

Name: Alert ID: TMML202403127176 Investors defrauded by Reed Slatkin hope to recover funds from Scientology groups Los Angeles Times, Mar. 26, 2003 <http://www.latimes.com/> By E. Scott Reckard, Times Staff Writer Investors defrauded of \$255 million by EarthLink Inc. co-founder Reed Slatkin are hoping to recover funds from the Church of Scientology International and six affiliated organizations that allegedly wound up with tens of millions of dollars from the investment scam, their attorneys said Tuesday. The investors won an initial battle when a bankruptcy judge in Santa Barbara recently refused to block subpoenas ordering the Scientology groups to hand over records of money transferred to them by certain Slatkin investors who came out ahead financially. The subpoenas also seek records of communications the groups had about Slatkin, a longtime but now excommunicated Scientologist who was known for his celebrity clientele. Investors burned by Slatkin's schemes have sued individuals who profited, including supermodel Cheryl Tiegs and actor Peter Coyote. But the subpoenas mark the first legal targeting of church entities. No suits have been filed against the church or the affiliates. Attorneys expect months of legal wrangling before the subpoenas might yield anything. Lawyers for the church groups, who sought to block the subpoenas, won a partial victory from U.S. Bankruptcy Judge Robin Riblet, who is overseeing Slatkin's bankruptcy. The judge ruled Friday that they can participate in the subpoena process. That will allow the groups to mount further legal challenges and to have access to any documents that are made public. Church of Scientology attorneys will confer with the Chapter 11 bankruptcy trustee on the material that should be released through the subpoenas, "and to the extent the subpoenas seek to violate religious protections of communications between the church and its members, we will object," said Joseph Eisenberg, a lawyer for the church. One of the claims made to try to block the subpoenas was that details of money transfers are protected by "clergy-communicant privileges" — the status accorded to the confessing of sins to a priest. But attorneys for the trustee and the committee of unsecured creditors questioned in court documents "how a simple monetary transfer, where no communication was involved, would violate any clergy-communicant privileges." In pleading guilty to fraud last year, Slatkin described his investment empire as a scam from its start in 1986. Lawyers for the trustee and the creditors contend that proves the "profits" he distributed were ill-gotten, whether the investors knew it or not, and must be returned. Legally, there is no protection for third parties such as the Church of Scientology if it can be shown that they received supposed profits from Slatkin, said Alexander Pilmer, an attorney for the trustee and creditors. He added that there's a potential for significant recoveries from the organizations. "We believe that Scientology entities received tens of millions of dollars from Slatkin or from Slatkin's Ponzi scheme," Pilmer said. In a report to the Bankruptcy Court, trustee R. Todd Neilson calculated that investors poured \$593 million into Slatkin's investment pools. Neilson wants to recover as much as possible of the \$195 million that investors received as purported profits. Slatkin pleaded guilty nearly a year ago to fraud, money laundering and conspiracy charges carrying a potential sentence of up to 15 years. The co-founder of the Internet service provider EarthLink is in federal custody, trying to win a lesser sentence by cooperating with prosecutors. Sentencing is set for June 9. Slatkin's plea agreement allowed him to request a lighter sentence because of what the plea agreement called the "psychological impact of his association with certain individuals and/or groups," a reference to his membership in the Church of Scientology and long and close relationship with some prominent members. Linda Simmons Hight, a spokeswoman for the church in Los Angeles, said Slatkin "used his position in the church to suck in Scientologists who were victimized along with other people." Pilmer said dozens of people who profited from Slatkin's scheme have settled the claims. The latest settlement, approved Friday by Riblet, was with CNN legal commentator Greta Van Susteren and her husband, tobacco litigator John Coale. They agreed to pay about \$700,000 — about 81 cents on the dollar for the profits Slatkin paid them.