

# ***The Devil And Stanley Rader***

**How a Jewish lawyer from White Plains found Jesus, big bucks, and lots of trouble doing "the Work" in California.**

***By Henry Goldman***

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Sitting at the wheel of his Ferrari as it rumbles down Canon Drive in Beverly Hills, Stanley Rader, lawyer and accountant, smiles broadly and waves to an acquaintance on the street. He's just enjoyed an elegant lunch at Bistro Gardcas. His tailored clothes fit well, his mustache is neatly trimmed, his tinted glasses shade his eyes from the California sun. Relaxed and confident, Stanley Rader hardly seems like a man locked in a desperate battle with Satan.

Rader, 48, is general counsel and secretary-treasurer of the Worldwide Church of God. And if you talk to his employer and spiritual leader, church founder Herbert W. Armstrong, he will tell you that Satan (through the California attorney general's office) is attacking Rader and the church with an unholy vengeance.

The state of California began to investigate Armstrong, Rader, and the tax-exempt \$130-million religious empire they control last November, around the time the Jonestown suicides focused attention on religious cults and the business of raising God's money. The investigation was helped along by disillusioned church members, who supplied investigators with documents suggesting that millions of dollars in contributions had been diverted to support the extravagant lifestyles of Stanley Rader and other church officials.

Armed with these documents, the attorney general went into the chambers of Superior Court Judge Jerry Pacht in Los Angeles last January and obtained, *ex parte*, an order placing the church's assets in receivership. Arguing that church funds are bound by a charitable trust, the state of California has filed suit against Rader, the Worldwide Church of God, Armstrong, and a host of church officials and related businesses. The suit asks for a full accounting of how Rader and others have spent church money, which streams in from all over the country at the rate of about \$70 million a year.

So Rader spends much of his time these days driving his Ferrari back and forth between the campus of Ambassador College in Pasadena, where the church headquarters is located, and Beverly Hills, where he visits his battery of lawyers. He has answered the suit with a flurry of discovery motions, defamation suits, and appeals alleging violation of religious liberty. The litigation could cost the church thousands, perhaps millions, of dollars.

As the potentially massive legal battle takes shape, there is a growing line of people with questions to ask Stanley Rader, the resourceful man who rose from a job as part-time accountant for the church in 1957 to the top of its hierarchy by 1975. The questions come from ex-members, state investigators, and, most recently, from officials of the California bar and the state board of accounting, who are looking into charges that Rader has engaged in frequent conflicts of interest.

The American Lawyer, too, had some questions for Stanley Rader. But in three limited conversations with him - two by telephone and one outside his lawyer's office in Beverly Hills - he refused to discuss in detail the ethical issues raised by his conduct.

Nevertheless, Rader insists he will be vindicated. "All the documents are exculpatory," he says. And he promises "to make the attorney general eat his words, one at a time." As he puts it, "I like to make people eat their words."

For Rader, the stakes are high indeed. His current employment contract - reportedly negotiated directly between himself and Herbert Armstrong in 1976 - runs until the year 2003. It gives Rader a salary of \$200,000 a year, unlimited expenses, and a chauffeur driven limousine. In 1983, the contract says, Rader will leave his job as chief advisor to the 86-year old Armstrong and become senior consultant to the church - at \$100,000 a year plus travel and entertainment expenses - until the year 2003, when he turns 73.

"Both Church and Rader recognize that Rader's commitment to Church has resulted in tremendous professional sacrifices by Rader," the contract states. "Church recognizes the substantial, unselfish contributions which Rader has made to Church and its related entities, and now desires to... ensure Rader security."

If security was what Rader wanted, though, he had already achieved considerable success. By the time Armstrong had signed the contract, Rader had managed to use his position as general counsel and chief financial advisor to create his own niche of power within the church. His old law firm - Rader, Helge & Gerson - still represents the church, and his old accounting firm - Rader, Cornwall, Kessler and Palazzo - does the church books. Rader set up Mid-Atlantic Leasing in Pennsylvania and two companies that leased three jet planes - two Falcons and a luxurious Gulfstream II - to the church. He says it was necessary for him to create the leasing entities because "the church could not afford to purchase the airplane and could not lease it through normal channels, since lessors are reluctant to lease to churches, feeling that they do not want to be placed in the position of suing a church in the event of default." Rader also received indemnity from the church on tax losses that he might have incurred as lessor. Moreover, Rader's Worldwide Advertising, Inc., earned commissions on the millions of dollars spent by the church to buy television and radio time for its nationally broadcast program, "The World Tomorrow." Rader's Gateway Publishing, Inc., has sold thousands of dollars' worth of specially printed books to the church - including presentation volumes to be given to world royalty. And he reportedly helped set up an in-house insurance company and an agency that booked hundreds of thousands of dollars in travel arrangements for church officials.

As Rader explains, "I don't take stupid pills." Said Judge Pacht to the Sacramento Bee: "He found Jesus, salvation, and money all at the same time."

But it was actually a long, steady climb to the top for Stanley Rader, who grew up in White Plains, New York, became an accountant after his 1951 graduation from UCLA, and 12 years later graduated first in his class from the University of Southern California Law School.

His initial contact with the Worldwide Church of God came in 1956, when he was working as an accountant for Hollywood advertising mogul Milton Scott, who bought radio and television time for the church. When Armstrong's accountant died in 1956, Scott sent Rader to Pasadena to help straighten out the church's books. Scott says that young Rader came back to the office enthusiastic about "the gold mine out there."

Today, Scott is a bitter man. He says Rader violated their confidential relationship by wresting the church's advertising business away from him. "Stan wanted the old man [Armstrong] to like him, and it worked," Scott says. "He gradually became indispensable... I had total trust in this man. He was my man. He just came in and blew me away."

It was in 1969 that Rader set up Worldwide Advertising, reportedly giving himself two-thirds ownership, with one-third going to his longtime friend and partner, accountant Henry Cornwall. Income from Worldwide Advertising in 1971 and 1972 provided Rader with

\$105,000 which he says he used for mortgage payments on his Beverly Hills home. But church documents suggest that Rader stopped making payments on the home in 1975. Meanwhile, from 1971 through 1977, the church poured more than \$860,000 into the house for its mortgage, utilities, taxes, decor, landscaping, swimming pool maintenance, and housekeeping staff.

Rader says these payments were all in accord with his "executive expense benefits package," comparable, he says, to what ministers are given by the church. "But the difference between me and the ministers is that it was all reported on my 1099 as income other than wages," Rader says. "All of these expenses were incurred in connection with my maintaining the house for visiting foreign dignitaries."

Rader claims he paid the full purchase price on the house; but the bottom line is that the church bought the house in 1971 for \$461,000 and Rader, holding title, sold it in 1978 - making, he boasts, a \$1.2-million profit on the deal. "There's no secret about it," he says. "Real estate values jumped clear out of sight because of the combination of inflation and Arab oil money. I bought the house, it was mine." He adds that he "tithed" half of his profit after taxes to the church.

Whether Rader in fact paid all of his taxes on the compensation he received is a matter for the Internal Revenue Service, which has reportedly begun a criminal investigation into charges that he hasn't. But that wasn't the issue for accountant Jim Johnson, who worked in Rader's firm and later became deputy controller in the church's business office.

A member of the Worldwide Church of God who tithed 10 percent of his income to the church, as members are required to do, Johnson says he quit the church in 1974 because "it began to bear on me pretty heavily that dollars obtained from members were being misused." In a telephone interview from his Florida home, Johnson told how, in 1973, he wrote a memo to Albert Portune, a financial policy maker in the business office, outlining some of his charges against Stanley Rader.

"Several rather unusual and disturbing items of information have come to my attention about which I can no longer refrain from comment," Johnson wrote. He then discussed the different leasing companies, advertising agencies, payments for mortgages, and other "personal expenses."

He continued, "I am shocked at the material misrepresentations we have made in regard to our reporting to the body of Christ, not to mention creditors and other third parties who have been defrauded. In addition, I am greatly disturbed at the untenable financial relationships that Messrs. Rader and Cornwall have with the church." (The American Lawyer repeatedly tried to reach Cornwall for comment on his relationship with Rader and the church, but he did not return our calls.)

What particularly galled Johnson was a resort for church ministers that had been maintained at Lake Arrowhead in Southern California with money held in a special account for widows and orphans. "It was just like a hotel," he says.

Johnson says that Rader was often able to get by without showing financial statements to creditors, meeting only with the top officials from institutions like Wells Fargo Bank, N.A., and United California Bank and making the deals over backroom lunches at swank restaurants.

In 1975, Johnson went to the American Institute of Certified Public Accountants with his charges. "I had to go to them," he says. "I'm a CPA, and it's required when you know something like that. I knew it was going to come out eventually." Nevertheless, the AICPA took no formal action, and officials there refuse to comment on the matter.

A few months after Johnson went to the AICPA, Rader changed his relationship with the Worldwide Church of God. For the first time, he became a church employee - and a church member. (As the story goes, Rader was baptized by Herbert Armstrong himself in the bathtub of a hotel room in Hong Kong, converting from Judaism.) Rader became secretary-treasurer of the church, and assumed positions of power in the church's Ambassador College and a related multi-million-dollar tax-exempt cultural foundation. He had already announced his departure from his Los Angeles law and accounting firms. (But the two firms still retain Rader's name on their letterheads.) Rader says he severed his ties to Worldwide Advertising before he became a church employee.

Rader's conversion meant that he could now combat the resentful murmurs of the church brethren who distrusted him and considered him an outsider. He had accepted Herbert Armstrong as God's only true apostle. And he had accepted the Armstrong doctrine that we are living in the "End Times" - the last days before the imminent return of Jesus Christ, when the world's population will be destroyed in a holocaust and the repentant resurrected in a heavenly kingdom on earth.

Rader's conversion also cemented the close relationship he has nurtured with Herbert Armstrong. By 1976, the two had become constant companions - Armstrong called Rader his "best student" - and they traveled around the world together some 200 to 300 days a year. Two years ago, the church bought a \$150,000 house in Tucson for Rader's use so he could be near Armstrong, who suffered a heart attack in 1977. Although Rader says he considers Tucson his home, "and Barry Goldwater my Senator," he has treated travel between Tucson and his Pasadena home as tax-exempt business expenses because, he says, "It's travel done at the request of Mr. Armstrong."

During international travels with Rader, Herbert Armstrong, as head of the Worldwide Church of God, Ambassador College, and the Ambassador International Cultural Foundation (AICF), would entertain royalty and foreign leaders at lavish banquets. AICF publishes secular, glossy Quest magazine (circulation 300,000, initial investment \$5 million), and sponsors a concert series with the likes of Artur Schnabel, Renata Scotta, and some of the world's finest symphony orchestras. (The musicians are flown to Pasadena to perform inside Ambassador Auditorium, a \$10 million palace complete with tons of crystal chandeliers, polished rose onyx from Turkey, and Burmese teakwood lining the walls.)

AICF's activities, and its financial clout, lent Armstrong and Rader the credibility they needed to set up their meetings with various world leaders - meetings that were then well publicized in church publications. Less publicized, however, were the enormous travel costs that Armstrong and Rader incurred. And very little was disclosed about the comings and goings of the mysterious Osamu Gotoh, a Japanese Christian evangelist hired as Armstrong's advance man. Gotoh spent hundreds of thousands of dollars on himself and foreign officials in the eight years he worked for the church before he was "terminated" in 1977. A partial list of his expenses for the period from June 1975 to July 1976 includes \$28,213 at Steuben Glass Company and \$45,885 in just eight days at the Hotel Plaza Athenee. For Stanley Rader, \$10,130 in nine separate credit card transactions was recorded - all in the same day - February 25, 1976 - at the Jerusalem Hilton. One gala cocktail party and banquet at the Hotel de Paris in Monte Carlo, which Rader claims was given to raise money for charity, cost the church more than \$22,000.

According to the former chief minister of the church, C. Wayne Cole, one Armstrong/Rader trip to Monte Carlo resulted in the rental of a yacht - "a 'two-story boat' is how Mr. Armstrong described it" - at a cost of \$30,000 for ten days. (Rader denies this and calls Cole a liar.) And the credit cards also bought nightclub entertainment in Tokyo for \$1,519 a night, and dinners at Perino's in Los Angeles amounting to thousands of dollars.

Rader's lawyer, Allan Browne, a partner with Ervin, Cohen & Jessup in Beverly Hills, has an explanation for the high living: "When the Pope goes abroad, he doesn't stay at a Travel Lodge. It's the same situation here. This church holds Herbert Armstrong to be God's only true apostle, and Mr. Armstrong has committed himself to a program of proclaiming the word of God around the world. And when visiting dignitaries come to Pasadena to meet with Mr. Armstrong, he doesn't take them to McDonald's. He takes them to Perino's.

But Armstrong's only living son, Garner Ted Armstrong, calls the first-class travel indulged in by his father and Rader "nothing more than glorified autograph hunts." While the two traveled the world, Ted was left behind to run the church's daily operations. He watched as Rader became second in command.

Ted says the pivotal event in his downfall occurred in 1977, when his father, then 84, married a receptionist working in the church's Pasadena headquarters. She was 38 years old, a divorcee - and a Rader ally. "It's a classic situation," Ted says. "My dad is crowding 87. He's married this younger woman, and she and Rader are very close - in constant communication - and all his family is ostracized and kept from him."

In June 1978, Herbert Armstrong "disfellowshipped" his son after Ted tried to dump Worldwide Advertising as the agent for the church. Ted now makes his home in Tyler, Texas, where his new ministry is the Church of God, International. ("I'm just preaching the gospel, just as hard as I know how," he says.) He now champions the cause of full financial disclosure for all religious organizations.

The financial disclosure issue is a sore point with Rader. He says that such demands, when placed upon a church by the state, violate First Amendment guarantees of religious freedom. But evidence suggests that Rader does not like the idea of financial disclosure under circumstances he cannot control. One month after Ted's ouster from the Worldwide Church of God, Rader sent him a letter offering \$50,000 a year and free use of the church's cabin at Lake Tahoe, Nevada, in return for Ted's promise "never to release, divulge, disclose... or in any other manner make known" certain "confidential" information about the church.

Attorney Browne says the letter is "in the nature of any corporate severance agreement, when an employee leaves the company under circumstances of bad will." Rader says the purpose of the letter - signed "in Jesus' name - was to "keep his [Ted's] bad mouth shut."

In any event, Ted refused to take the bait. Instead, he leaked the "hush money letter," as he calls it, to the growing number of dissidents within the church. Soon afterward, someone loyal to Ted in the church's headquarters leaked the Pastor General's report, a 27-page expense ledger that covers the year 1975-6 and details how Rader, Armstrong, and Gotoh went on a global spending spree that included gala cocktail parties in Monte Carlo, Tokyo, Paris, and Geneva.

This document and others helped the California attorney general persuade Judge Pacht and several other judges that receivership was the best way to effect an audit of the religious empire.

Days before the attorney general's agents entered the campus of Ambassador College last January and laid claim to the assets of the church, an uneasy mood existed inside. Word was out that a major lawsuit against the church was in the works. And Mike Wallace's office at "60 Minutes" had been making a lot of phone calls to church officials asking for interviews.

Rader - who had remained the feared outsider to many of the brethren, despite his conversion - took the brunt of the criticism the church received. For a 48-hour period last January, it even looked as if Rader might be on the way out. The church was ordered into receivership on January 2. The following day, Armstrong appointed chief minister Cole to

supervise operations and cooperate with the investigation. Earlier, Armstrong had confided to Cole that he wanted Rader to resign. The problem, Armstrong said, was that Rader had threatened to release damaging information about Armstrong and the church.

Cole made extensive notes of his conversations with Armstrong and even tape recorded some of them - apparently without Armstrong's knowledge. Cole says that in their December 10, 1978, conversation, Armstrong was concerned about Rader's quick temper. "He flies into a rage and screams at me," Armstrong allegedly said. "He gets into such a rage that he is opening himself up for a demon." Sixteen days later, Cole says, Armstrong wondered aloud whether Rader wanted control of the church: "... and he [Rader] is deliberately trying to put himself there," Armstrong said on the tape. "I don't know, I don't want to think that anyone has his eyes on fifty, sixty, seventy million a year, but that's quite a magnet."

Court-filed documents suggest the money had been a magnet for Herbert Armstrong, too. On March 31, 1970, for example, Armstrong had French porcelain vases delivered to his Pasadena mansion - total cost, \$2,079. The delivery came a day after Armstrong had sent the brethren a frantic letter pleading that the church desperately needed money and asking members to take out bank loans to "supply God's Work with IMMEDIATE CASH, which is the serious immediate need."

Perhaps it was Rader's knowledge of such things that persuaded Herbert Armstrong to reverse himself, reinstate Rader as the man in charge, and sack Cole, who had spent 25 years with the church until his disfellowshipment last January. After a brief stint driving a delivery truck, Cole now works for Ted Armstrong's Church of God, International.

Cole's tape recording of a January 2, 1979, conversation with Herbert Armstrong suggests that Armstrong was worried Rader might go public with information about the church leadership if he didn't get his way. "I don't know whether Stan is going to go along, or whether he'll just rant and rave and throw everything overboard," Armstrong said. "He made one statement about telling the world what he knows. I don't know what he knows that could harm the Work."

Rader knew enough to survive and prevail. Once back in control, he seized the offensive, charging that the imposition of receivership was "a classic confrontation between church and state." And he supported the hundreds of church members who barricaded themselves behind the entrance of the church's administrative offices, making an audit by state investigators impossible.

At last count, close to 17,000 church members (out of a total of about 80,000) have signed declarations asserting that "Mr. Armstrong is accountable only to God for his decisions, both spiritual and temporal. No other person - receiver, referee, or otherwise - is entitled to determine how God's tithes are spent." And they've sent in more than \$3 million in sureties, posting a bond that has enabled the church to delay the receivership - and the audit - pending appeals in the California courts and the U.S. Supreme Court, which could take months to be heard.

Rader says he's looking forward to the coming legal battles. He calls himself "a master litigator - it's what I do best," and says he has no regrets. "The church is now a household word," Rader says. "Contributions overall are up 10 percent. I would not have been the one to have designed a campaign to bring the church to the attention of the public in this fashion. But God works in mysterious ways."