

(The following was submitted by the relative of a physician who has spent over \$600,000 on art, mostly from Park West Gallery on cruise ships and online. It is published as submitted.)

**Steal a TV go to Jail, Steal a Billion or two and...
or
How to lose your Virginity as an art collector...**

I have a relative who is a physician. To get away from the pressure of his job, and given that he lived in South Florida he took frequent cruises out of Miami.

Several years ago he attended an on board cruise art auction. He purchased around \$30K of art. On another cruise his next purchase jumped to perhaps \$400K. He then was invited on a special cruise because he had spent so much no doubt, and again he spent around \$30K as I recall. He later bought some art on the web and more art on cruises as time went on. He spent large amounts framing what he was told was investment grade art and worth much more than he paid as confirmed by their supplied appraisals. And there was the advantage that he did not have to pay sales tax and etc. Of course what you save on sales tax is offset by the buyer paid auction fee, when in fact these are not really auctions in the sense that the auctioneer is selling the work owned by his employer, and not consignment art such as at a real auction house.

Then there were the people around him on board claiming to be art dealers, there to buy artwork for their own galleries because the prices were so low, real confirmed bargains!

His cost for cruise ship art is likely to be well over \$600K when a final accounting is done.

He bought Picassos, Rembrandts and what is typical cruise ship art, sold mostly by Park West, such as Erté, Ledan, Martiros, Dalí, Tarkay, Max and Le Kinff. Some of this art is exclusive to Park West, with what appears to be limited markets. Even when he bought off the web, much traced back to Park West, the quoted retail prices by some rare dealers in this secondary market supporting Park West appraisals to some degree. Of course retail price is not necessarily the price paid or even close to it. Real auction prices or prices actually paid are not so easy to find for a novice, which includes me.

A cruise ship is not an environment suited for the sale of what was called high end investment art, and based on some of the prices and appraisal values it was, or should have been, high end investment quality art.

He was quite proud of the art he bought and of the investment he made. Yet here we have large sums of money being spent on art work sold by auctioneers who are not, based on appraisals that are not, in a sober environment that it's not, at a location where our laws are not, and often the art you see is not what you receive and where the reputation of the cruise ship line is used to impart the only real sense of trust and legitimacy to the onboard sales activity. It truly appears to be a partnership/joint venture between gallery and cruise line in every sense of that meaning. One without the other would not have worked and both shared in the profits. While the cruise ships

say that Park West is an independent subcontractor, since when does the independent subcontractor pay the party contracting him a commission? Ironically with all the concerns about high seas pirates, it seems the cruise ship lines have given boarding passes to the pirates and then split the booty with them!

Recently, I was involved in preparing the personal financial statements of this physician who is my nephew. I started with a spreadsheet that had been done when he applied for a mortgage several years earlier that listed just the painter and a value. The list was approximately 100 paintings and does not include later purchases such as Disney's Destino from Park West. It's my understanding now that people have paid up to \$18K for Destino volumes (post Dalí death copies), when market value is closer to \$1,200. Do post death unsigned copies in high numbers ever really bring top dollar?

I'm a long retired CPA and a novice when it comes to art. I wanted to check out and upgrade the market value of his collection of over 120 pieces. I started with his highest valuation, a Picasso at over \$70K. I was not working with all the detail that I wished I had at the time. I did not know the names of the art gallery the items were purchased through or much else. Just that much of the art was bought on cruise ships. I found this Picasso (*Avec el Gigante et Autoportrait en Bebe-Vieillard*) to be auctioned at Sotheby's for between \$5K-\$7K or about 1/10th to 1/15th of its valuation. Apparently, it must have been appraised based on the length of the paintings name! I found his Rembrandt *The Death of a Virgin* valued at \$31K had recently sold for a price of around \$10K at Christies. After the *Death of a Virgin* what I began to see was the death of a virgin art collector's investment.

For lesser known or Modern Artists (often referred to as the Modern masters, at least on Cruise ships) for the most part there was no way to get any real prices paid for the art over the internet. For each artist I searched for some of the highest valuations that were listed. I searched for Martiros' *Golden Shimmer* and the hit I got for that was in the text of a lawsuit filed against Park West and a cruise line listed on the Fine Art Registry® (FAR®) site. I read the various cases with interest and was over taken by a sinking feeling – not a good thing for something associated with cruise lines. He had many Dalí's. Again like the individuals who had paid over \$500K for a Dalí work, that Sotheby's would only value for a tenth of that, if it was in good condition and authenticated (it qualified as neither per the article), finding valuations for the Dalí's other than valuations from the galleries that had sold them was not easy. It was apparent that in order to sell them, new certificates of authentication would have to be paid for even if in fact they were real Dalí's and of any real value.

The novice buyer was really at the mercy of the gallery's appraisal, even armed with the internet! And since when did an appraisal by the owner of the art ever have any credibility and count as an appraisal? Would a mortgage company accept the appraisal of the seller of a home? If so, then I hereby appraise my house at 6 million dollars which would certainly be in line with the appraisals of much of this artwork based on what I was finding. So much for any requirement of objectivity or independence; and perhaps in a cruise ship environment with the cruise ship lending its legitimacy to my claim of value, I could find a buyer eager to buy my house for a mere \$4 million, confident that he could then sell it for more once on dry land. Especially if I was surrounded by so called experts, assuring potential buyers that it would be a great purchase and a great investment that they wish they could make, if they were only them!

But I did not stop with the FAR site or even the Inside Edition story, etc. they linked to on Cruise ship art. I wanted even a broader perspective before reaching any conclusion. I found other sites such as the Art Brokerage trying to sell often on consignment many of the cruise ship artists works. The high quantities for sale were disconcerting from an investment point of view. The paintings were listed with retail price, asking price and often make best offer. Still there was no way to determine the actual price being paid outside of the Cruise ship auction price paid. The highest asking price was generally by people who stated that they had purchased their artwork on a cruise and more often than not from Park West. Park West also had pictures listed on the site. The same picture by the same artist was offered often by several people and covered a wide range of asking prices. You could find several pictures of the same title and artist, all listed as an original being offered for sale. Just how many originals can there be of one painting anyway? But even the asking prices did not generally support my nephew's valuations.

I could not find any of the better well-known cruise artist works listed on the major well known art auction sites. Many of those would have required me to pay a fee. I learned they were generally not listed and that the cruise ship artists were often exclusive to the onboard galleries and had limited market in the real investment art world.

My searches did however lead me to eBay! It was amazing to find much of this cruise ship "investment" art listed on eBay for \$9 dollars and up. The sheer volume of this art that has been produced may preclude any real increases in value. The "Buy It Now" prices are well below appraised values in many cases. Even at low prices most had no bids and if sold, there was no way to determine the ultimate price for the most part. It appears that eBay may well become the final auction place of last resort for much of this art.

For those hoping that if they only hold on long enough they can recapture their purchase price or the appraised value, I have little hope of that other than from a devalued dollar, given the volume of what I'm now calling assembly line art. I have learned a lot of other names for cruise ship art in the past few days such as decorative art, industrial art, commercial art and the ultimate slam, poster art. None of these names bode well for increases in value. Additionally, given the demographics of cruise line customers and the past decade of such cruise art sales, there will be a large volume of this art coming on the market as baby boomers retire wanting to cash in on their "investment" and as others pass away for years to come. But trust me when I say I know nothing about art! And what I have learned in the last week does not make me want to run out and buy any costing more than 200 bucks or take another cruise.

Now don't get me wrong, I personally like much of this cruise ship art. But I like it much better at under \$500 dollars than at \$5,000 and up.

Some say selling art to people who have been partying and drinking for days in an environment which may include self bidding by the gallery and potential shills is no more of a wrong or crime than people gambling after drinking with a pretty hostess handing you drinks. And I would agree in part except if the stated jackpot was 1000 quarters and you only got 200 quarters, that is a crime. And that's more akin to what appears to be happening given the appraisal value promise and the actual amount you will net.

From what I can tell, given the limited numbers and the difference from appraised value and actual value and the believed to be sales numbers over the past decade, the amount of money we

are talking about is in the billions. Not small change. It potentially means kids who may not get to college, patients that can't pay their medical bills or others who lose their house or who won't retire when they planned to. Hardly victimless.

In the case of my nephew, his art now framed, it will be a major undertaking both in time and costs to have the art re-authenticated and valued by objective certified art appraisers to determine the real extent of what we believe to be very significant losses – not the investment gains being sold at time of purchase.

I have read that Park West stands by their appraisals. And that they are done in a manner consistent with industry standards and etc.

Good, and in that vein, Park West should have no problem refunding dissatisfied customers 80% of their appraised value at purchase and should have complete faith in its COAs especially those for Dalí, and accept returns of all Dalí work at the higher of cost or the Park West appraised value at time of purchase. The cruise ship should reimburse its business partner, the gallery for its share of the proceeds on these refunds as it will reap the goodwill of many who are now vowing not to cruise again until this matter is handled/cleaned up. The customer will not get the return on their investment after perhaps many years of ownership they were expecting. The gallery and cruise line will however get the chance to sell the same art again at what should now be well below cost if they have faith in their own appraisals. After all, why let eBay make all the money on reselling this investment grade art!

Don't hold your breath; the galleries on board had little problem having cruise ship customers put their money where the gallery's appraisal was. But I have this strange feeling that when it comes to putting their own money where their appraisals are, they won't, even at just 80%. Is anyone willing to make a bet on this?

After all, if a cruise ship line can't protect its guests from what appears to be a long running rip-off or worse, operating from deep within its own bowels with impunity, then how can the public expect to be protected against rough seas, storms, onboard fires and potentially criminals operating, where they are the only law in town!

John Hill
