

QUESTION 5

Does the Church have specific and definite planned uses for its reserves over the next few years?

Scientology is a young and rapidly growing religion. Other religions have existed in some cases for centuries and have the benefit of inherited wealth that they accumulated by various means over the years. However, the Church of Scientology's funding of current and future projects that broadly disseminate its message to new public and forward its aims of creating a civilization without insanity, without criminals and without war, derives entirely from the support it receives from parishioners.

To carry out ecclesiastical programs that have a broad impact around the world, the Church collects funds into central reserves and then allocates them accordingly. In addition, the Church retains a portion of its collections in central reserves. The purpose of these funds is to guarantee survival of the religion in the event of an external catastrophe such as nuclear fallout, civil war or insurrection, or natural disasters such as earthquake, fire, flood, etc. The Church estimates the minimum level of these reserves that it requires to be \$340 million based on current estimates of the cost of continuing Church activities with no income for two years. In this respect, the Church's requirements parallel those of most nonprofit, tax-exempt organizations which the Service acknowledges do or should maintain reserves for this type of contingency.

In addition to building up undedicated reserves, the Church has definite, specific plans for the use of reserves totalling over \$432 million during the next five years. In practice, there is likely to be some variation from these projections as needs and plans change. However these projections can be relied upon just as the 87/88 reserves expenditure projections previously provided to the Service were found to be accurate in hindsight as covered separately.

CATEGORIES OF PREDICTED RESERVES EXPENDITURES  
IN THE NEXT FIVE YEARS

CATEGORY 1 - PUBLIC DISSEMINATION

The Scientology Scriptures mandate the rapid expansion and growth of the religion. It is our belief that the current civilization will not long endure unless man becomes aware of himself as a spiritual being and raises his level of ethics and assumes a higher level of responsibility for himself, his fellows and the world around him. For this reason we have made a

determined effort to attract large numbers of new members and to broadly disseminate the teachings of Mr. Hubbard and their workable answers to life's problems.

Thus, a major commitment of central reserves over the next five years will be in dissemination programs to widely distribute the writings of Mr. Hubbard and to attract new Church members. The key method of dissemination is the widespread distribution of Mr. Hubbard's basic books. People who read these books gain insight into the nature of man and life and workable answers to situations in their lives. Many will go beyond the application of the Scriptures to their immediate problems and see the higher truth of Mr. Hubbard's applied religious philosophy. These individuals will become members of the Church and advance up the Bridge to Total Freedom. The most effective means of reaching people over the years has been through books, and the broad scale advertising of them on radio and television. In addition to the traditional short messages, we are also utilizing the longer info-ads, and public service announcements.

The religious movement started in 1950 with the bestselling book, DIANETICS THE MODERN SCIENCE OF MENTAL HEALTH ("DMSMH"), and this book continues to be the mainstay of dissemination for the religion. The majority of funds expended will be to further the distribution of this book.

Another important book is CLEAR BODY CLEAR MIND which is a compilation of Mr. Hubbard's writings describing his detoxification program. When properly done, this program results in a spiritually uplifted, drug free, much happier person. Ridding the society of drugs is a major, long-term goal of the Church as we have found that drugs destroy the individual's spiritual awareness and ethical standards. In addition to the book, it is planned to make known the Purification Rundown in Churches of Scientology as the solution for handling the debilitating effects of past drugs and chemicals.

There are a number of other entry level Dianetics and Scientology books which are also very useful in terms of providing basic information to the public and attracting new members and which will be broadly promoted and distributed. These include the books SELF ANALYSIS, FUNDAMENTALS OF THOUGHT and PROBLEMS OF WORK.

Audio-visual materials are another effective means of dissemination. In 1965 Mr. Hubbard granted the only filmed interview in existence where he describes the basic precepts and principles of Dianetics and Scientology. The film was recently colorized and packaged as a video to make it broadly available to the general public both in video stores and on cable television. In this film, the Founder of the religion directly answers commonly asked questions and the film has been found to be a valuable aid in dissemination.

The Church plans to disseminate the video to the public as well as broadcast it on television.

The Church also plans a series of seminars to attract people who have read DMSMH, people who have seen the film and other individuals so that they might learn rudimentary auditing techniques and both receive and deliver supervised Dianetics auditing and then continue auditing thereafter. Many, having experienced spiritual relief from auditing, will want to become members of the Church.

In addition to the above, which is designed to continue the overall large growth of the Scientology religion, we plan additional specific activities. One such activity is to ensure that every Scientology Church is listed in the yellow page phone directory or their local equivalent so that people who have otherwise been introduced to the religion can locate their nearest Church.

There is also a planned program to broadly disseminate the benefits of Scientology training courses and co-auditing with other students. This promotion is intended for existing Scientologists rather than the general public and is intended to speed their spiritual progress.

Because Scientology has workable answers to the problems that civilization is grappling with, the Church makes a concerted effort to get its message across to leaders in society. The mailing list for such is over 100,000 in the United States alone. These names on the lists are sent brochures on Scientology, L. Ron Hubbard and also social reform literature.

Every year the Church sponsors celebrations or special events on major Scientology holidays for the benefit of both Scientologists and prospective members. They contain briefings from senior ecclesiastical officials on the accomplishments of the Church and the plans for the future. Parishioners are encouraged to continue their spiritual progress and to participate in the Church's many programs to improve society. These special events are integral to maintaining an informed and active international congregation. They are often televised by satellite to Churches around the world.

Following is a summary of the projected expenses for dissemination over the next five years:

Book Advertising Campaigns:

DMSMH (US)	\$30,000,000
DMSMH (Outside US) -	15,000,000
Clear Body, Clear Mind -	13,800,000
Self-Analysis, Fundamentals of Thought, Problems of Work -	12,000,000
Dianetics Seminars -	10,320,000
Introduction to Scientology Video Distribution -Magazine	<b>5,000,000</b>
Advertisement -Yellow Pages Listing	<b>8,600,000</b>
-Training Promotion Campaign -	<b>250,000</b>
Mailings -Special Events -	<b>6,000,000</b>
	<b>3,600,000</b>
	<b>7,500,000</b>

Subtotal Public Dissemination \$ 112,070,000

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CHURCH FACILITIES;

The Church has extensive plans to acquire, construct and renovate Church facilities around the world to enable it to meet the increasing demand for Scientology services from parishioners, both old and new.

The Church has unique requirements in terms of facilities for ministering to its parishioners and the community at large and also to provide working space for its staff and living quarters for members of the Sea Organization.

In all cases, the design of Church properties has the purpose of assisting the organization's ability to provide religious training courses and spiritual counselling in an environment that is aesthetic, conducive to the conduct of religious services and efficiently organized. This enables the parishioner to devote the maximum time and attention to his or her religious studies and/or auditing, free from external distractions.

Church facilities must contain a chapel or meeting room in which Sunday services, weddings and other public events are held. There is a film room where new public are able to view any one of the several public dissemination films, as well as a meeting room in which basic introductory lectures are given, such as the Anatomy of the Human Mind course.

There is also a large course room devoted solely to the delivery of basic courses for new parishioners, which is separate from the church's main student academy.

The main academy is where major courses are delivered, such as the Academy levels and the New Era Dianetics auditor course. Each Church is required to have both a theory course room for students<sup>1</sup> study of the materials, which is a quiet area, and a practical courseroom where students do drills and practice the auditing skills they learned in the theory part of the course. The practical courseroom is usually a hive of activity and noisy, so it needs to be separate from the theory course room. In a large church, there could be as many as several hundred students studying at any one time, so it can be seen that the course room must be quite large.

A totally separate training activity provided by each Church is the Key to Life and Life Orientation Courses, which are designed to fully put the individual into communication with his environment and enable him to discover his role in life. These courses require their own facilities.

There is also a second film room adjacent to the main academy so that students can view the numerous religious training films that are an integral part of the main academy courses. These films were written by Mr. Hubbard and produced by Golden Era Productions. The Scriptures contain exact requirements for the construction of the film room with respect to size, soundproofing, and removing any visual distractions that would prevent the student from fully grasping the contents of the film.

A Scientology Church is also expected to make available the Purification Program to parishioners and the general public to free the person spiritually from the harmful effects of drugs. A major requirement of this program is that a sauna be available. Thus, all Churches must have their own sauna.

In addition to the above, auditing further imposes unique space requirements. Auditing is a one-on-one activity where an auditor assists a preclear to locate and resolve areas of spiritual difficulty. Normally, each auditing session is given in a separate room. Although the rooms are generally small, there must be upwards of 20-30 rooms available for use in a normal-size Church and the figure increases markedly for larger churches such as, for example, Flag Service Organization where the figure is in the hundreds. The rooms must be soundproofed, able to be heated or cooled as needed and otherwise free of potential distractions.

Another division of the Church, called the "Qualifications Division" is responsible for assisting students who have difficulty on course or in applying the course materials. These students are sent for intensive and personalized supervision. This same division also supervises the training of interns who are students that have completed and passed their courses, but who are practicing their auditing techniques learned on course by delivering auditing to others and thus gain real-life experience and demonstrate their auditing skills. An auditor who has completed his academy course must demonstrate his practical abilities to audit flawlessly as an intern, in order to be permanently certified as an auditor of that particular level. These activities require additional course rooms.

In addition to the requirements for the ministering of religious services described above, there are many other functions which are part of a Scientology Church that have their own requirements with respect to facilities. Due to the amount of individualized service which we provide to our parishioners, a considerable number of staff is required to properly conduct the affairs of a Church, both to directly minister to the congregation and to provide the necessary support. The Scriptures require that there be anywhere from one to two administrative support personnel for every person who directly ministers to parishioners since, based on experience, the quality of service suffers when the necessary administrative facilities do not exist. Thus, office space is needed for administrative personnel. Storage space is required. Ethics Officers and Chaplains also require private rooms where they can counsel parishioners on an individual basis.

Churches staffed by members of the Sea Organization provide housing, child care and dining accommodations for their staff. There are over a thousand Sea Organization members in the Los Angeles area and over seven hundred in Clearwater, Florida to give two examples, so it can be seen that this is a major undertaking.

All Church premises are tailored to accommodate each of the above needs and functions, as well as provide adequate space for future expansion.

#### Flag Land Base - Clearwater. Florida

The Flag Land Base is intended to provide both lower and upper level services to Scientologists from all over the world. It is expected that in the next several years, sufficient space will be

needed to provide services to over two thousand parishioners at one time as well as sufficient living and working space for the necessary staff to minister to this congregation. Because one of the major purposes of Flag is to provide a distraction-free environment, and because the large majority of parishioners are not from the local area, extensive hotel accommodations are also provided for the many parishioners.

The biggest single project to be undertaken at the Flag Land Base is the construction of a new 170,000 square foot building across the street from the Fort Harrison Hotel. This building is being designed specifically for use by the Flag Service Organization to enable it to serve its parishioners and will contain full facilities for auditing and training. Due to the expansion of the Flag Land Base over the years, most of these services are now provided in rented buildings. The new building is expected to accommodate in excess of 1,000 students on academy courses at one time, as well as providing auditing to 200 parishioners simultaneously (the Land Base has other delivery facilities as well).

There are also other upcoming renovations projects in Clearwater. One building is being renovated to accommodate staff dining and study facilities for over seven hundred staff, as well as a small museum for the Sea Organization. Two staff residential facilities will also be renovated. A building and its annex on Fort Harrison Avenue which provide office space for Church administrative personnel will be renovated. Renovations are also needed on a hotel on Cleveland Street which provides accommodations for students. Lastly, the main building in Clearwater, the Fort Harrison Hotel, is many years old and needs extensive renovations including extensive structural work in order to continue to be operational.

#### Saint Hill Manor

Saint Hill Manor is the symbolic home of L. Ron Hubbard and the site of many of his researches and writings and most famous lectures in the field of the human spirit. A recently constructed castle on the same grounds serves as a thriving Advanced Church and the site of the Continental Liaison Office for the UK. It provides services to hundreds of parishioners at any one time. For these reasons it plays a vital role in Scientology's international activities.

Although extensive construction has recently been completed, there are other projects which are still needed. New dining facilities are needed for the staff, a small building is needed for Estates personnel, and new housing is

needed for the growing number of Sea Organization members in the UK.

### Los Angeles Area Church Facilities

Los Angeles has a number of churches of different levels of the Bridge which serve the largest group of Scientologists in the world. In addition, the Continental Liaison Office for the Western United States and the Flag Command Bureaux are located in Los Angeles. The Church maintains extensive facilities in the Los Angeles area to provide services to its parishioners, to provide the necessary administrative support and as living quarters for the Sea Org staff.

The Church owns a large complex of buildings which was formerly a hospital near Vermont and Sunset in Los Angeles. These buildings are of great importance since they house two upper level churches (Advanced Organization of Los Angeles and American Saint Hill Organization) and a Class V Church, which is among the largest Class V Churches in the world. In addition, it provides living quarters for hundreds of staff, serves as the location for Bridge Publications, and is the site of several management organizations. The buildings themselves are over 50 years old and need extensive engineering, modernization and renovation work to refurbish them to more adequately serve the needs of the religion and its parishioners and staff.

There are other anticipated renovations expenses as well. The Church owns a ranch approximately fifty miles outside of downtown Los Angeles, which is to be renovated to serve as a parochial boarding school for the children of Sea Organization members in a pleasant rural setting. It is also planned to renovate the exterior, basement and first floor of a Church building near the corner of Sunset and Highland in Los Angeles to serve as an information and dissemination center to attract new members to the Church. There are three staff housing facilities in Los Angeles which need significant renovation and refurbishing. It is also anticipated that the Church will need to acquire an additional apartment building to house Sea Org staff.

### Golden Era Productions

The Church owns a large property in Riverside County, California which is the site of Golden Era Productions, Religious Technology Center and several church management bodies. The main activity of Golden Era is the production of religious motion pictures used in the training of ministers and also for

dissemination and providing basic information on Scientology, in addition to filmmaking Golden Era also carries out a full range of audio-visual functions which include the production of tape recorded lectures of LRH, which comprise the largest portion of the Scriptures and the production of the E-Meter, used in auditing.

Golden Era is also responsible for the broad dissemination of Scientology through media advertising described in the first section. This is a unique combination of functions and it has required an extensive program of construction and renovations to convert what was formerly a resort into something that can be used to fit the Church's purposes. The construction program has been underway for approximately four years and is still ongoing. In addition to being most economical in the long run, it was decided that construction of in-house facilities which would be operated exclusively by Scientologists and members of the Sea Organization was the only way to ensure that the materials produced would fully meet all standards required in the Scriptures.

Construction still to be done at this facility includes completion of a sound recording and tape storage building, construction of housing for staff, a film processing laboratory, a large film studio, two office buildings, a crew study facility, an underpass beneath a highway which bisects the property, a crew study facility, as well as landscaping and installation of various utilities and infrastructure.

There is also a ranch facility nearby which serves as a parochial boarding school for children of Sea Org Members working at the Golden Era facility. Additional renovations are needed of the main building of this facility.

#### Other Church Real Estate

The Australian Church owns a three story building in Sydney Australia from which it ministers the upper levels of Scientology services to its religious community. This building is being fully upgraded. The Advanced Church in Europe-owns a 300-year old six story building in the centre of Copenhagen which is used to house the Advanced Organization for Europe. This building requires extensive renovation due to its age.

There are Sea Org staffed Continental Liaison Offices (CLO's) at various locations around the world. Currently, CLOs consist of between 35 and 90 staff and it is expected

that they will grow in size over the next several years, since all CLO staff are members of the Sea Org, residential, dining and child care facilities are also provided for staff. The CLOs for Latin America, Australia-New Zealand, Africa, Canada, Italy and Europe need either renovation of existing facilities or purchase and renovation of new facilities.

Scientology Scripture requires that Church organizations do whatever they can to become and remain free of debt. Therefore it is planned to pay existing mortgages on Church buildings.

There are currently 100 Class V Churches which are housed in rented properties. Churches have specific building requirements, in order to accommodate their delivery needs, as discussed in the introduction to this section above. An adequate building for a Class V Church will vary in price depending on the location, but an average is estimated to be around \$1,600,000 for the purchase and another \$300,000 in renovations to customize it to needs of a Class V church. It is estimated that we will acquire properties for at least 35 such Churches in the next five years.

Lastly, renovations projects are planned for existing Class V Church buildings in Washington, D.C., Boston and New York.

The anticipated cost of property acquisition, construction and renovation is:

Flag Land Base;

New Building -	\$24,000,000
Staff Dining/Study -	1,600,000
Staff and Student Housing -	4,200,000
Office Bldg & Annex -	575,000
Housing for Parishioners -	450,000
Fort Harrison -	8,000,000

Saint Hill Manor;

Staff Dining -	\$500,000
Estates Building -	150,000
Staff Housing -	5,000,000

Los Angeles Area;

Ranch -	\$ 750,000
Los Angeles Complex -	9,950,000
Dissemination Center -	600,000
Staff Housing Renovations -	2,200,000
Staff Housing Acquisition -	2,000,000

Golden Era Productions!

Sound recording and tape storage facility -	\$ 587,000
Film processing laboratory -	1,500,000
Large film studio -	3,000,000
Landscaping and utilities -	3,646,000
Office Buildings -	5,200,000
Staff Housing -	7,500,000
Electrical distribution and emergency power supply -	2,125,000
Highway underpass -	825,000
Crew study facility -	545,000
Emergency supplies and storage -	750,000
Renovations of Ranch -	250,000

Other Real Estate;

Advanced Church Australia -	\$ 1,200,000
Advanced Church Europe -	2,500,000
CLO Europe -	2,000,000
CLO Australia/New Zealand (Sydney)	1,500,000
CLO Canada -	1,500,000
CLO Latin America -	750,000
CLO Italy -	2,000,000
CLO Africa -	750,000
Mortgage retirement -	20,000,000
New buildings for Class V Churches	66,500,000
Renovations of Class V Churches	600,000
<b>Subtotal Church Facilities</b>	<b>\$185,203,000</b>

CATEGORY 3 - PRODUCTION OF RELIGIOUS MATERIALS

The third major category of expenses is the production of Scientology Scriptures in different forms for particular uses. This is in keeping with the overall goal of the religion to get the writings of L. Ron Hubbard and the wisdom they contain broadly distributed in as short a time as possible. Various specific projects will be carried out to improve dissemination and to make the works of Mr. Hubbard available in various forms.

There are 61 technical and public dissemination films written by Mr. Hubbard which are not yet produced. It is intended that these all be produced in the next five years and completion of the

larger film studio mentioned earlier is part of this plan. These are vital to the training of ministers and religious dissemination.

There are other audio-visual materials that Golden Era will produce as well. 26 slide shows per year will be produced to disseminate Scientology, recruit new members for the Sea Organization and to inform staff regarding some particular aspect of the Scripture. Golden Era will also produce a variety of videos that are produced and distributed to Churches for instructional purposes as well as for general information on current events within the Church.

Golden Era Productions also plans to produce a special Hubbard electrometer for secular use in word clearing (helping a student locate and define (clear) words that he doesn't understand). This is in furtherance of the Church's social betterment programs to upgrade the quality of education.

Much of Mr. Hubbard's administrative and technical Scripture is contained in two multi-volume sets of books known respectively as the OEC (Organization Executive Course) and the Technical Volumes. It is intended to make these sets available in 12 additional languages over the next five years.

CSI is currently producing packs of ecclesiastical policy and other pertinent materials specifically tailored to each position in a Church organization, so as to make staff fully proficient in their duties.

CSI will also establish a printing facility in Los Angeles to more economically produce dissemination materials.

There is an official biography of L. Ron Hubbard in production which is due to be released in 1993. The Church will utilize this book for public education purposes and to attract new members. It will be distributed free of charge to libraries and societal leaders to bring about an understanding of Mr. Hubbard and his accomplishments. It will also be made available in public bookstores and widely announced as a major dissemination campaign.

Also to be released is a large book entitled "What is Scientology", which answers all questions anyone might have about the religion and which will serve as a permanent reference book. This book will also be distributed free of charge to libraries and key figures in society so that they might have a true understanding of what Scientology is and does.

Certain portions of Scientology Scripture will be adapted and recorded in a format used by radio stations in many languages. These are then utilized as public service announcements by radio stations and are part of the Church's social betterment activities.

Lastly, the Church intends to produce a series of high quality magazines depicting different aspects and accomplishments of L. Ron Hubbard in all major languages. Many of these magazines will be distributed free of charge to a large mailing list of government and societal leaders in order to provide a better reality on Mr. Hubbard and his contributions to mankind.

**Estimated Cost of Materials Production are:**

Films -	\$ 28,500,000
Slide Shows -	3,250,000
Golden Era Videos -	3,600,000
Word Clearing Meter -	160,000
Translation of Technical and Policy Volumes -	12,000,000
Post Training Materials -	2,850,000
Church Printing Facility -	2,000,000
LRH Biography - printing and distribution	4,000,000
What is Scientology - printing and distribution	2,500,000
Radio Public Service Announcements -	1,040,000
LRH Magazines - printing and distribution	2,650,000
Subtotal Production of Religious Materials	----- \$ 62,550,000

MISCELLANEOUS

The Church has plans to expand its central computer facilities so that ecclesiastical management will be better informed as to the state of affairs in local churches and thereby better able to serve and to also assist individual Churches. The Church also supports various social reform activities from its own reserves in addition to the broad based public support of these efforts. Lastly, the Church has been forced over the years to engage in extensive litigation to protect the rights of its members around the world to freely practice their religion. The estimated litigation expenses

over the next few years is based on current expenses. The estimated cost internationally is:

Miscellaneous Costs:

Computerization -	\$ 8,750,000
Social Reform -	3,500,000
Defense -	60,000,000
Subtotal Miscellaneous Costs	\$ 72,250,000

USE OF RESERVES CHURCH OF  
SPIRITUAL TECHNOLOGY

Church of Spiritual Technology ("CST") was formed to preserve and protect Scientology Scripture for all time against any conceivable catastrophe. To date, CST has spent in excess of \$52,000,000 towards the accomplishment of its archival mission. Three vaults for storage of Scripture have been completed along with ancillary structures and support facilities. Two of the vaults have been designed to withstand any conceivable catastrophe, including a near direct nuclear blast. The third is a working vault at CST's headquarters which preserves the original materials and films. As covered below, CST has definite plans to spend another \$114,000,000 in reserves to complete the current phase of its archival preservation project within the next five years. The below projects are firm plans but subject to modification if improvements in preservation, materials or technology become available.

A. Metal Plates Project;

The entirety of Scientology Scripture is being etched by CST onto thin indestructible plates of stainless steel. The stainless steel used is one of the most corrosion resistant types available (Type 304), and these plates will last for several thousand years even in a corrosive marine environment. They will last indefinitely inside sealed capsules filled with inert gas. There are an estimated 1,800,000 stainless steel plates required to hold all the Scientology Scripture. Each plate weighs .6 lbs and the combined weight of all plates that will be produced is over 540 tons. At a cost of \$13 each, the total cost of the project will come to \$23,400,000. CST has spent \$1,365,000 to date on this activity and estimates that it will spend an additional:

\$22,035,000

B. Archival Publishing Project:

CST is archivally re-printing all the Scientology Scripture in book form using the longest possible lasting materials. The paper used is custom made for CST using long-fiber cotton and linen which is then alkaline buffered to protect against future acid attack. The printing inks were specially researched and formulated for this project and are lab tested not to fade under the equivalent of 2 years of direct sunlight. Once printed, the books are hand crafted by one of the foremost archival binderies in the world using only

the longest lasting and most durable materials. The total number of books that will be produced in this fashion is estimated at 75,000. There are 250 different book titles that will be preserved with an average cost of \$37,000 per title. The total cost of this project is estimated at \$9,250,000 and CST has spent \$1,150,000 of this to date. It is estimated that CST will spend an additional:

\$8,100,000

C. Archival Reference Book Prelect:

CST is producing archival reference books to go into long-term storage with the Scientology Scripture in order to assist the understanding of the Scripture in the far distant future. This is essentially a full reference library containing dictionaries, an encyclopedia, simple texts on a variety of subjects and foreign language dictionaries for the 20 most spoken languages. 26 copies of each book are duplicated onto archival paper using an archival xerographic process to transfer the text. The pages are then bound with the same procedure and materials as the Scientology books above - i.e. hand-sewn with 100% linen thread, archival inner cover liners and durable Irish linen book cloth. The total number of reference books being produced on this project is 2730, which includes 105 different book titles. The estimated cost of the entire project will be \$1,115,000 and CST has incurred \$370,000 to date, leaving:

\$745,000

D. Archival Record Project;

Mr. Hubbard's recorded Scientology and Dianetics lectures are being preserved on long playing records made of pure nickel. These are partially manufactured by CST using the finest possible mastering equipment. The records are hermetically sealed with a thin coating of nickel which can be peeled away at some future date. The total number of such records to be produced by CST is 187,500, which consists of 2500 different lectures with 75 records per lecture. The cost for these records is \$90 each for an overall project cost of \$16,875,000. CST has only just begun this project and has to date spent \$200,000, with an estimated cost to complete of:

\$16,675,000

E. Archival Compact Disc Project;

All of Mr. Hubbard's Scientology and Dianetics lectures are also being preserved on long lasting archival compact discs. These CDs are made from very durable tempered glass which has the digital data etched right into it (rather than being etched into the reflective layer, as is done with conventional CDs). The reflective layer used on these CDS is pure gold. Protecting the gold is an extremely hard and tough layer of transparently thin titanium. The estimated life of these archival compact discs is projected to be at least 1,000 years. The total number of such compact discs CST will be producing is 62,500, which consists of 25 copies of 2500 different recorded lectures. At a cost of \$9000 per lecture, the overall estimated cost of this project is \$22,500,000. CST has spent \$100,000 to date on this project and estimates an additional expenditure of:

\$22,400,000

F. Digital Film Project;

There are approximately 100 films written by Mr. Hubbard which are used for training Scientology students in the exact use of Scripture or for introducing persons to the Scientology religion. Although still under research, CST plans to digitize these films and transfer them to archival laser discs for retrieval in the distant future. There will be 25 laser disc copies made of each of the 100 films. At a cost of \$30,000 -per film the total cost of this project will be \$3,000,000. No funds have been spent to date on this project until the research is completed, so the amount left to spend is:

\$3,000,000

G. Analog Tape Project;

All of Mr. Hubbard's Scientology and Dianetics lectures have been preserved on long lasting magnetic tape utilizing the best technology and equipment available to rescue and preserve the original recordings from their often deteriorated state. The total number of tapes produced thus far is 113,000, including 48,000 reel to reel tapes and 65,000 cassettes. The total cost of this project is \$1,500,000 with \$1,150,000 having been spent to date, leaving:

\$350,000

H. Time Capsule Project;

CST has designed and engineered titanium time capsules for storage of the archival Scripture. These capsules are designed to remain intact even if immersed in salt water for hundreds of years and will last 1,000s of years in a less corrosive environment. The capsules are filled with archival Scripture, evacuated and then filled with inert gas to preserve the contents. A total of 15,500 of such time capsules will be produced by CST at a cost of \$2075 a piece for a total projected cost of \$32,165,000. To date CST has spent approximately \$14,640,000 on producing these capsules and estimates that it will spend another:

\$17,525,000

I. Thermal Cover Project:

The time capsules contain heat sensitive materials and therefore will be further protected with thermal covers made from insulation materials and designs incorporated in the space shuttles. The total number of thermal covers to be produced is 14,000. At a cost of \$850 each, the total cost for this project is \$11,900,000 and CST has spent \$720,000 to date, leaving:

\$11,180,000

J. Storage Rack Project;

CST designed and engineered storage racks to hold the time capsules and thermal covers. The racks are made from corrosion resistant stainless steel tube and are of modular design so they can be stacked for efficient utilization of vault space. Once loaded the racks are then encased in extremely tough Kevlar dust covers. The total number of storage racks needed to store the materials is 2,400 at a cost of \$4,870 apiece, with a total project cost of \$11,688,000. So far CST has spent \$1,260,000 on this project, leaving:

\$10,428,000

K. playback Equipment Project;

CST is modifying playback equipment (e.g. CD players, record players, digital film players) for inclusion in the vaults. This equipment is modified to make it long lasting and to utilize solar energy as there is no guarantee of current power sources in the long distant future. The playback equipment items to be stored with the materials includes 25 CO players, 25 record players and 25 digital film players. The total estimated cost for this equipment is \$1,760,000. To date CST has spent \$20,000 on this project, leaving:

\$1,740,000

Total Remaining Costs of Above Projects \$ 114,178,000

ADDITIONAL PROJECTS

The completion of the above projects will satisfy the current phase of CST's archival preservation activities. There will be two virtually indestructible vaults containing several full sets of Scripture on very long lived media with additional sets of the preserved Scripture stored in the vault at CST's main facility. Additional sets of the preserved Scripture and the required storage containment systems for them will also have been produced for storage in overseas storage vaults which CST is currently planning to build as outlined below. Thus the survival of Mr. Hubbard's religious philosophy and technology will be very much assured. The preservation media will be upgraded as new materials and techniques become available and this will be an ongoing activity.

The major threat to these vaults and archived Scripture in the centuries to come will be from vandals and looters. In large measure the security of the archives will depend on the political and social stability of the population in this country. In order to minimize this risk, CST will be establishing additional indestructible vaults in other parts of the world in the next phase of its religious program.

CST also has firm plans to construct many large indestructible obelisks in different parts of the world with the express purpose of preserving for all future generations of man, the precepts from

USE OF RESERVES - UPDATE

The supplemental submission that Church of Scientology International filed with the Service in August of 1987 included a list of planned reserves expenditures for the years 1987/88. The following description compares this projection to expenditures actually made thereafter.

DISSEMINATION OF THE TECHNOLOGY;

The Church reported that there were plans to use a total of \$43,514,631 from reserves in 1987 and 1988 to disseminate Scientology.

In the first half of 1987 the Church spent approximately \$4.1 million on the promotion of the books, Dianetics The Modern Science of Mental Health and Self Analysis and by the end of 1988 had spent an additional sum estimated at \$18 million on these campaigns. In addition, the Church invested over \$2 million per annum in the production of public dissemination and religious training films that were produced by Golden Era Productions.

Some of the Church's planned expenditure on dissemination campaigns occurred subsequently. For example, in 1989, the Church spent a total of over \$16,500,000 on church dissemination and public relations campaigns, and in 1990 over \$17.5 million was spent on broad dissemination campaigns and public event costs.

Summary of dissemination:

Total projected expense	\$43,514,631
Spent in 1987-88	\$26,100,000

PROJECTED EXPENDITURES FOR DEFENSE;

The Church projected expenditure on legal and professional fees, relating to legal matters at approximately \$1,000,000 per month. The Church's estimated expenditure in 1987-88 averaged \$1,250,000 per month or approximately \$30,000,000.

Total projected for 1987-88	\$24,000,000
Spent in 1987-88	\$30,000,000

This figure does not include a total of over \$10,500,000 that was paid to the Internal Revenue Service in 1988 in respect of federal income taxes for Church of Scientology of California for 1973-74, including penalty and interest.

Expenditure in subsequent years has run at somewhat lower levels: 1989 \$13.6 million; 1990 \$8.5 million.

PROPERTIES IN CLEARWATER:

The Church projected expenditure on the remodeling and renovations of buildings in Clearwater, Florida, the location of the Church of Scientology Flag Service Organization totaled \$5,558,500 in 1987-88.

Total expenditure on property renovations in the two years 1987-88 was over \$5,750,000.

PLANNED PROPERTY RENOVATIONS AND PURCHASES IN LOS ANGELES:

a. Cedars Complex;

The Church projected renovations of the Cedars Complex totalling \$2,690,000. In 1987-88 the Church spent a total of \$1,070,000 on these renovations and a further \$1,466,000 on Cedars Complex renovations over the next 2 years: 1989-90.

b. LRH Exhibition;

It was projected that a museum would be built to exhibit an informative view of LRH's life costing \$3.2 million and a new facility for introductory religious services and parking structure. The L. Ron Hubbard Life Exhibition situated on the ground and mezzanine floors of the Hollywood Guaranty Building, at 6331 Hollywood Boulevard, was opened in April 1991 at a cost of approximately \$3.4 million. The facility for introductory services is still planned to be built in the parking lot of the Church's Hollywood Inn property, situated at 5724 Hollywood Boulevard, but work has not yet commenced.

c. New properties and Hollywood Inn;

It was projected that the Church would acquire new properties for about 600 of the staff who were at that time at Cedars Complex. Projected costs with renovations was \$15,000,000. Renovations were also projected for the Hollywood Inn, to convert it to an

administrative office building, including construction of a 100-car parking facility and extensive interior and exterior renovations. The total estimated costs were \$22,000,000.

The Church's plans for the use of the Hollywood Inn subsequently changed. Instead, in 1988, the Church bought the Hollywood Guaranty Building for \$5,000,000 to house middle management organizations that were situated in the Cedars Complex or at other locations in Los Angeles. The building was extensively renovated at an additional cost of over \$11,500,000.

In 1988, the Church also bought a berthing building to accommodate Sea Org staff, called the Anthony Building on Fountain Avenue close to the Cedars Complex, at a cost including renovation of over \$3,500,000.

d. Boarding school for children;

For a boarding school for children of Sea Org members outside of the city the Church projected purchase and renovation costs of \$1.7 million and operational costs for the first year of operations at \$972,000.

A property was located at Saugus, 50 miles North of Los Angeles, and purchased in 1990 at a cost of slightly over \$700,000. Delays in obtaining vacant possession of the property and the necessary Conditional Use permit have delayed renovation and occupancy of the property, which is now scheduled for late 1992.

The Church did proceed with the renovation and occupancy of a second Ranch property for children of staff based at Oilman Hot Springs called Castile Canyon Ranch, a Church property owned since 1979 but not renovated or used to any great extent other than as staff berthing. This included the purchase of an adjacent Property, known as the Campbell property, and renovation of both properties prior to occupancy at a cost of over \$1.7 million over the period 1988 to 1991.

e- Restoration of the Manor:

The church projected expenditure from Central Reserves for renovations to the Fifield Manor, 5730 Franklin Avenue in Hollywood, which is occupied by the Church of Scientology Celebrity Centre International, totalling \$ 9,343,000. The commencement of these renovations was delayed but got underway in 1988. Thereafter, in the period from 1988 to 1991, a total of over \$ 13 million was spent to complete the full interior renovation. The final Portion of the renovations to the exterior area, including

event facility and landscaping, is scheduled for completion in mid-1992 at an additional cost of approximately \$3 million. g

ILMAN HOT SPRINGS PROPERTIES AND FACILITIES:

The projected reserves expenditures with respect to the properties at Oilman Hot Springs relating to Golden Era Productions and certain other Church organizations located there totalled \$13,215,000, together with a new building costing \$1,085,060, and other staff facilities and utilities for \$12,277,606, giving a grand total of \$26.5 million.

Extensive renovations to the property were carried out on a continuous basis during the years from 1988 onwards and a total of over \$40 million was invested over the 4-year period 1987 to 1990.

The main features of the base renovations include: the construction of a new building which houses the administrative offices of Golden Era Productions and manufacturing lines for cassette tapes reproduction of Mr. Hubbard's lectures and the Hubbard electrometer; new kitchen and dining room facilities for the 700 Sea Org members based at Gilman Hot Springs; new offices for film and video production staff; improvements to the movie studio; the full renovation of numerous buildings for use by staff of the LRH book Compilations and Translations units; outbuildings used by Golden Era's carpentry and movie sets crew, carpentry and engineering facilities, motor pool and estates machinery maintenance workshops; extensive earth-moving and landscaping; pipework, water, sewage and utility lines, etc. In addition a golf course was constructed at the east end of the property pursuant to a County of Riverside pre-condition to the Church receiving a Conditional Use permit for other construction on the property. It is leased to a professional golf course management company and open to the public.

Some of the original planning has not yet been carried out or commenced, including, for example: the construction of staff accommodation on the base; the construction of a second movie studio; completion of an audio building and storage facilities for use in the recording of L. Ron Hubbard's lectures in foreign languages; self-sufficiency farming project; production lines for manufacture of L. Ron Hubbard's recorded lectures on compact discs and films on laser discs.

ADDITIONAL INVESTMENTS:

Although not included in the original planning, the Church also invested funds from central reserves during the period since 1988, on the following real and tangible property projects:

(i) New sound recording and movie equipment including an Arriflex camera used by Golden Era Productions in producing public dissemination and religious training films and soundtracks.  
COST: 2,480,000

(ii) New computerized telephone system for the principal organizations within Church of Scientology International which has a staff of over 1,200 people at 3 different locations.

Cost \$ 360,000

(iii) The completion in October 1989 of the Saint Hill Castle buildings at East Grinstead, Sussex, England for Church of Scientology Religious Education College, the UK Church. The entire construction comprised the completion of a new driveway and public reception area, fifty new rooms for auditing parishioners, large Public Division course rooms, new academy for major courses (including the Saint Hill Special Briefing Course which Mr. Hubbard gave at Saint Hill in the early 1960s), new refectory for use by students and preclears, new administrative offices for the Advanced Organization Saint Hill UK, refurbishing of the bookstore area, up-grade of original course rooms, Hubbard Guidance Center, parishioner waiting area, and advanced course rooms, plus an auditorium for public events of up to 1,000 people with built-in stage, lighting, chairs, etc.

The above saw the final completion of a several phase castle building project, based on an original design Mr. Hubbard prepared when he lived there in the mid-1960s. This project first began in the early 1970s but was never completed.

Saint Hill Manor, East Grinstead is of considerable historical interest to Scientologists since it was Mr. Hubbard's home for several years in the late 1950s and early 1960s. It was there that he undertook the research that led to the uniform attainment of the state of "clear" as postulated several years earlier.

Saint Hill, East Grinstead, was the place where Mr. Hubbard gave the series of lectures, and released numerous technical bulletins dealing with the essence of the religion, which later

formed the famous Saint Hill Special Briefing Course. This course includes over 400 taped lectures and the study, of thousands of pages of Mr. Hubbard's religious writings. It is thus the most comprehensive of all courses in Scientology and is only delivered in the Academies of Saint Hill organizations which are located in East Grinstead, Copenhagen, Sydney and Los Angeles, and at the Flag Service Organization in Florida.

Following completion of the Saint Hill Castle project, a full restoration of Saint Hill Manor house itself was undertaken and completed in August 1991.

Because of the significance of Saint Hill Manor to the Scientology religion and Scientologists, the Saint Hill projects were funded from central reserves at a total cost to completion of over \$8,000,000 during 1988 to 1991.

To give the Service a better understanding of the improvements to church properties that have been done recently, some photographs are attached, as Exhibits II-5. These show representative examples of Church buildings prior to renovation and after completion.

#### PROJECTED EXPENDITURES FOR COMPUTER EQUIPMENT:

In the projection, a total of \$21,430,000 was estimated to be spent on computerization and computer equipment.

In the 4-year period 1988 to 1991 a total of over \$17,500,000 was expended, primarily on the following: Mainframe computer equipment \$4.8 million, terminals and printers \$2 million, communications equipment \$2.1 million, site establishment and computer installation \$450,000, software and software development \$3.7 million, computerization of church organizations \$2.8 million, and hard and software maintenance \$1 million.

#### LRH COMPILATIONS UNIT:

The Church also described the need for equipment for the LRH Compilations Unit totalling \$757,561. Of this \$360,000 was spent on typesetting equipment and a further \$165,000 on computer and word processing equipment to date. The facility for recording translated materials on tape will be operational in 1992.