

September 21, 2012

Statement from NY State Attorney General

A.G. SCHNEIDERMAN SUES FORMER LEADER OF HISTORIC NATIONAL ARTS CLUB FOR YEARS OF SELF-DEALING

Investigation Found Ex-President Aldon James Exploited Club For Personal Benefit; Lawsuit Seeks Restitution And To Bar James From Running Charities

Club Agrees To Implement New Governance Reforms

Schneiderman: We Will Hold Accountable Those Who Abuse New York Charities

NEW YORK - Attorney General Eric T. Schneiderman announced today that he has filed a lawsuit in New York State Supreme Court against Aldon James, the former president of the National Arts Club, for years of self-dealing and mismanagement that resulted in more than \$1.75 million in lost income to the institution. James served as President and as a member of the Board of the Club from 1986 until his ouster in March 2011. The National Arts Club is a century-old charity located on Gramercy Park in Manhattan.

The Attorney General's 18-month investigation found Aldon James systematically abused his authority in order to reap substantial personal benefits principally for himself and his twin brother, John James. As alleged in the complaint, Aldon James took advantage of his control of the Club to commandeer more than a dozen apartments, offices and other rentable Club spaces, which he and his brother used for years without paying any rent. His conduct deprived the Club of at least \$1.5 million dollars in rental income it could have obtained in the past six years alone.

"For years, Mr. James took advantage of his role as the leader of the National Arts Club to deprive the organization of valuable assets that should have been used to advance its charitable mission. The time has come for real accountability," said Attorney General Schneiderman. "This lawsuit demonstrates that my office will not tolerate leaders of charities abusing their position for personal gain. Our message is loud and clear: You serve your organization; the organization isn't there to serve you."

The Attorney General's lawsuit further charges that Aldon James routinely treated the Club's bank accounts as his own. Over the course of years, Aldon James freely used Club funds to go on personal shopping sprees at antique shops, flea markets and vintage clothing stores, and used the Club spaces he commandeered to hoard the huge quantities of items he and his brother acquired. Mr. James also regularly used Club funds to pay for his personal meals, and for personal car service and taxi rides to shuttle him around the City. These expenses totaled at least \$250,000 since 2006, the Attorney General's investigation found.

In addition, the Attorney General's lawsuit seeks to hold James accountable for the \$274,000 that he improperly removed from Kesselring Fund, a restricted endowment of the Club intended

solely to support the dramatic arts. In total, the Attorney General seeks to compel James to repay the Club over \$2 million, and to prevent him from serving again as an officer or director of any New York not-for-profit corporation.

In a related development, the Attorney General has reached a settlement with the National Arts Club that will allow the Club to transition to a new chapter in its history, with a new Board of Governors and stronger governance and financial controls. As part of its settlement with the Attorney General, the Club will be required to continue the reform process it has begun, including establishing a new Audit Committee with direct responsibility for financial oversight; making Club apartments equally available to members at no less than fair market value; and subjecting the expenses of senior Club officers to regular Board scrutiny. The Club also has agreed to complete the process of reconstituting its Board of Governors. Three-quarters of the Governors who served at the time the Attorney General commenced his investigation have stepped down or been replaced; the remaining Governors, including current Club President Diane Bernhard, will step down at the end of their terms next May.

The National Arts Club was founded in 1898 to stimulate, foster and promote public interest in the arts. The Club is located in the landmarked Tilden Mansion at 15 Gramercy Park South in New York City. The Club's Membership has included three former Presidents - Theodore Roosevelt, Woodrow Wilson and Dwight D. Eisenhower - and some of the most important artists and arts patrons in America.

This matter is being handled by Charities Bureau Enforcement Section Chief David E. Nachman and Assistant Attorney General Barbara L. Quint, under the supervision of Jason R. Lilien, Chief of the Charities Bureau, and Executive Deputy Attorney General for Social Justice Janet Sabel.