

Question 3A-a

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

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

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

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

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

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

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

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

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

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

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

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