

Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

Read the instructions for each Part carefully.

A User Fee must be attached to this application.

If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to you.

Part I Identification of Applicant

| | | |
|--|---|--|
| 1a Full name of organization (as shown in organizing document) Foundation Church of Scientology Flag Ship Service Organization | | 2 Employer identification number (If none, see instructions.) 98 0133545 |
| 1b c/o Name (if applicable) | 3 Name and telephone number of person to be contacted if additional information is needed Thomas C. Spring (202) 588-8488. | |
| 1c Address (number, street, and room or suite no.) Abraham De Veerstraat 4 | 4 Month the annual accounting period ends December 31 | |
| 1d City or town, state, and ZIP code Willemstad, Curacao, Netherland Antilles | 5 Date incorporated or formed April 21, 1988 | |
| 6 Activity codes (See instructions.) 001 | 7 Check here if applying under section: a <input type="checkbox"/> 501(e) b <input type="checkbox"/> 501(f) c <input type="checkbox"/> 501(k) | |
| 8 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? If "Yes," attach an explanation. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| 9 Has the organization filed Federal income tax returns or exempt organization information returns? If "Yes," state the form numbers, years filed, and Internal Revenue office where filed. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |

This document is partly text formatted searchable, partly image formatted - that part being non searchable.

Parts of the text have been highlighted to attract attention

10 Check the box for your type of organization. BE SURE TO ATTACH A COMPLETE COPY OF THE CORRESPONDING DOCUMENTS TO THE APPLICATION BEFORE MAILING.

* See page 1A attached.

- a Corporation— Attach a copy of your Articles of Incorporation, (including amendments and restatements) showing approval by the appropriate State official; also include a copy of your bylaws.
- b Trust— Attach a copy of your Trust Indenture or Agreement, including all appropriate signatures and dates.
- c Association— Attach a copy of your Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence the organization was formed by adoption of the document by more than one person; also include a copy of your bylaws.

If you are a corporation or an unincorporated association that has not yet adopted bylaws, check here

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please Sign Here


(Signature)

Supervisory Director
(Title or authority of signer)

August 18, 1993
(Date)

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Complete the Procedural Checklist (page 7 of the instructions) prior to filing.

This document has been OCREd but is unchecked or minimally checked for spelling and other errors

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Part 1A

Part I, Question 10 - Form of Organization

Foundation Church of Scientology Flag Ship Service Organization ("FSSO") is organized as a Netherlands Antilles religious foundation. Its organizing documents are the same in most respects to the articles of incorporation under which other churches of Scientology are organized in the United States. Copies of its organizing Instrument and bylaws are attached hereto as Exhibits A and B, respectively.

As discussed in the response to Part II, Question 1, FSSO currently is undergoing a reorganization to undertake activities that up to now have been conducted by two other Scientology organizations. FSSO's organizing Instrument has been amended to reflect these changes. A copy of the amended organizing Instrument is attached as Exhibit C.

Activity and Operational Information

Provide a detailed narrative description of all the activities of the organization — past, present, and planned. Do not merely refer to or repeat the language in your organizational document. Describe each activity separately in the order of importance. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

See pages 2A - 2F.

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

Contributions for religious Services.
Sales of religious books and materials.
Interest income.

Describe the organization's fundraising program, both actual and planned, and explain to what extent it has been put into effect. Include details of fundraising activities such as selective mailings, formation of fundraising committees, use of volunteers or professional fundraisers, etc. Attach representative copies of solicitations for financial support.

See Page 2G.

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Part II, Question 1 - Narrative Description of Activities

Foundation Church of Scientology Flag Ship Service Organization ("FSSO") was established as a Netherlands Antilles religious foundation on April 21, 1988 (see response to Part I, Question 10), for the purpose of ministering the highest level of Scientology religious Services in a religious sanctuary aboard the M.V. Freewinds. Because it ministers Scientology religious Services that are available nowhere else in the world FSSO fulfills a unique role in the international Scientology ecclesiastical hierarchy.

FSSO's specific activities are described fully below. Detailed Information concerning the organizational structure, religious activities and financial affairs of the Scientology ecclesiastical hierarchy and related organizations is contained in the administrative record of the exemption determination proceeding for Church of Scientology International ("CSI"), the Mother Church of the Scientology religion.

The Scientology Religion

Scientology is a religion based upon the research, writings and recorded lectures of its founder, L. Ron Hubbard, which collectively constitute the Scripture of the religion. The Scientology Scriptures are the sole source of all the doctrines, tenets, sacraments, rituals and policies of the Scientology faith. They encompass more than 500,000 pages of writings, nearly 3,000 taped lectures and over 100 films.

The basic tenet of the Scientology religion is that man is an immortal spirit who is basically good and ethical who has lived through countless previous lifetimes and who will live again and again. Although he has a mind and a body, he is himself a spiritual being. The ultimate goal of Scientology is "a civilization without insanity, without criminals and without war, where the able can prosper and honest beings can have rights, and where Man is free to rise to greater heights."

The principal religious practices in Scientology are "auditing" and "training," which consist of a gradient scale of religious Services addressing the spirit. The purpose of auditing is to unburden man of past painful experiences and to orient him as a spiritual being. Auditing results in an increase in spiritual awareness and ability. Ultimately the person

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Part II, Question 1 - Narrative Description of Activities

achieves certainty of himself as a spirit and freedom from unwanted burdens. At this point he also is certain of immortality. "Training" also increases spiritual awareness and ability for the individual and enables a person to utilize the religious technologies of Scientology to improve conditions with him or herself and others.

Scientology is an exact faith, and a fundamental doctrine of the religion is that its religious Services must be orthodox. It holds that spiritual salvation can be attained if, and only if, the path to salvation outlined in the Scripture's religious technology is followed without deviation.

The Scientology Religious Hierarchy

Churches of Scientology that minister religious Services to the public are arranged in a hierarchy that reflects the gradient nature of the spiritual levels of Scientology.

At the base of the religious hierarchy of Scientology are independent ministers and missions of Scientology which minister auditing to the spiritual level of Clear and lower-level and introductory training Services. Class V churches of Scientology also minister all auditing levels that are ministered by missions, plus the Clear Certainty Rundown, which verifies whether or not the state of Clear has been achieved. Class V churches also train and ordain ministers and provide religious training to the level of Class V auditor. Saint Hill churches minister all of the levels of the churches below them as well as religious training to the level of Class VII auditor. Advanced Organizations minister the auditing levels of the churches below them as well as the confidential advanced auditing levels up to the spiritual level of New OT V, and religious training to the level of Class VIII auditor. The Church of Scientology Flag Service Organization ministers auditing to the spiritual level of New OT VII and the highest levels of religious training, Class XII auditor. The highest level of auditing, New OT VIII, is ministered only by FSSO aboard the M.V. Freewinds.

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Part II, Question 1 - Narrative Description of Activities

The Church's Activities

The Church is a church of the Scientology religion and operates in most respects like other churches of Scientology - its primary activity being to minister Scientology auditing and religious training to its parishioners. However, FSSO is unique in that it ministers religious Services available nowhere else in the world and conducts its ministry aboard the M.V. Freewinds, a 7056 ton, 440 foot ship based in the Caribbean.

FSSO's activities all revolve around the ministration of auditing and training to Scientologists who come to the Freewinds from around the world. FSSO has a specially trained team of highly trained Gase Supervisors, auditors and supporting staff in order to minister New OT VIII to qualifying parishioners who have progressed to that level. FSSO also ministers other special Scientology courses unavailable anywhere else as well as certain lower levels of auditing and training to parishioners who wish to receive them while on board.

FSSO conducts its ministry aboard the Freewinds in order to provide a safe, distraction-free environment for the ministry of the highest and most confidential Scientology auditing level. The ship also has an historical and religious significance to Scientologists as it recreates the environment at sea of the Sea Organization in the 1960s and 1970s when Mr. Hubbard was researching the advanced levels aboard the ship Apollo in the Mediterranean. FSSO ministers its religious Services in facilities aboard the Freewinds that have been designed for this purpose, including private auditing rooms conducive to the one-to-one nature of auditing, as well as large course rooms where many Students can congregate to train together.

As a general matter, Scientologists who visit the Freewinds do so for purely religious objectives rather than for recreation, and consequently the Freewinds is not operated like an ordinary cruise ship. It has very limited recreational facilities - only one small pool, used four or five hours sporadically throughout the day; one Volleyball court, used one hour a day, if that; one basketball hoop, which might be used a half hour each day; and no shuffleboard or tennis courts. FSSO encourages its passengers to visit ports at which it may stop for short periods (generally three hours) in order to maintain good relations with the local

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Part II, Question 1 - Narrative Description of Activities

communities. Gambling is not permitted, and alcohol is not served to either passengers or crew. Only qualified Scientologists in good standing with CSI are eligible for passage.

The fact that the Scientologists who visit the Freewinds do so for exclusively religious purposes is reflected by the time they spend on their religious Services while on board. For the most part, Freewinds passengers fall into two major categories - those who come to receive religious Services in OT Hatting which require a one-week stay, and those who come to receive religious Services like Key To Life and New OT VIII, which require a much longer stay (from three, to four to six weeks). Scientologists in the first category generally participate in religious Services approximately five to seven hours a day, seven days a week; Scientologists in the second category generally participate in religious Services eight to ten hours a day, seven days a week. A third category of passengers consists of Scientologists who visit the Freewinds for a limited time in order to attend a specific religious event or Conference. FSSO estimates that on average only five percent of passengers do not receive regularly-scheduled religious Services. These Scientologists come to the Freewinds simply to participate in a pure Scientology religious environment and to spend time talking to other Scientologists about their own religious experiences.

In addition to the FSSO staff directly involved in ministering religious Services to parishioners of the Church, FSSO also has executive and administrative staff who conduct all other necessary activities of the organization, including for example, personnel matters, Communications, treasury and finances, administration and dissemination. These activities are directed by the Commanding Officer FSSO, who, together with his deputies and other top executives form FSSO's executive council, the highest ecclesiastical body in the organization. Beneath the executive council is FSSO's advisory council, comprised of the heads of each of FSSO's divisions. These two bodies direct the day-to-day and week-to-week activities of FSSO.

Up to now the actual Operation of the Freewinds and Provision of berthing and meals to passengers has been conducted by a separate Corporation, Majestic Cruise Lines ("MCL"). Currently a reorganization is underway by which FSSO will

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Part II, Question 1 - Narrative Description of Activities

undertake directly activities now being conducted by MCL as well as certain communication support activities currently being conducted by another Corporation, Church of Scientology Freewinds Relay Office. The current activities of these corporations and the reorganization are described in response to Part II, Question 5.

The Scientology Religious Marks and Advanced Technology

The churches and other organizations that comprise Scientology's ecclesiastical hierarchy recognize CSI as the authority on ecclesiastical matters by virtue of its Status as the Mother Church. (See the FSSO's Bylaws, Article 11-e, Exhibit B.)

CSI's ecclesiastical authority is further enhanced by a written covenant between it and Religious Technology Center with respect to the use of the Scientology religious marks by churches and other organizations within the ecclesiastical hierarchy. Religious Technology Center is the owner of the religious marks associated with the Scientology religion. Through the covenant, Religious Technology Center has given CSI the right and responsibility to permit the organizations of the religion of Scientology to use the marks. Without CSI's written authority to use the marks, and Religious Technology Center's approval, an organization cannot legally use the marks and thus cannot call itself a Scientology organization.

Pursuant to its authority, CSI granted the FSSO the right to use the Scientology religious marks by a written covenant. (Exhibit D.) FSSO is not required to pay royalties for use of these marks.

FSSO has entered into an ecclesiastical management agreement with CSI pursuant to which CSI provides FSSO with ecclesiastical advice, programs and guidance, staff training and general coordination of activities with other Scientology organizations. (A copy of the agreement is attached as Exhibit E.) In exchange for these Services, FSSO supports CSI's program of activities by making ecclesiastical management payments in accordance with its means to be offset against CSI's billings.

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FSSO also has entered into agreements with CSI with respect to the orthodox exhibition of films relating to the practice of the Scientology faith (Exhibit F) and the care of confidential Information parishioners disclose to it in the ministrations of religious Services. (Exhibit G). In exchange for use of the films, FSSO provides CSI nine percent of the contributions it receives from parishioners for training.

Religious Technology Center has the authority to sublicense the right to use the confidential advanced technology of the Scientology religion outside of the United States. Pursuant to its authority Religious Technology Center has granted FSSO the right to minister the highest released levels of the advanced technology to its parishioners in accordance with strict Scriptural requirements. (Exhibit H). FSSO provides RTC six percent of value of religious Services it ministers with respect to the advanced technology.

The Church's Staff Personnel

FSSO is a "Sea Org" organization, which means its staff members belong to the Scientology religious order, the Sea Organization (or the "Sea Org"). To become members of the Sea Org, FSSO's staff members must pledge the next billion years of their existence to the Scientology religion. As Sea Org members, FSSO's staff live and work in a manner befitting their fundamental and total commitment to the Scientology faith.

They live communally in church-provided berthing and eat communally in a church-provided dining room. They are required to live on church premises, so they can live free of the distractions of the secular world and be ready to attend to their religious duties at any time during the day or night. As a general matter, each of FSSO's staff members devotes 14 hours a day to his or her ecclesiastical duties and religious study. They are required to wear the official uniforms of the Sea Org, which FSSO provides.

FSSO's staff personnel are compensated for their ecclesiastical service with a nominal allowance (currently \$50.00 a week) and small bonuses for good performance of their assigned duties, room and board, medical and dental cost (as needed) and child care or school tuition for children. They also may receive

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Part II, Question 3 - Fundraising Program

commissions from sales of Scientology religious books at 15 percent of the sales price.

FSSO solicits contributions for its religious Services through distribution of dissemination materials to Scientologists through mailings to individual Scientologists and distribution of such materials to other churches of Scientology. One of FSSO's most important dissemination materials is its magazine, Freewinds, a representative copy of which is attached as Exhibit I. FSSO does not disseminate to the general public but only to Scientologists who would qualify for FSSO's Services. Other examples of FSSO's dissemination materials are attached as Exhibits J. FSSO does not have a fundraising committee and has not employed any Professional fundraisers.

In addition to the above, FSSO organizes and works closely with Scientologists who do not serve on the staff of a church who either proselytize to the public or assist existing Scientologists in continuing their spiritual advancement. These Scientologists, called "Field Staff Members," play an important part in the dissemination and proselytization of the religion through word of mouth and direct contact. Since the successful efforts of Field Staff Members result in contributions of fixed donations to FSSO as well as the spiritual advancement of its parishioners, FSSO pays Field Staff Members a commission when the Scientologists with whom they have been working begin Services at FSSO. FSSO staff who serve as registrars and are directly responsible for funds for FSSO, also may, under certain circumstances, also receive a very small commission (1/8 to 1/4 percent) of funds they raise.

Once the reorganization discussed in response to Part II, Question 1 is completed, FSSO also will receive payments directly from parishioners for their accommodations aboard the Freewinds. (Currently parishioners pay these amounts to Majestic Cruise Lines as discussed in the response to Part II, Question 5. FSSO will not undertake any special fundraising program with respect to parishioner accommodations aboard Freewinds apart from its current efforts, discussed above, to encourage Scientologists to participate in its religious Services.

Part II Activities and Operational Information (Continued)

4 Give the following information about the organization's governing body:

a Names, addresses, and titles of officers, directors, trustees, etc.

See pages 3A - 3B attached.

b Annual Compensation

See page 3B.

c Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials?

Yes No

If "Yes," name those persons and explain the basis of their selection or appointment.

d Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See the specific instructions for line 4d.)

Yes No

If "Yes," explain.

5 Does the organization control or is it controlled by any other organization?

Yes No

Is the organization the outgrowth of (or successor to) another organization, or does it have a special relationship with another organization by reason of interlocking directorates or other factors?

Yes No

If either of these questions is answered "Yes," explain.

See Pages 3B - 3E.

6 Does or will the organization directly or indirectly engage in any of the following transactions with any political organization or other exempt organization (other than 501(c)(3) organizations): (a) grants; (b) purchases or sales of assets; (c) rental of facilities or equipment; (d) loans or loan guarantees; (e) reimbursement arrangements; (f) performance of services, membership, or fundraising solicitations; or (g) sharing of facilities, equipment, mailing lists or other assets, or paid employees?

Yes No

If "Yes," explain fully and identify the other organizations involved.

7 Is the organization financially accountable to any other organization?

Yes No

If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

But see Page 3E.

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Part II, Question 4 - Officers, Directors and Trustees

FSSO is organized under Netherlands Antilles law where the governing bodies in corporations consist of a Board of Directors and a Supervisory Board of Directors, which is in the nature of a Board of Trustees. FSSO does not have officers. The Supervisory Board of Directors and Board of Directors are as follows:

Supervisory Board of Directors:

Carl Heldt
Store Kongensgade 55
1264 Copenhagen K
Denmark

Maureen Brigatti
M.V. Freewinds
c/o S.E.L.
Maduro & Sons Maduro Plaza
Willemstad, Curacao
Netherlands Antilles

Raef Warren
M.V. Freewinds
c/o S.E.L.
Maduro & Sons Maduro Plaza
Willemstad, Curacao
Netherlands Antilles

Directors

Susan Allcock
c/o S.E.L.
Maduro & Sons Maduro Plaza
Willemstad, Curacao
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Henry Breuer
c/o S.E.L.
Maduro & Sons Maduro Plaza
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Part II, Question 4 - Officers, Directors and Trustees

Sabine Bauman
c/o S.E.L.
Maduro & Sons Maduro Plaza
Willemstad, Curacao
Netherlands Antilles

RMC Associates (Roy Markes)
4 Abraham
De Veerstraat, Curacao
Netherlands Antilles

FSSO is required by Netherlands Antilles authorities to have a resident manager or director in Curacao. RMC Associates is a DBA for Roy Markes who serves as FSSO's local director. Mr. Markes is not related to any officer, director, trustee or staff member of any church of Scientology or related organization. In addition -fco Service as FSSO's resident director, Mr. Markes also provides FSSO with invaluable assistance with respect to public relations and other matters. FSSO compensates Mr. Markes for his Services not less than 36,000 Netherlands Antilles Guilder per annum (equivalent to \$20,224).

With the exception of RMC Associates, the Directors and Supervisory Directors are not compensated in these capacities. RMC Associates's compensation as a Director is reflected in the statement of FSSO's expenses in Part IV, Line 17. Henry Breuer and Sabine Bauman are staff of FSSO and are compensated for the work performed in their staff capacity. These amounts are shown in Part IV, Line 17.

Part II, Question 5 - Relationship With Other Organizations

Because of FSSO's unique circumstances as an on-vessel church constantly sailing from port to port, several organizations have been formed to provide it necessary administrative support and to carry out additional secular functions unique to ships (i.e., ship operations and passenger Services). At present there are six such secular support organizations; five are wholly-owned subsidiaries of Flag Ship Trust ("FST"), a Scientology religious trust organized and operated to meet the requirements of section 501(c)(3) and which is applying for tax exemption concurrently with this application.

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Part II, Question 5 - Relationship With Other Organizations

FST was formed in 1985 for the purpose of receiving donations from Scientologists who wanted to help their religion acquire a sea-going ship from which the highest levels of Scientology religious Services could be ministered to parishioners from around the world. FST also accepted donations with respect to OT VIII, which it paid to FSSO in 1988. FST accomplished its initial limited religious purposes upon acquisition and refitting of the Freewinds. FST currently serves as one of the repositories for the central reserves of the Scientology religion and functions as a holding Company for the following secular support organizations for FSSO:

San Donato Properties, S.A., a Panamanian corporation that is the registered owner of the Freewinds. San Donato collects Charter fees from Majestic Cruise Lines (see below) which it uses to pay the interest and principal of the Freewinds mortgage to Transcorp Services (see below). San Donato is a wholly-owned subsidiary of Transcorp Services. It has no staff.

Transcorp Services S.A., a Panamanian corporation which financed the purchase of the Freewinds. It owns all the shares of San Donato Properties and holds the mortgage on the Freewinds. All of its shares are owned by FST. It has no staff.

FSS Organization, a Netherlands Antilles corporation formed to facilitate FSSO's payment of certain taxes pursuant to an agreement with Netherlands Antilles tax authorities. All of its shares of stock are held by FST. It has no staff.

Majestic Cruise Lines ("Majestic"), a Panamanian corporation which actually operates the Freewinds, thereby allowing FSSO to limit its activities solely to the ministry of religious Services. Majestic is responsible for the maintenance and operations of the Freewinds as well as providing accommodations, meals, and other facilities for parishioners receiving religious Services at FSSO. All of the functions necessary to operate the ship both in port and at sea are conducted by Majestic. FSSO leases its space aboard the Freewinds from Majestic and pays Majestic for the room and board of its staff. Majestic has approximately 129 staff personnel. All of its shares of stock are owned by FST.

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Part II, Question 5 - Relationship With Other Organizations

MCL Services, N.V., a Netherlands Antilles Corporation which provides shore support and liaison Services for Majestic and FSSO from the Freewinds' home port. It has an average of five personnel. All of its shares of stock are owned by FST.

FSSO's sixth support Organization, Church of Scientology Freewinds Relay Office ("CSFRO"), is a nonprofit religious corporation formed by CSI to act as a liaison between the Freewinds and CSI and other churches of Scientology and individuals on shore. CSFRO informs Scientologists throughout the world of FSSO's religious programs, handles Communications to and from the ship and assists church staff and parishioners of FSSO in getting to and from the Freewinds. It has a staff of approximately nine individuals.

As discussed in response to Part II, Question 1, the activities of FSSO and several of its support organizations will be reorganized. As a result of this reorganization FSSO will undertake the activities currently being conducted by Majestic and CSFRO. Both Majestic and CSFRO subsequently will dissolve. The reorganization is to be executed as follows:

As a first step, FST, the owner of Majestic's stock, will donate the stock to FSSO. FSSO then will liquidate Majestic and take over all of its assets, liabilities, staff and responsibilities. Majestic in effect will become an unincorporated division or "org" within FSSO to provide meals and accommodations to FSSO's parishioners and staff. After liquidation, Majestic will dissolve.

FSSO will directly assume all support Services that CSFRO currently is performing for FSSO and for Majestic. CSFRO's staff and assets likewise will be transferred directly to FSSO, after which it also will dissolve.

FSS Organization will be dissolved as it is no longer necessary for Netherlands Antilles tax reporting purposes.

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Part II, Question 5 - Relationship With Other Organizations

Two of FSSO's supervisory board members also hold corporate positions with other Scientology entities. Carl Heldt and Maureen Brigatti are trustees of Flag Ship Trust, Trust for Scientologists and Scientology International Reserves Trust, and are directors of the International Association of Scientologists. Carl Heldt is also a trustee of International Publications Trust, and is a director of New Era Publications International ApS.

Part II, Question 7 - Financial Accountability

While FSSO is responsible for and manages its own finances, it recognizes the ecclesiastical authority of CSI with respect to financial matters that affect the religion.

Consequently, FSSO presents proposals to CSI's Reserves Committee for its approval for expenditure from its reserves accounts.-- FSSO also provides CSI weekly reports. A representative copy of such financial reports is included in CSI's administrative record.

Part II Activities and Operational Information (Continued)

8 What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken. If "None," indicate "N/A."

Furniture and equipment, an inventory of books and materials, and the rights to use the Scientology religious marks and advanced technology.

- 9a** Will any of the organization's facilities or operations be managed by another organization or individual under a contractual agreement? Yes No
 - b** Is the organization a party to any leases? Yes No
- If either of these questions is answered "Yes," attach a copy of the contracts and explain the relationship between the applicant and the other parties.

See Page 4A and Exhibits L and M. See Part II, Question 5.

10 Is the organization a membership organization? Yes No

If "Yes," complete the following:

- a** Describe the organization's membership requirements, and attach a schedule of membership fees and dues.
- b** Describe your present and proposed efforts to attract members, and attach a copy of any descriptive literature or promotional material used for this purpose.
- c** What benefits do (or will) your members receive in exchange for their payment of dues?

11a If the organization provides benefits, services or products, are the recipients required, or will they be required, to pay for them? N/A Yes No

If "Yes," explain how the charges are determined, and attach a copy of your current fee schedule.

See Pages 4A and 4B.

b Does or will the organization limit its benefits, services or products to specific individuals or classes of individuals? N/A Yes No

If "Yes," explain how the recipients or beneficiaries are or will be selected.

Scientists in good-standing with the Mother Church who have attained the spiritual levels necessary to qualify for FSSO's religious services.

12 Does or will the organization attempt to influence legislation? Yes No

If "Yes," explain. Also, give an estimate of the percentage of the organization's time and funds which it devotes or plans to devote to this activity.

13 Does or will the organization intervene in any way in political campaigns, including the publication or distribution of statements? Yes No

If "Yes," explain fully.

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Part II, Question 9(b)

As discussed above, at present Majestic Cruise Lines operates the Freewinds for FSSO and FSSO leases its space aboard the Freewinds from Majestic pursuant to a written lease attached as Exhibit K. FSSO also has entered into a contractual agreement with the Church of Scientology Freewinds Relay Office with respect to the Provision of communication and support Services with respect to on-shore sources. (Exhibit L).

After the reorganization discussed in response to Part II, Questions 1 and 5 has been completed, FSSO will take over the activities conducted by these two corporations so the lease and agreement will both be terminated. At that time, FSSO will enter into a bareboat Charter with the owner of the Freewinds, San Donato Properties, S.A., on the same basis as the existing Charter between Majestic and San Donato. A copy of the existing bareboat Charter is attached as Exhibit M.

Part II, Questions 11a & 11b, Determination of Charges

The amounts of contributions required for FSSO's religious Services and the religious books and materials that FSSO sells, are established by the Mother Church, CSI.

CSI's policy for setting contribution rates include the following criteria: all amounts are set to enable churches of Scientology to provide the Services, Scriptures and other materials of the religion to more and more members of the general public so that everyone eventually can achieve spiritual salvation. CSI accomplishes this policy by requiring all pricing proposals to undergo extensive review by the executives of the ecclesiastical hierarchy who are involved in the production, dissemination or delivery of the publication, service or material involved. This extensive review is ecclesiastically mandated to ensure each proposal meets the following three criteria.

First, the fixed donation amount must be affordable to a broad segment of the general public. Second, the amount must enable the Church to recover the costs of production or delivery of the materials. Third, the donation amount must be sufficient to enable the Church to remain operational so it can continue performing its religious functions, replenish Stocks if necessary, and expand so it can provide for or minister to an ever growing congregation.

Foundation Church of Scientology
Flag Ship Service Organization
Abraham De Veerstad 4
Willemstad, Curacao,
Netherlands Antilles
Form 1023

Page 4B

Part II, Questions 11a & 11b, Determination of Charges

While CSI employed different methods to implement this policy over the years, the basic principles and review procedures have remained unchanged.

When FSSO takes over Majestic's activities it will continue to set charges for accommodations (which includes meals) under the same general method employed by Majestic. By this method FSSO will determine the amount necessary to cover the cost of providing the space and Services in question based on 100-percent occupancy and set the Charge at one-third over cost. FSSO will offer 20-percent discounts to members of the IAS and a discount of approximately 40 percent to first-time passengers.

Part III Technical Requirements

1 Are you filing Form 1023 within 15 months from the end of the month in which you were created or formed? Yes No
If you answer "Yes," do not answer questions 2 through 6.

2 If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 7.

Exceptions—You are not required to file an exemption application within 15 months if the organization:

- (a) is a church, interchurch organization, local unit of a church, a convention or association of churches, or an integrated auxiliary of a church;
- (b) is not a private foundation and normally has gross receipts of not more than \$5,000 in each tax year; or,
- (c) is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submitted a notice covering the subordinate.

3 If you do not meet any of the exceptions in question 2, do you wish to request relief from the 15-month filing requirement? N/A
 Yes No

4 If you answer "Yes" to question 3, please give your reasons for not filing this application within 15 months from the end of the month in which your organization was created or formed. (See the instructions before completing this item.)

N/A

5 If you answer "No" to both questions 1 and 3 and do not meet any of the exceptions in question 2, your qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed with your key District Director. Therefore, do you want us to consider your application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date you were formed? N/A
 Yes No

6 If you answer "Yes" to question 5 above and wish to request recognition of section 501(c)(4) status for the period beginning with the date you were formed and ending with the date your Form 1023 application was received (the effective date of your section 501(c)(3) status), check here and attach a completed page 1 of Form 1024 to this application. N/A

Part III Technical Requirements (Continued)

7 Is the organization a private foundation?

- Yes (Answer question 8.)
 No (Answer question 9 and proceed as instructed.)

8 If you answer "Yes" to question 7, do you claim to be a private operating foundation?

- Yes (Complete Schedule E) N/A
 No

After answering this question, go to Part IV.

9 If you answer "No" to question 7, indicate the public charity classification you are requesting by checking the box below that most appropriately applies:

THE ORGANIZATION IS NOT A PRIVATE FOUNDATION BECAUSE IT QUALIFIES:

- | | |
|--|--|
| (a) <input checked="" type="checkbox"/> As a church or a convention or association of churches (CHURCHES MUST COMPLETE SCHEDULE A). | Sections 509(a)(1) and 170(b)(1)(A)(i) |
| (b) <input type="checkbox"/> As a school (MUST COMPLETE SCHEDULE B). | Sections 509(a)(1) and 170(b)(1)(A)(ii) |
| (c) <input type="checkbox"/> As a hospital or a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital (MUST COMPLETE SCHEDULE C). | Sections 509(a)(1) and 170(b)(1)(A)(iii) |
| (d) <input type="checkbox"/> As a governmental unit described in section 170(c)(1). | Sections 509(a)(1) and 170(b)(1)(A)(v) |
| (e) <input type="checkbox"/> As being operated solely for the benefit of, or in connection with, one or more of the organizations described in (a) through (d), (g), (h), or (i) (MUST COMPLETE SCHEDULE D). | Section 509(a)(3) |
| (f) <input type="checkbox"/> As being organized and operated exclusively for testing for public safety. | Section 509(a)(4) |
| (g) <input type="checkbox"/> As being operated for the benefit of a college or university that is owned or operated by a governmental unit. | Sections 509(a)(1) and 170(b)(1)(A)(iv) |
| (h) <input type="checkbox"/> As receiving a substantial part of its support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public. | Sections 509(a)(1) and 170(b)(1)(A)(v) |
| (i) <input type="checkbox"/> As normally receiving not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions). | Section 509(a)(2) |
| (j) <input type="checkbox"/> We are a publicly supported organization but are not sure whether we meet the public support test of block (h) or block (i). We would like the Internal Revenue Service to decide the proper classification. | Sections 509(a)(1) and 170(b)(1)(A)(vi) or Section 509(a)(2) |

If you checked one of the boxes (a) through (f) in question 9, go to question 14.

If you checked box (g) in question 9, go to questions 11 and 12.

If you checked box (h), (i), or (j), go to question 10.

Part III Technical Requirements (Continued)

- 10** If you checked box (h), (i), or (j) in question 9, have you completed a tax year of at least 8 months?
 Yes—Indicate whether you are requesting:
 A definitive ruling (Answer questions 11 through 14.) N/A
 An advance ruling (Answer questions 11 and 14 and attach 2 Forms 872-C completed and signed.)
 No—You must request an advance ruling by completing and signing 2 Forms 872-C and attaching them to your application.

- 11** If the organization received any unusual grants during any of the tax years shown in Part IV-A, attach a list for each year showing the name of the contributor; the date and the amount of the grant; and a brief description of the nature of the grant.

N/A

- 12** If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here and:

- a Enter 2% of line 8, column (e) of Part IV-A _____ N/A
- b Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts, grants, contributions, etc., were more than the amount you entered on line 12a above.

- 13** If you are requesting a definitive ruling under section 509(a)(2), check here and: N/A

- a For each of the years included on lines 1, 2, and 9 of Part IV-A, attach a list showing the name of and amount received from each "disqualified person."
- b For each of the years included on line 9 of Part IV-A, attach a list showing the name of and amount received from each payer (other than a "disqualified person") whose payments to the organization were more than \$5,000. For this purpose, "payer" includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

- 14** Indicate if your organization is one of the following. If so, complete the required schedule. (Submit only those schedules that apply to your organization. Do not submit blank schedules.)

| | Yes | No | If "Yes," complete Schedule: |
|--|-----|----|------------------------------|
| Is the organization a church? | X | | A |
| Is the organization, or any part of it, a school? | | X | B |
| Is the organization, or any part of it, a hospital or medical research organization? | | X | C |
| Is the organization a section 509(a)(3) supporting organization? | | X | D |
| Is the organization an operating foundation? | | X | E |
| Is the organization, or any part of it, a home for the aged or handicapped? | | X | F |
| Is the organization, or any part of it, a child care organization? | | X | G |
| Does the organization provide or administer any scholarship benefits, student aid, etc.? | | X | H |
| Has the organization taken over, or will it take over, the facilities of a "for profit" institution? | | X | I |

* See detailed information in the administrative record of CSI's determination proceeding for information responsive to this Schedule A.

Part IV Financial Data

Complete the financial Statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the Statements for each year in existence. **If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.**

| A. - Statement of Revenue and Expenses | | | | | |
|---|------------------------|----------------|---------------------|-----------------|----------|
| | Current tax year | 3 prior tax ye | ärs or proposed bud | 3et for 2 years | e) TOTAL |
| | (a) From Jan to De 092 | (b) 19 91 | (c) 19 90 | (d) 1989 | |
| 1 Gifts, grants, and contributions received (not including unusual grants-see instructions) | 2147608 | 3704943 | 5804420 | 5536447 | 17193418 |
| 2 Membership fees received | | | | | |
| Gross Investment income (see instructions for definition) | 126269 | 290560 | 547659 | 82331 | 1046819 |
| Net income from organization's unrelated business activities not included on line 3 | | | | | |
| Tax revenues levied for and either paid to or spent on behalf of the organization | | | | | |
| Value of Services or facilities furnished by a governmental unit to the organization without Charge (not including the value of Services or facilities generally furnished the public without Charge) | | | | | |
| Other income (not including gain or loss from sale of capital assets) (attach schedule) | | | | | |
| 8 Total (add lines -^ through 7) . | 2273877 | 3995503 | 6352079 | 5618778 | 18240237 |
| Gross receipts from admissions, sales of merchandise or Services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513 | 1895901 | 2558419 | 1604754 | 1730552 | 7789626 |
| 10 Total (add lines 8 and 9) | 4169778 | 6553922 | 7956833 | 7349330 | 26029863 |
| Gain or loss from sale of capital assets (attach schedule) | -31479 | -69079 | 64593 | 6527 | -29438 |
| 12 Unusual grants | | | | | |
| Total revenue (add lines 10 through 12) | 4138299 | 6484843 | 8021426 | 7355857 | 26000425 |
| 14 Fundraising expenses. | 416965 | 557808 | 864130 | 818617 | |
| Contributions, gifts, grants, and simif amounts paid (attach schedule) | 6001 | 4146447 | 1824978 | 2919252 | |
| Disbursements to or for benefit of members (attach schedule) | | | | | |
| Compensation of officers, directors, and trustees (attach schedule) | 26960 | 23080 | 23606 | 26689 | |
| 18 Other salaries and wages | 216346 | 161803' | 181385 | 217052 | |
| 19 Interest | | | | | |
| 20 Occupancy (rent, Utilities, etc.) | 1560000 | 1542533 | 1560000 | 1585818 | |
| 21 Depreciation and depletion | 35138 | 35138 | 33338 | 28775 | |
| 22 Other (attach schedule) | 4206917 | 5178220 | 5942783 | 5571946 | |
| Total expenses (add lines 14 through 22) | 6468327 | 11645029 | 10430220 | 11168149 | |
| Excess of revenue over expenses (line 13 minus line 23) | -2330028 | -5160186 | -2408794 | -3812292 | |

C O U N C I L

Part IV Financial Data (Continued)

| B. - Balance Sheet (at the end of the period shown) | | Current tax year D, tel2/31/92 |
|---|---|-----------------------------------|
| Assets | | |
| | 1 | 657583 |
| 2 | Accounts receivable, net | 102850 |
| 3 | Inventories | 1440612 |
| 4 | Bonds and notes receivable (attach schedule) | 6897210 |
| 5 | Corporate Stocks (attach schedule) | |
| 6 | Mortgage loans (attach schedule) | |
| 7 | Other Investments (attach schedule) | 2007017 |
| 8 | Depreciable and depletable assets (attach schedule) | 26259 |
| 9 | Land | |
| 10 | Other assets (attach schedule) | |
| 11 | Total assets (add lines 1 through 10) | 11131531 |
| Liabilities | | |
| 12 | Accounts payable | 1156428 |
| 13 | Contributions, gifts, grants, etc., payable | |
| 14 | Mortgages and notes payable (attach schedule) | |
| 15 | Other liabilities (attach schedule) | 25078524 |
| 16 | Total liabilities (add lines 12 through 15) | 26234952 |
| Fund Balances or Net Assets | | |
| 17 | Total fund balances or net assets | -15103421 |
| | 18 | 11131531 |

If there has been any substantial change in any aspect of your financial activities since the end of the period shown above, check the box and attach a detailed explanation..... ••!»• [[

Foundation Church of Scientology Flag Ship Service Organisation

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Periods Ended December 31, 1989, 1990, 1991 and 1992

Part IV Financial Data - Method of Accounting

The financial Statements have been prepared on an accrual basis, under the historical cost convention.

Under applicable tax and financial accounting principles in the Netherlands Antilles contributions by FSSO parishioners with respect to religious Services in which they will participate in the future must be reported as liabilities rather than as present contributions.

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-92

Part IV Section A Line 11 Gain or Loss from Sale of Capital Assets

| <u>Asset</u> | <u>To Whom Sold</u> | <u>Gain (Loss)</u> |
|--|------------------------|--------------------|
| Realized Loss on Foreign Currency Conversion to US \$ | Kredietbank Luxembourg | (31,479) |
| | | (\$ 31,479) |

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-91

Part IV Section A Line 11 Gain or Lose from Sale of Capital Assets

| <u>Aaset</u> | <u>To Whom Sold</u> | <u>Gain(Los3)</u> |
|--|------------------------|-------------------|
| Realized Loss on Foreign Currency Conversion to US \$ | Kredietbank Luxembourg | (69,079) |
| | | (\$ 69,079) |

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-90

Part IV Section A Line 11 Gain or Loss from Sale of Capital Assets

| <u>Aaset</u> | <u>To Whom Sold</u> | <u>Gain(Loss)</u> |
|--|------------------------|-------------------|
| Realized Gain on Foreign Currency Conversion to US \$ | Kredietbank Luxembourg | 64,593 |
| | | \$ 64,593 |

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-89

Part IV Section A Line 11 Gain or Loss from Sale of Capital Assets

| <u>Asset</u> | <u>To Whom Sold</u> | <u>Gain (Loss)</u> |
|--|------------------------|--------------------|
| Realized Gain on Foreign Currency Conversion to US \$ | Kredietbank Luxembourg | 6,527 |
| | | \$ 6,527 |

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-92

Part IV Section A Line 15 Contributions, Gifts, Grants, and Similar Amounts Paid

| <u>Recipient</u> | <u>Purpose</u> | <u>Amount</u> |
|---------------------------------------|-------------------|---------------|
| * Church of Scientology International | Religious Program | 6,001 |
| | Total | \$ 6,001 |

* Contributions to CSI's religious program, including payments for ecclesiastical guidance and staff training.

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-91

Part IV Section A Line 15 Contributions, Gifts, Grants, and Similar Amounts Paid

| <u>Recipient</u> | <u>Purpose</u> | |
|---------------------------------------|-------------------|--------------|
| * Church of Scientology International | Religious Program | 1,646,447 |
| Flag Ship Trust | Religious Program | |
| | Total | \$ 4,146,447 |

* Contributions to CSI's religious program, including payments for ecclesiastical guidance and staff training.

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-89

Part IV Section A Line 15 Contributions, Gifts, Grants, and Similar AmountB Paid

| <u>Recipient</u> | <u>Purpose</u> | <u>Amount</u> |
|---|-------------------|---------------|
| * Church of Scientology International | Religious Program | 10,000 |
| Scientology International Reserves Trust | Religious Program | 2,909,252 |
| | Total | \$ 2,919,252 |

* Contributions to CSI's religious program, including payments for ecclesiastical guidance and staff training.

Foundation Church of Scientology Flag Ship Service Organisation

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-92

Part IV Section A Line 17 Compensation of Officers, Directors, and Trustees

| <u>Name</u> | <u>Position</u> | <u>Time Devoted</u> | <u>Compensation</u> |
|--------------------|--|---------------------|---------------------|
| Carl Heldt | Supervisory Director | As necessary | 0 |
| * Maureen Brigatti | Supervisory Director | As necessary | 2,040 |
| Raef Warren | Supervisory Director | As necessary | 0 |
| * Henry Breuer | Director | As necessary | 390 |
| * Julia Breuer | Director | As necessary | 1,915 |
| * Sabine Bauman | Director | As necessary | 415 |
| * Susan Allcock | Director | As necessary | 92 |
| * Sharron Kimball | Director, Secretary | As necessary | 1,884 |
| RMC Associates | Local Director, resident in Curacao, Netherlands Antilles | As necessary | 20,224 |
| | | | \$ 26,960 |

* The Compensation to these individuals was only for their Service as staff of the organization, not their service as Officers or Directors.

Foundation Church of Scientology Flag Ship Service Organisation

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-91

Part IV Section A Line 17 Compensation of Officers, Directors, and Trustees

| <u>Name</u> | <u>Position</u> | <u>Time Devoted</u> | <u>Compensation</u> |
|----------------------|--|---------------------|---------------------|
| Carl Heldt | Supervisory Director | As necessary | 0 |
| * Maureen Brigatti | Supervisory Director | As necessary | 355 |
| Raef Warren | Supervisory Director | As necessary | 0 |
| * Julia Breuer | Director | As necessary | 768 |
| Christine Revell | Director | As necessary | 0 |
| Susan Allcock | Director | As necessary | 0 |
| * Sharron Kimball | Director, Secretary | As necessary | 1,310 |
| RMC Associates ** | Local Director, resident in Curacao, Netherlands Antilles | As necessary | 20,647 |
| | | | \$ 23,080 |

* The Compensation to these individuals was only for their Service as staff of the Organisation, not their Service as Officers or Directors.

Foundation Church of Scientology Flag Ship Service Organisation

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-90

Part IV Section A Line 17 Compensation of Officers, Directors, and Trustees

| <u>Name</u> | <u>Position</u> | <u>Time Devoted</u> | <u>Compensation</u> |
|-------------------|--|---------------------|---------------------|
| Carl Heldt | Supervisory Director | As necessary | 0 |
| Maureen Brigatti | Supervisory Director | As necessary | 0 |
| Linda Stuart | Supervisory Director | As necessary | 0 |
| Raef Warren | Supervisory Director | As necessary | 0 |
| Christine Revell | Director | As necessary | 0 |
| * Julia Bernal | Director | As necessary | 485 |
| * Sharron Kimball | Director, Secretary | As necessary | 194 |
| * Elio Cervi | Director, Secretary | As necessary | 2,770 |
| RMC Associates | Local Director, resident in Curacao, Netherlands Antilles | As necessary | 20,157 |
| | | | \$ 23,606 |

* The Compensation to these individuals was only for their Service as staff of the Organisation, not their Service as Officers or Directors.

Foundation Church of Scientology Flag Ship Service Organisation

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-89

Part IV Section A Line 17 Compensation of Officers/ Directors, and Trustees

| <u>Name</u> | <u>Position</u> | <u>Time Devoted</u> | <u>Compensation</u> |
|---------------------|--|---------------------|---------------------|
| Carl Heldt | Supervisory Director | As necessary | 0 |
| Maureen Brigatti | Supervisory Director | As necessary | 0 |
| Linda Stuart | Supervisory Director | As necessary | 0 |
| Catherine de Simone | Supervisory Director | As necessary | 0 |
| * Julia Breuer | Director | As necessary | 1,330 |
| * Elio Cervi | Director, Secretary | As necessary | 3,449 |
| RMC Associates | Local Director, resident in Curacao, Netherlands Antilles | As necessary | 21,910 |
| | | | \$ 26,689 |

* The compensation to these individuals was only for their Service as staff of the organization, not their Service as Officers or Directors.

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-92

Part IV Section A Line 22 Other Expenses

| <u>Other Expenses</u> | <u>Amount</u> |
|--|---------------|
| Bank Charges & Credit Card Charges | 237,620 |
| Dissemination & Printing | 505,021 |
| Film Licensing Fees | 322,219 |
| Freewinds Relay Office & Flag Ship Service Consultants' Expenses | 686,815 |
| Legal, Professional & Accountancy Fees | 40,472 |
| Motor & Travel Expenses | 93,644 |
| Office & Administration | 17,142 |
| Postage & Shipping | 225,031 |
| Purchases for Resale | 1,339,290 |
| Religious Books & Materials Sales Commissions | 219,301 |
| Repairs & Maintenance | 549 |
| RTC Advanced Technology Licensing Fees | 47,677 |
| Staff Enhancement Expenses and Materials | 218 |
| Staff Room & Board and Other Benefits | 203,518 |
| Telephone, Telex & Facsimile | 268,400 |
| | \$ 4,206,917 |

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-91

Part IV Section A Line 22 Other Expenses

| <u>Other Expenses</u> | <u>Amount</u> |
|--|---------------|
| Bank Charges & Credit Card Charges | 275,832 |
| Dissemination & Printing | 663,463 |
| Film Licensing Fees | 61,904 |
| Freewinds Relay Office & Flag Ship Service Consultants' Expenses | 790,870 |
| Legal, Professional & Accountancy Fees | 44,520 |
| Motor & Travel Expenses | 123,357 |
| Office & Administration | 34,195 |
| Postage & Shipping | 697,251 |
| Purchases for Resale | 1,811,373 |
| Religious Books & Materials Sales Commissions | 167,841 |
| Repairs & Maintenance | 3,847 |
| RTC Advanced Technology Licensing Fees | 101,492 |
| Staff Enhancement Expenses and Materials | 1,244 |
| Staff Room & Board and Other Benefits | 132,274 |
| Telephone, Telex & Facsimile | 268,757 |
| | \$ 5,178,220 |

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-90

Part IV Section A Line 22 Other Expensea

| <u>Other Expenses</u> | <u>Amount</u> |
|--|---------------|
| Bank Charges & Credit Card Charges | 285,518 |
| Dissemination & Printing | 241,865 |
| Film Licensing Fees | 389,031 |
| Freewinds Relay Office & Flag Ship Service Consultants' Expenses | 1,818,297 |
| Legal, Professional & Accountancy Fees | 47,001 |
| Motor & Travel Expenses | 196,990 |
| Office & Administration | 31,425 |
| Postage & Shipping | 266,352 |
| Purchases for Resale | 1,659,126 |
| Religious Books & Materials Sales Commissions | 182,405 |
| Repairs & Maintenance | 38,779 |
| RTC Advanced Technology Licensing Fees | 187,511 |
| Staff Enhancement Expenses and Materials | 11,192 |
| Staff Room & Board and Other Benefits | 189,151 |
| Telephone, Telex & Facsimile | 398,140 |
| | \$ 5,942,783 |

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-89

Part IV Section A Line 22 Other Expenses

| <u>Other Expenses</u> | <u>Amount</u> |
|--|---------------|
| Bank Charges & Credit Card Charges | 187,754 |
| Dissemination & Printing | 214,887 |
| Film Licensing Fees | 178,820 |
| Freewinds Relay Office & Flag Ship Service Consultants' Expenses | 2,190,166 |
| Legal, Professional & Accountancy Fees | 56,992 |
| Motor & Travel Expenses | 162,774 |
| Office & Administration | 63,040 |
| Postage & Shipping | 57,715 |
| Purchases for Resale | 1,197,745 |
| Religious Books & Materials Sales Commissions | 159,713 |
| Repairs & Maintenance | 481,326 |
| RTC Advanced Technology Licensing Fees | 138,108 |
| Staff Enhancement Expenses and Materials | 16,709 |
| Staff Room & Board and Other Benefits | 185,251 |
| Telephone, Telex & Facsimile | 280,946 |
| -* | |
| | \$ 5,571,946 |

Foundation Church of Scientology Flag Ship Service Organisation

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-92

Part IV Section B Line 4 Bonds and Notes Receivable

| <u>Name of Borrower</u> | <u>Obligation</u> | <u>Rate of Return Due Date</u> | | <u>Amount</u> |
|--|---|--------------------------------|-----------|---------------|
| Scientology International Reserves Trust | Loan for carrying out its Religious Program | Interest-free | 18-Dec-93 | 6,897,210 |
| | | | Total | \$ 6,897,210 |

Foundation Church of Scientology Flag Ship Service Organization

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Form 1023

Period Ended; 31-Dec-92

Part IV Section B Line 7 Other Investments

| <u>Type of Investment</u> | <u>Description</u> | <u>Amount</u> |
|-------------------------------|--|---------------|
| Mutual Fund invested in Bonds | 5,875 shares of Kredietbank Luxembourg Fund Obli US\$ "B" SICAVs (Societe d'Investissement a Capital Variable) | 2,007,017 |
| | | \$ 2,007,017 |

Foundation Church of Scientology Flag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-92

Part IV Section B Line 8 Depreciable and Depletable Assets

| Accumulated Depreciation/ Description of Asset | Cost | Amort i 2at ion | Book Value |
|--|------------|-----------------|------------|
| Computers, Fixtures & Equipment | 175,692 | 149,433 | 26,259 |
| | \$ 175,692 | \$ 149,433 | \$ 26,259 |

Foundation Church of Scientology Plag Ship Service Organization

Federal I.D. Number 98-0133545

Form 1023

Period Ended: 31-Dec-92

Part IV Section B Line 15 Other Liabilities

| <u>Other Liabilities</u> | <u>Amount</u> |
|--|----------------------|
| Contributions by parishioners with respect to religious Services in which they will participate in the future. | 25,078,524 |
| | \$ 25,078,524 |

COMBINED POST REORGANIZATION FINANCIAL STATEMENT FOR 1992

Receipts:

| | |
|---|-----------|
| Gifts, grants and contributions received | 2,148,334 |
| Accommodations | 4,529,667 |
| Sales of religious books and materials | 1,895,901 |
| Canteen & Gift shop | 459,188 |
| Bank interest | 152,608 |
| FSM Commissions received | 799 |
| Realized loss on currency conversion to US \$ | (43,694) |
| | 9,142,803 |

Expenditures:

| | |
|---|-------------|
| Fundraising expenses | 739,801 |
| Contributions, gifts, grants | 6,001 |
| Compensation of officers, directors | 35,162 |
| Other salaries, wages | 513,571 |
| Occupancy | 26,451 |
| Depreciation | 120,280 |
| Religious books & materials for resale | 1,339,290 |
| Gift shop purchases for resale | 252,013 |
| Flag Ship Service Consultants' Expenses | 672,484 |
| Religious Books & Materials Sales Commissions | 219,301 |
| Postage & Freight | 550,363 |
| Insurance | 605,748 |
| Telephone, telex, facsimile | 478,277 |
| Office & Administration | 60,860 |
| Hire of Equipment | 4,016 |
| Cleaning & Laundry | 63,910 |
| Repairs & Maintenance | 351,919 |
| Dissemination & Printing | 887,444 |
| Staff Room & Board and Other Benefits | 572,512 |
| Restaurant & Accommodations Supplies | 880,198 |
| Travel & Transport | 288,530 |
| Legal, Professional & Accountancy fees | 290,906 |
| Staff Enhancement Expenses & Materials | 14,017 |
| Film Licensing Fees | 322,219 |
| RTC Advanced Technology Licensing Fees | 47,677 |
| Bank Charges & Credit Card Charges | 411,045 |
| Consultancy Fees (MCL Services NV) | 164,287 |
| Charter fees | 1,256,000 |
| Fuel & Water | 648,389 |
| Shipping Agents' Fees | 839,676 |
| | 12,662,347 |
| Deficit for the year | (3,519,544) |

COMBINED POST REORGANIZATION BALANCE SHEET FOR 1992

| | |
|-----------------------------|--------------|
| Assets: | |
| Cash | |
| Accounts Receivable | |
| Inventory | |
| Bonds and notes receivable | |
| Investments | |
| Depreciable assets | |
| | 11,368,949 |
| Liabilities: | |
| Accounts payable | 1,013,682 |
| Mortgages and notes payable | 132,574 |
| Deferred receipts | 34,140,403 |
| Net worth: | |
| Accumulated Deficit | (20,398,166) |
| Current year Deficit | (3,519,544) |
| | (23,917,710) |
| Liabilities + Net worth | 11,368,949 |

Once the reorganization discussed in Part II, Question 1 has been completed, FSSO will be conducting activities currently being conducted by Majestic Cruise Lines and CSFSO, and the nature and amounts of FSSO's sources of support and expenditures will consequently change. FSSO has not proposed budgets based on the reorganization. Attached as Schedules 22 and 23 are a "Combined Postreorganization Financial Statement for 1992 and a "Combined Postreorganization Balance Sheet for 1992", respectively, that reflect how the reorganization would have affected FSSO's financial operations in 1992 had it been completed prior to that year.