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**F I L E D**

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CLERK, U. S. DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
BY DEPUTY

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

JANY LEE PETERSON )  
RICHARD LEE PETERSON )  
Plaintiffs. )

CASE No: V 81 3259 t CBM (Kx)  
FIRST / AMENDED COMPLAINT  
FOR DAMAGES.

vs

CHURCH OF SCIENTOLOGY OF  
CALIFORNIA,  
RON HUBBARD )  
MARY SUE HUBBARD )  
Defendants. )

I.

JURISDICTION

1. The jurisdiction of this court arises under  
TITLE 28 UNITED States. Code Section 1332, ; Title 29  
lle 29 United States  
Code ggggibn 206, and Title 18 United States Code Section 1964. %

II.

PARTIES -, PLAINTIFFS

2. At all times material hereto, the plaintiffs were,  
residents of the state of Nevada, plaintiffs "are husband and  
wife.

III.

PARTIES - DEFENDANT

3. Defendant, Church of Scientology of California, (Scientology) is a corporation organized and existing under the laws of California, having a principal office and place of business in the City of Los Angeles, State of California, is doing business and operating in most states in the United States including California and Nevada and holding itself out to be a law-abiding, legitimate, scientific, religious, educational, non-profit organization.

4. At all times material hereto, material hereto, the individuals mentioned herein, Bob Harvey, Mary Gay, Jack Gay, Gary Klinger, Meryl Woodruff, Bruce Hamilton, Steve Thompson, Barbara O. Neil, Bpb Kosall, Lee Landers, and other named and unnamed Scientologists were acting as employees for Scientology and within the scope of their employment.

5. Individual defendant, L. Ron Hubbard, has a last, first, and usual residence in the City of Los Angeles, State of California. He is the; -Founder and Controller of the -Church of Scientology or California and all other Scientology organizations nationwide.

6. Defendant, Hubbard, is by virtue of his role as the founder, and leader of scientioav, overall supervisor of the Guardian's Office. He is in control of the Church, and through his underlings has engaged in numerous fraudulent schemes to conceal this fact in order to protect him from legal liability for his actions. Hubbard has held various executive positions in various Churches and has been on the Board of Directors of

various Churches, but he does not use or need titles to assert his control. For many years, Hubbard and the Church have falsely represented that Hubbard is an engineer and nuclear physicist with degrees from Princeton and George Washington University.

7. individual defendant, Mary Sue Hubbard, has a last and usual residence in the City of Los Angeles, State of California. Mary Sue Hubbard is the chief executive and highest official title holder of Scientology. She operates and controls the organization under the direct control of L. Ron Hubbard.

8. L. Ron Hubbard and Mary Sue Hubbard throughout the period set forth in this First Amended Complaint have been engaged in illegal and criminal activities designated to perpetrate a nationwide scheme of fraud and infliction of personal injury. As a result, they have established a nomadic lifestyle for the specific purpose of avoiding legal process.

9. L. Ron Hubbard and Mary Sue Hubbard operate, control, and maintain Scientology for various illegal and fraudulent purposes, including the illegal and criminal activity set forth in this First Amended Complaint. L. Ron Hubbard and Mary Sue Hubbard are in the business of committing tortious acts in the State of Nevada through Scientology as their agent, including inter alia, the specific allegations in this First Amended Complaint.

10. Scientology is the parent corporation for all Scientology corporations throughout the United States. It controls the Church of Scientology of Nevada, Inc. ("Nevada")

which was incorporated in 1978. Prior to 1978, California did business in Nevada without using a separate corporation as a straw.

11. Nevada now acts as an agent/subsidiary for Scientology and conducts business in the State of Nevada on behalf of the California corporation.

12. Scientology does business in Nevada in the following manner:

(a) Scientology directly solicits business in Nevada. It does so through its local subsidiary, Nevada and directly through the mails and by sending sales agents there.

(b) Scientology maintains several different control networks in Nevada. These networks consist of resident agents whose responsibilities run directly to Scientology, and who receive orders from Scientology and enforce them in Nevada with fines and military discipline.

(c) Scientology controls the flow of monies of Nevada and the manner and percentages by which said monies will be distributed.

(d) One of these networks is the "Flag" network. Flag agents exist in Nevada. They enforce standardization of practices and administration. They insure that Nevada pays a percentage of gross income to Scientology. They recruit personnel to work for Scientology.

(e) Another network is called the "Guardian's Office" ("G.O."). G.O. agents from Nevada are directly responsible for covert and illegal activities which have been perpetrated in the State of Nevada on behalf of the California



church.

(f) G.O. agents and Flag agents in Nevada carry out their responsibilities by using the threat of disciplinary measures and levying of fines.

(g) Scientology sends agents directly to Nevada to enforce policies, make personnel changes or work assignments and to carry out disciplinary measures, and to deal with other particular problems.

(h) Nevada regularly pays a substantial part of its gross income to various entities of Scientology. These payments are made in exchange for no consideration.

(i) Nevada is absolutely forbidden to pursue independent pricing policies or to offer for sale any products or services except those authorized by Scientology.

(j) Nevada maintains a Telex communication link to Scientology. The Telex is used on a daily basis for transmission of secret information and receipt of orders from Scientology.

(k) Nevada has, on several occasions, acted as agent for Scientology in matters having nothing to do with Nevada.

(l) Personnel are regularly transferred into and out of Nevada on orders from "Flag"

(m) Scientology receives direct payments of funds from Nevada, requires periodic financial reports, and prepares the tax returns of Nevada.

IV.

FACTUAL ALLEGATIONS

13. At all times material hereto, the individual defendants and the corporate defendants held themselves out to the plaintiffs to be part of a legitimate, law abiding, scientific, educational organization engaged in the business of providing goods and services as a non-profit organization wherever they were authorized by law to do business. Defendants perpetrated the acts set forth in this First Amended Complaint as a matter of written policy, composed, implemented and enforced by the individual defendant, L. Ron Hubbard, and specifically implemented against the plaintiffs by the employees of Hubbard and the corporate defendant pursuant to the written directives and policy of Hubbard. The policies, doctrines and conduct alleged herein constitute a civil conspiracy by the defendants to commit the torts set forth herein.

14. The "religious" posture of Scientology is a fraudulent posture adopted by Hubbard purely for purposes of evading taxes and escaping legal liability and achieving other legal benefits. Hubbard instructed all of his followers to refer to themselves as a religion; but told them at the same time that the term "religion" was for the lawyers and accountants only. Hubbard's sole purpose is, and always has been, to make money.

15. In its basic operation, the Church of Scientology is fundamentally commercial. Services are never given away, but always sold. Employees are trained in sales techniques. Credit is extended for services, and "debts" are aggressively

collected with threats of litigation. The entire process of auditing exists and is offered to the public solely (1) to make money, (2) to obtain confidential information to later be used for extortion and blackmail, (3) to create isolation and psychological weakness in the victim, so as to render him more vulnerable to subsequent pleas for money.

16. In or about March of 1975, in the City of Las Vegas, defendants, through written and oral representations of their employees and in various publications written by Ron Hubbard and distributed via the mails in Nevada by

Scientology, made the following representations to the plaintiffs:

- a. Scientology was an educational, scientific, non-profit organization, dedicated the well being of mankind and engaged in lawful, educational and scientific research, study and business practices;
- b. Scientology would free plaintiffs and others from mental and emotional problems;
- c. Scientology would provide permanent, lasting personal gains for plaintiffs and others;
- d. Scientology would free plaintiffs and others from the effects of drugs;
- e. Scientology would raise plaintiffs' I.Q. and the I.Q. of others;
- f. Scientology would cure plaintiff, Jane Peterson's nervousness and hypoglycemia;
- g. Scientology reduces crime and rehabilitates criminals;

1 h. Scientology solves problems that present,  
2 obstruct world peace;

3 i. Scientology cures any health problems or  
4 diseases; and

5 j. Scientology promotes family unity and pre-  
6 serves marriages.

7 17. Defendants stated that if plaintiff, Jane  
8 Peterson signed a Scientology contract to work for them she  
9 would benefit as follows:

10 a. That she would study two and one-half (2 1/2)  
11 hours per day, five (f) days per week and receive a  
12 process called "auditing" at one half price;

13 b. That she need not be concerned about paying  
14 large amounts of money for "auditing" from her and  
15 her husband's savings accounts because "saving money  
16 was psychotic" when she would be able to make as  
17 much as she wanted from the abilities she gained  
18 through auditing;

19 c. That she would work five (5) days per week,  
20 eight (8) hours per day with two days off;

21 d. That she would receive a substantial paycheck;

22 18. Defendants additionally represented to the  
23 plaintiff that Hubbard, the founder of Scientology;

24 a. Graduated from George Washington University;

25 b. Received degrees from Sequoia University  
26 and Princeton University;

27 c. That he was a nuclear physicist.  
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1 19. Defendants represented that if plaintiffs under-  
2 took "auditing", all information disclosed would remain  
3 confidential and they would receive the following benefits,  
4 which defendants claimed were scientifically guaranteed:

5 a. it would free them from all mental and  
6 emotional problems:

7 b. heal wounds and injuries quickly;

8 c. raise their I.Q. level;

9 d. free plaintiffs from neuroses;

10 e. prevent plaintiffs from contracting colds;

11 f. improve plaintiffs' eyesight;

12 g. increase plaintiffs' career opportunities;

13 h. raise the I.Q. level of plaintiffs' children;

14 and

15 i. cure plaintiff, Jane Peterson's, nervousness  
16 and hypoglycemia.

17 20. Defendants further represented to plaintiffs  
18 that the Church of Scientology had a "creed" and showed them  
19 copies of the "creed" which stated that the Church promoted  
20 family harmony, marital unity, and brotherhood. These rep-  
21 resentations were false and were made maliciously with the  
22 intent of getting the plaintiffs' money, and services, and  
23 were not believed to be true by the defendants when they were  
24 made. In fact, the defendants have adopted and pursued a  
25 policy termed "disconnect" by which they actively seek to  
26 destroy and smash apart family and marital relationships in

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1 order to increase income and prevent parents, relatives,  
2 and spouses from interfering with Scientology.

3 21. Relying upon these representations, many of  
4 which plaintiffs were shown in writing, and believing them  
5 to be true, plaintiffs undertook auditing and other courses  
6 for which plaintiff Jane Peterson paid the sum of \$10,000.00  
7 between March of 1975 and August 1976, and Plaintiff Richard  
8 Peterson paid the sum of \$7,000.00 between April of 1975 and  
9 April of 1976.

10 22. "Auditing" is a malicious form of mind control  
11 employed by the defendants to extract information, money and  
12 services from people such as the plaintiffs, by creating and  
13 fostering emotional and psychological submission to Scientology.  
14 During auditing, the plaintiffs held two tin cans in their hands.  
15 The cans were wired to a meter called an "E-Meter", which  
16 measured resistance of a small electrical current across the  
17 palms of the hands. It is a crude form of a lie detector.  
18 Plaintiffs were questioned about every significant aspect of  
19 their lives including sexual history, family history, crimes,  
20 use of drugs, etc. Relying upon the representations set forth  
21 in paragraphs 13, 16, 17, 18, 19 and 20, particularly that of  
22 confidentiality, the plaintiffs disclosed every significant  
23 detail of their lives to the defendants.

24 23. The auditing process provided none of the  
25 benefits promised to the plaintiffs. In fact, plaintiffs  
26 became sick, depressed, emotionally unstable, angry and nervous.  
27 As the auditing process continued and plaintiffs became more  
28 and more depressed and emotionally unstable, defendants

1 continually stated to them that the benefits would occur very  
2 shortly and that they needed only to receive more auditing  
3 for which they kept paying money.

4 Finally, defendants stated to plaintiffs that in order  
5 for all of the promised benefits to occur, plaintiffs had to  
6 join Scientology as full time employees and devote all their  
7 time to Scientology.

8 24. In August of 1976, plaintiff, Jane Peterson,  
9 confused, emotionally unstable and depressed, and relying on the  
10 representations made to her began working for Scientology.

11 25. Over a period of time plaintiffs learned that  
12 the information given during auditing was being "written up"  
13 and given to different employees of the defendants. These  
14 employees included the Guardian's Office. The G.O. is the  
15 secret police force of Scientology.

16 26. After working for California for a period of  
17 months, plaintiff Jane Peterson was informed by defendants  
18 that she needed more auditing in order to gain the promised  
19 benefits and in order to alleviate severe headaches which she  
20 was beginning to suffer.

21 27. Plaintiffs then refinanced their home, took the  
22 rest of their savings and paid it to defendants in order to  
23 receive special auditing in Los Angeles. Between August 1976  
24 and February 1978, plaintiff Jane Peterson paid an additional  
25 \$4,462.54 and plaintiff Richard Peterson paid an additional  
26 \$14,675.66 to defendants for auditing.

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1                   28. After the additional auditing failed to provide  
2 the benefits promised to plaintiffs, defendants informed  
3 plaintiff Jane Peterson that the auditing had failed because  
4 she did not provide sufficient work time to Scientology.  
5 When plaintiff, the mother of two small children, stated that  
6 she needed to spend time with her husband and children,  
7 defendants stated that she should "disconnect" from her husband.  
8 "Disconnect" is a written policy of the defendants requiring  
9 divorce and/or severance of all communication with anyone who  
10 poses an obstacle to Scientology. Jane Peterson was ordered to  
11 "write up" all of the problems she had experienced with her  
12 husband and children throughout her eight years of marriage  
13 for purposes of inducing her to get a divorce. It is the  
14 policy of the defendants to induce divorce and break up the  
15 family through the policy of disconnect. This policy is  
16 perpetrated in order to obtain further income and create  
17 greater dependency of people such as the plaintiff on the  
18 defendants.

19                   29. Plaintiffs gradually became aware of and con-  
20 cerned about the vicious and predatory attacks of Scientology  
21 on many people, including loyal Scientologists. Plaintiff met  
22 other former Scientologists who were aware of the vicious,  
23 fraudulent, malicious, criminal aspects of Scientology. In  
24 1979, plaintiff became aware for the first time that the  
25 entire enterprise of Scientology is fraudulent, malicious  
26 and criminal in conception and practice. Plaintiffs learned  
27 that Mary Sue Hubbard and nine of the highest ranking members  
28 of the Church were convicted of various crimes that concerned



1 acts of conspiracy, burglary, larceny, obstruction of justice  
2 and perjury. Plaintiffs experienced extreme emotional distress  
3 when they realized that all of the representations that were  
4 made to them about Scientology were false, and that they had  
5 lost five years of their lives and \$37,000.00. During the  
6 entire period prior to their final departure from Scientology,  
7 the plaintiffs were under a legal disability brought about by  
8 the mind-control and terror tactics of the defendants.

9 30. Finally in July 1980, on the verge of total  
10 emotional collapse plaintiffs left Scientology. Since that  
11 time, they have been continually harassed by the defendants.

12 v.

13 CLAIMS FOR RELIEF

14 FIRST CLAIM FOR RELIEF

15 BREACH OF CONTRACT

16 31. Plaintiffs reallege Paragraphs 1 through 30  
17 hereof and further allege:

18 32. In or about March of 1975, defendants entered  
19 into an oral contract with plaintiffs, wherein defendants  
20 employees, Lee Landers and Meryl Woodruff, promised plaintiffs,  
21 through oral and written representations, that if plaintiffs  
22 joined Scientology and underwent various courses and auditing,  
23 the following benefits were scientifically guaranteed:

24 a. Plaintiffs' I.Q. would be raised;

25 b. Plaintiffs would be free from mental and  
26 emotional problems;

27 c. Plaintiff, Jane Peterson's, nervousness and  
28 hypoglycemia, would be cured;

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d. Plaintiffs' eyesight would improve;

e. Plaintiffs' problem with colds would be resolved;

f. Plaintiffs' career opportunities would be increased;

g. Plaintiffs' physical wounds and injuries would heal faster;

h. Plaintiff, Richard Peterson, would discover the meaning of life after death;

i. Plaintiffs would be provided with permanent lasting personal gains;

j. Plaintiffs would be freed from the effects of drugs;

k. Plaintiffs would have the ability to "be exterior" (leave the body);

33. To further induce plaintiffs into entering an agreement with Scientology, it was also falsely and fraudulently represented to plaintiffs that:

a. Scientology was an educational, scientific, non-profit organization, dedicated to the well-being of mankind and engaged in lawful, educational and scientific research, study and business practices;

b. Scientology reduced crime and rehabilitated criminals;

c. Scientology solved problems that obstruct world peace;

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1 d. L. Ron Hubbard, the Founder of Scientology,  
2 was a nuclear physicist and a graduate of both  
3 Princeton University and George Washington University.

4 34. Defendants' employees, Lee Landers, Meryl  
5 Woodruff and Bob Harvey, falsely and fraudulently represented  
6 that if plaintiffs wanted to gain all the scientifically  
7 guaranteed benefits, they would be required to take courses and  
8 undergo a process called auditing.

9 35. At all times with respect to said contract,  
10 defendants represented to plaintiffs that defendants fully  
11 intended to fulfill the terms of the contract and provide the  
12 aforementioned scientifically guaranteed benefits.

13 36. At all times with respect to said contract,  
14 and during the five years that plaintiffs were in Scientology,  
15 plaintiffs reasonably believed the aforementioned representa-  
16 tions made by defendants, and in reliance thereon advanced to  
17 defendants varying sums of money for courses and auditing,  
18 which sums totalled \$14,462.54 for plaintiff, Jane Peterson,  
19 and \$21,668.66 for plaintiff, Richard Peterson, between 1975  
20 and July 1980.

21 37. Plaintiffs performed all of the terms and  
22 conditions on their agreements on their part, in that plaintiff,  
23 Jane Peterson paid \$14,462.54 to defendants; plaintiff, Richard  
24 Peterson paid \$21,668.66 to defendants; plaintiffs enrolled  
25 and completed the required courses; underwent extensive  
26 auditing; disclosed every personal and significant aspect of  
27 their lives to defendants during auditing, which plaintiffs  
28 were promised would remain confidential; followed every



instruction and recommendation of defendants; read all written documentation provided by defendants; strictly adhered to all the representations and requirements of defendants in order to obtain the scientifically guaranteed benefits; invested five years of their lives in Scientology; forfeited career employment; suffered physical, emotional and mental distress, were placed in fear and trepidation because of the intimidating and harassive tactics of defendants; were required to sign a document indicating that plaintiffs would not file suit against defendants and that they would be reimbursed any monies for which they received no auditing; and had their minds deliberately and maliciously manipulated by defendants to create psychological weakness and vulnerability to all defendants' demands.

38. Defendants breached said contracts in that defendants have kept the \$14,462.54 paid by plaintiff, Jane Peterson, and the \$21,668.66 paid by plaintiff, Richard Peterson, have failed to provide any of the aforementioned scientifically guaranteed benefits to plaintiffs, have breached all confidences regarding plaintiffs' auditing and have engaged in continuous intimidating and harassive tactics against plaintiffs.

39. In or about August of 1976, defendants entered into a second contract with plaintiff, Jane Peterson, wherein defendants' employees, Bob O'Neil, Bob Kosall, Barbara O'Neil, Mary Gay and Bob Harvey, promised that plaintiff would attain all of the aforementioned scientifically guaranteed benefits

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1 if she joined Scientology staff and devoted all her time to  
2 Scientology, and that plaintiff would earn a substantial  
3 salary and receive auditing at one half price.

4 40. At all times with respect to said contract,  
5 defendants represented that they fully intended to fulfill  
6 the terms of the contract.

7 41. At all times with respect to said contract,  
8 plaintiff reasonably believed the representations made by  
9 defendants and in reliance thereon, plaintiff, Jane Peterson,  
10 began working for Scientology for 80 hours per week with  
11 little to no pay.

12 42. Plaintiff performed all of the terms and  
13 conditions of her agreement on her part in that plaintiff  
14 signed two 2 1/2 year "contracts"; worked 80 hours per week;  
15 and devoted all her time to Scientology with little to no  
16 pay, although it was continuously promised that such pay  
17 would be forthcoming if plaintiff applied the policies of  
18 Scientology.

19 43. Defendants breached said contract in that  
20 defendants failed to pay plaintiff a proper salary and failed  
21 to provide the aforementioned scientifically guaranteed  
22 benefits promised to plaintiff.

23 44. As a result of defendants' breach, plaintiffs  
24 were damaged in the amount of One Million (\$1,000,000.00)  
25 Dollars, each.

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VI.

SECOND CLAIM FOR RELIEF

FRAUD

45. Plaintiffs reallege Paragraphs 1 through 44 and further allege:

46. In or about March of 1975, and continuously thereafter until July of 1980, defendants, including defendants employees, Lee Landers and Meryl Woodruff, falsely and fraudulently represented to plaintiffs, through oral and written representations, that if plaintiffs joined Scientology and underwent various courses and auditing, the following benefits were scientifically guaranteed:

- a. Plaintiffs' I.Q. would be raised;
- b. Plaintiffs would be free from mental and emotional problems;
- c. Plaintiff, Jane Peterson's, nervousness and hypoglycemia, would be cured;
- d. Plaintiffs' eyesight would improve;
- e. Plaintiffs' problem with colds would be resolved;
- f. Plaintiffs' career opportunities would be increased;
- g. Plaintiffs' physical wounds and injuries would heal faster;
- h. Plaintiff, Richard Peterson, would discover the meaning of life after death;
- i. Plaintiffs would be provided with permanent, lasting personal gains;



j. Plaintiffs would be freed from the effects of drugs;

k. Plaintiffs would have the ability to "be exterior" (leave the body);

l. If plaintiff, Jane Peterson, joined Scientology as a staff member, she would receive a substantial salary and all of the aforementioned scientifically guaranteed benefits, as well as auditing, at one-half price.

47. To further induce plaintiffs into entering an agreement with Scientology, it was also falsely and fraudulently represented to plaintiffs that:

a. Scientology was an educational, scientific, non-profit organization, dedicated to the well-being of mankind and engaged in lawful, educational and scientific research, study and business practices;

b. Scientology reduced crime and rehabilitated criminals;

c. Scientology solved problems that obstruct world peace;

d. L. Ron Hubbard, the Founder of Scientology, was a nuclear physicist and a graduate of both Princeton University and George Washington University.

48. The representations so made by defendants were secular and false. The true facts were that Scientology courses and auditing could not provide any of the aforementioned scientifically guaranteed benefits; that, in fact, these benefits were not scientifically guaranteed through auditing and

use of the E-Mater as established in the case of U.S. v. Article or Device, 333 F. Supp. 375 (D.Col. 1971); that the true intent of defendants was to take plaintiffs money; that L. Ron Hubbard was not a nuclear physicist and had not attended any universities; that he had not helped develop the atom bomb; and that plaintiff, Jane Peterson, would never be paid a salary for her staff work, but would instead be required to labor excessive hours for little to no pay while defendants reaped all the benefits thereof.

49. When defendants made the aforementioned representations, defendants knew them to be false and made said representations without regard to their truth or falsity. Defendants made said representations with the intent of inducing reliance and dependence on the part of plaintiffs.

50. Plaintiffs were at all times ignorant of the falsity of said representations but believed them to be true. In reliance thereon, plaintiffs paid \$100.00, each, to defendants for the Hubbard Qualified Scientology Course (HQS), purchased all books and course materials needed and began the course. In further reliance thereon, Plaintiff Jane Peterson paid to defendants an additional \$9,900.00 from March of 1975 through August of 1976, and plaintiff Richard Peterson paid to defendants an additional \$6,900.00 from April of 1975 through April of 1976 for various courses and auditing.

51. Thereafter, the following false and fraudulent misrepresentations were made by defendants to plaintiff, Jane Peterson, followed by specific acts of reliance on the part of plaintiff:



a. In or about March of 1975, while plaintiff was in the HQS course, she experienced a feeling of disassociation and floating during a Training Routine, where she was required to stare at another person for an extended period of time. Defendants' employee, Bob Harvey, falsely and fraudulently represented to plaintiff that plaintiff had "gone exterior" (her spirit left her body).

Believing that she had "gone exterior," and in reliance thereon, plaintiff continued to take courses and auditing for which plaintiff paid the amount set forth in paragraph 49. Defendants' employee, Bob Harvey, falsely and fraudulently represented to plaintiff that she withdraw money from her savings account because saving money and planning for the future were psychotic.

b. Thereafter, in or about 1975, defendants' employees, Dennis Pero and Bob Harvey, falsely and fraudulently represented to plaintiff that plaintiff's auditing was not going well because plaintiff was a "suppressive person," and that she would require more courses and training. In reliance thereon, plaintiff took and paid for these courses and training through August of 1976.

c. In or about August of 1976, defendants' employees, Bob O'Neil, Bob Kosall, Barbara O'Neil, Mary Gay and Bob Harvey, falsely and fraudulently represented to plaintiff that if plaintiff signed a contract and joined the Scientology staff, she would attain all of the scientifically guaranteed benefits, earn a substantial salary and receive auditing at one-half price.

1 In reliance thereon, plaintiff signed a 2 1/2 year  
2 "contract" and began working for defendants full time.

3 d. In or about October of 1976, after two  
4 months on staff, plaintiff began to experience severe headaches,  
5 depression and nervousness. Defendants' employees, Steve  
6 Thompson and Bob Kosall, falsely and fraudulently represented  
7 to plaintiff that she was "caved in" and would require upper  
8 level auditing at the American Saint Hill Organization (ASHO)  
9 in Los Angeles to attain the aforementioned scientifically  
10 guaranteed benefits, as well as the following additional  
11 benefits:

- 12 1. ability to handle power;
- 13 2. recovery of knowledge;
- 14 3. ability to solo audit;
- 15 4. ability to act on own determinism;
- 16 5. ability to be at cause over mental  
17 matter, energy, space and time;
- 18 6. ability to extrovert;
- 19 7. complete freedom.

20 In reliance thereon, plaintiff refinanced her home  
21 for additional money, left her children and husband and went to  
22 ASHO in January of 1977 where she received upper level  
23 auditing at a cost of \$4,084.50.

24 e. In or about April of 1977, plaintiff returned  
25 from ASHO to the Nevada Organization. Plaintiff began to  
26 experience severe headaches, depression, nervousness and  
27 frequent illness. Defendants falsely and fraudulently rep-  
28 resented that plaintiff was a "Potential Trouble Source"

1 (PTS - plaintiff did something against Scientology) and that  
2 she required additional upper level auditing to relieve this  
3 condition so that plaintiff could attain the promised  
4 scientifically guaranteed benefits.

5 In reliance thereon, plaintiff returned to Los  
6 Angeles in September of 1977 and paid to defendants approxi-  
7 mately \$5,000.00 for upper level auditing at ASHO and AOLA  
8 (Advanced Organization of Los Angeles).

9 f. Defendants continuously from 1975 through  
10 July of 1980, falsely and fraudulently represented that all facts  
11 disclosed during auditing would remain confidential. In  
12 reliance thereon, plaintiff disclosed every intimate detail of  
13 her life to defendants, which defendants circulated among  
14 various people in Scientology including: Meryl Woodruff, Kathy  
15 Kaid, Bob Harvey, Kurt Hammond, JoAnn Woodruff, Jack Gay, Mary  
16 Gay, Bruce Hamilton, Rusty Hamilton, Sandra Ellingston, Audrey  
17 Welland, Matty Reese, Lori Zurn, Arty Marin, Ken Witman, Ken  
18 Washburn, Debby Hubbard, and many more.

19 g. In or about December 1978, based upon the  
20 false and fraudulent representations of defendants' employee,  
21 Jack Gay, that Scientology was a legitimate, scientific, law-  
22 abiding, religious, educational and non-profit organization,  
23 and that the fair game policy was cancelled, plaintiff began  
24 working for the Guardian's Office.

25 In reliance thereon, plaintiff presented ten pieces  
26 of identification as proof of her identity, and wrote her  
27 entire life history to satisfy the "security" requirements of  
28 defendants before entering the Guardian's Office; plaintiff

1 signed several " bonds" which were falsely and fraudulently  
2 represented by defendants to be legal and binding and would be  
3 enforced if plaintiff ever released information regarding what  
4 plaintiff saw or heard in the Guardian's Office; plaintiff  
5 signed a second 2 1/2 year "contract"; plaintiff performed  
6 every order of defendants and was made to participate in  
7 activities which plaintiff later learned were covert activities  
8 used to silence critics of Scientology; plaintiff became ill,  
9 terrified and trapped by the Guardian's Office and in August  
10 of 1979 plaintiff was on the verge of mental collapse.

11 h. During the time plaintiff worked in the  
12 Guardian's Office, plaintiff was unable to spend needed time  
13 with her children, and plaintiff's husband, Richard Peterson,  
14 requested that plaintiff leave staff at the Guardian's Office.  
15 Plaintiff was again labelled a "PTS" and ordered by defendants'  
16 employee, Paul Scheffield, to perform certain Scientology actions  
17 to "handle" her husband, which plaintiff performed with her  
18 husband.

19 Thereafter, defendants' employee, David Butterworth,  
20 that plaintiff that if plaintiff was unable to "handle" the  
21 situation, plaintiff was to "disconnect" or divorce her husband  
22 and leave her children.

23 In or about August of 1979, plaintiff left the  
24 Guardian's Office, fearful and terrified of defendants, because  
25 of her inability to "disconnect" from her husband and children.  
26 Plaintiff continued to work for defendants, but lived under  
27 continual stress and fear causing her to experience severe

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1 illness, headaches, nervousness and depression until plaintiff  
2 left Scientology in July of 1980.

3 52. The following false and fraudulent misrep-  
4 resentations were made by defendants to plaintiff, Richard  
5 Peterson, followed by specific acts of reliance on the part  
6 of plaintiff:

7 a. In or about April of 1975, while plaintiff  
8 was in the HQS course, he experienced a feeling of clarity  
9 and magnification during a Training Routine where he was required  
10 to continuously lift his hands and follow those of his auditor.  
11 Defendants' employee, Starr Hamilton, falsely and fraudulently  
12 represented to plaintiff that plaintiff had "gone exterior"  
13 (his spirit left his body).

14 Believing that he had "gone exterior," and in  
15 reliance thereon, plaintiff continued to take courses and  
16 auditing for which plaintiff paid the amount set forth in  
17 Paragraph 49.

18 b. Thereafter, and continuing through July of  
19 1980, defendants' employees, including Bob Harvey, Starr  
20 Hamilton and Meryl Woodruff, falsely and fraudulently repre-  
21 sented to plaintiff that through courses and upper level  
22 auditing at the ASHO and AOLA organizations in Los Angeles,  
23 plaintiff would attain the aforementioned scientifically  
24 guaranteed benefits and plaintiff would attain immortality.

25 In reliance thereon, plaintiff went to ASHO in  
26 November of 1976 and paid to defendants \$4,084.50 for upper  
27 level auditing for which plaintiff was promised the additional  
28 benefits set forth in Paragraph 51(d).

1 In further reliance on the false and fraudulent  
2 representations, plaintiff returned to Los Angeles (AOLA) in  
3 July of 1977 for more upper level auditing and paid to defendants  
4 an additional \$10,591.16, by taking a second mortgage on plain-  
5 tiffs' home, giving all money from plaintiffs' savings account  
6 and finally refinancing plaintiffs' home.

7 c. Defendants continuously from 1975 through  
8 July of 1980, falsely and fraudulently represented that all  
9 facts disclosed during auditing would remain confidential.  
10 In reliance thereon, plaintiff disclosed every intimate detail  
11 of his life to defendants, which defendants circulated among  
12 various people in Scientology including, Meryl Woodruff,  
13 Kathy Kaid, Bob Harvey, Kurt Hammond, JoAnn Woodruff, Jack  
14 Gay, Mary Gay, Bruce Hamilton, Rusty Hamilton, Sandra  
15 Ellingston, Audrey Weiland, Matty Reese, Lori Zurn, Arty Marin,  
16 Ken Witman, Ken Washburn, Debby Hubbard, and many more.

17 53. When defendants made the aforementioned rep-  
18 resentations, defendants knew them to be false and made said  
19 representations without regard to their truth or falsity.  
20 Defendants made said representations with the intent of  
21 inducing reliance and total dependence on the part of plain-  
22 tiffs. Plaintiffs were at all times ignorant of the falsity  
23 of said representations and believed them to be true.

24 54. All of the aforementioned representations were  
25 secular and false. The true facts were:

26 a. Defendants never intended to provide  
27 plaintiffs with any of the aforementioned  
28 scientifically guaranteed benefits, but intended

1 solely to induce total reliance and dependence on  
2 the part of plaintiffs and to take all of plaintiffs'  
3 money;

4 b. Defendants kept none of plaintiffs' auditing  
5 disclosures confidential in that the information  
6 obtained from plaintiffs' auditing was circulated  
7 among many people in Scientology, including those  
8 people set forth in Paragraph 51(f);

9 c. Defendants were not a legitimate, law-abiding,  
10 non-profit organization as represented to plaintiff  
11 in that defendants committed criminal acts and  
12 adopted policies designed to perpetrate continued  
13 criminal acts; defendants committed burglary and  
14 larceny and adopted policies designed to perpetrate  
15 continued acts of illegal invasion; defendants  
16 illegally invaded the privacy of public and private  
17 persons and offices; defendants "framed", slandered,  
18 libeled, cheated, mocked and attempted to destroy  
19 members of the Church, defendants diverted monies  
20 into Swiss bank accounts and into personal accounts  
21 of named defendants and others to be used for  
22 personal and illegal purposes violating the  
23 laws governing non-profit institutions;

24 d. Defendants never intended to pay plaintiff,  
25 Jane Peterson, a substantial or even a proper  
26 salary for the extensive hours plaintiff worked  
27 on staff, and intended solely to use plaintiff to  
28 work for Scientology without proper pay.



1           55. In or about July of 1980, plaintiffs left the  
2 Church of Scientology, financially destitute, physically sick,  
3 emotionally distressed and humiliated after plaintiffs learned  
4 that all of the aforementioned representations made by defen-  
5 dants about Scientology were false and fraudulent, that plain-  
6 tiffs had lost five years of their lives and \$37,000.00 to  
7 defendants, and that defendants had deliberately and maliciously  
8 manipulated plaintiffs' minds to create psychological weakness  
9 and vulnerability to all defendants' demands.

10           56. Thereafter, on or about July 24, 1980, defendants  
11 employees, Mike Hunsaker, Vena Anderson and the Board of  
12 Directors of the Church of Scientology of Nevada, issued two  
13 Ethics Orders in which defendants made false and fraudulent  
14 representations with respect to plaintiffs' character.

15           57. In reliance on the false and fraudulent  
16 representations set forth in Paragraphs 46 through 52,  
17 plaintiffs were damaged in the sum of One Million (\$1,000,000.00)  
18 Dollars, each.

19           VII.

20           THIRD CLAIM FOR RELIEF

21           UNLAWFUL PRACTICE IN SALES OF

22           CONSUMER SERVICES

23           58. Plaintiffs reallege paragraphs 1 through 57  
24 and further allege:

25           59. In or about 1975 and continuing thereafter  
26 until July of 1980, defendants falsely and fraudulently  
27 represented to plaintiffs that certain services of defendants  
28 in the form of courses and auditing by use of the E-Meter



1 were scientifically guaranteed to provide the physical and  
2 emotional benefits set forth in Paragraph 46, and that such  
3 services would require payment on the part of the plaintiffs.

4 60. The services as described above were purchased  
5 by plaintiffs primarily for personal purposes.

6 61. Defendants falsely and fraudulently represented  
7 that said services in the form of courses and auditing were  
8 scientifically guaranteed to provide physical and emotional  
9 benefits when in fact said courses and auditing by use of the  
10 E-Meter could not provide scientifically guaranteed benefits  
11 as already adjudged in the case of U.S. vs. Article or Device,  
12 333 F. Supp. 357 (D.Col. 1971). Pursuant to the Order of the  
13 Court, defendants were required to do the following:

14 "1. E-Meters shall be used or sold or distributed  
15 only for use in bona fide religious counseling.

16 2. Each E-Meter shall bear the following warning,  
17 printed in 11-point leaded type, permanently affixed  
18 to the front of the E-Meter so that it is clearly  
19 visible when the E-Meter is used, sold or distributed  
20 The E-Meter is not medically or scientifically useful  
21 for the diagnosis, treatment, or prevention of any  
22 disease. It is not medically or scientifically  
23 capable of improving the health or bodily functions  
24 of anyone.

25 3. Any and all items of written, printed, or  
26 graphic matter which directly or indirectly refers  
27 to the E-Meter or to Dianetics and/or Scientology  
28 and/or auditing or processing shall not be further

used or distributed unless and until the item shall bear the following prominent printed warning permanently fixed to said item on the outside front cover or in the title page in letters no smaller than 11-point leaded type:

**WARNING**

The device known as a Hubbard Electrometer, or E-Meter, used in auditing, a process of Scientology and Dianetics, is not medically or scientifically useful for the diagnosis, treatment, or prevention of any disease. It is not medically or scientifically capable of improving health or bodily functions of anyone."

62. Defendants contemptuously failed to obey the Court Order, which failure directly resulted in a lack of warning or knowledge on the part of plaintiffs with respect to auditing services provided by defendants.

63. Defendants' false and fraudulent representations were intended to result in the sale of services to plaintiffs in the form of courses and auditing by use of the E-Meter, and the purchase of said services by plaintiffs was made in reliance on, and as a result of the aforementioned representations of defendants.

64. The aforementioned representations of defendants were willful and intentional violations of the provisions of subparagraphs 2, 3 and 5 of Section 1770 of the Civil Code and that such violations were not the result of a bona fide error.

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1           65. By reason of the above-referenced violations of  
2 Section 1770 of the Civil Code, plaintiff, Jane Peterson, has  
3 suffered damages in the amount of \$14,462.54 and plaintiff,  
4 Richard Peterson, has suffered damages in the amount of  
5 \$21,668.66, for courses and auditing purchased during the  
6 five year period from 1975 through July of 1980.

7           66. Plaintiffs further demand punitive damages in  
8 the amount of One Million (\$1,000,000.00) Dollars, each.

9                               VIII.

10                               FOURTH CLAIM FOR RELIEF

11                               INVASION OF PRIVACY

12           67. Plaintiffs reallege Paragraph 1 through 66  
13 hereof and further allege:

14           68. In or about 1975 and continuing through July  
15 of 1980, defendants represented to plaintiffs that every dis-  
16 closure made during "auditing" would remain confidential.  
17 Defendants further represented that the relationship between  
18 the plaintiffs and auditor was analogous to that of a clergy-  
19 man and parishioner. Plaintiffs reposed trust and confidence  
20 in this relationship and revealed many intimate and confi-  
21 dential thoughts. Defendants recorded this information by  
22 writing it down in long hand and storing it in plaintiffs'  
23 pre-clear folder. Thereafter the written information derived  
24 from auditing sessions was reviewed and abstracted by plain-  
25 tiffs' case supervisor, the Ethics Office and the Guardian's  
Office in order to gather any damaging information that

26           ///  
27           ///

could later be used to extort plaintiffs' silence and obedience; said information was sent by mail, carrier or telex to various other Scientology organizations.

69. The written disclosures obtained from plaintiffs' preclear folders, containing intimate details of plaintiffs' lives, were also circulated among various people in Scientology including Meryl Woodruff, Kathy Kaid, Bob Harvey, Kurt Hammond, JoAnn Woodruff, Jack Gary, Mary Gay, Bruce Hamilton, Rusty Hamilton, Sandra Ellingston, Audrey Welland, Matty Reese, Lori Zurn, Arty Marin, Ken Witman, Ken Washburn, Debby Hubbard, Jane Kimber and many more. These people had no right to the information contained in plaintiffs' auditing disclosures.

70. Defendants' written and public disclosure of plaintiffs' intimate experiences was indecent and constituted an unreasonable and substantial interference with plaintiffs' privacy.

71. Defendants knowingly conspired to annoy, vex and interfere with plaintiffs' right of privacy by continuously, deliberately and maliciously circulating and exposing intimate details contained in plaintiffs' preclear folders from 1975 through July of 1980 to numerous people including those set forth in Paragraphs 68 and 69.

72. Plaintiffs demand the sum of One Hundred Thousand (\$100,000.00) Dollars for defendants' invasion of plaintiffs' privacy, each.

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IX

FIFTH CLAIM FOR RELIEF

INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS

73. Plaintiffs reallege Paragraphs 1 through 72 and further allege:

74. Defendants pursued a systematic course of conduct and a pattern of misrepresentation which was designed to intentionally cause emotional distress to the plaintiff. Defendant's use of auditing caused plaintiffs to become physically sick and emotionally distressed and resulting in severe headaches and depression.

75. Defendants tried to have plaintiff, Jane Paterson, "disconnect" from her family, resulting in severe emotional distress to both plaintiffs.

76. Defendants represented to plaintiffs that any and all information disclosed during auditing would remain confidential between the auditor and plaintiffs.

77. Defendants disclosed to third persons the confidential information disclosed during auditing. Defendants intentionally, and as part of a scheme adopted as policy and doctrine by the corporate defendants, engaged in a systematic course of conduct designed and intended to disclose the information received during auditing and thereby to control and manipulate the plaintiffs. Such a scheme was intentionally effectuated and inflicted severe emotional distress on the plaintiffs.

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1 78. Defendants' pattern of conduct in the policies  
2 of forced labor with little pay, "Fair Game", "Disconnect" and  
3 auditing disclosures, was designed and calculated to control  
4 the plaintiff and to cause emotional, physical and psychologi-  
5 cal distress. Such a scheme was intentionally effectuated  
6 and inflicted severe mental, physical and emotional distress  
7 on the plaintiffs. The scheme is outrageous and extreme  
8 beyond all possible bounds of decency and utterly intolerable  
9 in a civilized community.

10 79. The foregoing course of conduct caused damaged  
11 to the plaintiffs in the amount of Three Million (\$3,000,000.00  
12 Dollars.

13 X.

14 SIXTH CLAIM FOR RELIEF

15 VIOLATION OF FAIR LABOR STANDARDS ACT

16 80. Plaintiffs reallege Paragraphs 1 through 79 and  
17 further allege their consent to suit for violations of said  
18 chapter.

19 81. Defendant Scientology is an employer who is  
20 engaged in commerce as defined in 29 U.S.C. Section 203.

21 82. Defendant Scientology employed the plaintiff,  
22 Jane Peterson, to market Scientology goods and services  
23 and contracted to pay substantial salaries for services  
24 rendered.

25 83. Defendant, Scientology, employed Plaintiff,  
26 Jane Peterson, to oversee and solicit the public to buy  
27 services from several Scientology based organizations  
28 including, Apple schools, Narcanon and the Citizens



1 Commission on Human Rights, in the States of Nevada, Arizona  
2 and Utah, all on half of Scientology.

3 84. Plaintiff was not employed in ministerial  
4 work, but performed merely sectarian duties, overseeing and  
5 soliciting the public as described above.

6 85. Defendants operate as an enterprise as defined  
7 by U.S.C. Section 203.

8 86. Defendants, as an enterprise, performs the  
9 business of soliciting the public to buy goods and services  
10 from the Scientology based organizations set forth in Paragraph  
11 83.

12 87. Plaintiff Jane Peterson provided labor and  
13 services to defendants for approximately two years working  
14 eighty (80) hours per week, and her labor and services were  
15 not of a church ministerial nature.

16 88. Defendants violated 29 U.S.C. Section 206-607  
17 by failing to pay the minimum wage for regular and overtime  
18 hours as prescribed by said statutes. Defendants are liable  
19 to plaintiff, Jane Peterson, for the following amount:

20 a. Approximately 4160 regular hours of work  
21 at \$2.15 per hour equalling \$8,944.00 and 3120 hours  
22 for overtime at \$3.97 per hour equalling \$12,386.40.  
23 Totalling \$21,330.40 for services rendered.

24 89. Defendants are liable to plaintiff, Jane  
25 Peterson, under 29 U.S.C. Section 216 for an amount of liqui-  
26 dated damages equal to the amount of unpaid wages in the sum  
27 \$21,33.40 resulting in total damages of \$42,660.80.

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XI.

SEVENTH CLAIM FOR RELIEF

VIOLATIONS OF THE RACKETEER INFLUENCED CORRUPT  
ORGANIZATIONS ACT - 18 U.S.C. 1961 - 1968

90. Plaintiffs reallege Paragraphs 1 through 89 hereof and further allege:

91. This claim for relief is brought under 18 U.S.C. Section 1964(c), which statute provides for treble damages for any person injured by reason of a violation of 18 U.S.C. Section 1962.

92. It is unlawful under 18 U.S.C. Section 1962 for any person or corporation to receive income from a "pattern of racketeering activity", and use or invest such income in the operation of an establishment of any enterprise affecting interstate commerce.

93. "Racketeering activity" is defined in 18 U.S.C. Section 1961 as two acts of extortion, or any two acts which are indictable under 18 U.S.C. Section 1341 (relating to mail and wire fraud) and 18 U.S.C. Section 1505 and 1510 (relating to obstruction of criminal investigation).

94. Defendants engaged in a massive pattern of activity over many years continuing to the present date to make the fraudulent representations set forth in Paragraphs 46 through 53 hereof. Said representations were made in numerous articles, books and pamphlets produced by the defendants in California and mailed to their agents in Las Vegas where said representations were made to the plaintiffs.

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Plaintiffs relied on said representations and were damaged as set forth in Paragraphs 55 and 57 hereof.

95. The representations made to the plaintiffs were adjudged to be fraudulent in the case of U.S. vs. Article or Device, etc. 333 F. Supp. 357 (D.Col. 1981), and pursuant to the Order of the Court, defendants were required to do the following:

1. E-Meters shall be used or sold or distributed only for use in bona fide religious counseling.

2. Each E-Meter shall bear the following warning, printed in 11-point leaded type, permanently affixed to the front of the E-Meter so that it is clearly visible when the E-Meter is used, sold or distributed:

The E-Meter is not medically or scientifically useful for the diagnosis, treatment, or prevention of any disease. It is not medically or scientifically capable of improving the health or bodily functions of anyone.

3. Any and all items of written, printed, or graphic matter which directly or indirectly refers to the E-Meter or to Dianetics and/or Scientology and/or auditing or processing shall not be further used or distributed unless and until the item shall bear the following prominent printed warning permanently fixed on said item on the outside front cover or in

1 the title page in letters no smaller than  
2 11-point leaded type:

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WARNING

The device known as a Hubbard Electrometer, or E-Meter, used in auditing, a process of Scientology and Dianetics, is not medically or scientifically useful for the diagnosis, treatment, or prevention of any disease. It is not medically or scientifically capable of improving health or bodily functions of anyone.

96. Defendants have utterly and contemptuously failed to obey the Order of the Court, which failure has directly resulted in a lack of warning or knowledge to the plaintiffs, that representation made to them were and are false.

97. Defendants have engaged in a massive pattern of activity to collect information from the auditing disclosures of the plaintiffs and other persons, and defendants have used said information and disclosures to extort silence and obedience to the defendants and prevent the plaintiffs and others from pursuing their legal remedies.

98. Defendants have engaged in a massive pattern of outrageous activity to obstruct justice, obstruct criminal investigations, and use the courts to harass and intimidate its opponents from pursuing their legal remedies. Defendants, Mary Sue Hubbard, as an agent and co-conspirator of the defendant, L. Ron Hubbard, and the corporate defendant has stipulated in writing to the acts alleged in this