing. Such clothing purchases are reported on Form W-2.

Medical and Dental - The Church directly pays medical expenses of members of the Sea Organization subject to its own plan. In summary, the plan is that each organization has a Medical Liaison Officer who has the job of seeing that staff medical costs are properly financed and that staff do receive needed medical treatment. The Medical Liaison Officer also ensures that staff rapidly complete their medical programs and return to full health. This individual may also provide basic first aide. Over the years, this has proven to be the most cost-effective means of keeping staff healthy. Access to medical care is based on need and is non-discriminatory. Payments to medical providers for staff medical care are therefore not reported to the staff member as income.

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Question 3A-b

Please describe the class or classes of individuals who receive a parsonage or rental allowance from any Scientology-related organization, what elements of compensation or staff welfare constitute a parsonage or rental allowance, and the process for designating any amounts as rental allowance. Please provide a copy of a representative sample of any designations (in effect during 1990) of amounts as rental allowances.

* * * *

Ministers of the Church of Scientology who serve full time on the staff of a church or mission and who pay for their own housing are eligible to receive parsonage allowance as are ministers of other faiths. For ministers who are also members of the Sea Organization, parsonage allowance is not applicable as the Church directly provides the housing for its staff.

The procedure with respect to parsonage allowance is determined by the local churches and missions who decide whether or not they will do so and, if so, how much they will provide. A survey of 21 US Class V churches and 25 of the largest US missions found that 9 churches and 14 missions are currently paying parsonage allowance. Although these churches and missions do not follow the same procedures with respect to designation of parsonage allowances, our survey confirmed that each church and mission allocates a fixed sum for this purpose and that each allowance is within the fair rental value of the housing facility and utilities.

Copies of two designations are attached: a Board of Directors minute designating allowances for qualified staff of the Church of Scientology of San Francisco and disbursement vouchers designating a portion of the weekly compensation paid to staff members of Church of Scientology of the Valley as an allowance. (Exhibit III-3-F).

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QUESTION 3A-C

c. For the purposes of this Question 3A, the term "compensation" includes anything of value provided (directly or otherwise) by, or attributable to, any Scientology-related organization. Whether an item is considered "compensation" under this question is determined without regard to whether that item of value is includible in the individual's gross income for purposes of reporting or taxation. "Compensation" includes, but is not limited to, the following: (i) wages or salary (including any bonus or overtime pay); (ii) other payments (as an independent contractor or otherwise), including any interest, dividend or other corporate distribution; (iii) gross commissions; (iv) the value of any deferred compensation (qualified or nonqualified and valued without regard to any risk of forfeiture, vesting or other restriction); (v) the value of any beneficial interest in any trust attributable in any fashion to contributions made by or on behalf of any Scientology-related organization (valued without regard to any risk of forfeiture, vesting or other restriction); (vi) any fringe benefit (other than de minimus fringes excludible under sections 132 (a) (4) and 132 (e) of the Internal Revenue Code); (vii) the highest balance of any loan or loans outstanding from any Scientology related organization to the individual at any time during the year in question; (viii) any parsonage or rental allowance; and, (ix) the amount of any reimbursed expenses (business or otherwise). For the purposes of (ix), you may ignore compensation from this source if the individual received in the aggregate less than \$10,000 for all reimbursements in the year.

To the extent compensation is provided in a form other than wages or salary, please list such compensation separately with a short description of which category it falls within. We recognize the potential difficulty in valuing certain items included within this definition. If a fair market value is not available, please merely list the type of compensation with any explanation that will be helpful to understand its nature and possible worth.

For purposes of this Question 3A, the term Scientology-related organization is expanded to include all Class V Churches and Missions, all WISE sublicensees, and IAS (including its "operating arms") and the other membership organizations.

In addition, the compensation of an individual includes amounts received by the spouse of that individual. Where a spouse has compensation, please separately list the spouse's name and the nature and amount of the compensation. Finally, if compensation is received from more than one Scientology-related organization, compensation should be listed separately for each such entity.

The information requested in this section has been gathered from all major Scientology-related organizations including Class V Churches and the larger missions. We also have included information obtained from IAS and the other membership organizations through the cooperation of their accounting personnel.

Compensation information is not centrally maintained. We have made every effort to compile materially complete and accurate compensation figures for the various individuals. While we cannot guarantee the figures with respect to the schedules provided in response to subpart 3-c(i) below, we have no reason to believe they are not reasonably accurate.

It is not possible to obtain information from WISE non-sublicensees, and we therefore have excluded them from this response. Nonetheless, we have checked with every individual listed in response to this question 3A, including those listed in the question, and have been informed that none of them received any payment from any WISE sublicensee.

In addition, none of the individuals received any interest, dividends, corporate distributions, deferred compensation or reimbursements of expenses in excess of \$10,000 from any Scientology-related organization (or IAS and the other membership organizations). Nor do any of these individuals have any beneficial interest in any trust of any kind.

Members of the Sea Organization receive room and board, medical and dental care, uniforms and child care and schooling for their children in addition to wages, bonuses and commissions. While no effort was made to value these items for each individual, a reasonable estimate is that they cumulatively average \$5,000 to \$6,000 per year per member, exclusive of child care and schooling.

. . . .

QUESTION 3A-c (i)

(i) Please name the twenty natural persons with the highest level of compensation in each of the last 3 years (i.e., in calendar years 1989, 1990, and 1991). To determine those individuals for whom this question requires disclosure, please aggregate all compensation from all Scientology-related organizations. Please treat a husband and wife as a single entry on this list (separately listing the name of each spouse and the compensation of each).

* * * *

The data on the compensation of the twenty natural persons with the highest level of compensation from Scientology-related organizations in each of the last 3 years (i.e., in calendar years 1989, 1990 and 1991) is included on the attached Exhibit III-3-G.

This list includes compensation from Scientology-related organizations to any of the specifically named individuals from Questions 3A-c (ii) and 3A-c (iii), aggregated with any compensation to their spouses, where their combined compensation falls within the twenty highest paid natural persons or "husband and wife units".

There are several terms denoting positions that appear on this list that are defined below:

1. Field Staff Member ("FSM"): As covered in more detail in the responses to Question 4A-a in this submission, FSMs are not employees of any Church but earn commissions based on donations raised from parishioners who enroll for services. They bear their own expenses with respect to this activity. The FSMs included in the schedule for 3A-c (i) do this as a full time occupation. A few FSMs included on this list have formed personal corporations and therefore do not receive Form 1099.

2. Field Disseminators: IAS refers to their fundraisers as "Field Disseminators". These are individuals who raise funds for the IAS on a full or part time basis and who receive commissions equalling 10% of funds raised and who bear their own expenses from those commissions. These are not employees of the IAS or any particular Church organization.

3. Membership Tour I/C: A Membership Tour I/C is an individual who operates as a self-employed independent contractor. The Tour I/C receives fundraising commissions on a sliding scale depending on funds raised for the IAS and pays the expenses of his or her respective Tour from these commissions. Generally these commissions are calculated at 2% of donations

raised. A Tour typically has a number of staff members who are employees of the Tour I/C. The Tour I/C receives the gross commissions on all donations raised by himself and by members of his Tour and from which he pays all salaries and other expenses. Therefore, while paid to a natural person, the sums reported under this category actually include compensation to a number of individuals.

4. Fundraiser: Association for Better Living and Education ("ABLE") has people who raise funds for it and the ABLE sublicensees on a full or part time basis. They are not employees and receive commissions of 10% of any funds raised from which they pay all expenses incurred in this activity.

5. Registrar: This is a person within a Scientology church whose function is to raise donations and to assist parishioners to enroll on their next service. The person over this function is the Director of Registration. Registrars and Directors of Registration typically receive fundraising commissions in addition to regular wages or allowances.

6. Bookstore Officer: This is a person within a Church organization who is in charge of selling books out of the Church bookstore. The Bookstore Officer, as well as other Church staff can receive commissions based on sales of bookstore items in addition to their regular wages or allowances.

7. Mission Holder: A Mission Holder is one who holds the highest corporate and ecclesiastical position in a mission. Typically, a mission holder is a pioneer who started and built one or more missions in areas that were new to Scientology providing the premises, materials, initial funding and personnel.

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QUESTION 3A(c)(ii)

(ii) Please provide the compensation from all Scientology-related organizations in each of the last 3 years (i.e., in calendar years 1989, 1990 and 1991) for David Miscavige and Norman Starkey. In addition, please include the compensation of each individual's spouse, siblings (including compensation of each sibling's spouse), parents and children (separately listing the name of the family member and the compensation of each).

*** * * ***

All compensation from Scientology-related organizations to each member of the Starkey family and Miscavige family follows.

Question 3A(c)(ii)

Norman and Maria Starkey are compensated by Author's Family Trust-B in their full time capacities as Trustee and Secretary and Assistant to the Trustee respectively. The trust instrument for Author's Family Trust - B provides for compensation of \$150,000 per year, although Mr. Starkey draws considerably less than that as shown below. They have no children.

1989 compensation for Norman and Maria Starkey:

<u>NORMAN STARKEY</u> (Listed Individual)	<u>TRUSTEE</u>
61,438.78 Trustee fees	Author's Family Trust
<u>MARIA STARKEY</u> (Spouse)	<u>SECRETARY AND ASSISTANT TO</u>
21,970.81 Wages	<u>THE TRUSTEE</u>
-----	Author's Family Trust
83,409.59	

1990 compensation for Norman and Maria Starkey:

<u>NORMAN STARKEY</u> (Listed Individual)	<u>TRUSTEE</u>
91,308.53 Trustee Fees	Author's Family Trust
<u>MARIA STARKEY</u> (Spouse)	<u>SECRETARY AND ASSISTANT</u>
37,891.16 Wages	<u>TO THE TRUSTEE</u>
-----	Author's Family Trust
129,199.69	

1991 compensation for Norman and Maria Starkey:

<u>NORMAN STARKEY</u> (Listed Individual)	<u>TRUSTEE</u>
72,664.18 Trustee Fees	Author's Family Trust
<u>MARIA STARKEY</u> (Spouse)	<u>SECRETARY AND ASSISTANT</u>
26,977.70 Wages	<u>TO THE TRUSTEE</u>
-----	Author's Family Trust
99,641.88	

STARKEY FAMILY

Norman Starkey's brother - Owen, and sister-in-law - Nan, are both members of the Sea Organization and are provided with room, board, medical, dental and the other benefits thereof.

No other Starkey siblings are Scientologists and therefore had no connection with nor received any compensation from Scientology-related organizations.

1989 compensation for Owen and Nan Starkey:

<u>OWEN STARKEY</u> (Sibling)	<u>AUDITOR</u>
2,010.00 Wages	CSFSSO
<u>NAN STARKEY</u> (Sibling Spouse)	<u>DIRECTOR OF PERSONAL</u>
2,010.00 Wages	<u>ENHANCEMENT</u>
-----	CSFSSO
4,020.00	

1990 compensation for Owen and Nan Starkey:

<u>OWEN STARKEY</u> (Sibling)	<u>AUDITOR</u>
2,075.00 Wages	CSFSSO
<u>NAN STARKEY</u> (Sibling Spouse)	<u>DIRECTOR OF PERSONAL</u>
2,078.66 Wages	<u>ENHANCEMENT</u>
-----	CSFSSO
4,153.66	

1991 compensation for Owen and Nan Starkey:

<u>OWEN STARKEY</u> (Sibling)	<u>AUDITOR</u>
240.00 Wages	CSFSSO
<u>NAN STARKEY</u> (Sibling Spouse)	<u>DIRECTOR OF PERSONAL</u>
240.00 Wages	<u>ENHANCEMENT</u>
-----	CSFSSO
480.00	

In addition, in 1991, CSI provided Owen Starkey \$585 and Nan Starkey \$435 as an expense allowance while receiving training at CSI.

David Miscavige is Chairman of the Board of the Religious Technology Center. He holds the highest ecclesiastical position within the Scientology religion. In this capacity he is a public figure and is frequently required to attend functions and events representing the religion. Unlike CSI, RTC requires its executives and staff to purchase clothing for such functions as a personal expense.

Michelle Miscavige serves as executive assistant to the Chairman of the Board of the Religious Technology Center.

1989 compensation for David and Michelle Miscavige:

<u>DAVID MISCAVIGE</u> (Listed Individual)	<u>CHAIRMAN OF THE BOARD</u>
60,064.50 Wages	<u>RTC</u>
	RTC
<u>MICHELE D. MISCAVIGE</u> (Spouse)	<u>CHAIRMAN OF BOARD'S</u>
31,921.25 Wages	<u>ASSISTANT RTC</u>
-----	RTC
91,985.75	

1990 compensation* for David and Michelle Miscavige:

<u>DAVID MISCAVIGE</u> (Listed Individual)	<u>CHAIRMAN OF THE BOARD</u>
74,070.00 Wages	<u>RTC</u>
	RTC
<u>MICHELE D. MISCAVIGE</u> (Spouse)	<u>CHAIRMAN OF BOARD'S</u>
47,023.00 Wages	<u>ASSISTANT RTC</u>
-----	RTC
121,093.00	

1991 compensation for David and Michelle Miscavige:

<u>DAVID MISCAVIGE</u> (Listed Individual)	<u>CHAIRMAN OF THE BOARD</u>
62,683.50 Wages	<u>RTC</u>
	RTC
<u>MICHELE D. MISCAVIGE</u> (Spouse)	<u>CHAIRMAN OF BOARD'S</u>
31,359.25 Wages	<u>ASSISTANT RTC</u>
-----	RTC
94,042.75	

* 1990 compensation is somewhat higher than other years because RTC paid its 1989 and 1990 year-end bonuses in 1990.

MISCAVIGE FAMILY

David Miscavige's father, Ronald Miscavige Sr., his Stepmother Becky Bea Bigelow Miscavige, his brother Ronald Miscavige Jr., and his sister-in-law Elizabeth, are all members of the Sea Organization and are employed by Church of Scientology International.

For 1989, their compensation was:

<u>RONALD (JR) MISCAVIGE</u> (Sibling)	<u>IMEC MEMBER</u>
9,502.01 Wages	CSI
<u>ELIZABETH MISCAVIGE</u> (Sibling Spouse)	<u>WDC MEMBER</u>
2,282.14 Wages	CSI
<u>RONALD (SR) MISCAVIGE</u> (Parent)	<u>MUSICIAN, GOLDEN</u>
1,452.17 Wages CSI	<u>ERA PRODUCTIONS</u>
371.48 Book Commissions	CSWUS

1,823.65	

For 1990, their compensation was:

<u>RONALD (JR) MISCAVIGE</u> (Sibling)	<u>IMEC MEMBER</u>
4,185.03 Wages	CSI
<u>ELIZABETH MISCAVIGE</u> (Sibling Spouse)	<u>WDC MEMBER</u>
4,826.58 Wages	CSI
<u>RONALD (SR) MISCAVIGE</u> (Parent)	<u>MUSICIAN, GOLDEN</u>
1,289.50 Wages	<u>ERA PRODUCTIONS</u>
899.25 Book Commissions	CSI
-----	CSWUS
2,188.75	
<u>BECKY BEA BIGELOW MISCAVIGE</u>	<u>PLANETARY</u>
	<u>DISSEMINATION</u>
	<u>UNIT INTRODUCTORY</u>
	<u>SERVICES DISSEMINATION</u>
	<u>ASSISTANT</u>
1,665.00 Wages	CSI

For 1991 their compensation was:

RONALD (JR) MISCAVIGE (Sibling)
2,050.00 Wages

IMEC MEMBER
CSI

ELIZABETH MISCAVIGE (Sibling Spouse)
3,155.00 Wages

WDC MEMBER
CSI

RONALD (SR) MISCAVIGE (Parent)

3,737.76 Wages
300.00 Book Commissions

MUSICIAN, GOLDEN
ERA PRODUCTIONS
CSI
FSO

4,037.76

BECKY BEA BIGELOW MISCAVIGE

PLANETARY
DISSEMINATION
UNIT INTRODUCTORY
SERVICES DISSEMINATION
ASSISTANT

1,840.00 Wages

CSI

David Miscavige's mother Loretta Miscavige, his brothers-in-law Sam Licciardi and Ed Vernuelle, and his sisters Denise Licciardi and Lori Vernuelle, are Scientologists but are not members of the Sea Organization and are not employees of any Church of Scientology. They do serve as Field Staff Members and from time to time receive commissions for their services as such, as would any individual Scientologist.

In the years in question they received the following such payments:

1989

<u>DENISE MISCAVIGE LICCIARDI</u> (Sibling)	
2,762.29	FSO
<u>SAM LICCIARDI</u> (Sibling Spouse)	
1,416.00	FSO
<u>LORETTA MISCAVIGE</u> (Parent)	
56.40	FSO

1990

<u>DENISE MISCAVIGE LICCIARDI</u> (Sibling)	
4,420.59	FSO
2,585.25	CSFSSO

7,005.84	
<u>SAM LICCIARDI</u> (Sibling Spouse)	
252.37	FSO
<u>LORETTA MISCAVIGE</u> (Parent)	
1,120.00	FSO

1991

<u>DENISE MISCAVIGE LICCIARDI</u> (Sibling)	
1,509.45	CSFSSO
922.00	FSO
769.55	MCL
21.00	Concord Mission

3,222.00	

SAM LICCIARDI (Sibling Spouse)

1,240.66

341.36

1,582.02

FSO
WISE

LORETTA MISCAVIGE (Parent)

1,000.00

332.45

1,332.45

FSO
WISE

LORI MISCAVIGE VERNUELLE (Sibling)

21.50

CONCORD MISSION

QUESTION 3A-c (iii)

(iii) Unless the individual or his or her spouse appears on the list provided in (i) above, please provide the compensation from all Scientology-related organizations in each of the last 3 years (i.e., in calendar years 1989, 1990 and 1991) for the following individuals: (a) Maureen Brigatti; (b) Pauline Chatterton; (c) Jonathan Epstein; (d) Terri Gamboa; (e) Carl Heldt; (f) Diana Hubbard; (g) Mark Ingber; (h) Guillaume Lesevre; (i) Janet Light; (j) Warren McShane; (k) Ray Mithoff; (l) Sabine Peshkin; (m) Mark (Marty) Rathbun; (n) Michael Rinder; (o) Lyman Spurlock; (p) Mary Story; (q) Helen Wehl; (r) Kurt Weiland; (s) Greg Wilhere; and, (t) Marc Yager.

* * * *

Information on the cash compensation to the above-named individuals and their spouses is included in the attached Exhibit III-3-H.

. . . .

(iv) To the extent that this question has not already been answered, does any individual (or spouse) listed in (i)-(iii) above have any relationship to any vendor that does business with any Scientology-related organization? If so please describe the nature of this relationship and the vendor involved.

* * * *

None of the individuals (or spouse) listed in (i)-(iii) above have any relationship to any vendor that does business with any Scientology-related organization with the exception of Jeff Pomerantz, a professional actor, who occasionally performs in that capacity for Golden Era Productions.

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