



NEWS & POLITICS ARCHIVES

Scientology's Crushing Defeat

by TONY ORTEGA



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Scientology leader David Miscavige, in full Sea Org regalia. Miscavige's status as "captain" of the Sea Org was central to a court case that resulted in the largest court penalty in Scientology history.

Six years ago, when I was a reporter at New Times LA, I'd written several stories about Scientology (Los Angeles is one of its headquarters), and I was about to uncork the longest one yet—a 7,000 word piece about an embarrassing, \$8 million defeat Scientology had just suffered, when the weekly paper suddenly folded.

That unpublished story has been sitting in storage ever since. Fast forward to 2008, and the world of reporting on Scientology has changed radically, thanks in part to the lunacy of Tom Cruise, but also in part to a worldwide, leaderless movement that calls itself Anonymous. Ravenous for any information about L. Ron Hubbard's strange organization, Anonymous scans the world for the least tidbit about Scientology.



well, here was a pretty meaty morsel just sitting in my hard drive. It's still a substantial bit of reporting, and it fills in some gaps in the historical record of one of the most humiliating court losses Scientology has ever suffered.

Originally scheduled to be printed in October 2002, the piece follows. (It's unchanged except for updates in [brackets].) *This material may come as a revelation to some readers, but even for the know-it-alls at Anonymous, there are juicy bites.*—Tony Ortega

What Scientology Paid \$8 Million To Hide

With an hour to spare, Hubbard's minions settle a debt they vowed never to pay

(Prepared for publication in October, 2002)

by Tony Ortega

Even before it started, the 1986 trial of *Lawrence Wollersheim v. the Church of Scientology of California* caused a mob scene at L.A.'s downtown

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When a judge decided during pretrial motions that documents describing confidential Scientology beliefs should be put in a file open to the public, 1,500 Scientologists swamped the court clerk's office to keep anyone else from requesting them. The next day, the judge resealed those records. But an *L.A. Times* reporter managed to get past the crush of Scientologists and copy the file. Newspapers around the country had a field day with what the *Times* reported: the documents showed that high-level Scientologists are taught that each human contains the souls of alien creatures banished to Earth 75 million years ago by a galactic overlord named Xenu.

Scientology's process of "dianetics," developed by science fiction writer L. Ron Hubbard over a period beginning in the late 1940s, was supposed to rid the body of those alien



~~17 years and making about \$50,000 in payments, claimed that the organization's pricey~~
 rituals instead had made him insane and drove him to the brink of suicide. He filed suit in 1980, and six years later his trial was a sensation. Still the most expensive civil trial in L.A. court history, [**This was true even in 2002, post-Simpson—T.O.**] it made headlines almost daily in the spring and summer of 1986 as Scientologists jammed the courtroom and protested outside of it, complaining that their religious freedoms were being trampled on. For many in the public, reports of the trial gave them their first detailed description of Scientology, which today counts such celebrities as John Travolta and Tom Cruise among its members. Travolta himself made a visit to the trial that May which was widely reported.

In the lawsuit, Wollersheim claimed that after he left Scientology in 1979 the organization retaliated by destroying his business and attempting to destroy him. In five months of testimony, Wollersheim, his psychologist, and former Scientologists described the coercion he was subjected to, sacrifices he was expected to make, and bizarre teachings he was fed, which made Hubbard's control cabal out of *The Manchurian Candidate* the



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preexisting mental condition and was a drug user. Wollersheim was seeking \$25 million in damages.

The jury awarded him \$30 million.

It was a stunning blow to Scientology, but probably the most lasting impression that many took from the trial was the reaction of Scientologists themselves, who continued to protest at the courthouse day after day for more than a month after the verdict. Staging their demonstrations from a tent city set up across the street, the members wore pins made from ten cent coins and chanted over and over: “Not one thin dime for Wollersheim!”



In 1989, an appellate court upheld the verdict but reduced Wollersheim’s award to \$2.5 million. But even before the original trial started, and for years afterward, various Scientology entities hit Wollersheim with other lawsuits, exhausted every possible appeal, filed mountainous legal briefs, claimed that the particular entity he had sued was broke and could never pay him, and found other ways to put off paying the money.

Even after the case had twice been to the U.S. Supreme Court and the last possible appeal had been denied, Scientology seemed determined that it would never go back on its promise to deny Wollersheim even one thin dime.

And then, suddenly, Scientology threw in the towel.

On May 9 [2002], the Church of Scientology of California, an entity which had once been considered the “mother church” but for a decade was supposed to have been dormant and broke, submitted a check to the su
\$2.5 million judgment and the interest it had ac



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A Scientology spokeswoman says that the organization was simply tired of the case.

But the timing of the payment suggested another reason.

The very morning that Scientology paid to end the case, superior court judge Robert L. Hess was scheduled to begin a new hearing in the 22-year-old case—a hearing Wollersheim's attorneys had been preparing for, and demanding, for years.

Wollersheim's attorneys were about to present evidence that they believed would not only show how Scientology had juggled assets to avoid paying Wollersheim in the past, but would also convince Hess that Scientology's complex corporate structure itself was an elaborate sham. Contrary to what it had assured the IRS when it regained its tax



successor David Miscavige, who had directed all of the litigation against Wollersheim and had ordered documents key to the case altered or destroyed.

Scientology's attorneys had managed to keep Miscavige out of the proceedings, but the organization's nominal president, Heber Jentzsch, was facing cross examination by Wollersheim's attorneys if the hearing came off as planned.

In the final days before the scheduled event, Scientology attorneys continued to argue for delays and outright dismissals, but Hess denied them and would not budge on the May 9 date. After inheriting the case three years earlier, Hess, in transcripts, appeared determined to turn over his courtroom to a live hearing.

Scientology's \$8.7 million check arrived just an hour before the proceeding was scheduled to begin.

In the months since, the court has gradually released documents to dole out to numerous attorneys to pay for years



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much of the money, but Wollersheim expects to end up with between \$1 to \$2 million of it. **[That hasn't turned out to be the case—see the update at the end of the piece.]**

He is fond of noting that that's a lot of dimes.

His attorneys are relieved that their client has finally received the money he had won 16 years earlier, but they admit to disappointment that the evidence they collected for so many years was never presented to the public in a live court drama.

They were happy, however, to share it with *New Times*. **[And now, the *Voice*.]**

A central contention in Wollersheim's case was that even sixteen years after Hubbard's



Scientology really operated.

And to understand what happened to Wollersheim and others who have defected and now regret the time and large sums they spent learning about Xenu and other dubious concepts, they say, you have to have a working knowledge of Hubbard's jargon and policies.

Wollersheim got his first taste of it while walking on a street in San Francisco in 1969. He had grown up in Milwaukee and was attending the University of Wisconsin at Madison when he took a summer trip to California. A young woman approached him and made him a pitch, telling him that she had something he'd like to see.

"You're 18. You think you're going to get lucky," Wollersheim says in a telephone interview from an undisclosed location.

Today he's 51, and he spends much of his time in New York. A phone number he provided *New Times* suggested that he had moved to New York City that even after collecting his award and more than



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Scientology, he still must be careful about his personal security by staying on the move. **[Six years later, he's still cagey. I spoke to him on the phone the other day—he was in Nevada.]**

That day in 1969, Wollersheim followed the young woman to an office and she handed him over to other Scientologists, who asked him to take a “personality test.” It seemed innocent enough, but later he ended up convincing many others to do the same thing. “No matter how you answer the test,” he says, “they tell you you’re screwed up and that they can fix you.”

He was soon hooked. “I decided to quit school, make a bunch of money, and pay them to get all these secret levels of ability.” New recruits are told that advancement in the religion can bring them all sorts of benefits—high level members are said to experience raised IQs, clairvoyance, an immunity to disease, and are able to leave their bodies.

Scientologists believe they can attain these abilities through a process called “auditing,” which enables them to remove “engrams” from their “reactive mind,” something akin to talking away the scars left over from life’s traumas. When all of those scars are removed, a Scientologist is said to be a “clear,” and can attain amazing powers. Like other low-level Scientologists, Wollersheim was kept in the dark about much of Scientology’s true core beliefs. Only through attaining far more experience and going through increasingly expensive auditing could he hope to “go clear.”

He found himself making good money, however, and he gave nearly all of it to Scientology, which attracted the attention of a recruiter for the Sea Organization, an elite order of followers that originated on a ship with Hubbard in the 1960s. Wollersheim was convinced to join the Sea Org, and he signed its standard billion-year contract, agreeing to come back, lifetime after lifetime, to serve Hubbard and Scientology. He was told to sell his candle business would be more useful.



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Liv
BY ADVANTIA HEALTH

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Wollersheim continued to excel, and was eventually made a supervisor at the “Celebrity Centre” on 6th Street. (Today the Centre inhabits a historic building on Franklin Street.) Put in charge of 15 employees, Wollersheim found himself responsible for attracting new celebrities to the religion.

“They have a belief that if they control Hollywood, they will be able to create a mass recruiting phenomena,” he says. Finding new celebrity recruits was a serious endeavor, and required lots of planning and research, sometimes with the use of private investigators. “We’d develop a battle plan and rehearse drills of how we were going to surprise the celebrity,” he says, often making use of actors they had already attracted to the religion.

“If we needed them for bait for another celebrity, we’d go with them to an event. Karen Black, for example, would bring over someone to us, and we’d already have rehearsed a pitch for that person.” Actors on the declining side of their careers made easier targets, Wollersheim says. “We’d invite them to a very controlled event without the public present. Movie premieres were our best bets.”

Still, with all of their preparations, they failed nearly all of the time. “Even at that time, the mid 1970s, the word was out that Scientology was weird.”

Wollersheim remembers his staff targeting Richard Kiel, the tall actor who played “Jaws” in the James Bond movies. “They worked on that guy 50 different ways. I worked on him myself, trying to get him in. Kiel suffered chronic pain, and he was promised that Scientology could make it go away. We worked on him and worked on him, but he gave it up. We had him in the communication course...but we never got the big win.”

As a Sea Org member working at the Celebrity Center, Wollersheim was paid \$18 for a six day work week, and was supplied food and room for his own auditing, which was becoming more



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auditing or other criteria that were measured weekly had dipped—then a Sea Org member's food and pay was cut, Wollersheim says. "You found a way to get them their cash. You didn't give a damn, after a while, what you told other people—or the bank—to get your money to the org. It was a continual crisis. And it was a calculated thing. It was Orwellian. You had to have a constant crisis to keep people in fear. If it wasn't that the money was down, then it was that the inspectors were coming. It was like living in a gulag in a free country, and the bars existed in your own head."

Wollersheim says the threat of retaliation kept him from bailing out. It was known among Scientologists that defectors were hit with large bills for services they had received at discounted prices—called "freeloader debt"—and could also find themselves the target of aggressive private investigations and legal action, a policy Hubbard had called "fair game."

Wollersheim feared leaving the religion more than he did staying in.

"As you're going through it, you're told this is the secret of the universe. You hear legends about results that other people are getting. Many people are telling you about their euphorias. After hundreds and hundreds of hours of training, you have no questioning, critical mind left at that point. There's no concept in your mind that it couldn't be true. You are so far gone by that point."

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And that's when Wollersheim learned the secrets of OT III.

Hubbard claimed that he had nearly paid with his life learning the revelations of OT III, the third level of materials that Scientologists must master after going clear and becoming an "operating thetan," or OT. The information in OT III was so explosive.

Hubbard said, he believed its secrets must have
discovered it. The danger those secrets posed to



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on the Internet for perusal, if you know where to look. This reporter suffered no ill effects from reading them.) Former members say that today the typical Scientologist must spend several years and about \$100,000 in auditing before they find out on OT III that they are filled with alien souls that must be removed by further, even more expensive auditing.

“OT III totally shatters the core sense of identity. The central concept of mind control is attacking the core personality, the threat that you are not who you think you are. At OT III, you find out that you’re really thousands of individual beings struggling for control of your body. Aliens left over from space wars that are giving you cancer or making you crazy or making you impotent. The reason for every bad thing in your life is these alien beings,” Wollersheim says. “I went psychotic on OT III. I lost a sense of who I was.”

Years can be spent removing these aliens—called “body thetans” or “BT’s”—by talking to and about these supposed hitchhiking entities while holding onto a device called an “e-meter.” “You’re talking to thousands of beings. They have histories. And anger. They’re complex personalities. I started drinking heavily to drown out the voices. I was non-functional, irrational, filthy. I wandered the streets of L.A. for three days. Finally I came enough to my senses to get in touch with Scientologists I knew.” He was cleaned up and calmed down, but Wollersheim was told that the solution to his troubles was just more auditing.

He now sold art to businesses, and employed 132 people in seven different cities. Nearly all of his employees were Scientologists, and so were nearly all of his clients.

Wollersheim says he paid \$28,000 for classes in Clearwater, Florida that were supposed to help him locate alien beings that had been a part of him during past lives. “It induced another psychotic episode. I went so raving nut that I thought I was an alien warlord who couldn’t be taken down. I thought they were going to come and get me.”



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BY ADAMANTIA HEALTH

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Eventually, however, Wollersheim graduated to a level where he believed he had finally eradicated all of the thetans from his body. “You think you’ve made it. You’re free of all these beings. But then Hubbard releases the second big secret [on a level called “New Era Dianetics for Operation Thetans,” also called “NED for OTs” or “NOTs.”] He tells you there are far more of these beings than anyone ever dreamed of. Inside those original thetans are clusters of other beings. Beings that are eight feet from you, floating near you all the time. Beings miles away from you that are still connected with you. Beings in the television, and you’re told that watching television will wake them up, so you’re told not to watch TV. If OT III made some people nuts, NOTs really drove them over the edge,” he says.

While auditing NOTs, Wollersheim had his third psychotic break. Back in Los Angeles, he remembers lying in a dark room with a .45 revolver, thinking about killing himself. A friend discovered him and took him to a Scientology center for more auditing. Once again, he went back to Clearwater. But when his friend saw that it wasn’t helping him, she told him to get away.

“Those were the magic words,” he says. He decided to leave. Word traveled quickly, however, that Wollersheim was going to leave Scientology after 11 years.

At a restaurant in Clearwater, he says, he was approached by a member of the Guardian’s Office, Scientology’s intelligence bureau. “He looked at me and said, ‘Don’t you ever tell a doctor, lawyer or priest anything that ever happened to you in Scientology.’”

The organization then declared Wollersheim a “suppressive person” (or “SP”)—in other words, an enemy of Scientology—and commanded other Scientologists to “disconnect” from him, he says. His customers stopped paying bills, and 80 percent of his employees quit their jobs within three days. Weeks later, his business had collapsed, leaving him with hundreds of thousands of dollars in debts :



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For several months, Wollersheim went into hiding, worried that harm would come to him. “You’re told in Scientology that if you reveal their secrets, bad things will happen to you,” he says. His parents, however, were thrilled that he was out, and they gave him some money to live on.

“At some point in that six months I realized that something bad had happened to me, and I needed someone else’s perspective.” He returned to Los Angeles, looking for others who had left Scientology. On a hunch, he went to the downtown superior court and asked to see the names of people who were suing Scientology. “I was shocked to find a whole list of people,” he says. Some he recognized. He decided to call the attorney handling their cases.

“The church’s conduct was manifestly outrageous,” the California court of appeals wrote a decade later, in 1989, after Wollersheim’s trial had resulted in a \$30 million award. (Despite its affirmation of the lower court’s ruling, however, the appeals court lowered the award to \$2.5 million, citing Scientology’s supposed meager financial state.)

Scientology claimed that its practices were protected by freedoms guaranteed in the First Amendment, but the court rejected that argument by pointing out that Wollersheim had been coerced to remain a Scientologist through the threat of freeloader debt, the use of “fair game,” and the use of confidential information in his files.

The opinion by the appellate court remains one of the most damning in a long history of court denunciations of Scientology which have occurred worldwide.

“The Wollersheim case is among the most important decisions against Scientology in its history because it showed that the organization’s standard practices used against a member were harmful,” says Stephen Kent, a sociologist of religion at the University of Alberta who is one of the few academics who st



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Frank Oliver, a former Scientologist who once gathered information on perceived enemies as part of Scientology's current intelligence wing, the Office of Special Affairs, explains why the decision was so repugnant to the organization, and why paying even a cent of it would be considered by Scientologists a horrendous defeat: "Scientology's entire premise is that the Hubbard technology is infallible," he says. "The underlying concept of the Wollersheim judgment is that the Hubbard tech is harmful. If they pay, they validate the argument that the tech is toxic."

And for that reason, Oliver and other former Scientologists say, Scientology was willing to spend vast amounts of money in legal costs to avoid paying Wollersheim.

Even before the trial had started, Scientology had begun a long campaign of separate lawsuits, court motions and other tactics meant to derail the case.

In 1985, Scientologists filed a separate lawsuit based on federal anti-racketeering laws (a RICO action) in U.S. district court against Wollersheim, his attorneys, and his expert witnesses. The suit claimed that, in essence, Wollersheim's attempts to wrestle documents out of Scientology for his trial was akin to a criminal enterprise.

The federal court threw out the lawsuit (dubbed Wollersheim 2), calling it frivolous and "bordering on malicious."

While that suit was pending, Scientology filed another RICO action, claiming that the *entire L.A. superior court* was prejudiced against it. In an unprecedented move, the U.S. Ninth Circuit Court of Appeals not only denied the appeal when this lawsuit, Wollersheim 3, was rejected, but even had it stricken from the court's record.

Meanwhile, the particular entity Wollersheim had sued, the Church of Scientology of California (CSC), was mysteriously shrinking.



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In 1985, the year before Wollersheim's trial, in a suit brought by another disgruntled former member in Oregon, an official for CSC claimed that it had assets of more than \$350 million. But during Wollersheim's proceedings just twelve months later, CSC officials testified that it was worth only \$13 million. (And one of Wollersheim's attorney's, Dan Stein, used CSC's own documents to show that even this amount was ephemeral. By the time Wollersheim won his verdict, CSC was essentially broke.)

Wollersheim and his attorneys suspected where the money had gone.

In 1981, a year after Wollersheim had originally filed his lawsuit, Scientology had gone through a major, and very complex, reorganization. CSC had been splintered into many separate entities, including a new "mother church," the Church of Scientology International (CSI), and something called the Religious Technology Center (RTC), a sort of ecclesiastical clearinghouse which held all of the copyrights and trademarks of Hubbard's religious writings and was charged with making sure other Scientology entities kept Hubbard's "tech" pure.

It was RTC and CSI that had brought the Wollersheim 2 and Wollersheim 3 actions, the frivolous lawsuits that had been aimed at derailing Wollersheim's original suit against CSC.

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Wollersheim has long argued that to avoid paying him, Scientology effected its highly complex reorganization, gutted CSC, and moved its assets to other entities such as RTC and CSI, which in turn used their financial muscle to go after Wollersheim in other actions.

And in 1997, he got proof that his theory was correct. The supposedly dormant CSC had filed yet another lawsuit against Wollersheim (e
after Wollersheim successfully defeated it with



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awarded attorney's fees—CSI admitted that it, not CSC, was really behind the action and paid Wollersheim's lawyers nearly \$500,000.

“My client believes that it doesn't have a leg to stand on in terms of we are responsible for this amount of money owed and we are going to pay it,” CSI's attorney Samuel Abelson said in court, an admission that the new organization, CSI, was really behind a lawsuit filed by the old one, CSC.

Wollersheim's attorneys explain that it was nice to get the attorney's fees they had coming in the SLAPP action. But more importantly, they say, the victory provided a blueprint for how Wollersheim should seek his original court judgment.

They spent the next five years—until this past May [2002]—trying to prove that the alphabet soup of CSI, RTC, and CSC was a sham, and that Scientology, under whatever name, should have to pay the \$2.5 million plus interest that Wollersheim had won in his 1986 trial with CSC.

They gathered evidence to show that despite the confusing profusion of names and acronyms, Scientology was really a single enterprise, and its actions and litigation were directed by one man, Hubbard's successor David Miscavige. Former high-ranking officials declared that they had witnessed Miscavige—who supposedly had no position or standing at the time with CSC, the corporation being sued—directing the litigation against Wollersheim and ordering the destruction of key evidence in the case. Special intelligence operations, they declared, were formed to target not only Wollersheim and his attorneys but even the judge, witnesses, and their family and friends. When the jury awarded Wollersheim \$30 million, one former official testified, Miscavige vowed that it would never be paid, even if it cost more than \$30 million to avoid it. CSC, meanwhile, was purposely ransacked of all assets to make sure that the money would go to two former officers declared.



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One of the most damning accounts came from one of Scientology's own attorneys, a man named Joseph Yanny, who was hired in 1984 and left in disgust three years later. In his court declaration, Yanny testified that the lead Scientology attorney in the Wollersheim case, Earle Cooley, had "personally ordered the destruction of evidence relating to Cult litigation in my presence." Yanny also witnessed the gathering of information from parishioners' confidential files for use by the legal team. He was told that using such confidential files to prepare for court was standard practice. And Yanny also was present when a blackmail campaign was planned against Wollersheim's original attorney, Charles O'Reilly. "The medical records of O'Reilly were to be stolen from the 'Betty Ford Center' and another location in Santa Barbara, to show that he was using cocaine, discredit him, and possibly blackmail him into easing off on his 30 million dollar verdict now on appeal. I objected to this as illegal and an alternative plan was quickly arrived at to 'settle my nerves.'"

These declarations and other documents, Wollersheim's attorney say, painted a clear picture: the jumble of organizations—CSC, RTC, CSI and many, many others—meant little when it came to defending Scientology against claims that its technology was harmful. Miscavige, they claimed, was in firm control, which ignored corporate and legal niceties.

"If it had been shown in court that the 350 organizations of the church of Scientology were all controlled by David Miscavige, it doesn't look like a legitimate religion but the authoritative cult that it is. It would have been terrible public relations, and they still would have had to pay the money. And that's why they paid the money when they did, to avoid the bad PR," says longtime Wollersheim attorney Ford Greene.

But Dan Leipold, another Wollersheim lawyer, says that Scientology had even more to worry about than bad PR from the documents a



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“I think all of the evidence could have threatened the church of scientology’s tax exempt status,” he says.

Hubbard organized Scientology as a religion in 1954. But in 1967, it was stripped of its tax exempt status by the IRS. For the next 25 years, the U.S. government repeatedly turned down Scientology’s appeals to regain its exemption on the grounds that Scientology was not so much a religion as a money-making venture benefiting one man, Hubbard.

Scientology retaliated in an extraordinary way. With Hubbard’s knowledge and direction, agents of his intelligence unit, the Guardian’s Office, began infiltrating IRS and other government offices in the mid 1970s. Dubbed Operation Snow White by Hubbard, the illegal operation netted stolen government documents by the yard, and went undiscovered until a 1977 raid of Scientology offices by the FBI. Eleven Scientologists, including Hubbard’s wife Mary Sue, were sentenced to prison. Hubbard himself was named an unindicted co-conspirator.

Scientology subsequently disbanded the Guardian’s Office, claiming that it was a rogue outfit. But its war with the IRS did not stop.

Even after Hubbard’s death in 1986, the IRS continued to deny the organization tax-exempt status, and Scientology fought back by siccing personal investigators on individual IRS employees and filing more than 2,000 separate lawsuits against the agency.

Despite the harassment, however, the IRS continued to win victories against Scientology in court. In 1992, A United States Claims Court upheld the IRS denial, citing “the commercial character of much of Scientology” and its “scripturally based hostility to taxation.” Tax exempt organizations, the claims court wrote, “simply do not exhibit the financial complexity or the phenomenal preoccupations of a for-profit corporation.” Scientology’s management churches and organ-



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By then, however, the IRS had already, secretly, caved. In 1991, under the first George Bush presidency, the IRS had reversed itself and began a process that wasn't made public until 1993, under the Clinton administration, when the IRS revealed that it was giving nearly every Scientology entity the tax exempt status it coveted.

It was a stunning turnaround and one that, [more than] a decade later, still has tax experts shaking their heads.

Former IRS exempt organizations specialist and tax journalist Paul Streckfus says that the IRS simply cracked from the pressure Scientology had been applying for so many years.

“The IRS found that Scientology was more than they could handle,” Streckfus says. “We think of the IRS as so powerful, but by 1991, the commissioner of the time, Fred Goldberg, decided that the case was tying up the IRS. Scientology seemed to have limitless money, so I think Goldberg decided he wanted to get rid of the case and to hell with it. He directed his people to get the best deal that they could.”

Miscavige, announcing the victory to his flock at a gathering in Los Angeles, bragged that in 1991 he had simply dropped by the IRS headquarters and, without an appointment, asked to speak to Goldberg. (After this was first reported, Scientology took out a full-page ad in the *New York Times* denying that Miscavige had said it.) Soon after the impromptu meeting, Goldberg established a special committee to examine the Scientology cases—a move that tax experts say all but assured that the exemptions would eventually be awarded. In court testimony, IRS officials have admitted that during the process of granting the exemptions, they were instructed not to look into Scientology's business-like ventures. The final agreement called for Scientology to pay \$12.5 million.

“To them, it was a pittance,” Streckfus says.



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Goldberg has refused to discuss the matter since he left the IRS. A New York Times analysis of the affair estimated that Scientology saved tens of millions of dollars in taxes.

“The war is OVER!” Miscavige said in his Los Angeles speech, and at one point referred to a “billion dollar tax bill” that Scientology would not have to pay.

“It’s a sad commentary,” says Streckfus about the IRS cave-in. “You or I would have been sent up the river. But if you have enough resources, you can beat off the IRS.”

The IRS no longer describes Scientology as a money-making dictatorship headed by one man, but a religion which contains many separate, legally distinct entities, each with its own board of directors and corporate officers.

For tax reasons, in other words, it is important for Scientology that David Miscavige, Hubbard’s successor, describe himself merely as the chairman of the board of one particular entity, RTC, and not, as Wollersheim labels him, the iron-fisted ruler of a vast empire mixing tax and non-tax exempt purposes.

“They caved because we had the goods on these guys in direct contravention to their tax exempt status. Miscavige has been running the church since 1986,” says Wollersheim attorney Dan Leipold. And it was one declaration in particular, penned by a dying man, that Leipold believes scared Scientology the most.

Today, Vaughn Young lives in Ohio, and is dying of cancer. But for 20 years, he was a Scientologist, worked directly with Miscavige, and at one time was Scientology’s most senior public relations officer. He was an insider who understood both how Scientology worked behind the scenes, and how it presented itself to the public. He left in 1989 and has been a key figure in numerous court battles since then. **[Young passed away in June, 2003.]**



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“Vaughn gave a declaration that was unimpeachable,” says Leipold. “He took 80 different internal documents, and various publications from L. Ron Hubbard and official Scientology texts. He laid them out and showed how the entire organization operates outside the corporate lines of authority.”

Using Scientology’s own internal documents—many of which, penned by Hubbard and considered sacred, cannot be altered and must be followed to the letter—Young shows that Scientology has a rigid, paramilitary chain of command. Even non-religious entities that market themselves to the public as having no obvious tie to Scientology fall under the strict rubric. The Way to Happiness Foundation and Applied Scholastics, for example, are two organizations that market non-religious Hubbard writings to school districts and avoid mentioning a tie to Scientology. Narconon and Criminon, meanwhile, try to convince prison officials that they are effective methods for turning inmates from drugs and crime. “To the non-Scientology world,” Young writes, “they will say they are not Scientology and try to appear secular.” But internal documents, he shows, are explicit that these organizations fall under the command of the Scientology’s hierarchy.

Unique among all of Scientology’s entities, however, is the Sea Organization, the naval-uniform wearing men and women who have all signed billion-year employment contracts.

“Scientology’s own documents show that the Sea Org is a tough, elite, tight-knit organization that has the authority to move into and take over any organization... regardless of corporate lines,” Young writes. According to its own publications, the highest ranking positions in Scientology entities can only be held by Sea Org members.

Numerous documents describe Hubbard’s wish that his elite Sea Org members could be sent to any Scientology organization, secular or

“Sea Org Missions are used to cross corporate l



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Numerous documents describe Sea Org members showing up at far-flung Scientology enterprises to take control, fire executives, and obtain payment for their work.

In 1987, Miscavige signed a directive which reiterated the Sea Org's power to take control of any other Scientology entity.

But when he has been asked about the Sea Org's power, and about his rank today as the captain of the Sea Org, Miscavige plays down his role.

Miscavige has said that the Sea Org is just a fraternal religious order—something akin to the Jesuits in the Catholic religion—and that he is only one of several Sea Org “captains.” The Sea Org has no legal or corporate status.

But Young argues that Scientology's own documents show that Miscavige, as captain of the Sea Org, wields ultimate power over every single Scientology entity. In a sworn document submitted to the IRS in 1991, Scientology provided a telling description of how rank works in the Sea Org, admitting that “captain” in the Sea Org is, for all but one person, an honorary rank. Only David Miscavige himself, the document shows, holds the true earned rank of captain, and sits alone at the top of the Sea Org's pyramid of power.

“David Miscavige is, by their own sworn document, at the top of the rankings and the only person holding a [non-honorary] rank of Captain. And this list is, according to them, the highest ranking officers in the Sea Organization,” Young writes.

Miscavige is wearing his naval Sea Org uniform in several photographs gracing the latest copy of *International Scientology News*, a publication mailed to advanced members. Taken aboard the *Freewinds*, a cruise ship that houses Scientologists while they audit the highest levels of OT materials, Miscavige is seen giving a speech “of the past year's stellar accom



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that it was contaminated with asbestos and ordered it docked until it can be rehabilitated.]

There's no mention in the magazine of the Wollersheim payment among the year's accomplishments or breakthroughs. Despite Scientology's \$8.7 million cave, however, Miscavige may still have plenty to beam about.

Wollersheim, Leipold and others may believe that Scientology paid the \$8 million to prevent a court hearing that could jeopardize its standing with the IRS, but tax experts say that it's hard to believe that even the most damning evidence, as well as a definitive judge's ruling, would sway the IRS to reopen an investigation of an enemy it battled for so long.

"The IRS wrongly, as I believe, entered into a closing agreement with this cult," says Donald C. Alexander, a former IRS commissioner. "I don't think the IRS is going to go back and unravel that closing agreement as much as it might be in the public's interest to do so."

Alexander was commissioner in the 1970s, when Hubbard's agents were breaking in and stealing from government offices. His conference room was bugged and he was unnerved by 2 am phone calls on his unlisted home number. But while he was commissioner, he says, he vowed never to give in to Scientology's harassing tactics. "One of my successors didn't feel that way," he says. "Maybe [Fred Goldberg] actually believed this thing was a church. Stranger things have happened, but I can't think of any.

"I'm glad Scientology had to come up with almost \$9 million. I wish it had been \$90 million," he says.

New Times made repeated requests to speak with members of Scientology to ask about the \$8.7 m



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“The Church of Scientology of California has been trying to end this for a very long time,” Hight says. “They just raised the money somewhere and paid to be done with it.” Asked where the money came from, Hight says she doesn’t know. “I don’t know who put up the money. But there are millions of Scientologists in the world, and I’m sure some of them would have been happy to end the whole thing.” (Scientology often claims to have six million members worldwide, a number derided by critics, who put the membership much lower, usually less than 100,000. In a videotaped deposition, Scientology president Heber Jentszch admitted several years ago that the six million number does not represent current membership but the total amount of people who have ever, since the founding in 1954, taken even a single Scientology course.)

David Chodos, attorney for the Church of Scientology International, says that the \$8 million check didn’t come from either CSI, RTC or the old, dormant CSC. “I just handled the transaction. I didn’t arrange for the funding. Funding had been made available. I don’t know where it came from, really...I wasn’t concerned where the money came from.”

When Hight was asked about Young’s analysis of Scientology structure, Miscavige’s position, and honorary versus earned rank in the Sea Organization, she replied, “I can’t fathom what the significance of what that would be.”

Tory Christman, a former Scientologist who helped handle Scientology’s PR, says that most parishioners, who avoid reading or watching the news, are probably unaware that the payment to Wollersheim has even been made.

The defeat has certainly not seemed to affect business.

In the most recent issue of *Advance!*, the magazine of the Los Angeles headquarters, Scientologists are encouraged to begin their advance program, “going clear.” To entice them, the magazine con-



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their new abilities in what they call “OT phenomena.” One man writes of two gravel trucks bearing down on his automobile in what would have been a sure collision and his possible death—until, using his OT abilities, he slowed down time and made beams come out of him to hold back the screeching trucks. Another Scientologist took over the body of a man who was losing control of his car on the freeway, righted the car, and calmed the driver down. Another man pacified a ghost that, unseen to others, was bothering workers in his office building.

Also in the magazine is a price list for Scientologists anxious to attain their own extraordinary OT powers. A compact disc with some of L. Ron Hubbard’s lectures lists for \$1,623.75. The Super Mark VII Quantum E-meter retails for \$5,280.00. The OT III materials, which tell the Xenu story and reveal the alien nature of the soul, is discounted at \$7,040. And packages needed for high-level solo auditing (done by oneself at home), vary from \$24,222 to \$63,888. **[More recently, Jason Beghe, an actor who announced in April that he had left Scientology after twelve years, revealed that he’d paid about \$160,000 for a single set of procedures called “L Rundowns,” and over his entire career gave Scientology about a million dollars.]**

Such lavish amounts for religious instruction, Scientology’s critics say, is what allows it to spend so much fighting its foes. Or offering to buy them.

Years ago, Wollersheim was offered \$8 million to walk away from his judgment. “They hinted they would go as high as \$12 million,” he says. But he refused the money. He says he had seen too many other former members accept settlements and the confidentiality agreements that came with them.

Wollersheim is glad that he turned down those offers. His judgment is the first Scientology has ever paid outright, attorneys familiar with Scientology litigation say. And now, Wollersheim hopes, his victory will er
and expose it for what it is.



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“I blazed the trail,” he says. “Now others are going to come and turn it into a four-lane highway.”

[Six years later, Wollersheim is still fighting over the money Scientology finally paid. A woman who worked as a paralegal on his case, Leta Schlosser, sued Wollersheim (in a lawsuit named Wollersheim 6) for \$5.3 million of the Scientology cash. In a trial presided over by Judge Hess, a jury awarded her \$313,000, which Wollersheim says he immediately paid. But Schlosser appealed, saying she was owed more, and is asking for yet another trial. Exhausted, Wollersheim has retired from the day-to-day operation of factnet.org, an Internet clearinghouse for information about Scientology.]

“I have a good life in the sense that I’m a minister. I have satisfying work. And I know that the work I’ve done [fighting Scientology] will help others,” he says.

As for getting his ‘one thin dime,’ he says: “A lot of it has gone to lawyers, it’s going to litigation, it’s going to taxes. I’m working a 40-hour job. It was never about the money.

“I never thought I’d get paid. It took 30 years,” he adds. But despite his own experience, Wollersheim encourages others who feel they’ve been harmed by Scientology to pursue litigation: in almost all other cases, he says, Scientology settles. “Victims of Scientology should take advantage of it and get their lives back,” he says.

Scientology, meanwhile, has much bigger headaches than Larry Wollersheim these days, now that Cruise’s antics have helped bring a new level of media and Internet scrutiny. Scientology continues, however, to maintain its tax-exempt status.]

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