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Southern District of New York

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UNITED STATES SUES TO RECOVER MILLIONS OF DOLLARS IN TAXES OWED ON ART SALES

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced that the United States filed a civil lawsuit today against LAWRENCE GAGOSIAN and GAGOSIAN GALLERY, the Manhattan art gallery he owns; GEOFFREY J.W. KENT and GJK INC., Kent's wholly owned corporation; JAY I. GORDON; and PETER M. BRANT, in a suit seeking to enforce federal tax liens and recover upon a federal judgment against CONTEMPORARY ART HOLDING CORPORATION ("CAHC"), a company formed by GAGOSIAN, BRANT and GORDON, and later owned by KENT through GJK. CAHC is alleged to owe $26.5 million in taxes, interest and penalties.

According to the Complaint, GAGOSIAN, GORDON and BRANT formed CAHC in January 1990 for the purpose of buying 62 works of contemporary art. The Complaint alleges that, in a one-day

transaction on February 15, 1990, CAHC bought 62 works of art, sold 58 of the works of art, and earned approximately $17 million in taxable capital gains on the transaction. On that same day, according to the Complaint, GAGOSIAN and BRANT sold their shares in CAHC to GJK, and GJK, as directed by KENT, fraudulently conveyed to GAGOSIAN and BRANT most of CAHC's remaining assets - namely, leases and purchase options on the following multi-million dollar paintings: "Blonde Waiting, 1964" by Roy Lichtenstein; "Untitled R#2, 1947" by Clyfford Still, and "Onement #6, 1953" by Barnett Newman. The Complaint further alleges that Kent later directed CAHC to fraudulently convey the Newman painting and Mark Rothko's "Green & Blue, 1957" to GJK as a dividend in kind, and that these conveyances left CAHC with no assets to pay its taxes. In its subsequent tax returns, the Complaint alleges, CAHC admitted that it owed the IRS more than $6 million in taxes, but CAHC has never paid a penny of this money to the IRS. CAHC's tax liability has grown to more than $26.5 million due to interest and penalties.

The Complaint also alleges that in 1993, the IRS served a Notice of Levy on GAGOSIAN for the Lichtenstein and Still paintings. The Complaint alleges that GAGOSIAN wrongly failed to honor this tax levy.

The Complaint further alleges that KENT, GAGOSIAN, and BRANT acted as the alter-egos of CAHC, and should be held personally liable for its tax obligations. A lawsuit alleging

that KENT is the alter-ego of CAHC is currently pending in Chicago.

Mr. COMEY stated: "This case involves a complicated scheme with a simple goal - to prevent the United States from collecting millions of dollars in taxes owed. The lawsuit filed today demonstrates the Government's commitment to ensure that all taxpayers, including highly sophisticated ones, equally pay their taxes and are held accountable if they do not."

Assistant United States Attorney NICOLE GUERON is in charge of the case.

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