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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

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In re:

HECTOR GUEVARA,

Debtor.

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ROBERT L. PRYOR, as Chapter 7 Trustee of the
bankruptcy estate of Hector Guevara,

Plaintiff,

- against -

CHURCH OF SCIENTOLOGY INTERNATIONAL,
INTERNATIONAL ASSOCIATION OF
SCIENTOLOGISTS,
CHURCH OF SCIENTOLOGY OF NEW YORK,
US IAS MEMBERS TRUST,
CHURCH OF SCIENTOLOGY RELIGIOUS TRUST,
and CHURCH OF SCIENTOLOGY FLAG SERVICE
ORGANIZATION, INC.,

Defendants.

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Case No. 04-81814-288 (sb)

Chapter 7

SETTLEMENT STIPULATION

Adv. Pro. No: 8-06-8122-288 (sb)

STIPULATION, made as of June 30, 2006, by and between the undersigned counsel for ROBERT L. PRYOR, ESQ., as Chapter 7 trustee of the bankruptcy estate of Hector Guevara (the “**Debtor**”) and CHURCH OF SCIENTOLOGY INTERNATIONAL, INTERNATIONAL ASSOCIATION OF SCIENTOLOGISTS, CHURCH OF SCIENTOLOGY OF NEW YORK, US IAS MEMBERS TRUST, CHURCH OF SCIENTOLOGY RELIGIOUS TRUST, and CHURCH

OF SCIENTOLOGY FLAG SERVICE ORGANIZATION, INC. (collectively, “**Defendants**” and each a “**Defendant**”), the defendants in the above adversary proceeding, and the undersigned attorneys for Defendants.

WHEREAS, on March 19, 2004 (the “**Filing Date**”), Debtor filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Reform Act 1978, as amended (the “**Bankruptcy Code**”); and

WHEREAS, on March 19, 2004, Robert L. Pryor, Esq. was appointed interim trustee for the bankruptcy estate of the Debtor; and

WHEREAS, on May 3, 2004, the First Meeting of Creditors, pursuant to Section 341(a) of the Bankruptcy Code, was held in Debtor’s case, at which time Robert L. Pryor became the permanent trustee of Debtor’s bankruptcy estate (the “**Trustee**”); and

WHEREAS, prior to the Filing Date, Debtor and his corporation, Hytech Industries, Corp., made certain transfers to one or more of the Defendants and/or “**other Churches of Scientology**” (namely, Church of Scientology Flag Ship Service Organization; Church of Scientology of Long Island; Scientology Missions International Eastern United States; Church of Scientology of Florida); Church of Scientology Tampa; Church of Scientology Clearwater, FL; and Hubbard College in the aggregate amount of \$317,653.18 (the “**Transfers**”), which Transfers were intended by Debtor and received by Defendants as donations, purchases of accommodations and/or books, and/or payment with respect to participation in Scientology religious services; and

WHEREAS, by Summons and Complaint dated March 13, 2006, the Trustee commenced the above adversary proceeding (the “**Adversary Proceeding**”) against Defendants, seeking

judgment, *inter alia*, pursuant to Bankruptcy Code §§ 548(a), 544, 550(a)(1), and 105(a), and New York Debtor and Creditor Law §§ 273, 273-a, 275, 276, 276-a, 278, and 279, avoiding the Transfers as fraudulent conveyances and for recovery of the amount of the Transfers plus interest thereon from the date of each Transfer; and

WHEREAS, by Stipulations between counsel for the Trustee and counsel for Defendants, so ordered by the Court, Defendants' time in which to answer or move against the Complaint was extended through and including June 26, 2006; and

WHEREAS, the Trustee, with the cooperation of the Defendants has conducted informal discovery regarding the amount, recipients, and consideration for the Transfers; and

WHEREAS, the Trustee has obtained document discovery from non-parties including Debtor, Debtor's banks, and American Express regarding the Transfers; and

WHEREAS, the Trustee and Defendants have agreed to settle the Adversary Proceeding on the terms and conditions set forth herein;

NOW THEREFORE, IT IS HEREBY STIPULATED AND AGREED AS FOLLOWS:

1. The foregoing paragraphs are incorporated herein as part of this Settlement Stipulation ("**Stipulation**").
2. This Stipulation shall become effective (the "**Effective Date**") on the first business day after an order of the Court approving this Stipulation becomes Final (as defined herein). An order of the Court approving this Stipulation shall be deemed to be "**Final**" on the later of: (i) the eleventh (11th) day after it is "so ordered" or otherwise approved by written order of the Court, if no motion for retrial or reargument or notice of appeal is filed; or (ii) if any such

documents are filed, on the day following the date on which this Stipulation or the order approving this Stipulation is not subject to further judicial review or appeal, either by reason of affirmance by a court of last resort or by reason of lapse of time or otherwise, provided that this Stipulation or the order approving this Stipulation is not reversed or substantially modified by the Court or an appellate court.

3. In the event that the Court enters an order denying any motion for approval of this Stipulation, this Stipulation shall be deemed null and void, unless the Trustee and each of the Defendants agree otherwise in a writing executed by each of them. Upon this Stipulation becoming null and void, pursuant to any provision in this Paragraph "3", and upon notice of same being filed with the Court, the Adversary Proceeding shall be restored to the calendar of the Court and the releases given pursuant to Paragraphs "5" and "6" herein shall be null and void. In the event that this Stipulation becomes null and void pursuant to this Paragraph "3", nothing contained herein shall be deemed an admission by any party hereto as to any liability to the other and neither this Stipulation nor any provision herein shall be admissible for any purpose whatsoever in the Adversary Proceeding. Within ten (10) business days of this Stipulation becoming null and void, as provided in this Paragraph "3", the Settlement Sum (as defined herein) shall be refunded by the Trustee to Defendants.

4. Upon execution of this Stipulation, Defendants and "other churches of Scientology" shall deliver to the Trustee, by wire transfer, bank check or certified funds, for deposit into the Trustee's account for the Debtor's case, the sum of \$180,000.00 (the "**Settlement Sum**") in full and final settlement of the Adversary Proceeding, which shall not be disbursed by the Trustee until the Effective Date, except to be refunded to Defendants pursuant to Paragraph "3" herein.

5. In consideration of the covenants contained in this Stipulation, and in consideration of the sum of ten dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, upon the Effective Date, the Defendants and the “other churches of Scientology” (“**Releasors**”) each shall conclusively be deemed to have released the Trustee, Trustee’s counsel, and Debtor’s bankruptcy estate (“**Releasees**”), Releasees’ heirs, executors, administrators, successors, and assigns from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands whatsoever, in law, admiralty or equity, which against the Releasees, the Releasors, Releasors’ successors and assigns ever had, now have or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this Stipulation, exclusive of the obligations of the Trustee pursuant to this Stipulation.

6. In consideration of the covenants contained in this Stipulation, and in consideration of the sum of \$180,000.00 and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, upon the Effective Date, the Trustee and Debtor’s bankruptcy estate (“**Releasors**”) each shall conclusively be deemed to have released Defendants and the “other churches of Scientology” (“**Releasees**”), Releasees’ heirs, executors, administrators, successors, and assigns from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and

demands whatsoever, in law, admiralty or equity, which against the Releasees, the Releasers, Releasers' successors and assigns ever had, now have or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this Stipulation, arising from the subject matter of the Complaint in the Adversary Proceeding, exclusive of the obligations of the Defendants pursuant to this Stipulation. Nothing contained herein shall be deemed a release of any entity other than the named Defendants and "other churches of Scientology" and their respective successors and assigns.

7A. Defendants and the "other churches of Scientology" hereby represent and warrant that the Transfers in the aggregate amount of \$322,124.45 include all of the payments, contributions, and transfers made by Debtor, Debtor's former wife, Gail Guevara, and/or the following corporations and entities of which Debtor was a shareholder or principal: (i) Hytech Industries Corp.; (ii) NuEnergy Group, Inc.; (iii) Evening Star Hotels, Inc.; and (iv) NuEnergy Industries Corp. (collectively with Debtor and Gail Guevara, the "**Guevara Entities**") to or at the direction of Defendants and/or the "other Churches of Scientology" as set forth in the Fourth Whereas clause, and that no payments, contributions, and/or transfers other than the Transfers have been made by the Guevara Entities to any of the Defendants and the "other churches of Scientology" at least since March 19, 1998 (six years prior to the Filing Date). The foregoing representation and warranty shall survive the Effective Date and in the event it is determined by the Trustee that any payments, contributions, and/or transfers other than the Transfers have been made by any of the Guevara Entities to any of the Defendants ("**Other Transfers**") after March 19, 1998, the release provided for in Paragraph "6" herein shall be null and void with respect to such Other Transfers but shall not otherwise affect this Stipulation, and the Trustee shall be

entitled to take all action he deems necessary to avoid and recover any Other Transfers, and the Trustee's time in which to commence an action or proceeding to avoid and/or recover such Other Transfers hereby is extended through and including the later of the date Debtor's Chapter 7 case is closed and the thirtieth (30th) day after Debtor's Chapter 7 case is reopened for any purpose, including the commencement by the Trustee of any action or proceeding to avoid and/or recover any Other Transfers.

7B. Defendants further hereby represent and warrant that (1) there exist other Churches of Scientology and Scientology-related entities that are not named as defendants in this action, (collectively the "**Non-Defendant Entities**"); (2) such Non-Defendant Entities have separate corporate personalities, are not part of the corporate structure of any of the Defendants, are not affiliates, subsidiaries, branches, divisions and/or departments of any of the Defendants, and maintain their own financial books and records; (3) nevertheless, to facilitate this settlement, Defendants have made inquiries of all Non-Defendant Entities as to whether such entities had received any payments, contributions or transfers from the Guevara Entities, and have determined as a result of the responses to such inquiries that, with the exception of the payment to "other Scientology Churches" included in the Transfers as set forth in the Fourth Whereas clause, to the best of Defendants' knowledge and as best as they can determine, no such Non-Defendant Entities have received any payments, contributions or transfers from the Guevara Entities at least since March 19, 1998 (six years prior to the Filing Date). The foregoing representations and warranties shall survive the Effective Date. In the event it is determined by the Trustee that any payments, contributions, and/or transfers other than the Transfers have been made by any of the Guevara Entities to any of the Non-Defendant Entities ("**Additional Other**

Transfers”), inasmuch as the release provided for in Paragraph “6” herein does not apply to the Non-Defendant Entities, the Trustee shall be entitled to take all action he deems necessary to avoid and recover any Additional Other Transfers, and the Trustee’s time in which to commence an action or proceeding to avoid and/or recover such Additional Other Transfers hereby is extended through and including the later of the date Debtor’s Chapter 7 case is closed and the thirtieth (30th) day after Debtor’s Chapter 7 case is reopened for any purpose, including the commencement by the Trustee of any action or proceeding to avoid and/or recover any Additional Other Transfers.

8. This Stipulation shall be binding on all parties hereto until such time as it becomes null and void as provided in Paragraph “3” herein.

9. Any notice to be given under this Stipulation shall be provided by overnight delivery service to the undersigned counsel for the other parties at the address set forth below, and shall be deemed given the day after mailing. In the event that any party to this Stipulation wishes to change the address set forth below for the receipt of notice, said party shall provide written notice of such change to the other parties hereto, in the manner provided in this Paragraph “9”.

10. Nothing contained herein shall be deemed an admission of any liability by any party hereto, and in the event that this Stipulation does not become Effective, nothing contained herein shall be used by any party for any purpose in the Adversary Proceeding or any in any other litigation or judicial proceeding.

11. This Stipulation may be executed by facsimile signatures and in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and it shall constitute sufficient proof of this Stipulation to present copies of facsimiles signed by the undersigned counsel to the parties hereto and by the undersigned Defendants.

12. The Court shall retain exclusive jurisdiction to determine any dispute arising under this Stipulation and to enforce any obligation of any party hereunder.

13. Defendants each represent that they have read and understand the terms of this Stipulation, have consulted with their undersigned counsel regarding the terms of this Stipulation, and have freely entered into this Stipulation on the advice of said counsel. The undersigned attorneys each represent that they are the duly retained counsel for their respective clients and are authorized to execute this Stipulation on behalf of their respective clients.

PRYOR & MANDELUP, L.L.P.
Attorneys for Plaintiff

RABINOWITZ, BOUDIN, STANDARD,
KRINSKY, and LIEBERMAN, P.C.
Attorneys for Defendants

By: /s/ A. Scott Mandelup
A. Scott Mandelup
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Westbury, New York 11590
(516) 997-0999

By: /s/ Eric M. Lieberman
Eric M. Lieberman
111 Broadway, Eleventh Floor
New York, NY 10006
(212) 254-1111

***Dated: Central Islip, New York
August 25, 2006***

***Stipulation of Settlement
SO ORDERED.***

s/ Stan Bernstein
STAN BERNSTEIN
United States Bankruptcy Judge

CHURCH OF SCIENTOLOGY INTERNATIONAL

By: /s/ Neil Levin

Name: Neil Levin

Title: Assistant Secretary

INTERNATIONAL ASSOCIATION OF SCIENTOLOGISTS

By: /s/ Lise Cohee

Name: Lise Cohee

Title: Director

CHURCH OF SCIENTOLOGY OF NEW YORK

By: /s/ Pamela Vilinsky

Name: Pamela Vilinsky

Title: Secretary

US IAS MEMBERS TRUST

By: /s/ Carol Bragin

Name: Carol Bragin

Title: Trustee

CHURCH OF SCIENTOLOGY RELIGIOUS TRUST

By: /s/ Mary Huber

Name: Mary Huber

Title: Trustee

CHURCH OF SCIENTOLOGY FLAG SERVICE ORGANIZATION, INC.

By: /s/ Glen Stilo

Name: Glen Stilo

Title: Secretary, CSFSO

CHURCH OF SCIENTOLOGY FLAG SHIP SERVICE ORGANIZATION

By: /s/ Ludwig Alpers

Name: Ludwig Alpers

Title: Secretary

CHURCH OF SCIENTOLOGY OF LONG ISLAND

By: /s/ Nicholas Gambino

Name: Nicholas Gambino

Title: Organization Executive Secretary

CHURCH OF SCIENTOLOGY OF TAMPA, INC.

By: /s/ Ana Tirabassi

Name: Ana Tirabassi

Title: Secretary

CHURCH OF SCIENTOLOGY OF FLORIDA

By: /s/ Kathryn Dillon

Name: Kathryn Dillon

Title: Secretary