



## Why Is A Disgraced Lawyer In \$42M Scam Still On The JNF Board?

Josh Nathan-Kazis

January 9, 2019

In 2013, the highest court in the state of Kentucky disbarred Stanley Chesley, the fabulously wealthy trial lawyer once known as the “master of disaster” for his representation of victims of horrific catastrophes.

The creator of the modern class action lawsuit, Chesley is now enmeshed in one of the worst U.S. legal scandals in recent memory. In 2014, a court in Kentucky ordered him to pay \$42 million to former clients injured by the diet drug Fen-Phen, whose settlement money he had pocketed. In 2015, a civil court in Kentucky issued a warrant for his arrest. And last fall, a federal appeals court issued a blistering decision that said he seemed to be “orchestrating a high-stakes shell game” to keep from paying the money he owed.

Yet nearly six years after his disbarment, there’s one place where Chesley remains an honored figure: At the highest levels of Jewish National Fund, the major Jewish organization that still lists him as a member of its national board of directors.

“Why are we continuing to honor somebody who brings dishonor to the Jewish National Fund?” asked Joel Friedlander, a top-level donor to the JNF and former president of the organization’s Delaware region who has clashed with the leadership.

Last June, Friedlander wrote an email to the organization’s leaders saying that Chesley’s ongoing positions of honor within the organization point to a governance problem within the JNF. “I think we need to realize that JNF has a problem of powerful folks sticking up for each other,” Friedlander wrote.

He never heard back.

The Forward first reached out to the JNF to ask about Chesley’s role in October. The organization did not respond to any of the Forward’s request for comment.

The JNF, one of the American Jewish community’s most iconic charities, has faced criticism in recent years over governance and transparency issues. In 2017, the Forward revealed that the organization had illegally loaned more than \$500,000 to its CEO, Russel Robinson, to help him buy property. And though the organization shares its name with the historic Israel-based charity also known as the JNF, it quietly stopped funding the Israeli group in recent years.

Now, critics outside and inside the organization are raising questions about the JNF's ongoing decision to honor Chesley with a seat on its national board even as he continues to resist paying the millions courts say he owes the Fen-Phen victims. In the years since his disbarment, Chesley appears to have held at least three different positions at the JNF.

"I think it's a problem with cronyism and excessive deference to existing leadership," Friedlander told the Forward.

Angela Ford, an attorney representing 382 of the Fen-Phen victims, said that Chesley's money is tainted. She says that Chesley currently owes her clients more than \$55 million in court judgements, including interest.

"How does the JNF, a well-respected organization, endorse his conduct, or ignore the fact that by allowing him to sit on their board, they're sending a message of acceptance?" Ford asked.

Chesley did not respond to a request for comment made through his attorney.

At the time of his disbarment, Chesley was among the most celebrated lawyers in the country. A self-made multi-millionaire, he became famous in the 1970s and 1980s for bringing a string of high-profile class-action lawsuits that won billions of dollars for the victims of disasters like the Lockerbie bombing and the Beverly Hills Supper Club fire.

In 2013, he fell hard. "As legal disgraces go, this was top rank," said Walter Olson, a senior fellow at the Cato Institute who writes on legal affairs. "This was one of the best-known scandals to affect a well-known figure of the personal injury bar. It was of national significance."

The trouble began in 2001, when a company called American Home Products agreed to pay \$200 million to people harmed by the diet drug Fen-Phen, which had been found to cause heart damage. What happened next is laid out in a May opinion issued by the Sixth Circuit Court of Appeals: Three other attorneys with whom Chesley was working told the Phen-Fen victims how much they would receive, but then told American Home Products a higher amount. The attorneys kept the difference, and told their clients that they would risk jail time if they revealed how much they had gotten.

According to the Sixth Circuit, the attorneys pocketed \$74 million in the fraud. Chesley's share was more than \$20.5 million.

When the scheme eventually came to light, five lawyers and a judge were disbarred. In 2009, two lawyers were convicted of wire fraud and sentenced to decades in prison. Chesley himself was never charged. According to the Sixth Circuit opinion, Chesley himself "avoided prosecution by testifying against his co-counsel."

When the Fen-Phen victims tried to recoup the settlement funds, things got even wilder. The victims sued their former attorneys in 2004. In 2014, the Kentucky court found Chesley himself jointly and severally liable, along with the other three attorneys, for \$42 million.

Five years later, he hasn't paid. Instead, he's engaged in the series of legal maneuvers and financial transfers that the Sixth Circuit described in May as a "high-stakes shell game."

"Three-and-a-half years ago, a Kentucky state court issued a judgment in plaintiffs' favor against Chesley for \$42 million," the Sixth Circuit opinion reads. "Since then, the plaintiffs have been trying to collect on that judgment and Chesley has been successfully evading them with the help

of his confidantes. In the process, five lawyers have been disbarred; two have been put in jail. Through it all, Chesley has managed to transfer most of his assets elsewhere, rendering himself judgment-proof.”

Meanwhile, the Fen-Phen victims have gone without their money. Ford said that in the fourteen years she’s been involved in the case, almost sixty of her clients have died. “If you think about that, those people needed money for medical expenses, they needed money for burial expenses, some of them went into bankruptcy,” she said. “They were in desperate need of settlement funds.”

Chesley, meanwhile, is known for living an extravagant lifestyle. Until July, he owned the most expensive house in the Cincinnati area, a French-style mansion with a heated garage for up to 25 cars.

In October, a shuttered law firm he formerly owned agreed to pay Ford’s clients \$19.1 million. Ford says he owes tens of millions more.

“These are big amounts that were taken from people who deserve them,” said Olson. “These were injured people suing over what they believe were injuries to themselves, typically unsophisticated, taking the word of expert lawyers.”

The JNF, meanwhile, has never cut ties with Chesley. Instead, the organization has kept him in positions of honor for years, even after his disbarment.

Chesley was made president of the JNF in 2007, the same year the Kentucky court entered its \$42 million judgement against his accomplices. In 2013, when he was disbarred in Kentucky, he ceded the presidency. Still, he remained on the organization’s board. In 2014, the year the Kentucky court entered its judgement making him jointly and severally liable for the \$42 million, he was named the JNF’s “special ambassador” to Israel and the Israeli JNF. He was listed in the JNF’s tax filings as an board member of the organization until 2015, and is today listed as a member of the JNF’s “national board of directors” on its website.

His biography on the JNF website reports that his “proudest appointment was serving as President of JNF for six years,” and boasts of various projects in Israel the organization funded during his tenure. It says that he is a recipient of the organizations’ “Shalom award,” which he received in 1999.

The organization did not respond to multiple inquiries about Chesley’s current role with the organization.

“Anyone who is listed as a leader of an organization is understood as a representative of the organization,” said Rabbi David Teutsch, a professor emeritus at the Reconstructionist Rabbinical College and expert on Jewish ethics and ethics in nonprofit management. “Such people should be exemplars of the values and positions of the organization. If someone is guilty of serious moral infractions, that should discount their capacity for Jewish leadership.”