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June 4, 1991

Director Sessions:

RE: CHURCH OF SCIENTOLOGY

Per your inquiry of the May 6, 1991 article appearing in Time Magazine, regarding the Church of Scientology (COS), (copy attached). The article, on page 56, contains quotes from Ted Gunderson, former SAC Los Angeles Division. Gunderson claims that the Internal Revenue Service (IRS) and the FBI have been debriefing COS members for the past three years, in part, to gain evidence for a major racketeering case.

The Los Angeles Division advised that the information is totally erroneous. There is no racketeering case being pursued against the COS by the FBI and the IRS. The last investigation by Los Angeles involving the COS was an obstruction of justice (OOJ) matter opened in October, 1988 and closed in early 1989. The OOJ case involved a member of the COS attempting to use derogatory information against a Federal judge. No prosecution occurred.

Former SAC Gunderson is well known to the Los Angeles Division since his retirement. Gunderson has appeared on television news programs as a self-proclaimed expert on "cults" and various other topics.

NOT APPROPRIATE FOR DISSEMINATION TO THE PUBLIC.

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Enclosure

- 1 - Mr. [Redacted]
- 1 - Mr. [Redacted]
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- 1 - Mr. [Redacted]
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- 1 - Mr. [Redacted]
- 1 - Mr. [Redacted]
- 1 - Special Assistants, CID
- 1 - Mr. [Redacted]

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verts and credibility, is coupled with a radio and TV advertising campaign virtually unparalleled in the book industry.

Scientology devotes vast resources to squelching its critics. Since 1986 Hubbard and his church have been the subject of four unfriendly books, all released by small yet courageous publishers. In each case, the writers have been badgered and heavily sued. One of Hubbard's policies was that all perceived enemies are "fair game" and subject to being "tricked, sued or lied to or destroyed." Those who criticize the church—journalists, doctors, lawyers and even judges—often find themselves engulfed in litigation, stalked by private eyes, framed for fictional crimes, beaten up or threatened with death. Psychologist Margaret Singer, 69, an outspoken Scientology critic and professor at the University of California, Berkeley, now travels regularly under an assumed name to avoid harassment.

After the Los Angeles Times published a negative series on the church last summer, Scientologists spent an estimated \$1 million to plaster the reporters' names on hundreds of billboards and bus placards across the city. Above their names were quotations taken out of context to portray the church in a positive light.

The church's most fearsome advocates are its lawyers. Hubbard warned his followers in writing to "beware of attorneys who tell you not to sue . . . the purpose of the suit is to harass and discourage rather than to win." Result: Scientology has brought hundreds of suits against its perceived enemies and today pays an estimated \$20 million annually to more than 100 lawyers.

One legal goal of Scientology is to bankrupt the opposition or bury it under

paper. The church has 71 active lawsuits against the IRS alone. One of them, *Miscavige vs. IRS*, has required the U.S. to produce an index of 52,000 pages of documents. Boston attorney Michael Flynn, who helped Scientology victims from 1979 to 1987, personally endured 14 frivolous lawsuits, all of them dismissed. Another lawyer, Joseph Yanny, believes the church "has so subverted justice and the judicial system that it should be barred from seeking equity in any court." He should know: Yanny represented the cult until 1987, when, he says, he was asked to help church officials steal medical records to blackmail an opposing attorney (who was allegedly beaten up instead). Since Yanny quit representing the church, he has been the target of death threats, burglaries, lawsuits and other harassment.

Scientology's critics contend that the U.S. needs to crack down on the church in a major, organized way. "I want to know, Where is our government?" demands Toby Plevin, a Los Angeles attorney who handles victims. "It shouldn't be left to private litigators, because God knows most of us are afraid to get involved." But law-enforcement agents are also wary. "Every investigator is very cautious, walking on eggshells when it comes to the church," says a Florida police detective who has tracked the cult since 1988. "It will take a federal effort with lots of money and manpower."

So far the agency giving Scientology the most grief is the IRS, whose officials have implied that Hubbard's successors may be looting the church's coffers. Since 1988, when the U.S. Supreme Court upheld the

revocation of the cult's tax-exempt status, a massive IRS probe of church centers across the country has been under way. An IRS agent, Marcus Owens, has estimated that thousands of IRS employees have been involved. Another agent, in an internal IRS memorandum, spoke hopefully of the "ultimate disintegration" of the church. A small but helpful beacon shone last June when a federal appeals court ruled that two cassette tapes featuring conversations between church officials and their lawyers are evidence of a plan to commit "future frauds" against the IRS.

The IRS and FBI have been debriefing Scientology defectors for the past three years, in part to gain evidence for a major racketeering case that appears to have stalled last summer. Federal agents complain that the Justice Department is unwilling to spend the money needed to endure a drawn-out war with Scientology or to fend off the cult's notorious jihads against individual agents. "In my opinion the church has one of the most effective intelligence operations in the U.S., rivaling even that of the FBI," says Ted Gunderson, a former head of the FBI's Los Angeles office.

Foreign governments have been moving even more vigorously against the organization. In Canada the church and nine of its members will be tried in June on charges of stealing government documents (many of them retrieved in an enormous police raid of the church's Toronto headquarters). Scientology proposed to give \$1 million to the needy if the case was dropped, but Canada spurned the offer. Since 1986 authorities in France, Spain and Italy have raided more than 50 Scientology centers. Pending charges against

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COVER STORY

The Thriving Cult of Greed and Power

Ruined lives. Lost fortunes. Federal crimes. Scientology poses as a religion but is really a ruthless global scam—and aiming for the mainstream.

BY RICHARD BEHAR

By all appearances, Noah Lottick of Kingston, Pa., had been a normal, happy 24-year-old who was looking for his place in the world. On the day last June when his parents drove to New York City to claim his body, they were nearly catatonic with grief. The young Russian-studies scholar had jumped from a 10th-floor window of the Milford Plaza Hotel and bounced off the hood of a stretch limousine. When the police arrived, his fingers were still clutching \$171 in cash, virtually the only money he hadn't yet turned over to the Church of Scientology, the self-help philosophy group he had discovered just seven months earlier.

His death inspired his father, Edward, a physician, to start his own investigation of the church. "We thought Scientology was something like Dale Carnegie," Lottick says. "I now believe it's a school for psychopaths. Their so-called therapies are manipulations. They take the best and brightest people and destroy them." The Lotticks want to sue the church for contributing to their son's death, but the prospect has them frightened. For nearly 40 years, the big business of Scientology has shielded itself exquisitely behind the First Amendment as well as a battery of high-priced criminal lawyers and shady private detectives.

The Church of Scientology, started by science-fiction writer L. Ron Hubbard to "clear" people of unhappiness, portrays itself as a religion. In reality the church is a hugely profitable global racket that survives by intimidating members and critics in a Mafia-like manner. At times during the past decade, prosecutions against Scientology seemed to be curbing its mem-

ber. Eleven top Scientologists, including Hubbard's wife, were sent to prison in the early 1980s for infiltrating, burglarizing and wiretapping more than 100 private and government agencies in attempts to block their investigations. In recent years hundreds of longtime Scientology adherents—many charging that they were mentally or physically abused—have quit the church and criticized it at their own risk. Some have sued the church and won; others have settled for amounts in excess of \$500,000. In various cases judges have labeled the church "schizophrenic and paranoid" and "corrupt, sinister and dangerous."

Yet the outrage and litigation have failed to squelch Scientology. The group, which boasts 700 centers in 65 countries, threatens to become more insidious and pervasive than ever. Scientology is trying to go mainstream, a strategy that has sparked a renewed law-enforcement campaign against the church. Many of the group's followers have been accused of committing financial scams, while the church is busy attracting the unwary through a wide array of front groups, in such businesses as publishing, consulting, health care and even remedial education.

In Hollywood, Scientology has assembled a star-studded roster of followers by aggressively recruiting and regally pampering them at the church's "Celebrity Centers," a chain of clubhouses that offer expensive counseling and career guidance. Adherents include screen idols Tom Cruise and John Travolta, actresses Kirstie Alley, Mimi Rogers and Anne Archer, Palm Springs mayor and performer Sonny Bono, jazzman Chick Corea and even Nancy Cartwright, the voice of cartoon star Bart Simpson. Rank-and-file members, however, are dealt a less glamorous Scientology.

According to the Cult Awareness Network, whose 23 chapters monitor more than 200 "mind control" cults, no group



L. Ron Hubbard, 1911-86: the cult's founder and continuing inspiration

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prompts more telephone pleas for help than does Scientology. Says Cynthia Kisser, the network's Chicago-based executive director: "Scientology is quite likely the most ruthless, the most classically terroristic, the most litigious and the most lucrative cult the country has ever seen. No cult extracts more money from its members." Agrees Vicki Aznaran, who was one of Scientology's six key leaders until she bolted from the church in 1987: "This is a criminal organization, day in and day out. It makes Jim and Tammy [Bakker] look like kindergarten."

To explore Scientology's reach, TIME conducted more than 150 interviews and reviewed hundreds of court records and internal Scientology documents. Church officials refused to be interviewed. The investigation paints a picture of a depraved yet thriving enterprise. Most cults fail to outlast their founder, but Scientology has prospered since Hubbard's death in 1986.

In a court filing, one of the cult's many entities—the Church of Spiritual Technology—listed \$503 million in income just for 1987. High-level defectors say the parent organization has squirreled away an estimated \$400 million in bank accounts in Liechtenstein, Switzerland and Cyprus. Scientology probably has about 50,000 active members, far fewer than the 8 million the group claims. But in one sense, that inflated figure rings true: millions of people have been affected in one way or another by Hubbard's bizarre creation.

Scientology is now run by David Miscavige, 31, a high school dropout and second-generation church member. Defectors describe him as cunning, ruthless and so paranoid about perceived enemies that he kept plastic wrap over his glass of water. His obsession is to attain credibility for Scientology in the 1990s. Among other tactics, the group:

- ▶ Retains public relations powerhouse Hill and Knowlton to help shed the church's fringe-group image.
- ▶ Joined such household names as Sony and Pepsi as a main sponsor of Ted Turner's Goodwill Games.
- ▶ Buys massive quantities of its own books from retail stores to propel the titles onto best-seller lists.
- ▶ Runs full-page ads in such publications as *Newsweek* and *Business Week* that call Scientology a "philosophy," along with a plethora of TV ads touting the group's books.

▶ Recruits wealthy and respectable professionals through a web of consulting groups that typically hide their ties to Scientology.

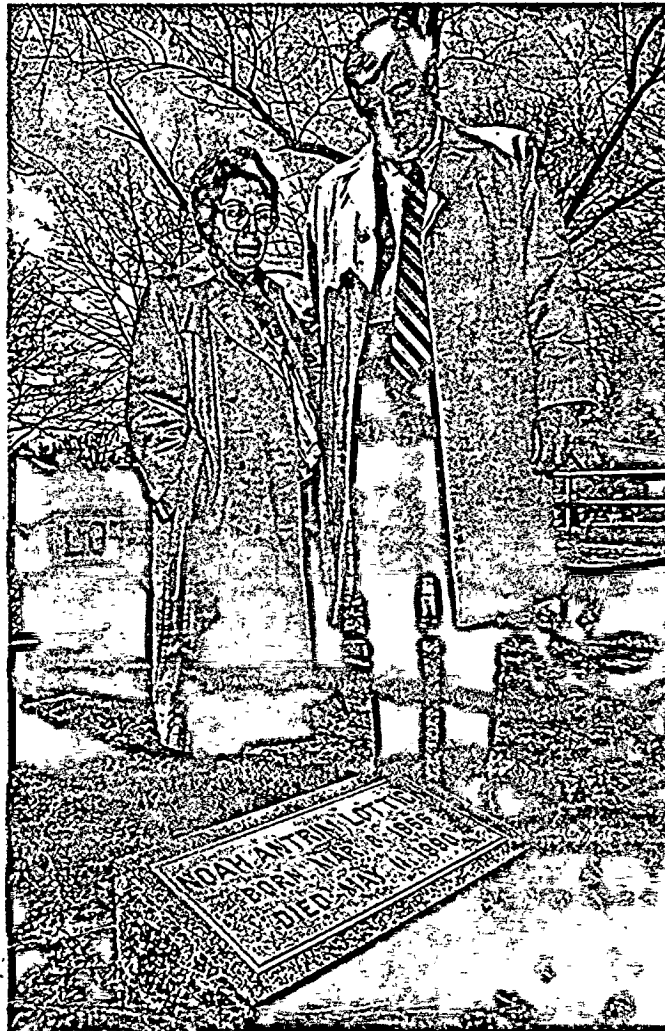
The founder of this enterprise was part storyteller, part flimflam man. Born in Nebraska in 1911, Hubbard served in the Navy during World War II and soon afterward complained to the Veterans Administration about his "suicidal inclinations" and his "seriously affected" mind. Nevertheless, Hubbard was a moderately successful writer of pulp science fiction. Years later, church brochures described him falsely as an "extensively decorated" World War II hero who was crippled and blinded in action, twice pronounced dead and miraculously cured through Scientology. Hubbard's "doctorate" from "Sequoia University" was a fake mail-order degree. In a 1984 case in which the church sued a Hubbard biographical researcher, a California judge concluded that its founder was "a pathological liar."

Hubbard wrote one of Scientology's sacred texts, *Dianetics: The Modern Science of Mental Health*, in 1950. In it he introduced a crude psychotherapeutic technique he called "auditing." He also created a simplified lie detector (called an "E-meter") that was designed to measure electrical changes in the skin while subjects discussed intimate details of their past. Hubbard argued that unhappiness sprang from mental aberrations (or "engrams") caused by early traumas. Counseling sessions with the E-meter, he claimed, could knock out the engrams, cure blindness and even improve a person's intelligence and appearance.

Hubbard kept adding steps, each more costly, for his followers to climb. In the 1960s the guru decreed that humans are made of clusters of spirits (or "thetans") who were banished to earth some 75 million years ago by a cruel galactic ruler named Xenu. Naturally, those thetans had to be audited.

An Internal Revenue Service ruling in 1967 stripped Scientology's mother church of its tax-exempt status. A federal court ruled in 1971 that Hubbard's medical claims were bogus and that E-meter auditing could no longer be called a scientific treatment. Hubbard responded by going fully religious, seeking First Amendment protection for Scientology's strange rites. His counselors started sporting clerical collars. Chapels were built, franchises became "missions," fees became "fixed donations," and Hubbard's comic-book cosmology became "sacred scriptures."

During the early 1970s, the IRS conducted its own auditing sessions and proved that Hubbard was skimming millions of dollars from the church, laundering the money through dummy corporations in Panama and stashing it in Swiss bank accounts. Moreover, church members stole IRS documents, filed false tax returns and harassed the agency's employees. By late 1985, with high-level defectors accusing Hubbard of having stolen as much as \$200 million from the church, the IRS was seeking an indictment of Hubbard for tax fraud. Scientology members "worked day and night" shredding documents the IRS sought, according to defector Aznaran, who took part in the scheme. Hubbard, who had been in hiding for five years, died before the criminal case could be prosecuted. Today the church invents



THE LOTTICKS LOST THEIR SON, Noah, who jumped from a Manhattan hotel clutching \$171, virtually the only money he had not yet turned over to Scientology. His parents blame the church and would like to sue but are frightened by the organization's reputation for ruthlessness.

THE BRIDGE TO ENLIGHTENMENT

"Flowing up the Bridge" from Personality Test to O.T. 8 will cost the average person an estimated \$200,000 to \$400,000. The steps shown are only a sample of the many courses and treatments available. Also offered: expensive books, tapes, E-meters (for auditing members), alarm clocks, photo slits, tote bags, stained glass windows and ceramic mugs, among many other items.

Personality Test

Cost: **Free**
Time required: an hour

A true-false-maybe test to determine whether you need Scientology. Everyone does.

Communications Courses

Cost: **\$250** each
Time required: a few weeks

Several courses entail repetitive exercises (sitting on a chair for hours without twitching, speaking to people without displaying emotion) that help pacify and indoctrinate the customer.

Regular Auditing, Grades 0-4

Cost: **\$500** an hour
Time required: indefinite

At graduation, you should be able to communicate effectively, make problems vanish and attain freedom from the guilt of past misdeeds and many psychosomatic ills.

New Era Dianetics

Cost: **\$500** an hour
Time required: indefinite

Auditing your life (and prior lives) to locate evil intentions and traumatic experiences that I you with psychosomatic ills. At graduation, you have attained the state of "clear."

THE CURRENT LEADER

Obsessed with security, church boss David Miscavige reportedly likes to shoot photos of perceived enemies with a .45 automatic.



costly new services with all the zeal of its founder. Scientology doctrine warns that even adherents who are "cleared" of engrams face grave spiritual dangers unless they are pushed to higher and more expensive levels. According to the church's latest price list, recruits—"raw meat," as Hubbard called them—take auditing sessions that cost as much as \$1,000 an hour, or \$12,500 for a 12½-hour "intensive."

Psychiatrists say these sessions can produce a drugged-like, mind-controlled euphoria that keeps customers coming back for more. To pay their fees, newcomers can earn commissions by recruiting new members, become auditors themselves (Miscavige did so at age 12), or join the church staff and receive free counseling in exchange for what their written contracts describe as a "billion years" of labor. "Make sure that lots of bodies move through the shop," implored Hubbard in one of his bulletins to officials. "Make money. Make more money. Make others produce so as to make money... However you get them in or why, just do it."

Harriet Baker learned the hard way about Scientology's business of selling religion. When Baker, 73, lost her husband to cancer, a Scientologist turned up at her Los Angeles home peddling a \$1,300 auditing package to cure her grief. Some \$15,000 later, the Scientologists discovered that her house was debt free. They arranged a \$45,000 mortgage, which they pressured her to tap for more auditing until Baker's children helped their mother snap out of her daze. Last June, Baker demanded a \$27,000 refund for unused

services, prompting two cult members to show up at her door unannounced with an E-meter to interrogate her. Baker never got the money and, financially strapped, was forced to sell her house in September.

Before Noah Lottick killed himself, he had paid more than \$5,000 for church counseling. His behavior had also become strange. He once remarked to his parents that his Scientology mentors could actually read minds. When his father suffered a major heart attack, Noah insisted that it was purely psychosomatic. Five days before he jumped, Noah burst into his parents' home and demanded to know why they were spreading "false rumors" about him—a delusion that finally prompted his father to call a psychiatrist.

It was too late. "From Noah's friends at Dianetics" read the card that accompanied a bouquet of flowers at Lottick's funeral. Yet no Scientology staff members bothered to show up. A week earlier, local church officials had given Lottick's parents a red-carpet tour of their center. A cult leader told Noah's parents that their son had been at the church just hours before he disappeared—but the church denied this story as soon as the body was identified. True to form, the cult even haggled with the Lotticks over \$3,000 their son had paid for services he never used, insisting that Noah had intended it as a "donation."

The church has invented hundreds of goods and services for which members are urged to give "donations." Are you having trouble "moving swiftly up the Bridge"—

that is, advancing up the stepladder of enlightenment? Then you can have your case reviewed for a mere \$1,250 "donation." Want to know "why a thetan hangs on to the physical universe?" Try 52 of Hubbard's tape-recorded speeches from 1952, titled "Ron's Philadelphia Doctorate Course Lectures," for \$2,525. Next: nine other series of the same sort. For the collector, gold-and-leather-bound editions of 22 of Hubbard's books (and bookends) on subjects ranging from Scientology ethics to radiation can be had for just \$1,900.

To gain influence and lure richer, more sophisticated followers, Scientology has lately resorted to a wide array of front groups and financial scams. Among them:

CONSULTING. Sterling Management Systems, formed in 1983, has been ranked in recent years by *Inc.* magazine as one of America's fastest-growing private companies (estimated 1988 revenues: \$20 million). Sterling regularly mails a free newsletter to more than 300,000 health-care professionals, mostly dentists, promising to increase their incomes dramatically. The firm offers seminars and courses that typically cost \$10,000. But Sterling's true aim is to hook customers for Scientology. "The church has a rotten product, so they package it as something else," says Peter Georgiades, a Pittsburgh attorney who represents Sterling victims. "It's a kind of bait and switch." Sterling's founder, dentist Gregory Hughes, is now under investigation by California's Board of Dental Examiners for incompetence. Nine lawsuits are pending against him for malpractice (seven

Clear Certainty Rundown

Cost: **\$2,800**
Time required: 5 hours

This course ascertains whether you are truly clear. If you are, you get the Sunshine Rundown, in which you are walked around town to reacquaint yourself with the world.

O.T. 1-2

Cost: **\$7,978**
Time required: up to 100 hours

After learning how your perceptions of the world and of people have changed since going clear, you are taught about the ideas that were implanted in man more than 75 million years ago.

O.T. 3-4

Cost: **\$17,010**
Time required: several months

Scientology's "sacred scriptures": the story about the galactic ruler Xenu, the volcanic explosions on earth and the implantations of the spirits (body thetans). This level also helps free you from the effects of drugs taken in past lives.

O.T. 5-7

Cost: **\$25,600**
Time required: several months

Finds and releases body thetans (B.T.s), or negative spiritual beings, that have been asleep or unconscious inside you for millions of years. In his later days, Hubbard could be heard screaming at his B.T.s.

O.T. 8

Cost: **\$11,140**, plus accommodations
Time required: a few weeks

The ultimate answer to everything. There are no known defectors from O.T. 8, which is offered only aboard Scientology's yacht, but the "answer" is rumored to be that Hubbard is God. O.T. 9 texts are said to be written but not released.

*O.T. means Operating Thetan, a being at an advanced state of clear.

L. RON HUBBARD SPEAKS

WHAT THEY THINK

"It [Scientology] just contains the secrets of the universe. That may be hard for people to handle, sometimes, hearing that."

—John Travolta



"It's not hocus pocus... If you can erase engrams, then you can get better."

—Kirstie Alley

"The law can be used very easily to harass, and enough harassment on somebody who is simply on the thin edge anyway... will generally be sufficient to cause his professional decrease. If possible, of course, ruin him utterly."

"All men are your slaves."

"In all the broad universe, there is no other hope for man than ourselves. This is a tremendous responsibility. I have borne it too long alone. You share it with me now."

"Don't ever tamely submit to an investigation of us. Make it rough, rough on attackers all the way."

others have been settled), mostly for orthodontic work on children. Many dentists who have unwittingly been drawn into the cult are filing or threatening lawsuits as well. Dentist Robert Geary of Medina, Ohio, who entered a Sterling seminar in 1988, endured "the most extreme high-pressure sales tactics I have ever faced." Sterling officials told Geary, 45, that their firm was not linked to Scientology, he says. But Geary claims they eventually convinced him that he and his wife Dorothy had personal problems that required auditing. Over five months, the Gearys say, they spent \$130,000 for services, plus \$50,000 for "gold-embossed, investment-grade" books signed by Hubbard. Geary contends that Scientologists not only called his bank to increase his credit-card limit but also forged his signature on a \$20,000 loan application. "It was insane," he recalls. "I couldn't even get an accounting from them of what I was paying for." At one point, the Gearys claim, Scientologists held Dorothy hostage for two weeks in a mountain cabin, after which she was hospitalized for a nervous breakdown.

Last October, Sterling broke some bad news to another dentist, Glover Rowe of Gadsden, Ala., and his wife Dee. Tests showed that unless they signed up for auditing,

Glover's practice would fail, and Dee would someday abuse their child. The next month the Rowes flew to Glendale, Calif., where they shuttled daily from a local hotel to a Dianetics center. "We thought they were brilliant people because they seemed to know so much about us," recalls Dee. "Then we realized our hotel room must have been bugged." After bolting from the center, \$23,000 poorer, the Rowes say, they were chased repeatedly by Scientologists on foot and in cars. Dentists aren't the only ones at risk. Scientology also makes pitches to chiropractors, podiatrists and veterinarians.



HARRIET BAKER, 73, LOST HER HOUSE after Scientologists learned it was debt free and arranged a \$45,000 mortgage, which they pressured her to tap to pay for auditing. They had approached her after her husband died to help "cure" her grief. When she couldn't repay the mortgage, she had to sell.

PUBLIC INFLUENCE. One front, the Way to Happiness Foundation, has distributed to children in thousands of the nation's public schools more than 3.5 million copies of a booklet Hubbard wrote on morality. The church calls the scheme "the largest dissemination project in Scientology history." Applied Scholastics is the name of still another front, which is attempting to install a Hubbard tutorial program in public schools, primarily those populated by minorities. The group also plans a 1,000-acre campus, where it will train educators to teach various Hubbard methods. The disingenuously named Citizens Commission on Human Rights is a Scientology group at war with psychiatry, its primary competitor. The commission typically issues reports aimed at discrediting particular psychiatrists and the field in general. The CCHR is also behind an all-out war against Eli Lilly, the maker of Prozac, the nation's top-selling anti-depression drug. Despite scant evidence, the group's members—who call themselves "psychbusters"—claim that Prozac drives people to murder or suicide. Through mass mailings, appearances on talk shows and heavy lobbying, CCHR has hurt drug sales and helped spark dozens of lawsuits against Lilly. Another Scientology-linked group, the Concerned

KIRSTIE ALLEY BY SCOTT DOWNIE—CELEBRITY PHOTO; JOHN TRAVOLTA BY EVERETT COLLECTION

VANCE ANDERSON FOR TIME

Special Report

Businessmen's Association of America, holds antidrug contests and awards \$5,000 grants to schools as a way to recruit students and curry favor with education officials. West Virginia Senator John D. Rockefeller IV unwittingly commended the CBAA in 1987 on the Senate floor. Last August author Alex Haley was the keynote speaker at its annual awards banquet in Los Angeles. Says Haley: "I didn't know much about that group going in. I'm a

Methodist." Ignorance about Scientology can be embarrassing: two months ago, Illinois Governor Jim Edgar, noting that Scientology's founder "has solved the aberrations of the human mind," proclaimed March 13 "L. Ron Hubbard Day." He rescinded the proclamation in late March, once he learned who Hubbard really was.

HEALTH CARE. HealthMed, a chain of clinics run by Scientologists, promotes a grael-

ing and excessive system of saunas, exercise and vitamins designed by Hubbard to purify the body. Experts denounce the regime as quackery and potentially harmful, yet HealthMed solicits unions and public agencies for contracts. The chain is plugged heavily in a new book, *Diet for a Poisoned Planet*, by journalist David Steinman, who concludes that scores of common foods (among them: peanuts, bluefish, peaches and cottage cheese) are dangerous.

Mining Money in Vancouver

One source of funds for the Los Angeles-based church is the notorious, self-regulated stock exchange in Vancouver, British Columbia, often called the scam capital of the world. The exchange's 2,300 penny-stock listings account for \$4 billion in annual trading. Local journalists and insiders claim the vast majority range from total washouts to outright frauds.

Two Scientologists who operate there are Kenneth Gerbino and Michael Baybak, 20-year church veterans from Beverly Hills who are major donors to the cult. Gerbino, 45, is a money manager, marketmaker and publisher of a national financial newsletter. He has boasted in Scientology journals that he owes all his stock-picking success to L. Ron Hubbard. That's not saying much: Gerbino's newsletter picks since 1985 have cumulatively returned 24%, while the Dow Jones industrial average has more than doubled. Nevertheless Gerbino's short-term gains can be stupendous. A survey last October found Gerbino to be the only manager who made money in the third quarter of 1990, thanks to gold and other resource stocks. For the first quarter of 1991, Gerbino was dead last. Baybak, 49, who runs a public relations company staffed with Scientologists, apparently has no ethics problem with engineering a hostile takeover of a firm he is hired to promote.

Neither man agreed to be interviewed for this story, yet both threatened legal action through attorneys. "What these guys do is take over companies, hype the stock, sell their shares and then there's nothing left," says John Campbell, a former securities lawyer who was a director of mining company Athena Gold until Baybak and Gerbino took it over.

The pattern has become familiar. The pair promoted a mining venture called Skylark Resources whose stock traded at nearly \$4 a share in 1987. The outfit soon crashed, and the stock is around 2¢. NETI Technologies, a software company, was trumpeted in the press as "the next Xerox" and in 1984 rose to a market value of \$120 million with Baybak's help. The company, which later collapsed, was delisted two months ago by the Vancouver exchange.

Baybak appeared in 1989 at the helm of Wall Street Ventures, a start-up that announced it owned 35 tons of rare Middle Eastern postage stamps worth \$100 million—and was buying the world's largest collection of southern Arabian

stamps (worth \$350 million). Steven C. Rockefeller Jr. of the oil family and former hockey star Denis Potvin joined the company in top posts, but both say they quit when they realized the stamps were virtually worthless. "The stamps were created by sand-dune nations to exploit collectors," says Michael Laurence, editor of *Linn's Stamp News*, America's largest stamp journal. After the stock topped \$6, it began a steady descent, with Baybak unloading his shares along the way. Today it trades at 18¢.

Athena Gold, the current object of Baybak's and Gerbino's attentions, was founded by entrepreneur William Jordan. He turned to an established Vancouver broker in 1987, to help finance the company, a 4,500-acre mining property near Reno. The broker promised to raise more than \$3 million and soon brought Baybak and Gerbino into the deal. Jordan never got most of the money, but the cult members ended up with a good deal of cheap stock and options. Next they elected directors who were friendly to them and set in motion a series of complex maneuvers to block Jordan from voting stock he controlled and to run him out of the company. "I've been an honest policeman all my life and I've seen the worst kinds of crimes, and this ranks high," says former Athena shareholder Thomas Clark, a 20-year veteran of Reno's police force who has teamed up with Jordan to try to get the gold mine back. "They stole this man's property."



ATHENA GOLD'S WILLIAM JORDAN
Cult members got cheap stock, then ran him out of the company

With Baybak as chairman, the two Scientologists and their staffs are promoting Athena, not always accurately. A letter to shareholders with the 1990 annual report claims Placer Dome, one of America's largest gold-mining firms, has committed at least \$25.5 million to develop the mine. That's news to Placer Dome. "There is no pre-commitment," says Placer executive Cole McFarland. "We're not going to spend that money unless survey results justify the expenditure."

Baybak's firm represented Western Resource Technologies, a Houston oil-and-gas company, but got the boot in October. Laughs Steven McGuire, president of Western Resource: "His is a p.r. firm in need of a p.r. firm." But McGuire cannot laugh too freely. Baybak and other Scientologists, including the estate of L. Ron Hubbard, still control huge blocks of his company's stock.

—By Richard Behar

Former Surgeon General C. Everett Koop labeled the book "trash," and the Food and Drug Administration issued a paper in October that claims Steinman distorts his facts. "HealthMed is a gateway to Scientology, and Steinman's book is a sorting mechanism," says physician William Jarvis, who is head of the National Council Against Health Fraud. Steinman, who describes Hubbard favorably as a "researcher," denies any ties to the church and contends, "HealthMed has no affiliation that I know of with Scientology."

DRUG TREATMENT. Hubbard's purification treatments are the mainstay of Narconon, a Scientology-run chain of 33 alcohol and drug rehabilitation centers—some in prisons under the name "Criminon"—in 12 countries. Narconon, a classic vehicle for drawing addicts into the cult, now plans to open what it calls the world's largest treatment center, a 1,400-bed facility on an Indian reservation near Newkirk, Okla. (pop. 2,400). At a 1989 ceremony in Newkirk, the Association for Better Living and Education presented Narconon a check for \$200,000 and a study praising its work. The association turned out to be part of Scientology itself. Today the town is battling to keep out the cult, which has fought back through such tactics as sending private detectives to snoop on the mayor and the local newspaper publisher.

FINANCIAL SCAMS. Three Florida Scientologists, including Ronald Bernstein, a big contributor to the church's international "war chest," pleaded guilty in March to using their rare-coin dealership as a money laundry. Other notorious activities by Scientologists include making the shady Vancouver stock exchange even shadier (see box) and plotting to plant operatives in the World Bank, International Monetary Fund and Export-Import Bank of the U.S. The alleged purpose of this scheme: to gain inside information on which countries are going to be denied credit so that Scientology-linked traders can make illicit profits by taking "short" positions in those countries' currencies.

In the stock market the practice of "shorting" involves borrowing shares of publicly traded companies in the hope that the price will go down before the stocks must be bought on the market and returned to the lender. The Feshbach brothers of Palo Alto, Calif.—Kurt, Joseph and

Matthew—have become the leading short sellers in the U.S., with more than \$500 million under management. The Feshbachs command a staff of about 60 employees and claim to have earned better returns than the Dow Jones industrial average for most of the 1980s. And, they say, they owe it all to the teachings of Scientology, whose "war chest" has received more than \$1 million from the family.

The Feshbachs also embrace the church's tactics; the brothers are the terrors of the stock exchanges. In congressional hearings in 1989, the heads of several

ing whether the Feshbachs received confidential information from FDA employees. The brothers seem aligned with Scientology's war on psychiatry and medicine: many of their targets are health and biotechnology firms. "Legitimate short selling performs a public service by deflating hyped stocks," says Robert Flaherty, the editor of *Equities* magazine and a harsh critic of the brothers. "But the Feshbachs have damaged scores of good start-ups."

Occasionally a Scientologist's business antics land him in jail. Last August a former devotee named Steven Fishman began serving a five-year prison term in Florida.

His crime: stealing blank stock-confirmation slips from his employer, a major brokerage house, to use as proof that he owned stock entitling him to join dozens of successful class-action lawsuits. Fishman made roughly \$1 million this way from 1983 to 1988 and spent as much as 30% of the loot on Scientology books and tapes.

Scientology denies any tie to the Fishman scam, a claim strongly disputed by both Fishman and his longtime psychiatrist, Uwe Geertz, a prominent Florida hypnotist. Both men claim that when arrested, Fishman was ordered by the church to kill Geertz and then do an "EOC," or end of cycle, which is church jargon for suicide.

BOOK PUBLISHING. Scientology mischiefmaking has even moved to the book industry. Since 1985 at least a dozen Hubbard books, printed by a church company, have made best-seller lists. They range from a 5,000-page sci-fi decology (*Black Genesis, The Enemy Within, An Alien Affair*) to the 40-year-old *Dianetics*. In 1988 the trade publication *Publishers Weekly*

awarded the dead author a plaque commemorating the appearance of *Dianetics* on its best-seller list for 100 consecutive weeks.

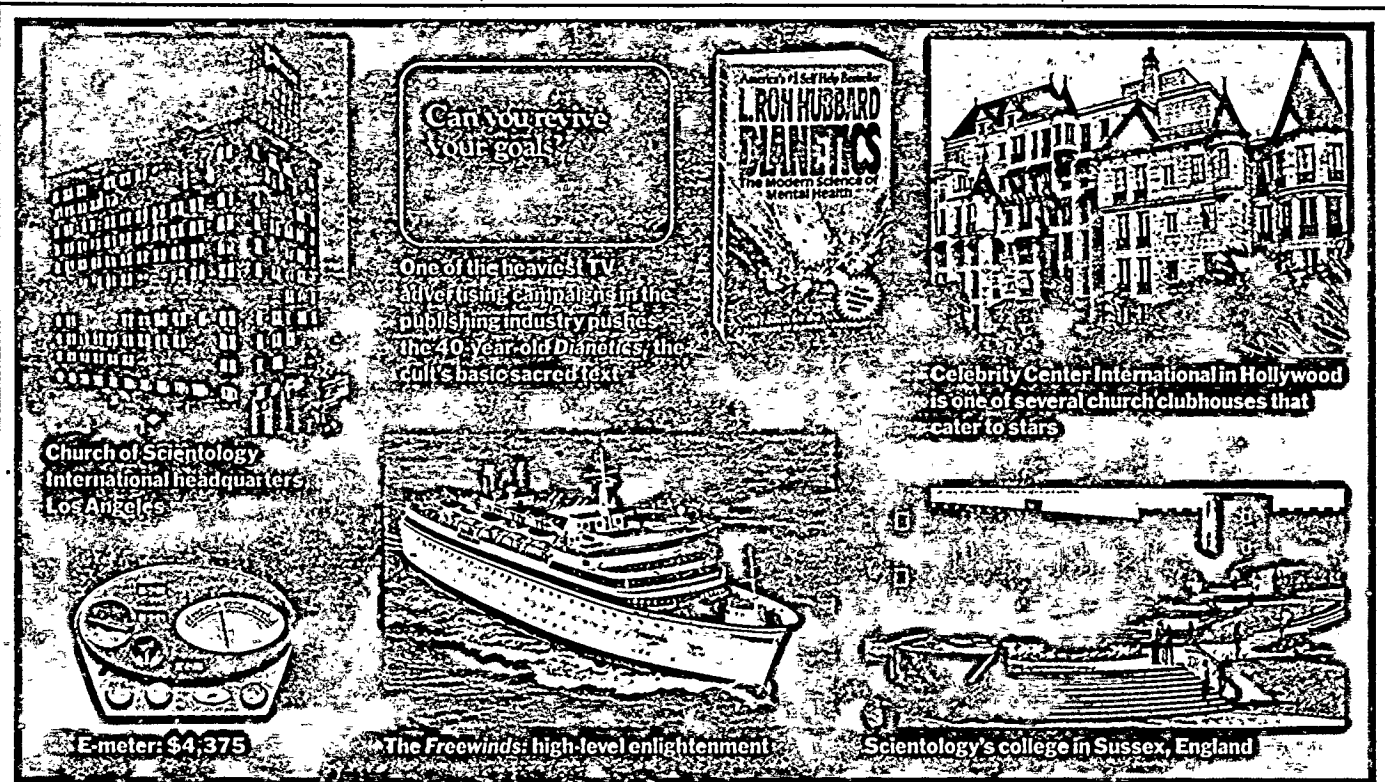
Critics pan most of Hubbard's books as unreadable, while defectors claim that church insiders are sometimes the real authors. Even so, Scientology has sent out armies of its followers to buy the group's books at such major chains as B. Dalton's and Waldenbooks to sustain the illusion of a best-selling author. A former Dalton's manager says that some books arrived in his store with the chain's price stickers already on them, suggesting that copies are being recycled. Scientology claims that sales of Hubbard books now top 90 million worldwide. The scheme, set up to gain con-



THE ROWE FAMILY SPENT \$23,000 on Dianetics treatment. Like many dentists, Glover Rowe was drawn in by Sterling Management, which does not publicize its ties to Scientology.

companies claimed that Feshbach operatives have spread false information to government agencies and posed in various guises—such as a Securities and Exchange Commission official—in an effort to discredit their companies and drive the stocks down. Michael Russell, who ran a chain of business journals, testified that a Feshbach employee called his bankers and interfered with his loans. Sometimes the Feshbachs send private detectives to dig up dirt on firms, which is then shared with business reporters, brokers and fund managers.

The Feshbachs, who wear jackets bearing the slogan "stock busters," insist they run a clean shop. But as part of a current probe into possible insider stock trading, federal officials are reportedly investigat-



verts and credibility, is coupled with a radio and TV advertising campaign virtually unparalleled in the book industry.

Scientology devotes vast resources to squelching its critics. Since 1986 Hubbard and his church have been the subject of four unfriendly books, all released by small yet courageous publishers. In each case, the writers have been badgered and heavily sued. One of Hubbard's policies was that all perceived enemies are "fair game" and subject to being "tricked, sued or lied to or destroyed." Those who criticize the church—journalists, doctors, lawyers and even judges—often find themselves engulfed in litigation, stalked by private eyes, framed for fictional crimes, beaten up or threatened with death. Psychologist Margaret Singer, 69, an outspoken Scientology critic and professor at the University of California, Berkeley, now travels regularly under an assumed name to avoid harassment.

After the Los Angeles Times published a negative series on the church last summer, Scientologists spent an estimated \$1 million to plaster the reporters' names on hundreds of billboards and bus placards across the city. Above their names were quotations taken out of context to portray the church in a positive light.

The church's most fearsome advocates are its lawyers. Hubbard warned his followers in writing to "beware of attorneys who tell you not to sue . . . the purpose of the suit is to harass and discourage rather than to win." Result: Scientology has brought hundreds of suits against its perceived enemies and today pays an estimated \$20 million annually to more than 100 lawyers.

One legal goal of Scientology is to bankrupt the opposition or bury it under

paper. The church has 71 active lawsuits against the IRS alone. One of them, *Miscavige vs. IRS*, has required the U.S. to produce an index of 52,000 pages of documents. Boston attorney Michael Flynn, who helped Scientology victims from 1979 to 1987, personally endured 14 frivolous lawsuits, all of them dismissed. Another lawyer, Joseph Yanny, believes the church "has so subverted justice and the judicial system that it should be barred from seeking equity in any court." He should know: Yanny represented the cult until 1987, when, he says, he was asked to help church officials steal medical records to blackmail an opposing attorney (who was allegedly beaten up instead). Since Yanny quit representing the church, he has been the target of death threats, burglaries, lawsuits and other harassment.

Scientology's critics contend that the U.S. needs to crack down on the church in a major, organized way. "I want to know, Where is our government?" demands Toby Plevin, a Los Angeles attorney who handles victims. "It shouldn't be left to private litigators, because God knows most of us are afraid to get involved." But law-enforcement agents are also wary. "Every investigator is very cautious, walking on eggshells when it comes to the church," says a Florida police detective who has tracked the cult since 1988. "It will take a federal effort with lots of money and manpower."

So far the agency giving Scientology the most grief is the IRS, whose officials have implied that Hubbard's successors may be looting the church's coffers. Since 1988, when the U.S. Supreme Court upheld the

revocation of the cult's tax-exempt status, a massive IRS probe of church centers across the country has been under way. An IRS agent, Marcus Owens, has estimated that thousands of IRS employees have been involved. Another agent, in an internal IRS memorandum, spoke hopefully of the "ultimate disintegration" of the church. A small but helpful beacon shone last June when a federal appeals court ruled that two cassette tapes featuring conversations between church officials and their lawyers are evidence of a plan to commit "future frauds" against the IRS.

The IRS and FBI have been debriefing Scientology defectors for the past three years, in part to gain evidence for a major racketeering case that appears to have stalled last summer. Federal agents complain that the Justice Department is unwilling to spend the money needed to endure a drawn-out war with Scientology or to fend off the cult's notorious jihads against individual agents. "In my opinion the church has one of the most effective intelligence operations in the U.S., rivaling even that of the FBI," says Ted Gunderson, a former head of the FBI's Los Angeles office.

Foreign governments have been moving even more vigorously against the organization. In Canada the church and nine of its members will be tried in June on charges of stealing government documents (many of them retrieved in an enormous police raid of the church's Toronto headquarters). Scientology proposed to give \$1 million to the needy if the case was dropped, but Canada spurned the offer. Since 1986 authorities in France, Spain and Italy have raided more than 50 Scientology centers. Pending suits against

The Scientologists and Me

more than 100 of its overseas church members include fraud, extortion, capital flight, coercion, illegally practicing medicine and taking advantage of mentally incapacitated people. In Germany last month, leading politicians accused the cult of trying to infiltrate a major party as well as launching an immense recruitment drive in the east.

Sometimes even the church's biggest zealots can use a little protection. Screen star Travolta, 37, has long served as an unofficial Scientology spokesman, even though he told a magazine in 1983 that he was opposed to the church's management. High-level defectors claim that Travolta has long feared that if he defected, details of his sexual life would be made public. "He felt pretty intimidated about this getting out and told me so," recalls William Franks, the church's former chairman of the board. "There were no outright threats made, but it was implicit. If you leave, they immediately start digging up everything." Franks was driven out in 1981 after attempting to reform the church.

The church's former head of security, Richard Aznaran, recalls Scientology ringleader Miscavige repeatedly joking to staffers about Travolta's allegedly promiscuous homosexual behavior. At this point any threat to expose Travolta seems superfluous: last May a male porn star collected \$100,000 from a tabloid for an account of his alleged two-year liaison with the celebrity. Travolta refuses to comment, and in December his lawyer dismissed questions about the subject as "bizarre." Two weeks later, Travolta announced that he was getting married to actress Kelly Preston, a fellow Scientologist.

Shortly after Hubbard's death the church retained Trout & Ries, a respected, Connecticut-based firm of marketing consultants, to help boost its public image. "We were brutally honest," says Jack Trout. "We advised them to clean up their act, stop with the controversy and even to stop being a church. They didn't want to hear that." Instead, Scientology hired one of the country's largest p.r. outfits, Hill and Knowlton, whose executives refuse to discuss the lucrative relationship. "Hill and Knowlton must feel that these guys are not totally off the wall," says Trout. "Unless it's just for the money."

One of Scientology's main strategies is to keep advancing the tired argument that the church is being "persecuted" by anti-religionists. It is supported in that position by the American Civil Liberties Union and the National Council of Churches. But in the end, money is what Scientology is all about. As long as the organization's opponents and victims are successfully squelched, Scientology's managers and lawyers will keep pocketing millions of dollars by helping it achieve its ends. □

Strange things seem to happen to people who write about Scientology. Journalist Paulette Cooper wrote a critical book on the cult in 1971. This led to a Scientology plot (called Operation Freak-Out) whose goal, according to church documents, was "to get P.C. incarcerated in a mental institution or jail." It almost worked: by impersonating Cooper, Scientologists got her indicted in 1973 for threatening to bomb the church. Cooper, who also endured 19 lawsuits by the church, was finally exonerated in 1977 after FBI raids on the church offices in Los Angeles and Washington uncovered documents from the bomb scheme. No Scientologists were ever tried in the matter.

For the TIME story, at least 10 attorneys and six private detectives were unleashed by Scientology and its followers in an effort to threaten, harass and discredit me. Last Oct. 12, not long after I began this assignment, I planned to lunch with Eugene Ingram, the church's leading private eye and a former cop. Ingram, who was tossed off the Los Angeles police force in 1981 for alleged ties to prostitutes and drug dealers, had told me that he might be able to arrange a meeting with church boss David Miscavige. Just hours before the lunch, the church's "national trial counsel," Earle Cooley, called to inform me that I would be eating alone.



Church attorney Cooley

Alone, perhaps, but not forgotten. By day's end, I later learned, a copy of my personal credit report—with detailed information about my bank accounts, home mortgage, credit-card payments, home address and Social Security number—had been illegally retrieved from a national credit bureau called Trans Union. The sham company that received it, "Educational Funding Services" of Los Angeles, gave as its address a mail drop a few blocks from Scientology's headquarters.

The owner of the mail drop is a private eye named Fred Wolfson, who admits that an Ingram associate retained him to retrieve credit reports on several individuals. Wolfson says he was told that Scientology's attorneys

"had judgments against these people and were trying to collect on them." He says now, "These are vicious people. These are vipers." Ingram, through a lawyer, denies any involvement in the scam.

During the past five months, private investigators have been contacting acquaintances of mine, ranging from neighbors to a former colleague, to inquire about subjects such as my health (like my credit rating, it's excellent) and whether I've ever had trouble with the IRS (unlike Scientology, I haven't). One neighbor was greeted at dawn outside my Manhattan apartment building by two men who wanted to know whether I lived there. I finally called Cooley to demand that Scientology stop the nonsense. He promised to look into it.

After that, however, an attorney subpoenaed me, while another falsely suggested that I might own shares in a company I was reporting about that had been taken over by Scientologists (he also threatened to contact the Securities and Exchange Commission). A close friend in Los Angeles received a disturbing telephone call from a Scientology staff member seeking data about me—an indication that the cult may have illegally obtained my personal phone records. Two detectives contacted me, posing as a friend and a relative of a so-called cult victim, to elicit negative statements from me about Scientology. Some of my conversations with them were taped, transcribed and presented by the church in affidavits to TIME's lawyers as "proof" of my bias against Scientology.

Among the comments I made to one of the detectives, who represented himself as "Harry Baxter," a friend of the victim's family, was that "the church trains people to lie." Baxter and his colleagues are hardly in a position to dispute that observation. His real name is Barry Silvers, and he is a former investigator for the Justice Department's Organized Crime Strike Force.

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