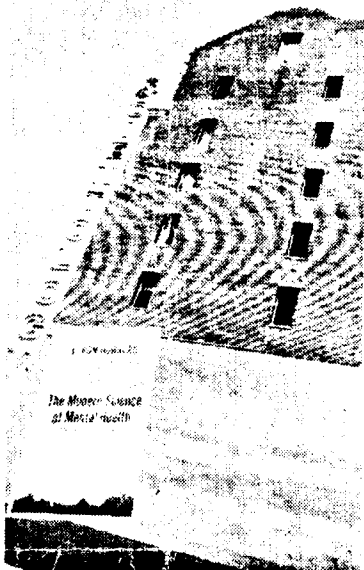


Insights

Did Scientology Defraud Members?

Is it the beginning of the end for the Church of Scientology? In the past senior church officials have refused to discuss the inner workings of L. Ron Hubbard's empire, but according to a recent story in the *New York Times*, disillusionment with Hubbard and a power struggle within the organization have prompted several church officials to meet with police investigators and testify against Scientology in a number of court cases.

At a trial that just ended in Los Angeles County Superior Court, former church officials testified that from the 1970s until 1982 they helped Hubbard divert more than \$100 million from the church into foreign bank accounts he controlled. This contradicts the organization's claims that Hubbard cut his ties to it in the mid-'70s and that its millions of dollars of revenues are spent for charitable purposes. This may be the ammunition needed by those critics who have for years charged that Scientology is not a religion but is in fact a lucrative business operating under the guise of a tax-



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exempt religion.

The IRS, among the critics, has been investigating Hubbard's financial arrangements with the church for more than a year, and the church itself is under investigation in Florida, Canada and West Germany. Michael Flynn, a Boston lawyer who has represented dozens of Scientologists in lawsuits against Hubbard and the organization told the *N.Y. Times*, "They're in the process of total disintegration. They've got a huge reservoir of money and they are using it to pay lawyers to withstand the legal assault that is occurring against them worldwide."

Church officials interviewed by the *N.Y. Times* had testified in a court case brought against former senior church official Gerald Armstrong. Armstrong, once a member of the church's inner circle, defected with church

documents in 1981. He had been researching Hubbard's life for a biography, but became disenchanted with the organization when he discovered that much of what Hubbard had told Scientologists about his life — including that he was a war hero and a nuclear physicist — was fictitious.

Kima Douglas, Hubbard's personal medical officer, testified at the trial that she had helped establish 14 or 15 corporations and had "couriered hundreds of thousands of dollars out of the United States" for the church in violation of federal law requiring cash amounts over \$5,000 to be disclosed to Customs officials, according to the *Times*.

Howard Schomer, executive of the company from March 1982 until November 1982, said a major task of his staff was to convert church assets to assets owned by Hubbard, in part by preparing invoices for fictitious services by Hubbard.

"Our purpose was to get as much money as we could from the church and make it look legal," he told the *N.Y. Times*. "We were skimming money from the church; it was fraudulent as far as I was concerned."

Other former Scientologists also testified that they had used confidential material from "auditing" sessions to blackmail members.

Lawyers for Hubbard maintained that he had done nothing illegal, and that if any money had been given to him, it had been given legally. The *Weekly* was unable to reach Scientology officials for comment. Hubbard, 73, has not been seen in public since March 1980.