**Case study: The strange tale of Scott McKay Wolas**[[1]](#footnote-1)

Scott McKay Wolas became a partner in the New York office of Hunton & Williams in 1989, after stints at two other large firms. A 1976 graduate of Fordham Law School, Wolas was the son of a liquor distributor. He was described as “disheveled, portly, a pit-bull litigator” who “took long lunches . . . and came back with a glazed look.”[[2]](#footnote-2) Hunton & Williams is a large, elite, Richmond-based firm where Supreme Court Justice Lewis Powell was once a partner.

In 1991, three associates in the litigation department who worked with Wolas began complaining that Wolas was billing many more hours than he was working. One noticed that Wolas was billing for simple debt collection work usually handled by associates. Another noticed that he had billed for reviewing a memo that the associate hadn’t yet given him.[[3]](#footnote-3) Wolas was a respected partner and a rainmaker. It took the firm 18 months to get around to investigating the associates’ allegations. Eventually the firm held an all-day internal hearing. Managing partner W. Taylor Reveley III[[4]](#footnote-4) concluded that Wolas had not engaged in any improper conduct. Reveley told associates that the firm could not prove “beyond a reasonable doubt” that Wolas was engaged in fraudulent billing practices.[[5]](#footnote-5) He said that Wolas was “a sloppy pig, not a dirty rat.”[[6]](#footnote-6) Reveley met individually with all of the associates to explain that they had no ethical obligation to report their concerns about Wolas’s unethical conduct outside of the firm.[[7]](#footnote-7) The associates who had complained about Wolas’s billing fraud were given negative performance reviews and were then fired or forced to resign.

Then in 1995 Wolas disappeared with $100 million of other people’s money.[[8]](#footnote-8) Apparently he spent very little time practicing law but spent most of his time working on a Ponzi scheme, soliciting investors for a phony company that was to export Scotch whiskey to Japan. Some of Wolas’s law partners at Hunton & Williams (some of the same ones who dragged their feet about the overbilling allegations) allegedly invested a total of about $775,000 in the export business.[[9]](#footnote-9) After Wolas disappeared, the managing partner said, “Scott took a leave of absence after he advised us that he had to spend more time on family business matters,” and “later in the summer, we mutually agreed his withdrawal from the firm would be appropriate, but it was for other reasons.”[[10]](#footnote-10)

Wolas was disbarred from practice in New York in absentia in 1999.[[11]](#footnote-11) In 2001, the Manhattan district attorney unsealed a 119-count indictment of him, which included charges of grand larceny and securities fraud.[[12]](#footnote-12) By then, Wolas had been “on the lam” for more than five years. Some of the defrauded investors sued the law firm.[[13]](#footnote-13) At one point, Wolas was located in Florida, where he was working under a false name as a broker.[[14]](#footnote-14)

The two associates who had been forced out of the firm sued for wrongful discharge, claiming that their termination was in retaliation for their complaints about Wolas’s billing practices. One of the associates, Peter Kelly,[[15]](#footnote-15) had been given a bad reference as well, which made it impossible for him to find work in New York. He moved to Texas and sued the firm for wrongful discharge, citing *Wieder*. The court denied the firm’s motion for summary judgment. The court concluded that “if a law firm fires an associate in retaliation for reporting a lawyer’s misconduct to the firm, its action is inherently coercive and necessarily implies an effort to impede post-termination reporting to the Disciplinary Committee. Thus, a cause of action is available under *Wieder*.”[[16]](#footnote-16) On the day before a trial was scheduled, the firm agreed to pay Kelly an “undisclosed amount.” Kelly agreed to keep the terms of the settlement confidential.[[17]](#footnote-17)

Wolas was finally apprehended in 2017 after committing additional frauds in Massachusetts and Florida. Wolas’ ex-wife, Cecily Sturge, with whom he stayed in contact, filed a petition in 2017 to obtain Wolas’s $650,000 retirement account from Hunton & Williams. Law enforcement authorities had interviewed Sturge and discovered evidence that she and Wolas were in frequent contact and had rented a room in a condo together; he was arrested at the condo and indicted on additional charges.[[18]](#footnote-18)

During the twenty-two years between his disappearance in New York and his arrest in Florida, Wolas engaged in numerous scams. The indictment listed aliases he used to conceal his identity, including Eugene J. Grathwol, Allen L. Hengst, Drew Prescott, Frank Amolsch, Endicott Asquith, and Cameron Sturge. In one of these schemes, he lured people to make investments of at least $1.5 million, claiming he would use the money to develop a Florida beach club. He spent the money instead of investing it. In June 2018, Wolas pleaded guilty to seven counts of wire fraud and charges of aggravated identity theft, misuse of a social security number, and tax evasion. In 2019, he was sentenced to nearly seven years in prison.[[19]](#footnote-19)

 **<H5>Questions about the Wolas case**

1. <QL>Why do you think that Hunton & Williams dismissed the associates’ expressed concerns that Scott Wolas was engaged in unethical and unlawful behavior? Should Hunton & Williams have reported Wolas to the disciplinary authorities under Rule 8.3 on the basis of the associates’ claims?
2. Suppose as a law firm associate you become aware that one or more lawyers in the firm was engaged in serious unethical conduct such as the Wolas Ponzi scheme. What would you do? Would you report to management? To the disciplinary authorities? To law enforcement? What obstacles might make it difficult to take action?
3. Now imagine that as a law firm partner you learn that another partner is engaging in a Ponzi scheme like the one that Wolas operated. Would you be freer to blow the whistle than an associate would, or would you still face obstacles to taking action?

**FOR EXAMPLE:** David Joffe, an associate in the New York office of King & Spalding, discussed with the firm’s general counsel his view that some of the firm’s partners may have violated ethics rules in connection with representations to a court in recently settled litigation. Joffe also emailed the chair of the firm’s business litigation associates committee, opining that the partners had shown poor judgment, and it was therefore justifiable that the judge in the settled litigation had ordered the firm to show cause as to why it should not be sanctioned. The firm fired Joffe, ostensibly for failing to prepare “practice plans,” something that no other associate had been sanctioned for failing to do. Joffe sued. The court denied summary judgment for the firm and allowed the case to go to trial based on *Wieder*, even though Joffe had not reported his concerns to bar counsel. It also said that he did not have to prove that an actual ethical violation had occurred.[[20]](#footnote-20)

1. . The news stories on which this narrative is based are Edward A. Adams, Unsealed Papers Air Claims Against Firm, N.Y.L.J., Apr. 11, 1997, at 1; Bruce Balestier, Indictment Unsealed in Effort to Catch Lawyer on the Lam, N.Y.L.J., Feb. 2, 2001, at 1; Sean Philip Cotter, Alleged Quincy Con Man Scott Wolas Arrested in Florida, Patriot Ledger, Apr. 7, 2017; Lynn Cowan, American Express Broker Used Stolen Identity, USA Today, Aug. 13, 2003; Ann Davis, Firm’s Handling of Allegations of Overbilling Brought Out in Suit, Wall St. J., June 16, 1997, at B6; Ann Davis, While on the Lam Has Wolas Written a Spy Novel?, Nat’l L.J., Nov. 16, 1996, at A4; Ann Davis, Scandal Embarrasses Virginia’s Hunton, Nat’l L.J., May 13, 1996, at A1; Hunton & Williams Settles Suit Involving Former Partner Wolas, Wall St. J., Dec. 23, 1998, at B11 (reporting that the firm had agreed to pay more than $6 million to settle one suit by about 20 investors, and mentioning a second suit of the same type); Matter of Scott McKay Wolas, N.Y.L.J., Mar. 1, 1999, at 6. [↑](#footnote-ref-1)
2. . Davis, Scandal, supra n. 184. [↑](#footnote-ref-2)
3. . Davis, Firm’s, supra n. 184. [↑](#footnote-ref-3)
4. . [Authors’ footnote] Mr. Reveley later served as the president of the College of William and Mary, having previously been the dean of its law school. College of William & Mary, Taylor Revely, https://perma.cc/5SL2-YJHW. [↑](#footnote-ref-4)
5. . Davis, Firm’s, supra n. 184. [↑](#footnote-ref-5)
6. . Adams, supra n. 184. [↑](#footnote-ref-6)
7. . See Kelly v. Hunton & Williams, 1999 WL 408416 (E.D.N.Y. June 17, 1999). [↑](#footnote-ref-7)
8. . See Cotter, supra n. 184. [↑](#footnote-ref-8)
9. . Balestier, supra n. 184. [↑](#footnote-ref-9)
10. . Davis, Scandal, supra n. 184. [↑](#footnote-ref-10)
11. . Matter of Scott McKay Wolas, supra n. 184. [↑](#footnote-ref-11)
12. . Balestier, supra n. 184. [↑](#footnote-ref-12)
13. . See Hunton & Williams, supra n. 184 (reporting that the firm had agreed to pay more than $6 million to settle one suit by about 20 investors, and mentioning a second suit of the same type). [↑](#footnote-ref-13)
14. . Cowan, supra n. 184. [↑](#footnote-ref-14)
15. . The other associate who sued the firm was Harold Geary. His suit for breach of contract and fraud was dismissed. The trial court, whose order was affirmed by the New York Appellate Division, found that he had no cause of action based on termination because of his ethical concerns since he had not reported Wolas to the disciplinary agency, nor had he told the firm that he intended to do so. Geary v. Hunton & Williams, 257 A.D.2d 482 (N.Y. App. Div. 1999). [↑](#footnote-ref-15)
16. . *Kelly*, 1999 WL 408416. [↑](#footnote-ref-16)
17. . Id. [↑](#footnote-ref-17)
18. . Press Release, U.S. Dep’t of Justice, Former Quincy Man Pleads Guilty to $1.7 Million Real Estate Fraud Scheme (June 29, 2018), https://www.justice.gov/usao-ma/pr/former-quincy-man-pleads-guilty-17-million-real-estate-fraud-scheme.

. Id. [↑](#footnote-ref-18)
19. . Id.; John Pacenti, Update: Con Man on the Run for 20 Years Pleads Guilty to $1.7 Million Fraud Scheme, Palm Beach Post, June 30, 2018; Press Release, U.S. Dep’t of Justice, Former Quincy Man Sentenced for $1.9 Million Real Estate Fraud Scheme (Jan. 28, 2019), https://perma.cc/5XH9-TVQ4. [↑](#footnote-ref-19)
20. . Joffe v. King & Spalding, 2018 U.S. Dist. Lexis 96919 (S.D.N.Y. 2018). [↑](#footnote-ref-20)