

Prime Property

Besides Being an Artist, Christo Is Main Asset Claimed by CVJ Corp.

He Set Up Firm to Finance His Expensive Projects; Frequent Cost Overruns

Battles With the Bureaucrats

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NEW YORK—In a lot of ways, C.V.J. Corp. handles its finances the same way most companies do. It borrows from a bank, asks suppliers to wait for payment in a cash crunch and persuades people who have faith in it to invest their money in it.

In return for those investments, C.V.J. gives them not stock certificates (C.V.J. shares aren't for sale) but paintings, because C.V.J.'s major—and irreplaceable—asset is the artist Christo. C.V.J. pays Christo only \$25,000 a year plus expenses, but it couldn't get along—and wouldn't exist—without him.

In the name of art, Christo does unusual things in unusual places. He stretched an 18-foot-high fence of woven nylon fabric, steel poles and cables through the hill country of two California counties; that work was called "Running Fence." He surrounded 11 islands in Florida's Biscayne Bay with 6.4 million square feet of bright-pink erosion-control fabric; that work was called "Surrounded



Christo

Islands." Next summer, in Barcelona Harbor, he plans to wrap a 23-foot-high statue of Christopher Columbus and the 194-foot-high column it surmounts with a rose-colored fabric matching the color of some Barcelona buildings; that project will be named "Wrapped Monument to Cristobal Colon."

All the stretching and wrapping and surrounding have as much to do with philosophy as with aesthetics. Christo's art is executed to make people reconsider their thoughts; he wants to force them to think differently from their everyday ways of thinking.

Months of planning and preparation go into the projects, which are typically in place for about two weeks before being dismantled. They are expensive undertakings. For the final and busiest two weeks of construction on "Surrounded Islands" last summer, the payroll hit \$200,000. The completed project, which involved sewing fabric and installing anchors, cost more than \$3.5 million.

Name Changes

To handle such projects, Christo and his wife, Jeanne-Claude, set up C.V.J. in 1971. Originally called Valley Curtain Corp., after what was at the time Christo's major project (an orange curtain hung across a 1,400-foot-wide valley in Colorado), the company was eventually named C.V.J. to avoid continual name changes as the artist moved from project to project. (The corporate initials are those of the artist himself, whose unused surname is Javacheff; his wife uses the surname Christo.)

Christo, through C.V.J., pays for all his projects himself. Although he is frequently offered commissions—some \$7 million of them were thrust his way after "Surrounded Islands," he says—he doesn't accept them.

He also refuses to allow anyone else to capitalize on his projects and their publicity. For example, he buried the "Surrounded Islands" fabric under concrete, at a cost of \$35,000, to make sure nobody could use the bright-pink mesh to profit from the brouhaha that accompanied the project.

The funds for the projects, and for the movies and books based on them that Christo also finances, come from the sale of paintings and collages that Christo does of his projects before they are built.

C.V.J. pays Christo to produce enough of those to keep ahead of the bills. Jeanne-Claude, who is the president of C.V.J. and is Christo's dealer, then sells the paintings to other dealers and galleries as well as to museums and private collectors. "I'll sell almost anything but our son" to finance a project, she says.

Urgent Offer

The system frequently breaks down. On "Running Fence," which stretched almost 25 miles across California's Sonoma and Marin counties, "the payroll was three times what it was supposed to be," Jeanne-Claude recalls. To meet it, she called collectors and offered them 50% discounts if they would pay right away. "I don't want to go through that again," she says.

Without Jeanne-Claude, say most of Christo's longtime associates, the projects might not get financed at all. "She's extraordinarily smart, with good common sense," says Almyr Langlois-Meurinne, an investment banker and good friend of the couple. "She's the smartest individual who has ever been involved in dealing," adds Scott Hodes, a Chicago corporate lawyer who has worked with Christo for 16 years. "She has built a following and market for his art."

The Bulgarian-born Christo, 49 years old, studied art in his native country and briefly in Vienna. He worked in Paris for six years before coming to the U.S. in 1964. Opponents of his projects and others have accused him of sensationalism, commercialism and publicity-mongering. But his admirers include art critics and serious collectors, and those fans have helped raise the prices of his work—a matter of some importance for the company. "Just as a corporation repurchases its stock because it's a good investment," says Mr. Hodes, "the Christos will buy his earlier works and put them in a warehouse, confident the price will go up."

Price Appreciation

Three years ago, Jeanne-Claude says, she repurchased a small wrapped bundle Christo had done in 1963 and had sold for

\$125. (She won't say what is inside the bundle, except that it is soft.) "We paid a month's rent and had a big dinner for our friends with the money," she recalls. To buy it back, in 1980, she paid \$6,800. She says she could sell it now for around \$30,000.

The Christos are careful about where they sell his works but understand the mixture of profit motive and art appreciation that permeates the big-league art world. "We do sell to people who want to make money," says Jeanne-Claude, "but only those we know will not undersell. We don't want to see the works travel from dealer to dealer like an unwanted child."

Jeanne-Claude's careful cultivation of Christo's audience has enabled her to turn it into an unusual source of financing. Christo has for a long time turned to his collectors for financial help, either in the form of direct loans or through bank loans guaranteed by collectors. But Jeanne-Claude has institutionalized that process in an unusual "pay now, buy later" plan.

At the start of an expensive new project, C.V.J. offers about 100 Christo admirers the chance to buy Christo's works at a 30% discount, provided that payment is made immediately. Before "Surrounded Islands," each collector was offered \$71,500 of art for \$50,000. Those numbers will be higher on the next big project.

That amounts to an interest-free loan, which converts into something that appreciates like equity, says Mr. Hodes, the attorney. C.V.J. gets seed money for the projects, and collectors get a discount ordinarily available only to dealers.

The Christos also have \$500,000 of revolving credit and a \$300,000 loan, payable in two installments, from Citibank. Once a year, the company has to repay all outstanding borrowings on the revolving credit and leave the funds with the bank for 30 days. "Last Dec. 22, I scraped up the money to pay them back," Jeanne-Claude says, "and told our engineers to wait till Jan. 22 and they'd all get their money."

The loan is secured by traveling exhibitions of Christo's work and represents a way of turning equity into financing, Jeanne-Claude says. Christo owns the traveling exhibitions, which he uses as education and lobbying for his projects and has no thought of selling. But insurance and storage costs for the exhibits are sizable—some \$18,000 a year for insurance alone. Before the Christos decided to use the art in the exhibits as collateral, "It was dead weight," Jeanne-Claude says. "Now it's working for us."

In addition, Mr. Hodes points out, the Citibank credit protects Christo from having to sell his works at distressed prices. Paintings, drawings and collages of "Surrounded Island" sold for \$7,500 to \$9,000 each before the project was completed, then soared to \$15,000 afterward. The loan lets Jeanne-Claude hold those works off the market while the price climbs.

Eye on Expenses

Like any executives contemplating the bottom line, the Christos keep a careful eye on their expenses. They spent \$25,000 on research on the "Surrounded Islands" fabric and tried to buy it from U.S. factories, says Christo, who takes great pride in his U.S. citizenship. But the prices in this country

were so high that they eventually bought it in Germany. "Even with \$50,000 duty and \$60,000 shipping, we saved almost \$250,000 over an American company," Christo says.

Once the fabric was bought, it had to be sewn together, and here, too, Christo cut costs. "We looked for a factory in Miami," he says, "and the cheapest bid was \$1 million. Our engineer said we could do it ourselves, so we rented a building and sewing machines and it cost \$540,000."

But the cost-cutting goes only so far. In a sense, Christo "has no regard for money," says his chief contractor, Ted Dougherty, adding: "The project is the important thing, and money is only a means of getting the project done." Other clients worry about money, Mr. Dougherty says, "but Christo says don't worry, I'll get it."

Jeanne-Claude agrees that though the Christos try to budget, cost overruns don't bother them much. "As with bringing up a child," she says, "it will cost what it will cost."

The major cause of the Christos' frequent cost overruns, which average 25% to 33% of budget, is one with which many corporate financial officers would sympathize—government regulations. "Christo's art is to convince other people to do something," says Mr. Langlois-Meurinne, and that can be difficult and expensive.

"Our real problem is the permits," Christo says. "If we fail to get them, there's no project." One out of every two Christo projects fails, he says, and on the ones that get approval, fees for legal and professional costs average 10% of the total.

Sociologist's Study

On "Surrounded Islands," for example, Christo had to pay a marine biologist, two ornithologists and a manatee expert for environmental-impact studies. And in a so-far-unavailing attempt to get permission for another project—26 miles of saffron-yellow banners on the walkways of New York's Central Park—Christo hired sociologist Kenneth Clark, at a cost of about \$50,000, to study New Yorkers' reactions to the idea. Mr. Clark found that wealthy people were most strongly opposed to the project, with residents of Harlem 78% in favor.

Lobbying for coming projects is one of Christo's heaviest expenses, and one that is difficult to fit into a standard financial statement. To grease the wheels for a Berlin project—wrapping the Reichstag in fabric—Christo has set up a board of directors of prominent Germans for whom he pays room, board and travel expenses to attend board meetings. He has also hired a well-connected New York socialite, at \$500 a week, to set up lunches with New York movers and shakers to lobby for the Central Park project.

To complicate matters further, Christo says, "in the first stage of a project we always make tons of boo-boos we have later to repair." In most businesses, Christo points out, one makes something and then improves it. In Christo's business, on the other hand, "each time, we do something we've never done in a place we've never worked."

Although several million dollars flow through C.V.J. each year, the Christos them-

selves see little of it. They live and work in a graffiti-stained building in one of the less trendy areas of New York's SoHo district, and Christo travels coach class. The money all goes to the projects.

"Raising the funds is a constant battle, of course," says Jeanne-Claude. "It always will be." But one day, she adds, "we will be rich—when we are weak and tired and not able to build. I'm not looking forward to it."