

## Question 10

### INTRODUCTION

In the responses that follow, the Church is providing all of the information the Service has requested in the various subparts to Question 10. It is only fair, however, that the following responses be considered in their proper context, and for that reason we submit the following additional information by way of introduction.

Question 10 relates exclusively to public policy questions, focusing on civil litigation involving the Church. There is no escaping the irony of being asked to catalogue the unsubstantiated allegations of civil litigation adversaries when those allegations often have been manufactured, promoted, disseminated, and even subsidized by a cadre of anti-Scientology individuals within the Service itself. The Church does not believe that the Service as an institution, hates Scientology. We believe there are and have been, however, a core of dedicated "Scientology-bashers" within the Service who have allied themselves with encouraged, and even fixed the tax problems of the principal sources of the tired civil allegations we are now being asked to chronicle.

Question 10.e.i and 10.e.ii request a list of all of the tort allegations that have been made against any Church of Scientology in more than a score of cases arising within the last twelve years and for copies of all verdicts, decisions or findings made by any court that any of those allegations were true. As may be seen in the following responses, two of the only four cases where any such decision has been issued, and a majority of the other cases were instigated or heavily influenced by the Cult Awareness Network ("CAN").

CAN and its influence on the litigation in question was described in passing at page 10-20 of our response to Question 10 of your second series of questions. There is no escaping the fact that CAN has been able to survive financially and has drawn much of its false veneer of credibility from the Service's recognition of it as exempt under section 501(c)(3).

CAN was formed in 1975, under its original name, Citizen's Freedom Foundation. CAN's activities, from its inception until today, have consisted of negative propoganda campaigns against nontraditional religious organizations and promoting and perpetrating "deprogrammings," a euphemism for kidnapping people and using force and coercion to dissuade individuals from maintaining their voluntarily held religious beliefs.

CAN applied for tax exemption in March of 1976 as an educational organization. Literature provided with its

application, however, clearly evidenced CAN's biased views and its involvement in deprogramming. Indeed this material shows CAN's close association with Ted Patrick (one of its founders), who has been convicted on numerous occasions for kidnapping, assault and related charges arising from his violent deprogramming activities. It was Patrick who touched off the premier tort case against Scientology when he deprogrammed Julie Christofferson in 1977. (This is further described at pages 10-15 and 10-16 of our response to Question 10 of your second series of questions and infra.)

The IRS denied CAN'S initial application for exemption because "after reviewing your publications, we concluded that a significant portion of your viewpoints were not supported by relevant facts." CAN reapplied in 1977 but the application and CAN's accompanying literature showed that CAN had not reformed. Consequently, the Service again informed CAN that its application was being denied because "Your revised application for exemption contains disparaging statements about organizations which are not supported by facts. Your revised application indicates that the reasons for our denial of your previous application are still present." (Exhibit III-10-A).

CAN did not give up. In July 1978, CAN submitted additional information to the IRS including a "Statement of Purpose, Functions and Activities" which included the claim that one of CAN's functions was to recommend personnel and facilities for deprogramming. CAN furnished the Service with an example of how CAN would handle a contact from a caller who intended to join the Church of Scientology: referral of the person to ex-members for negative information on Scientology and to an attorney in his or her area, as well as providing the person with a list of "Dos and Don'ts" which included advising the person to file complaints with the government. (Exhibit III-10-B). CAN identified the Church of Scientology as one of its principal targets and the Service granted CAN tax exempt status. (Exhibit III-10-C).

From that point forward until the present, CAN has followed the precise modus operandi concerning Scientology that it described to the Service in 1978. CAN refers individuals to ex-members for negative information about the Church and to attorneys who then create causes of action against the Church that almost always recite the same boilerplate tort claims. As will be seen in the response to Question 1.e.i, a large number of the cases listed in that section have been filed by attorney Toby L. Plevin. Plevin is a CAN member who gets all of her client referrals from CAN in exactly the manner CAN described in its 1978 application supplement.

CAN also continues to be involved in the felonious practice CAN calls deprogramming, which is as flagrant a violation of public policy as can be imagined. While CAN enjoys exempt status

its deprogrammers are being arrested and jailed by local police agencies and the FBI. Recently, CAN deprogrammers Galen Kelly and Bob Moore, and CAN attorney Robert ("Biker Bob") Point, were arrested by the FBI and charged with conspiring to kidnap Lewis DuPont Smith, heir to the DuPont fortune, and to "deprogram" him from his support of Lyndon LaRouche's political organization. (Exhibit III-10-D). At this writing there are several other CAN deprogrammers under indictment as a result of their deprogramming activities, including Joe Szimhart, Mary Alice Chrnaloger, Karen Reinhardt and Randall Burkey. (Exhibit III-10-E). It is troubling that in the face of this kind of evidence individuals in the Service like Jacksonville District EO agent Melvin Blough, continue to use CAN as an investigative arm to drum up false charges against the Church of Scientology. (Exhibit III-10-F).

There are individuals in the Los Angeles IRS Criminal Investigation Division ("CID") who harbor sentiments about Scientology very much akin to those espoused by CAN, who have directly brought about or have had a major influence on Scientology-related civil litigation. Much of this information has been covered before or is covered in more detail in the responses to specific subparts of Question 10 that follow. Consider the following:

\* The decision in Gerry Armstrong's case is one of those described in detail in response to Question 10.e.ii. Armstrong's fanatical hatred of Scientology ingratiated him with the LA CID and earned him the status of IRS operative in an unlawful scheme to infiltrate and destroy the Church through, among other things, the seeding of Church files with forged or manufactured documents. Armstrong was a link between the CID and Michael Flynn, whose multi-jurisdictional litigation campaign against Scientology was encouraged and assisted by the CID. (See pages 10-8 to 10-16 of our response to Question 10 of your second series of questions). The allegations, first manufactured by Armstrong and Flynn, have been adopted and parroted by many of the other tort litigants whose cases are described in the response to Question 10.e(i). In exchange, Gerry Armstrong has been insulated from liability for his theft of Church documents and encouraged to continue and to expand his nefarious efforts.

\*The Aznarans, whose case was described at pages 10-18 and 10-19 of our response to Question 10 of your second series of questions, left the Church and filed suit for \$70,000,000,

resulting almost immediately in their being embraced by the IRS CID. The CID agents then passed the Aznarans on to like-minded EO agents in Los Angeles who interviewed them, encouraged them to continue their attacks on Scientology, treated their claims as fact and used their allegations as a basis to throw five years of cooperation from the Church down the drain. A tax debt that the Aznarans had been unable to handle with the IRS for ten years disappeared when they became civil litigants against the Church and CID informants.

\*Question 10.e.iii asks for a description of the criminal case involving the Church in Canada, which is described in the answer to Question 10-e-(iii) and in a memo from counsel for the Church of Scientology of Toronto attached as Exhibit III-10-U. As that memo details, LA IRS CID agents fed information, allegations and witnesses to the Ontario Provincial Police ("OPP") and plotted with Armstrong, Flynn and OPP officers to bring about the "collapse" of the Church. CID agents traveled to Canada where they encouraged the OPP to bring indictments, offering to help locate L. Ron Hubbard and others in the Church if OPP moved forward with their case. The CID and OPP also utilized apostate David Mayo and his cronies to recruit ex-GO criminals as government witnesses to testify against the church and their former subordinates about crimes that they themselves had perpetrated. Mayo is further described below.

\* As early as 1969, a CID operative named Gene Allard was allowed to get off scot-free with the out-right theft of Church records. (See response to Question 10.d.1, infra.)

\* Laurel Sullivan, who left and became disaffected with the Church after she was removed from her Church post for being a Guardian's Office sympathizer, was embraced as an informant by the CID, and was represented by a government attorney when the Church sued her personally for improperly disclosing attorney-client information to the IRS. (See page 3-40 of our response to Question 10 of your second series of questions).

\* As described below apostate David Mayo gained favor with the IRS as an informant and IRS reciprocated by granting exempt status to his group in support of his anti-Scientology stance.

This list could go on with example after example of times when some person or organization has manifested an anti-Scientology sentiment and has suddenly emerged as an IRS ally, operative or beneficiary. At that moment such a person or group is transformed into a fountainhead of unassailable virtue whose claims are gospel, whose protection is guaranteed and who is given unwarranted, improper encouragement and assistance. As described in detail below, while Churches of Scientology receive unprecedented scrutiny when they apply for tax exemption, apostates who sue the Church and attack the religion have been aided by IRS tax exemption subsidies.

An anti-Scientology sentiment has existed in the IRS National Office Exempt Organizations Technical Division, dating at least back to CAN's 1978 exemption. Certain EO Technical Division officials appear to have directly colluded with the CID in 1984 and 1985, using information gathered by the CID, including the statements and allegations of their informants, to sabotage the Church's exemption proceedings at that time. Evidence of their bigotry is best seen in their treatment of anti-Scientists.

David Mayo:

David Mayo was removed from a senior Church position for moral turpitude. He was using his position for economic advantage. Even more serious from a Scientology perspective, he was the source of serious alteration and denigration of the technical scriptures of Scientology. Rather than atone for his misdeeds, he left the Church in 1982.

Upon leaving, Mayo and a few others established an organization he called the Advanced Ability Center ("AAC"), which utilized a badly altered version of Dianetics and Scientology technology in an effort to lure parishioners away from the Church for economic advantage. For example, Mayo dropped the use of Scientology ethics technology altogether, eschewing ethics as an applicable concept. Solely for the tax advantages it would afford, he incorporated the AAC under the name "Church of the New Civilization" ("CNC"), but it operated solely as the Advanced Ability Center. Mayo's prime objective was to obtain copies of the confidential upper level scriptures so that he could represent that CNC/AAC could deliver the entire Bridge as it existed in the early 80's and thus attract a larger following. Mayo conspired with like-minded apostates in Europe and effected the theft of these scriptures on December 9, 1983 from AOSH EU & AF in Denmark. These events prompted the suit by RTC and the Church as described on pages 10-17 and 10-18 of our response to Question 10 of your second series of questions. Mayo also actively endeavored to lure Scientologists away from Scientology, including putting out a publication of negative propaganda on the Church.

In 1984 CNC filed for tax exemption. The original application identified CNC's source of financial support to be "Fees received from parishioners for counseling." CNC's statement of activities stated that "The program of activities of [CNC] are limited to personal counseling and spiritual studies" and responded affirmatively to questions on whether or not recipients would be required to pay for counseling. Subsequently, Mayo gave an opposite answer to the question. Eventually, the 1023 application was forwarded to National Office for processing by Rick Darling who inquired further into CNC's fundraising methods. Mayo responded that "Parishioners receive spiritual enhancement and guidance from the Church in a program of services for which monies are given and received" to a question asking why parishioners would donate to CNC.

During the same time period Darling and Friedlander were considering the CNC application, they were using "commercialism" as a reason to deny tax exemption to various church of Scientology applicants. Their purported reason was that the Church charged fixed donations for services giving them a "commercial hue and purpose." Shortly after issuing adverse determination letters to the Scientology applicants, EO granted CNC's application on substantially identical information as to funding practices.

Mayo had become a CID informant (Exhibit III-10-G) and Darling/Friedlander were now aware that Mayo was an enemy of the Church of Scientology. (Exhibit III-10-H). On March 27, 1986, David Mayo himself responded for CNC to a set of questions from Darling. In response to a question whether CNC charged fixed amounts for their services, Mayo provided information which contradicted CNC's 1023 record and was flatly impossible stating that CNC had "no predetermined price." (Exhibit III-10-H).

Frank Gerbode:

Psychiatrist Frank Gerbode is an heir to the Alexander Baldwin sugar fortune. He left psychiatry for Scientology in the 1970s and for several years was the mission holder of the Palo Alto mission. He ran afoul of Church management in the early 1980s when the Church tried to reform his financial misdealings. In March 1984, Gerbode left the Church to join up with David Mayo. He set up a parallel operation he also called Advanced Ability Center in Palo Alto which, for tax purposes, he named the Church of the Universal Truth ("CUT"). Gerbode's 1023 application, along with those of CNC and various Church applicants also went to Darling and Friedlander.

The exemption applications for the churches of Scientology were denied; the applications for CNC and CUT were granted. While Darling and Friedlander asked endless intrusive questions of the Scientology applicants, they chose not to find out about CNC and CUT. For example, by the time they recognized CNC's exempt status, CNC had long since ceased operations. Mayo had cashed in its assets and deposited them in his personal Liechtenstein bank account and had gone to work for Gerbode at CUT. He essentially liquidated the corporation into his own pocket, even though it was a non-profit organization purportedly dedicated to section 501(c)(3) purposes.

More specifically, the last known letter from Mayo to the IRS on the CNC exemption application is the one mentioned above, dated March 27, 1986. (Exhibit III-10-H). According to the deposition testimony of his wife, Julie Mayo, CNC closed its doors one month later, on April 30, 1986, at which time David and Julie Mayo both resigned their respective director and officer positions. They also sold the house in which they were living that had been purchased in their name by CNC as a "parsonage," and using other



rsed to them from CNC as "severance pay," "travel expenses" and "vacation pay accrued," they traveled for the next several months to Europe, Australia and Florida with Gerbode and his wife. While on this trip they stopped over in Liechtenstein where Gerbode introduced Mayo to his banker who opened an account for him with the \$80,000 received from the sale of their "parsonage." CNC's exempt status was granted subsequent to these events. In fact the only ongoing activity of CNC at the time it was granted exemption was ongoing litigation with the Church of Scientology.

Gerbode obtained tax exemption for CUT ostensibly based on representations that the organization was a church and conducted exclusively religious activities. (Exhibit III-10-I). In fact, once tax exempt status was obtained, CUT ceased carrying out any religious activities and began dispensing a novel brand of psychology under the name Center for Applied Metapsychology ("CAM"), and promoting Gerbode's personal books and literature, co-authored by Mayo, much of which are plagiarized from the works of L. Ron Hubbard. In 1986, Gerbode also established the Institute for Research in Metapsychology ("IRM"), another tax exempt organization which operates at the same address using the same personnel as CAM, and which produces the literature and materials that CAM promotes and distributes. IRM characterizes metapsychology in scientific terms, making it clear it is not a religion and followed no belief system. Yet metapsychology is what Gerbode's church, CUT operating as CAM, dispenses.

Compare the representations made by CUT in Exhibit III-10-I, a letter to the IRS in support of their exemption application in December 1985, to the representations made by Gerbode concerning the same organization on November 2, 1992 in Exhibit III-10-J. In the December 5, 1985 letter in support of its exemption application, CUT discussed its purported "religious doctrine" and "religious history" and submitted copies of their baptismal, funeral and marriage ceremonies, representing that it was a Church conducting exclusively religious activities. (Exhibit III-10-I). On November 2, 1992, Gerbode wrote to the City of Menlo Park, California in response to a "complaint that a church is being operated at the premises" to set the record straight so that they would not lose their zoning permit:

CAM [really CUT] is classified under the IRS code as a church . . . . However . . . . CAM does not hold worship services, perform baptisms, or carry out other such activities typical of churches.

\* \* \* \*

"'Church' means a structure intended as a meeting place for organized religious worship and related activities." We feel that this does not apply to the building or the activities occurring therein.

Exhibit III-10-J.

This is the "church" that passed muster with Friedlander and Darling as soon as it was apparent to them that, like Mayo, Gerbode was no longer associated with and was opposed to L. Ron Hubbard and the Church of Scientology. Gerbode has made substantial "contributions" to both CAM and IRM, which he deducts on his personal income tax returns as charitable contributions. However, at the same time Gerbode receives the direct benefit of the bulk of these "contributions" from CAM and IRM in the form of rent, salaries and payment of personal expenses. The organizations also provide Gerbode with an administrative staff and office facilities, all tax-free. The following are specific tax law violations Darling and Friedlander could have found if they had subjected CUT to the same kind of scrutiny they had subjected Churches of Scientology to during the same period.

In 1982 and 1983, prior to the incorporation of CUT, when Gerbode was still the mission-holder of the Church of Scientology Mission of Palo Alto, he claimed substantial tax deductions on his personal tax returns for books, office furnishings, equipment, artwork, etc., that he purchased for use at the Mission. When Gerbode left the Mission in 1984 and established CUT, he donated these same books, office furnishings, equipment and artwork to the new corporation and again claimed them as charitable contribution deductions on his personal tax return. These were listed as donations in the 1023 application for CUT that Darling reviewed in 1986. When Gerbode left Scientology in 1984 he evicted the mission from his building in favor of his new operations, CAM and IRM from which he now collects rent. It is also evident that he launders donations to CAM/IRM back to himself as rent in order to get the benefit of both the charitable deductions and depreciation write-offs.

The IRS continues to probe litigation involving the Church while it ignored litigation against Mayo et al. Indeed the Service gave a de facto subsidy to the Gerbode/Mayo litigation by granting exemption to their litigation tax shelter. In the letter that Mayo wrote to the Service in support of CNC's exempt status in March of 1986 (Exhibit III-10-H) he sent along part of the complaint in the suit RTC and CSI had brought against Mayo and CNC which alleged theft and violations of the RICO statute. Darling apparently did not consider it necessary to inquire about the possible public policy implications of this litigation once he saw that Mayo was on opposite sides in the litigation to the Church and granted exempt status.

In 1986, Gerbode and Mayo established and obtained tax exempt public charity status for the Friends of the First Amendment ("FFA"), an organization purportedly established to support and promote First Amendment rights, but which in fact enabled Gerbode to claim tax deductions for hundreds of thousands of dollars he



"donated" to FFA, which sums were then used to pay Mayo's litigation costs in his litigation with the Church. Although Gerbode is not a party to this litigation, a central issue in the suit concerns the control of copyrights in the name of L. Ron Hubbard that Gerbode has exploited. Gerbode struck a deal with David Mayo that Mayo will continue the litigation provided that Gerbode funds it, with the understanding that Gerbode will be reimbursed for the litigation costs if Mayo wins a counterclaim for damages. Thus, Gerbode has used FFA to deduct as charitable contributions what are in reality his own litigation expenses, that he expects to recover if the litigation is successful. David Mayo, on the other hand, hopes to net millions of dollars if the counterclaim is won. Gerbode has also disguised some of the millions of dollars he laundered through FAA so that they would not appear to be from him in order to avoid FFA being found to be a private foundation, and cemented this by shutting FFA down just before its advance ruling period on private foundation status expired in 1990.

The only question Mayo's and Gerbode's groups were asked concerning litigation was whether their "legal defense fund" was set up solely to battle the Church of Scientology. When they answered in the affirmative, exemption was awarded.

Unlike CNC, CUT, and CAN, who to this day enjoy exemption, our principal clients have no such status. Yet we alone of that group have been and are providing truthful and full answers to each question you have asked.

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All of the information the Service has requested in the various subparts of Question 10 is contained in the responses to the individual subparts that follow.

. . . . .

Questions 10.a, 10.b, 10.c and 10.d.2

In question 10 of our second series of questions, we expressed our concern over the possibility of continuing violations of public policy and requested certain information to assuage these concerns. We have additional follow-up questions in this regard.

a. Attached is a document relating to a program referred to as Snow White that apparently existed as of December 16, 1989. Please explain the apparent discrepancy between the document contained at the attachment and the response to Question 10.b.

b. The response to Question 10.b refers to a decision by Judge Osler of the Supreme Court of Ontario (page 10-5). Please provide a complete copy of the cited opinion.

c. What is the status of Operation Transport Company? Does it continue in existence? If not, please specify when and to whom all assets were distributed or transferred.

\* \* \* \*

d.2. Please provide the following information with respect to Exhibit II-10-A; (i) fill in the blank under the heading of "Primary" contained in #6; (ii) an explanation of the reference to "HF" or "AS" under the heading of "Primary" at #7; and, (iii) fill in the blanks under the heading of "Vital Targets" contained in #7.

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As a preliminary matter, we note that question 10 has two subparagraphs denominated as "10.d." For the sake of clarity, we will refer to the first as "10.d.1" and the second as "10.d.2." Subparagraph 10.d.1 and paragraph 10.e are addressed in separate responses. This response addresses the remainder of question 10.

Subparagraph 10.a

Subparagraph 10.a asks for an explanation of an "apparent discrepancy" between the response to Question 10.b of your second series of questions and Exhibit II-10-A.

That which is attached is a copy of a document written in December of 1989 by a person holding the position of Snow White Programs Chief in the Office of Special Affairs United States,

and describes her functions and those of the Snow White Unit. The document also specifically mentions the Snow White program and its "Ideal Scene": "All false and secret files of the nations of operating areas brought to view and legally expunged and OTC, "Apollo" and LRH free to frequent all Western ports and nations without threat and all required ports open and free."

Initially, it must be stated that the document in question was stolen from Church offices by an individual who had infiltrated the Church at the behest of the Cult Awareness Network. It was then passed on to the IRS by the CAN infiltrator via CAN. (See page 10-20 of our response to your second series of questions and supra for discussions of the Cult Awareness Network).

The "apparent discrepancy" to which subparagraph 10.a refers seemingly arises from use of the word "programs" in a post title that includes the words "Snow White" viewed against the statement on page 10-5 of our response to your second series of questions that "The Snow White program is not being executed today." There is no inconsistency. That same page also states that the term Snow White became synonymous with the activity of legally locating and correcting false reports on the Church. The Church vigorously pursues these objectives through the use of the Freedom of Information Act and through direct negotiation with government agencies intended to persuade them, at minimum, that if expungement of false reports is not feasible, corrective reports should be filed.

The original Snow White program, provided as Exhibit II-10-A, was written specifically to address problems which existed in 1973 with respect to OTC, the Apollo and Mr. Hubbard. Because the United States State Department and other government agencies had engaged in the circulation of false reports, free access to various Western ports and nations had been severely curtailed. The Apollo was sold in 1975, OTC became inactive at that time, and Mr. Hubbard passed away in 1986. Clearly, the original Snow White program became obsolete within a couple of years of its creation and is no longer in effect. In fact, the Apollo no longer exists. Once converted by its new ownership to a restaurant in Texas, it was involved in a train collision and in dry dock was cut into scrap. So, there is no way the Apollo will be frequenting Western or any ports!

However, obsolescence of the actual program did not invalidate Mr. Hubbard's observation that when governmental and police agencies are allowed to accumulate false information in their files, and disseminate it to other agencies, they then "...tend

to act on the file without the presence of the real scene data which is factually good but which is then ignored." In an ongoing effort to practice the Scientology religion free from the interference of misinformed government agencies, the Church continues to pursue the Snow White objectives with the legal means at its disposal. Only when the Church is free from governmental harassment and is accorded its rights will the 6 need for Snow White activities vanish.

Subparagraph 10.b

Subparagraph 10.b requests a copy of Justice Osler's decision cited in the June submission. A copy of that Supreme Court of Ontario decision is submitted as Exhibit III-10-J-1, with the appropriate sections highlighted.

Subparagraph 10.c

Subparagraph 10.c addresses the present status of OTC, as well as details regarding the timing and distribution of any of OTC's former assets.

OTC effectively ceased to operate in late 1975 when the Church activities that had been housed on the Apollo moved ashore in Florida. OTC remained inactive from that point forward except for ongoing litigation against the Portuguese government which is described on page 10-3 of our response to your second series of questions.

In July 1981, OTC's aggregate assets were approximately \$2,244,252 plus Pounds Sterling 2,254,852. At that time, OTC transferred all of its assets except for approximately Pounds Sterling 200,000 and its pending Portuguese claim to the Scientology Endowment Trust. This trust was recognized as tax exempt by the IRS under Section 501(c)(3) in 1983 after the particulars relating to the transfer of funds from OTC were specifically reviewed. In 1988, OTC dissolved and all assets still remaining, approximately \$180,000, were transferred to Church of Scientology Religious Trust.

Subparagraph "10.d.2"

In subparagraph "10.d.2," you ask to have some blanks in the copy of the Snow White program provided to you with the June submission filled in and for an explanation of the terms "HF" and "AS."

The version of the Snow White program provided with the June submission contained blanks in the places that you noted, apparently left there by whoever retyped that version. We have located, and are including here as Exhibit III-10-K, another

version which appears to be a copy of the original version and contains no blanks. The abbreviations "Cont," "Gdn" and "DG/US" in Vital Target 7 stand for Controller, Guardian and Deputy Guardian United States.

The abbreviation "HF" stands for Hubbard Freedom Foundation. Our records show that it was set up as a Liberian corporation in November 1972 for scientific, research and educational purposes, received a total of \$500 from OTC, but then never became active and never received any other funding.

The abbreviation "AS" stands for American Society which was another Liberian corporation also established in late 1972, at or around the same time as the Hubbard Freedom Foundation and probably for similar or related purposes. The best available information is that the American Society had a fate similar to Hubbard Freedom Foundation, receiving a small amount of money to get started, but then never actually carrying out any activities or function.

As neither of these Liberian corporations was ever active and as no effort was made to maintain their corporate charters in Liberia, we assume that they were dissolved by operation of law many years ago. The Liberian attorney who originally formed them was killed in a political upheaval more than a decade ago, and we, therefore, have no access to HF or AS records.

. . . .

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Subparagraph 10.d.1

In our prior question 10, we expressed our concern over the possibility of continuing violations of public policy and requested certain information to assuage these concerns. We have additional follow-up questions in this regard.

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d. In CSC v. Commissioner, 83 T.C. 381 (1984) at 431-437, there is a discussion of the actions of several persons identified by name or office (e.g., Vicki Polimeni). Please identify the persons who held the following offices during the period referenced at pages 431-437 of the CSC opinion: (i) FBO International; (ii) FBO AOLA; and (iii) FBOs at various other Advanced Organizations as described at page 431 of the CSC opinion. Please state whether Vicki Polimeni or any of the individuals identified in the response to this question have at any time subsequent to 1989 been related (by reason of being service-provider or otherwise) to any Scientology-related organization (either as staff or in any other capacity). Please describe the current relationship between Martin Greenberg and Scientology-related organizations.

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During the period of time described at page 431 and 432 of the CSC decision, i.e., May through August 1969, there were only three Advanced Organizations in existence. Consequently, the positions you have inquired about and the individuals who held them were:

FBO International -- Al Boughton FBO AOLA -- Lauren Gene Allard FBO AO United Kingdom -- Don Clark FBO AO Denmark -- Rob Sanderson

Vicki Polimeni, Don Clark and Rob Sanderson ceased having any relationship with any Scientology-related organization many years ago, long before 1989. From 1989 to the present, Al Boughton has been a staff member at the American Saint Hill Organization (ASHO) in Los Angeles. He holds the position of Auditing Supervisor for the Saint Hill Special Briefing Course, responsible for overseeing the auditing done by students training to be Scientology auditors on this course. The Church has had no specific information concerning the activities or whereabouts of Gene Allard since 1981, when he appeared as an IRS witness in the Tax Court trial of the CSC case.

The Church has long suspected that Allard was sent into AOLA in 1969 by IRS Intelligence Division agent John Daley, to infiltrate the Church as an agent provocateur. John Daley was an agent in the IRS' Case Development Unit in Los Angeles, a unit



which served as a model for a national intelligence operation known as the Intelligence Gathering and Retrieval System ("IGRS"). The IGRS was disbanded in 1975 when Congress found that it had "fostered unrestrained, unfocused intelligence gathering and permitted targeting of groups for intelligence collection on bases having little relationship to enforcement of the tax laws." Congress found that "there were the beginnings of politically motivated intelligence collection in at least one district; and evidence that the fruits of similar investigative efforts in two districts had been destroyed." One of the districts that destroyed its files on the eve of the Congressional investigation was the Los Angeles District (i.e. John Daley's files) and the other was the St. Louis District, where Congress found that a file labelled "Subversives" that "contained only material on the Church of Scientology" had been destroyed. (See pages from Supplementary Detailed Staff Reports On Intelligence Activities And the Rights of Americans, Final Report of the Select Committee to Study Governmental Operations With Respect to Intelligence Activities, attached as Exhibit III-10-L).

Circumstantial evidence strongly suggests that Allard was a clandestine operative who reported to Daley. Daley had been investigating the Church since at least 1968 and, by the time Allard first appeared at AOLA, Daley had already used a plant inside Crocker Bank who provided Daley with illegally-obtained copies of the Church's confidential bank records. After occupying the position of FBO AOLA for barely two months, Allard suddenly disappeared, taking with him some internal Church correspondence and other Church assets. Allard turned over the documents to the IRS in Kansas City; the documents were forwarded to John Daley in Los Angeles.

The Church filed criminal charges against Allard. He was later located and arrested by the FBI in Florida and brought back to Los Angeles. Not long after Daley interviewed Allard in jail, the California Attorney General's office decided the evidence against Allard was insufficient and dropped the charges. Then, in 1981, Allard surfaced as a witness for the IRS in the CSC case along with the documents that he had stolen, admitting on cross-examination that he was hopeful of receiving a reward if his testimony resulted in collection of any taxes. Judge Sterrett demonstrated a willingness throughout the CSC trial to regard any anti-Church witness as credible, but even he had problems with Allard's testimony: Judge Sterrett found that "There were significant inconsistencies in his testimony . . .". 83 T.C. 509.

Nevertheless, it was Allard's testimony and the documents that he stole that formed virtually the sole basis for the findings at

pages 431 and 432 of the CSC decision about which you now inquire. Judge Sterrett's gratuitous comments suggested that whatever occurred at AOLA in 1969 constituted some kind of criminal conspiracy. All of this evidence however, was known in 1969 when Revenue Agent Woodrow Wilson unsuccessfully sought to institute a fraud investigation. In June 1969, Daley even went so far as discussing with California State officials the use of the Allard evidence as "grounds for dissolution" of the Churches of Scientology. (Exhibit III-10-M.) In August of 1969, Wilson presented this information in the form of a "fraud referral" in an effort to elevate it from "case development" status to an actual criminal investigation. The fraud referral was declined by the Chief of Intelligence. (Exhibit III-10-N.)

You have also asked about the current relationship of Martin Greenberg to any Scientology-related organizations. Mr. Greenberg has not been on the staff of any Scientology-related organization since early 1980's. He is a certified public accountant with an accounting practice in Clearwater, Florida. Although we understand that individual Church members have used his services for their personal or business accounting, he has not to our knowledge been retained nor has he done any accounting work for any Scientology-related organizations for many years. Mr. Greenberg is a parishioner of the Scientology religion.

While in Los Angeles in 1978, Martin Greenberg, along with CPA James Jackson, formed the firm of Greenberg and Jackson. In 1983 Greenberg moved away and sold his interest in the practice to Jackson, who retained the name "Greenberg and Jackson" for the professional corporation. At that time Mr. Greenberg ceased having any involvement in or knowledge of the affairs of any Scientology-related organizations. Recently, Mr. Jackson also sold his interest in this practice and presently there is neither a Greenberg nor a Jackson associated with "Greenberg and Jackson." Several Scientology-related organizations continue to utilize the services of CPA Brad Bernstein, one of the present shareholders of that firm.

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Questions 10 e(i)-(ii)

In our prior question 10, we expressed our concern over the possibility of continuing violations of public policy and requested certain information to assuage these concerns. We have additional follow-up questions in this regard.

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e. We have carefully reviewed the response to Question 10.d. The Service still requires a more complete understanding of the cases listed in the response. Please provide the following information, as well as any other information or documentation that you believe would assist the Service in this regard.

(i) For each of the cases listed on pages 10-20 through 10-22, please provide a short description of all claims by the non-Church of Scientology parties. In particular, please describe any allegations that the Scientology-related organizations, and/or the individuals, described in Question 2.d of our second series of questions have engaged in any action that is an intentional tort and/or that would violate any criminal law. In your description, please include the date the action is alleged to have occurred and the party alleged to have committed the action.

(ii) For each of the cases on pages 10-8 through 10-22, other than the "GO Criminal Activity Fallout Litigation" cases listed on pages 10-16 and 10-17, please provide a copy of any jury verdict, or any decision, finding or statement by a court that any Scientology-related organization, and/or any individuals described in our prior Question 10.d, engaged after 1980 in any action that is an intentional tort and/or that would violate any criminal statute. The copy should be provided regardless of the ultimate disposition of the underlying legal action (e.g., even if an appeal is still pending or the action was settled, dismissed, or successfully appealed). With respect to each copy provided, please state whether the Church agrees with the court's statement, and, if so, whether there is presently any connection or relationship between the individual(s) involved and the church.

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Subparagraph 10 e(i)

In our response to the Service's prior Question 10.d, we provided a lengthy description of litigation involving Scientology-related organizations or individuals since 1980. To facilitate the Service being able to understand these cases and put them into proper context, the cases were grouped according to the kind of case and allegations and the phenomena that brought the various suits about.

10-17

In this follow-up question the Service is asking for copies of any jury verdicts or judicial findings respecting all but a few of those cases, where it was found that a Scientology-related organization or individual committed a tort or criminal law violation; and with respect to just three of the groupings of cases, the Service wants further information concerning the allegations made in those cases. Those groupings are: 1) cases listed as financial or property disputes or transactions; 2) personal injury or medical-related suits; and 3) suits that appear to have been instigated directly or indirectly by the Cult Awareness Network.

As described above in the Introduction to Question 10, in the vast majority of these cases the allegations that have been made and which are described below, trace back in one way or another to the IRS itself.

Nonetheless, in the spirit of cooperation, we are providing in this response all of the information requested -- i.e. the description of the allegations in each of the cases listed on pages 10-20 to 10-22 of our response to your second series of questions and copies of the verdicts, decisions and findings requested in Question 10.e (ii). We feel it is appropriate, however, to make the following preliminary observations.

Public Policy As An Exemption Issue:

All of these questions concerning litigation relate to the issue of public policy. Section 501(c)(3), however, contains no express condition that an organization must operate in conformance with public policy to qualify for tax exemption. Whether or not an organization violates public policy is relevant to exemption only in the context of whether the organization is operated exclusively for one of the exempt purposes that section 501(c)(3) enumerates.

Only one judicial decision has ever applied a public policy condition to the exempt status of a church -- the Tax Court decision concerning the Church of Scientology of California (the "CSC decision"). Judge Sterrett, however, limited his findings of public policy violations affecting CSC's exempt status strictly to the activities of the Guardian's Office ("GO") that resulted in a number of GO members being convicted of crimes. Thus, although the Service was prepared to present testimony in the CSC case from tort claimants such as Larry Wollersheim and some of attorney Michael Flynn's clients, Judge Sterrett precluded that testimony and made no finding regarding public policy based on any civil tort claims. (See our response to Question 10.d of your second series of questions for a description of Michael Flynn's and Larry Wollersheim's claims infra.)

The CSC decision, upon which the Service has often relied, itself highlights the irrelevancy of pending, dismissed or settled legal cases where any form of tort allegation has been made. The public policy issue was addressed in the CSC case and decided in that case, and the only acts of any Church of Scientology members that were found to provide a basis for questioning exempt status were the criminal activities of the Guardian's Office. If Judge Sterrett did not find the allegations of Flynn's clients, Wollersheim and the rest to be relevant, there can be no legal basis for considering the same kinds of allegations now.

The Church has addressed the Guardian's Office both here (see responses to Questions 3.e, 10.a and 10.d) and in our prior response (responses to Questions 3.d and 10.d). The Church also addressed at some length the various kinds of other litigation Scientology-related organizations and individuals have been involved in (response to your prior Question 10.d). On this basis, the Church feels that it has adequately addressed public policy against the relevant legal authorities.

Public Policy As Applied to Other Churches:

The Service has enforced the public policy standard selectively, applying it only to the Church of Scientology and not to other churches to which it could just as easily, if not more appropriately, be applied. For example, for most of the past decade the Catholic Church has been embroiled in a major scandal arising from the exposure of an astonishingly large number of instances of child molestation involving Catholic priests. Copies of newspaper and magazine articles about this subject are attached as Exhibit III-10-0. A book published in October 1992, Lead Us Not Into Temptation by Jason Berry, states that between 1984 and 1992 four hundred Catholic priests in North America were reported for molesting children, and in this same period the Catholic Church has paid out \$400 million to resolve these cases. The book further details how other Catholic officials, including many high in the Catholic hierarchy, have covered up what occurred or were guilty of complicity by knowing what was happening and ignoring it or reassigning a tainted priest to another job where he would still have contact with children. These are not merely cases where unproven allegations have been made; some of the cases resulted in criminal convictions of the priests involved. In the case of Father Gilbert Gauthe, for example, Father Gauthe pleaded guilty to 36 counts of child molestation while serving as a parish priest in Louisiana. The attempts to cover-up Father Gauthe's crimes described in Jason Berry's book spanned the Catholic hierarchy and included archbishops, bishops, other priests and directions and orders emanating from Rome. Thus a jury also awarded a verdict of \$1.25 million to one of the victims and his family against the responsible Catholic diocese.

We are not suggesting that the IRS should now investigate the Catholic Church or make a tax exemption issue out of an unfortunate scandal that should be dealt with in the criminal justice system. Rather, this example serves simply to illustrate the unfair double standard that has been applied to the Church of Scientology.

Nevertheless, the following is a description of the cases that were listed in our prior response, describing the allegations in those cases of commission of intentional torts or violations of criminal statutes.

Description of Tort Litigation:

The suits listed on pages 10-20 through 10-22 each have their own set of facts and assortment of claims, but for the most part are of the same general character. They involve frivolous claims by "crazies" who think they can make some money suing Scientology; suits against former spouses or business associates naming the Church to seek a tactical advantage; and a considerable number of suits inspired by the Cult Awareness Network, which bombards the person with negative information about the Church and then refers them to an attorney who tells them they can sue the Church and get rich. (See the "Introduction To Question 10" for further information on CAN). There are a few instances, like the Rabel case, where a stereo speaker fell from the window of a Scientology mission injuring someone walking below, where there was a valid claim which the Church equitably settled. Not one of the cases asked about in Question 3.e.1 has been adjudicated by a court; thus all the claims listed are unproven.

Because many of these suits are refund suits, it is useful first to review the Church's refund policy. It has been a long-standing policy of the Church that if someone is dissatisfied with their Scientology services and asks to have their contributions returned within a three month period, these amounts will be returned. Likewise, if the person asks for return of contributions for which no services were received (i.e. an advance payment), there is no three month limitation period. Anyone newly enrolling in services at a Church of Scientology is informed of the policies and signs an agreement to abide by them. As a further condition of receiving a refund or repayment, the person understands that they may not again receive services from the Church.



Within the Church, there are two separate terms: A "refund" refers to a return of contributions to a parishioner within 90 days of participating in religious services while a "repayment" refers to a return of a parishioner's advance payment before he or she has participated in religious services. For simplicity, the following discussion will use the term "refund" to describe both types of transactions, because both involve a return of parishioner contributions.

The Church's refund policy is exceedingly fair. If someone isn't happy with Scientology -- which is a very small minority of people -- he simply has to make a proper request for his donations back, agree to forego further services and his donations will be returned. For the Church, in addition to the fact that this policy aligns with Scientology principles of exchange, it also serves the purpose of allowing our churches and the parishioners who are very happy with Scientology, to carry on without the unhappy few in their midst.

The presence of a considerable number of refund suits in the following list is directly related to the influence of CAN and CAN attorneys. As described in the "Introduction to Question 10," CAN's modus operandi is to seek out anyone who is unhappy with Scientology, feed them negative information and then refer them to an attorney. The CAN attorney then convinces the person that he can not only get a refund of his donations, but by allowing the attorney to handle the claim he can get damages as well, and possibly get rich. As will be seen in the descriptions of the cases that follow, almost one for one such suits are ultimately settled for the refund amount the person could have obtained in the first place simply by requesting it.

It is also of interest that we know of no suit filed for refund that wasn't instigated by CAN. In fact, the Church rarely has any refund requests, by suit or otherwise, except when instigated by the IRS-sanctioned CAN. And in most cases, further discussion reveals the person was quite happy with his service at the Church and seeks his money back only after CAN has told him how "terrible" Scientology is.

Descriptions of individual suits follows:

Mira Chaikin v. Church of Scientology, L. Ron Hubbard, et al.:  
The following is from the judge's ruling dismissing the case, which says all that needs to be said about this case:

"In this pro se complaint, which can most charitably be described as bizarre, plaintiff Mira Chaikin ('Chaikin') alleges that the various defendants are exploiting her, impersonating her and 'implanting' her.

She alleges that because defendant Ron Hubbard has been 'flowing to (her) sexually and romantically' she is his 'true wife,' as well as 'having been (his) wife in (her) last life who was murdered. ' Thus, she further alleges, defendant Mary Sue Hubbard is 'in no way the wife of Lafayette Ron Hubbard ' but has merely been impersonating plaintiff with resulting severe endangerment of plaintiff's mental health.

"As against the Church of Scientology, Chaikin appears to be claiming that the organization is acting contrary to its theoretical foundation. For the reasons set forth below, I dismiss the complaint.

"An action may be dismissed 'when the allegations of the complaint are beyond credulity . . . .' [cite omitted]. I find plaintiff's allegations, to the extent they are comprehensible at all, to be patently incredible."

Terry Dixon v. Church of Scientology Celebrity Center of Portland, et al.: This is a typical CAN-influenced suit for refund by Terry Dixon, which also asks for damages based on claims of breach of contract and breach of fiduciary duty. Dixon alleges that the Church of Scientology Celebrity Centre Portland, Church of Scientology of Portland and Church of Scientology Flag Service Org, breached a contract with him and their fiduciary duty, by failing to deliver to him results he considers to have been promised him from Scientology religious services. The suit was filed in December 1990.

Each of the three churches filed motions to abate the case pending arbitration, based on enrollment agreements signed by Dixon while he was in the Church, which include a clause that any disputes between the Church and the parishioner must be arbitrated. The judge ordered the case to arbitration and it has now been settled for the refund amount.

John Finucane, David Miller, Alexander Turbyne v. Emory Wilson Corporation, et al.: This suit was instigated directly by CAN and CAN attorney Toby Plevin. All of the plaintiffs are dentists who were clients of Sterling Management Systems (Emory Wilson Corporation) for a brief period of time and also briefly received some services from the Church of Scientology of Orange County. Sterling is a company that has been owned and run by Scientologists and uses methods of organizational administration developed by L. Ron Hubbard to help business people improve their businesses. Some of these individuals, upon being impressed with Mr. Hubbard's works, have become interested in Scientology.

The lawsuit was filed in LA Superior Court on December 26, 1991 by Finucane, Miller, and Turbyne, who reside, respectively, in Aiken, South Carolina, Sacramento, California, and Sohigan, Maine,

against Sterling and the Orange County Church. The complaint contains causes of action for deceptive trade practices, fraud, and injunctive relief, alleging that Sterling misrepresented itself to be an independent management training organization when, in fact, it was a part of the Church of Scientology and operated as a recruitment office for the Church with the goal of procuring new members and getting them to take Church services.

Miller and Turbyne settled their cases with the Church of Scientology of Orange County for a refund, but not with Sterling, leaving all plaintiffs with claims against Sterling, and only Finucane suing the Orange County Church. Finucane has so far refused offers from the Church to have his claim arbitrated as per the enrollment agreement he signed. The Church therefore filed a counter-claim and criminal complaint against Finucane relating to his breach of contract (his refusal to abide by the enrollment agreement) and invasion of privacy (for secretly tape-recording a conversation with a Church staff member and then broadcasting a heavily edited version of it on national television).

Dorothy Fuller, an individual v. Applied Scholastics International, et al.: This is another Toby Plevin, CAN instigated suit filed in April 1992. The claims are breach of lease, fraud and negligent misrepresentation. Applied Scholastics leased a residential property from Fuller who claims that the house was misused in several ways, including housing more people than agreed upon in the lease, use of the house as a child center, dormitory style living, and fabrication of products for resale. Thus it is a minor property dispute escalated by Plevin into tort litigation. It is expected that this suit will be quickly settled.

Lisa Stuart Halverson v. Church of Scientology Flag Service Organization, et al.: This was another suit for refund that CAN attorney Toby Plevin filed, alleging several torts for purposes of effect. The claims were for violation of the deceptive practices act and fraud, based on Halverson being told she could get a refund and then not being able to get it. The suit was settled for the refund amount.

Thomas and Carol Hutchinson v. Church of Scientology of Georgia, et al.: The complaint in this suit is virtually a carbon copy of the complaint in the Corydon case, one of the Michael Flynn cases listed at page 10-13 of our prior response. Although the Corydon case was settled, Hutchinson apparently got a copy of the complaint, very likely provided by CAN, and felt its inflammatory claims against a wide array of Church organizations would add spice to what is otherwise a suit for refund of money paid to the Church of Scientology of Georgia. The claims are stated as fraud and deceit and infliction of emotional distress, seeking unspecified damages and injunctive relief. However, the claims revolve around a core that the teachings of Scientology differ from those of

Fundamentalist Christianity, a topic constitutionally barred from secular adjudication.

The Church anticipates dismissal of this suit, favorable summary judgment or settlement for a refund of the Hutchinson's donations.

Mark Lewandowski v. Church of Scientology of Michigan, et al.: This suit was against the Church of Scientology of Michigan and two individuals, one former and one current staff member of the Michigan Church. Mark Lewandowski, who had previously been under psychiatric treatment with a substance abuse disability, took some courses at the Church of Scientology of Michigan in 1988. Although Lewandowski's relationship with the Church was short, in his suit he alleges that the Church committed consumer fraud by failing to ascertain his unstable mental condition, fraud, for allegedly misrepresenting the nature of the courses he took, and intentional infliction of emotional distress through the above. The nature of Lewandowski's claims and allegations strongly suggest that he was influenced to file suit by CAN.

This case went before a mediation panel where a settlement was accepted by the Lewandowski's attorneys for a refund. The Church of Scientology of Michigan is in the process of paying this amount to end the suit.

Peter and Francis Miller v. Church of Scientology et al.: The suit was filed on April 29, 1991 by CAN attorney Toby Plevin against several organizations, including CSI, Church of Scientology Orange County and Sterling Management Systems. This suit makes claims not unlike those of the Finucane suit described above, that they were misled into Sterling and Scientology and therefore want their money back. The claims include fraud, breach of express and/or implied warranties, invasion of privacy, intentional infliction of emotional distress and negligence. The Millers' claims against Sterling were arbitrated, with the millions the Millers originally claimed reduced to the refund amount. The case is still at the pleading stage as regards the Church parties.

Dee and Glover Rowe v. Church of Scientology of Orange County, et al.: This is another Toby Plevin/CAN suit naming the Church of Scientology of Orange County, RTC, CSI, the Sea Org and Does 1-100. It was filed on October 7, 1991, alleging fraud/deceptive trade practices, invasion of privacy, false imprisonment, assault, and intentional infliction of emotional distress. The suit essentially repeats the allegations made by the Rows in the May 6, 1991 edition of Time magazine, that they took courses at Sterling Management Systems and allegedly under the guise of management training were induced to take Scientology services. Discovery in this case has demonstrated that the Rowe's claims are contrived and maliciously false, and that these are people with a history of criminal activity. Glover Rowe embezzled

money from a fraternity in college and Dee Rowe has a history of emotional turbulence starting long before any contact with any Scientology organization. One of their claims, which has already been dismissed on summary judgment, was that the Church bugged their hotel room. This was a completely fabricated claim as seen by the fact that the staff of the hotel testified that this was impossible and that the Rowes could "support" it only by stating without any proof that their room "must have been bugged." It was not, a fact quickly recognized by the court. The Rowes were referred to Time magazine by CAN and continue to be encouraged by CAN.

Pretrial summary judgment motions are still being considered in this case and the Church expects all of the Rowe's claims to be dismissed. The Church also expects to prevail on a counterclaim naming the Rowes and CAN defendants, for libel and breach of contract, and that by deprogramming the Rowes, CAN interfered with the Church's relationship with the Rowes.

Frank and Joan Sanchez v. Sterling Management Systems, et al.: This is yet another CAN-inspired suit involving a dentist, Frank Sanchez and his wife, Joan Sanchez, filed against Sterling, the Church of Scientology of Orange County and IAS.

The Sanchezes attended a Sterling seminar at the end of October 1989, after which Sanchez asked Sterling to administer a program in his office. The Sanchezes went to the Church of Scientology of Orange County in December 1989 and were involved with the Church for less than a month. Sanchez wanted help with his marriage as he and his wife had marriage counseling over a twenty year period but it had been unable to straighten out problems arising from twenty years of adulterous affairs. Joanne Sanchez was opposed to the trip to Sterling and Orange County and went only because her husband wanted her to go.

The Sanchezes paid some money to Sterling and the Orange County Church, but then returned to New Mexico and refused further participation in any services at either Sterling or the Church, which would appear to have been directly caused by negative information provided them by CAN. Although the bottom line of what they are seeking is a refund of their money, their complaint asks for damages for breach of contract, intentional infliction of emotional distress, breach of covenant of good faith and fair dealing, for fraud and all the usual, boilerplate CAN allegations. The suit was dismissed with respect to the Orange County Church and it is expected that ultimately it will be settled for a repayment of the money they paid to Sterling.

Thomas Spencer v. The Church of Scientology, et al.: This suit was settled for a refund and dismissed on August 31, 1992. It was another suit for refund laced with the standard CAN claims,

breach of contract, fraud, and intentional infliction of emotional distress.

Irene Zaferes v. Church of Scientology: This was a personal injury suit filed in April 11, 1989. The plaintiff was a Hollywood woman who claimed that a wrongful death occurred when her brother, Luke Andrea (a.k.a. Louis Zaferes) died on April 12, 1988, some months after he did some "heavy construction work" at the Church of Scientology Flag Service Org, while having a heart condition. Zaferes was acting as her own attorney. The case was dismissed.

Jo Ann Scrivano v. Church of Scientology of New York, et al.: Jo Ann Scrivano, had an extensive psychiatric history including the use of heavy psychiatric drugs, before she came to the Church of Scientology Mission of Long Island in January of 1986. After receiving a small amount of introductory level auditing for which she donated \$450, Mrs. Scrivano became upset and blamed this on her auditing. She was offered her money back, but refused it and left. She subsequently filed a suit naming not just the Long Island Church but also a number Church organizations that had never heard of her. She even alleged an array of torts and sought \$10,000,450 in damages. Her claims include Fraud, Constructive Trust, Breach of Fiduciary Duty, Malpractice, Negligence, and Intentional Infliction of Emotional Distress. None of these claims is true, and both Scrivano's own attorneys and the judge assigned to the case have encouraged her to accept a token settlement offered by the Church just to get rid of the suit.

Marissa Alimata and Richard Wolfson v. Church of Scientology of California, etc., et al.: This case, of Marissa and Richard Wolfson, furnishes an excellent example of how any fruitcake can file a civil suit. The Wolfsons sued for \$1 billion alleging intentional infliction of emotional distress and that the conduct of the Church was "outrageous, fraudulent, malicious, abusive, indecent, intentional, unduly influential, willful, wanton and beyond bounds of common human decency." They claimed to have been subject to "undue influence" and to have suffered "violation of fiduciary relationship," interference with prospective economic advantage, loss of consortium and fraud. Before winning summary judgment on all of the Wolfsons' claims, the church was required to endure the public airing of delusional charges and suffer through such bizarre conduct as Mr. Wolfson appearing at his deposition dressed as Mrs. Wolfson.

Sherry Fortune v. Church of Scientology American Saint Hill Organization and Chuck Tingley: This case was brought by Sherry Fortune against the Church of Scientology American Saint Hill Organization and Chuck Tingley, her former husband, an independent contractor who had been a computer programmer at the Church. The case was essentially a domestic dispute between Fortune and Tingley that involved the rights to some computer software Tingley had developed. Fortune believed that naming the Church in her suit



would give her additional leverage over her former husband so she alleged that the Church was guilty of intentional interference with economic advantage, fraud and misrepresentation, intentional infliction of emotional distress, and conversion. The frivolous claims against the Church were dismissed and Fortune and Tingley reached a settlement between them.

Gary and Susan Silcock v. Church of Scientology, Mission of Salt Lake, et al.: The Silcock's received some religious services from the Church of Scientology Mission of Salt Lake in 1984 and then asked for a refund. The refund amounts requested were paid to the Silcocks and the suit was dismissed in September 1986.

Pedro H. Rimando and Irene Marshall v. The Church of Scientology of San Francisco, et al.: This suit was a suit brought by the parents of Rodney Rimando, a former Church staff member who committed suicide in November 1986 by jumping out of a window of a Church of Scientology building. The suit's claims were wrongful death, intentional infliction of emotional distress, negligence, and outrageous conduct. The suit claimed that Rimando came to the Church of Scientology of San Francisco for spiritual guidance and that no precautions were taken to prevent his suicide or see that he got psychiatric help. This suit only came about because a CAN attorney incited the parents to file it. The parents did not really believe the Church to be responsible for their son's suicide. The suit was never served and was voluntarily dismissed with prejudice.

Wendy and William Rabel v. Eric Rising, Jane Doe Rising, Church of Scientology Mission of University Way, et al.: As described previously, this suit involved an incident where a stereo speaker placed in the window of the University Way Mission in Seattle, Washington fell out of the window and struck Wendy Rabel on the head. A settlement payment was negotiated and the case was dismissed in January 1988.

Francine Necochea, a minor child, by her Guardian Ad Litem Cecilia Garcia v. Church of Scientology, et al.: This was an insurance suit dealing with an incident in 1983 when a girl on a motorized bike hit a Golden Era Studios Bus. She sustained a broken leg and other minor injuries. The girl's family sued the Church and the Church's insurance company handled the case and settled it for \$5,000.

Roxanne Friend v. Church of Scientology International, et al.: Some background leading up to the filing of this suit will help make it understandable.

Shortly after breaking away from the Church of Scientology, Roxanne Friend became romantically involved with a non-Scientologist. After an on-again, off-again relationship, they

finally broke off the relationship in August 1989. For months after this Friend experienced what she later characterized on a medical questionnaire as a "nervous breakdown."

Documents authenticated by Friend in her own hand illustrate her state of mind during this period, and outline the series of bizarre and violent acts that she admits were preceded and prompted by the break-up with her non-Scientologist boyfriend. She first secretly absconded with her former boyfriend's young son and molested him sexually. She next tried to persuade a karate instructor to murder her former boyfriend. Failing this, she wrote letters to the ex-boyfriend claiming that he had drugged, hypnotized and forced her to perform lewd sexual acts for he and his friends. When all of this further alienated the man, her conduct became more bizarre. She scrubbed her mare's vagina with bleach causing the animal severe pain and then physically assaulted and injured the proprietor of the stable when she tried to intercede on behalf of the horse. A bit later Friend was stopped for dangerous reckless driving and resisted arrest by assaulting a police officer.

Church staff who knew Friend and Friend's brother, nonetheless attempted to help by taking her to doctors in Los Angeles and then escorting her to Florida to be in a less stressful environment where she could also be examined by doctors. Once in Florida, Friend refused help, and went to the police with the hallucinatory claim that someone put crack cocaine in her cigarettes to account for her bizarre behavior. She was taken to a hospital at her insistence. The Church attempted to get her to submit to a full medical examination, knowing that most such behavior episodes are initially prompted by some undetected and untreated physical ailment. Friend refused.

Friend was then taken to her mother along with a written recommendation from the Church that she receive a full medical examination.

Friend's mother ignored the recommendation and Friend was later arrested, incarcerated in a mental hospital and sent for counselling at a Jewish support group. A psychiatrist at that group turned her over to the Cult Awareness Network (CAN). As they do in every such case, CAN promptly pumped Friend full of false and derogatory information about the Church and turned her over to their attorney Plevin. Up to that point, when CAN became involved, Friend had never considered the efforts of the Church members to help her as anything other than help, and despite her agitated state, had never accused the Church of causing the condition -- indeed she recognized that the break-up of her ill-fated romance was what brought it on. After being manipulated by CAN, however, Friend decided the Church was to blame and should pay her damages.

Months after the Church had its last communication with Friend, she finally received two medical examinations. The first found nothing wrong with her. The second found that she had a large lump in her abdomen and it was diagnosed as a very rare form of cancer. Friend's CAN attorneys, the same attorneys who had represented the Aznarans (see description of the Aznaran litigation in the response to your prior Question 10.d) considered this the next best thing to a plane crash, and suddenly saw in Friend the prospect of a circus trial with a dying woman to play on the emotions of a jury. Her attorneys rushed to court with a lawsuit that claimed the Church was responsible for her cancer not being earlier detected by not allowing her to see a doctor, and that all her psychotic episodes stemmed from this undetected physical condition. The attorneys characterized the efforts of Church members to help her as examples of assault and battery, wrongful imprisonment, invasion of privacy and intentional infliction of emotional distress. The suit also claimed the Church was guilty of fraud and false advertising and breached express and implied covenants in representing it would refund money to those not satisfied but then failing to do so.

These claims were completely unfounded as discovery proved that Friend had seen many doctors on a regular basis during the period that she was at the Church, both at the Church's direction and on her own, and thus the Church took the appropriate measures to see that she got the care and diagnosis needed. Her own doctor testified that the type of cancer Friend contracted was very rare and virtually undetectable by modern medical science until well developed and spread. The doctor testified that the only way to detect such cancer was for the patient to complain of a lump and then have a biopsy performed. Friend subsequently testified that she had felt a lump developing for two years, but never mentioned it during that time to the several doctors she did see.

The Church settled this case for nuisance value, for less than the cost of a trial, even if the Church prevailed. David Miscavige met with Friend in settlement talks as he was concerned that her attorneys would leave her destitute when doctor reports were submitted in court stating she only had several months left to live. Once settlement terms were generally agreed upon, the first thing Friend did was ask whether if she miraculously recovered, could she get back into the Church and take services. Thus, in the final analysis Friend herself acknowledged that her frightening claims against the Church were contrived.

To our knowledge, despite the claims that were made by Friend and her attorneys of imminent death, she is still alive.

Bruce and Lynnel Arbuckle v. Skip Pagel M.D., Church of Scientology Celebrity Center Portland, et al.: This suit was brought by the parents of Chris Arbuckle, a former Church

parishioner, who died of kidney failure. The suit's claims were wrongful death against Scientologist Dr. Skip Pagel and the Tuality Community Hospital, and breach of fiduciary duty against the Church of Scientology Celebrity Centre Portland, Church of Scientology of Portland and Church of Scientology Mission of Fairfax. Arbuckle, a 25-year-old chiropractor, participated in the Purification Rundown after first receiving a physical examination by Dr. Pagel. Subsequent to this Arbuckle died, in August of 1986, of a heart attack resulting from a kidney failure which followed a dying liver, with the cause of the dying liver attributed to "probably hepatitis" on the death certificate. The complaint alleged that the Purification Rundown caused this to occur. What was found on further examination was that Arbuckle was known to be abusing steroids for body building purposes, that he had undergone a bout of hepatitis prior to doing the Purification Rundown (which he did not disclose to Dr. Pagel), and that a pathologist familiar with Arbuckle's death stated that his liver died as a result of Hepatitis B, and that there was no way the Purification RD could have caused this to occur. The suit was settled and dismissed in August 1990.

In re Dynamic Publications Inc.: Dynamic Publications was a company owned by two now-expelled former Scientologists, who filed for bankruptcy in early 1987 in United States Bankruptcy Court for the District of Maryland. The trustee in bankruptcy, appointed by the court to collect all the assets of the company, determined that these individuals had made donations to Churches of Scientology and Scientology-related organizations through the company and sought to get some of this money back as having been fraudulently conveyed when the company was in debt. The suit was settled in January of 1991.

Ted Patrick, et al. v. Church of Scientology of Portland, et al.: The Church of Scientology of Portland filed a suit against the deprogrammers of Julie Christofferson in September, 1980, suing them for barratry and practicing medicine without license. Ted Patrick, a convicted felon, was one of the deprogrammers. He filed a counterclaim in September 1980 alleging abuse of process and claiming that the Church's suit was frivolous and vexatious. The attorney on the suit was an associate of Michael Flynn associate. The counter-suit was ultimately dismissed.

Gregory F. Henderson v. A Brilliant Film Company, et al. and Gregory F. Henderson v. Marvin Price, et al.: Henderson had a contract with Brilliant Film Company to shoot a movie written by L. Ron Hubbard. Brilliant Film went bankrupt and Henderson filed suit on May 14, 1982 against a series of defendants, including L. Ron Hubbard. It raised financial claims and also that there had been a conspiracy to induce Henderson to agree to a loan that would not be repaid and to keep him from pursuing his legal remedies. He

also filed a second suit, against Marvin Price, an ex-Scientologist who had was the mission holder of the Church of Scientology Mission of Stockton stating claims for negligent misrepresentation, fraud, breach of fiduciary relationship and conspiracy to defraud. The suit with Brilliant Film Company was settled and the other suit was then dismissed with prejudice in July 1984.

Peter Siegel v. Religious Technology Center, et al.: Peter Siegel is a "sports hypnotherapist", doing business as "Achievement Plus Institute". Siegel used a logo similar to a trademark owned by RTC. Attempts were made prior to litigation to settle Siegel's confusion as to the ownership of the mark, which was registered by RTC in December 9, 1986, and to obviate the need for litigation. Siegel was uncooperative in this and RTC and CSI filed suit. Siegel filed a pro per cross-complaint on December 20, 1989 for registration of the mark in his name, cancellation of RTC's registration, trademark infringement, intentional infliction of emotional distress and revocation of RTC and CSI's tax-exempt status. Siegel has no valid claim to this trademark and RTC's summary judgment motion is presently pending. Although Toby Plevin came in at the last minute to represent the defendant at the summary judgment hearing, the court, after hearing her argument, told Plaintiff's counsel to propose an order on the summary judgment motion to be written from the viewpoint that the court was ruling in Plaintiff's favor. The court has also asked for more detailed information concerning RTC's pending motion for attorneys' fees.

Steve Dunning v. Church of Scientology, et al.: Dunning was a Church staff member for three months in 1983 and came and went for very brief periods after that. He is currently in a half way house for psychiatric patients where he committed himself because he could not function in the outside world, has an outstanding warrant for his arrest in North Carolina for assault with a deadly weapon and another arrest for threatening someone with a knife. He filed a suit against the Church asking for over \$5 billion claiming breach of contract, breach of implied covenant of good faith and fair dealing claims, fraud and intentional infliction of emotional distress. The suit was completely groundless and it was dismissed in favor of the Church in August 1987 when Dunning failed to appear at the hearing on the Church's Motion for Entry of Final Judgment.

Jeff and Arlene Dubron v. Church of Scientology International, et al.: This suit which named 21 defendants and 50 "John Doe" defendants, alleged claims of defamation, invasion of privacy, outrageous conduct, and negligent infliction of emotional distress. The suit stemmed out of an incident where some Church staff posted a notice around Scientology churches calling for Scientologists to report unethical conduct and used some facts concerning Dubron as an example. The suit was voluntarily dismissed.

Vicki Adler v. American Sun, Inc., Church of Scientology of Los Angeles: This suit alleged emotional distress as a result of Adler's alleged brainwashing by American Sun, a business owned and operated by several Scientologists. The suit was essentially an employment dispute between Adler and American Sun where Adler made Scientology an issue to intimidate the company. The suit was settled and dismissed in 1988.

Benham v. Church of Scientology Celebrity Center of Dallas This was a personal injury case in Dallas, Texas. Vicki Benham alleged that she was injured while on the Purification Rundown and that she had emotional distress. The case was settled in 1991 for a refund and nominal nuisance fee which was paid by the insurance company.

Michael Burns v. The Recording Institute of Detroit, Inc., et al.: This case was filed on July 25, 1991 against the Church of Scientology of Michigan, Church of Scientology Flag Service Org and several individual Scientologists, and a recording school owned by a Scientologist. Burns claimed that he was subjected to mind control by the Scientologist from the recording school and that this induced Burns to become involved with Scientology and join Church staff, which prevented him from pursuing his studies in the recording field. The case alleged fraud, breach of contract, intentional interference with a contractual relationship, intentional infliction with emotional distress, and conspiracy. The suit has no merit and is expected to be dismissed shortly.

Clay Eberle and Eberle & Jordan Law Firm v. Church of Scientology of California: Eberle is an attorney who formerly represented refund/repayment claimants suing the Church. His suit alleges that he was damaged when CSC settled directly with some of the claimants as the claimants then did not pay him attorneys' fees. In April 1988, the Court granted the Church's summary judgment motion dismissing the case and ruled that there was a qualified privilege for the Church to deal directly with its former members notwithstanding the retention of an attorney by the former member, and there was no evidence that the Church intended for the persons to breach their attorney/client contracts with Eberle, and no evidence that the Church caused the attorney/client contracts to be breached.

Mario Metellus v. Church of Scientology of New York, and Linda Barragan: Metellus was a non-Church member who responded to an advertisement placed by the New York Church for part-time help. After working less than a day, on November 29, 1989 he was dismissed. Metellus refused to leave and the police had to be called in to remove him from the premises. Metellus even refused to respond to the police officer's directions to leave and



was arrested. When Metellus refused to allow the police to take his fingerprints, he was held in custody. The complaint, claimed that Metellus was falsely accused of criminal trespassing and falsely arrested. Metellus also sued the City of New York. The complaint against the New York Church was settled for a nominal amount.

Subparagraph 10.e(ii)

In this subparagraph, the Service has asked for a copy of any verdict, decision or judicial finding that any Scientology-related organization or individual was involved in the commission of an intentional tort or violation of criminal law. Copies of these documents are attached as Exhibit 10-P. There were verdicts, or decisions with judicial findings of intentional torts in only four of the cases discussed on the pages of the prior submission referenced in this question, and all of these cases were discussed in the response to Question 4.d of the Service's May letter -- the Stifler case, the Christofferson case, the Wollersheim case, and the Armstrong case, discussed at pages 10-12; 10-15 to 10-16; 10-16; and, 10-12 respectively, of our prior response.

The Service has asked the Church to state whether it agrees with the findings of the Courts in each of the above decisions. The Church's response to this part of the question follows:

Lawrence Stifler v. Church of Scientology of Boston:

The Stifler case was, for all practical purposes, won by the Church, as the only money judgment in the case was entered against an individual Church member for \$979 in medical bills. This was one of Michael Flynn's stable of cases described in our prior response at 10-12. Lawrence Stifler accosted a staff member of the Boston Church, Roger Sylvester, on the streets of Boston, Massachusetts in the early 1980's. Stifler verbally abused Sylvester for attempting to disseminate his religion. Both men lost their tempers and came to blows. As a result of the altercation Stifler suffered a minor injury to his knee. Stifler filed suit claiming \$4,250,000 in damages.

During the 1984 trial, Flynn attempted to show that the altercation was part of a nefarious Church of Scientology scheme. Flynn sought to introduce his standard retinue of professional anti-Church witnesses in order to reap a large punitive damages award. The Court refused to go along with this charade, bifurcated the Boston and California Churches from the trial and prohibited Flynn from introducing any of his general Scientology issues or "evidence."

Stifler claimed to have suffered major trauma to his knee which had permanently incapacitated him. Yet, when the evidence was presented at the trial, the defense showed that whatever injuries he may have suffered at the time of the altercation with Sylvester were extremely minor. Evidence supporting this defense included photographs of Stifler engaging in competitive stair climbing up skyscrapers at the very time he claimed to be incapacitated. The jury awarded a mere \$979.00 against Sylvester to cover Stifler's medical costs, and the Church defendants were dismissed from the case.

The Church disagrees with the fact that Stifler was awarded any money at all. The Church agrees with the dismissal of the Church of Scientology of Boston and the Church of Scientology of California from the case.

Church of Scientology v. Gerald Armstrong:

We have included some background information here and an epilogue to the decision in question. That is because the Service has continuously thrust the Armstrong case at us, demanding an explanation. The Armstrong case decision was so inflammatory and intemperate that it was used to stigmatize the Church in the legal arena and make other outrageous decisions possible. As we shall demonstrate below, all this decision ever involved was Armstrong's state of mind, which subsequently obtained evidence proved conclusively to be one sordid, sado-masochistic nightmare. Furthermore, Armstrong's state of mind horror stories have fallen on deaf ears in recent litigation. Relying on Armstrong or the Armstrong decision is wholly unjustified.

During the later years of his tenure as an employee of the Church, Gerald Armstrong was placed in charge of a huge quantity of documents that belonged to Mr. Hubbard that contained private and personal information regarding Mr. Hubbard. Part of his duties included research to support the work of an author who had been retained to write an authorized biography of Mr. Hubbard.

In late 1981 after the initial clean out of the higher levels of the Guardian's Office, and when investigations were turning toward identifying those in alliance or sympathy with the GO, Armstrong suddenly vacated Church premises and left its employ, taking with him huge numbers of confidential documents that belonged to Mr. Hubbard or his wife which the Church was holding as bailee. It was no coincidence that Armstrong left at that time because he had repeatedly expressed his ambition to join the GO and work in Bureau 1 (Information Bureau), the same area of GO that had been responsible for the criminal acts of the 70's. Armstrong also had been a long-time friend and confidant of Laurel Sullivan. Just prior to the take over the GO taking place, Sullivan had made a

proposal to place convicted GO members into corporate positions of control throughout the top of the ecclesiastical hierarchy. She was also found to be spying on the CMO for the GO during the early days of the CMO's investigation into the GO. Armstrong assisted and supported Sullivan in her efforts.

In the summer of 1982 the Church received evidence that Armstrong had stolen thousands of documents from archives when he left the Church. Church counsel wrote to Armstrong, demanding that he return them. Armstrong denied the theft.

Once the demand for return of documents was made, Armstrong turned the stolen documents over to Michael Flynn, with whom Armstrong decided he could make a lot of money.

In August 1982, the Church sued Armstrong for conversion, breach of fiduciary duty and confidence, and invasion of privacy based on Armstrong's theft of extensive amounts of private papers owned by the Church or the Hubbards. The Church sought return of the papers and the imposition of a constructive trust over them, and any proceeds derived from them, as well as preliminary and permanent injunctive relief against dissemination or disclosure of the private documents.

In September 1982, Armstrong, represented by Flynn, answered the complaint and raised the defense that he was justified in stealing the documents entrusted to him as a fiduciary because he wished to make public information about Mr. Hubbard and the Church out of fear for his safety and well-being. His defense was stricken on four different occasions by three different judges.

In April 1984, the case was assigned for trial before Judge Paul Breckenridge, Jr. At that time, the Church presented motions in limine to prevent Armstrong from introducing the stolen, confidential documents since their introduction into evidence would vitiate the very rights of privacy the action sought to protect. The Court not only allowed Armstrong to introduce the confidential documents, but also allowed him to raise his four-times stricken defense with a new perverted twist. He would not have to prove there was anything to fear from the Church, but only his state of mind when he stole the documents. The Church was completely ambushed in the trial by these documents, as in most cases Armstrong had stolen the only copy that existed. Then, after he and Flynn had ample time to prepare their case from them, the documents were placed under seal in the Court. Although the inflammatory allegations that Armstrong made and purported to support with these documents could have been shown to be false or grossly distorted by other evidence, the Church had no chance to prepare and put on that evidence before being hit with the documents in court.

During the trial, Armstrong presented testimony from numerous witnesses who testified for the purpose of establishing Armstrong's supposed "state of mind" with regard to his alleged justification for stealing the documents. Each of the witnesses was hostile to the Church and, in fact, was a plaintiff against or taking a position adverse to the Church in other litigation in which Flynn was the counsel. Each witness gave general testimony about his or her own viewpoint on relationships with the Church in an effort to bolster Armstrong's state of mind justification defense.

The Court did not allow the Church to put on evidence to rebut the testimony of those witnesses. The Court also declined to allow the Church to put on evidence explaining the confidential documents and precluded the Church's proffered rebuttal evidence on the ground that the adverse testimony was admitted only for the purpose of establishing Armstrong's state of mind and not for the truth or falsity of the matter testified about.

On July 20, 1984, Judge Breckenridge issued a Statement of Intended Decision which became final a month later, which held that the Church had "made out a prima facie case of conversion..., breach of fiduciary duty, and breach of confidence" (as the former employer who provided confidential materials to its then employee for certain specific purposes, which the employee later used for other purposes to employer's detriment). Judgment, however, was entered in favor of Armstrong. The Statement of Decision adopted as the facts of the case the allegations which Armstrong had made in his trial brief. These allegations included the statements on which Armstrong premised his justification defense; i.e., that defendant "... became terrified and feared that his life and the life of his wife were in danger, and he also feared he would be the target of costly and harassing lawsuits." The judge went on to pontificate on the psychological mind-set of not only Mr. Hubbard, but Scientology at large. The only lawsuit that there was to fear was the one that was ultimately filed for return of the stolen documents. It never would have been brought had Armstrong voluntarily returned the documents when asked, despite the theft.

The IRS CID, however, absorbed Breckenridge's findings as the definitive statement of what Scientology is, and used this decision and the Flynn witnesses who testified at the trial as the nucleus of their investigation. The Church tried repeatedly to explain to the IRS that the Armstrong decision was nothing more than a statement concerning Armstrong's state of mind. The CID and EO weren't interested, as they found in Armstrong a kindred spirit who echoed their own sentiments. They therefore embraced Armstrong and the Flynn witnesses and used their fabrications as the basis for their investigations and denials of exemption.

Evidence found after the Armstrong trial proves not only that Armstrong never was afraid of the Church as he claimed at trial,

but that he was engineering a plan to infiltrate and take over the Church at the behest of the CID.

Shortly after the trial, Armstrong's conspiracy against the Church surfaced when he sought, at the behest of IRS CID agents Al Lipkin and Phillip Xanthos, to recruit Church employees and organize them against the Church. To this end Armstrong contacted a Church member and former friend to enlist his aid in recruiting a group of dissident Scientologists to overthrow Church management. After this individual, however, informed the Church of Armstrong's plan, it obtained permission from the Los Angeles Police Department to conduct undercover surveillance of Armstrong. The Church then used two "undercover" persons to collect evidence of Armstrong's machinations.

Videotaped conversations show that Armstrong intended to recruit additional persons to create "as much shit for the organization as possible." Armstrong intended to foster this plan by creating sham lawsuits against the Church, seeding the Church's files with forged and "incriminating" documents which would then be seized in a raid by the Internal Revenue Service as part of the then ongoing CID investigation, taking control of the Church after such a raid, and lying under oath to prevent discovery and to protect Armstrong's co-conspirators.

Armstrong admitted on videotape that there was no basis in fact for his justification defense since he had no fear that anyone associated with the Church could or would harm him. Speaking with an undercover operative known to Armstrong as "Joey," Armstrong revealed his "justification" defense for the fraud it was, and that his only "fear" was that his conspiratorial plans would be discovered:

JOEY: Well, you're not hiding!

ARMSTRONG: Huh?

JOEY: You're not hiding.

ARMSTRONG: Fuck no! And . . .

JOEY: You're not afraid, are you?

ARMSTRONG: No! And that's why I'm in a fucking stronger position than they are!

JOEY: How's that?

ARMSTRONG: Why, I'll bring them to their knees!

(Exhibit 10-Q).

Armstrong requested that the undercover persons give him Church documents so that he could forge documents in the same style. In particularly revealing language with respect to the documents he stole and later relied on at trial, Armstrong stated with respect to forgeries that he can "create documents with relative ease" because he "did it for a living." (Exhibit III-10-Q).

Armstrong then planned to "plant" forged, incriminating documents in the Church's files so that those documents could be later discovered and used to discredit the Church. Armstrong planned to "tip off" investigators for the Criminal Investigations Division of the Internal Revenue Service once the phony documents were safely planted so that they could be "discovered" in a later IRS raid.

JOEY: (Laughs) Great, so what kind of stuff are we going to want to create and who's going to get it?

ARMSTRONG: That's what we need to talk about!

\* \* \*

JOEY: -- and what do the agencies want on this?

ARMSTRONG: O.K. Well, the agencies have asked for some specific things, that's all they asked for. Now - - \* \* \*

JOEY: Now, who wanted this?

ARMSTRONG: CID.

(Exhibit III-10-Q).

The videotapes also reveal Armstrong's true motivations and his systematic and fraudulent sabotage of the trial. Armstrong stated he would bring the Church to its knees and that the fomentation of litigation was one of the prime vehicles for accomplishing this objective. He stated:

ARMSTRONG: That they're going to lose in a whole bunch of jurisdictions. They're going to lose, they're going to lose, they're going to lose (tapping his palm each time he said it). And they're going to start losing (shrugs) 1985. They only even have to lose one, and attorneys all over the country are going to jump on the fucking bandwagon. And watch, you know, all of a sudden you've got precedents being established, which are incredible.

(Exhibit III-10-Q).

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Armstrong further explained that, from his perspective, neither the truth nor good faith play any significant role in litigation. He instructed the undercover Church member that facts mean nothing to a civil litigant and that truth is merely an avoidable obstacle. Armstrong explained how a civil claim can be pursued despite an absence of a claim or essential facts:

ARMSTRONG: They can allege it. They can allege it. They don't even have -- they can allege it.

MIKE: So they don't even have to have the document sitting in front of them and then --

ARMSTRONG: Fucking say the organization destroys the documents

\* \* \*

ARMSTRONG: Where are the -- we don't have to prove a goddam thing. We don't have to prove shit; we just have to allege it.

(Exhibit III-10-Q).

As to Armstrong's "dedication to the truth," for which he is complimented in the trial court's decision, Armstrong took the opportunity to instruct both "Joey" and "Mike" separately on the need and desirability of lying under oath:

ARMSTRONG: . . . . By the way, no one will ever get any names, any communications, any times, any dates or anything out of me, that's just the way it is. I'll go to prison before I ever talk, okay. So you have to know that, because they're wanting to depose me every couple of months. I'm simply saying no, anyone I talked to that's, that has nothing whatsoever to do with this lawsuit, the causes of action in my lawsuit began in 1969 when I was enticed into the Sea Organization and it ended in 1981, or they actually they continue on because you guys have continued to harass me but you...

MIKE: Not us, hey!

ARMSTRONG: No, I'm telling you what I would tell them in deposition, but they don't get anything else, go ahead.

MIKE: Okay, so that, that's fine, we have an agreement on that point.

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ARMSTRONG: Right. And you guys also have to have your agreements marked out between yourselves too, like, I don't know who knows I'm involved but, I'll deny it!

MIKE: Okay, well, we haven't said anything either.

ARMSTRONG: Good, Good.

(Exhibit III-10-Q).

Armstrong was even more direct in discussing the fine points of perjury when speaking with Joey:

ARMSTRONG: OK. What are our conversations, should it come down to it?

JOEY: What do you mean?

ARMSTRONG: What do we talk about. You're deposed. You walk out there, and there's a PI hands you paper, saying you're deposed Jack, and not only that, you're out of the organization. And what do you say in deposition. Well, Armstrong and I talked about this, and he had a whole bunch of ideas about how to infiltrate the communication lines and spread turmoil and disaster, you know! What are we doing here? That's my question, before I tell you my ideas on documents.

\* \* \* \*

ARMSTRONG: OK. So as far as the doc...Let me just say ah, you and I get together, we get together because I have a goal of global settlement. You have felt that the turmoil and abuses and so on have gone on too long... Hence we get together and discuss things. We have not discussed anything about a destruction of the tech, or Scientology is bad, or anything like that. Are we agreed?

JOEY: Yeah.

(Exhibit III-10-Q).

The evidence shows Armstrong's state of mind, not to be fear, but instead to be of a calculating, aggressive and dishonest character.

Armstrong's own writings illustrate Armstrong's state of mind to be sickly and twisted. Attached are two examples of Armstrong's writings illustrating Armstrong's psychosis and his plan to entrap a senior Scientologist in a compromising sexual situation, as previously presented but not provided to the Service. (Exhibits III-10-R and III-10-S).

We do not enjoy even reading much less repeating Armstrong's demented ramblings. However, we have tried to explain to the IRS at every level that the Armstrong decision only stood for what Armstrong's feigned state of mind was during the trial. Yet, the allegations kept getting raised for us to have to deal with as some sort of fact. And they are being raised here again.

The Armstrong case was reviewed by the California Court of Appeal in summer 1991. The Court of Appeal refused to accept the evidence that the Church had discovered after the trial as outlined above, on the technicality that the trial court never got to see it first (an impossibility since it was obtained after the trial). The Court of Appeal upheld Breckenridge's decision on the legal technicality that it believed a justification defense is available to defend against theft in California. As to the Church's protest to the gratuitous and condemning language of the Armstrong decision, the Court of Appeal ruled there was not a problem of stigmatization because Breckenridge was only reciting Armstrong's purported state of mind - exactly what we had been telling the IRS from 1984 to this writing.

In December 1986, Armstrong entered into a settlement agreement with the Church as part of the overall Flynn case settlement. The agreement was designed to resolve all present and future issues between the parties. Armstrong agreed not to insert himself into future legal proceedings regarding the Church absent legal process. Within a short time after receiving the Church's money, however, Armstrong embarked on a course of conduct in direct, intentional violation of that agreement.

Upon entering into the agreement, Armstrong acknowledged that he understood the provisions of the settlement and had received legal advice thereon. Armstrong now states, however, that he found these provisions to be "not worth the paper they were printed on." He now says that he "put on a happy face" and "went through the charade" of signing the settlement agreement. The Church recently sued Armstrong for his blatant disregard of his obligations under the settlement agreement. After a full hearing, in which Armstrong was able to fully air his "justification defense", essentially replaying his 1984 case, another Superior Court Judge was not impressed and slapped Armstrong with a preliminary injunction. So, history has proven Breckenridge wrong. Armstrong is anything but frightened. As he so clearly said - "just allege it."

There is a compelling body of evidence that suggests that Armstrong case was manufactured and arranged by the IRS prior to it even going to trial. The following is brief synopsis of some of that evidence:

- The IRS was part of Armstrong's attorney Flynn's FAMCO plan from the very beginning. FAMCO documents disclosed plans to create

"Federal and State attacks" with the objective of "closing orgs". Flynn conducted a FAMCO conference in May 1981 that included "representatives of Internal Revenue Service"

- The IRS was the recipient of attorney-client privileged audio-taped conferences that were stolen by Armstrong. The IRS pleaded at one point during the US v. Zolin proceedings (see more about this below) that they had received a copy of the tapes from a "confidential informant" whom they refused to identify. This revelation shows the CID had a very strong vested interest in Armstrong being found justified, after they were in receipt of stolen property. This is evidence of motive for tampering with the outcome of the Armstrong case. It also explains their conduct in illegally and secretly obtaining a "legitimate" copy of the tapes from the Superior Court after the Breckenridge decision had been rendered.

- Despite the fact that communication with the IRS or any other federal agency was never an issue in the Armstrong case, Breckenridge's ruling inexplicably invited Armstrong to discuss the contents of the sealed archives documents, and share them, with "any duly constituted Governmental Law Enforcement Agency".

- During post trial proceedings, Armstrong's counsel let slip a mention to Judge Breckenridge that "The IRS is interested, as the court probably knows. An investigation is ongoing right now with respect to the IRS criminal office concerning the testimony in this case and the evidence that was introduced at trial." However, the Church knew of no such investigation and was not informed of such for 2 months. In fact, the CID to this day claims the investigation did not begin until July. Apparently, the IRS saw fit to inform Armstrong, his attorneys, and a sitting Judge about their investigation before informing the Church or the individual targets. The only explanation for this is ex parte communication with the judge on the part of the IRS to the exclusion of the Church.

- Discovery in the Canadian case revealed that Armstrong's video taped statements concerning Flynn, the IRS CID and the Ontario Provincial Police (OPP) actively conspiring to create the "collapse" of the Scientology religion were borne out. Detective Ciampini's notes revealed constant communication with Armstrong, Flynn, and LA CID agents. The CID agents travelled to Canada in late 1984 to coordinate. Canadian documents and agent testimony also revealed that Ciampini and his associates travelled to LA to coordinate with Armstrong and LA IRS in April 1984 - one month BEFORE the Armstrong trial.

- The CID's own Special Agent's Report of May, 1985 also corroborated that they were working in alignment with the FAMCO plan and Armstrong's video taped aims. The report stated that the

objective of the investigation was to cause the "ultimate halt" to and "final disintegration" of the Church of Scientology.

- In the David Miscavige v. IRS FOIA case covering the IRS CID files, the IRS has strenuously evaded acknowledging the name of a single informant, despite the fact Mr. Miscavige has provided public documents irrefutably proving two dozen of them are Flynn clients. In fact, every single witness for Armstrong was an IRS CID informant. The CID has gone so far as to knowingly file a forged document in order to prejudice the court in the effort to prevent the disclosure of any documents generated by informant contacts.

- LA CID agents have sworn under oath several times that the CID investigation started as the result of a 11 July, 1984 New York Times story that covered the Armstrong case. Yet, the New York Times story itself quoted an IRS spokesman as claiming the "Internal Revenue Service has been investigating Mr. Hubbard's financial arrangement with the Church of Scientology for more than a year."

- On Sept 26, 1984 David Miscavige met with several high ranking IRS officials in Washington D.C. including Al Winbourne, Charles Rumph, Joe Tedesco, Marvin Friendlander, and Bill Connet, to answer to allegations made in the New York Times article since that was what purportedly caused the CID investigation. When Mr. Miscavige began by asking how the NY Times article could be the impetus for the CID investigation when the same article states it has been going on for a year, none of the IRS personnel could answer and in fact ended the entire discussion on the article - yet an explanation of the article is precisely why they asked for someone to attend this meeting.

CID agents continuously dispute evidence that their investigation began earlier than the 11 July, 1984 New York Times article. If the investigation started before 11 July, then it would clearly show there was no "reason" for it, other than the reason that has been clearly emerging in evidence obtained through discovery in Canada, and in FOIA cases - to wit, the CID started the investigation much earlier, orchestrated the Armstrong case and N.Y. Times article as a pretext to justify their concerns, with the aim to bring about the "final halt" to and "ultimate disintegration" of Scientology.

The Church contends the 1984 Armstrong decision was brought about by IRS agents illegally working in collusion with private litigants. The Church vigorously disagrees with the 1984 decision and with Judge Breckenridge's observations about Scientology. The Church agrees with the 1992 Armstrong decision preliminarily

enjoining him from injecting himself into other private and government actions concerning the Church.

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Among the fall-out from the Armstrong case has been litigation for most of the past decade over the IRS's use of some of the fruits of Armstrong's theft. In addition to Mr. Hubbard's private and personal papers, Armstrong stole a tape made of a GO attorney conference in 1980. This conference was attended by Laurel Sullivan (later an IRS informant) who headed a project called Mission Corporate Category Sort Out (MCCS). The purpose of MCCS was to align the Church's corporate structure with its expanding ecclesiastical hierarchy. MCCS was disbanded in early 1981, coincident with the overthrow and disbandment of the GO, when it was learned that Sullivan was attempting to place some of the indicted GO criminals in high corporate positions and also in control over the trade and service marks of Dianetics and Scientology.

The IRS gained illegal possession of these tapes through a secret summons served on clerk the Superior Court (Frank Zolin) without notice to the Church. A Federal Court later ruled the IRS must return the tapes back to their sealed position in the Superior Court. In defiance of the court order, the IRS made a copy of the tapes, transcribed them, and sent the transcripts to IRS agents around the country. Several CID and EO agents working on Church cases fully reviewed the transcripts, while the Church itself never had access to them.

The IRS has used the existence of the stolen tapes against the Church both in court and in the exemption proceedings. Knowing full well that the Church did not have access to them or knowledge of their contents, the IRS has demanded the Church provide copies of them in virtually every 1023 proceeding.

This ploy was taken to its most outrageous extreme in the CST declaratory judgement case before the Court of Claims in Washington DC. The Department of Justice attorney representing the IRS in this litigation vehemently asserted the bald face lie that CST failed to establish its entitlement to exemption by not providing copies of the MCCS tapes during its exemption proceedings. He used that as the stepping stone for the rest of his argument in which he speculated that nefarious purposes for the establishment of CST were evident in the MCCS tapes, and that these inferences had to be accepted since CST failed to produce them. Not only were the tapes unavailable to the Church, contrary to DOJ assertions, but the IRS had possession of them and knew they didn't contain the inferences put forth to the court. The big lie was pressed so insistently and forcefully that the judge bought and premised his entire ruling on it.

These tapes are still the subject of ongoing litigation. The most recent decision was rendered by the United States Supreme Court on November 16, 1992 in (U.S. v. Zolin which acknowledged that the IRS had access to the tapes in 1984 and had access in 1991 up through present time. In fact, the IRS argued unsuccessfully that because they had the tapes, the Church's appeal of the ruling granting the IRS access was moot.

Christofferson v. Church of Scientology:

The Christofferson case, described at pages 10-15 and 10-16 of our prior response, went to trial twice, had two jury verdicts and both verdicts were overturned. The case ultimately was settled as a nuisance.

Julie Christofferson made her claims against the Church only after being kidnapped and deprogrammed by convicted felon and CAN founder Ted Patrick, and after being induced to file suit by unethical attorneys as part of Michael Flynn's FAMCO scam, as described in the response to Question 10.d of our prior response. Christofferson's attorneys were FAMCO members.

Christofferson claimed that she had been defrauded, brainwashed and subjected to emotional distress. The first trial of the case, conducted in 1979, was a free-for-all, in terms of Scientology bashing. The judge at that trial allowed Christofferson's counsel to parade a string of former members and store-bought psychiatrists through the court room and essentially put the Scientology religion on trial, as seen through their hate-filled eyes. This resulted in a verdict against the Church of Scientology of Portland and other Church entities in the Portland area, of \$2 million.

The Oregon Court of Appeals resoundingly reversed the verdict on the ground that it was a runaway, heresy trial prohibited by the First Amendment. The case was remanded for a new trial.

Given the admonitions of the Court of Appeals in remanding the case, the second trial should have been better controlled. It was not. If anything the second trial, conducted in 1985, was worse, as by that time Michael Flynn had put together a regular traveling circus of apostates that he exported to his allied FAMCO attorneys who were trying the case. All the witnesses had three things in common. One, they had never met Julie Christofferson. Two, they were all represented by Flynn and had a stake in the outcome of the litigation. Three, they were CID informants. This was the same turn-key arrangement used in the Armstrong case.

None of the witnesses had a single thing to say about Christofferson. They were simply summonsed to rant about the

"evil" Church for days on end. Gerald Armstrong, an IRS informant whose love poem to a pig was written at plaintiff attorney Gary McMurry's farm-home between days of testimony, spent several days denigrating the Church and its beliefs.

On cross examination Armstrong was questioned about the facts disclosed in the video tapes outlined earlier in the Armstrong section of this answer. True to his premeditated pledge to deny any of it, even under oath, he proceeded to do just that. Thus, he denied that he had ever been involved in any planning to take over the Church or to seed its files with phoney documents in preparation for a CID raid, and other similar facts that the tapes clearly documented. He was asked if he ever met with anyone to discuss anything like this. Armstrong vehemently denied it. His blatant perjury then was exposed when the Los Angeles police department sanctioned video tapes were put into evidence.

Within two hours of this testimony, CID agents and District Counsel attorneys were in Portland in the Judge's chambers, and in a clear attempt at intimidation, demanded access to and sealing of the tapes. Simultaneously, CID agents Lipkin and Ristuccia visited the Chief of the Los Angeles police department to arrange cover for their operation. This case should have exploded in the plaintiff's face with a summary perjury conviction of her star witness. Instead, as a result of IRS CID interference it was allowed to run its full course as a modern-day heresy trial against the Scientology religion.

Not only was Armstrong not charged with perjury, but other CID informants such as Laurel Sullivan, Bill Franks, Eddie Walters and Howard Schomer, were also allowed to disparage the Scientology religion to their heart's content; and CAN psychologist Margaret Singer, whose theories on "cults" and "brainwashing" have subsequently been completely discredited in several courts, was allowed to expound upon those theories making Scientology out to be something entirely evil and diabolical. This went on to the point where once again Scientology was on trial and the jury was overwhelmed by the poisoned atmosphere and the inflammatory accusations.

The resulting \$39 million verdict was so outrageous that a public outcry went up, not just from Scientologists but from the religious community at large. The judge himself was shocked, and in admitting that the case had gotten out of hand in violation of the court of appeals ruling in the first case, declared a mistrial and nullified the verdict completely.

The Church thus does not agree with the verdict reached by the jury but does agree with the mistrial declaration that nullified that verdict exactly 60 days after it was entered. Lawrence Wollersheim v. Church of Scientology of California.



The Wollersheim case, discussed on page 10-16 of the prior submission is still under consideration by the California Supreme Court. The original \$30,000,000 verdict was reached after months of testimony by Michael Flynn's regular stable of witnesses, including Laurel Sullivan, Eddie Walters, and psychiatrist Margaret Singer, none of whom had even met Larry until the eve of trial. The trial was no different than Christofferson - same witnesses, same documents - except that it lasted for an additional two months. The entire trial was five months of unrestrained ridicule and attack of the Scientology religion.

On appeal the verdict was reduced by the California Court of Appeal to \$2.5 million. The Court of Appeal characterized the amount of the verdict as "preposterous." Although clearly shocked by the outrageous verdict, the court of appeal went out of its way to recite a factual record absolutely unsupported by the record below to justify Wollersheim receiving the \$2.5 million they arbitrarily decided he was entitled to.

Both Wollersheim and the Church filed petitions with the United States Supreme Court. Wollersheim's petition was denied, but the United States Supreme Court granted the Church's petition, vacated the judgment and remanded the case to the state appellate court for further proceedings. On remand, the Court of Appeal issued a new decision giving Wollersheim a choice of accepting a \$2.5 million award or having the case remanded for a new trial. When Wollersheim refused to accept the award, the Court of Appeals changed their decision and, instead of sending the case for a new trial as required, amended the decision to affirm their original award of \$2.5 million.

That decision was superceded as a matter of law by the California Supreme Court's grant this summer of CSC's Petition for Review. The matter is pending before the California Supreme Court. The final adjudication of this case is yet to be made.

However, the only thing the Church of Scientology was ever guilty of with respect to Larry Wollersheim was trying to help him, which is why he kept coming back for over a decade, even after being expelled for unethical conduct. The Church obviously disagrees with the jury's treatment of the Wollersheim case as well as the dishonest manner in which the California Court of Appeals dealt with the case on both occasions on which that court acted. The Church agrees with the US Supreme Court's decision vacating the judgment, and the California Supreme Court's decision to review the case.

Wollersheim, an attendee at numerous CAN functions, has recently communicated directly with Church counsel. This is

significant because the communication from Wollersheim confirms what the Church has asserted about Wollersheim the entire time -- he is deranged and delusional. As can be seen from the attached correspondence (Exhibit III-10-T), Wollersheim's current position is that the Church of Scientology is some sort of massive United States government intelligence experiment run amok. Wollersheim's theory even has the Internal Revenue Service, along with the FBI, Justice Department and the Judiciary, having their actions with respect to Scientology dictated by the CIA:

"If you were sitting as director in one of the super-secret intelligence agencies or think tanks would you hesitate for a moment to run interference on the outer agencies, the FBI, the Justice Dept., the IRS or the Judiciary if this would insure that national security interests in this valuable thought reform field experiment would not be terminated. Wouldn't you also periodically let the lower agencies publicly rough up Scientology to help maintain the great religion cover and release some of the pent up victim and social back-pressure."

Wollersheim's letter is plainly the ramblings of a decayed mind, but it illustrates the sort of persons against whom the Church has been forced to defend itself and further illustrates that any reliance by the Service on the claims of anti-Church plaintiffs like Wollersheim and other CAN members is seriously misguided.

#### CONCLUSION

As you no doubt expected, we don't agree with the negative decisions concerning some Scientology corporations in the 1980s. More importantly, through the passage of time we are being vindicated.

The Service has criticized the Church for being over-litigious in fighting dissidents. In virtually every instance, however, it has been the Church that in the first instance was required to defend itself in litigation commenced by these dissidents; litigation packaged, marketed and sold by cynical merchants of religious intolerance like Michael Flynn, CAN and a significant element of the IRS.

As detailed in this and our previous submission, we have to litigate seriously because we have been subjected to great persecution. Perhaps those in the Service who complain about our "litigious nature" do so because we didn't just fold under the onslaught of IRS sponsored attacks and this upset the best laid plans of the IRS Scientology-haters. The Service exhibits remarkable temerity to ask us to "explain" such cases when it was so integral in creating them.

The Service also has directed the support these dissidents receive. An LA district counsel attorney encouraged Vicki Aznaran to "take a stand" against Scientology, and her lawyer discussed her civil case strategy at length with LA District Counsel and EO agents. Once Aznaran was on board her ten year old personal income tax dispute with the IRS magically disappeared. Laurel Sullivan was represented by the U.S. Attorney's office (on the justification she was an IRS informant) in a civil case brought by the Church against her for violating the attorney-client privilege. Mayo's perverted version of Scientology principles received tax exemption as soon as he became an IRS informant. Even Flynn's "Scientology Victims Defense Fund" which raised "donations" to fund his contingent fee litigation against the Church received tax exemption.

Cult Awareness Network received exemption as soon as they stated in writing that they would actively refer innocent inquiries about Scientology to lawyers. No cases remain in existence that were not started or maintained by Cult Awareness Network, which continues to operate under the IRS' imprimatur. If the IRS were to withdraw its support, CAN and its instigated cases would disappear.

Our consistent view has been that the civil litigants are solely motivated by greed. The exception is Armstrong who we truly believe to be psychotic. During the 1980's, the IRS used every single civil litigant against Scientology as an IRS witness. The government, however, has no business in taking sides in a religious or civil dispute. It is indeed ironic to note that once the Flynn civil litigation in the 80's was settled, with the exception of Armstrong, we hear no more of their "horror stories" from these paragons of virtue claiming to be interested only in "principle" and "what is right."

But there is a more important point to be made. You are still holding us to a higher standard in these proceedings, which is not a fair and impartial administration of tax law. These decisions --Armstrong, Christofferson and Wollersheim-- concerned CSC. Even putting aside whether we were right or not in the court room, how could these decisions have anything at all to do with these current proceedings? CST, RTC and CSI did not even exist when these individuals left the Church and the decisions in the aforementioned cases are not against these corporations.

We have more than answered your questions on the subject of litigation and we want you to understand how unfair we think this is. After all, as we have shown, significant elements within the IRS have actively participated in the litigation with a vested interest in the outcome. So you are asking us to defend ourselves against unfair attacks that your own agency has had a hidden and illegal part in creating. To understand why we have had to engage in so much FOIA litigation, you need only look at the bizarre

occurrences in our general litigation. So why continue this war of attrition? Who keeps pushing to ask us questions about our civil litigation? It isn't relevant to these proceedings and this should be the end of it.

Everybody today knows Pontius Pilate was a toady who rendered a dishonest decision to curry favor from the Roman establishment. Judge Breckenridge is of the same ilk. The true story of his decision is in LA CID files - provided they haven't been destroyed to avoid our FOIA litigation.

It is time to end this shameful IRS involvement in trying to destroy Scientology. Why must the Service follow in the footsteps of the Nazis, who spread black propoganda about the Jews so that the German people would be inured to the massacre of millions. This is the same tactic used by significant and powerful elements within the Service in their dissemination of false information and active participation in attempting to destroy us.

We have no doubt that the IRS officials involved in unreasoned hatred and war against us are morally certain of their correctness that this isn't the same as the early Roman attacks on Christianity, that it isn't the same as the Nazis' genocide against the Jews. No doubt, the Romans and Nazis also showed the same moral certainty. Many such dogmas have borne the imprimatur of government--the indestructibility of the Roman Empire, the supremacy of the Aryan race, the inevitable triumph of communism over capitalism, the legal segregation of the races. History, however, always has proven otherwise: Rome fell, the Nazis were defeated, communism collapsed and apartheid was unmasked for the evil it is. History is on our side today.

. . . .

QUESTION 10.e.iii

iii. The Service understands that criminal legal proceedings are pending in Canada. Please provide a full description, including the current status of the proceedings.

In the preceding subparts to Question 10 and the response to Question 10.d of your second series of questions, the Church has described in detail litigation involving Scientology-related organizations or individuals in the United States. This final subpart broadens the scope of the Service's public policy inquiry to include Canada. While the relevance of this inquiry is perhaps more attenuated than those concerning U.S. litigation, at the same time it provides a fitting conclusion because the Canadian case mirrors much of what occurred in the U.S., including a leading role played by the IRS. We are providing a full description of the Canadian proceedings below, and have also attached as Exhibit III-10-U, a memorandum prepared by counsel for the Church of Scientology of Toronto, setting forth his perspective on this case in response to this question.

Canadian Criminal Proceedings:

The acts that were at issue in Toronto occurred nearly 20 years ago, from 1974 to 1976. Canadian law, however, has no statute of limitations to bar anachronistic prosecutions such as occurred in this case. All the acts at issue were committed by Guardian's Office members during the same time period as similar acts in the U.S. These included a conspiracy of infiltration and theft of documents in Canada similar to that which led to the trial and convictions of GO members in the U.S. Yet, it was not until March of 1983, when the GO criminals in the U.S. had long since been convicted and sentenced, that the Ontario Provincial Police ("OPP") conducted the largest raid in the history of Canada against the Church of Scientology of Toronto.

The Guardian's Office Clean-up:

In our prior response, the Church's response to Question 3-d provided a detailed description of the actions taken by the Church to investigate and disband the Guardian's Office ("GO"). This included sending missions from CMO INT to Guardian Offices around the United States and in other countries to investigate involvement by GO staff in illegal activities and, based on the findings, to purge offending staff from Church employ. The Guardian's Office Canada, located in Toronto, was one of those offices investigated. A CMO mission found that some of the GO staff had been involved in

illegal activities. Actions were therefore instituted to weed out and discharge those involved. Church executives insisted that all wrongdoers make up for damage done to society by full and appropriate amends. During the thorough clean-up process, those who earnestly complied through thousands of hours of community-based charitable works, although barred from Church staff, were allowed to otherwise retain their membership in the Church. Those who refused to take responsibility for their actions were expelled.

A clique of the most high level GO members in Canada, lead by Brian Levman and Marion Evoy, who ran the Guardian's Office in Canada and, in fact, were the ones originating criminal activities and ordering them carried out, refused to take any responsibility for their acts and were expelled from the Church. Their refusal to cooperate with investigations into the extent of the criminality made it impossible for the CMO missions to find out just how pervasive the crimes committed by GO Canada were.

By January of 1983 it was well known to the OPP that the Church had dismissed from staff all people even tangentially involved in criminal activities committed in the mid 70's, and no one then currently on staff had the slightest inclination to commit crimes, and could not be induced to despite the best efforts of OPP informants. In February 1983, after 2 years of reorganization, a CMO mission fired to GO WW to begin the disbandment of the entire GO network. By late February 1983, GO WW no longer existed, and in the last week of February 1983, GO Canada was disbanded. This drove Ciampini and the OPP into a frenzy of activity.

Just two weeks later, as if fearing that the clean-up and elimination of the GO would completely undermine any case against the Church, the OPP conducted the largest raid in Canadian history, smashing Church property with sledgehammers and axes, and seizing two million documents, including confidential priest-penitent confessional materials from 641 parishioners. All together a total of 950 banker's boxes full of materials were carted off from the Church.

Why did the OPP do this, almost a decade after the alleged acts occurred, six years after the FBI had raided U.S. churches and punished the masterminds of this activity in the US? It was at least in part pursuant to the goal of destroying the Scientology religion. It was also in large measure aimed at aiding U.S. attackers, including Scientology-haters in the IRS.

The IRS, Michael Flynn and his clients Gerry Armstrong and Laurel Sullivan, were key sources who had supplied the OPP with information for the warrant used in the raid. Indeed, a large portion of the Toronto warrant dealt with allegations of fraud (saying Church services did not result in spiritual betterment) and tax fraud against the Church based on information provided

by these IRS witnesses. The warrant predicted broad charges being laid, not only against the Toronto Church, but against the religion's Founder, L. Ron Hubbard, and senior Scientologists such as David Miscavige and Lyman Spurlock.

The two other main informants for the warrant were former Church members John and Nan Mclean. Documents received under the Freedom of Information Act evidence that during the 1970s and early 1980s while the Mcleans were assisting the OPP infiltrate the Church, they were at the same time acting as agents for the IRS. The Mcleans were also plaintiffs in one of the many Flynn FAMCO lawsuits. Other FOIA documents revealed that the OPP had arranged for government legal assistance in the form of money for the Mcleans' attorneys in order to prosecute their civil claims.

Immediately following the raid, Ontario attorney general Roy McMurtry told the news media that a US government agency was coordinated with and served to help spearhead the investigation leading to the raid. Subsequent discovery showed the US agency working hand in glove with the OPP was the IRS. After the raid, IRS agents in LA CID became regular communicants with Detective Ciampini to get information seized in the raid and share with him information from their investigation. In August 1984, CID agents Al Lipkin and Stephen Petersell went to Toronto and met with Ciampini and the forensic accountants who had examined seized Church financial records.

Because of an agreement made with Church counsel, none of the seized documents could be given to foreign agencies. Nevertheless, the Crown allowed IRS agents Lipkin and Petersell to be briefed for several days on the information from the documents, including extracts from the documents themselves. CID agent Lipkin advised Ciampini that if the OPP indicted L. Ron Hubbard and others, the IRS would assist in locating them. Clearly the IRS was encouraging the OPP to go forward with charges despite the stale nature of the evidence, hoping to bolster their own chances to bring charges of some kind in the U.S.

In March 1984, Church representatives went to Toronto to offer the Church's cooperation to the Crown law offices in prosecuting the GO criminals responsible for the criminal acts in Canada. The Crown categorically rejected the Church's good faith offer saying they held all the cards. Instead, the Crown Law Office twisted the Church's offer of good faith cooperation as a threat by the Church against the GO criminals and used this to convince the criminals to accept immunity from prosecution and attack their former religion and the very subordinates they had ordered to commit the crimes in question.



Initially, the Toronto GO criminals were so uncooperative that the Crown could not even communicate with them directly. The Crown Law Office approached apostate IRS informant, David Mayo, for help in gaining support from the criminals. The OPP also utilized Mayo as a middleman to approach the expelled former Church members, as they knew Mayo was a GO supporter and part of the same splinter movement. The government chose sides in a religious dispute and went with those demonstrably guilty of criminal acts because they were willing to denounce the religion of Scientology.

In December 1984, 18 months after the raid, the OPP brought charges against the Church of Scientology of Toronto and 19 named individuals alleging theft of confidential information and property, breach of trust, and possession of stolen information and property. None of the other charges against the Church as set forth in the search warrant that authorized the raid - tax fraud, consumer fraud and conspiracy to commit indictable offenses - were raised in the indictment. After an extensive review by forensic accountants and Revenue Canada agents of all Church finance records and correspondence which had been seized in the raid, no evidence of any financial crime was ever found and no charges proceeded from these allegations. The only charges brought concerned the breaking and entering, and the infiltration activities by the GO.

The Crown gave immunity to the real culprits who actually ordered the activities of the charged individuals. Those given immunity were the GO staff who had been at the top-levels of the Guardian's Office in Canada and who had planned out and ordered the criminal activities. Those who were prosecuted were the lower-level staff who were following these orders. In an unprecedented move, no member of the Board of Directors of the Church of Scientology of Toronto was charged, but rather the entire corporation itself was - a clear move by the Crown to attempt to stigmatize the entire religion for the acts of a few long-since-expelled criminals.

During the preliminary hearings from 1988 to 1990, the Crown produced no evidence that the Church as a corporate entity had advocated the illegal actions of those charged. Evidence that was produced showed that the Church forbade actions which violated the law, was not aware of these individuals' activities and that when they were discovered, the Church removed these people from staff and disbanded the Guardian's Office. Several charges were dropped as a result of the preliminary hearing.

The individuals who were indicted offered to plead guilty if the Crown would drop the charges against the Church, because neither the Church nor its directors nor Church members had any idea that the criminal acts in question were being committed.

The Crown refused to change its position, insisting that the Church plead guilty as well.

In the litigation of this case, which spanned most of a decade, during which time government officials expended \$15 million in attempts to "get" the Church of Scientology. As described below, of 19 original charges, only 12 proceeded to trial and of those the Church was acquitted on 10. The remaining two are on appeal. The case was ill-intentioned from the outset and fell apart in court.

In November 1991, the Ontario Court of Justice ruled that the search of the Toronto Church premises was unlawful and violated the Church's rights under the Canadian Charter of Rights and Freedoms, which affords protection from unreasonable search and seizure. The Church had shown in the months-long evidentiary hearing that the OPP timed the raid to coincide with press deadlines of the international media; that many of the searching officers acted with no specific instructions or were left unsupervised, seizing everything in sight.

The judge ruled that the OPP failed to respect the terms of the search warrant that safeguarded against a general rummaging of the premises. Although the Crown argued that the police had acted in "good faith," the judge found that the police either were unaware of this limitation or chose to ignore it, and he could not find they had acted in good faith. The judge found that the instigator of the raid, Detective Al Ciampini, was not a credible witness.

The judge cited as a significant example of the massive over-seizure, the large amount of religious confessional material respecting Church members taken by the police, noting that confessional material from 641 parishioners was unlawfully seized in violation of their privacy rights.

The judge also found it ironic that for two years prior to the raid, the two OPP officers, placed inside the Church as plants, had stolen hundreds of documents without authorization and without a warrant. These stolen documents then were used in the Information section of the warrant as the justification for the raid. The fact that the information came from documents the OPP had unlawfully stolen from the Church was withheld from the Justice of the Peace who issued the Warrant. The judge also observed the ironic fact that the OPP's undercover police officers had done the very thing that was now the subject of charges against the Church and some of its members. The judge's ruling resulted in acquittals on 7 of the remaining 12 charges, and the elimination of all theft charges. The remaining five charges for Breach of Trust were left for trial. The crime was that certain GO members had worked for Ontario government agencies, had signed confidentiality agreements and then

breached those agreements by passing on information concerning the agencies' activities outside the agencies.

The trial judge allowed the Crown to keep the Church in the case as a party on a tenuous legal theory. The law that was used to support the Crown's position is called the "Dredge & Dock" case, in which a court had ruled that a corporation can be held criminally liable for the actions of its employees. This case was relied on even though it clearly pertained to a profit-making, commercial enterprise, had never been applied to, nor is applicable to, a church and had never been applied to an organization that had thoroughly and demonstrably taken responsibility to rectify the actions of the miscreants.

The trial proceeded in April and May 1992. The Crown put on several ex-GO criminals, all of whom had been expelled by the Church in the early 80s. They testified under immunity even though they were the masterminds of the Canadian criminal activity. These criminals testified against their erstwhile juniors, whom the criminals had ordered to commit criminal acts. The criminals also were allowed to manufacture justifications for their own unconscionable conduct, laying the blame on the Church's doorstep with tortured and false stories about their states of mind.

The Toronto Church had no local witnesses testify as there was no one locally in good standing who knew the first thing about the criminal activity from the 1970s. Senior Scientologists from California did travel to Toronto to testify. David Miscavige, who Ciampini had earlier threatened to indict solely for the purpose of getting ex-GO criminals to testify, voluntarily testified. He told the entire story of the GO take over, what lead to it, how it was carried out, and how the Church was so offended by the GO's crimes that it was the only entity or individual that volunteered its services to the Crown to prosecute the wrongdoers. None of the Church witnesses attempted to justify a single act of the GO. Instead they outlined how the GO had covered up their criminal activity from Church management, and when management found out about the acts, it acted, swiftly and responsibly.

Once the evidence was all in, the trial judge, misusing the "Dredge and Dock" case essentially directed a verdict for the Crown. The Judge stated that whether the GO was separate and autonomous or not, and whether or not they withheld from the Church what they were doing, and whether or not the Church cleaned house long before the OPP and Crown were even interested in any criminal charges, did not matter. He told the jury that despite the unrefuted nature of the evidence of the Church witnesses mentioned above, they must return a verdict against the Church on certain counts. Notwithstanding the de facto directed verdict, the jury found the Toronto Church innocent on 3 of the 5 counts tried. It

was convicted on two counts of breach of trust. 3 ex-GO individuals were convicted on between one and two counts of breach of trust each.

No jail terms were given to any of the individual defendants. One was fined \$5,000 and two others were each fined \$2,500. No probation or community service work was ordered, in acknowledgment of the fact that they had already done thousands of hours of community service at the direction of the Church. The Church was given a fine of \$250,000, one quarter the sum the Crown pleaded was an appropriate minimum.

The judge acknowledged that the alleged criminal acts had taken place more than 15 years ago and that all those responsible were removed by Church officials from positions of authority. He also recognized that not a single member of the present Board of Directors was a director at the time of the offenses, and that most present parishioners were likely not even members of the Church then. He specifically found that in light of those facts, deterrence was not required of the Church.

Following the decision, Church counsel immediately served the government attorney with a Notice of Appeal on the two counts upon which the Church was found guilty. The Church and Church counsel fully expect these convictions to be overturned. Not only was a novel extension of the law used to find corporate responsibility, but the trial was fraught with numerous other errors. The fact that the directing minds of the GO criminality, who testified for the Crown under grants of immunity, were allowed to go on week after week denigrating the beliefs and practices of the religion in their attempt to lay the blame for their own acts on the Church's shoulders, made for an inquisition-like, heresy trial.

On September 15, 1992, the Church filed notice of a \$19 million Constitutional Damages suit against the Ontario Provincial Police and the Crown law office for the unconstitutional search and seizure in the 1983 raid. At the center of that suit are the discriminatory and violent acts manifested by the OPP's raid; a raid that has already been ruled to have been illegal and conducted in bad faith.

The Toronto case began with dozens of charges being proposed in the early 1980's. Internal OPP memoranda obtained through discovery have shown that the aim of the case was to complement the plans of IRS CID and US private litigant to physically overthrow leadership of the mother Church and to wipe out the religion of Scientology. It began with infiltration and attempted entrapment, followed then by an unconscionable physical assault on the Toronto Church, later ruled illegal and unconstitutional. The case was pressed by the OPP and Crown, despite the Church providing evidence it expelled the culprits and was willing to cooperate in their prosecution. The individuals who were convicted, GO underlings of

the Crown's immunized witnesses, had already made up for their wrong-doing years prior to trial at the Church's insistence. The Crown's animus against the Church was so strong that notwithstanding the failure of the IRS CID's takeover plan, and the failure of the US litigants against the Church, they pressed forward by dismissing dozens of capital crime cases in order to make room for their several week heresy trial against Scientology.

The fact that the OPP and Crown walked away with 2 counts of breach of trust, a fine less than 1/4 of what they argued was the minimum possible, and no jail time for any of the individual defendants amounts to one of the biggest embarrassments in the entire history of Canadian jurisprudence. Nevertheless, the Church will continue to fight until justice is completely served. And that means reversal of the two breach of trust convictions, and full recompense awarded for the OPP's vicious and illegal raid on the Toronto Church.

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