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The New York Times

Weather: New York, partly cloudy, late showers. Midwest, showers, thunderstorms. South, showers, thunderstorms. West and Southwest, some showers in the south, sunny elsewhere. Page 6.

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Scientology Chief Got Millions, Ex-Aides Say

By **ROBERT LINDSEY**

Special to The New York Times

LOS ANGELES, July 10 — Former officials of the Church of Scientology say they helped L. Ron Hubbard, the reclusive founder of the cult-like organization, to secretly divert more than \$100 million from the church into foreign bank accounts he controlled.

The organization, long a subject of investigations in this country, Britain, France, Australia, South Africa, Spain and elsewhere, has maintained that Mr. Hubbard cut his ties to it in the

LEE BAILEY'S COUNTRY WEEKENDS. The book that puts charm and style back into summer living. At all bookstores. From Clarkson N. Potter.—ADVT.

mid-1970's, that he has received only a token consulting fee of \$35,000 annually since then and that its millions of dollars a year in revenue are being spent for charitable purposes.

But former senior officials of the group asserted in interviews that at Mr. Hubbard's direction in the 1970's and into 1982, they had established a series of shell corporations set up to channel much of the church's resources to his overseas accounts. They said the scheme was also intended to shield him from criminal and civil proceedings against the organization by

JONATHAN AVILDSEN BIRTHDAY KID AT 15
Sets Record for Dazzling Future as Girls Riot.—ADVT.

creating an illusion that he was no longer connected to it. Most of the money, they said, was on deposit in Luxembourg and Liechtenstein.

In the interviews and in a trial recently ended here, the former officials said the organization, while contending it was a religion, was run as a lucrative profit-making enterprise whose leaders systematically used the most intimate personal facts confided by members in private counseling sessions to blackmail and intimidate them.

In June, at the end of the six-week trial in the Los Angeles County Superior Court, Judge Paul G. Brecken-

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ridge Jr. denied an effort by the Church of Scientology to reclaim church documents from a former member, Gerald Armstrong. In his decision, the judge called the group "schizophrenic and paranoid," and said that "this bizarre combination seems to be a reflection of its founder," Mr. Hubbard.

"The evidence," he wrote, "portrays a man who has been virtually a pathological liar when it comes to his history, background and achievements" and who seemed gripped by "egoism, greed, avarice, lust for power, and vindictiveness and aggressiveness against persons perceived by him to be disloyal or hostile."

Mr. Hubbard, who is 73 years old, could not be reached for comment about the charges. He has not been seen in public since March 1980. Since then, the former officials say, he has lived in seclusion at various places in southern California under the protection of a small group of former teenage servants, who now operate the church at his direction.

Officials of the church declined to arrange an interview with Mr. Hubbard. His lawyer, Barrett Litt, did not respond to a request for a comment about the charges.

Hubbard's Book Sold Well

At the recent trial, however, lawyers for Mr. Hubbard maintained that he had done nothing illegal and that if any money had been given to him, it had been given legally.

A moderately successful writer of pulp magazine science fiction, Mr. Hubbard in 1950 wrote a book, "Dianetics," that became the basis for Scientology, whose principal component is a



The New York Times

L. Ron Hubbard

one-to-one counseling technique called "auditing."

Advocates say the process "expands human potential." Critics have called it "pseudo-science" and "quackery."

Clients pay Scientology counseling centers as much as \$5,000 an hour to be "audited" by a therapist who uses a galvanometer that measures changes of electrical current on the surface of the client's skin, much like a polygraph, or lie-detector does, to monitor emotional responses to questions.

The goal of auditing, which can last for years, is described as increasing control over thought processes in a portion of the mind where, Scientologists assert, emotional problems and psychosomatic illnesses are born.

Mr. Hubbard's small group of adherents grew into thousands in the 1960's, and he established hundreds of branches in this country and abroad, eventually commanding his empire from a ship at sea and declaring it a new religion.

In 1975, facing increasing legal attacks overseas on charges of practicing medicine without a license, and being denied entry at port after port, he returned to the United States and established a new base in Clearwater, Fla., and at several points in southern California.

In this period, according to court testimony, the Church of Scientology began a project called the Snow White program in which members of an elite group called the Guardian's Office were assigned to infiltrate governmental agencies in more than 30 countries to find out what investigations were going on and suppress them.

Thousands of documents seized in 1978 by agents of the Federal Bureau of Investigation in a raid at Scientology offices here indicated that the church had conducted a far-ranging intelligence operation against more than 100 governmental agencies in this country that included burglaries, wiretapping and theft of Government documents.

Officials Would Not Help

Law-enforcement agencies in this country and abroad said for years that Scientology was a lucrative business operated under the guise of a tax-exempt religion. But no senior officials of the church were willing to discuss its internal operations.

According to the authorities, this has changed in recent months.

A power struggle has caused some dissident members to leave the organization, to meet with police investigators and to testify against Scientology in a number of court cases. Others say they have spoken out because they have become disillusioned with Mr. Hubbard.

A turning point came in 1981 when Mr. Armstrong, a member of the organization's inner circle, said that while researching a biography of Mr. Hubbard he had discovered that much of what Mr. Hubbard had told Scientologists about his past, including assertions that he was a war hero and a nuclear physicist, was fictitious.

After other members of the hierarchy refused to set the record straight publicly, Mr. Armstrong left Scientology and was denounced as a "suppressive person," an enemy of the church, and subject to a written Scientology policy allowing him to be "tricked, cheated, lied to, sued or destroyed."

Allowed to Keep Documents

The church sued Mr. Armstrong to regain thousands of documents he had assembled for the biography, but on June 22 Judge Breckenridge ruled he had been justified in taking them "as the only way he could defend himself" against vindictive action taken against him as a "suppressive person."

Mr. Armstrong and the other former Scientologists who were interviewed, each of whom had spent at least a decade in the church, said they were now willing to talk about its inner workings. They said Mr. Hubbard had deceived them so many times that they had wasted much of their lives in the organization.

Laurel Sullivan, 34 years old, left the

Founder of Church of Scientology Diverted Millions, Former Officials Say

A Faith to Shed Inhibitions

Special to The New York Times

LOS ANGELES, July 10 — The Church of Scientology calls itself a "new religion," one not based on the worship of a God but one that purports to teach members how to improve the quality of their lives.

Officials of the organization say it has six million members in the United States and abroad. Dissident former officials say this figure is highly inflated and, after more than two years of internal turmoil, the membership may now be less than 100,000.

Scientology was declared a religion in the 1950's by Lafayette Ronald Hubbard, a Nebraska-born science fiction writer, who, according to court records, said in a 1949 lecture: "Writing for a penny a word is ridiculous. If a man really wants to make a million dollars, the best way would be to start his own religion."

In 1949 he wrote a best-selling

book, "Dianetics: The Modern Science of Mental Health," which asserted that much of mankind's unhappiness was a result of processes in a part of the brain, "the reactive mind," over which people had no control.

Subsequently, he said he had developed procedures that enabled people to rid themselves of such inhibitions.

People join the church by paying to be "audited" by a counselor employed by the organization at hundreds of branches in this country and abroad who use a polygraph-like device called an "EMeter" to measure emotional responses to questioning. The goal of these sessions is to reach a state called "clear" in which, it is purported, the members who have been audited are in full control of their thought processes.

organization in 1981 after serving 15 years as a senior official, the last eight as Mr. Hubbard's public relations adviser. She said in an interview that from 1972 to 1981 she was in charge of a secret operation to transfer church assets to Mr. Hubbard through a "corporate shell," the Religious Research Foundation, incorporated in Liberia. She said the foundation's accounts were in Luxembourg and Liechtenstein.

When she left Scientology in 1981, Mrs. Sullivan said, the foundation's assets were \$200 million to \$300 million, although at one point in the 1970's they totaled \$330 million.

Retroactive Billings

Mrs. Sullivan, who earned \$34 a week as a senior church staff member, asserted that to make it appear that money was being transferred from the foundation to Mr. Hubbard legally, she and other Scientologists had created fraudulent and retroactive billings. Mrs. Sullivan, a Canadian, is trying to obtain residency status in the United States and is seeking immunity from prosecution for "any of her activities in behalf of" Mr. Hubbard.

"It was fraud," she asserted, "an out-and-out ripping off of funds that were supposed to go to the church."

Mrs. Sullivan said that shortly before she left the organization she helped develop a plan by which Mr. Hubbard was to be paid \$85 million by a new corporation, Religious Technology Center, in exchange for the "Dianetics" trademark and copyrights to some of his books. She said this money was to include \$35 million to build a suitable mausoleum for Mr. Hubbard.

Kima Douglas, Mr. Hubbard's personal medical officer until she left Scientology in 1980, testified at the trial here that she had helped establish "14 or 15" corporations, including the Religious Research Foundation, and had "couriered hundreds of thousands of dollars out of the United States" for the Church of Scientology in violation of Federal laws requiring cash amounts over \$5,000 to be disclosed to Customs officials.

She also said she had ferried money, "in large bundles" of Swiss francs, to banks in Luxembourg and Liechtenstein, for accounts listed in the names of the church and Mr. Hubbard.

The former church officials said many of Mr. Hubbard's assets were now being managed by still another company he controls, Authors Services Inc., which is in an office building on Sunset Boulevard here.

Howard D. Schomer, a former Scientologist who was an executive of the company from March 1982 until November 1982, said in an interview that he had been told a major task of its staff was to convert assets of the Church of Scientology to the assets owned by Mr. Hubbard, in part by preparing invoices for fictitious services by Mr. Hubbard.

He said that in the first six months he worked for Authors Services, Mr. Hubbard's assets grew to \$44 million from \$10 million.

"Our purpose was to get as much money as we could from the church and make it look legal," he said. "We were skimming money from the church; it was fraudulent as far as I was concerned." As far as he knew, he said, Mr. Hubbard paid taxes on this income.

Members Blackmailed, They Say

In the interviews and at the trial, several former Scientologists said they had used confidential material from "auditing" sessions to blackmail members, a practice Judge Breckenridge deplored as "repugnant and outrageous."

Edward Walters, a Las Vegas casino executive, said in an interview that as a Guardian's Office "intelligence agent," he had routinely "culled" files for information about Scientologists, many of them deeply emotionally troubled, he said, and used it to intimidate them.

At the time, he said it seemed justifiable because Mr. Hubbard was revered by Scientologists, Scientology was viewed as a bona fide way of improving the lot of mankind, and any

means seemed justified to suppress those who stood in its way.

Mr. Walters said he had been involved in operations in which prostitutes and female Scientologists who in auditing had acknowledged promiscuity were used to seduce and then blackmail reporters, psychiatrists and law-enforcement officials who posed a potential threat.

He said a male Scientologist was used to seduce and then abandon a woman who was writing a book critical of the church in an operation "to drive her insane."

'Extreme Paranoia' Seen

Mr. Walters said he was concerned by what he construed as the "extreme paranoia" of Mr. Hubbard and his closest aides. "I'm telling you, there's a potential there for another Jonestown," he said.

According to Government sources, the Internal Revenue Service has been investigating Mr. Hubbard's financial arrangements with the Church of Scientology for more than a year. The Church of Scientology itself is under investigation in Florida, Canada and West Germany.

Almost 100 West German policemen recently raided the Munich headquarters of the church and seized thousands of documents.

Dr. Horst Reif, director of the Division for Security and Order for the City of Munich, said the city government was collaborating with American tax officials and was seeking to prove that the organization, which claimed tax-exempt status, was in fact profit-making.

A similar investigation is under way in Canada. Investigators raided the Toronto headquarters of the Church in March 1983 and seized more than two million documents.

Move on Judge Depicted

In Tampa, Fla., the Federal authorities are investigating charges by a former Scientologist that he was assigned by senior Scientologists in 1982 to compromise a Federal judge who was hearing a lawsuit involving the sect. This former Scientologist said he had been told to photograph the judge aboard a yacht with prostitutes and drugs but had failed.

Former officials of the organization say that while Mr. Hubbard still controls operations of the church, he has turned over daily operations to three people in their 20's who were teen-age messengers when his headquarters was aboard ship.

They are David Miscavige and a couple who live with him at an unknown location, Pat and Annie Broeker. The only other person who sees him regularly, the former Scientologists said, is a physician.

Efforts by Mr. Miscavige to increase the revenue paid to the Religious Technology Center by regional branches have led to the departure of hundreds of former senior members in the last 18 months. Many have established their own counseling centers around the country, using Mr. Hubbard's techniques.

Michael Flynn, a Boston lawyer who has represented dozens of Scientologists in suits, mostly successful, against Mr. Hubbard and the organization he founded, said:

"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."