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Knoedler Gallery Fraud Trial Abruptly Suspended—
Settlement Seems Likely

Brian Boucher, Tuesday, February 9, 2016



Defendant Ann Freedman.

Image: Elizabeth Williams, courtesy ILLUSTRATED COURTROOM.

"We're going to break a tad early," Judge Gardephe told the jurors at US District Court in Lower Manhattan during the fraud trial against New York gallery Knoedler & Company. The proceedings were abruptly suspended Tuesday after a lunch recess. However, the judge informed dutiful jurors to return Wednesday morning.

Gallery director Ann Freedman and Michael Hammer, the owner of Knoedler and its holding company, 8-31 Holdings, had both been expected to testify Tuesday afternoon.

The overwhelmingly likely explanation, according to legal scholars in the courtroom, is that the parties have reached a settlement in principle and will spend the afternoon working out the specifics.

Over fifteen years, from 1994 to 2009, the gallery sold fake paintings by [Jackson Pollock](#), [Mark Rothko](#), and other artists that had been brought to the gallery by Long Island art dealer Glafira Rosales, who pleaded guilty to fraud in 2013 and is awaiting sentencing. She had commissioned the paintings from a Chinese artist in Queens, who has since fled to China.

In 2004, the plaintiffs in the current case, [Eleanore and Domenico De Sole](#), purchased a fake Rothko for \$8.3 million from Freedman, who insists she was duped by Rosales. The De Soles, however, believe she knew the paintings were fakes. When their suit and others came to light, the gallery abruptly shuttered after 165 years in business. Freedman [settled out of court](#) on Sunday.

This morning, Aaron Crowell, one of the De Soles' lawyers, questioned Knoedler gallery accountant Ruth Blankschen at length; she revealed that Hammer had bought a \$482,000 Rolls Royce and a \$520,000 Mercedes during the years that, as [a forensic accountant had earlier testified](#), the gallery was profitable only through the sale of fakes. Hammer then sold the car, she testified, and the holding company paid the taxes on his income from the sale.

She also testified that Hammer had charged as much as \$1.2 million on a company American Express card between 2001 and 2012. She testified that the expenses included a trip to Paris for his wife, Dru Ann Hammer.

Blankschen said that she had paid Rosales up to \$9,000 in cash in an envelope for each of the paintings she brought to the gallery, which is significant because the IRS requires reporting of cash transactions over \$10,000.

"I don't think I'd do it that way today," Blankschen said on the stand.