



Portland antiques seller Lucy Knopf faces Department of Justice allegations

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By

Lucy Leffler Knopf faces allegations that include misrepresenting costs and failure to deliver services

Heidi McCraw and her brother left the Oasis Art Gallery in the Pearl District feeling upbeat that their late father's bronze vases, paintings and lifetime collection of jade figurines were in good hands.

McCraw says she found **AAA Team Auction: Art & Antique Dealers** all over the Internet. Owner Lucy Leffler Knopf listed three pages of credentials titled "qualifications in brief": 27 years as a professional appraiser; three retail antiques businesses she had owned; 29 years of estate liquidation services; affiliations with the American Society of Appraisers "Senior Grade Member" and three auctioneer associations; Portland Art Museum volunteer council member; Rotary International Central Eastside Portland Chapter fundraiser; and member of the Northwest Fraud Investigators Association.

Not obvious was the paper trail of lawsuits and complaints.

Since 2004, 16 clients have filed complaints against Knopf with the Oregon Department of Justice. Among them were people who claimed consigned property went missing or they had to pay to store unsold items or get them back. Shortly after a 69-year-old woman complained of a contract dispute with Knopf, the DOJ opened an investigation May 12, 2009.



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Lucy Knopf, in her Oasis Art Gallery in the Pearl in a 2008 photo, defends her business practices and in a press release to The Oregonian, called the Department of Justice pending lawsuit against her "mystifying and bizarre."

Estate sales and consignments are mostly cash-and-carry arrangements, largely unregulated by the state. Clients, often older or at an emotional point in their lives, are in a world they don't know, guided by a person they probably just met. When things go wrong, few consumers know where to complain. That's what makes Knopf all the more unusual.

To be sure, the recession pushed many established estate and consignment dealers, skilled at balancing sale-to-sale, over the edge. But Knopf's business approach began in boom times and persisted even as lawsuits and complaints to the DOJ stacked up. A critical mass of angry consumers got the DOJ's attention.

The DOJ would not comment on the Knopf case while it is ongoing. To prepare this report, The Oregonian reviewed claims filed in Multnomah County Circuit Court against Knopf; state and police public records regarding her businesses since 2002; and interviewed Knopf twice and her former clients or their attorneys.

Overall, the number of consumer complaints to the DOJ regarding secondhand goods, antiques and auction houses jumped from 19 in 2008 to 56 in 2009, then to 38 last year. It's not known how many disputes go unreported in a business of such brief encounters. As the economy has stalled and an aging Oregon population increased, even more people are selling their property.

Typically, the DOJ investigates complaints and, as warranted, settles the dispute with a penalty and a business agreement to stop the practice. Not with Knopf.

On Friday the DOJ will see her in a court mediation.

Attempts to resolve DOJ complaints against Knopf collapsed in July. **She agreed to sign a DOJ agreement** to revamp her business and pay three clients at least \$100 a month each toward the thousands of dollars she owes after court judgments.

But after back-and-forth on the day of the deadline, Knopf said, the DOJ emailed a last requirement that she pay arbitration costs for past, present and future clients - and an additional \$10,000 in restitution.

Knopf said she refused, and the DOJ filed suit the next day. The state alleges that Knopf, operating over the years under 18 different business names, made false or misleading representations about the cost of her services; knowingly took advantage of customers' inability to understand the agreement they entered; and failed to deliver services promised. **The DOJ suit also alleges** Knopf violated the Abuse of Vulnerable Persons Act by failing to return property to elderly or vulnerable customers after they requested.

Knopf, 56, denies all the allegations. She calls the state's actions an "amazing raping of a small business."

In two interviews in March, as Knopf worked alone behind the counter at Believe Art and Antiques, a retail store she

operates across the street from her Oasis gallery, she said she has spent 18 months and more than \$10,000 hiring attorneys to settle the matter. She said the DOJ has badgered former clients for information who had never previously complained. She said she wants the matter dismissed. She repeated that there are no clients who have not been paid and no senior abuse.

"I've been squeaky clean," she says.

"History of complaints"

As early as February 2005, the DOJ wrote to Knopf:

"I have concerns with the history of complaints filed against you and your businesses," wrote DOJ enforcement officer Sally O'Neil. "It appears that items have turned up missing from consumers' inventories and itemizations and payments for consignments have not been forthcoming. ... Payments to some of your clients have not been made within the time limit set by the statutes. There have been problems concerning your lack of communication with clients."

O'Neil wrote Knopf: "Please take the necessary steps ... to ensure that you and your business are not violating Oregon law."

Many estate sellers conduct sales in private homes over a weekend. Most of Knopf's business is selling consignments out of a retail store. In the past she has also sold property on the Web or at estate sales. Her contracts required any disputes be settled through binding arbitration in Multnomah County with the customer paying all legal fees, regardless of outcome.

Thirteen clients filed court claims against Knopf or her business since late 2002. Almost all the clients allege she failed to sell their property, pay them promptly if it did sell, or return anything unsold. Most filed claims, often after months of unreturned calls and letters, the complaints said. Eight won judgments.

In one case in Multnomah County court, a woman claimed that after consigning property with Knopf, on 15 dates she phoned, emailed or wrote Knopf without success. Her attorney's two calls and four emails also failed.

"I now understand the frustration that my client feels when each of her numerous attempts to call you go utterly ignored," wrote attorney Nancy Nellor Retsinas on Aug. 26, 2004.

When a Portland man was sentenced to 10 years in prison, he hired Knopf to liquidate his household in December 2002. Instead of an estate sale there, she recommended moving his belongings to an upcoming auction and to another estate sale to get the best prices. Fifteen months later, she reported his belongings had sold for \$1,540, but that after moving and handling fees, he owed her \$12.50.

The man sued from prison and was awarded \$5,000.

Knopf says, "The DOJ is empowering people to destroy me. Everyone in business has fees."

Missing property dispute

Lee Samatowic planned to sell an art collection, jewelry-making tools and heirlooms left by her late mother, an accomplished artist who lived and worked in New York. She found Knopf's AAA Estate Sale, Appraisals & Auctions, Established in 1977, in the phone book, "at the top of the list." After talking to Knopf at her home about her ability to get the best prices by taking the collection and selling it on the Internet, Samatowic signed a six-month contract on April 17, 2002. Samatowic said that Knopf also left with slides of the mother's lifetime of art to be used for marketing.

Five months passed. Samatowic, an Aurora naturopath, emailed Knopf that she had received no money, nor word of a sale, nor catalogue of her items she requested, and that some property had not been advertised on the Internet.

"I apologize for not getting in touch with you sooner," Knopf emailed back Sept. 23, 2002. "You have been in my thoughts. The database operating the website has been demanding programmer time, upgrades and my input for some time. I believe the changes are nearly complete and we will begin uploading large amounts of inventory these next two weeks. I will focus on cataloguing your items as a priority. I have sold some items and will prepare a statement with itemized details along with your appraisal, which is finished."

On Oct. 3, 2002, Samatowic hired an attorney to retrieve the property. Six weeks later, she filed a claim in court against Knopf.

The two sides met for an arbitration that lasted three days.

In his opinion letter, arbitrator Gregory Kafoury wrote: "I find Ms. Knopf's conduct throughout was shown by clear and convincing evidence to be intentional, wrongful and fraudulent."

He wrote that the disappearance of the defendant's business records after Knopf learned that Samatowic had hired an attorney is "enough to raise an eyebrow"

Samatowic says she learned from testimony during the hearing that the jewelry tools her mother valued most had sold for as little as \$1 apiece. Knopf bought one of the paintings herself for \$27. Worst of all, the slides she lent of her mother's lifetime of work, that no one else would care about, Samatowic says, have never been recovered.

Kafoury awarded Samatowic more than \$43,000, including \$20,000 in attorney fees and costs. The arbitrator included in Samatowic's award an additional \$5,000 for the loss of those slides.

Knopf said last week that there was no list or appraisal report indicating she ever received them.

Legal costs mount

Four months after Samatowic's case in 2003, her attorney Jennifer Palmquist went to court again to collect the \$43,000. She alleged Knopf had "transferred all of the assets of the LLC to herself to defraud, hinder and delay her creditors." The matter settled after Knopf refinanced and Samatowic collected.

By 2008, the judge presiding in Knopf's divorce indicated she owed business-related debts of nearly \$71,000, including court awards to former clients and to the attorneys who represented her in the past. The judge wrote that "she has no checking accounts because of the certainty of creditor liens."

At least four former clients won judgments against Knopf after she failed to appear in court. Knopf said she failed to appear because of a long and difficult separation and divorce that caused her to miss court notifications.

In three of those cases since 2002, Knopf disputed the ruling, telling the court she had not been notified of the hearing. On Feb. 19, 2010, two months after the court awarded an elderly doctor \$20,000 for his losses and attorneys fees, Knopf wrote a circuit court judge:

"I am dumbfounded. This is a complete surprise to me. I was not even aware there was to be any court action on this unfounded action. I have received nothing from this attorney or the court that there would be any court action. I have not received any notice. Nothing, nothing in the mail, no telephone call, no fax - nothing but silence."

She asked for the judgment to be set aside. After a hearing in January, the judge denied her motion.

The break-ins

Some disputes involve consigned valuables that Knopf has reported stolen.

In a 2004 court case, an attorney had been seeking the return of two diamond rings when Knopf reported a burglary. She told Portland police the rings had been stolen from her retail store on Southeast Foster Road. The client subsequently sued Knopf for breach of contract. An arbitrator awarded the client \$4,100, plus attorney fees.



In 2008, six days after Heidi McCraw and her brother left their father's estate in the Oasis gallery in the Pearl, Knopf called. There'd been a break-in at the gallery. A "substantial number of items were stolen," according to Knopf's written notes to an arbitrator. Among them were lost and damaged items that belonged to McCraw.

Portland police found a side window removed from the interior of the third-floor gallery. The glass leaned against a wall, unbroken but "somehow taken out of its frame," according to the Nov. 1, 2008, police report. Police listed the missing items



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Rob
Finch/The
Oregonian

Heidi McCraw of Tillamook says she still does not know what happened to much of her late father's antiques she consigned.

and wrote that Knopf suspected a former client who refused to pay her to hold his consigned property. Detectives investigated, but suspended the case after two weeks with no leads.

After a back-and-forth, Knopf's father, an appraiser, submitted an appraisal to McCraw's insurance company, which sent McCraw a \$6,400 check.

The insurer also sent a copy of the Portland police report of the burglary.

McCraw's husband, Gordon, a former Tillamook County deputy sheriff who heads the county's emergency management, looked it over. The property that belonged to them wasn't listed. He requested a second police report from their Nov. 1, 2008, burglary to make sure the items hadn't been added later.

They hadn't. After the McCraws got the second report, they notified the DOJ and later Portland police.

Knopf told The Oregonian that she indeed submitted a supplemental computer record to police listing the missing McCraw items. Portland police received computer records from Knopf, but more than a year after the McCraw burglary and as part of the report for another burglary on Nov. 23, 2009. This second burglary was reported at her retail store across the street from the Oasis gallery. Police records show they received computer files Dec. 31, 2009, two days after the DOJ delivered an investigative demand to Knopf for her business records.

Meanwhile, the McCraws retrieved what they say is about a third of their property, under police escort. A few weeks before, Knopf sued them for \$2,450 for consignment fees and storage and packing of those items. The McCraws filed a counterclaim. When Knopf failed to appear at the appointed hearing, her claim was dismissed and the McCraws were awarded \$7,500.

Because of a court error, Knopf had not been served and the default judgment was vacated. The McCraws met Knopf at a second hearing May 2010. At it, the McCraws said they weighed losing, which the arbitrator said could cost \$3,000, due that day.

Heidi McCraw said she was not going to give Knopf a dime. Both sides agreed to walk away. The case was dismissed.

"I cried all the way home," McCraw says. "I was in charge of my father's estate, and look what happened."

Knopf says. "I really have not done anything wrong."



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Stephanie
Yao/The
Oregonian

Appraisal documents
show McCraw
collectibles reported

-- **Julie Sullivan**

stolen from Lucy Knopf's third-floor gallery in the Pearl District.

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