

QUESTION 1-d (i)

(i) "We are concerned with the private ownership of Author Services, Inc. ("ASI"). This concern is based on an understanding that the corporation has private shareholders and that no other Scientology-related organization appears to retain an ownership interest in this corporation. Please provide all currently in force shareholder agreements related to ASI, including any buy-sell agreements, redemption agreements, voting trusts, or other similar interests in control or ownership. In addition, please provide all management or other service-provider agreements currently in force between ASI and other Scientology-related organizations. After resolution of issues relating to Mr. Hubbard's estate (including distribution of the residual assets), does the Church intend to continue to use the services of ASI?"

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The only in force shareholder agreement is a Stock Redemption Agreement between ASI and its shareholders; the agreements for all current shareholders are enclosed as Exhibit III-1-C. The Agreement basically prohibits the shareholders from selling their stock except on separation from employment and then only to ASI for \$1.00 a share. There are no other shareholder agreements relating to ASI, nor any other buy-sell agreements, redemption agreements, voting trusts, or other similar interests in control or ownership.

All of ASI's outstanding shares of stock are owned by three of its staff members: Ryland Hawkins (5 shares), Doug Hay (5 shares) and Hugh Wilhere (5 shares). Each of these shares is subject to the above redemption agreement and each share bears a legend that restricts transfer of the shares. See shares at Exhibit III-1-D.

The only reason ASI issued stock was to comply with requirements of California corporate law. ASI was originally separately incorporated so that Mr. Hubbard's literary affairs were managed by an entity that was not part of the Church. ASI's shareholders have never received any personal benefit as a result of their ownership of its stock. They never have and never will receive any dividend or other distribution of profits, compensation, expense reimbursement or other benefit as a result of their status as shareholders. (They do receive compensation and other benefits for their service as full time staff of ASI on the same terms and conditions as other ASI staff.) All changes in share ownership in the past have followed the share redemption agreement.

There is an in force service-provider agreement between ASI and Mr. Hubbard's estate and Author's Family Trust. This is a Business Management Agreement dated March 1, 1986, which is enclosed as Exhibit III-1-E. As a result of ASI's extensive

relates to
Exhibit 7

experience in managing Mr. Hubbard's properties, Author's Family Trust and his estate entered into this Business Management Agreement with ASI.

Following the resolution of issues relating to Mr. Hubbard's estate and the distribution of the residual assets to CST, it is expected that ASI's ownership structure will be changed at that time by making it a wholly-owned subsidiary of CST and that the Church will continue to use the services of ASI. There is, however, some uncertainty on exactly what the arrangement between ASI and CST will be and the final resolution will be monitored by an overriding concern to protect the exempt status of the Church, just as the original formation of ASI was arranged as discussed above.

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