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### Dealer at Center of Art Scandal Arrested on Tax Charges

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In a case of alleged forgeries that roiled the New York art market and led to a host of civil lawsuits, federal authorities on Tuesday declared a series of works sold as Modernist masterpieces to be fake and charged a little-known Long Island dealer at the center of the scandal with tax fraud. Prosecutors charged that the dealer, Glafira Rosales, 56, of Sands Point, N.Y., failed to disclose \$12.5 million that she had earned from the sale of the works and had never reported, as required, that she had Spanish bank accounts where she had hidden much of the proceeds.

“As alleged, Glafira Rosales gave new meaning to the phrase ‘artful dodger’ by avoiding taxes on millions of dollars in income from dealing in fake artworks for fake clients,” Manhattan United States Attorney Preet Bharara said in a statement announcing Ms. Rosales’s arrest.



Glafira Rosales, who has been charged in the case.

The case drew attention in the art world because it illustrated the vulnerability of a market where value is based on authenticity but can be difficult for experts to determine with complete precision. Dealers who sold the works, often for millions of dollars, said they believed in their authenticity even after many of their clients began to challenge those assertions.

But according to the government’s case, an apparently talented forger — or forgers — confounded the art world for years by turning out realistic-looking works said to be by masters including Jackson Pollock and Willem de Kooning. Authorities declined to comment on whether they have identified a forger, but a person briefed on the matter, who spoke on condition of anonymity because he was not authorized to comment, said the investigation is continuing and that any leads on the forgeries will be pursued.

Ms. Rosales’s lawyer, Steven R. Kartagener, said, “Glafira Rosales fully intends to defend herself against these charges and she is confident that when all the facts become known she will be vindicated.”

If convicted of all counts, Ms. Rosales faces a maximum prison term of 34 years. Under federal sentencing guidelines, she would probably receive far less. Beginning in the mid-1990s, Ms. Rosales sold most of the disputed works through the East 70th Street offices of Knoedler & Company, which was at the time New York’s oldest gallery. The works, all new to the market and many said to be from a collector based in Zurich and Mexico City whom Ms. Rosales initially refused to name, were embraced by Knoedler, which sold them for millions. They became an important source of revenue for the gallery.



But then several experts called the works fake, and the F.B.I. began an investigation. In 2011, after 165 years in business, Knoedler closed and was later sued by a half-dozen clients who had bought the Rosales works.

The scandal cast a shadow over Ann Freedman, a former president of Knoedler, who has not been criminally charged but has been named in several of the lawsuits. She has maintained that the works are authentic. Her lawyer, Nicholas Gravante Jr., said the case showed no evidence otherwise.

Mr. Gravante said that if the government's assertion that the works are fake is based on the reviews by experts cited in the civil cases, "it is not surprising that Rosales was not charged with selling fake art."

"We have yet," he continued, "to see a credible expert report asserting that any of the works are fake."

The Knoedler gallery has said that, like Ms. Freedman, it never knowingly sold fakes. Charles D. Schmerler, a lawyer for the gallery, noted too that the government had also not charged Ms. Rosales with knowingly selling fakes.

Federal authorities declined to comment on the decision not to charge Ms. Rosales with anything related to the sale of counterfeits. But the complaint they filed discussed in some detail their reasons for believing them to be fake and focused on holes in her accounts of how she had obtained them from two collectors. The first collector did not exist, investigators said, and the second denied ever owning the paintings in an interview with the F.B.I. In addition, authorities said that much of the money Ms. Rosales received as the broker in the sale should have been turned over to a collector, if one existed, but instead was largely kept by her.

In presenting their charges on Tuesday, the authorities outlined the details of an international scheme they said clearly showed Ms. Rosales's efforts to profit from counterfeiting.

In all, they say, she sold about 63 works to two prominent art dealers in New York between 1994 and 2008. But the case focused on 2006 to 2008 when investigators found irregularities in her tax filings, and 2007 to 2011, when they say she kept undisclosed foreign bank accounts.

Of the 63 works, the investigators focused on the 12 sold between 2006 and 2008, earning \$14.7 million, of which the government said she failed to declare \$12.5 million as income. She transferred some of the money to accounts in Spain, the complaint said, that were controlled by herself and her boyfriend at the time, and his brother.

Ms. Rosales said some of the paintings came from a Spanish collector, but federal investigators said this was fiction. After interviewing the collector, they reported that the collector had never owned any of the works in question and had never had a business relationship with Ms. Rosales.

"The artwork Rosales sold appears to be as fake as her story about the clients she claimed to represent," said George Venizelos, F.B.I. assistant director in charge.

Knoedler did well on many of the sales of the Rosales works. In the complaint, authorities said the gallery bought one of the works from Ms. Rosales for \$950,000 and later sold it for \$15 million.

One of the civil suits claims that between 1996 and 2008, Knoedler earned about \$60 million from works that Ms. Rosales provided on consignment or sold outright to the gallery and cleared \$40 million in profits.

Ms. Rosales also supplied paintings to another New York dealer, Julian Weissman. Mr. Weissman could not be reached for comment.



In total, six lawsuits have been filed by former clients who purchased works. In some of the cases, the allegation of forgery was based on forensic analysis that concluded that the paintings contained pigments that were not available until after the date the paintings had been said to be created.

One of the suits, over the authenticity of a \$17 million painting attributed to Jackson Pollock, was settled last year in a confidential agreement

Several lawyers who represent collectors who have sued said they were encouraged by the government's conclusion that the works were fake.

"From what I can see, the government has made clear that the paintings are in fact fakes and the 'collector' identified by the defendants a fiction," said John Cahill, the lawyer for John Howard, who has challenged the authenticity of a painting he bought as a de Kooning. "It's good to see the victims of this fraud may soon see some relief."

Ms. Rosales was arrested at her home and was presented in Manhattan federal court, the authorities said. She is being held without bail.

"The sale of a piece of art for profit is a taxable event and the seller is responsible for paying his or her fair share of tax, even if the art is counterfeit," Toni Weirauch, a special agent in charge for the Internal Revenue Service said in a statement.

Prosecutors, in a letter they filed with the court arguing that Ms. Rosales should be held without bail, said she was a flight risk, in part because she has access to "substantial funds overseas," made "massive amounts of income" selling the 63 paintings to the two galleries, and because the case against her was "overwhelming." Indeed, the prosecutors, Assistant United States Attorneys Jason P. Hernandez and Daniel W. Levy, wrote that if convicted, she could face 63 to 78 months in prison and millions of dollars in back taxes, interest and penalties. In addition, they said, she likely will face additional charges for falsely representing that the paintings she sold to the two galleries were by the hand of famous artists.