

Susan Meister, from the time she was proselytized into joining the Organization, to the time she died as a result of so joining, was extended to her "bereaved parents".

4. Commercial, profit oriented purposes and activities of Scientology

The purpose of Scientology is primarily to make money and secure power. This is Hubbard's unremitting goal. Hubbard's "governing policy" copyright 1972, is to "make money, make more money, make other people produce so as to make money". This "governing policy" pervades the entire Organization, which is structured to bring in as great amounts of money from as many people as possible. IX

Scientology's financial success may be attributed to its organizational efficiency, tax exempt status, payment of little or no wages to employees, charging exorbitant rates for its services, clever and deceptive marketing schemes, and its process for collecting debts.

Organizationally, Scientology maintains a Department of Treasury in each of its local orgs, monitored by the Guardian's Office, answering to the Treasury Department located in Los Angeles, California. Hubbard's governing policy to make money is found in a three hundred and seventy page volume entitled "The Treasury Division", one of approximately eight volumes entitled, "The Organization Executive Course". The aforementioned Hubbard policy letter of March 9, 1972 concerning making money and making more money best exemplifies the Organization's primary purpose in dealing with the public. The

Treasury Division volume contains a long series of marketing, financial and accounting policies. These policies and instructions include: How to do a Payroll, Pricing Formulas, Income Reports, Currency Regulations, Finance Policies, Org Assets, Rebates, Selling Intensives, Tape Prices and Discounts, Purchasing Orders, Maintaining Gross Income, Accounting Policies, Treasury Financial Reports, Finance Statistics/Bills and Org Reserve Accounts, Money Management, Invoicing, Promo, Credit Collections, Account Inspection, Professional Charges, Franchises, Handling of Monies, Invoicing and Collection of Money, etc.

Satisfaction of Hubbard's governing policy to make money, requires an elaborate marketing program. The Hubbard Bulletin of June 22, 1959, entitled, "How to Sell Scientology", starts a long series of bulletins and policy letters concerning marketing tools and techniques. One of the first steps in Hubbard's marketing plan, is running "Population Surveys". The Hubbard policy letter of January 25, 1972, entitled "Public Relations Series #15 Population Surveys", starts:

"Division VI specializes in human emotion and reaction-handling it, capturing and controlling it. They get the raw public flooding into the org for service... The survey reveals what the public WANTS. You match up the service to that WANT and promote and sell and deliver it. In other words, survey shows want FOO-FOOS. You match up the service that will give FOO-FOOS, tell the public we do FOO-FOOS, and sell and deliver FOO-FOOS.

Once the surveys are completed and tabulated, Scientologists establish a marketing plan geographically. When the area has been defined and the "buttons" or weakness of the public investigated, "body routers" are sent out onto the street to solicit persons into Scientology. The most widely used marketing tool of the Scientologists to achieve this is the "personality test".

Upon convincing the public to take the "personality test", the person is led back to the Scientology "org" for "registration". According to the Hubbard policy letter of May 3, 1964, entitled "Registration", it of vital importance that the Scientologist,

"always be interested in the other person's tale of woe, no matter what, that's why they've come to us for help; even if they are totally screwed up on help themselves. But know when to stop them in their tracks and take over. Be willing at all times to control the new body that comes into the shop".

In the Hubbard bulletin of March 17, 1958 entitled "Body Routing and Central Organization", Hubbard instructs:

"Reception must regard everyone who walks in, trades-people and business callers excepted, as a potential P.C. or a student... the registrar or deputy in the org or A.S.S.N., or S.E.C. or D.I.R. of T.I.R. or P.R. signs this person up for something - a book, a membership, a one-week intensive or a course. A person must be sold something, large or small... Neat, fast, no wait, efficient reception followed by confident registraring can quintuple any org's income".

Besides selling books and courses to the newcomer, the registrar classifies the name and address, and files them with regard to the newcomer's desires to purchase Scientology's courses. In the Hubbard policy letter of May 17, 1969, entitled "Mailing List, Central Files", Hubbard created the "Hot Prospect File". "Hot" files are those that have recently expressed a wish to be trained or processed. Nothing may be filed in a HOT PROSPECT File that has not already been answered by a letter registrar (P/L 8 April, 1965).

H.O.T. Prospects are created by mailing to the entire org list magazines, hare sell promotion such as brochures and questionnaires.

The cost for these services for the new "HOT PROSPECT", are carefully controlled and monitored in Hubbard's policies and bulletins. Hubbard's policy letter of September 23, 1964, entitled "Auditing and Training Policies: Cost of Service", Hubbard writes:

"Cheap service costs the org money. You have to hire a staff just to administer it...You don't turn such traffic off because it doesn't buy. You form a place for it to come to like a public lounge. You give it tape plays. You whip it up to a roar...For instance, you never give away any academy course. You always charge heavily for it...ALL PERSONNEL SERVICES RENDERED TO THE INDIVIDUAL RESULTING IN A GOOD PROCESS, RESULTS, OR WORTHWHILE CERTIFICATE MUST BE CHARGED FOR HEAVILY...have more courses of shorter duration with less in them".

The cost for this new "HOT PROSPECT" to reach the moderate levels of Scientology runs into tens of thousands of dollars. The price schedule for Scientology courses in Clearwater includes a long list of courses, some of which cost in excess of \$40,000 for one type of course. Scientology in Clearwater accepts Master Charge or VISA. It is a "high crime" or "treason" in Scientology to give anything away for free.

Another method Hubbard employs to make money for his organizations entails a network of Scientology agents who operate on the incentive of a commission if a successful sale is made for the Church. The Hubbard policy letter of November 10, 1966 entitled "Field Staff Member", reads:

"The commission paid to field staff member will be paid on all services consecutively bought on one appearance at the org. This means that after reporting into an org and signing up for and paying for one service or more, if the selectee upon completion of that service buys another service, the F.S.M. commission will be paid on the second service, and so on."

In the Hubbard policy letter of June 5, 1968, entitled, "F.S.M. Commissions", it is revealed what those commissions will be.

"F.S.M. percentages are corrective and established as follows:

15% will be paid for any selectee routed on for auditor training. 10% will be paid for any selectee routed on the solo line."

The distribution of all monies collected by the Church of Scientology is, according to Hubbard's Finance Series, sent to Hubbard through his H.C.O. Division, F.S.M. Commission, Clearwater, Florida, the Guardian's Office "Worldwide", and Guardian's Office Reserve Account". What remains of the org's income is used for the operating expenses, promotion, org reserves, and salaries.

An audit conducted by the Internal Revenue Service of the United States, of the Church of Scientology of California in 1975 reveals the final destination for a lot of Church of Scientology funds. The following are excerpts from that audit report:

"During our examination, we learned that a large portion of the "United States Churches Scientology Trust" funds were emptied out of a Swiss bank account and held on as cash aboard the Apollo from mid 1972 until October 13, 1975."

"The examination disclosed that the Church of Scientology of California made substantial payments to an organization called "Operation and Transport Services, LTD" (OTS/OTC) hereinafter referred to as O.T.C....The first meeting of incorporators and subscribers of Operation Transport Corporation Limited, was held on January 17, 1968. The incorporators were: L. Ron Hubbard, Mary Sue Hubbard, and Leon Stienberg."

"It appears that (Church of Scientology of...) California's funds are comingled with O.T.C.'s."

To sum up the California - O.T.C. relationships during the four years. California transferred (\$8,243,222.49) of its funds to O.T.C. during the period. In addition, O.T.C. had possession of \$1,493,897.17 of California funds prior to the transfer. The statements also show that O.T.C. received other Church income of \$747,853.19 over the four year period. O.T.C. had possession and control of \$10,482,072.85 over the four year period.

Internal Revenue Service audits frequently reviewed the United States' Guardian's Office financial activities in 1974. According to Guardian's Office receipts in 1974, \$649,459.00 was expended. At this time the Guardian's Office was involved in a scheme of systematic burglary, larceny, kidnapping, extortion, wiretapping and false imprisonment nationwide as hereinafter set forth in Subsection D.

The audit conducted by the Internal Revenue Service resulted in the denial of tax-exempt status for the Church of Scientology of California for the years of 1970 through 1974. The I.R.S arrived at this conclusion based on the finding that during those years, Scientology carried on commercial activities of such magnitude, and for such profit making purposes, and of such non-tax exempt character, that the Corporation was not operated exclusively for religious or other tax exempt purposes. The I.R.S. also concluded that a large part of the earnings of the Church of Scientology inured to the benefit of Hubbard as a private individual which violated the Internal Revenue Law. The money and money's worth of benefits traceable to the Hubbards during this period of time included a) salaries, b) royalties, c) large sums of cash, d) unrestricted control (amounting to ownership), over large amounts of funds in a corporate bank account, Savings and Trust accounts, e) free room and board at the corporation's expense, and unlimited access to, and use of castles, mansions, villas, seagoing vessels, automobiles, motor cycles, and other facilities owned or supported by Scientology throughout the world, f) a large retinue of servants, valets, messengers, secretaries, couriers, cooks and other personal attendants, furnished and compensated by Scientology,

g) the receipt, generally in disguised form, of a substantial percentage of Scientology's earnings, and h) the diversion of large sums from Scientology to Hubbard utilizing sham entities such as O.T.C., and O.T.S., which were completely controlled and dominated by Hubbard.

The I.R.S. also concluded that the policies and activities of Scientology, some of which have been previously discussed in this Report, and some of which are discussed infra, vitiated Scientology's entitlement to exemption, because the policies amounted to substantial recurring violations of clearly defined public policy including:

- a) Conspiracy to impede and obstruct the I.R.S.
- b) Wrongful and malicious divulgence of personal and intimate information confided to Scientology by its members during auditing sessions, in reliance upon Scientology's deliberately false representation that such information would be strictly confidential.
- c) Pervasive violations of the individual rights of human dignity by subjecting members to "amend projects", and "R.P.F.", which enforced performance of humiliating and degrading acts.
- d) The infliction of serious, deleterious, mental and psychic damages that are a direct result of Scientology's dangerous brainwashing techniques.
- e) Depriving individuals of their own self-determination and ability to perform their own moral judgments through the use of brainwashing techniques.
- f) Removal of large amounts (over \$5,000) of currency or its equivalents from the United States without

disclosure in violation of federal law.

- g) Recurrent and pervasive use of blackmail, intimidation, and other egregiously anti-social acts by way of implementing Scientology's "Fair Game" policy.
- h) Scientology's "Disconnect" policy, resulting in enforced dissolution of marriages and other close family relationships.
- i) Insistence upon and use of non-voluntary lie detector (the E-meter) and security checks as a condition of employment in direct violation of state laws.
- j) Involuntary detention (equivalent to false imprisonment).
- k) Drastic punishment of members and employees.
- l) Violations of federal law by registering of Scientology's fleet of ships as private yachts used for pleasure, whereas in fact they were used for paramilitary training and commercial activities.
- m) Requiring members to violate federal law by falsely stating to the United States Immigration authorities that they were traveling abroad as tourists and vacationers when in fact they were either on covert missions or carrying undisclosed currency in violation of the law, or were traveling in the scope of their employment for Scientology in order to perform duties as such.
- n) The use of telex devices for the purpose of carrying on illegal covert activities in violation of the Federal Communications Act, together with a conspiracy to further such purpose.

The I.R.S. took the position that all of the foregoing commercial activities and violations of public policy negated Scientology's claim of tax exempt status in conducting its affairs as a religion. Although the I.R.S. conceded that the actual organizational requirements of Scientology had been met as far as filling out the forms needed for tax exempt status, the actual operational policies of the organization were such that a real religious purpose did not exist.

The I.R.S. and Scientology are in the middle of concluding a three month trial relative to the tax exempt status of the Organization. The overwhelming weight of the evidence introduced at the trial would appear to support the position of the I.R.S. and would tend to support a finding that Scientology has not operated as a religion, but rather as a commercial, profit-orientated organization.

The commercial activities of Scientology permeate its entire operation. They include such things as extensive advertising and solicitation of business; the payment of commissions to persons who can produce customers; the granting of discounts; an ever-increasing accumulation of earnings; granting first priority to customers who make the largest advance cash payment, rather than the one who is in greatest need of Scientology services; the use of drastic, arm-bending and emotionally crippling procedures for the collection of delinquent accounts; and finally the use of enforcement policies which are designed to extort from a customer his avenues of legal redress by threats of disclosure of confidential auditing information.

Additionally, an analysis of Scientology's costs (of printing its publications, and offering its services), when weighed against the price charged to innocent victims who are deceptively enticed to purchase these items, is indicative of a profit-motivated commercialism. For example the I.R.S. audit found that the sale of five thousand sets of "O.E.C." volumes, (a rambling collection of short policy letters written over the years by Hubbard), cost Scientology approximately \$190,000 to print, but were marketed at the sales price of approximately \$1,500,000, a markup factor of 789%.

Scientology greed and commercialism are graphically revealed in many individual cases where people have been defrauded of large sums of money. In one instance, an elderly woman whose husband had recently died, was deceived into Scientology "processing". In a span of approximately two weeks, the woman paid Scientology approximately \$35,000 for so-called auditing, most of which she did not even receive. When members of the family learned that the woman was paying large sums out of her checking account to Scientology, they went to the place where she was kept, and took her home. Between the time that the Scientologists learned that the family members were coming (which they learned during auditing), and the time that she actually left, which was a span of about five days, the Organization pilfered approximately \$12,000 from her. There are many instances of such fraud, too numerous to recount in this Report. Suffice it to say that virtually every person who is enticed into Scientology is viewed solely as a source of money or work.