

New York Art Dealer Duped Clients Out of Millions, U.S. Says

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- U.S. alleges gallery was center of multi-million dollar fraud
 - Chowaiki was sued by clients and Sotheby's last month
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A work by Wassily Kandinsky on display in London in 2012. *Photographer: Peter Macdiarmid/Getty Images*

A Manhattan art dealer faces federal charges that he used paintings by Wassily Kandinsky and other renowned artists as bait to defraud

collectors and investors out of millions of dollars.

Ezra Chowaiki, of the [recently bankrupt](https://www.bloomberg.com/news/articles/2017-11-16/bankrupt-manhattan-art-gallery-accused-of-ripping-off-clients) [Chowaiki & Co. Fine Art Ltd.](https://www.bloomberg.com/news/articles/2017-11-16/bankrupt-manhattan-art-gallery-accused-of-ripping-off-clients) on Park Avenue in New York, is accused of ripping off at least a half dozen art dealers with sham transactions in which some victims were led to believe they were buying stakes in fine art earmarked for a quick resale and hefty profit. Other victims left artwork at the gallery on consignment and never got it back, including one collector who lost a \$1.2 million painting, the U.S. said.



Ezra Chowaiki Photographer: Katya Kazakina/Bloomberg

Chowaiki, 49, turned himself in to federal authorities in New York Friday and was released by a judge on \$100,000 bond.

“While Ezra Chowaiki appeared to buy and sell high-end artwork in his upscale Manhattan gallery, as alleged, he sold clients nothing more than an illusion,” Acting U.S. Attorney Joon Kim of Manhattan said in a

statement.

Chowaiki declined to comment after court. His lawyer, Daniel Parker, said his client “has an impeccable reputation in the art world and looks forward to restoring it.”

The scheme ran from 2015 until last month, prosecutors said. Victims lived in Ontario, Canada, Pennsylvania and New York, according to the criminal complaint.

Minority Owner

Chowaiki, of Brooklyn, New York, opened the gallery in 2004 with partners

and was the minority owner. He's charged with wire fraud, conspiracy and transportation of stolen property. The criminal case follows three civil suits in November accusing him of the same types of frauds, as well as a lawsuit by [Sotheby's Inc.](#) seeking repayment over a botched deal.

A review of the gallery's bankruptcy court documents by the Federal Bureau of Investigation revealed it had less than \$300,000 in assets and almost \$12 million in claims by dozens of art dealers, including six victims in the criminal case, according to the complaint.

The victims include a Cayman Islands company that's managed by an unidentified modern-art dealer with business in Tokyo, who was allegedly duped into buying a 50 percent stake in a sculpture for \$900,000. Chowaiki allegedly told the art dealer he had a buyer lined up in advance who'd pay \$2.15 million, resulting in a quick profit for the dealer of more than \$100,000.

The money was allegedly wired, at Chowaiki's request, to an unidentified individual in London who used to work with Chowaiki. The victim soon learned that Chowaiki didn't have ownership of the sculpture, and the piece was actually on auction in London, according to the complaint.

"Chowaiki did not, and often could not, conduct the transactions as promised, and instead kept the funds and artwork for himself and the gallery," or sold them without permission, according to a complaint.

Multiple Scams

The civil and criminal cases describe multiple scams. Chowaiki is alleged to have oversold shares in the same works and to have held a painting by the Italian surrealist Giorgio de Chirico on consignment and refuse to return it.

The gallery, which held works by dozens of A-list artists, including Paul Cezanne and Edgar Degas, offered art financing and appraisal services, once boasting on its website to have set "the gold standard for art research."

The gallery's majority owner is David Dangoor, who wasn't charged. Dangoor's attorney, Anthony Dougherty, said he was "gratified" authorities moved quickly after he alerted them last month to perceived financial irregularities involving Chowaiki. Dangoor loaned millions of dollars to the

gallery and wasn't repaid, Dougherty said.

Clients who claim in court filings to have been victimized include Carpenter Fine Violins and Collectibles LLC. The Manhattan-based boutique seller of musical instruments says it was duped into a joint venture with Chowaiki to acquire a 50 percent share of Kandinsky's 1928 watercolor "Schichtenweise" for \$312,500. That's the same amount allegedly stolen by Chowaiki from "Victim-2," who isn't identified in the complaint. The U.S. also doesn't name Kandinsky or other artists whose works were allegedly used as bait.

Sotheby's said it hired the gallery as an agent to purchase the Henri Matisse painting "Titine Trovato in Dress and Hat" for \$12 million, which Sotheby's then planned to resell for \$15 million to \$20 million. The deal didn't go through as planned and the gallery ultimately sold the piece for \$4.75 million, with Chowaiki and another partner on the hook to repay the loss, according to the suit.

The gallery's revenue plummeted in recent years, records show. In 2015, the gallery had revenue of \$35.2 million. That fell by more than half in 2016 to \$15.6 million, according to bankruptcy filings.

No one in the industry has seen Chowaiki in weeks, said Karen Boyer, an art adviser who's known him for years. "He is a very happy, charismatic, go-lucky kind of guy."

— *With assistance by Chris Dolmetsch*

