



## Salander gets interim OK on DIP

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Probe-plagued New York art dealer **Salander-O'Reilly Galleries LLC** won the right to tap up to \$630,000 of a \$1.5 million debtor-in-possession financing.

Judge Cecelia Morris of the U.S. Bankruptcy Court for the Southern District of New York in Poughkeepsie approved the interim DIP from **First Republic Bank** late Tuesday, Nov. 13, said debtor counsel Robert Raicht at **Halperin Battaglia Raicht LLP**.

Morris also approved the interim use of cash collateral and the interim appointment of turnaround firm **Triax Capital Advisors LLC** over the objections of a half-dozen creditors, documents show.

The court then set Dec. 13 to hear final DIP and cash collateral motions as well as final approval of Triax Capital, he said.

Creditor Earl Davis, son and heir of internationally recognized painter Stuart Davis, objected to interim DIP approval and to the hiring of Triax Capital's Joseph Sarachek as chief restructuring officer. The younger Davis also sought the appointment of a Chapter 11 trustee to assume managerial responsibilities.

In the objection, Davis also said First Republic Bank has crafted an "unholy alliance" with Sarachek "in exchange for the CRO's promise to pay Lawrence Salander \$600,000 per year," the objection said.

"The debtor and its sole member, Lawrence Salander, are engaged in a firestorm of civil litigation and ongoing criminal investigations and are facing possible indictments," the objection said. "It is of paramount importance that a credible person be put in charge of identifying assets and liquidating this debtor. Sarachek is not that person."

The DIP is priced at prime plus 500 basis points, would jump 400 basis points upon default and includes a \$100,000 commitment fee. The loan would mature in 180 days and calls for a \$300,000 carve-out for professional fees, the motion said.

Three creditors with combined claims of \$5.6 million filed an involuntary Chapter 7 petition against the art gallery on Manhattan's posh Upper East Side two days after police raided the home of Salander. The Manhattan district attorney's fraud bureau executed a search warrant on Oct. 30, and the creditors filed the involuntary liquidation against the gallery on Nov. 1.

The involuntary was filed in New York before U.S. Bankruptcy Judge Burton Lifland and was transferred to the same district in Poughkeepsie when it was converted to a voluntary Chapter 11 on Nov. 9. "It was transferred solely for administrative purposes within the same district," Raicht said Wednesday.

Tennis pro-turned TV commentator John McEnroe, **Sotheby's Inc.** auction house, hedge fund manager Roy Lennox of **Caxton Associates** and former New York Observer publisher Arthur Carter are among a score of parties that filed state and federal lawsuits against Salander, court documents show. The complaints allege that the dealer sold art without permission and then failed to pay the proceeds in addition to defaulting on loans from the owners.

The art dealer defaulted on the \$25.34 million balance on First Republic's first-lien loan, and the

bank called in the loan prior to the petition as Salander was bombarded with a flurry of state and federal lawsuits over the past two months, documents show.

"The debtor's bankruptcy filing was precipitated by the continuing and mounting pressures of the various lawsuits facing the debtor and, in particular, the deleterious effect of the preliminary injunction entered in one such action which forced the shutdown of operations," the Chapter 11 said. "These disputes interfered with the debtors' efforts to operate its business and have damaged its reputation in the marketplace, and we want to restore its stature in the industry."

The privately owned gallery on the Upper East Side off Fifth Avenue buys and sells fine art from as far back as the Renaissance period for resale at auction or in private transactions. Prices on the individual pieces sometimes reach the millions, and Salander claims to have hosted more art shows (580) than any other American gallery.

The dealer also works on consignment from other galleries and directly from some artists for marketing contemporary art.

Sotheby's filed a \$600,000 secured claim over disputed ownership of art, records show.

Carol Cohen of **Two Swans Farm**, Wellington, Fla., filed the largest unsecured claim at \$4.61 million followed by T. Kinney Fredlinghuysen of New York (\$3.15 million), records show. Earl Davis of New York filed a \$2.9 million claim, Deborah Pearlman of New York submitted a \$1.2 million claim, and Nella Longaria SRL of New York lodged a \$1.1 million claim, documents show.