

Question 8

a. What does the acronym "IMU" stand for? In addition, what, if anything, do the terms "logistics" and "tours" mean with respect to operations at IMU?

b. Please describe in detail the activities, operations and places of business of IMU during the period of its existence. In particular, please describe the method by which funds within the care of IMU at its location in Clearwater, Florida were handled, transported and deposited into the accounts maintained at financial institutions (within the meaning given financial institution in question 6 above).

c. Did IMU at any time during its existence perform any services, directly or otherwise, for any Scientology-related organization? For example, did IMU handle funds for any entity other than IAS? If so, please specify and provide copies of any written agreements (or descriptions of oral agreements, if that is the case).

d. Were there any payments to or from Scientology-related organizations and IMU, including any payment directly or indirectly) of expenses relating to the operation of IMU? If so, please describe.

e. Is any organization currently performing any of the activities and functions that had been performed by IMU? In this regard, please include a description of the activities and functions of IAS Administrations, and the extent to which it differs from IMU.

See attached letter dated June 29, 1992 from Monique E. Yingling in response to the above questions concerning IMU.

\* \* \* \*

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MONIQUE EDWIGE TINDLING

June 29, 1992

Mr. John E. Burke  
Assistant Commissioner (Employee  
Plans and Exempt Organizations)  
Internal Revenue Service  
Room 3408E  
1111 Constitution Avenue, N.W.  
Washington, D.C. 20224

Re: Church of Scientology Discussion

Dear John:

This letter is intended to supplement the responses of the Church of Scientology International ("CSI") to your letter of May 4, 1992 seeking information with respect to various Church of Scientology entities. As we discussed at our May 13, 1992 meeting, although CSI was generally familiar with the operations of "IMU", it does not have the detailed information to respond to question 8 of your May 4, 1992 letter. I became familiar with the operations of IMU as a result of representing that then-liquidated entity in an examination of its 1986, 1987 and 1988 taxable years by the Jacksonville District. Accordingly, I will endeavor to respond to your question 8 based on my knowledge of the operations of IMU gleaned from my review of IMU's records and from former IMU staff during the examination.

The Service informed IMU in May 1989 that it intended to examine IMU's 1987 federal income tax return. Subsequently, the examination was expanded to include IMU's 1986 and 1988 taxable years. The Service conducted a comprehensive audit spanning more than one year. During that time period, the Service reviewed all of IMU's bank records and canceled checks and made several voluminous document requests. The information requested and produced included virtually all of the financial records of the corporation, including original entry documents, tax returns of the parent corporation, information regarding the payment of commissions, accountant workpapers, contracts, and detailed information with respect to IMU's operations, its relationship with the IAS and its relationship with Churches of Scientology.

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When efforts to settle the matter with the revenue agent failed, the Service issued a 90-day letter in September 1990 with respect to 1986. The 90-day letter proposed a single adjustment to income under Code section 482 on the ground that IMU had not been adequately compensated for its services and alleged a deficiency of \$687,761, along with additions to tax under Code sections 6653(a)(1) and 6661. Subsequently, the Service issued a 90-day letter with respect to 1987 and 1988. This second 90-day letter proposed adjustments to income for both years under Code section 482 on the same ground as 1986 and alleged a deficiency of \$387,526 for 1987 and \$26,634 for 1988, along with additions to tax under Code sections 6653(a)(1) and 6661 for both years. No other issues were raised in any year.

These two cases were consolidated for settlement in the Service's Tampa, Florida Appeals Office and were settled in March 1992 on the basis of increasing IMU's income tax liability in the amounts of \$16,389, \$61,827, and \$6,761, for 1986, 1987, and 1988, respectively, less than 10% of the alleged deficiencies. The Service conceded all of the additions to tax for all three years.

Request for information -- Question 2

- a. What does the acronym "IMU" stand for? In addition, what, if anything, do the terms "logistics" and "tours" mean with respect to operations at IMU?

IMU was incorporated in Florida as "IMU Services, Inc." Thus, the letters "IMU", as part of IMU Services, Inc., do not stand for anything. However, to Scientologists IMU means International Membership Unit. With respect to operations at IMU, "logistics" means simply the cost of mailings and related costs such as transportation. With respect to operations at IMU, "tours" means an individual or group of individuals who worked as independent contractors soliciting new members and donations for the IAS. During the years of IMU operations there were approximately ten tours worldwide. The tours were referred to by location, i.e., the German Membership Tour was located in Germany.

- b. Please describe in detail the activities, operations and places of business of IMU during the period of its existence. In particular, please describe the method by which funds within the care of IMU at its location in Clearwater, Florida were handled, transported and

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deposited into the accounts maintained at financial institutions (within the meaning given financial institutions in questions 6 above).

#### Place of business

The only place of business of IMU Services during the period of its existence was 118 North Fort Harrison Street, Clearwater, Florida.

#### Activities and Operations

IMU's activities were designed to facilitate raising funds for the IAS and to provide IAS members worldwide with information about Scientology in general and the activities of the IAS and its members in particular. IMU limited with the fundraising tours around the world and helped coordinate their activities, including the forwarding of funds collected on behalf of the IAS to the IAS and the payment of commissions (during the early period of its existence) to fundraisers. IMU did not collect, tally, invoice or deposit funds collected on behalf of the IAS. IMU also published a bi-monthly magazine (IMPACT) detailing the activities of members worldwide.

IMU also sponsored events around the world where IAS members would receive information on Scientology activities and sent out promotional mailings to encourage Scientologists to become members. IMU organized a large celebration each year in October to mark the anniversary of the formation of the IAS. This celebration was held in different cities around the world and included such functions as an event presenting the highlights of the Association's activities during the year, the annual convention of delegates, seminars on Scientology topics, and presentations of Religious Freedom Awards to outstanding members.

#### Handling of funds in care of IMU

IMU deposited funds in its "care" used for its operating expenses directly in local bank accounts in Clearwater, Florida by either a staff member physically carrying funds to the bank or by wire transfers from its parent company or the IAS. These were the only funds in the "care" of IMU.

In addition, IMU helped coordinate the forwarding of funds (in the form of checks payable to the IAS and credit card advices) collected as membership dues or donations by the tours in the U.S.

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to the IAS. This assistance was provided by an IMU staff member who would receive mail packs or courier packs from the Membership Tours in Clearwater, Los Angeles and New York, combine them into one courier package and forward them by air courier to England. IMU was not involved in invoicing or depositing these funds.

c. Did IMU at any time during its existence perform any services, directly or otherwise, for any Scientology-related organization? For example, did IMU handle funds for any entity other than the IAS? If so, please specify and provide copies of any written agreement (or descriptions of oral agreements, if that is the case).

During 1986 and 1987 IMU helped raise funds for the Flag Ship Trust ("FST"). As discussed in response to question 9(f) of your May 4 letter, the IAS sponsored a project to locate and purchase an ocean-going motor vessel to be used as a religious retreat for Scientologists. Following the purchase of the M.V. Fraxvinda in 1986, the project, including the funds raised, was transferred to FST. IMU then continued to assist FST in its efforts to solicit donations for refurbishing the Fraxvinda by liaising with and coordinating the fundraisers around the world, as it did for the IAS.

IMU engaged in this activity at the request of IAS, through IMU's parent, IMU Administrations, Aps ("IMU Aps"), a Danish corporation. There was no written agreement covering this activity other than the service contract between IMU and its parent (copy attached as Exhibit 1.)

At no time during its existence did IMU handle funds for the Church of Scientology Flag Service Organisation ("CSFSO") or any other Church of Scientology.

d. Were there any payments to or from Scientology-related organizations and IMU, including any payment (directly or indirectly) of expenses relating to the operation of IMU? If so, please describe.

Money to or from Scientology-related organizations

Pursuant to its contract with its parent, IMU Aps, IMU received funds for its operating expenses, along with a fee for its services, on a weekly basis from its parent. On various occasions, IMU was reimbursed for operating expenses directly by the IAS.

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IMU received small payments from various Scientology-related organizations during its existence, as follows:

IMU received approximately \$6,000 in Field Staff Member Commissions from Churches of Scientology because an IMU staff member helped raise funds for those entities by sending them new parishioners;

Upon liquidation in 1988, IMU sold some equipment to CSFSO for approximately \$7,000, including furniture, a copier machine and a printer;

New Era Publications paid IMU approximately \$3,000 in 1986 for Scientology car badges;

CSFSO and other Churches of Scientology purchased IAS membership pins from IMU to give to their staff members or for resale to their parishioners.

IMU made payments to various Scientology-related organizations during its existence, as follows:

IMU made small grants on behalf of the IAS, including a total of \$50,000 in grants to Scientology Missions International to open missions in such areas as Africa and Eastern Europe, and a \$9,100 grant to Citizens Campaign for Human Rights;

IMU paid rent of approximately \$300 per week to CSFSO for the use of office space in a Church building in Clearwater;

IMU reimbursed CSFSO for the use of its mailing lists to send CSFSO parishioners information about the IAS;

IMU paid the expenses of the staff of a division of CSI, Golden Era Productions, to assist with satellite transmission of the annual IAS convention to Churches of Scientology around the world. IMU also paid the expenses of Golden Era to produce videos of these conventions and to produce a video announcing the purchase of the Free Winds to the Scientology public;

IMU reimbursed the Church of Scientology of Toronto approximately \$11,000 for expenses incurred during the annual IAS convention held in Toronto in 1986;

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IMU purchased Sea Org uniforms for its staff from CSI;

IMU paid a division of CSI, INCOME, \$500 per week on average for the use of computer equipment;

IMU reimbursed CSI for expenses incurred in producing photographs to be used in IMPACT magazine;

IMU paid small amounts to CSFSC over the years for such items as Scientology religious materials (approximately \$400); use of CSFSC's photo copier; Scientology car badges (approximately \$300); accommodations at the Fort Harrison religious retreat for IMU staff; and donations for religious services for IMU staff (approximately \$4,000);

IMU reimbursed Church of Scientology Western United States for food and lodging for IMU staff at Church facilities in Los Angeles;

IMU reimbursed New Era Publications for the cost of boxes used to house Religious Freedom Awards presented each year at the IAS annual convention.

- e. Is any organization currently performing any of the activities and functions that had been performed by IMU? In this regard, please include a description of the activities and functions of IAS Administrations, and the extent to which it differs from IMU.

IAS Administrations, Membership Services Administration, and Theta Management Ltd. have at various times since IMU's dissolution performed activities and functions previously performed by IMU. IAS Administrations ("IASA") currently performs some of the functions and activities performed by IMU. However, IASA's activities and functions in many respects are broader than those carried on by IMU. Like IMU, IASA publishes and distributes IMPACT magazine bi-monthly, liaises and coordinates fundraising activities for the IAS around the world, organizes and sponsors events worldwide to keep the membership informed of Association activities and organizes the annual convention. IASA does not forward funds from the Membership Tours to the IAS.

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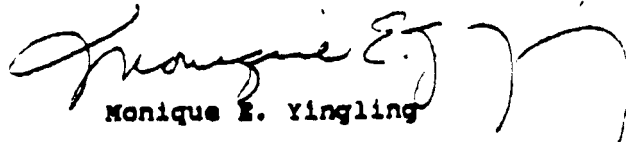
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In addition to the functions similar to those previously carried on by IMU, IAS& handles general legal and administrative matters for the IAS, including retaining counsel. It also handles all correspondence with members of the IAS, maintains membership records, maintains donation records, processes all grant requests to the IAS and all follow-up grant activity and produces promotional information used by fund raisers for the IAS.

I trust you will find the above responsive to question 8 of your May 4 letter.

Sincerely,

  
Monique E. Yingling