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13 Attorneys for Plaintiff
14 CHURCH OF SCIENTOLOGY INTERNATIONAL

15 UNITED STATES DISTRICT COURT

16 FOR THE CENTRAL DISTRICT OF CALIFORNIA

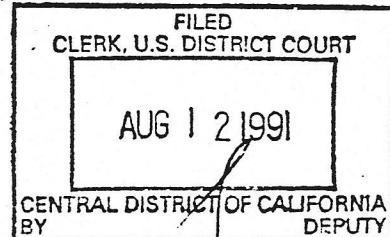
17 CHURCH OF SCIENTOLOGY
INTERNATIONAL,

18 Plaintiff,

19 vs.

20 C. PHILLIP XANTHOS; ALAN
LIPKIN; MARCUS OWENS; MARVIN
21 FRIEDLANDER; S. ALLEN
WINBORNE; ROBERT BRAUER;
22 JOSEPH TEDESCO; CHARLES
RUMPH; RAYMOND JUCKSCH;
23 MELVYN YOUNG; CARL CORSI;
GREGORY ROTH; WILLIAM
24 CONNETT; KEITH ALAN KUHN;
CHARLES JEGLIKOWSKI; MELVIN
25 BLOUGH; RODERICK DARLING;
and DOES 1 - 200,

26 Defendants.
27
28



No.

COMPLAINT FOR DAMAGES FOR AND
INJUNCTIVE RELIEF FROM:

- 91 4301 SVW(Tx)
1. FOURTH AMENDMENT VIOLATIONS;
 2. FIRST AMENDMENT VIOLATIONS;
 3. DUE PROCESS VIOLATIONS UNDER
THE FIFTH AMENDMENT; AND
 4. EQUAL PROTECTION VIOLATIONS
UNDER THE FIFTH AMENDMENT

JURY TRIAL DEMANDED

JURISDICTION AND VENUE

1
2 1. As this action seeks damages for violations of
3 the United States Constitution brought under the authority of
4 Bivens v. Six Unknown Agents of Federal Bureau of Narcotics,
5 403 U.S. 388 (1971), this Court has subject matter
6 jurisdiction pursuant to 28 U.S.C. § 1331.

7 2. Venue is proper in this Court pursuant to 28 U.S.C.
8 § 1391(b) in that jurisdiction is not founded solely on
9 diversity of citizenship and the claims arose in this judicial
10 district. Venue is also proper in this Court pursuant to 28
11 U.S.C. § 1391(e) in that this is a civil action in which all
12 the defendants are or were employees of a United States agency,
13 some of whom are residents of this judicial district, which is
14 the judicial district in which plaintiff resides and in which
15 the causes of action set forth arose.

PARTIES

16
17 3. Plaintiff Church of Scientology International ("the
18 Church") is a not for profit religious corporation organized
19 and existing under the laws of the State of California, with
20 its principal place of business in Los Angeles, California. In
21 accordance with the ecclesiastical policies of the Scientology
22 religion, plaintiff is the Mother Church of the Scientology
23 religion, an internationally recognized religion engaged solely
24 in spiritual, charitable, humanitarian and community-oriented
25 endeavors intended to enhance adherents' spiritual knowledge of
26 themselves and their Creator. The Scientology religion has
27 more than 8 million members and Scientology Churches,
28 Missions and groups exist in 90 nations around the world.

1 4. Except for three who have retired from government
2 service since performing the acts hereinafter averred, the
3 defendants are, and at all relevant times were, employees of
4 the Internal Revenue Service ("IRS"). The matters averred in
5 this Complaint are largely drawn from information only recently
6 discovered by the Church in the course of Freedom of Information
7 Act ("FOIA") litigation.

8 5. As the conduct which gives rise to the Church's claims
9 of constitutional violations occurred within different divisions
10 and offices of the IRS, the defendants are grouped within their
11 respective divisions for the purposes of the following
12 identifying averments:

13 A. Los Angeles Criminal Investigation Division.

14 i. Defendant Philip Xanthos ("Xanthos") is,
15 and at all relevant times was, a Branch Chief of
16 the Los Angeles Criminal Investigation Division of
17 the IRS ("LA CID"). Upon information and belief,
18 Xanthos resides in this judicial district.

19 ii. Defendant Alan Lipkin ("Lipkin") is, and
20 at all relevant times was, a Group Manager within
21 LA CID. Upon information and belief, Lipkin
22 resides in this judicial district.

23 B. National Office Exempt Organizations.

24 i. Defendant Marcus Owens ("Owens") is
25 currently the Director of the IRS National
26 Office Exempt Organizations ("EO") Technical
27 Division, and was, at all relevant times
28 an official of the EO Technical Division. Upon

1 information and belief, Owens resides in the State
2 of Maryland.

3 ii. Defendant Marvin Friedlander
4 ("Friedlander") is, and at all relevant times was,
5 an IRS Senior Conferee Reviewer in the EO
6 Technical Division. Upon information and belief,
7 Friedlander resides in the State of Maryland.

8 iii. Defendant S. Allen Winborne ("Winborne")
9 was at all relevant times until approximately
10 1987 IRS Assistant Commissioner for Employee Plans
11 and Exempt Organizations. Upon information and belief,
12 Winborne resides in the State of Maryland.

13 iv. Defendant Robert Brauer ("Brauer") was
14 at all relevant times from approximately
15 1987 to and including approximately December, 1990, IRS
16 Assistant Commissioner for Employee Plans and Exempt
17 Organizations. Since in or about January, 1991,
18 Brauer has been the IRS District Director in
19 Pittsburgh, Pennsylvania. Upon information and
20 belief, Brauer resides in the Commonwealth of
21 Pennsylvania.

22 v. Defendant Joseph Tedesco ("Tedesco") was
23 at all relevant times until approximately 1987, Chief
24 of the National Office Exempt Organizations
25 Technical Division. Since in or about 1987,
26 Tedesco has been in retirement. Upon information
27 and belief, Tedesco resides in the Commonwealth of
28 Virginia.

1 vi. Defendant Charles Rumph ("Rumph") was
2 at all relevant times until approximately 1986,
3 an attorney in the Tax Litigation Division, Office of
4 Chief Counsel at the National Office. Although he did
5 not work in EO, plaintiff is informed and believes
6 that Rumph worked in conjunction with the other EO
7 defendants in doing the acts hereinafter averred.
8 Since in or about 1986, Rumph has been in
9 retirement. Upon information and belief, Rumph
10 resides in the District of Columbia.

11 vii. Defendant Roderick Darling ("Darling")
12 is, and at all relevant times was, an IRS tax law
13 specialist in the EO Technical Division. Upon
14 information and belief, Darling resides in the
15 State of Maryland.

16 C. Los Angeles Exempt Organizations Division.

17 i. Defendant Raymond Jucksch ("Jucksch") is,
18 and at all relevant times was, a Group Manager
19 within the Los Angeles Exempt Organizations
20 Division of the IRS ("LA EO"). Upon information
21 and belief, Jucksch resides in this judicial
22 district.

23 ii. Defendant Melvyn Young ("Young") is, and
24 at all relevant times was, a Revenue Agent within
25 LA EO. Upon information and belief, Young resides
26 in this judicial district.

27 iii. Defendant Carl Corsi ("Corsi") was at
28 all relevant times to and including

1 July, 1989, a Revenue Agent within LA EO.

2 Since in or about July, 1989, Corsi has been
3 in retirement. Upon information and belief, Corsi
4 resides in this judicial district.

5 D. Los Angeles District Counsel Office.

6 i. Defendant Charles Jeglikowski
7 ("Jeglikowski") is, and at all relevant times was,
8 an attorney within the IRS District Counsel's
9 office located in Thousand Oaks, California. Upon
10 information and belief, Jeglikowski resides in
11 this judicial district.

12 ii. Defendant Gregory Roth ("Roth") is, and
13 at all relevant times was, an attorney within the
14 IRS District Counsel's office located in Thousand
15 Oaks, California. Upon information and belief,
16 Roth resides in this judicial district.

17 E. Los Angeles District Office.

18 i. Defendant William Connett ("Connett")
19 was at all relevant times to and including
20 January, 1986, District Director of the Los
21 Angeles District Office of the IRS. Since in or
22 about 1987, Connett has been the IRS
23 Representative in Paris, France, where, on
24 information and belief, he now resides.

25 F. IRS National Office Internal Security
26 Division.

27 i. Defendant Keith Alan Kuhn ("Kuhn") is,
28 and at all relevant times was, Chief of the

1 Investigations Branch of the Internal Security
2 Division of the Office of the Chief Inspector of
3 the IRS. Upon information and belief, Kuhn
4 resides either in the State of Maryland or the
5 Commonwealth of Virginia.

6 G. St. Petersburg, Florida Exempt Organizations
7 Division.

8 i. Defendant Melvin Blough ("Blough") is, and
9 at all relevant times was, a Revenue Agent within
10 the Exempt Organizations Division of the St.
11 Petersburg, Florida office of the IRS. Upon
12 information and belief, Blough resides in the
13 state of Florida.

14 6. Upon information and belief, IRS employees other than
15 those named as defendants in this action performed acts which
16 are unlawful and unconstitutional in connection with the facts
17 set forth in this complaint. The Church will seek leave of
18 Court to amend this complaint when the IRS employees not named
19 as defendants, but whose conduct warrants their inclusion as
20 defendants in this action, are identified.

21 NATURE OF PLAINTIFF'S CLAIMS

22 7. By this action, the Church seeks damages for
23 violations of its First, Fourth, and Fifth Amendment rights
24 arising from the conduct of the defendants and others within
25 the Internal Revenue Service. While this action focuses on
26 recent events, it is the culmination of three decades of IRS
27 coercion in violation of the Free Exercise Clause of the First
28 Amendment, discriminatory treatment in violation of the

1 Establishment Clause of the First Amendment and the Equal
2 Protection component of Due Process under the Fifth Amendment,
3 as well as the denial of procedural Due Process rights in
4 violation of the Fifth Amendment, and actions in violation
5 of the Church's Fourth Amendment rights.

6 8. Although the IRS has withheld the vast majority of
7 documents requested by Churches of Scientology under the FOIA,
8 the limited FOIA information recently discovered by the Church
9 through the production of documents and testimony demonstrates
10 the actionable conduct hereinafter averred. This action,
11 moreover, does not arise in a vacuum. It is an outgrowth of
12 IRS conduct that includes:

13 a. Efforts by the IRS' Chief Counsel's
14 office to persuade at least one municipal
15 authority to find "local statutes and ordinances
16 available as tools to curtail or close down"
17 Scientology Churches;

18 b. Employment of "plants" to infiltrate
19 Scientology Churches to obtain copies of Church
20 records;

21 c. Recommendations of the IRS Chief Counsel
22 that "defining church in regulations is one method
23 to attack Scientology," which recommendation was
24 followed by the formulation of such a definition
25 in General Counsel Memorandum 36078 entitled
26 "Church of Scientology" (later promulgated as
27 Revenue Ruling 76-415);

28 d. Targeting the Church of Scientology as

1 "subversive," and conducting non-tax-related
2 surveillance and intelligence gathering that a
3 United States Senate Subcommittee would later find
4 was "used to stigmatize, to set a group of
5 individuals and organizations apart as somehow
6 inherently suspect ... " and which a Senate Select
7 Committee found to be "an effort to employ tax
8 weapons for essentially nontax purposes";

9 e. IRS documents which refer to the
10 Scientology religion as "religious bunco" and a
11 "grab-bag of philosophical voodooism," as well as
12 IRS tape recordings of witness interviews in which
13 defendants Young, Corsi and Roth referred to
14 Scientologists as "crazy devotees," characterized
15 Scientology's religious services as a "dog and
16 pony show," compared adherence to the Scientology
17 faith to drug addiction, and called the religion
18 itself a "facade"; and

19 f. Encouragement given by Corsi, Young and Roth
20 to individuals pursuing civil cases involving claims for
21 damages against plaintiff and other Scientology Churches.

22 9. The claims for relief asserted in this action arise
23 from the demise of a two-year criminal investigation of
24 plaintiff, other Scientology Churches, and individual
25 Scientologists that produced no indictments, no charges, and
26 nothing more than the refusal of the Department of Justice to
27 take any action with regard to that lengthy investigation. In
28 the aftermath of that investigatory debacle, defendants, as is

1 more fully averred later in this complaint, embarked upon a
2 course of conduct which has included:

3 a. EO employees demanding documents from
4 plaintiff and other Scientology Churches
5 ostensibly to evaluate applications for exemption
6 under 26 U.S.C. § 501(c)(3), while in reality
7 making such demands so that those documents could
8 be turned over to IRS criminal investigators in
9 violation of the Fourth Amendment;

10 b. Inauguration of nationally and
11 locally coordinated campaigns to single out
12 plaintiff and other Churches of Scientology as
13 targets for tax inquiries because they were
14 Churches of Scientology, and to use such inquiries
15 as a means to generate otherwise unavailable tax
16 liabilities such as under the Federal Insurance
17 Contribution Act and the Federal Unemployment Tax
18 Act in violation of the Establishment and Free
19 Exercise Clauses of the First Amendment and the
20 Equal Protection component of the Due Process
21 Clause of the Fifth Amendment; and

22 c. Embarking on a nationally and
23 locally coordinated campaign of collections
24 activity which arbitrarily and capriciously
25 freezes and attempts to freeze bank accounts of
26 plaintiff and other Scientology Churches for
27 alleged tax obligation of still other Scientology
28 Churches without notice and without any

1 opportunity to be heard before seizing plaintiff's
2 property in violation of the Due Process Clause of
3 the Fifth Amendment.

4 FIRST CLAIM FOR RELIEF

5 (For First, Fourth and Fifth Amendment Violations by
6 Defendants Xanthos, Lipkin, Owens, Friedlander,
7 Darling, Winborne, Tedesco, Rumph, Jucksch)

8 10. The Church repeats and realleges each and every
9 averment set forth in paragraphs 1 through 9, inclusive.

10 11. The Scientology religion has been in existence for
11 nearly four decades. From its earliest days, it has been a
12 target of IRS scrutiny and hostility. After years of
13 controversy and litigation, the IRS agreed with various
14 Churches of Scientology to conduct an examination of a
15 representative church and issue an exemption ruling based upon
16 that examination for the representative church and all others
17 similarly situated.

18 12. The IRS, for 25 consecutive days in March and April
19 1975, conducted an exhaustive examination of the Church of
20 Scientology of Hawaii ("the Hawaii Church"), addressing every
21 aspect of that church's operations, including Scientology
22 beliefs and practices. As a result of that examination, Church
23 of Scientology of Hawaii and twelve other Scientology churches
24 were granted exemptions under 26 U.S.C. § 501(c)(3).

25 13. The grant of exemption to the Hawaii Church followed
26 an unsuccessful attempt by the IRS to employ a litigation tactic
27 appropriately described as "harass and moot" to avoid judicial
28 adjudication of the exemption issue. When the Hawaii Church

1 filed suit contesting the IRS' 1969 denial of exemption, the
2 IRS tendered a refund of the taxes to avoid an unfavorable
3 court decision. When the Church refused the refund and pressed
4 for a judicial determination, the IRS moved to dismiss claiming
5 that the issue had been rendered moot. After the Ninth Circuit
6 rejected this litigation ploy, the IRS settled the case and
7 later granted exemption. The IRS, however, continued to resist
8 applications for exemption by Scientology churches despite the
9 fact that its only thorough, comprehensive examination of any
10 church had resulted, begrudgingly, in more than a dozen
11 exemptions.

12 14. Exemption applications for plaintiff Church of
13 Scientology International, Church of Spiritual Technology and
14 Religion Technology Center were filed with the Internal Revenue
15 Service in 1983. These exemption applications were forwarded
16 to the IRS National Office by the local offices where they were
17 filed. Responsibility for the exemption applications resided
18 with defendants Owens, Friedlander, and Tedesco of the
19 National Office EO working in conjunction with defendant Rumph
20 of the Office of the Chief Counsel. EO requested additional
21 information of the filing entities. Discussions between Church
22 counsel and the IRS personnel processing the applications began
23 with regard to the IRS' requests for additional information,
24 and at the request of those defendants the applicants provided
25 further information to the IRS based on the belief that the
26 newly formed churches all qualified for exemption and that the
27 IRS was acting in good faith in the negotiations. EO letter
28 requests to plaintiff and the other applicants dated July 30

1 and October 5, 1984 and January 18 and April 22, 1985 requested
2 the applicants comment on specific allegations made by LA CID
3 informants that were at the heart of the ongoing CID
4 investigation. FOIA records and discovery in FOIA litigation
5 reveal a continuous flow of information from EO to LA CID.

6 15. It is now clear, however, that defendants and the IRS
7 were not dealing in good faith, but rather, were merely asking
8 for and receiving voluminous financial and other records from
9 plaintiff and the other churches without any intention of ever
10 granting any section 501(c)(3) exemptions and as an unlawful
11 means of obtaining data for LA CID. The use of the exemption
12 process to obtain information for a criminal investigation
13 deprived plaintiff of its rights guaranteed by the First,
14 Fourth and Fifth Amendments to the United States Constitution,
15 and violated specific IRS rules designed to protect those
16 rights. The Internal Revenue Manual contains specific
17 provisions which require EO to "immediately suspend" an inquiry
18 if EO learns that "an assigned case involves a taxpayer who is
19 the subject of a criminal investigation." The EO agents
20 responsible for plaintiff's exemption application did not
21 suspend the civil proceeding, but instead continued to use it
22 as a means for gathering information for CID.

23 16. Between 1984 and 1986, LA CID conducted an extensive
24 criminal investigation of plaintiff, other Scientology
25 churches, and individual Scientologists, under the auspices of
26 defendant Connett, the then-District Director, defendant
27 Xanthos, the LA CID Branch Chief and defendant Lipkin, the
28 assigned LA CID Group Manager. That investigation included the

1 use of mail covers, paid informants, summonses to dozens of
2 financial institutions and church members, and infiltration of
3 Scientology's ecclesiastical hierarchy. The infiltration of
4 the Church was planned as an undercover operation by the
5 LA CID along with former Church member Gerald Armstrong, who
6 planned to seed church files with forged documents which the
7 IRS could then seize in a raid. The CID actually planned to
8 assist Armstrong in taking over the Church of Scientology
9 hierarchy which would then turn over all Church documents to
10 the IRS for their investigation. The CID further coordinated
11 this plan with the Ontario Provincial Police in Canada, through
12 direct contacts and exchange of information, hoping that
13 through simultaneous assaults the "momentum of . . . charges
14 will cause [Scientology] to collapse." Thus, the documents
15 being channelled from EO to CID were being used for the
16 unlawful purpose of forwarding criminal investigations in both
17 the United States and in Canada.

18 17. That criminal investigation, the results of which
19 were ultimately rejected in full by the Department of Justice,
20 was doomed from its inception because it was based upon a
21 faulty premise -- that plaintiff and the other Churches were
22 engaging in criminal conduct (conspiracy to interfere with the
23 collection of taxes) by the mere fact that they had applied for
24 section 501(c)(3) exemptions. In other words, at the time that
25 EO was allegedly processing the exemption applications, the IRS
26 had already made a determination that the exemption
27 applications were criminal instruments because the applying
28 churches had already been prejudged as non-exempt.

1 18. The IRS personnel charged with responsibility for the
2 exemption applications -- defendant Friedlander, and his
3 superiors Owens, Tedesco and Winborne -- were fully aware of
4 the ongoing criminal investigation, yet despite the fact that
5 the Fourth and Fifth Amendment and IRS written procedures
6 mandate that all civil IRS proceedings concerning a given tax
7 period be suspended during the time in which a criminal
8 investigation of that same period is in progress, EO personnel
9 continued to request and receive information and documents
10 from plaintiff and the other Churches and delivered such
11 information and documents to defendants Xanthos, Lipkin and the
12 other LA CID personnel conducting the criminal investigation.

13 19. In late July 1984, the Church learned through the
14 media that LA CID had initiated a criminal investigation
15 relating to Scientology organizations and individuals. Leaks
16 to the media regarding the CID investigation had already
17 resulted in unfavorable and harmful media reports, prior to the
18 time when the organizations and individuals became aware that
19 they were under investigation. In response to one such
20 article, Church counsel contacted defendant Connett who
21 confirmed that an investigation of Scientology's founder, L.
22 Ron Hubbard, and another Scientologist was in progress, but who
23 expressly misrepresented to counsel that the criminal
24 investigation was separate and distinct from the ongoing
25 exemption application process, and encouraged the Church to
26 continue the application process. Connett, with the assent
27 of defendants Friedlander and Winborne, told the Church's
28 attorneys that the CID investigation did not directly involve

1 any of the applicants and might not lead to charges being
2 filed. He stated that in that case, it would not make sense to
3 drop the existing team which was developing the exemption
4 applications. The truth of the matter was that defendants
5 Friedlander and Tedesco were turning material over to LA CID,
6 either directly, through Connett, or through the Los Angeles
7 Exempt Organizations Division (which was staffed by defendants
8 Jucksch, Corsi, and Young).

9 20. Connett did not merely misrepresent the status of the
10 CID investigation to the Church. He also set into motion the
11 coordination between the National Office employees processing
12 the exemption applications, and the agents of the CID. In
13 January 1985, Friedlander contacted Xanthos and his superior,
14 CID Chief Ronald Saranow, at the suggestion of defendant
15 Connett for the purpose of obtaining information from CID's
16 files. Friedlander informed defendant Tedesco of his plan to
17 travel to Los Angeles along with defendant Rumph, for the
18 purpose of reviewing CID's materials as well as CID's "draft
19 prosecution letter." In order to prevent plaintiff and the
20 other churches from learning of the CID investigation,
21 Friedlander proposed that EO and CID could mutually coordinate
22 when or if any CID material would be included in any
23 applicant's administrative file to preclude premature
24 disclosure. Tedesco approved of the trip, as did defendant
25 Winborne, who stated they should leave when ready.

26 21. In approximately February 1985, during the course of
27 EO's information gathering on behalf of LA CID, defendants
28 Friedlander and Rumph traveled to Los Angeles and met with

1 defendant Lipkin to acquire information about the criminal
2 investigation and to learn of the criminal investigators' areas
3 of interest so that EO and LA CID might work together more
4 efficiently. At that time, Friedlander was provided with a
5 draft copy of a "Special Agent's Report" ("SAR") prepared by the
6 LA CID defendants, Xanthos and Lipkin, requesting prosecution of
7 various Scientology Churches, entities, members and their
8 counsel, and setting forth the theories of prosecution.
9 Friedlander thereafter sought information from plaintiff and the
10 other applicants relating to areas addressed in the draft SAR,
11 representing that the information was necessary for EO's
12 evaluations of the pending exemption applications. The
13 information requested by Friedlander was supplied to EO, and
14 thereafter forwarded by EO to LA CID to assist in the criminal
15 investigation. Friedlander kept defendants Owens, Tedesco and
16 Winborne informed regarding the provision of information by EO
17 to LA CID. Moreover, Friedlander, knowing that he should have
18 suspended the EO examination in light of the pending CID
19 investigation, consulted agents of LA CID as well as Tedesco,
20 Winborne and others concerning the requirement of suspending
21 the EO proceeding. Friedlander was specifically directed to
22 continue the exemption process, and he did so.

23 22. Following Friedlander's return from viewing CID's
24 files in Los Angeles, EO employee Roderick Darling communicated
25 with Friedlander regarding the use of the CID materials.
26 Darling suggested that EO could pose questions to the Church
27 based on certain documents in CID's files, since it would not
28 involve reliance on any testimony solicited by CID and,

1 filed suit contesting the IRS' 1969 denial of exemption, the
2 IRS tendered a refund of the taxes to avoid an unfavorable
3 court decision. When the Church refused the refund and pressed
4 for a judicial determination, the IRS moved to dismiss claiming
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19 National Office EO working in conjunction with defendant Rumph
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1 any of the applicants and might not lead to charges being
2 filed. He stated that in that case, it would not make sense to
3 drop the existing team which was developing the exemption
4 applications. The truth of the matter was that defendants
5 Friedlander and Tedesco were turning material over to LA CID,
6 either directly, through Connett, or through the Los Angeles
7 Exempt Organizations Division (which was staffed by defendants
8 Jucksch, Corsi, and Young).

9 20. Connett did not merely misrepresent the status of the
10 CID investigation to the Church. He also set into motion the
11 coordination between the National Office employees processing
12 the exemption applications, and the agents of the CID. In
13 January 1985, Friedlander contacted Xanthos and his superior,
14 CID Chief Ronald Saranow, at the suggestion of defendant
15 Connett for the purpose of obtaining information from CID's
16 files. Friedlander informed defendant Tedesco of his plan to
17 travel to Los Angeles along with defendant Rumph, for the
18 purpose of reviewing CID's materials as well as CID's "draft
19 prosecution letter." In order to prevent plaintiff and the
20 other churches from learning of the CID investigation,
21 Friedlander proposed that EO and CID could mutually coordinate
22 when or if any CID material would be included in any
23 applicant's administrative file to preclude premature
24 disclosure. Tedesco approved of the trip, as did defendant
25 Winborne, who stated they should leave when ready.

26 21. In approximately February 1985, during the course of
27 EO's information gathering on behalf of LA CID, defendants
28 Friedlander and Rumph traveled to Los Angeles and met with

1 defendant Lipkin to acquire information about the criminal
2 investigation and to learn of the criminal investigators' areas
3 of interest so that EO and LA CID might work together more
4 efficiently. At that time, Friedlander was provided with a
5 draft copy of a "Special Agent's Report" ("SAR") prepared by the
6 LA CID defendants, Xanthos and Lipkin, requesting prosecution of
7 various Scientology Churches, entities, members and their
8 counsel, and setting forth the theories of prosecution.
9 Friedlander thereafter sought information from plaintiff and the
10 other applicants relating to areas addressed in the draft SAR,
11 representing that the information was necessary for EO's
12 evaluations of the pending exemption applications. The
13 information requested by Friedlander was supplied to EO, and
14 thereafter forwarded by EO to LA CID to assist in the criminal
15 investigation. Friedlander kept defendants Owens, Tedesco and
16 Winborne informed regarding the provision of information by EO
17 to LA CID. Moreover, Friedlander, knowing that he should have
18 suspended the EO examination in light of the pending CID
19 investigation, consulted agents of LA CID as well as Tedesco,
20 Winborne and others concerning the requirement of suspending
21 the EO proceeding. Friedlander was specifically directed to
22 continue the exemption process, and he did so.

23 22. Following Friedlander's return from viewing CID's
24 files in Los Angeles, EO employee Roderick Darling communicated
25 with Friedlander regarding the use of the CID materials.
26 Darling suggested that EO could pose questions to the Church
27 based on certain documents in CID's files, since it would not
28 involve reliance on any testimony solicited by CID and,

1 therefore, would not expose the IRS to the charge that the IRS
2 EO function had allied itself with CID or was tainted by CID's
3 conspiracy theories. Darling also informed Friedlander that
4 CID hoped that EO would somehow be able to extract information
5 from the Church, and that EO would be able to turn up something
6 which CID had not been able to. In March 1985, defendants
7 Lipkin and Connett attended a meeting at the National Office to
8 discuss the pending exemption applications with defendants
9 Friedlander, Winborne, Rumph and Tedesco. They discussed the
10 possible timing of denials of exemption to coincide with the
11 CID's prosecution. Connett also assured the EO defendants that
12 CID would provide them with the Special Agent's Report when it
13 was completed.

14 23. Numerous instances of the provision of information
15 from defendants responsible for EO functions to defendants
16 responsible for LA CID functions are presently known to
17 plaintiff through FOIA requests, FOIA litigation and discovery
18 in such actions, and numerous other instances of such unlawful
19 acts are believed to exist but have not yet been discovered by
20 plaintiff. The IRS has even attempted to thwart such Freedom
21 of Information Act discoveries by improperly withholding
22 documents and portions thereof concerning the unlawful
23 collusion between EO and CID which should have been released.
24 The IRS has improperly asserted that records revealing the
25 collusion were not discloseable based on the IRS' "deliberative
26 process privilege," and thereby seeking to keep its unlawful
27 acts from coming to view.

28 24. To prevent the revelation of the unlawful and

1 unconstitutional collusion between EO and LA CID, Friedlander
2 destroyed copies of memoranda and notes taken during his visits
3 to LA CID, and on information and belief, notes of subsequent
4 telephone communications with Lipkin and others. Friedlander
5 also destroyed documents he requested from LA CID because he did
6 not want to place them in the application files and thereby be
7 required to supply them to the applicant churches. Darling
8 also supplied documents obtained during EO's examination to LA
9 CID for its use in its criminal investigation and received a
10 copy of the draft SAR.

11 25. The initial conduit for transmitting information and
12 documents from the Church through the EO in Washington, D.C.
13 (defendants Owens, Tedesco, Rumph, Darling and Friedlander) to
14 LA CID (defendants Xanthos and Lipkin, under the supervision of
15 defendant Connett) was the Los Angeles Exempt Organizations
16 Division (defendants Jucksch, Corsi and Young). At some time
17 during the concurrent EO examination and LA CID criminal
18 investigation, defendant Connett agreed to assume personal
19 responsibility for transmitting the material from EO to LA CID.

20 26. Plaintiff and the other applicant Churches were
21 unaware that EO and LA CID were colluding with one another
22 behind the scenes, and continued to cooperate with EO personnel
23 in conducting the examinations which the IRS represented were
24 being conducted in good faith. Any potential suspicions by
25 plaintiff or the other Churches that the information gathering
26 may not have been completely for civil purposes, were allayed by
27 the receipt of a letter to CST dated July 26, 1985, written by
28 Friedlander and Darling, in which they stated: "We assure you

1 that our questions (in previous correspondence) have heretofore
2 been solely directed at developing the applications to the
3 point where your purpose and activities have been sufficiently
4 described in accordance with the standards for issuing rulings
5" These representations were fraudulent, as the SAR,
6 written 2 months earlier, unequivocally called for denial of
7 tax exemption.

8 27. Notwithstanding that representation, EO continued to
9 gather information for use by LA CID. A copy of the SAR
10 obtained in FOIA litigation makes it clear that the purpose of
11 the defendants who participated in the EO - LA CID collusion was
12 for defendants to combine their efforts to create "another round
13 of denial of exempt status," a circumstance which the SAR states
14 was intended to cause "a final halt to" and "the ultimate
15 disintegration of" the Scientology religion.

16 28. In September of 1985, plaintiff and the other
17 applicants learned that LA CID had forwarded a recommendation
18 for criminal prosecution to the IRS LA District Counsel's
19 office, and that at least RTC and CST were named as targets of
20 the investigation. On information and belief, plaintiff was
21 also a target of the criminal investigation. By December 1985,
22 the District Counsel's office had concluded that the SAR did
23 not warrant immediate prosecution and forwarded the matter to
24 the Justice Department with a request that an investigative
25 grand jury be convened.

26 29. The request for a grand jury coincided with the
27 January 7, 1986 issuance of letters by the IRS National Office
28 proposing the denial of exempt status to plaintiff, RTC and

1 CST. Defendant Friedlander made the decision to issue those
2 letters at that time. At the same time, January of 1986,
3 defendants Jucksch, Corsi and Young, on behalf of the IRS' LA
4 Exempt Organizations Division, prepared to launch a third prong
5 of attack (to coincide with the grand jury request and the
6 proposed exempt status denials) in the form of examinations
7 conducted by LA EO. Those examinations were an outgrowth of
8 the stalled LA CID investigation, and LA EO defendant Corsi had
9 held a series of meetings during the course of the criminal
10 investigation with LA CID defendant Xanthos.

11 30. The three prongs of attack which defendants had
12 coordinated to begin in January 1986 were all delayed, first,
13 because the Justice Department did not convene a grand jury
14 and, second, because plaintiff, RTC and CST submitted an
15 approximately 500-page protest of the proposed exemption
16 denials.

17 31. By October 1986, LA CID's criminal investigation of
18 the various Scientology Churches and individuals was
19 moribund, and since the Justice Department had refused to
20 pursue the matter before a grand jury, the case was about to be
21 officially closed. By that time, the protests to the proposed
22 denial of exempt status had bogged down the efforts of the EO
23 defendants. In October 1986, with the investigation about to
24 close, agents of LA CID attempted to utilize the news media to
25 revive the investigation. The October 1986 issue of "Forbes"
26 magazine contained an article by writer Richard Behar which
27 falsely stated that the CID investigation was "gathering
28 momentum." On information and belief, these and other

1 allegations which appeared in the Forbes article were "leaked"
2 to Behar by defendants Lipkin with the knowledge and consent of
3 defendant Xanthos to encourage the Department of Justice to
4 more seriously consider the allegations set forth in the
5 Special Agents Report. Indeed, Behar openly applauded the
6 SAR's stated goal - the "ultimate disintegration" of the
7 Church - in a recent Time magazine article. Defendant Owens,
8 in turn, was quoted by Behar in the recent article, stating
9 that there have been thousands of IRS agents involved in Church
10 related tax matters for years. The IRS also apparently
11 provided Behar with information concerning the Church's FOIA
12 cases, as Behar was able to report on the number of such
13 matters filed. Thus, the IRS' pattern of utilizing media to
14 flank its actions against the Church continues to the present.

15 32. In November 1986, the Department of Justice rejected
16 the request made by LA CID through LA District Counsel to
17 convene a grand jury to continue the criminal investigation.
18 The LA CID defendants, however, remained undaunted, and further
19 sought to exploit their collusive connection to the EO and the
20 LA EO defendants. In that regard:

21 a. On or before December 16, 1986, defendant
22 Lipkin of LA CID met with defendant Corsi of LA EO
23 to arrange for a meeting between Lipkin and
24 Corsi's Group Manager, defendant Jucksch. At that
25 December meeting, Lipkin discussed the LA CID
26 files on the Church with Corsi and explained that
27 defendant Friedlander of National Office EO had
28 reviewed those files;

1 b. Defendants Lipkin, Corsi, and Jucksch met
2 on January 5, 1987 to coordinate further actions
3 with respect to plaintiff and other Scientology
4 Churches;

5 c. In conjunction with National Office EO,
6 LA CID and LA EO planned, coordinated, and
7 implemented a plan to audit fourteen Churches of
8 Scientology and two related trusts, all already
9 exempt; and

10 d. LA District employees were invited to the
11 National Office to review the data submitted by
12 plaintiff, CST and RTC during the exemption
13 application process.

14 Plaintiff and the other applicants, unaware of the ongoing
15 collusion among the EO, LA EO, and LA CID defendants, continued
16 to negotiate with EO to attain rulings of exempt status under 26
17 U.S.C. § 501(c)(3). Those negotiations continued throughout
18 1987.

19 33. As a result of the conduct of the defendants, and
20 each of them, plaintiff has been coerced into diverting
21 resources and attention away from the pursuit of its religious
22 beliefs in order to defend itself against defendants' actions.
23 Plaintiff also has been burdened in the free exercise of its
24 religious beliefs by the intrusion of defendants into its
25 records practices, beliefs and ecclesiastical structure and
26 policies by the defendants as is hereinabove averred. Such
27 coercion and burden each constitutes a violation of the Free
28 Exercise Clause of the First Amendment to the United States

1 Constitution.

2 34. The collusion between the EO defendants, the LA EO
3 defendants, and the LA CID defendants by which plaintiff was
4 misled to believe that documents sought by defendants were for
5 the purpose of a good faith exemption examination (rather than
6 a sham exemption examination) when in fact such documents were
7 being funnelled directly to criminal investigators, constitutes
8 a violation of the Fourth Amendment to the United States
9 Constitution.

10 35. The defendants, and each of them, by their conduct
11 alleged herein, have singled out plaintiff for invidious
12 discrimination in the application of the laws of the United
13 States on the basis of plaintiff's religious affiliation, in
14 violation of the Equal Protection component of the Due Process
15 Clause of the Fifth Amendment to the United States Constitution.

16 36. The conduct of the defendants, and each of them, has
17 been arbitrary and capricious, and has resulted in the
18 deprivation of plaintiff's property. Such conduct, motivated
19 by religiously rooted bias and prejudice, is a violation of the
20 Due Process Clause of the Fifth Amendment to the United States
21 Constitution.

22 37. Plaintiff has been damaged and continues to be
23 damaged thereby in an amount to be proven at trial. That
24 amount is not presently capable of precise calculation but
25 is believed to be in excess of \$20,792,850 which represents
26 direct expenditures by plaintiff. Plaintiff has also suffered
27 consequential and resulting damages in an amount to be proven
28 at trial, but which is in an amount in excess of \$100 million.

1 SECOND CLAIM FOR RELIEF

2 (For First and Fifth Amendment Violations by All Defendants)

3 38. The Church repeats and realleges each and every
4 averment set forth in paragraphs 1 through 35, inclusive.

5 39. On or about December 4, 1987, defendant Friedlander
6 informed Church representatives that the IRS insisted upon a
7 "limited" review of the financial records of plaintiff RTC,
8 and CST for 1986, to be conducted by the Los Angeles District
9 Office, for the purpose of verifying the integrity of their
10 records and to rule out the existence of any private inurement,
11 the only remaining potentially disqualifying factor. In early
12 1988, defendants Friedlander and Brauer assured plaintiff of
13 favorable exemption determinations as long as the limited
14 review did not uncover inurement or an inadequate accounting
15 system.

16 40. Those representations were false. Documents released
17 by the IRS in later FOIA litigation included drafts of final
18 denial letters for plaintiff, RTC and CST written by
19 Friedlander and Darling in January of 1988, at the very time
20 when defendants Brauer and Friedlander were representing to
21 Church counsel that exemption was imminent. In fact, the
22 representations were no more than a ploy to entice plaintiff and
23 the other Scientology Churches to continue turning over
24 detailed information to the IRS in violation of the Church's
25 civil and constitutional rights.

26 41. On March 17, 1988, the National Office provided
27 plaintiff, RTC and CST with new letters of assurance stating
28 that the IRS was prepared to conduct a review so that "we may

1 complete favorable consideration" of the exemption
2 applications. The letters further stated that the purpose of
3 the review was to "determine the integrity of your financial
4 and accounting systems" and "verify that no part of your net
5 earnings inures to the benefit of any private shareholder or
6 individual and that there is no other disqualifying activity."
7 Each Church executed its letter of assurance, permitting the
8 extremely unusual process of an on-site document review of
9 plaintiff's records to proceed.

10 42. Extensive, on-site reviews began, starting with CST,
11 in March of 1988. Despite the initial statement by Friedlander
12 that the review would be limited, the Los Angeles office
13 initially assigned four full-time agents to the review, and
14 after eight weeks, another four full-time agents were added.
15 This staffing represented 48 personnel weeks or roughly one
16 year of IRS time. Friedlander and his superior, defendant
17 Owens, testified that these examinations were the "most
18 sweeping" examinations these officials had witnessed, "far
19 exceeding" any they had previously experienced, and that the
20 volume of information provided was "truly record-breaking."

21 43. The examination of CST was completed on June 2, 1988.
22 At that time, the IRS Branch Chief responsible for the review
23 stated that the agents had found nothing to show inurement and
24 affirmed that, as to CST, "we have no concerns at this time."
25 These statements confirm the findings of a memorandum written by
26 defendant Friedlander in November 1987 which stated that private
27 benefit ceased to be an issue following the death of L. Ron
28 Hubbard in January 1986. Following the completion of the

1 examination fo CST, the IRS Los Angeles office began its review
2 of RTC, which was completed in June 1988 -- again with no
3 concerns raised by the agents.

4 44. On June 22, 1988, the Church discovered that in May
5 1988, defendants Corsi, Young and Roth secretly interviewed two
6 disaffected Scientologists, Richard and Vicki Aznaran, who were
7 suing CSI and other Scientology churches. Prior to leaving the
8 Scientology faith in 1987, Vicki Aznaran had served as one of
9 RTC's officers. These defendants had engaged in deceitful
10 conduct designed to prevent the Churches from discovering that
11 the IRS investigation was actually proceeding on two tracks:
12 one known to the Churches, which was based ostensibly on good
13 faith cooperation between the churches and the IRS, and the
14 other which was covert and designed to undermine the progress
15 the Churches believed had been made towards the granting of
16 exempt status. The discovery of this conduct raised serious
17 concerns about whether the IRS was proceeding in good faith and
18 in accordance with the March 17, 1988 agreement. The Churches
19 immediately sought a meeting with the IRS to discuss their
20 concerns.

21 45. It was later revealed that defendant Lipkin of the
22 CID was instrumental in arranging the interview of the Aznarans
23 by the EO agents, thus demonstrating the continuing ties
24 between EO and CID. Plaintiff, RTC and CST were also not aware
25 at the time that the two senior LA EO agents in the
26 examination, defendants Young and Corsi, had met several times
27 with LA CID during the review, that defendant Lipkin had
28 briefed all of the agents involved in conducting the review,

1 and that defendants Corsi and Young had by this time received
2 and reviewed the Special Agent's Report. Thus, CID collusion
3 with LA EO did not end in 1985 when IRS District Counsel
4 rejected CID's request for prosecution, nor in 1986 when the
5 Justice Department refused to convene a grand jury.

6 46. During their interview of the Aznarans, defendants
7 Corsi, Young and Roth openly displayed their animus toward the
8 Church and the Scientology religion. The agents referred to
9 Church religious services as a "dog and pony show", and
10 referred to members of the Church as "crazy devotees".
11 Defendant Young actually encouraged the Aznarans to "take a
12 stand" against the Church. Defendant Roth compared the
13 Scientology religion to drug addiction. These actions violate
14 Internal Revenue Service policies which require an employee to
15 maintain "strict impartiality" between the taxpayer and the
16 government. These agents, who openly denigrated the
17 Scientology religion, should have been removed from any
18 examinations of Scientology churches under The Internal Revenue
19 Manual, Handbook of the Rules of Conduct which indicates that
20 an agent should be removed if his actions could lead others
21 reasonably to question the employee's impartiality. I.R.M.
22 0735.1, Handbook of Employee Responsibilities and Conduct
23 § 232.21, MT 0735.1-17 (November 26, 1986).

24 47. On June 22, 1988, plaintiff contacted IRS
25 representatives from the Los Angeles office and asked why the
26 the summonses had been issued to the Aznarans. The IRS refused
27 to discuss the interview or confirm that it had taken place.
28 Church counsel informed the IRS that the document review was

1 accordingly being suspended until the matter was resolved with
2 the National Office. On June 24, 1988, in response to a letter
3 from the Church regarding its concerns that the document review
4 was apparently being conducted in bad faith, defendant
5 Friedlander admitted that the IRS "owed [the churches] an
6 explanation."

7 48. In January of 1988, prior to the start of the on site
8 review, final adverse determinations were already drafted and
9 circulated by Friedlander and Darling. After June 27, 1988,
10 while the Churches were awaiting defendant Friedlander's
11 promised explanation, the IRS finalized the adverse
12 determination letters from the pre-existing drafts without
13 substantive amendment. On July 7, 1988, the IRS informed CST
14 that in its view the IRS had proceeded in accordance with the
15 March 17 agreement and that it viewed the suspension of the
16 audit as a termination of that agreement.

17 49. The following day, July 8, 1988, plaintiff and the
18 other Churches wrote the IRS reiterating that they had not
19 terminated the examination, but were waiting for the promised
20 explanation regarding the Aznaran interview. The letters stated
21 that the Churches did wish to fulfill the terms of the March 17,
22 1988 agreement, and that all they sought was a meeting with the
23 IRS to clarify matters before the examination procedure
24 resumed. That same day the IRS issued final adverse ruling
25 letters to all three churches denying tax-exempt status. These
26 letters were nearly identical to those drafted six months
27 earlier by Friedlander and Darling. Despite previous
28 assurances to the contrary, the denials of the applications of

1 plaintiff and RTC were based, in part, on alleged commercialism
2 in the sale of religious goods and services.

3 50. The IRS on-site review procedure was an utter sham,
4 designed not to make any good faith determination of the tax
5 exempt status of plaintiff, but merely to continue to
6 collect information which would not otherwise have been
7 provided to the IRS. The on-site reviews also included
8 examination of myriad ecclesiastical and confidential Church
9 scriptural materials and other materials concerning the
10 religious practices of the Churches which had no reasonable
11 relation to any tax exemption issue.

12 51. The defendants, and each of them, by their conduct
13 alleged herein, have singled out plaintiff because of its
14 position as Mother Church of the Scientology religion and,
15 through those acts, have invidiously discriminated against
16 plaintiff in their application of the laws of the United
17 States, in violation of the Establishment Clause of the First
18 Amendment to the United States Constitution.

19 52. The defendants, and each of them, by their conduct
20 alleged herein, have singled out plaintiff for invidious
21 discrimination in the application of the laws of the United
22 States on the basis of plaintiff's religious affiliation, in
23 violation of the Equal Protection component of the Due Process
24 Clause of the Fifth Amendment to the United States Constitution.

25 53. The conduct of the defendants, and each of them, has
26 been arbitrary and capricious, and has resulted in the
27 deprivation of plaintiff's property. Such conduct, motivated
28 by religiously rooted bias and prejudice, is a violation of the

1 Due Process Clause of the Fifth Amendment to the United States
2 Constitution.

3 54. Plaintiff has been damaged and continues to be
4 damaged thereby in an amount to be proven at trial. That
5 amount is not presently capable of precise calculation but
6 is believed to be in excess of \$20,792,850 which represents
7 direct expenditures by plaintiff. Plaintiff has also suffered
8 consequential and resulting damages in an amount to be proven
9 at trial, but which is in an amount in excess of \$100 million.

10 THIRD CLAIM FOR RELIEF

11 (For First and Fifth Amendment Violations by All Defendants)

12 55. The Church repeats and realleges each and every
13 averment set forth in paragraphs 1 through 54, inclusive.

14 56. The IRS began additional harassive actions against
15 plaintiff and Scientology parishioners commencing in October,
16 1988, when the IRS issued letters to several Scientologist
17 taxpayers, who had claimed deductions on their tax returns for
18 money paid to their Scientology churches for religious
19 services, informing them that their cases were part of a
20 "designated tax shelter litigation project entitled
21 Scientology." Such a designation was blatantly improper and
22 demonstrated discriminatory bias and creation of a suspect
23 category of members of the Scientology religion.

24 57. Similarly, on February 14, 1989, the IRS office in
25 Laguna Niguel, California sent a letter to two Scientologists
26 concerning Church-related deductions, stating that no deduction
27 would be allowed as they had not shown that Scientology is
28 "other than a sham designed for the purpose of claiming

1 fictitious charitable contributions." This statement, too, was
2 blatantly false and the result of bias, since even the IRS has
3 repeatedly acknowledged that Scientology is a bona fide
4 religion and that Scientology churches are bona fide churches.
5 The IRS was forced to correct their files to delete these
6 references after the Scientologists who received this letter
7 prevailed in Smith v. Brady, No. CV 89-2584-RG(Bx) (C.D.
8 Cal. 1990). Indeed, the IRS acknowledged that such
9 designations were improper in a national office memorandum
10 issued in 1986, yet the IRS continued labelling Scientologists
11 as tax protestors as late as 1989.

12 58. Documents obtained in FOIA litigation reveal an
13 entire set of procedures set up for the purpose of targetting
14 the tax returns of individual Scientologists, monitoring and
15 coordinating the investigations of these individuals, and
16 falsely designating them as "tax protestors." These documents,
17 from the Los Angeles District, show that the returns of
18 Scientologists who claim deductions for their contributions to
19 the Church are designated with a special code for "Alleged
20 Contributions (incl. Scientology & Alleged Church)". This
21 code is part of the Tax Protestor Program described in the
22 Internal Revenue Manual, and allows the returns, which are
23 treated as "priority cases," to be "controlled" through the
24 IRS' nationwide computer system. A special questionnaire for
25 Scientology cases is included for use by IRS examiners. An
26 internal memo, designed to assist IRS examiners in handling
27 these cases, lists several organizations which have never even
28 existed, and claims that these are names used by the "Church of

1 Scientology."

2 59. Defendant Melvin Blough attempted to utilize the
3 Church audit procedures of 26 U.S.C. § 7611 to identify
4 thousands of parishioners of the Church of Scientology Flag
5 Service Organization ("CSFSO") for the purpose of selecting
6 their personal tax returns for audit. Blough testified that he
7 wished to obtain records from CSFSO which would: (a) identify all
8 of its parishioners for a three year period; (b) identify each
9 of the courses delivered by CSFSO and describe them; (c)
10 identify the courses taken by the parishioners; and (d) pull the
11 tax returns of a number of these individuals. Blough stated
12 that CSFSO provides courses to an estimated 8,000 parishioners a
13 year, and further claimed that the IRS would use as many agents
14 as needed to compile this information. In fact, nearly 100
15 parishioners of CSFSO have received audit notices regarding
16 their contributions to the Church since Blough announced his
17 plans. Blough also utilized the Cult Awareness Network ("CAN")
18 as a means to improperly gather information regarding the
19 Church. CAN is a modern day hate group, whose tactics include
20 kidnapping, brainwashing and beating of individuals found to be
21 guilty of holding "unacceptable" religious convictions.
22 Despite these activities, CAN was granted tax exempt status by
23 the IRS, and was used by Blough as an information gathering
24 arm, for the purpose of procuring information on individual
25 Scientologists and their businesses.

26 60. Assaults on churches of Scientology by or as a result
27 of actions by IRS personnel have not been limited to the
28 borders of the United States. William Connett is now stationed

1 as the IRS' foreign representative in France where he has a
2 wide range of influence in European countries. Since his
3 posting there have been raids on churches of Scientology by
4 police and taxing authorities and unwarranted arrests of
5 individual Scientologists in France, Italy and Spain. When two
6 staff members of the Church of Scientology in Brussels were
7 initially denied visas to travel to the United States, this was
8 traced directly back to false information provided to the
9 consulate officials by Connett.

10 61. In an effort to harass, discredit and smear
11 plaintiff, to intimidate IRS employees who might otherwise
12 treat plaintiff fairly or disclose IRS misconduct, and to
13 evade FOIA disclosure obligations, defendant Keith Alan Kuhn has
14 begun to proliferate unsubstantiated and patently false
15 allegations against Scientology and Scientologists, which have
16 been used as a pretext to manufacture security risks to IRS
17 employees. In or about May 1990, Kuhn sent out a memorandum to
18 each of the Regional Inspectors around the country, directing
19 them to contact specifically named EO employees who were
20 working on Scientology cases. Based on scurrilous and
21 unsubstantiated charges, Kuhn directed that these EO employees
22 be told that there was a potential for harassment against them
23 from the Church, thus creating a climate where plaintiff and
24 other Scientology churches could not possibly receive unbiased
25 treatment from any EO agent throughout the country. Kuhn's
26 allegations themselves are entirely without merit. The IRS
27 filed a declaration by Kuhn which contained these charges in a
28 FOIA case brought by a Scientology Church. The District Court

1 judge in that case ordered the declaration stricken from the
2 record, describing it as "scurrilous" and "unfounded".

3 62. After the collapse of the criminal investigation and
4 after denying section 501(c)(3) exemption to plaintiff, RTC
5 and CST, the nationwide examination of exempt and nonexempt
6 Scientology Churches and entities which had been planned early
7 in 1986 was resuscitated by defendants and the IRS. A
8 three-day meeting on Scientology was convened at the IRS
9 National Office on October 19, 20 and 21, 1988 to coordinate
10 nationwide actions against various Scientology Churches,
11 including plaintiff.

12 63. That three-day meeting was ordered by defendant
13 Brauer, organized and convened by defendant Owens, and chaired
14 by defendant Friedlander. Also in attendance were:

- 15 a. EO Operations employee Tom Miller, who had
- 16 drafted the 1986 proposal to re-examine the exempt
- 17 Scientology Churches;
- 18 b. Roderick Darling;
- 19 c. LA EO Branch Chief Mel Joseph, along with
- 20 defendants Young and Corsi;
- 21 d. Defendant Blough;
- 22 e. IRS agents from at least the Brooklyn,
- 23 Baltimore, and Los Angeles Regional
- 24 offices; and
- 25 f. IRS National Office representatives.

26 64. Various strategic plans for a continued IRS campaign
27 directed at Scientology were discussed at the three-day meeting
28 in October 1988. Defendant Young prepared and delivered a

1 briefing at that conference in which he proposed that and
2 explained how the IRS could use the assessment of tax
3 liabilities under the Federal Insurance Contribution Act
4 ("FICA") and the Federal Unemployment Tax Act ("FUTA") to
5 exploit the non-exempt status of various Scientology Churches,
6 completely disregarding the fact that the Churches in question,
7 including plaintiff, had filed waivers seeking exemption
8 from those employment taxes which had been accepted by the IRS.

9 65. At that same three-day meeting, format material for
10 a nationwide campaign of examinations of exempt and non-exempt
11 Scientology Churches was distributed and discussed, and the
12 decision was made during that meeting to commence tax inquiries
13 of plaintiff, Church of Scientology Western United States
14 ("CSWUS"), Church of Scientology Flag Service Organization
15 ("CSFSO"), Founding Church of Scientology of Washington, D.C.
16 ("FCDC") and Church of Scientology of Boston ("Boston Church").
17 Those inquiries in fact did commence, upon the issuance of
18 notices of tax inquiry to those Churches which were circulated
19 during that three-day meeting.

20 66. Upon receipt of the virtually identical notices of
21 tax inquiry, plaintiff, CSWUS, CSFSO, FCDC, and the Boston
22 Church responded by pointing out inaccuracies and deficiencies
23 in the standardized, coordinated notices and, despite those
24 infirmities, responded to the questions posed by those notices.
25 In each instance, however, the IRS issued a notice of church
26 examination under the Church Audit Procedures Act, 26 U.S.C.
27 § 7611. In four of those, summonses were issued and summons
28 enforcement proceedings commenced in the appropriate district

1 court. In the CSFSO case, the matter is still pending in the
2 United States District Court for Middle District of Florida;
3 this Court, the Honorable Harry L. Hupp, presiding, quashed
4 the majority of both the summonses issued to CSWUS and
5 plaintiff; the United States District Court for the District of
6 Massachusetts quashed the summons to the Boston Church
7 outright. The FCDC examination was conducted, and despite
8 nearly two years of intrusive inquiry, the IRS declined to
9 cancel FCDC's exemption.

10 67. The coordinated examinations of those five distinct
11 churches were coupled with concurrently timed IRS activities
12 directed against other Scientology Churches and individual
13 Scientologists. These various coordinated activities against
14 Scientology are the responsibility of what defendant Owens has
15 described as "thousands of [IRS] employees in key districts and
16 district offices around the country and the National Office."
17 Those coordinated actions have also been the subject of later
18 meetings on Scientology at the IRS National Office, involving
19 as many as 40 attendees from different IRS regions and
20 divisions, in pursuit of what the SAR termed the "final halt
21 to" and "ultimate disintegration of" Scientology.

22 68. Such coordination of IRS offenses against Scientology
23 Churches and Scientologists generally also reaches down to the
24 LA District level. Since approximately July 1989, monthly
25 meetings have been held at the Pasadena, California courthouse
26 that houses the United States Court of Appeals for the Ninth
27 Circuit, to coordinate the actions of the Los Angeles EO
28 (represented at such meetings by defendant Young), Examinations

1 Division, and upon information and belief, LA CID. These
2 monthly meetings are arranged and coordinated by the Los
3 Angeles District Counsel's office, and are attended by a number
4 of District Counsel staff and, in fact, are chaired by
5 defendant Jeglikowski, who supervises the meetings and the
6 matters coordinated therein, against plaintiff and other
7 Scientology Churches in disregard of the Constitution, the
8 Internal Revenue Code, and policies set forth in the Internal
9 Revenue Code. A regular topic of these meetings has been civil
10 lawsuits involving plaintiff and other Scientology churches.
11 The cases specifically include the civil suit filed by the
12 Aznarans, and a case involving a former attorney for the
13 Church. Defendant Jeglikowski has met with an attorney for one
14 of the civil litigants, for purposes of coordinating actions
15 between the IRS and the civil litigants against plaintiff.

16 69. The monthly meetings in Pasadena, like the meetings
17 held from time to time at the National Office, are the vehicles
18 by which defendants have singled out a religion and its
19 churches and parishioners for singular and unfair treatment
20 based upon their religious affiliation and set about to
21 administer the Internal Revenue Code in a manner designed
22 specifically to affect such co-religionists in an arbitrary and
23 capricious manner, and to cause the harm hereinafter averred.

24 70. Plaintiff has made repeated efforts to resolve any
25 legitimate concerns on the part of the IRS. As shown above,
26 the Church has provided voluminous information to the IRS over
27 the years to allay any concerns and to respond to any
28 legitimate questions. These efforts on the part of the Church

1 have been either been perverted (as in the use of this
2 information for purposes of a CID investigation), or rebuffed.
3 Within the past few months, plaintiff once again attempted to
4 resolve various issues with EP/EO representatives, including
5 defendant Owens. However, the IRS continuously demanded the
6 production of voluminous quantities of documents as a
7 precondition for further talks. Most of the information
8 requested had previously been provided to the IRS over the past
9 years, yet the EP/EO representatives demanded it once again.
10 When informed that the production of documents being requested
11 on a voluntary basis was so extensive as to require months if
12 not years to review, one representative of EP/EO remarked that
13 this did not concern him, as he had twelve years left in the
14 IRS before retirement.

15 71. The defendants, and each of them, by their conduct
16 alleged herein, have singled out plaintiff for invidious
17 discrimination in the application of the laws of the United
18 States on the basis of plaintiff's religious affiliation, in
19 violation of the Equal Protection component of the Due Process
20 Clause of the Fifth Amendment to the United States Constitution.

21 72. Plaintiff has been damaged and continues to be
22 damaged thereby in an amount to be proven at trial. That
23 amount is not presently capable of precise calculation but
24 is believed to be in excess of \$20,792,850 which represents
25 direct expenditures by plaintiff. Plaintiff has also suffered
26 consequential and resulting damages in an amount to be proven
27 at trial, but which is in an amount in excess of \$100 million.

28 73. The conduct alleged herein is ongoing and, unless

1 enjoined by this Court through an order forbidding defendants
2 from any and all further participation in any matter involving
3 the IRS and plaintiff or any other Scientology Churches or any
4 other Scientology entities or parishioners, the harm alleged
5 herein will continue and the Constitutional violations will
6 persist to plaintiff's detriment.

7 FOURTH CLAIM FOR RELIEF

8 (For Fifth Amendment Violations by All Defendants)

9 74. The Church repeats and realleges each and every
10 averment set forth in paragraphs 1 through 73, inclusive.

11 75. Defendants have, in the course of conduct hereinabove
12 averred, acted in violation of the Constitution, the laws of
13 the United States, and the policies, and procedures, and
14 practices of the IRS created by the IRS for the benefit of
15 taxpayers. Such conduct is a denial of plaintiff's due process
16 rights as set forth in the Fifth Amendment to the United States
17 Constitution.

18 76. Plaintiff has been damaged and continues to be
19 damaged thereby in an amount to be proven at trial. That
20 amount is not presently capable of precise calculation but
21 is believed to be in excess of \$20,792,850 which represents
22 direct expenditures by plaintiff. Plaintiff has also suffered
23 consequential and resulting damages in an amount to be proven
24 at trial, but which is in an amount in excess of \$100 million.

25 77. The conduct alleged herein is ongoing and, unless
26 enjoined by this Court through an order forbidding defendants
27 from any and all further participation in any matter involving
28 the IRS and plaintiff or any other Scientology churches or any

1 other Scientology entities or parishioners, the harm alleged
2 herein will continue and the Constitutional violations will
3 persist to plaintiff's detriment.

4 WHEREFORE, plaintiff Church of Scientology International
5 prays that:

6 78. Defendants, and each of them, be preliminarily and
7 permanently enjoined from any and all further participation in
8 and responsibility for any matter involving the IRS and
9 plaintiff or any other Scientology Church or entity, or any
10 Scientology parishioner;

11 79. Plaintiff be awarded damages according to proof,
12 which are believed to be in excess of \$20,792,850 in
13 direct expenditures by plaintiff, and consequential and
14 resulting damages in an amount to be proven at trial, but which
15 is in an amount in excess of \$100 million, and

16 80. The Court award and order such other and further
17 relief that it deems appropriate under these circumstances.

18 Dated: August 12, 1991

Respectfully submitted,

19 QUINN, KULLY AND MORROW

20 COOLEY, MANION, MOORE &
JONES, P.C.

21 BERRY & CAHALAN

22 BOWLES & MOXON

23 WILLIAM T. DRESCHER

24
25 By: 

26 William T. Drescher

27 Attorneys for Plaintiff
28 CHURCH OF SCIENTOLOGY
INTERNATIONAL