The Washington Post

WEDNESDAY, JUNE 30, 2004

COURTESY OF SHARON LOUDEN

Sharon Louden got investors to buy shares in a sculpture. Investors earned returns of 50 to 75 percent when the work was sold.

Wall Street Lends Its Style to Artists In Need of Funds

Investors Ease the Struggle

By BEN WHITE
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NEW YORK—It was the biggest break of her career, an assignment to produce a sculpture big enough to fill 6,000 square feet of museum space, but artist Sharon Louden didn't have the $20,000 she needed to get the project started.

So Louden and her husband, Vinson Valega, a jazz musician and commodities trader, borrowed an idea from Wall Street.

They drew up a prospectus and began soliciting investors to buy shares in the sculpture, which would be put up for sale after its exhibition at the Kemper Museum of Contemporary Art in Kansas City, Mo.

The couple are part of a movement that gives new meaning to "the art of the deal"—an effort to remove some of the struggle from the lives of struggling artists by harnessing techniques more familiar to Wall Street than New York's Museum Mile.

"We could have put in all on credit cards and gone into debt," said Valega, describing the financial style that frequently accompanies a life

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Pension Fund Established for Visual Artists

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in the arts. "But I thought, this is going to be really valuable some day—let's collateralize it."

Louden and Valega, both of whom grew up in Olney, called previous collectors of Louden's work, easily gathering enough money to complete the piece. This spring, she sold it to a corporate buyer, earning investors returns of between 50 and 75 percent. Investments ranged from $200 to several thousand dollars, and the minimum return anyone made was around $100.

The sculpture—850 miles of black and gray monofilament fishing line bundled into individual pieces meant to evoke a natural landscape—belongs to auto insurance company Progressive Corp., which maintains a large contemporary art collection. Called "The Attenders," it hangs above the foyer of the company's call center in Phoenix. "Some people like it, some hate it," Louden said of employee reaction. "But as long as it gets people talking, that's what matters."

Louden said that when she began telling investors about the size of their returns after the sculpture was sold, many begged her to keep the money for her next venture. "They just freaked out," she said. Louden said she has been inundated with phone calls from investors eager to get in on her next project and artists interested in her novel fundraising approach. She is getting ready to solicit a second round of investors for an ambitious animation project.

Instead of resigning themselves to living and dying in poverty, Louden and other artists are beginning to experiment with financial innovation, in some cases to find seed money for their work and in others to help provide financial stability for the future.

In New York, for instance, MutualArt Inc. has established a first-of-its-kind pension fund for visual artists. Launched this spring, the trust is designed to eventually include 250 promising artists, each of whom must agree to contribute 20 works to the trust over 20 years. The works will be held for eventual sale, if and when they significantly appreciate in value.

When an artist's work is sold, the trust will credit 50 percent of the proceeds to the artist's individual retirement account. The rest will go into a pool for all participating artists, with a cut going to cover administrative costs. After 20 years, artists will begin receiving income from the pool.

Sebastiaan Bremer, a 34-year-old Brooklyn resident who etches intricate, ethereal drawings onto photographs, said he accepted an invitation to join the trust to ensure a more stable future for himself, his wife and their two young children.

Bremer supports his family with his work now, but said the fund will help reduce the risk associated with the shifting tastes of the contemporary art market, while perhaps helping put his kids through college.

"A lot of people have been talking about doing this sort of thing for many years," he said. "But it's hard for people to trust each other, particularly people as individually minded as artists. . . . I think it helped that it's being organized by such respected people."

One of those is David A. Ross, a former director of the San Francisco Museum of Modern Art and the Whitney Museum of American Art in New York. Ross, executive vice president of MutualArt, said he was surprised no one had come up with the idea sooner.

"We recognize that artists create an enormous amount of value for society," he said. "We wanted to find a way where artists could participate as a group in the value they are creating in the culture." Once the first fund reaches 250 members, organizers hope to start new funds in major cities around the world.

The idea for the trust is hardly a pie-in-the-sky scheme dreamed up by the financially naive. Its structure is in part the creation of Dan Galai, an Israeli academic who has taught at the University of Chicago and the University of California at Berkeley.

Pamela Auchincloss, director of the New York trust, said just one-half of 1 percent of the trust's membership would need to achieve significant commercial success to ensure a decent retirement package for all members. "It's designed in a highly conservative way," she said.

Both Auchincloss and Ross said they have received many inquiries about setting up similar trusts for other freelance fields. They believe that as long as the discipline produces work that can increase in value over time and the process used to select participants is rigorous, the concept should translate to other media, including photography.

Julie Ward, an independent curator working on a book about patronage, described Louden's approach as a postmodern spin on a process that dates at least to the Medici family's support for the arts in 15th- and 16th-century Florence.

She said the multiple-investor approach could remove some potential drawbacks of more traditional patronage, in which an artist can become beholden to the tastes and whims of a single wealthy collector while having little control over the art's fate.

"Positive patronage creates good energy, good back and forth, between the artist, the patrons and the audience," she said. "As we went through the 20th century, patronage became more a matter of, 'I'll give you money, then I own [the work].' It got out of sync."

James McLaren, an investment banker who put money into "The Attenders," said he was attracted by the structure of the deal: If the piece had failed to sell, each investor would have received part of the sculpture, which could easily be broken into pieces. But he said the real reason he put up money was the thrill of helping an artist.

"To me there is a lot of psychic pleasure in trying to identify and support people who are in the earlier stages of their career," he said.

Louden said many of her investors had a similar reaction, at least in part because she began raising money not long after the Sept. 11, 2001, terrorist attack on the World Trade Center. The attacks drove Louden and her husband out of their apartment in Lower Manhattan for two weeks and shuttered Louden's studio.

"I think after 9/11 it made people feel better to be involved in a project like this," she said. "People have mostly recovered from that time, but they still want [to invest] because of that creative feeling."

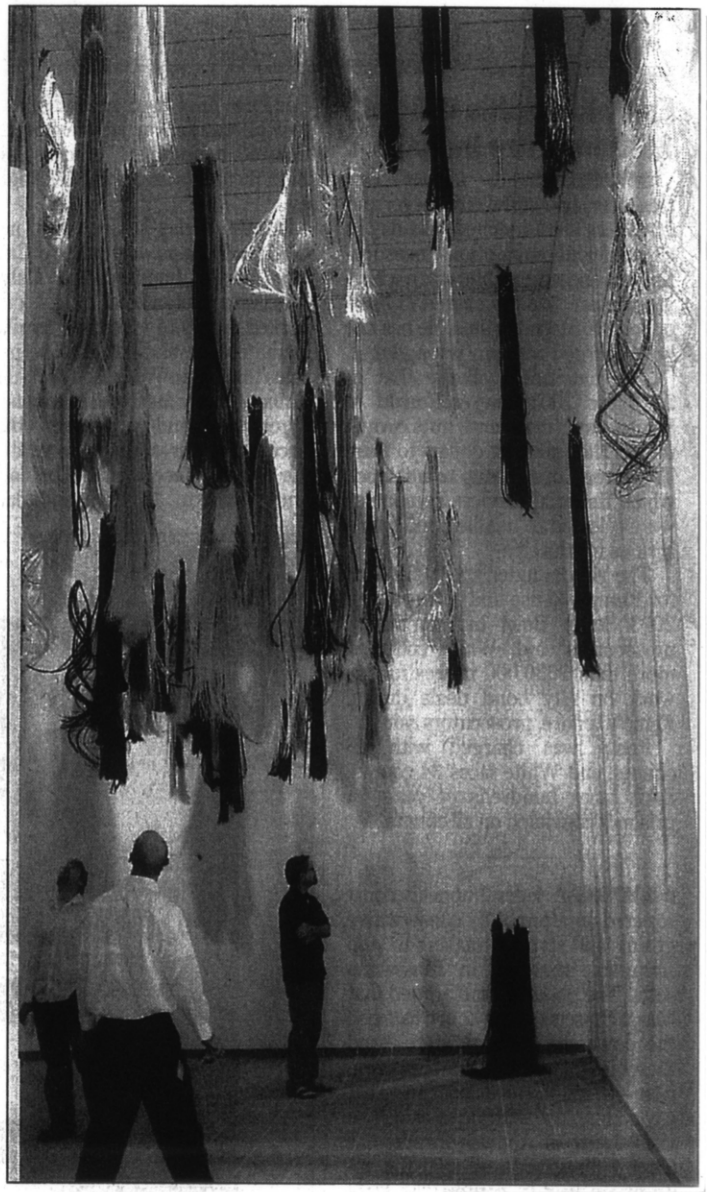
While Louden's approach appears fairly novel, the practice of "securitizing" art is not new. One of the most famous examples is the "Bowie Bond."

In 1997, pop star David Bowie considered selling his extensive catalog of previous albums. But with help from manager William Zysblat and financier David Pullman, Bowie decided instead to sell bonds backed by future revenue from his songs. The bond sale raised $55 million for Bowie and allowed him retain control of his work.

Zysblat said that while the idea seemed exotic at the time, it was actually quite simple. Bowie's catalog had demonstrated consistent sales and predictable annual earnings, making the bonds a fairly low-risk investment. Bowie bonds carry a 7.9 percent interest rate and have never missed a payment. They are entirely owned by Prudential Insurance Co. and not publicly traded.

Pullman said that since 1997 he has successfully sold bonds backed by royalties from songs in the catalogs of Motown Records, James Brown, Ashford & Simpson and the Isley Brothers.

And the phenomenon could soon move beyond big bond sales designed for institutional investors. New York financier Robert D'Loren, who along with Pullman has arranged for companies to sell bonds backed by intellectual property, is preparing to sell stock to the public that will pay dividends based on royalties on everything from song lyrics to hamburger recipes.



COURTESY OF SHARON LOUDEN AND VINSON VALEGA

Sharon Louden's "The Attenders" was created for the Kemper Museum in Missouri and sold to auto insurance firm Progressive.