

Questions 4(e) and 4(f)

.. Please describe whether, and, if so, the extent to which, payments for services rendered at Church of Scientology Flag Service Org, Inc. (hereinafter "CSFSO") and Church of Scientology Flag Ship service Organization (hereinafter "CSFSSO") were and are not deposited or held in a United States bank account prior to being deposited abroad as of December 31, 1986 and since then. Does this vary depending upon either the form of payment (e.g. check, cash, credit card) or the domicile of the individual paying such amounts? Please describe in detail the treatment of such funds (i.e. the path of such payments) as of December 31, 1986 as well as any changes in such treatment to the date of this letter. Please describe in detail the mechanism by which payments by United States residents and funds for services performed in the United States by any other Scientology-related organizations in calendar year 1989 were deposited in overseas accounts (e.g., describe the physical transfer of funds overseas, including the mode of transmittal, etc.). Did this vary depending upon the form of payment? Please describe any changes since then up to the present time?

f. In the previous paragraph, please modify the question by substituting the term "donations and/or contributions" for the word "payments" or "funds". Is the answer different? If so, please explain.

Questions 4(e) and 4(f) are being answered together because the manner in which Churches of Scientology handle receipts of funds does not differ based on whether the payments are considered as payments for goods or services or as donations or contributions. Because of the structure of the questions, responses are provided first for CSFSO and CSFSSO.

U.S. Churches of Scientology receiving funds in foreign currencies have bank accounts in the U.S. and in other countries in order to facilitate receipt and clearing of payments. Through experience, they have found that overseas banks are able to clear foreign currency payments much faster than U.S. banks, offer foreign currency bank accounts that are not available in the U.S., provide better currency conversion rates into U.S. dollars than do U.S. banks, and impose lower service charges.

Church of Scientology Flag Service Organization

Church of Scientology Flag Service Organization ("CSFSO"), is an international religious retreat located in Clearwater, Florida. It is the largest single Church of Scientology in the world and offers Scientology religious

services from the lowest levels to more advanced levels. CSFSO attracts parishioners from all over the world and receives donations for religious services in many different currencies. Its procedures for deposit of its receipts, discussed below, have been in force since before 1986 and remain unchanged today.

CSFSO ordinarily does not deposit foreign-denominated funds in the U.S. for transfer abroad. Rather, CSFSO deposits foreign currency checks or receives bankwires in foreign currencies directly into its overseas bank accounts. CSFSO physically sends the foreign-denominated instruments at least weekly by common carrier (DHL, Federal Express, etc.) to its various overseas banks for deposit into CSFSO's accounts. These procedures apply whether the foreign checks are received from the parishioner while he or she is at CSFSO in Florida, or whether he or she is remitting a payment directly to CSFSO abroad.

Checks in U.S. dollars drawn on foreign banks similarly are deposited in CSFSO's U.S. dollar bank account in Luxembourg. This is to facilitate check clearance because CSFSO's principal foreign bank in Luxembourg can clear foreign U.S. dollar checks more quickly than U.S. banks. This procedure applies whether the payment is sent by a parishioner from abroad or paid in person in Florida.

Check payments abroad from overseas parishioners usually are collected by Flag Service Consultant ("FSC") Offices in Denmark, France, Switzerland, Germany, UK, Italy, Sweden, Australia, Mexico and Canada. Local CSFSO accounts are kept in Australia, France, Switzerland, Germany, Mexico and Canada. In general, foreign currency checks are sent either by bank wire from local FSC accounts or by courier pack direct to the Luxembourg bank for deposit into CSFSO's account, from countries which do not have a CSFSO local account.

Foreign cash received from a parishioner while he is at CSFSO is converted into U.S. dollars and deposited into local accounts in Clearwater. Amounts received from parishioners in U.S. currency, of course, are deposited into local U.S. accounts. This money remains in the U.S. and is not transferred overseas. Most parishioners pay by check, and currency, whether U.S. or foreign, is a very small percentage of funds received. Currency, whether U.S. or foreign, is never sent abroad in a mailpack because of the risk of theft or other loss.

CSFSO is able to accept payment by certain credit cards (Visa and Mastercard). All credit card payments are deposited directly into a local U.S. dollar bank account, whether from U.S. or

non-US parishioners. Credit card proceeds are always in U.S dollars, never foreign currencies.

CSFSO also has Reserve accounts overseas in Luxembourg. CSFSO periodically transfers funds from its Finance Office accounts, into which its foreign checks and bankwires are initially deposited, to the Reserve accounts; CSFSO sends its Luxembourg bank written instructions to make these transfers and receives debit and credit memos to confirm these interaccount transfers.

On occasion, CSFSO also may transfer by bank wire funds held in U.S. banks to its Luxembourg Reserve accounts if such funds exceed local needs. The reasons for such transfer would include the availability of higher interest rates in Luxembourg and surplus balances in U.S. bank accounts in excess of FDIC limits. Such surpluses in U.S. bank accounts are rare, so there are very few such transfers.

Church of Scientology. Flag Ship Service Organization

The Church of Scientology Flag Ship Service Organization (CSFSSO) was incorporated in Curacao, Netherlands Antilles as a non-profit foundation in April 1988. It commenced activities on 1 May 1988, shortly before the maiden voyage of the Freewinds on 6 June 1988. Its procedures for handling its receipts, discussed below, have applied since its inception and remain unchanged today.

CSFSSO does not have, nor has it ever had, a United States bank account. None of its income has ever been banked in the U.S. CSFSSO has never provided any religious goods or services to its parishioners within the United States; rather, these activities are conducted entirely outside the U.S., from aboard the M.V. Freewinds.

CSFSSO has local bank accounts in Curacao, Netherlands Antilles, the home port of the Freewinds. CSFSSO also has U.S. dollar and foreign currency accounts in Luxembourg. CSFSSO accepts payments and donations via major credit cards (e.g. Visa and Mastercard), which are deposited in its local accounts in Curacao.

Parishioners in the U.S. who wish to make donations to CSFSSO for religious services usually send payment by check or credit card debit to CSFSSO via the Church of Scientology Freewinds Relay Office, located in Clearwater, Florida. This is a practical expedient because the Freewinds is usually at sea in the Caribbean and its exact location for mail purposes varies. The Relay Office collects all mail and other communications destined

for the Freewinds. Any currency intended for CSFSSO is converted into a U.S. dollar draft or money order; cash is never sent abroad in a mailpack because of the risk of theft or other loss. Every week, the Relay Office forwards all mail, including checks and credit card invoices, to Curacao. If the Freewinds is not in port, the mailpack is collected by a Ship's representative and delivered to the Ship as soon as it arrives. All checks are invoiced by CSFSSO on-board the Freewinds and is deposited into local bank accounts in Curacao, as noted above.

Church of Scientology International

The Church of Scientology International ("CSI") receives support payments from subordinate Churches throughout the world for its ecclesiastical guidance and other international operations as Mother Church. CSI also receives contributions from its subordinate churches towards the cost of broad public dissemination campaigns, and it collects Film Lease payments per contractual agreements from Churches and, via Scientology Missions International, from Missions.

Most support payments to CSI from subordinate Churches are in the form of checks or money orders. However, some U.S. Churches bankwire their payments to CSI's U.S. account in Los Angeles, while some non-U.S. Churches bankwire their support payments direct to CSI's account in Luxembourg.

The Continental Finance offices for Western U.S. (in Los Angeles California), Eastern U.S. (New York), Flag (Clearwater, Florida), Latin America (Mexico), Canada (Toronto), UK (East Grinstead), Europe (Copenhagen, Denmark), Italy (Milano), Australia New Zealand (Sydney, Australia) assist in the collection of these payments from their subordinate Churches. These Churches generally forward their checks to their respective Continental Finance office for relay to CSI. These payments almost always are relayed by bankwire.

Non-US Finance offices sometimes send checks from their subordinate Churches payable to CSI by courier mailpacks directly to the Luxembourg bank for deposit into CSI's account. The Continental Office in Australia, however, collects funds from each of its subordinate Churches locally and then sends a bankwire directly to the CSI Luxembourg account.

Payments other than bankwires and direct deposits to CSI's Luxembourg accounts are sent to CSI in Los Angeles by mail or

courier pack or via inter-organizational mailpacks. In general/ all foreign currency checks and U.S. dollar checks drawn on foreign banks are sent by CSI staff via courier pack (DHL or the equivalent) directly to its Luxembourg bank for deposit into CSI's account. Before 1990, U.S. dollar checks drawn on domestic banks also were sent to CSI's Luxembourg account for deposit there. Since 1990, domestic U.S. dollar checks generally have been deposited into CSI's account in Los Angeles. CSI does not receive payments in cash or by credit card.

Primarily for exchange control reasons, CSI has not received payments from Churches in South Africa, Zimbabwe, Israel, Italy, Spain or Portugal, regularly since 1986. Recent changes in exchange control regulations within the European Community, however, mean that periodic payments have resumed or applications are in progress from Italy, Spain and Portugal. An application for exchange control approval to remit funds from South Africa was submitted and has been pending since August 1991. When cleared, these payments are deposited into CSI's Luxembourg bank accounts.

Scientology Missions International

Since 1989, all Church of Scientology missions have paid a tithe to Scientology Missions International ("SMI"). All tithes to SMI in non-US currency bank drafts or U.S. Dollar checks drawn on banks outside of the United States or Canada have been sent via courier pack (DHL or the equivalent) to SMI's Luxembourg bank for deposit. SMI also sends any excess funds held in its local accounts, or when local accounts exceed FDIC limits, to its Luxembourg bank by writing a check and including it in the deposits to be couriered to Luxembourg.

Occasionally, SMI's Continental office in Europe will receive a Mission's tithe and send it directly to SMI's Luxembourg account for deposit. Some of the European Missions also send their payments directly to the SMI Luxembourg account by depositing the funds directly or sending a wire transfer.

Because of exchange control laws, tithes from South African Missions cannot be sent to SMI. Consequently, an account was set up specifically for SMI in South Africa, to which South African Missions deposit their tithes directly. The local Finance Director for the Church of Scientology in South Africa assists SMI in maintaining this account by sending telex reports to SMI of the amounts received and deposited in this account.