



Salander-O'Reilly Gallery Can Borrow \$870,000, Judge Rules

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Jan. 4 (Bloomberg) -- Bankrupt New York art dealer **Salander- O'Reilly Galleries LLC** may borrow as much as \$870,000 to pay bills as creditors seek to recover tens of millions of dollars, a federal judge ruled.

U.S. Bankruptcy Judge Cecelia Morris in Poughkeepsie, New York, approved the loan yesterday, following a \$630,000 loan in November. The lender, Merrill Lynch & Co. unit First Republic Bank, is the gallery's largest secured creditor, with a \$23.3 million claim.

The new loan is to pay **Salander-O'Reilly** employees, lawyers and **Chief Restructuring Officer Joseph Sarachek**, who receives \$50,000 per month.

Salander-O'Reilly and proprietor Lawrence Salander filed for bankruptcy protection in November after they were accused in dozens of lawsuits of reneging on debt and selling artworks the dealer didn't own while pocketing proceeds.

The Manhattan District Attorney's office seized the gallery's records as part of a criminal probe, according to court filings. In hearings and court claims, lawyers for creditors said they have competing claims, and the gallery and Salander also are fighting each other over who owns hundreds of pieces of art.

Sarachek had identified, catalogued and photographed as of Dec. 20 about 3,000 artworks. They are in the East 71st Street Italianate mansion in Manhattan that houses the gallery, and at the two homes where Salander lives with his family, on East 82nd Street and in Millbrook, New York, according to a court filing.

231 Artworks

The gallery, run by **Sarachek**, has filed a motion seeking to move 231 artworks from the homes to the gallery or a warehouse.

Sarachek "believes that based on the '**Salander-O'Reilly Gallery**' identification tags affixed to the back of each of the pieces of artwork, the artwork is property of the gallery and should be returned to it", according to the Dec. 20 motion.

Lawrence and his wife, Julie Salander, countered that the tags don't prove ownership. They said the artwork enhances the value of their townhouse, which they say will be put up for sale.

In a Nov. 12 filing, creditor Earl Davis, the son of American artist Stuart Davis, called the financing part of an "unholy bargain" between First Republic and Salander.

The gallery's case is In re **Salander-O'Reilly Galleries LLC, 07-30005**; the personal bankruptcy is In re Salander, 07- 36735, U.S. Bankruptcy Court, Southern District of New York (Poughkeepsie).

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