

The Wall Street Journal

September 21, 2012

Former National Arts Club President Hit With Lawsuit

By Pia Catton



The exterior of the National Arts Club at 15 Gramercy Park South in Manhattan is pictured in January.

Claudio Papapietro for The Wall Street Journal

After an 18-month investigation into the National Arts Club, state Attorney General Eric Schneiderman alleged in a lawsuit Friday that former president Aldon James cost the club more than \$1.75 million through mismanagement, including raiding the club's bank accounts for personal use.

The suit filed in Manhattan Supreme Court contends that James abused the position he held for 25 years and should be required to reimburse the club and barred for life from holding leadership positions in any nonprofit organization.

Located on Gramercy Park, the club has been under scrutiny by the Attorney General and New York County District Attorney since March 2011 when James stepped down amid growing concern from board members about his tenure. The lawsuit indicates that during the investigation, James invoked the Fifth Amendment more than 500 times. The Manhattan District Attorney's office concluded its investigation today saying the matter is "more appropriately handled through the civil action filed today by the Attorney General's office."

Attorney Gerald Shargel, who is representing James, said: "This is all part of an effort to remove from the club because the board disagreed with his management style. There was no misappropriation of money. Aldon James never put a dollar into his own pocket."

A central point in the lawsuit is the use of spaces within the club's 19th century townhouse, which includes meeting rooms, apartments in a residential tower and "transient rooms" that are available for rent to members and their friends. James and his

brother took control of about 15 spaces, in addition to their club-owned apartments, because of what they claim is a compulsive hoarding disorder. The suit alleges the action deprived the club of at least \$1.5 million rental income over the past six years.

Additionally, the suit claims James took out \$274,000 from a restricted endowment that was intended to support theater. He is also accused of using club funds for personal meals, transportation and shopping.

Founded in 1898, the National Arts Club has a mission to advance the arts. The club settled with the attorney general by agreeing to management reforms. The club's lawyer, Roland Riopelle, said the suit validates the club's efforts to oust James. "We are hoping the matter can be resolved speedily so the club can focus on its mission of educating the public on matters of fine art," Mr. Riopelle said.