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7  
8 ATTORNEYS FOR: Plaintiffs

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

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

CA001012

CASE NO.:  
CLASS ACTION

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

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

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

2

3 Defendants are individuals and corporate entities either  
4 duly organized or existing under the laws of California with  
5 principal place of business in the City of Los Angeles, County  
6 of Los Angeles, California, or foreign corporations and indivi-  
7 duals doing business in the City of Los Angeles, County of Los  
8 Angeles, California.

3

4 Plaintiffs do not know the true names and capacities of  
5 defendants sued herein as DOES I to 100, inclusive, and there-  
6 fore sues them by such fictitious names. Plaintiffs will amend  
7 this Complaint to allege their true names and capacities when  
8 ascertained. Plaintiffs are informed and believe that each of  
9 the fictitiously named defendants is responsible in some manner  
10 for the occurrences herein alleged, and that plaintiffs' damages  
11 as herein alleged were proximately caused by such occurrences.  
12 Further, plaintiffs are informed and believe that said defendants  
13 and each of them are agents and employees of each other and at  
14 all relevant times mentioned herein were acting within the course  
15 and scope of that employment with the consent, permission and

1 authority of each other.

2 4

3 INTRODUCTION

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

21 5

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

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



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

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 (3½) 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.

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

22

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

23

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

24

The Church of Scientology Advanced Organization of Los Angeles (AOLA), the Church of Scientology American Saint Hill 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 Guardian's  
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" 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".

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 attorneys' 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, Lenske, 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,

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by the name of Religious Technology  
Center".

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

43

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

44

Plaintiff is informed and believes and based thereon alleges as follows: Between November 1982 and the present, the Church of Scientology has paid millions of dollars in attorneys' fees to Sherman Lenske and John Peterson without the requisite authority of the officers and directors of the Church of Scientology corporations; These attorneys' 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 below; 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, 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 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 13½  
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.

13 COUNT III

14 FRAUD (MISREPRESENTATION OF CONFIDENTIALITY OF AUDITING FILES)

15 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

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

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

16 57

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

- 19 a. Hubbard received a failing grade in the only  
20 physics course that he took at George  
21 Washington University and was dismissed  
22 for poor academic performance after  
23 attending for one and one-half semesters;
- 24 b. The only degree Hubbard ever received was  
25 from a mail-order college which he created  
26 or owned in the early 1950's;
- 27 c. Hubbard did not serve in combat during  
28 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 Stansfield 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;



- 1 c. permitting money paid by the plaintiffs  
2 and income earned through the plaintiffs'  
3 labor to be used to finance overtly  
4 criminal operations such as those  
5 identified in paragraphs 32 through 46  
6 of this Complaint.
- 7 d. failing to disclose to plaintiffs that  
8 money plaintiffs paid and income earned  
9 through plaintiffs' labor was used to  
10 finance overtly criminal operations such  
11 as those described in paragraphs 32  
12 through 46 of this Complaint.
- 13 e. permitting defendants Anne Broeker, Pat  
14 Broeker, David Miscavige, Norman Starkey,  
15 Sherman Lenske, John Peterson and Lyman  
16 Spurlock to assume dominion and control,  
17 under L. Ron Hubbard's direction of the  
18 Churches of Scientology's assets and  
19 property without having corporate  
20 authority to do so;
- 21 f. permitting the transfer of millions of  
22 dollars of Scientology assets to L. Ron  
23 Hubbard through defendant ASI without  
24 corporate authority;
- 25 g. failing to disclose the transfer of  
26 millions of dollars of Scientology assets  
27 to L. Ron Hubbard through defendant ASI;
- 28 h. permitting the misrepresentations

1 identified in paragraphs 47, 51, 53 and  
2 56 of this Complaint to be made to the  
3 plaintiffs and the general public;

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

8 70

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

19 71

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

24 72

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

1  
2 In relying upon defendants fraudulent misrepresentations,  
3 plaintiff Manfred Stansfield was damaged in the amount of moneys  
4 paid, and for labor provided, all of which will be ascertained  
5 according to proof.

6  
7 In relying upon defendants fraudulent misrepresentations,  
8 plaintiff Valerie Stansfield was damaged in the amount of  
9 moneys paid, and for labor provided, all of which will be  
10 ascertained according to proof.

11  
12 In relying upon defendants fraudulent misrepresentations,  
13 plaintiff Hana Eltringham Whitfield was damaged in the amount  
14 of moneys paid, and for labor provided. All of which will be  
15 ascertained according to proof.

16  
17 In relying upon defendants fraudulent misrepresentations,  
18 plaintiff Jerry Whitfield was damaged in the amount of moneys  
19 paid, and for labor provided, all of which will be ascertained  
20 according to proof.

21  
22 In relying upon defendants' fraudulent misrepresentations,  
23 plaintiff class members and FAIR members gave defendants  
24 millions of dollars and provided thousands of hours of labor,  
25 and were damaged in an undetermined amount at this time.

26 //

27 //

28 //

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 plaintiffs' auditing files  
9 and removing said files from defendants' custody in order to  
10 protect plaintiffs' 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.

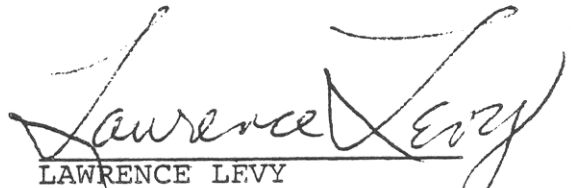
26 10. After a trial, make a judicial determination that  
27 plaintiffs' auditing files and all other confidential  
28 information concerning plaintiffs which is within the custody

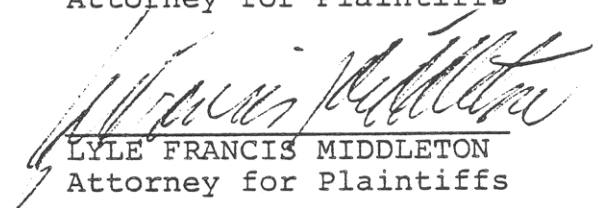
1 and control of defendants be held in constructive trust for  
2 plaintiffs and all such materials be returned to the plaintiffs.

3 11.

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

10  
11  
12  
13  
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15  
16  
17  
18 DATED: 12/29/86

19   
20 LAWRENCE LEVY  
21 Attorney for Plaintiffs

22   
23 LYLE FRANCIS MIDDLETON  
24 Attorney for Plaintiffs  
25  
26  
27  
28