

## Flynn says millions funneled from sect

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LOS ANGELES—Court-sealed tapes reveal that Church of Scientology founder L. Ron Hubbard used a myriad of corporations to funnel millions of dollars from the sect into his personal bank account in Liechtenstein, a lawyer representing a man accused of taking thousands of documents and tapes from the church charged in Superior Court here Friday.

Michael Flynn, who represents former Scientologist Gerald Armstrong, said the tape recordings of a Sept. 29, 1980, meeting between Hubbard's personal lawyer and legal officials of the sect revealed a plan for "the intentional future concealment" of the financial network.

Sect lawyers are asking Superior Court Judge Paul G. Breckenridge to return the tapes to the sect without releasing their content.

And although the tapes are



L. RON HUBBARD

sealed and in the custody of the Los Angeles County Clerk, the *Clearwater Sun* has obtained a partial transcript on which a Scientologist in the sect's legal bureau calls the operation "a classic case of inurement, if not fraud."

The tape is referred to as "5-C

MCCS Tapes" on the defendant's list of exhibits from documents under seal.

The transcript of the "strategy meeting" is contained in a sworn affidavit by Armstrong, a former high-ranking Scientologist, which was submitted in another lawsuit filed in Massachusetts.

In the affidavit, Armstrong swears L. Ron Hubbard "received millions of dollars through a dummy corporation (RRF-Religious Research Foundation), specifically set up to funnel money to him which should have been paid to CSC (Church of Scientology of California) by foreign customers paying for 'flag services' in Clearwater Florida."

Armstrong further swore in the affidavit that Hubbard's attorney, Alan Wertheimer, and three Scientologists met to "develop legal strategies to shield Mr. Hubbard, but funnel corporate money to him." The meeting, according to the affidavit, was taped with the

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knowledge of all present, including: Wertheimer; Charles Parselle, the sect's Deputy Gaurdian-Legal World Wide; Dick Sullivan, a junior executive of MCCS; and Laurel Sullivan, Hubbard's Personal Representative and In Charge of MCCS.

MCCS is the sect's Mission Corporation Category Sort-Out, an organization Armstrong explained "to establish a legal way through which Hubbard retained control of Scientology without being legally responsible. MCCS was, in fact, Hubbard's alter ego."

During the meeting, according to the Massachusetts U.S. District Court affidavit, Parselle said that "RRF, which is, as far as I am concerned, part of the Church, made a mistake when it paid over that 2.1 million. We could say that RRF and CSC are part of the same church, even though they are corporately different.

"I mean if anything was a sham corporation, it's RRF."

Queried Hubbard's attorney: "As I understand it, RRF receives monies that would otherwise be due the California Church for services rendered by the California Church to people outside the country . . . ?"

"That's right," Parselle answered, explaining that "RRF was originally supposed to hold

the money until the service was rendered and then pay it to CSC. But in fact, it had not really done that . . . and RRF has got the money.

"Fortunately for us," Parselle continued, "RRF wasn't incorporated until 1973 and we are now litigating 1972. So, I haven't really tried to sort this one out, but it obviously is the classic case (loud laugh) of inurement, if not fraud."

At that point in the taped meeting, according to the affidavit, Dick Sullivan reminded those present that "the tape recorder is going here."

Parselle then elaborated on his plans for a solution, saying: "The way we will probably handle it is by simply saying it is part of the same Church, in fact. Now, that, of course, goes directly contrary to what you're doing which is to split LRH (Hubbard) off from the church and to talk about the corporate integrity of the different churches.

"Unfortunately, the churches do not have any corporate integrity."

Parselle continued: "Now when you talk around the table like this and there is no Internal Revenue agent present (whispered: I hope so) bugged or otherwise, one can work out solutions."

Parselle told the others that when a trial is imminent "and

everything you say is going to be rammed down your throat, then you have to start looking at what actually happened.

"We are trying to say, for example, that Flag (the Clearwater-based organization) in 1970 is part of the California Church which is probably true, but there is no documentation to say that . . . the IRS can say and, in fact, is alleging that Flag in those years, 1970 to 1972, was an unincorporated association to which CSC's income inured on a grand scale."

Flynn is seeking to have the tapes and documents returned to Armstrong, who has said he believes they prove Hubbard systematically misrepresented his military achievements and educational accomplishments to take money from followers who believed in his claims.

Armstrong testified at length Friday about his 11 years in the worldwide organization and how he eventually discovered and came into possession of the contested documents.

The civil trial recessed Friday afternoon and will reconvene Monday with a number of witnesses expected to corroborate Armstrong's claims.

Clearwater Scientology spokesman Richard Haworth, reached late Friday, declined to comment.