

Church of Scientology International
Office of the President



February 24, 1994

James McGovern
Assistant Commissioner (EP/EO)
Internal Revenue Service
1111 Constitution Ave., N.W.
Washington D.C. 20224

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HUB LAW OFFICES

Re: F.A.C.T.Net, Inc.

Dear Jim,

Information has come to my attention concerning an organization which is either in the process of seeking tax exemption under section 501(c)(3) of the Internal Revenue Code, or shortly will be seeking such exemption. As the organization is located in Golden, Colorado, its application should have been, or shortly will be, filed with the Dallas IRS District.

This organization, "Fight Against Coercive Tactics Network" or "F.A.C.T.Net, Inc." ("FACTNET"), puts up a thin veneer of charitable and educational purposes to disguise its true purpose: to serve as a vehicle for certain individuals with a fanatical hatred of the Scientology religion to carry out a malicious smear campaign against members of the Scientology religion. This organization is closely affiliated with the Cult Awareness Network ("CAN") which I have written to you about previously. The purpose of this letter is to provide you with information which must be taken into consideration when reviewing any application by FACTNET for tax exemption.

FACTNET was originally incorporated on July 7, 1993 as "FACT," and changed its name to "FACTNET" on December 14, 1993. Its articles of incorporation state that the corporation "is organized exclusively for charitable, educational and scientific purposes...." (Exhibit A) The articles also state that "the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code...." However, FACTNET's true activities bear no relationship to any of

the purposes permitted under section 501(c)(3).

FACTNET was founded by two former Scientologists, Gerry Armstrong and Larry Wollersheim, who have been zealots against the Scientology religion for many years. Their actions were described in the Church's November 1992 submission to former Assistant Commissioner EP/EO, John Burke. (See pages 10-36 through 10-47 on Armstrong; pages 10-49 through 10-51 on Wollersheim.) Armstrong was earlier involved in a scheme to forge documents and get them planted on Church premises as part of a plot to overthrow Church management. More recently, he has been quoted in the press expressing his opposition to the use of currency as the basis for the economy, as the self-proclaimed founder of the "Organization of United Renunciants." (Exhibit B) Wollersheim is similarly delusional. He once accused the IRS of being in league with other federal agencies which are running Scientology as an intelligence experiment, and which would temporarily "rough up" the Church to help maintain its "cover." (Exhibit C)

Armstrong's and Wollersheim's conspiracy to attack the Scientology religion through FACTNET is a direct violation of a preliminary injunction entered on May 28, 1992 which enjoins "Gerald Armstrong, his agents, and persons acting in concert or conspiracy with him" from, among other things:

"Voluntarily assisting any person (not a governmental organ or entity) intending to make, intending to press, intending to arbitrate, or intending to litigate a claim against [various organizations and individuals affiliated with the Scientology religion as specified in the preliminary injunction]."

"Voluntarily assisting any person (not a governmental organ or entity) arbitrating or litigating a claim against [various organizations and individuals affiliated with the Scientology religion as specified in the preliminary injunction]."

I am attaching a copy of a brochure published by FACTNET which was mailed broadly to members of the Church. One of the avowed purposes of this mailing is "to assist ongoing civil or criminal litigation..." which places the mailing squarely within the terms of the preliminary injunction. Indeed, a version of this brochure has already been filed in and has been used as a central part of the defense in litigation in which Church of Scientology International is a party. Moreover, Larry

Wollersheim has been in constant litigation with the Church since 1979. There is no doubt that Wollersheim's significant financial interest in his own litigation against the Church is a major, if not the primary, motivating factor behind his attacks on the Church through FACTNET.

A reading of the entire FACTNET mailing reveals that it is a thinly disguised attempt to foment litigation against the Church of Scientology with a plethora of false, sensational allegations.

FACTNET describes itself in this mailing as a "nonaligned, nonprofit, research and educational public service consisting of an electronic lending library, electronic mail service, and electronic news transfer service." (Exhibit D) Yet the text of this brochure is rife with false and malicious claims, revealing the true purposes and activities of the organization. As I advised you in earlier correspondence regarding CAN, that organization's original application for tax exemption was denied because the Service found that CAN was not an "educational" organization because it did not provide a full and fair exposition of the facts. Following its review of CAN's literature the Service stated "a significant portion of your viewpoints are not supported by relevant facts ... and disparaging statements about organizations and individuals ... were based on unsupported opinions or incomplete facts. Your publications did not present a sufficiently full and fair exposition of the pertinent facts as to permit an individual or the public to form an independent opinion or conclusion." FACTNET's literature presents the same picture. FACTNET is not an "educational" organization. Its literature does not present the fair exposition of the facts required by 501(c)(3).

For example, it contains the absurd contention that in order to obtain tax exemption for the Churches of Scientology, Mr. David Miscavige had to admit to criminal conduct on the part of Mr. L. Ron Hubbard. You know for yourself that nothing could be further from the truth. That's just the beginning.

The mailing purports to solicit information concerning a list of 112 individuals who were allegedly murdered, ordered to commit suicide, had nervous breakdowns or threatened suicide as a result of their affiliation with the Church of Scientology -- an unbelievable pack of lies which could not be further from the truth. Scientologists have never been associated with murder and are well known for a very anti-suicidal stance.

The fact of mailing this document, in and of itself, is

outrageous, clearly designed to upset and cause suffering to members of the Scientology religion on a broad scale. It is as if an arm of the Ku Klux Klan culled the obituary notices for Jewish names and then sent a mailing to synagogue members asking if they had any information regarding the mysterious deaths of those people, claiming their deaths resulted from their affiliation with the Jewish faith. This mailing is as charitable and educational as spray-painting swastikas on synagogue walls.

Maligning a religion by listing the alleged deaths of a number of its members over a 40-year period is grotesque. Moreover, of the 112 items on the list, 60 do not describe deaths at all. Six of the people listed are listed twice and 20 of the listings do not even identify the person allegedly involved by name, using instead such statements as "an individual (name unknown)" or "a man in LA." At least seven of the items on their face indicate death by natural causes.

A closer examination of the allegations in this brochure shows that they consist of the worst form of attack by falsehood and innuendo. FACTNET's allegations are designed to hold the Church, its leaders and its parishioners in the worst possible light and have forced the Church to consume a tremendous amount of time and energy in an effort to discover the truth behind them in order to defend ourselves. This information is precisely the kind of "disparaging statements about organizations and individuals ... based on unsupported opinions or incomplete facts" that led the Service to initially deny exemption to CAN. The following are a few examples:

- a. Exemplifying the unsupportable and malicious nature of FACTNET's assault on the Church and on senior Scientologists is the implication of wrongdoing by Mr. Miscavige in the death of his mother-in-law, Mary Florence Barnett. This is a pernicious effort to exploit a family tragedy and shows that FACTNET's principals have absolutely no sense of decency. As reflected in the medical examiner's records and sworn testimony (which FACTNET has), Ms. Barnett was despondent after failing to fully recover from a brain operation when she took her own life. There was no argument between them as claimed. In fact, Mr. Miscavige had not been in communication with his mother-in-law for some years prior to her tragic death, his only involvement in the matter was consoling his grief-stricken wife.

b. Under the heading of "other deaths while an individual was associated with Scientology" is the name John Peterson. Mr. Peterson was an attorney for the Church who died of a heart attack while at his home. Apparently the only reason Mr. Peterson is on this list is because he represented the Church. Yet, FACTNET has placed his name in the context of a "chilling story," "coverups" and "calamities."

c. One falsehood which has long since been discredited is the fabricated claim by one Steven Fishman that he was ordered to commit suicide by the Church. He made such a claim following his arrest on charges of mail fraud to which he ultimately pleaded guilty and served a federal prison term. While FACTNET reports this suicide claim as factual, Fishman was convicted on a charge of obstruction of justice for perpetrating this very lie, a crime for which he was also sentenced to prison, along with the underlying mail fraud charges.

d. And on a personal level, the FACTNET allegation that is particularly offensive to me is the false charge that my wife, Yvonne Jentzsch, was denied medical treatment and was allegedly induced to commit suicide due to problems she was supposedly having with me and with Mr. Hubbard. There is not one word of truth to these claims. My wife was suddenly stricken with what appeared to be a stroke. After performing several tests at hospitals on both coasts, it was finally discovered that she was suffering from a form of cancer, which at the time of her death in Morton Plant Hospital in Florida, was medically untreatable. I stayed by her side to the very end and she died in my arms. She was loved by a great many Scientologists, including and especially by Mr. Hubbard. FACTNET's implications concerning the circumstances of her death are a perfidious and vile assault on her good name, mine and Mr. Hubbard's.

The above are only a few examples. The rest of the brochure is similarly rife with lies. The Church only became aware of the existence of FACTNET and its malicious campaign of slander and innuendo when several Church members reported receiving this brochure in the mail and it became necessary to respond to these scurrilous accusations. This involved having to search out the individuals named in the brochure, some of whom were never even Scientologists and some of whom were impossible to identify from

the limited information provided by FACTNET. The results of this search so far prove that the brochure is a compendium of false allegations, generalities and innuendo. The tactic of calling it a "questionnaire" which is part of an "investigation" is a transparent attempt to conceal its true purpose -- to defame and malign the Scientology religion and its members and spread turmoil and upset among Church membership.

Needless to say, individuals who were named in this list whom we have contacted were appalled to learn that this false and malicious information was being circulated widely without their knowledge or consent. The purpose of distributing such a vicious and libellous mailing could not possibly be "educational" or "charitable." It is nothing more than hate propaganda.

The motives of FACTNET also show through the veneer in the kind of information being solicited from subscribers. For example: "How might we locate or contact the parents or non-Scientology families of the senior Scn executives?" What other purpose could it have for soliciting this information other than to terrorize and harass the families of Church leaders?

FACTNET attempts to cloak its hate-mongering by using pseudo-scientific terminology such as "coercive persuasion." Such "theories," supported by Margaret Singer and others, have been utterly rejected by the courts (U.S. v. Fishman, 743 F.Supp. 713, 717 (N.D.Cal 1990)), and have been disclaimed by the American Psychological Association and the American Sociological Association.

The primary purpose of FACTNET is to attack the Scientology religion and the Church's members. Any doubt of this fact is put to rest with a letter dated January 20, 1994 from Lawrence Wollersheim on behalf of the organization to the County Property Tax Department in Clearwater, Florida. Based on the IRS's recognition of tax-exempt status to Church of Scientology Flag Service Organization, settlement was recently reached with the county property tax officials regarding that Church's qualification for property tax exemption. Having gotten wind of this favorable settlement, Wollersheim wrote to the county officials imploring them not to go through with the settlement and stating that FACTNET "shortly ... will have all 12,000 pages of the IRS ruling scanned into our searchable computer data base" for the purpose of using former members of the Church "and possibly several former high ranking IRS officials" to re-examine "this data base for fraud in Scientology's application."

The county officials were obviously not too impressed with Wollersheim's offer, as the settlement is now complete with the Church recognized as exempt with respect to most of its properties.

And the latest turn of events, an attempted extortion of the Church by Los Angeles attorney Graham Berry, claiming to represent Wollersheim and his cronies, proves the real intent of this scam. Berry demanded tens of millions of dollars from the Church to prevent further dissemination of this material in civil litigation and to government agencies, including the IRS, while admitting it was intended solely to create "PR problems" and to harass the Church into paying money.

As a front group for CAN, another of FACTNET's nefarious purposes is to serve as a referral service for deprogrammers. "Deprogramming" is a process in which bigoted or mercenary individuals use force and coercion to dissuade a person from his religious beliefs. It very often involves kidnapping and holding the person against his will and acts of violence as part of the process. FACTNET's articles of incorporation state, "Our sixth purpose is to support the networking and subject related efforts of individuals or organizations for whom having, sharing, and using this information on coercive psychological influence technology is critical to stopping, recovering from, helping others recover from, or preventing abuse in this area." This psycho-babble is meant to conceal another aspect of FACTNET's activities. "Helping others to recover" from alleged psychological influence is merely a euphemism for assisting deprogrammers to violate the rights of members of religions by criminally seizing them and attempting to change their beliefs through coercion. This is done for large fees, and I have no doubts that FACTNET intends to use its computerized bulletin board as a computerized referral network for deprogrammers in exchange for the referral fees.

Neither the pursuit of an extortion scheme nor religious bigotry are educational or charitable activities.

As set forth in my recent letter to you concerning CAN, there is strong evidence that FACTNET is simply a "high tech" appendage to CAN and its deprogramming-for-hire referral service. That letter set forth numerous examples of CAN-influenced deprogrammers having been arrested for kidnapping, assault and other crimes in connection with these activities. Galen Kelly, CAN's security chief for many years, for example, was convicted and sentenced to 7 1/2 years in prison in March of 1993 for

kidnapping in connection with a deprogramming attempt by him in May of 1992. CAN's involvement in that deprogramming was well documented in the evidence of the case.

CAN's relationship with FACTNET is also well-established. For example, provision four of FACTNET's Articles of Incorporation, regarding the distribution of assets on dissolution, states as follows:

"Assets will be divided equally between Cult Awareness Network, 2421 W. Pratt St., Suite 1173, Chicago, IL 60021 and American Family Foundation, P.O. Box 336, Weston, MA 02193." (Exhibit A)

In addition to demonstrating FACTNET's close association with CAN, this dissolution clause also fails to meet the organizational test under section 501(c)(3), as there is no guarantee that either CAN or American Family Foundation (another hate group also affiliated with CAN) will continue to qualify for exemption. Indeed, as demonstrated by my letters to you concerning CAN, it does not qualify for exemption.

Additionally, CAN and FACTNET share a common board member, Kent Burtner, a long-time opponent of new religions.

Lawrence Wollersheim, one of FACTNET's founders, attended CAN's annual convention in November 1993. While there, he promoted the computerized bulletin board service offered by FACTNET for \$1000 per applicant. Additionally, CAN Board member Paul Martin promoted FACT in the speech he gave at the convention, encouraging CAN members to support it. Wollersheim has a long history of shady money-making schemes and this time has combined making money directly with his vendetta against Scientology. These are not exempt purposes or activities.

FACTNET does not qualify for tax exemption. It is seeking to use 501(c)(3) status to have the government in effect fund its campaign of hate and bigotry through tax exempt contributions. Its application for tax exemption should be rejected.

Please let me know if I can provide additional information in connection with these matters.

James McGovern

February 24, 1994

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Thank you very much for your consideration.

Sincerely,

Heber C. Jentsch

HCJ:mfh

Enc.