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## **Art Club Future Clouded**

By Pia Catton

For the National Arts Club, the embattled Gramercy Park nonprofit, the past 12 months have been both wildly eventful and frustratingly stagnant.

The club is set to welcome back its members Tuesday after its annual summer break with a few bragging rights: increased membership, new sources of income and an annual financial statement—a first in decades, the club's leadership said.

But a cloud remains over the venerable 114-year-old club as it faces separate probes by the Manhattan District Attorney's office and the charities bureau of the New York Attorney General's office, and a lawsuit brought by its former president O. Aldon James, who led the club for 25 years.

After Mr. James stepped down in March 2011, the club issued accusations of mishandling funds and real-estate assets and harassing members that would allow them to remove him as a member. Since then, Mr. James, his brother John James, and another member have been fighting to retain their memberships and their club-owned apartments.

The controversy will get a fresh airing on Sept. 11 when a state appellate court is scheduled to hear oral arguments on the lawsuit. The outcome could have an impact on other New York clubs' ability to expel a member.

"I feel very frustrated that this has not been resolved," said Cherry Provost, a long-time club member who filed a complaint about Mr. James with the attorney general's office. "I stuck my neck out and a lot of other people have, too. There should be action."

The attorney general and the district attorney's office declined to comment.

The club, authorities and Mr. James nearly reached a resolution in July. The club agreed to implement reforms, said the club's attorney Roland

Riopelle. But the talks broke down when Mr. James declined to admit to wrongdoing, said club officials and a person close to Mr. James.

Attorney Gerald Shargel, a criminal defense attorney representing Mr. James in matters related to the state investigations, said: "Aldon has given his life to the National Arts Club. He worked seven days a week, 365 days a year making it the place it was. The operation of the club now is far more opaque than when he was running it."

Mr. Riopelle said the club has provided thousands of internal documents to both state investigators. "The club has been saddled with the enormous expense while fighting for its life against the James brothers," he said.

At the heart of the upcoming appellate court briefing is State Supreme Court Justice Carol Edmead's March 22 order saying that the club board was so prejudiced against the James group that a neutral third-party should be brought in. The club argues that its bylaws are sufficient to govern itself. Mr. James's lawyer for the lawsuit didn't respond to a request for comment.

One focus of the battle is the apartments Mr. James and his associates occupy in a residential building for members next to the National Arts Club's Gramercy Park South's 19th-century townhouse. The men still control three or four apartments (depending on whom is asked), though at one point the club estimated the "James group" controlled 20 spaces. Several rooms were crammed with furniture and objects, which the James brothers admitted in their lawsuit was a symptom of their "compulsive hoarding disorder."

Now, the club rents out many of those rooms, providing an important new stream of revenue. Mr. Riopelle said the club has also raised more money by ending "freebies" from the club's dining room and forcing 200 to 300 honorary members to pay dues or leave. And even with the change over, membership and applications are increasing, said club president Dianne Bernhard.

According to an August letter from the board to members, the club has reorganized its committee structure to "enhance governance, strengthen internal controls and repair some of the damage done by neglect or actions of the previous administration." In May, the club's financial statement was issued by a independent auditor, acknowledging missing documentation for expenses and that "there many have been significant diversions of assets during the earlier part of the 2011 fiscal year as well as we previous periods."

Ms. Bernhard said as the club has been finding its footing, it is also emphasizing its mission as a home for the arts and education. "This is for the art world at large," she said. "We'd like to let it shine, without the cloud."

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