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 5 ATTORNEYS FOR: Plaintiffs

8 SUPERIOR COURT FOR THE STATE OF CALIFORNIA
 9 COUNTY OF LOS ANGELES

11 MANFRED STANSFIELD-, VALERIE STANSFIELD,)
 FRANKLIN FREEDMAN, MARY MAREN, HANA)
 12 ELTRINGHAM WHITFIELD, JERRY WHITFIELD,)
 and FREEDOM FOR ALL IN RELIGION)
 13 (F.A.I.R.), a California Non-Profit)
 Organization, individually and on)
 14 behalf of all others similarly)
 situated,)
 15 Plaintiffs,)
 vs)
 16 NORMAN STARKEY, Administrator of the)
 Estate of L. RON HUBBARD, ' The Estate)
 17 of L. RON HUBBARD; CHURCH OF SPIRITUAL)
 TECHNOLOGY, a California Non-Profit)
 18 Organization; CHURCH OF SCIENTOLOGY OF)
 CALIFORNIA, a California Non-Profit)
 19 Corporation, ' CHURCH OF SCIENTOLOGY)
 ADVANCED ORGANIZATION OF LOS ANGELES,)
 20 a California Non-Profit Corporation,*)
 CHURCH OF SCIENTOLOGY AMERICAN SAINT)
 21 HILL ORGANIZATION, a California Non-)
 Profit Corporation; CHURCH OF SCIEN-)
 22 TOLOGY OF SAN FRANCISCO, a California)
 Non-Profit Organization,- CHURCH OF)
 23 SCIENTOLOGY FLAG SERVICES ORGANIZATION,)
 a Florida Non-Profit Corporation; MARY)
 24 SUE HUBBARD? AUTHOR SERVICES, INC., a)
 California for profit Corporation;)
 25 RELIGIOUS TECHNOLOGY CENTER, a Calif-)
 ornia Non-Profit Religious Corpora-)
 26 tion-; • "DAVID MISCAVIGE, ' ANN BROEKER,*)
 PAT BROEKER/ SHERMAN LENSKE; VICKI)
 27 AZNARAN; HEBER JENTZSCH; KEN HODEN;)
 OFFICE OF SPECIAL AFFAIRS; BRIDGE PUB-)
 28 LICATIONS; INC. , PUBLICATIONS ORGANI-

CA001012

CASE N°.:
CLASS ACTION

- 1. FRAUD
- 2. BREACH OF A FIDUCIARY RELATIONSHIP OR DUTY
- 3. INJUNCTIVE RELIEF AND CONSTRUCTIVE TRUST

1 ZATION, INC.; CHURCH OF SCIENTOLOGY)
CELEBRITY CENTER INTERNATIONAL, INC.;)
2 CHURCH OF SCIENTOLOGY OF LOS ANGELES,)
INC.; JOHN PETERSON; LYMAN SPURLOCK, ")
3 TERRI GAMBOA; MARC YAGER/ RAY MITHOFF, ')
and DOES I THROUGH 100, INCLUSIVE;)
4 Defendants.)
5

6 1

7 Plaintiffs named in the caption of this Complaint are
8 all residents of Los Angeles County, State of California.

9 2

10 Defendants are individuals and corporate entities either
11 duly organized or existing under the laws of California with
12 principal place of business in the City of Los Angeles, County
13 of Los Angeles, California, or foreign corporations and indivi-
14 duals doing business in the City of Los Angeles, County of Los
15 Angeles, California.

16 3

17 Plaintiffs do not know the true names and capacities of
18 defendants sued herein as DOES I to 100, inclusive, and there-
19 fore sues them by such fictitious names. Plaintiffs will amend
20 this Complaint to allege their true names and capacities when
21 ascertained. Plaintiffs are informed and believe that each of
22 the fictitiously named defendants is responsible in some manner
23 for the occurrences herein alleged, and that plaintiffs¹ damages
24 as herein alleged were proximately caused by such occurrences.
25 Further, plaintiffs are informed and believe that said defendants
26 and each of them are agents and employees of each other and at
27 all relevant times mentioned herein were acting within the course
28 and scope of that employment with the consent, permission and

1 authority of each other.

4

2 INTRODUCTION

3 Plaintiffs are suing individually on his or her own
4 behalf and, collectively, on behalf of all persons similarly
5 situated. The class which plaintiffs represent is composed of
6 present or former members of the Church of Scientology. These
7 members constitute a large class of individuals in like circum-
8 stances and like claims against the defendants. At this time,
9 approximately 400 individuals have associated with the herein
10 named plaintiffs for the purpose of bringing this class action.
11 Plaintiffs estimate that there are several thousand other indi-
12 viduals who are similarly situated as they are and with similar
13 claims against these same defendants. Together, they represent
14 a substantial number of the membership of the Church of Sciento-
15 logy. The persons in the class are numerous, consisting of
16 several thousand individuals, that the joinder of all such
17 persons is impracticable and that the disposition of plaintiffs¹
18 claims in a single class action is a benefit to the parties and
19 to the court.

20 5

21 There is a well-defined community of interest in the
22 questions of law and fact involved in this cause affecting the
23 parties to be represented in that:

- 24 a. fraudulent representations have been made by
25 defendants concerning their tax-exempt status and
26 charitable nature, concerning the manner by which
27 moneys were obtained and received by L. Ron Hubbard
28 and defendants named herein, concerning the confi-

1 dentiality of defendants¹ auditing files, and
2 concerning L. Ron Hubbard's background, achieve-
3 ments and character/

4 .b. There has been a breach of fiduciary duty to all
5 the members of the class;

6 c. Plaintiffs seek equitable relief and request that
7 a constructive trust be imposed on all pertinent
8 assets of defendants.

9 All of the above allegations are more specifically
10 stated further in the following paragraphs of this complaint.
11 Proof of a common or single pattern of facts will establish the
12 right of each member of the class to recover on their claims.
13 Plaintiffs' demands are typical of those of the class and plain-
14 tiffs are expected to be able to fairly and adequately represent
15 the interests of the class.

16 6

17 Plaintiffs have brought this action for members of the
18 class for the purpose of vindicating numerous smaller claims
19 which would otherwise remain unsatisfied and unredressed, and
20 reasonably to avoid multiplicity of suits, inconsistent indivi-
21 dual judgments, and to effect judicial economy. There is no
22 plain, speedy or adequate remedy other than by maintenance of
23 this class action considering the relatively small amounts of
24 damage incurred by each plaintiff herein where pursuing other
25 remedies would be economically unfeasible. Consequently, there
26 would be a failure of justice but for the maintenance of the
27 present class action*

28 //

1
2 The class members have two types of claims:

- 3 a. for money damages
4 b. for declaratory and injunctive relief.

5 Although the named members of the class each have money
6 damages in excess of \$10,000.00, all members of the class have
7 an interest in a common fund held by the defendants. All
8 members of the class have similar claims for declaratory and
9 injunctive relief.

10
11 Within the general class there are two sub-classes with
12 distinctly different claims for money damages:

- 13 a. individual class members whose money damages
14 are based on specific monetary amounts paid
15 to the defendants;
16 b. individual class members whose money damages
17 are based upon specific monetary amounts for
18 compensation due them from labor provided to
19 the defendants.

20
21 All members of the class can be specifically ascertained
22 and identified as former or present members of the Church of
23 Scientology. Since the class is estimated to include several
24 thousand members residing throughout the United States and
25 several other countries, joinder of them all is impractical.
26 The questions of fact and issues of law raised by the Complaint
27 are common to all class members. The claims of the plaintiffs
28 named herein are typical of the claims of the entire class.

1
2 Defendants, at all relevant times, are corporations
3 and members and officials of corporations actively involved
4 and directly participated in activities of the Church of
5 Scientology and L. Ron Hubbard. Plaintiffs seek recovery of
6 a common fund of money and other assets in order to satisfy
7 their claims. The common fund and such other assets are now
8 in the possession, custody and control of the defendants.

9 Plaintiffs also seek possession, custody and control of certain
10 files, "confessional or confidential files- belonging to
11 members of the class. These "files" contain confidential infor-
12 mation about the plaintiffs and other members of the class
13 which, along with the various amounts of money, were obtained
14 by defendants through deceit and fraudulent means.

15
16 PARTIES - PLAINTIFFS

17 Plaintiff, Mary Maren, was a member of the Church of
18 Scientology from 1962 to 1983. She currently resides in Los
19 Angeles, California. Said plaintiff paid in excess of \$10,000.00
20 to the Church of Scientology based on the fraudulent represen-
21 tations set forth in this complaint. She worked as an employee
22 of the Church of Scientology for approximately ten (10) years
23 by reason of the same fraudulent representations.

24
25 Plaintiff Franklin Freedman was a member of the Church of
26 Scientology from 1965 to 1982. He currently resides in Los
27 Angeles, California. Said plaintiff paid in excess of \$10,000.00
28 to the defendant Church of Scientology on the basis of the same

(2)

1 fraudulent representations set forth in this Complaint; and he
2 worked as an employee of the Church of Scientology for
3 approximately thirteen (13) years, based on the same fraudulent
4 representations.

5 13

6 Plaintiff, Manfred Stansfield, was a member of the
7 Church of Scientology its beginning to 1983. He currently
8 resides in Los Angeles, California. Plaintiff, Manfred
9 Stanfield paid in excess of \$10,000.00 to the Church of
10 Scientology based on the fraudulent representations set forth
11 in this Complaint; and he worked as an employee of the Church
12 of Scientology for approximately one (1) year based on the
13 same fraudulent representations.

14 14

15 Plaintiff, Valerie Stansfield, was a member of the
16 Church of Scientology from 1961 to 1983. She currently resides
17 in Los Angeles, California. Plaintiff, Valerie Stansfield
18 paid in excess of \$10,000.00 to the Church of Scientology
19 based on the fraudulent representations set forth in this
20 Complaint; and she worked as an employee of the Church of
21 Scientology for approximately ten (10) years, based on the
22 same fruadulent representations.

23 15

24 Plaintiff, Jerry Whitfield was a member of the Church
25 of Scientology from 1974 to 1984. He currently resides in
26 Los Angeles, California. Plaintiff, Jerry Whitfield paid in
27 excess of \$10,000.00 to the Church of Scientology based on
28 the fraudulent representations set forth in this Complaint;

1 and he worked as an employee of the Church of Scientology for
2 approximately three and one-half (3¹/₂) years, based on the same
3 fraudulent representations.

4 16

5 Plaintiff, Hana Eltringham Whitfield was a member of
6 the Church of Scientology from 1965 to 1984 . She currently
7 resides in Los Angeles, California. Plaintiff, Hana Eltringham
8 Whitfield paid in excess of \$5,000.00: to the Church of
9 Scientology based on the fraudulent representations **set** forth
10 in this Complaint; and she worked as an employee of the Church
11 of Scientology for approximately sixteen (16) years, based on
12 the same fraudulent representations.

13 17

14 Freedom for All in Religion (F.A.I.R.) is a California
15 non-profit organization consisting of at least 400 former and
16 current members of the Church of Scientology. F.A.I.R. is
17 devoted to insuring that all of its members be permitted to
18 follow their religious, spiritual or philosophical beliefs
19 without interference from any government or private individuals.
20 F.A.I.R. also seeks to assist those who have been victimized,
21 financially, physically or psychologically by the Church of
22 Scientology. Many F.A.I.R. members have been defrauded by
23 the defendants described infra.

24 PARTIES-DEFENDANT

25 18

26 Defendant, Norman Starkey, is the Administrator of the
27 Estate of L. Ron Hubbard, who died on January 24, 1986 at
28 San Luis Obispo, California. Starkey was appointed

1 Administrator of Hubbard's estate on February 5, 1986 by the
2 San Luis Obispo Probate Court. Plaintiff is informed and
3 believes and based thereon alleges that defendant Starkey, as
4 Administrator of the Hubbard estates, is in wrongful possession,
5 custody and control of millions of dollars together with other
6 assets. Starkey has his offices at 6515 Sunset Boulevard,
7 Suite 208, Los Angeles, California 90028.

8 19

9 Defendant, Authors Services, Inc., (ASI) is a California
10 for-profit corporation, which was the alter-ego of L. Ron
11 Hubbard. It has offices at 6515 Sunset Boulevard, Suite 208,
12 Los Angeles, California 90028. Plaintiff is informed and
13 believes and based thereon alleges that since approximately
14 January 1982, ASI has embezzled, converted, and fraudulently
15 transferred at least 30 to 100 million dollars of money and
16 assets belonging to the plaintiff class and that it has
17 engaged in this illegal conduct under the direction of L. Ron
18 Hubbard, David Miscavige, Pat Broeker, Anne Broeker, Lyman
19 Spurlock, Norman Starkey, Sherman Lenske, John Peterson, and
20 other defendants.

21 20

22 Plaintiff is informed and believes and based thereon
23 alleges that Church of Spiritual Technology is a California
24 non-profit corporation organized by the defendants Miscavige,
25 Spurlock, Starkey, Pat Broeker, Anne Broeker, Lenske and
26 Peterson for the purpose of transferring, alienating,
27 embezzling, and converting assets belonging to the plaintiff
28 class to the defendants.

1
2 Religious Technology Center, Inc. is a California non-
3 profit organization with offices at Los Angeles, California.
4 Plaintiff is informed and believes and based thereon alleges
5 that it was organized by the same defendants named in
6 paragraph 19 for the same purposes as stated therein.

7
8 Church of Scientology International (CSI) is a
9 California non-profit organization with offices at Los Angeles,
10 California. Plaintiff is informed and believes and based
11 thereon alleges that it was organized by the same defendants
12 named in paragraph 19 for the same purposes as stated therein
13 and it is currently the official Mother Church of Scientology,

14
15 Church of Scientology of California (CSC) is a California
16 non-profit corporation and until 1982 was the Mother Church
17 of the Church of Scientology. Plaintiff is informed and
18 believes and based thereon alleges that in 1982, in order to
19 fraudulently avoid the claims of creditors and litigants, CSC
20 transferred its assets to other Scientology corporation and
21 entities for no consideration. The individual plaintiffs and
22 members of the plaintiff class paid millions of dollars to
23 the defendants and provided thousands of hours of labor based
24 on fraudulent representations made by it.

25
26 The Church of Scientology Advanced Organization of Los
27 Angeles (AOLA), the Church of Scientology American Saint Hill
28 Organization (ASHO), the Church of Scientology of Los Angeles

1 and the Church of Scientology of San Francisco are all
2 California non-profit corporations. At one point all of these
3 organizations were part of CSC. Plaintiff is informed and
4 believes and based thereon alleges that subsequently, they
5 were turned into individual corporations and transferred, with-
6 out consideration, to avoid creditors' and litigants' claims.
7 Both before and after its split from CSC, members of the
8 plaintiff class gave it substantial money and provided subs-
9 tantial labor based on the fraudulent misrepresentations
10 described herein.

11 25

12 Church of Scientology Flag Services Org (FSO) is a
13 Florida non-profit corporation. Plaintiff is informed and
14 believes and based thereon alleges as follows: FSO solicits
15 through fraudulent representations heavily in California and
16 conducts substantial business in California; at one point, FSO
17 was a division of CSC, subsequently, it was spun off as an
18 individual corporation and its assets transferred, without
19 consideration, to avoid creditworthy litigants' claims. Both
20 before and after its split with CSC, members of the plaintiff
21 class gave it substantial money and provided substantial labor
22 to it based on the fraudulent misrepresentations described
23 herein.

24 26

25 Plaintiff is informed and believes and based thereon
26 alleges as follows: David Miscavige, defendant, currently
27 controls and totally dominates all Church of Scientology monies,
28 assets and property throughout the world; he has no "official"

1 position in the Church and claims authority to exercise such
2 total control solely on the basis of his allegedly receiving
3 secret "orders" from Hubbard; Prior to Hubbard's death these
4 "orders" were obeyed by other Church officials and members
5 solely on the belief that Hubbard was directing Miscavige in
6 the control of Church assets; Miscavige is approximately 24
7 years old, and has been in the Church of Scientology since
8 approximately the age of 9, never having graduated from the
9 eighth grade; Miscavige assumed control of assets of the
10 Church of Scientology as hereinafter set forth in June 1981;
11 He is currently Chairman of the Board of ASI, through which
12 he controls assets of the Church of Scientology.

13 27

14 Anne and Pat Broeker, defendants, are husband and wife
15 and hold no official position in the Church of Scientology.
16 They were in hiding with L. Ron Hubbard until Hubbard's death
17 on January 24, 1986. Pat Broeker communicated Hubbard's orders
18 to Miscavige. Plaintiff is informed and believes that Broeker
19 and Miscavige together control approximately \$150 million
20 dollars without authority to do so.

21 28

22 Plaintiff is informed and believes and based thereon
23 alleges the following: Sherman Lenske, defendant, was the
24 attorney for L. Ron Hubbard; He is now the attorney for David
25 Miscavige^ Norman Starkey and the named corporate defendants;
26 He purports to represent the conflicting interests of the
27 Church of Scientology, and L. Ron Hubbard and he has received
28 millions of dollars of Church funds in connection with said

1 representation as authorized by Miscavige; Lenske has served
2 as an attorney for either Hubbard or the Church of Scientology
3 from approximately 1977 to the present and, as hereinafter set
4 forth, he was engaged in many unlawful acts, and acts in
5 violation of the Canons of Ethics.

6 29

7 Plaintiff is informed and believes and based thereon
8 alleges as follows: John Peterson, defendant, is an attorney
9 representing David Miscavige and the Church of Scientology;
10 Since at least 1980, Peterson as hereinafter set forth, has
11 engaged in many unlawful acts in violation of the Canons of
12 Ethics; He has illegally received millions of dollars of
13 Church assets. -

14 30

15 Plaintiff is informed and believes and based thereon
16 alleges as follows: Lyman Spurlock, defendant, is a
17 subordinate of Miscavige, who is currently in charge of all
18 Church of Scientology finances and assets throughout the world,
19 Spurlock, together with Miscavige and Starkey, wrongfully
20 control Church assets through ASI.

21 31

22 Plaintiff is informed and believes and based thereon
23 alleges as follows: Terri Gamboa, defendant, is a subordinate
24 of Miscavige, an officer of ASI, who receives orders and
25 directions from Miscavige and through ASI, exercises wrongful
26 control and dominion over assets of the Church of Scientology.

27 32

28 Plaintiff is informed and believes and based thereon

1 alleges as follows: Mary Sue Hubbard is the wife of L. Ron
2 Hubbard; She has converted millions of dollars of Church of
3 Scientology funds; She has fraudulently taken information
4 from "PC files" to be used for purposes of blackmail and
5 extortion; She has made an agreement with Norman Starkey as
6 Administrator to receive a portion of the estate of L. Ron
7 Hubbard.

8 FACTUAL BACKGROUND

9 33

10 Plaintiff is informed and believes and based thereon
11 alleges as follows: The Church of Scientology was founded by
12 L. Ron Hubbard in or about 1952; Between 1952 and January 1986,
13 the Church of Scientology grew into many different corporations
14 world wide, all of which were totally dominated and controlled
15 by L. Ron Hubbard during said period; Hubbard exercised complete
16 dominion over said Scientology corporations by requiring the
17 officers and directors of each corporation to sign a written
18 resignation in advance of their assuming the position, and
19 Hubbard held said resignations, removing officers and directors
20 of the various corporations at will throughout the period from
21 early 1952 until January 1986; Hubbard has been held to be
22 the "alter ego" of the Church of Scientology in the case of
23 Church of Scientology v. Armstrong, Los Angeles Superior Court
24 No- C420 153.

25 34

26 Plaintiff is informed and believes and based thereon
27 alleges as follows: L. Ron Hubbard also exercised complete
28

///

1 dominion and control over all Scientology corporations through
2 an organization called the "Guardian's Office", which
3 organization was headed by Hubbard's wife, Mary Sue Hubbard,
4 and which organization between 1966 and early 1981, constituted
5 the management organization totally controlling all Church of
6 Scientology funds and property; Between the later part of
7 1979 and mid-1980, the eleven highest officials of the Guardian¹⁴
8 Office, including Mary Sue Hubbard, were convicted of a
9 variety of crimes by the United States Government, which
10 resulted in the incarceration of said individuals and a vacuum
11 was created in the management and leadership of the Church.

12 35

13 Plaintiff is informed and believes and based thereon
14 alleges as follows: On or about March 1980, L. Ron Hubbard
15 left the premises of the Church of Scientology in Hemet,
16 California, and vanished; At the time Hubbard disappeared,
17 there were pending Grand Juries in New York and elsewhere
18 investigating criminal activities by L. Ron Hubbard, Mary Sue
19 Hubbard and the Guardian's Office; L. Ron Hubbard had
20 previously been convicted of criminal fraud in France; Also
21 in early 1980, various individuals commenced lawsuits against
22 L. Ron Hubbard and the Church of Scientology alleging a
23 variety of torts committed against them.

24 36

25 Plaintiff is informed and believes and based thereon
26 alleges as follows: As a result of the conviction and
27 incarceration of the eleven highest members of the Church of
28 Scientology and the disappearance of L. Ron Hubbard into

1 hiding, between approximately early 1981 and until Hubbard's
2 death on January 26, 1986, there has been continuous conflict
3 and dispute over the management and control of monies and
4 property of the Church of Scientology; Plaintiffs allege that
5 the defendants are currently controlling bank accounts,
6 property and exercising dominion and control over various
7 assets without possessing the requisite corporate authority
8 to do so, in violation of the charters of the various
9 corporations, and in violation of state and federal law;
10 Defendants acquired and have maintained control of said assets
11 by fraudulent acts and by criminal acts as hereinafter set
12 forth.

13 37

14 Plaintiff is informed and believes and based thereon
15 alleges as follows: In approximately March 1980, upon the
16 disappearance of L. Ron Hubbard, the assets and property of
17 the Church of Scientology were not under the control of any
18 Scientology corporation or its officers or directors;
19 Although each Scientology corporation had a charter, a Board
20 of Directors and officers, said charter, Board of Directors,
21 and officers had no actual authority or control of any nature
22 or description; In 1966, when Hubbard resigned his position
23 as "Executive Director International" of all Churches of
24 Scientology throughout the world, which was the highest
25 executive management post, he simultaneously created the
26 "Guardian's Office" and designated his wife, Mary Sue Hubbard,
27 as "controller"¹¹ of all Scientology organizations throughout
28 the world and over the Guardian's Office; Between 1966 and

1 early 1981, L. Ron Hubbard, Mary Sue Hubbard, and the Guardian's
2 Office exercised total control over all Church assets, bank
3 accounts, property, and trademarks.

4 38

5 Plaintiff is informed and believes and based thereon
6 alleges as follows: Beginning in 1980, and continuing to the
7 present, after the indictment and conviction of Mary Sue
8 Hubbard and other high-level Scientology officials, David
9 Miscavige, Pat Broeker, Anne Broeker, Norman Starkey, Sherman
10 Lenske, John Peterson and Lyman Spurlock gradually began to
11 assume complete dominion and control over all Scientology
12 assets and property throughout the world, although they
13 received no corporate authority to do so; In early 1981,
14 Hubbard, even though he held no official position in any
15 Scientology corporation, allegedly authorized Miscavige to take
16 control of Church assets; At the same time, Hubbard appointed
17 William Franks as "Executive Director International" and
18 ordered Franks to become a signatory on those bank accounts
19 in Luxembourg containing approximately \$150 million dollars;
20 Although Franks held the highest official management position
21 in the Church of Scientology, he received his daily orders
22 from Miscavige upon the representation that Hubbard was issuing
23 daily dispatches contained orders which must be followed in
24 the distribution of assets of the Church of Scientology;
25 Franks himself was required to sign an undated letter of
26 resignation as "Executive Director International"¹¹.

27 39

28 Plaintiff is informed and believes and based thereon

1 alleges as follows: Between June 1981 and December 1981,
2 conflict developed between Miscavige and Franks over control
3 of Church bank accounts; In November 1981, Miscavige had
4 Franks physically locked up in a room for several weeks while
5 Miscavige assumed control of all corporate bank accounts, and
6 other assets; Throughout this period, Miscavige was
7 represented by attorneys Sherman Lenske and John Peterson, and
8 Miscavige paid them millions of dollars in attorneys¹ fees in
9 connection with their assistance in achieving this unauthorized
10 and illegal takeover.

11 40

12 Plaintiff is informed and believes and based thereon
13 alleges as follows: In early 1982, Lensker-on behalf of
14 Miscavige, Spurlock, Starkey, and several others, incorporated
15 ASI which became the corporate entity controlling Church of
16 Scientology bank accounts and assets; In fact, the officers
17 and directors of ASI, which included Miscavige, Starkey, and
18 Spurlock, possessed no authority from any Church of Scientology
19 corporation to control its bank accounts and property.

20 41

21 Plaintiff is informed and believes and based thereon
22 alleges as follows: At the same time as the incorporation of
23 ASI, Lenske on behalf of Miscavige, incorporated Religious
24 Technology Center (RTC) and Church of Spiritual Technology
25 (CST); Between January 1982 and June 1982, Lenske represented
26 ASI, RTC, CST, L. Ron Hubbard, and various Scientology
27 corporations in the fraudulent transfer of monies, property
28 and assets from various Scientology corporations to L. Ron

1 Hubbard; Lenske also prepared a will and an inter vivos trust
2 on behalf of Hubbard, which was witnessed by Pat Broeker and
3 Anne Broeker; RTC became the trustee of said Trust; The
4 assets of various Scientology corporations, which were taken
5 over by ASI in 1982, included bank accounts, personal property,
6 real property and current income of the various corporations;
7 The Charters of these corporations were violated in the take-
8 over by ASI; The Charters of each corporation provided that
9 the corporate affairs were to be regulated and managed by the
10 Boards of Directors and said corporations, when, in fact, the
11 various Boards of Directors of each Scientology corporation
12 were illegally controlled by ASI, Miscavige, Broeker and
13 Hubbard.

14 42

15 Plaintiff is informed and believes and based thereon
16 alleges as follows: On or about October 17, 1982, after
17 establishing ASI, CST and RTC, and obtaining control over all
18 corporate bank accounts throughout the world, Miscavige held
19 a meeting of approximately 400 franchise holders operating
20 Scientology corporations in San Francisco, California; At
21 said meeting, Miscavige informed the various franchise holders,
22 of the fact that he and the RTC had taken over all Scientology
23 organizations; Miscavige stated as follows:

24 "All the Scientology/Dianetics trademarks
25 were previously owned by L. Ron Hubbard.

26 L. Ron Hubbard has donated the vast
27 majority of those to a corporation which
28 some of you have probably never heard of,

1 by the name of Religious Technology
2 Center".

3 Miscavige further stated that every franchise holder
4 would be required to sign a new agreement with RTC and that
5 if they did not do so, they would be "fined or thrown into
6 jail". Individuals who objected to the RTC and ASI take-over
7 of the assets were literally locked into rooms and interrogated
8 with a crude lie detector and either forced to sign the new
9 agreements or removed from their positions.

10 43

11 Plaintiff is informed and believes and based thereon
12 alleges as follows: Between March 1982 and November 1982,
13 Hubbard, Broeker, Miscavige, Spurlock, and others through ASI,
14 illegally transferred over 30 million dollars of funds
15 belonging to the Church of Scientology to bank accounts of ASI
16 and Hubbard in Liechtenstein and Luxembourg; These funds were
17 transferred based on overtly false or exaggerated billings by
18 ASI to the Church of Scientology? The defendants named in
19 this Complaint are currently under investigation for conspiring
20 to defraud the United States Government in connection with the
21 allegations in this paragraph.

22 44

23 Plaintiff is informed and believes and based thereon
24 alleges as follows: Between November 1982 and the present,
25 the Church of Scientology has paid millions of dollars in
26 attorneys' fees to Sherman Lenske and John Peterson without
27 the requisite authority of the officers and directors of the
28 Church of Scientology corporations; These attorneys¹ fees

1 have been used as a money-laundering scheme to pay private
2 investigators and other costs in connection with a scheme to
3 harass and destroy all opposition to the defendants as set
4 forth belotr? These acts are also currently the target of a
5 Department of Justice Grand Jury investigation*

6 45

7 Plaintiff is informed and believes and based thereon
8 alleges as follows: Between January 1982 and the present,
9 Miscavige and ASI have illegally expended the following sums
10 for unlawful purposes:

- 11 a. In April 1982, Miscavige ordered the payment
12 of \$250/000.00 to "set up" and frame United
13 States District Judge Ben Krentzman in a
14 scheme to compromise him with drugs and
15 prostitutes.
- 16 b. In April-June 1982, Miscavige and ASI ordered
17 the payment of thousands of dollars to
18 Attorney Dan Warren in Daytona, Florida to
19 "pay off" State Circuit Judge James Durden
20 who was then sitting as Justice on a
21 Scientology case.
- 22 c. In March 1983, Miscavige, Lenske, Peterson
23 and ASI ordered the payment of in excess
24 of one million dollars to "set up" and
25 frame Attorney Michael Flynn of Boston,
26 Massachusetts, in an alleged attempt to
27 forge a two-million dollar check of L.
28 Ron Hubbard. To date, millions of dollars

1 have been paid to John Peterson and
2 Eugene Ingram; a private investigator,
3 to perpetrate the above described
4 illegal scheme.

5 46

6 Plaintiff is informed and believes and based thereon
7 alleges as follows: Between 1972 and 1982, defendants
8 conspired together to defraud the Church of Scientology of in
9 excess of 100 million dollars; This conspiracy was
10 accomplished by the following overt acts:

- 11 a. L. Ron Hubbard and Mary Sue Hubbard created
12 a Liberian Corporation called Religious
13 Research Foundation (RRF) with numbered bank
14 accounts in Liechtenstein. These bank
15 accounts and RRF were dominated and controlled
16 by L. Ron Hubbard;
- 17 b. Between 1972 and 1982 in excess of 100
18 million dollars belonging to the Church of
19 Scientology was illegally and secretly diverted
20 into the RRF bank accounts by L. Ron Hubbard
21 for his personal use and under his control;
- 22 c. RRF provided no goods or services and had no
23 legitimate corporate existence other than
24 being a depository of funds illegally obtained
25 and fraudulently-controlled by Hubbard;
- 26 d. Between 1980 and 1984 false and fraudulent
27 back-dated invoices were created to transfer
28 RRF funds directly into L_f Ron Hubbard's

1 bank accounts, Plaintiffs do not know the
2 amount of money diverted totally to Hubbard's
3 bank accounts but believe it to be in excess
4 of 30 million dollars;

5 e. The aforesaid funds illegally diverted are
6 now in the estate of L. Ron Hubbard in the
7 possession, custody and control of Norman
8 Starkey,

9 FIRST CAUSE OF ACTION

10 COUNT I

11 FRAUD {MISREPRESENTATION OF TAX EXEMPT STATUS AND CHARITABLE
12 NATURE)

13 47

14 Throughout the period that the individual plaintiffs
15 and plaintiff class members were members of the Church of
16 Scientology, defendants and their agents and employees
17 continuously made and provided the plaintiffs with written
18 representations that the Church of Scientology was a tax-
19 exempt , non-profit charitable organization.

20 48

21 This representation was false because:

- 22 a. The defendants had made a business out of
23 selling religion;
- 24 b. A substantial part of the income inured to the
25 benefit of L. Ron Hubbard and his family. For
26 example, from at least 1980 until January 1986,
27 the individual defendants conspired to divert
28 ten of millions of dollars from the Church of

1 Scientology to L. Ron Hubbard, (These
2 transactions are the subject of a
3 grand jury investigation in Los Angeles).

4 c. The defendant violated public policy by
5 conspiring to defraud the United States
6 government and by using their tax-exempt
7 income to finance overtly criminal acts
8 described above.

9 d. In 1967, for failing to comply with the
10 rules and regulations of the Internal
11 Revenue Service tax-exempt corporations,
12 the IRS removed the Church of Scientology
13 of California, the mother Church, from the
14 roster of tax-exempt organizations. The
15 decision to strip the Church of Scientology
16 of California of its tax-exemption was
17 upheld by the U.S. Tax Court in 1984.

18 49

19 Defendants, their agents and employees, made the
20 representations described above with the intent that the
21 plaintiffs act and rely upon the representations made. The
22 defendants knew or should have known the representations were
23 false.

24 50

25 Plaintiffs relied upon the representations described
26 above and said representations were material influences in
27 inducing plaintiffs to pay money to the defendants and
28 provide numerous hours of labor for the defendants for little

1 or no compensation. If plaintiffs had known that the Church
2 of Scientology was not a tax-exempt organization, that the
3 money they gave to Scientology was being directed to L. Ron
4 Hubbard, or that the defendants were involved in overt criminal
5 acts, they would not have paid said money or provided said
6 labor.

7 COUNT II

8 FRAUD (RECEIPT OF MONEY BY HUBBARD)

9 51

10 Throughout the period that the individual plaintiffs and
11 plaintiff class members were members of the Church of
12 Scientology, defendants, their agents and employees continuously
13 made written representations that L. Ron Hubbard did not
14 receive any of the money plaintiffs paid to the Church of
15 Scientology, that L. Ron Hubbard was never paid for his
16 Scientology research, that L. Ron Hubbard forgave a 13¹/₂
17 million dollar debt the Churches of Scientology-owed him, that
18 L. Ron Hubbard never received any royalties from the Church of
19 Scientology, that he donated his royalties for a best-seller
20 to the Church of Scientology and never received any royalties
21 from it, and that he drew less pay from the Church of
22 Scientology than an org. staff member (about \$30.00 a week).
23 These representations were included in publications entitled
24 "What Your Fees Buy" and other publications and were made
25 available to all members of the plaintiff class.

26 52

27 Contrary to the written representations described above,
28 L. Ron Hubbard received millions of dollars which had been

1 improperly diverted from the Church of Scientology, never
 2 forgave any debts allegedly owed to him by the Churches of
 3 Scientology, billed and received from the Church of Scientology
 4 millions of dollars for alleged research, received millions of
 5 dollars of the Church of Scientology for royalties on his
 6 book and trademark, and at times made as much as a million
 7 dollars a week from the Churches of Scientology. In fact,
 8 L. Ron Hubbard received tens of millions of dollars of Church
 9 of Scientology funds, including the diversion of funds to and
 10 from Religious Research Foundation, and the payments of millions
 11 of dollars from Church of Scientology bank accounts to L. Ron
 12 Hubbard bank accounts.

COUNT III

FRAUD (MISREPRESENTATION OF CONFIDENTIALITY OF AUDITING FILES)

53

16 Between 1952 and the present, defendants, their agents
 17 and employees made written representations to each member of
 18 the plaintiff class and each individual plaintiff that all
 19 information conveyed by a member of Scientology to the Church
 20 of Scientology during a Scientology process known as auditing
 21 was to be strictly confidential and was never to be revealed
 22 to anyone except the member's auditor or case supervisor.
 23 Under no circumstances, all plaintiffs were informed in
 24 writing would information disclosed in auditing ever be used
 25 against the person providing the information. The information
 26 obtained was taken down in files or folders (hereinafter
 27 referred to as auditing or "PC" files) called "preclear", "PC",
 28 "processing", "auditing", "confessional", or "ethics" files.

54
From at least 1969 until the present, defendants have had a secret written policy to extract the confidential information from "PC" files and use it for purposes of blackmail and extortion, in violation of the above representations.

This policy was written by defendant Mary Sue Hubbard and has been extensively implemented by defendants.

COUNT IV

FRAUD (MISREPRESENTATIONS OF HUBBARD'S BACKGROUND, ACHIEVEMENTS AND CHARACTER)

Throughout the period that the individual and class plaintiffs herein were members of the Church of Scientology numerous written representations about L. Ron Hubbard were made to the plaintiffs. These written representations were included in numerous books and publications written by or concerning L. Ron Hubbard which defendants required plaintiffs to read: These representations included:

- a. L. Ron Hubbard was a nuclear physicist who had conducted over thirty years of scientific research into the nature and causes of disease, the nature of the mind, and the nature of human organizations.
- b. Hubbard had served for four years in combat in the United States Navy during World War II, that he was one of the most highly decorated officers during the war, that he

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was severely wounded in combat, that he was twice pronounced medically dead and that he cured himself with Dianetics.

- c. Hubbard had travelled for years in the Far East and Asia, studying with great Eastern religious leaders and that he was able, in part, to formulate Scientology because of his knowledge of the East.
- d. L. Ron Hubbard's health was perfect as a result of personal applications of the principles of Dianetics and Scientology.
- e. L. Ron Hubbard was a person of unquestionable integrity, motivated solely by benevolent purposes, with no interest in exploiting Scientology to make money for himself.

The above representations are "false. In fact, plaintiff is informed and believes and based thereon alleges as follows:

- a. Hubbard received a failing grade in the only physics course that he took at George Washington University and was dismissed for poor academic performance after attending for one and one-half semesters;
- b. The only degree Hubbard ever received was from a mail-order college which he created or owned in the early 1950's;
- c. Hubbard did not serve in combat during World War II and was relieved of duty on

- 1 at least three occasions while serving
2 in the United States Navy;
- 3 d. During the end of his military service,
4 Hubbard was a psychiatric in-patient at
5 Oak Knoll Military Hospital;
- 6 e. Hubbard was never pronounced dead and
7 never received any war wounds;
- 8 f. Hubbard has, from at least 1945 to the
9 January 1986, suffered from chronic
10 duodenal ulcers, arthritis, bursitis,
11 skeletal weakness, diabetes, pulmonary
12 embolisms and a host of other diseases
13 and ailments;
- 14 g. Hubbard married his second wife, Sara
15 Northrop, while still married to his
16 first wife, Margaret Louise Grubb;
17 Hubbard practiced ritual abortions on
18 both his first and second wives and
19 attempted to murder his second wife;
- 20 h. Hubbard was arrested and convicted of
21 petty theft in 1947;
- 22 i. Those Dianetics and Scientology corporations
23 formed by Hubbard were not formed for
24 benevolent purposes but were conceived for
25 the stated intention to solely make money
26 through deceit and misrepresentation;
- 27 j. Hubbard knew and stated that Dianetics and
28 Scientology were formed as a religious front

1 to enable Hubbard to make huge sums of
2 money.

3 58

4 The defendants knew or should have known the
5 representations in COUNTS II, III, and IV were false, but
6 permitted them to be made to the plaintiffs. Defendants,
7 their agents and employees, made said representations with the
8 intent that the plaintiffs act and rely upon the representations
9 made.

10 59

11 Plaintiffs relied upon the representations described
12 above and said representations were material influences in
13 inducing plaintiffs to pay more money to the defendants and
14 provide numerous hours of labor for the defendants for little
15 or no compensation. Had plaintiffs known the truth, plaintiffs
16 would have never given money or donated labor to the defendants
17 Further, the defendants acted with malice toward plaintiffs,
18 with the intent to oppress plaintiffs and with conscious
19 disregard for plaintiffs rights and hence plaintiffs are
20 entitled to punitive damages.

21 60

22 In relying upon defendants' fraudulent misrepresentations,
23 plaintiff Franklin Freedman was damaged in the amount of moneys
24 paid, and for labor provided, all of which will be ascertained
25 according to proof.

26 61

27 In relying upon defendants fraudulent misrepresentations,
28 plaintiff Mary Maren was damaged in the amount of moneys paid,

1 and for labor provided, all of which will be ascertained
2 according to proof.

3 62

4 In relying upon defendants' fraudulent misrepresentations,
5 plaintiff Manfred Stansfeld was damaged in the "amount of moneys
6 paid, and for labor provided, all of which will be ascertained
7 according to proof.

8 63

9 In relying upon defendants' fraudulent misrepresentations,
10 plaintiff Valerie Stansfield was damaged in the amount of
11 moneys paid, and for labor provided, all of which will be
12 ascertained according to proof.

13 64

14 In relying upon defendants' fraudulent misrepresentations,
15 plaintiff Hana Eltringham Whitfield was damaged in the
16 amount of moneys paid, and for labor provided, all of which
17 will be ascertained according to proof.

18 65

19 In relying upon defendants' fraudulent misrepresentations,
20 plaintiff Jerry Whitfield was damaged in the amount of moneys
21 paid, and for labor provided, all of which will be ascertained
22 according to proof.

23 66

24 In relying upon defendants' fraudulent representations,
25 plaintiff class members and FAIR members gave defendants
26 millions of dollars and provided thousands of hours of labor,
27 and were damaged in an undetermined amount at this time.

28 ///

1 SECOND CAUSE OF ACTION
2 BREACH OF FIDUCIARY DUTY

3 67

4 Plaintiffs restate and reallege all of the allegations
5 contained in Paragraphs 1-66 and incorporate them by reference
6 herein.

7 68

8 When soliciting all of the individual plaintiffs and all
9 members of the plaintiff class to join Scientology, defendants,
10 their agents and employees invited and expected plaintiffs to
11 place their trust in the defendants and to come to them with
12 their most personal and intimate concerns. Plaintiffs did
13 indeed place their confidence in the integrity of the defendants
14 and defendants voluntarily accepted such confidence. By
15 encouraging plaintiffs to repose their trust and confidence
16 in their integrity, and by voluntarily accepting such trust
17 and confidence, defendants assumed a fiduciary duty to the
18 plaintiffs.

19 69

20 Plaintiff is informed and believes and based thereon
21 alleges as follows: Defendants breached their fiduciary duties
22 to the plaintiffs by:

- 23 a. permitting a non-officer of the Scientology Churches,
24 L. Ron Hubbard, to control and dominate the Church
25 of Scientology;
- 26 b. failing to disclose to plaintiffs that a non-
27 officer of the Scientology Churches controlled
28 and dominated the Church of Scientology?

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- c. permitting money paid by the plaintiffs and income earned through the plaintiffs¹ labor to be used to finance overtly criminal operations such as those identified in paragraphs 32 through 46 of this Complaint.
- d. failing to disclose to plaintiffs that money plaintiffs paid and income earned through plaintiffs¹ labor was used to finance overtly criminal operations such as those described in paragraphs 32 through 46 of this Complaint.
- e. permitting defendants Anne Broeker, Pat Broeker, David Miscavige, Norman Starkey, Sherman Lenske, John Peterson and Lyman Spurlock to assume dominion and control, under L. Ron Hubbard's direction of the Churches of Scientology's assets and property without having corporate authority to do so?
- f. permitting the transfer of millions of dollars of Scientology assets to L. Ron Hubbard through defendant ASI without corporate authority;
- g. failing to disclose the transfer of millions of dollars of Scientology assets to L. Ron Hubbard through defendant ASI;
- h. permitting the misrepresentations

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identified in paragraphs 47, 51, 53 and 56 of this Complaint to be made to the plaintiffs and the general public;

i. failing to disclose to plaintiffs the truth about the misrepresentations identified in paragraphs 47, 51, 53 and 56 of this Complaint.

70

Defendants had a fiduciary duty* to disclose "the facts alleged above and had they done so plaintiffs would not have given millions of dollars to the Churches of Scientology or provided the thousands of hours of labor to the Churches of Scientology. Due to defendants' breaches of fiduciary duty, plaintiffs' money and labor never was used for the purposes plaintiffs' intended. The defendants' actions toward plaintiff were done with malice, with the intent to oppress plaintiff and with conscious and reckless disregard for plaintiffs rights hence plaintiffs are entitled to punitive damages.

71

In relying upon defendants' fraudulent misrepresentations plaintiff Franklin Freedman was damaged in the amount "of moneys paid, and for labor provided, all of which will be ascertained according to proof.

72

In relying upon defendants fraudulent misrepresentations, plaintiff Mary Maren was damaged in the amount of moneys paid, and for labor provided, all of which will be ascertained according to proof.

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In relying upon defendants fraudulent misrepresentations, plaintiff Manfred Stansfield was damaged in the amount of moneys paid, and for labor provided, all of which will be ascertained according to proof.

In relying upon defendants fraudulent misrepresentations, plaintiff Valerie Stansfield was damaged in the amount of moneys paid, and for labor provided, all of which will be ascertained according to proof.

In relying upon defendants fraudulent misrepresentations, plaintiff Hana Eltringham Whitfield was damaged in the amount of moneys paid, and for labor provided. All of which will be ascertained according to proof.

In relying upon defendants fraudulent misrepresentations, plaintiff Jerry Whitfield was damaged in the amount of moneys paid, and for labor provided, all of which will be ascertained according to proof.

In relying upon defendants' fraudulent misrepresentations, plaintiff class members and FAIR members gave defendants millions of dollars and provided thousands of hours of labor, and were damaged in an undetermined amount at this time.

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1 THIRD CAUSE OF ACTION

2 INJUNCTIVE RELIEF AND CONSTRUCTIVE TRUST

3 78

4 Plaintiffs restate and reallege all allegations
5 contained in paragraphs 1- 77 and incorporate them herein by
6 reference.

7 79

8 Defendant Churches of Scientology possess auditing
9 files for each of the individual plaintiffs and virtually all
10 of the members of the plaintiff class; These files contain
11 intimate, secret information of the most personal..nature
12 which was given to the defendants under the fraudulent promise
13 that such information would be kept in the strictest confidence.

14 80

15 As described above, defendants have a secret written
16 policy that notwithstanding any representations of
17 confidentiality, the defendants can and will use the
18 information contained in auditing files for extortion and
19 harassment purposes, particularly if an individual is
20 considered or suspected of being an enemy of Scientology, By
21 filing suit against the Church of Scientology, pursuant to
22 written Scientology policies, the plaintiffs are considered
23 enemies of Scientology and subject to Scientology's auditing
24 disclosure policy.

25 81

26 Disclosure of plaintiff's auditing materials without
27 their consent will constitute an invasion of plaintiff's
28 right to privacy.

1
2 Because money damages cannot adequately approximate
3 the damages plaintiff will suffer due to disclosure of
4 auditing files and because of the number of individuals
5 involved, suits for money damages would not be judicially
6 feasible, plaintiffs will be irreparably harmed if such
7 disclosures occur. Plaintiffs require a court order to
8 enjoin defendants from examining plaintiffs¹ auditing files
9 and removing said files from defendants* custody in order to
10 protect plaintiffs¹ constitutional rights to privacy.

11
12 As set forth in above, defendants obtained the
13 information contained in the auditing file through fraud and
14 deceit. Had plaintiffs known the information disclosed in
15 auditing would not remain strictly confidential, such
16 information would have never been given to the defendants,
17 Defendants, moreover, have improperly used the material
18 entrusted to them, by using it against members who they
19 perceive to be threats.

20
21 Defendants have no legitimate need for the plaintiffs'
22 auditing files because plaintiffs are no longer members of
23 the Church of Scientology.

24
25 In order to correct the fraud perpetrated by the
26 defendants in obtaining the confidential information they
27 would not have otherwise obtained, and to prevent further
28 wrongful exploitation of the confidential information to the

1 detriment of these plaintiffs. Plaintiffs seek injunctive
2 relief requiring the defendants to hold the information
3 contained in the plaintiffs' auditing files in constructive
4 trust for the plaintiffs, and order the defendant to return
5 the auditing files and all other confidential information
6 held by them to the plaintiffs. Plaintiff further seeks an
7 order restraining defendants, their agents and employees
8 from reproducing or disseminating the information contained
9 in the files.

10 WHEREFORE, plaintiffs pray and each of them pray for
11 judgment as follows:

12 1. That plaintiff Franklin Freedman be awarded damages
13 according to proof for money given and labor provided to the
14 defendant.

15 2. That plaintiff Mary Maren be awarded damages
16 according to proof for money given and labor provided to the
17 defendant.

18 3. That plaintiff Manfred Stansfield be awarded damages
19 according to proof for money given and labor provided to the
20 defendant.

21 4. That plaintiff Valerie Stansfield be awarded
22 damages according to proof for money given and labor provided
23 to the defendant.

24 5. That plaintiff Hana Eltringham Whitfield be awarded
25 damages according to proof for money given and labor provided
26 to the defendant.

27 6. That plaintiff Jerry Whitfield be awarded damages
28 according to proof for money given and labor provided to the

1 defendant.

2 7. That a judicial determination be made of all
3 damages suffered by plaintiff class for moneys paid to the
4 defendants and labor provided to the defendants, and that a
5 fund be established for payment of said damages together with
6 interest and costs.

7 8. That after a hearing enter a preliminary injunction
8 enjoining defendants from disclosing to anyone within or
9 without Scientology any of the contents of plaintiff's
10 auditing files or other confidential information and order
11 that all such files and information wherever such may be, be
12 removed from defendants' custody, and control and returned
13 to plaintiffs. Further, that the defendants and their agents
14 and employees be restrained from reproducing or disseminating
15 in any way the information contained in the files.

16 9. After a trial, enter a permanent injunction
17 enjoining defendants from disclosing to anyone within or
18 without Scientology any of the contents of plaintiff's
19 auditing files or other confidential information and order
20 that all such files and information, wherever such may be
21 located, shall be removed from defendants' custody and
22 control and returned to plaintiffs. Further, that the
23 defendants and their agents and employees be restrained from
24 reproducing and disseminating in any way the information
25 contained in the files.

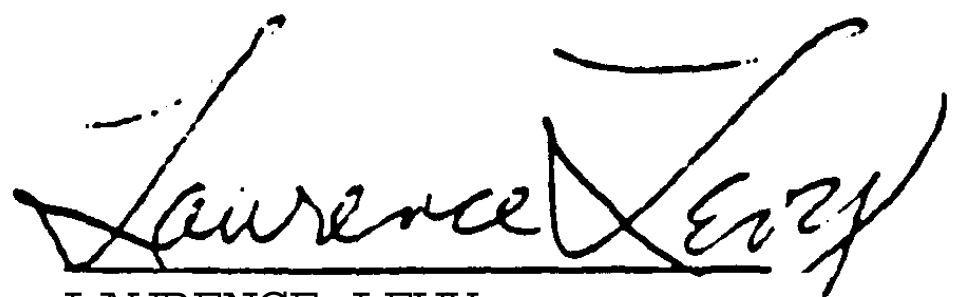
26 10. After a trial, make a judicial determination that
27 plaintiffs' auditing files and all other confidential
28 information concerning plaintiffs which is within the custody

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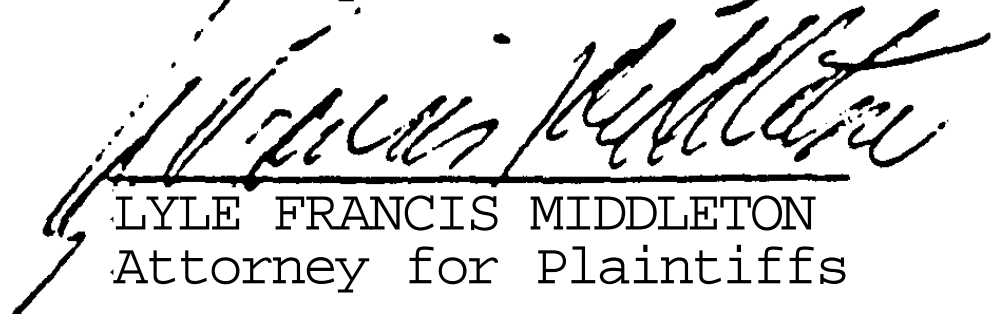
and control of defendants be held in constructive trust for
plaintiffs and all such materials be returned to the plaintiffs.

- 11.
- a. Award punitive damages to the plaintiffs in
the amount of \$1,000,000,000.00 (One Billion Dollars)
- b. Attorney fees;
- c. Costs of suit;
- d. Such other and further relief as this Court
deems just.

DATED: 12/29/56



LAWRENCE LEVY
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Attorney for Plaintiffs