

**From:** Paul Morris [REDACTED]  
**Sent:** 12/30/2015 9:15:42 PM  
**To:** 'Jeffrey Epstein' [jeevacation@gmail.com]  
**Subject:** FW: The FMV Valuation Alert - Estate of Newberger

-----Original Message-----

**From:** Lance S. Hall, ASA [REDACTED]  
**Sent:** Wednesday, December 30, 2015 06:41 PM Eastern Standard Time  
**To:** Paul Morris  
**Subject:** The FMV Valuation Alert - Estate of Newberger

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## Did the Great Recession Impact Art Prices?

*(Estate of Newberger<sup>[1]</sup>)*

By Lance S. Hall, ASA\*

Bernice Newberger died on July 28, 2009, a month after the Great Recession was declared to be over. As part of her estate, she had three paintings – "Tête de Femme (Jacqueline) by Pablo Picasso (the Picasso), Untitled by Robert Motherwell (the Motherwell), and Elément Bleu XV by Jean Dubuffet (the Dubuffet)." One of the paintings was sold after the date of death for an amount considerably in excess of the 706 filing amount. This case addresses two fundamental questions:

- (1) Did the Great Recession impact the fair market value of the paintings?
- (2) Can an estate's valuation experts ignore the post-date-of-death sale prices?

### Background

The Picasso, Tête de Femme (Jacqueline), painting "depicts Pablo Picasso's second wife, Jacqueline, whom he portrayed in over 400 paintings." The Picasso was created in 1963 and is an oil on canvas work, 35.5 by 23 inches. It was acquired by Ms. Newberger in 1981 for \$195,000. The Estate's valuation expert determined the fair market value of the Picasso, as of the date of death, to be \$5 million. On February 2, 2010, only six months after the date of death, Christie's London sold the painting at auction for \$12,927,874 (an \$11,484,000 "hammer price," plus commission paid by the buyer). In its notice of deficiency, the IRS valued the Picasso at \$13,000,000 as of the date of death. At trial, the IRS's expert valued it at \$10 million.

The Motherwell painting, a 66- by 50-inch oil on canvas work created in 1966, was acquired by Ms. Newberger in 1969 for \$8,000. Using the 2010 sale of Motherwell's *In Black and White No. 5* (a work similar in size, composition, and date of creation) for \$1,426,500 as a comparable, the Estate's valuation expert determined the date of death value of the Motherwell at \$450,000. The IRS valued the Motherwell at \$1,500,00 and, at trial, the Estate raised the fair market value of the painting to \$800,000.

The Dubuffet painting is a rather large piece (79.25 by 44 inches, with a "4-inch deep transfer on polyester"). The Dubuffet was acquired by Ms. Newberger in 1982 for \$40,000. In November of 2007,