

Question 10(a)

10(a). The Service has expressed its concerns relating to violations of public policy committed in the past by certain individuals affiliated with Scientology and by various Scientology-related organizations. What assurances can the Service be provided that these violations are not continuing as of December 31, 1989, and that those who were involved in the commission of the acts described in the CSC case are no longer affiliated in any capacity or employed by the Church of Scientology, including any Scientology-related organization?

The Service's ongoing concerns about "violations of public policy committed in the past by certain individuals affiliated with Scientology and by various Scientology-related organizations" appear to be based on the Tax Court's decision in CSC. The misconduct that gave rise to the Tax Court's public policy findings in CSC was the criminal misconduct of individuals within the Guardian's Office. As discussed in detail in response to question 3(a), the Guardian's Office has been disbanded, the principal wrongdoers removed from staff permanently barred from ever serving on staff of any Scientology church in any capacity, and other former GO staff with lesser involvement removed and retrained. The procedures instituted that prevent recurrence of misconduct by Church staff in their official capacity apply equally here -- the legitimate functions of that office now are carried out under full and direct ecclesiastical supervision, and there are no organizations or groups performing church functions in the practice and propagation of the religion of Scientology or its affiliated social welfare and public benefit activities which can operate independently of CSI and the ecclesiastical hierarchy.<sup>1/</sup>

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<sup>1/</sup> Church of Spiritual Technology is autonomous from the CSI hierarchy. CST has its own unique activities and purposes which require it to be autonomous. CST's autonomy does not create a risk of a recurrence of the Guardian Office misconduct, because CST is not involved in any way with the ministry of religious services to the public, the proselytization of the Scientology religion, or the performance of its social welfare and public benefit functions.

Question 10(b)

b. The term "Snow White" referred in the 1970s to a covert operation carried out by the Guardian's Office under which illegal acts were perpetrated, including burglarizing the National Office of the Internal Revenue Service. Is any operation known as "Snow White" still in existence? If not, please describe and document the method by which it ceased operations. If an operation under the name still exists, please describe the operation and provide supporting documentation. In addition, please describe any operation of whatever name that may be designed to achieve goals similar to the "Snow White" operation that existed in the 1970s.

As discussed in our responses to Questions 3(d) and 10(a), during the 1970s the Information Bureau of the Guardian's Office ("GO") carried out a series of operations to infiltrate government offices, including the National Office of the IRS, to obtain copies of documents concerning the Church. While the GO used various names to refer to those operations, we do not believe it ever used the name "Snow White" to designate those operations. However, we understand that the term Snow White may have been misused within a program involving infiltration of government agencies. This may be the source of the misconception about this program conveyed by the Service's question. The term "Snow White" correctly refers to a program written by L. Ron Hubbard in 1973 for the purpose of correcting false governmental reports about the Church of Scientology through strictly legal means.

Mr. Hubbard wrote the Snow White Program because several countries bordering the Mediterranean Sea had denied entry to their ports to the ship Apollo, which at that time housed the Church's senior ecclesiastical management bodies, as a result of false reports concerning the Church that were being distributed primarily by certain governmental officials in England and the United States. Mr. Hubbard wanted to correct the record and to seek redress for religious persecution. Accordingly, Mr. Hubbard wrote:

To engage in various litigation in all countries affected so as to expose to view all such derogatory and false reports, to engage in further litigation in the countries originating such reports, to exhaust recourse in these countries and then finally to take the matter to the United Nations (that now being possible for an individual and a group) and to the European Commission on Human Rights, meanwhile uprooting and cancelling all such files and reports wherever found.

This program did not contemplate anything illegal whatsoever, and in fact expressly stated its "Ideal Scene" to be "All false and secret files of the nations of operating areas brought to view and legally expunged . . . ." (Emphasis added).

An example illustrating the use of the Snow White Program, why it was necessary and its results, concerns the country of Portugal. Between 1969 and the first half of 1974 the Apollo frequently docked at ports in Portugal with no problems and good relations with the people and local governments. In July 1973 a rumor was first heard in the port of Oporto that the Apollo was a "CIA ship." This same rumor had first surfaced at ports in Spain in 1972 and as a result of this and other false reports the ship had been denied entry into some Spanish ports. Although the rumor continued to surface in 1973 and 1974 in Portugal, the Apollo nonetheless continued to be welcome in Portuguese ports without major incident.

On October 3, 1974, when the Apollo was docked at the port of Funchal on the island of Madeira, Portugal, it was attacked by a large crowd throwing rocks and shouting "CIA ship." The local police and army stood by and watched, doing nothing to hold the crowd back. As a result some Church staff aboard the ship were injured and property was damaged or destroyed. Cars and motorcycles belonging to the Church and Church staff were thrown off the dock into the bay. The ship crew had to fight off the attackers with fire hoses while the ship made an emergency departure to escape the violence, without being able to take on food, fuel or water. The Apollo and her crew were forced to wait miles offshore for over a day while order was restored so she could return to load fuel, food and water and sail to a safe country.

Documents obtained from the U.S. State Department through the Freedom of Information act pursuant to the Snow White Program, trace the "CIA ship" rumor to a State Department telex in April of 1972 sent to various European countries that contained this and other false reports. Following the Snow White Program procedure of locating and expunging false reports and seeking redress for religious persecution, a suit was filed in Lisbon by the company that owned the Apollo, Operation Transport Corporation ("OTC"), against the government of Portugal seeking damages as a result of this riot. In June of 1985 the Administrative Court of Lisbon awarded damages to OTC finding that the riot in October of 1974 had been sparked by the CIA ship rumor, and that this rumor was false. These damages were sustained by an appellate court in 1987.

Based on these decisions and clearing up of the false

information originally generated by the U.S. government, in April of 1988 the Minister of Justice in Portugal officially authorized the registration of the Church of Scientology in Portugal, accomplishing the Snow White Program's objective for that country.

The principal activities in the United States under the Snow White Program have consisted of filing Freedom of Information Act requests with all Federal governmental agencies and public record requests at the state and local level, pursuing litigation to compel disclosure of records being withheld, and the filing and prosecution of a large lawsuit in 1978 against a number of federal government agencies for the purpose of expunging all false reports on the Church and Mr. Hubbard contained in their files. Other activities under the aegis of Snow White, both in the U.S. and abroad, had to do with investigating and exposing Interpol as an autonomous police agency serving as a conduit for false reports on the Church and others.

The Osler Decision:

The Service need not simply rely on our representations about the Snow White Program as we are providing a copy of the original program with this write-up as Exhibit 10-A. Additionally, Justice Osler of the Supreme Court of Ontario, Canada, reviewed this program in 1985 to determine whether an Ontario Provincial Police officer should be cross-examined on an affidavit he had sworn in support of a search warrant against a Church of Scientology in Canada. The officer had characterized the Snow White Program as calling for illegal actions.

In an opinion dated January 23, 1985, after reviewing the Snow White Program document and other related evidence, Justice Osler noted that

" . . . it is not without significance that the affidavit of Fletcher Prouty, appearing in Volume 8A of the record at tab KK, makes it appear that he formed the conclusion, as a highly placed official of the Central Intelligence Agency of the United States that since 1950 there has been a definite campaign of harrassment against this organization (Scientology) for nearly thirty years primarily by means of the dissemination of false and derogatory information around the world to create a climate in which adverse action would be taken against the Church and its members. Defense against this type of activity was, of course, the stated objective of the SNOW WHITE program.

Decision of Supreme Court of Ontario, Osler, J., pp. 33-34.

Concluding that the document on its face called for actions to "legally" expunge files and that the word "legally" appeared to have been purposely left out of the officer's affidavit, Justice Osler ordered that the cross-examination of the officer go forward.

Following the cross-examination, on February 7, 1985, Justice Osler issued a second opinion stating that while he did not believe that the officer's mischaracterization of the Snow White Program rose to the level of a fraudulent misrepresentation, he did find that the officer had made "errors in judgment" in characterizing the program as calling for illegal actions.

Current Snow White Activities:

The Snow White program is not being executed today. It was a very specific program tailored to a particular state of affairs at the time it was written. However, over the years the term Snow White became synonymous with the activity of legally locating and correcting false reports on the Church. So the term may be heard in connection with this activity from time to time. The Church's legal bureau, working with Church counsel, utilize the Freedom of Information Act and similar statutes around the world to locate false reports on Churches. When located they seek cooperation of the agencies involved in expunging and correcting such reports.

These staff and attorneys carry out no activities that are in any way illegal, and neither does any other unit or function in the Church.

A copy of the Snow White Program as issued in 1973 is attached as Exhibit II-10-A.

Question 10(c)

Please state whether, to the best of your knowledge and belief, there are any pending United States or state or local governmental investigations regarding possible criminal law violations by a Scientology-related organization or by any individual alleged to have been acting under the direction of (as agent or otherwise), or in conjunction with, any such organization. For purposes of this question, please include any information relating to any Class V Church or Mission without regard to whether such Church or Mission is required to be listed in your response to question 1. Please include any pending criminal charges (and/or any pending court action including relevant docket number(s) against such entity or individual. Include in the description the investigating agency and any knowledge and/or documents known by you, or in your possession, or known by a Scientology-related organization or in the possession of such an organization regarding the investigation (e.g., what the allegations are and the date the acts were allegedly committed). In addition, please list all positions held by the individual listed in response to this question in any Scientology-related organizations at the present time and at the time the activity in question allegedly occurred.

There are no known pending governmental investigations regarding possible criminal law violations by any Scientology-related organizations or by any individual alleged to have been acting under the direction of (as agent or otherwise), or in conjunction with, any such organization.

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Question 10 (d)

d. Please provide a list of all civil or criminal litigation commenced on or after January 1, 1980 in which it is alleged that any Scientology-related organization (as that definition has been modified in c. above) or any individual alleged to have been acting under the direction of (as agent or otherwise), or in conjunction with, any such organization, has violated any criminal law or has committed an intentional tort. The list should contain parties' names, the docket number(s) of the litigation, the court in which the matter is or was pending, a short description of all claims (and any counterclaims) by the parties, including any additional facts you believe would be relevant to allow us to understand the bases of the suit, and the status of the action. The list need not contain litigation in which the Commissioner of Internal Revenue is a named party.

Background

Although only litigation that commenced on or after January 1, 1980 has been requested, background information is necessary to put those cases in context. In the 30 years prior to 1980 there were only a handful of alleged intentional tort cases in the United States. These were principally cases involving a disgruntled former member wishing a refund of his or her donations, and who included tort causes of action as a litigation tactic. Such cases were typically dismissed without a trial or settled for a refund of the donations made.

The response to Question 3(d) describes in detail how during the 1970s the Guardian's Office ("GO") acted as an autonomous organization unchecked and unsupervised by the ecclesiastical management of the Church. GO staff carried out illegal programs, such as the infiltration of government offices for which eleven members of the GO were prosecuted and convicted. There were also instances in which GO staff used unscrupulous means to deal with people they perceived as enemies of the Church -- means that were completely against Scientology tenets and policy.

Although these activities involved a very small number of Guardian's Office staff members operating autonomously in violation of Church policy and the law, their actions provided ammunition for those who would attack the Church and damaged the Church's credibility with courts and the government. The GO carried out several years of secretive, questionable and often illegal activities before they were exposed and stopped. Much of this was recorded in documents that were seized in FBI raids on GO offices and made publicly available during the criminal prosecutions of GO members. The Commodore's Messenger Organization

investigated and disbanded the GO in the early 1980s, dismissing a large number of GO members from Church staff along with a few GO sympathizers in Church management.

The GO documents and the activities that they revealed, along with a small group of rabid apostates, came to the attention of Boston personal injury attorney Michael Flynn, who concluded that this combination made the Church an easy litigation target in cases which he hoped to position for large monetary settlements.

#### Michael Flynn

Flynn, whose practice had theretofore centered on medical malpractice, launched his litigation assault on the Church of Scientology in 1979. His formula, which he repeated in all of the cases he brought, was to: (1) locate someone who had left the Church, had been purged or who could be induced to leave the Church; (2) convince the person to file "cookie-cutter" fraud and emotional distress claims; and (3) commence an action through an inflammatory complaint, relying on documents from the Guardian's Office to give an air of false credibility to the claims.

Flynn, however, did not sue the GO; instead, his targets were Churches of Scientology generally and L. Ron Hubbard. As part of his design, Flynn enlisted the aid of ousted GO sympathizers and former GO members as witnesses, thus enabling him to orchestrate a highly prejudicial portrayal of Scientology for judges and juries and for the media.

On a separate front, Flynn set out to create broader problems for the Church in the hope both of spreading Church resources thin and imparting a false air of credence to his civil claims. This he accomplished by instigating governmental investigations and attacks on the Church, often through IRS personnel who were more than willing to cooperate.

#### The Van Schaick Action

Flynn's first step was to file a class action lawsuit on December 13, 1979, in the United States District Court for the District of Massachusetts. Van Schaick v. Church of Scientology of California, et al., No. 79-2491-G. In that action, Van Schaick, purporting to act as a supposed class representative, alleged an array of torts and sought \$200 million in damages. However, no class certification was ever pursued by Flynn. Instead, he used the lurid allegations and huge prayer of the Van Schaick complaint as a tool for soliciting additional clients to sue the



Church. Ultimately, Flynn recruited 28 plaintiffs to file virtually identical actions in various jurisdictions.

#### Flynn Associates Management Corporation

In 1980, Flynn created a corporate entity to promote his burgeoning business of suing the Church. Flynn Associates Management Corporation ("FAMCO") was formed, in the words of a FAMCO document, to promote four basic goals:

1. Closing Scientology organizations (Churches)
2. Adverse media
3. Adverse public reaction
4. Federal and state attacks (on religion)

FAMCO was merely a front designed to generate money to finance Flynn's litigation against the Church. A "get rich quick" scheme outlined in one FAMCO document actually promised FAMCO "investors" between \$2 and \$4 for every \$1 invested in FAMCO shares. FAMCO was essentially a franchising scheme through which Flynn solicited co-counsel in various other jurisdictions to join in the Church litigation through a fee-splitting system. Flynn's plan was ". . . to position ourselves such that to fight us would be cost ineffective." He forecast "One thousand lawsuits (against the Church of Scientology) . . . by the end of 1981." Flynn provided attorneys with "turn-key" lawsuits. He promised other attorneys that, "We provide the clients, the damages, the pleadings, the memoranda, the documents, the witnesses and virtually everything required for an instantaneous trial with little or no necessity for discovery."

#### Flynn's Probate Gambit

A particularly outrageous tactic employed by Flynn was his attempt to steal Mr. Hubbard's estate by inducing Mr. Hubbard's estranged son, Ronald DeWolfe, to bring a probate action in November 1982, falsely alleging that Mr. Hubbard was missing and that DeWolfe should be appointed to control the estate. At the same time, of course, Flynn was representing a group of former Scientologists who had named Mr. Hubbard as a defendant in civil suits against the Church, alleging that Mr. Hubbard controlled the Church as its managing agent. Flynn thus achieved the unique distinction of going into one court room to argue that Mr. Hubbard controlled the day-to-day operations of the Church through a constant stream of orders to Mr. Miscavige, and then crossing the hall to another court room to argue that Mr. Hubbard was ill and dying and that he was being manipulated by his close advisors, especially Mr. Miscavige. By being willing to speak out of both sides of

his mouth, Flynn was seeking to get rich by trying to gain control of the very estate he was simultaneously seeking to plunder./1

After Flynn's probate action was dismissed on summary judgment in June of 1983, Flynn shifted gears and announced that his "real" purpose in bringing the probate action had been to force Mr. Hubbard out of seclusion so he could be served in Flynn's other cases.

One of Flynn's clients, Paulette Cooper, graphically described in an affidavit how Flynn detailed to her his strategy to "quickly and easily win" cases by "conducting an attack against Scientology founder L. Ron Hubbard" by naming him as a defendant in her pending lawsuits. Flynn specifically told Cooper that he believed that "Hubbard would never appear" in those suits because "by approximately 1979, Mr. Hubbard had severed his ties with the Church." Flynn boasted that such a ploy would result in quick money judgments because the litigation could be "quickly terminated, either by obtaining a default judgment against Mr. Hubbard," or by forcing "settle[ment] in order to protect Mr. Hubbard." Cooper further affirmed that Flynn filed sworn statements by Cooper in her cases alleging Mr. Hubbard's control when Cooper lacked any evidence whatsoever of the claim, "solely for strategic reasons in pursuit of default judgment."

#### Government Support for the Flynn Campaign

As noted above, Flynn obtained government assistance to lend credence and momentum to his attacks and to bring additional pressure on the Church. Tactics, strategies and the goal of the destruction of the Scientology religion were shared and carried out by Flynn in coordination with some parts of the IRS and Department of Justice. The clearest examples of this collusion were in the fall and winter of 1984.

In August of 1984, in civil litigation between churches of Scientology and the IRS and other federal government agencies that had been in progress for some years, the government worked with Flynn in importing one of Flynn's principal tactics into the Church's government litigation, namely seeking the deposition of L. Ron Hubbard as managing agent of the Church and then seeking dismissal or default as

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1/ It was during that same time period that Charles Rumph of the IRS National Office told Mr. Miscavige that he lacked credibility because he was an "automaton" who only did and said what L. Ron Hubbard told him to do and say.

a sanction if Mr. Hubbard failed to appear. The evidence used to support the government's motions to compel those depositions were declarations by individuals who were clients of or had been witnesses for Flynn. Simultaneously, the government launched an "unclean hands" defense in these same suits based on allegations and claims that mirrored those that Flynn had asserted in his redundant lawsuits nationwide.

Two of the government's principal declarants were Flynn's client Laurel Sullivan and Flynn witness Dede Reisdorf. Sullivan had been removed from her position and later left the Church because she conspired with the GO to place GO members who had committed crimes in positions of corporate authority within the Church. She was a loser in the purge. Flynn provided her to the IRS who used her as a government witness represented by DOJ attorneys in Flynn litigation. Dede Reisdorf was also a GO sympathizer who was removed from her post in 1981 when she tried to block the investigation in the GO.

In March of 1985, based on the declarations of Sullivan and Reisdorf, Judge Joyce Hens Greene ordered the Church to produce Mr. Hubbard for deposition or face dismissal of a civil suit against the government which was in the process of exposing 20 years of false reports and harassment against Scientology and Scientologists. Unable to comply with the order as Mr. Hubbard was not running the Church or even accessible to anyone in the Church, the Church's suit was dismissed in April of 1985 as a discovery sanction.

A few courts saw through the charade and refused to order Mr. Hubbard's deposition. One such Judge was District Judge Marianna R. Pfaelzer, who, on January 24, 1986, just hours before Mr. Hubbard's passing, refused to order Mr. Hubbard's deposition. In her ruling, Judge Pfaelzer held that, while Mr. Hubbard was "accorded reverence and respect by Scientologists," he was not the managing agent of the Church corporations.

#### IRS CID Support of Flynn

It was during this same period that the IRS Criminal Investigation Division in Los Angeles commenced a criminal investigation of L. Ron Hubbard, David Miscavige and various churches of Scientology and other Scientologists. According to the testimony of CID Branch Chief Phillip Xanthos, the impetus for the investigation was a newspaper article detailing allegations made by Flynn and a number of his witnesses and clients. In fact, the majority of the individuals who were interviewed and used as informants by the CID in their investigation were from Flynn's stable of

witnesses and clients, among them Gerry Armstrong. In a late 1984 police-authorized video tape surveillance, Armstrong -- a Sullivan ally who had made several attempts to join the GO's intelligence office -- was recorded plotting a take-over of the Church. The plan included planting phony documents that would then be seized in a CID raid, the filing of a new lawsuit by Flynn which was designed to wrest control of the Church from its legitimate leaders and to set up the sexual compromise and blackmail of a senior Scientologist.

Just as Flynn expressed his goal of destroying the Church in his original planning papers, in the Special Agents report prepared at the end of the CID investigation, the agents expressed the same aim -- "the final halt" and the "ultimate disintegration" of the Church of Scientology.

#### Resolution of Flynn Cases:

Between 1980 and 1986, Flynn was either counsel of record, of counsel or coordinating counsel on 40 virtually identical lawsuits against the Church. Flynn's plan to incite 1,000 lawsuits never came to fruition, and his plan to break the Church financially, failed. By 1986, only one of Flynn's cases had gone to trial. That case, Stifler v. Church of Scientology of Boston and Church of Scientology of California, involved an altercation between Stifler and a Church disseminator in which Stifler claimed injuries.<sup>2/</sup> He found his way to Michael Flynn and filed suit, alleging various tortious conduct on the part of the Church and sought \$4,250,000 in damages. Flynn took the case to trial and Stifler was awarded the amount of his medical bills (\$979) in a judgment against the individual Church member. There was no judgment or damages against either of the Churches.

Realizing his plan had failed, Flynn approached the Church in 1986 offering a settlement. The Church decided to pay nuisance value to get rid of the distraction created by these cases, begin a new era of expansion for Scientology and to settle matters with the IRS. The first two of these objectives were achieved and all of the Flynn-related cases, as listed below, were settled if they had not been previously dismissed already. A new era of expansion did begin for Scientology.

2/ The only other "Flynn" case that went to trial was Church of Scientology of California v. Armstrong, a suit the Church brought against Armstrong, over Armstrong's theft of Church archival materials. Armstrong brought a counter-suit with intentional tort claims which was never tried and was part of the Flynn settlement.

It also appeared that a settlement with the IRS would be possible, but after years of good faith efforts and cooperation by the Church in its efforts to settle with the IRS, agents in the Los Angeles IRS Criminal Investigation Division and hardliners against Scientology in the National Office, such as Marcus Owens, sabotaged those efforts causing the negotiations to break down, as is covered in more detail later.

The following is the list of the Flynn-related suits that were either dismissed or settled: Gerald Armstrong v. Church of Scientology of California, et al., (cross-complaint), No. C 420 153, Superior Court of the State of California for the County of Los Angeles; Jose Baptista v. Church of Scientology Mission of Cambridge, No. Civ. 81010, Superior Court of the Commonwealth of Massachusetts; Mark D. Barron v. Church of Scientology of Boston, No. 5110, Superior Court, Commonwealth of Massachusetts; Donald Bear v. Church of Scientology of New York, et al., No. 81 Civ. 6864 (MJL), United States District Court Southern District of New York; Peggy Bear v. Church of Scientology of New York et al.; No. 81 Civ. 4688 (MJL) United States District Court Southern District of New York; Phillip Bride v. Church of Scientology of Portland, Church of Scientology Mission of Davis, et al., No. A 8003-01189, Circuit Court of the State of Oregon, Multnomah County; Eileen Brown for Kevin Brown v. Delphian Fdn., et al. No. 81-435 (FBL); United States District Court of New Jersey transferred to the U.S. District Court for the District of Oregon on July 28, 1981; Tonia C. Burden v. Church of Scientology of California, et al., No. 80-501-Civ-T-K, U.S. District Court for Middle District of Florida, Tampa Division. Gabriel and Margaret Cazares v. Church of Scientology, No. 82-886-Civ-T-15 United States District Court Middle District of Florida, Tampa Division; Gabriel and Margaret Cazares v. Church of Scientology of California, et al. 81-3472-CA-OI, Circuit Court Seventh Judicial Circuit Volusia County; John G. Clark, Jr. v. L. Ron Hubbard No. 85-356-MCN, United States District Court for the District of Massachusetts; Bent Corydon and Mary Corydon, Mark Lutovsky, Phil Black, Mark Chacon, Church of Sciologos v. Church of Scientology Mission of Riverside, et al., No. 154129, Superior Court of the State of California County of Riverside; Paulette Cooper v. Church of Scientology of Boston, Inc., et al., No. 81 681 MC United States District Court, District of Massachusetts; Michael J. Flynn, Lucy Garritano, Steven Garritano, James Gervais and Peter Graves v. Church of Scientology of Boston, Inc., (counter-claim), No. 40906 Superior Court Commonwealth of Massachusetts; Michael J.

Flynn v. Church of Scientology of California, et al., No. 54258, Superior Court Commonwealth of Massachusetts; Michael J. Flynn v. Church of Scientology International, et al., CV 85-4853, United States District Court, Central District of California; Michael J. Flynn v. L. Ron Hubbard, Mary Sue Hubbard, Church of Scientology of California, No. 83-2642-C, United States District Court for the District of Massachusetts; Carol A. and Paul Garrity v. Church of Scientology of California, Mary Sue Hubbard, and L. Ron Hubbard, CV 81-3260 RMT (JRX), United States District Court Central District of California; Hansen, Marjorie J. v. Church of Scientology of Boston, Church of Scientology of California, No. 47074, Superior Court Commonwealth of Massachusetts; Betsy Harper v. Lafayette Ronald Hubbard, No. 65262, Superior Court Commonwealth of Massachusetts; Ernest and Mary Adell Hartwell, v. Church of Scientology of California et al., No. 196800, Eighth Judicial District Court of the State of Nevada in and for County of Clark; Thomas Jefferson v. Church of Scientology of California, L. Ron Hubbard and Mary Sue Hubbard, CV-81-3261, United States District Court Central District of California; Deborah Ann Keck v. Church of Scientology of California, et al., CV-81-6060 R, United States District Court for the Central District of California; Dana Lockwood v. Church of Scientology of California, L. Ron Hubbard and Mary Sue Hubbard, CV-81-4109 CBM, United States District Court Central District of California; Nancy and John McLean, v. Church of Scientology of California, et al., No. 81-174-Civ-T-K United States District Court Middle District of Florida Tampa Division; Steven R. Pacca v. Church of Scientology of New York, et al., No. 12076-81, Supreme Court New York County; Jane Lee and Richard Peterson v. Church of Scientology of California, L. Ron Hubbard, Mary Sue Hubbard, CV 81-3259 CBM (KX), United States District Court Central District of California; Patrick R. Rosenkjar v. Church of Scientology of California, L. Ron Hubbard, and Mary Sue Hubbard, No. 81-1350, United States District Court for the District of Columbia; Martin Samuels, v. L. Ron Hubbard, A8311-07227, In the Circuit of the State of Oregon for the County of Multnomah; Howard D. Schomer v. L. Ron Hubbard, et al., No. CV 84-8335, U.S. District Court, Central District of California; Michael W. Smith v. Church of Scientology of Boston, Inc. and Church of Scientology of California, No. 47236, Superior Court for the State of Massachusetts; Manfred Stansfield, Valerie Stansfield, Franklin Freedman et al. v. Norman Starkey, et al., No. CA 001 012, Superior Court for the County of Los Angeles; Lawrence Stiffler v. Church of Scientology of Boston and Roger Sylvester, No. 44706, Superior Court Commonwealth of Massachusetts; Gabor Szabo v. Church of Scientology of California and Vanguard

Artists International, No. C 312 329, Superior Court of California, County of Los Angeles; Janet Troy v. Church of Scientology of Boston and Church of Scientology of California, No. 41073, Superior Court Commonwealth of Massachusetts; Kim L. Vashel v. Church of Scientology of Boston and Church of Scientology of California, No. 47237, Superior Court for the Commonwealth of Massachusetts; Margery Wakefield v. Church of Scientology of California, No. 82-1313 Civ-T-10 United States District Court for the Middle District of Florida Tampa Division. Bent Corydon v. Church of Scientology International, et al., No. C 694401, Superior Court of the State of California, County of Los Angeles.

#### Other Categories of Cases:

Although the cases generated by Michael Flynn comprised the majority of tort litigation against the Church of Scientology between 1980 and 1986, there were some other cases that arose during the same period of time that were not entirely "Flynn" cases although they were generally of the same ilk. Flynn shared information, witnesses, tactics and sometimes acted as coordinating counsel for other attorneys involved in similar litigation against the Church. In other instances, while there was no apparent direct link between Flynn and a particular plaintiff or attorney in a suit, the similarity of claims and tactics suggests that these individuals or attorneys were copying Flynn's strategy. The following cases fall into this category: Alberto Montoya v. L. Ron Hubbard, Church of Scientology, et al., No. 450094, Superior Court of California, County of San Diego; Joan Edin v. Church of Scientology Mission of Davis, et al., No. 287191, Rita Engelhardt B. v. Church of Scientology, et al., No. C 312 692, Superior Court of California, for the County of Los Angeles. Each of those cases was dismissed.

There are a few cases where Flynn's influence was felt that deserve separate discussion as they are cases that actually went to trial and were adjudicated.

#### Christofferson:

The Christofferson case was actually originally filed in 1977, prior to the period covered by the Service's question.

In 1977, after taking a few elementary courses at the Church of Scientology Mission of Portland and working for a short time at another organization, Julie Christofferson was kidnapped and, over a four day period, deprogrammed to give up her religion by convicted felon Ted Patrick. She was

then turned over to attorneys by the anti-religion group involved so she could bring suit against the Church on a contingent fee basis.

At trial, Christofferson's attorneys derided and distorted Scientology's beliefs and practices to such an extent that the Oregon State Court of Appeals overturned the \$2 million verdict, finding that Scientology is a religion and that the trial had been rife with First Amendment violations. Upon remand, Christofferson's lawyers -- by then FAMCO members -- applied Flynn's tactics and inflamed a jury into a \$39 million verdict that led the trial court to declare a post-verdict mistrial in May of 1985. There never was another trial. The Christofferson case was part of the 1986 global settlement with Flynn.

#### Wollersheim

Larry Wollersheim had been in and out of churches of Scientology for over a decade before he finally left for good in 1979. While in the Church he was continually in trouble over his unethical business practices. He filed suit against the Church for a variety of claims, Wollersheim v. Church of Scientology of California, No. C-332-027, in State Court in Los Angeles in 1980, represented by attorney Charles O'Reilly, a participant in the original FAMCO planning meetings.

During the five month trial in 1986, O'Reilly applied the FAMCO tactics and relied upon Flynn's stable of witnesses and obtained an absurd verdict of \$30,000,000.

While the Wollersheim case is still going through the appeals process, the jury verdict has been reduced to \$2,500,000 from its original \$30,000,000, and further appeals are pending.

#### GO Criminal Activity Fallout Litigation:

Another category of cases involved Guardian's Office members or stemmed from GO illegal activities. This included, for example, proceedings to compel testimony before a grand jury convened in Florida to investigate GO activities and an action by the State of Florida to disbar Merrell Vannier, an attorney who was also a GO operative and who violated the canons of ethics as an attorney. It was this kind of activity that was rooted out and condemned in the disbanding of the GO. Nonetheless a certain amount of fall-out litigation from the years of GO criminality had to be expected. Cases falling into this category -- i.e., cases which were not against the Church but which present allegations about the GO -- are as follows: The Florida



Bar v. Merrell G. Vannier, No. 61,691, Supreme Court of Florida (Vannier was disbarred); Merrell and Francine Vannier v. Superior Court for the State of California, County of Los Angeles, No. 60 478, Supreme Court of California (Vannier lost an appeal against an extradition order); In re Charles Batdorf; United States v. Batdorf, No. 80 CV Misc (MM-188), United States District Court, Southern District of New York (Batdorf convicted); In re Grand Jury Proceedings (Mitchell Hermann, Peggy Tyson, Richard Weigand, and Duke Snider), Nos. 80-5 Misc-T-H and 80-614 CIV-T-H, Municipal District State of Florida -- Tampa Division (investigation dropped); United States v. Stephen E. Poludniak, Libby Wiegand, No. 80-00143 CR (1), United States District Court for the Second District of Missouri (defendants plead guilty).

The Mayo Cases:

Mayo was removed from a senior post in 1982 due to unethical conduct and the discovery that he had altered Scientology religious practice and Scriptures. Mayo then left the Church and along with a few other ex-Scientologists established the Church of the New Civilization, dba Advanced Ability Center, in Santa Barbara, California, where he delivered his own version of Scientology religious services to ex-Scientologists. He also sought the defection of Church members in order to build his membership. Mayo then acquired copies of certain confidential advanced Scientology Scriptures which had been stolen by some of Mayo's confederates from a Church facility in Denmark.

As a result, in 1985, Religious Technology Center, Church of Scientology of International and Church of Scientology of California sued David Mayo and others in a suit alleging RICO causes of action based on the conspiracy to acquire the secret confidential materials of the Scientology religion and use them for the economic advantage of Mayo's organization and other related splinter groups. This litigation consists of the consolidated cases, including counter-claims, of Religious Technology Center, et al. v. Scott, et al., U.S. District Court (C.D. Dal. 1988), No. CV 85-711 JMI (Bx) and Religious Technology Center, et al. v. Wollersheim, et al., U.S. District Court (C.D. Cal. 1985) No. CV 85-7197 JMI (Bx).

Although this litigation is still ongoing, Mayo's Advanced Ability Center has long since ceased to operate and the various individuals who had been associated with it have for the most part scattered to different areas.

The IRS has been supportive of Mayo's efforts. Mayo became an IRS informant during the CID investigation of the

mid-80's. Whereas Scientology organizations have been unable to obtain exempt status, the IRS granted exempt status to Church of the New Civilization - even though it had closed its operations and its sole remaining business was to contest this litigation. Further, much of this litigation is financed by wealthy psychiatrist Sarge Gerbode. In 1986, Gerbode formed a trust known as the "Friends of the First Amendment." The IRS granted exempt status to this anti-Scientology fundraising entity, and Gerbode has funnelled in excess of \$1.4 million dollars to fund Mayo's litigation through that trust as charitable tax deductions for himself.

#### The Aznaran/Yanny Litigation:

Vicki Aznaran is the former President of Religious Technology Center and her husband, Richard, is a former Church staff member. Vicki was removed from her position by the Trustees of RTC in March 1987 as she had betrayed the trust of her position and was not acting in the best interests of the religion. By her own testimony, she first got in trouble when she sought to place an ex-GO criminal in RTC's personnel department. Vicki and her husband then left the Church after Vicki's removal.

Joseph Yanny served as an attorney for RTC and various churches from 1983 until November of 1987. His primary contact with the Church was with RTC and Vicki Aznaran, with whom he developed a close personal relationship.

After Vicki's departure, the new officers of RTC examined Yanny's performance, determined it to be sub-standard, and learned that he was a user of LSD. He was then discharged.

Upon his termination, a billing dispute erupted between Yanny and the Church, and Yanny enlisted the aid of the Aznarans in supporting him in his billing dispute and, in exchange, acted as de facto counsel for the Aznarans in helping them prepare and file a lawsuit against his former clients. The Aznaran suit, Aznaran v. Church of Scientology of California, et al., U.S. District Court (C.D. Cal. 1988), No. CV 88-1786 JMI, was filed on April 1, 1988. Despite Vicki Aznaran's high ecclesiastical position as the head of RTC for a number of years, her suit portrays her as a victim who didn't know for all these years that she was really "brainwashed" and under "mind control" - plus the other stock inflammatory allegations that characterize this sort of litigation. It seeks \$70,000,000 in damages and is still pending.

Shortly after the Aznaran complaint was filed, Yanny

received from Vicki Aznaran a declaration by her as the former President of RTC supporting Yanny's claim that a retainer he received in 1985 was "non-refundable." Yanny used this declaration in his fee dispute over the retainer which is now in litigation along with claims against Yanny for his breach of his fiduciary duties.

Even before the Aznaran case was filed, Al Lipkin, one of the agents who conducted the IRS's CID investigation in 1984 and 1985, was in contact with Yanny and the Aznarans. It was Lipkin who arranged for the Aznarans to be interviewed by Exempt Organizations agents from Los Angeles who were conducting an on-site review of Church records, ostensibly the final step in negotiations concerning tax exempt status for Scientology churches. The day after issuing summonses to the Aznarans to be interviewed and to produce documents relating to their lawsuit, the same agents issued document requests to Religious Technology Center asking RTC to produce Vicki Aznaran as a corporate officer of RTC.

While the allegations of the Aznaran complaint serves as the purported reason for the summonses and interview, in reality the taped interview was a contrived setting for an IRS/Aznaran diatribe against the Scientology religion and L. Ron Hubbard, with the IRS agents urging the Aznarans to press their litigation and the Aznarans urging that the tapes of the interview be furnished to Lipkin and LA IRS CID.

It was the Church's discovery of this event which precipitated the breakdown of the earlier negotiations between the Church and the IRS.

Coincident with their interview with the IRS, the Aznaran's personal tax problems evaporated and their private investigation business was retained by Guess? Jeans -- the large jeans manufacturer that Al Lipkin befriended during an earlier IRS CID investigation (which also involved tampering with civil litigation and was the subject of a Congressional investigation).

The Aznaran suit is still pending at this time and has not yet gone to trial. Meanwhile Yanny has pursued an agenda to cause as much harm as possible to the Church by repeatedly betraying his fiduciary duties as former Church counsel by providing information concerning the Church to the Aznarans and a number of other litigants against the Church, as well as to the IRS and the FBI.

Other Current Litigation:

Several other suits are pending against Churches of Scientology that allege some form of tort claim. Although there are variations in the claims and different attorneys representing the plaintiffs, there is one common denominator underlying most of these suits: the influence of the Cult Awareness Network ("CAN").

CAN, which the IRS has recognized as exempt under section 501(c)(3) as an educational organization, is in fact a bigoted hate group that targets and tries to destroy churches and religions. CAN's principal activities are negative propaganda campaigns, covert dissemination of false information for purposes of subversion and acting as a referral service for deprogrammers on a fee sharing arrangement. Although complaints have been made to the IRS about CAN's continued exempt status in light of its true activities, no action has been taken.

The Church of Scientology is presently CAN's principal target for attack, and CAN's favorite tactic is to spread false and defamatory information about the Church through all available means while holding itself out as an authority on the subject. When contacted by anyone with a complaint about the Church, CAN manipulates them to attack the Church either through the media or by referring them to an anti-Scientology attorney.

The majority of the suits against Churches of Scientology recently filed and presently pending, that have not been otherwise discussed above, fall into this category. None has gone to trial. The following are cases instigated or influenced by CAN either directly or as a result of one of CAN's spread of false information: Terry Dixon v. Church of Scientology Celebrity Center of Portland, et al., No. 9010-08200 Multnomah County - Circuit Court of Oregon (in arbitration); John Finucane, David Miller, Alexander Turbyne v. Emery Wilson Corporation, et al., No. C 045216, Superior Court of the State of California for the County of Los Angeles (pending); Dorothy Fuller, an individual v. Applied Scholastics International, et al., No. 92K 11466, Municipal Court of the State of California for the County of Los Angeles (just filed); Lisa Stuart Halverson v. Church of Scientology Flag Service Organization, et al., No. 92K11186, Municipal Court for the State of California, County of Los Angeles (settled); Thomas and Carol Hutchinson v. Church of Scientology of Georgia, et al., No. D90315, Superior Court of Fulton County, State of Georgia (pending); Mark Lewandowski v. Church of Scientology of Michigan, et al., No.

91-421716-LZ, State of Michigan in the Oakland Circuit Court (pending); Peter and Francis Miller v. Church of Scientology et al., No. 027140, Superior Court for the State of California, County of Los Angeles (case abated re the Church and in arbitration re Sterling); Ted Patrick, et al. v. Church of Scientology of Portland, et al., State Court of Oregon for the County of Multnomah (dismissed); Dee and Glover Rowe v. Church of Scientology of Orange County, et al., No. BC 038955, Superior Court of California (pending); Frank and Joan Sanchez v. Sterling Management Systems, et al., No. 91-224-CV, 4th Judiciary District Court San Miguel County, State of New Mexico (pending); Thomas Spencer v. The Church of Scientology, et al., BC 026740, Superior Court of the State of California for the County of Los Angeles (settled); Irene Zaferes v. Church of Scientology, Superior Court of the State of California County of Los Angeles (dismissed); Jo Ann Scrivano v. Church of Scientology of New York, et al., No. 87-1277, Supreme Court of the State of New York, County of Suffolk (in discovery stage); Marissa Alimata and Richard Wolfson v. Church of Scientology of California, etc., et al., No. C 650 988, Superior Court of the State of California, County of Los Angeles (judgment entered for the Church).

Personal Injury, Medical-Related Suits:

Another category of lawsuits involve claims by individuals who have been injured on Church premises or in some way attributed responsibility to the Church for an injury or death. For example, in the Rabel case listed below, a stereo speaker accidentally fell out of the window of a Scientology mission and hit someone on the street below. The case was settled. The Arbuckle case was brought by the parents of an individual who died while a parishioner of a church of Scientology. Although his death from kidney failure was traceable to his use of steroids, the case was settled to avoid expense of litigation. Each of this group of cases was either settled or dismissed. Mira Chaikin v. Church of Scientology, L. Ron Hubbard, et al., No. 81 Civ 7525, United States District Court of the Southern District of New York; Gary and Susan Silcock v. Church of Scientology, Mission of Salt Lake, et al., No. C 86-7213, Third Judicial District Court for the Salt Lake County, Utah; Rimando, Pedro H. Irene Marshall v. The Church of Scientology of San Francisco, et al., No. C 669015, California Superior Court, County of Los Angeles; Wendy and William Rabel v. Eric Rising, Jane Doe Rising, his wife; Church of Scientology Mission of University Way, et al., King County Superior Court, Washington State; Francine Necocha, a minor child, by her guardian Ad Litem

Cecilia Garcia v. Church of Scientology, et al., No. C 165360, California Superior Court for the County of Riverside; Roxanne Friend v. Church of Scientology International, et al., No. DC 018 003, California Superior Court, County of Los Angeles; Bruce and Lynnel Arbuckle v. Skip Pagel M.D., Church of Scientology Celebrity Center Portland, et al., No. 8907-04119, Multnomah County, Oregon Circuit Court.

A final category of lawsuits includes cases that have arisen out of financial or property disputes or transactions involving individual Scientologists, their businesses or creditors or organizations or individuals that Churches of Scientology or related organizations have had financial dealings with. Often the Church is named in such cases simply as a perceived "deep pocket" or as a tactic to try to coerce a settlement. Such cases are typically dismissed or settled. These cases are as follows: In re Dynamic Publications Inc., U.S. Bankruptcy Court in Maryland (settled); Gregory F. Henderson v. A Brilliant Film Company, et al., No. 164213, California Superior Court, County of San Joaquin (settled); Gregory F. Henderson v. Marvin Price, et al., No. 165165, California Superior Court, County of San Joaquin (settled); Peter Siegel v. Religious Technology Center, et al., CV 89-5471, United States District Court, Central District of California (pending); Steve Dunning v. Church of Scientology, et al., No. 060613, California Superior Court County of Los Angeles (dismissed with prejudice); Jeff and Arlene Dubron v. Church of Scientology International, et al., No. NCC 29267B, Superior Court of California Burbank Division (settled); Sherry Fortune v. Church of Scientology American Saint Hill Organization and Chuck Tingley, No. C 099061, Superior Court of California, County of Los Angeles (dismissed as to the Church and settled as to Tingley); Vicki Adler v. American Sun, Inc., Church of Scientology of Los Angeles, SWC 81874, Torrance Superior Court of California (settled); Benham v. Church of Scientology Celebrity Center of Dallas, No. 91-08216, 9th Judicial District Court, Dallas County (settled); Michael Burns v. The Recording Institute of Detroit, Inc., et al., No. 91-412334-CZ, Oakland County Circuit Court, State of Michigan (pending); Clay Eberle and Eberle & Jordan Law Firm v. Church of Scientology of California, No. NCC 166486, Superior Court of the State of California, County of Los Angeles in the City of Glendale (dismissed in favor of the Church); Mario Metellus v. Church of Scientology of New York, Linda Barragan, No. 01133-89, Superior Court of the State of New York, County of New York (settled).

CONCLUSION:

The civil litigation campaign against the Church in the 1980's was unscrupulous in its creation and execution. Using the crimes of the GO and the GO's documents, Flynn and others have manufactured meritless claims and secured the survival of those claims against the very people and organizations which uncovered the GO's crimes and harrassment, put an end to GO misconduct, and rid Scientology of the criminals who were responsible for the GO's terrible legacy. In that regard, the unsettling truth is that what can correctly be characterized as the GO's last operation, was the litigation campaign the GO criminals, Flynn and his confederates and their IRS allies launched against the people and organizations which put an end to the GO.

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