

Background Information Regarding the Studio 737 Art Gallery Business

The following information is provided by the owner.

The gallery operations have seen an average of \$350,000 per year in gross income during the past 26 years. This includes the low start-up figures in the first year, 1988, and the past four-year recession period of 2009 to 2013, when sales were just under \$200,000 per year. In 2014 sales have now rebounded to figures obtained prior to the recession. Full information about income and sales is available, but only to serious prospective buyers.

The gallery has sold approximately 5000 pieces of art during its 26 year history, and all of the information regarding the location of each piece of art, including the names and addresses of the purchasers, will be passed on to those who purchase the business, to be used for possible resale purposes. Please note that this information is more valuable than the property itself.

Outside of any regular commercial insurance policy required for the property itself, there is absolute no insurance on the art, as all of the art is consigned and each consignor signs and insurance waiver that has been drawn up by our lawyer.

If you wish, the majority of artists will remain, and, as long as my work will remain to be exhibited in the gallery, they know that they will be able to trust their work with the new owners as well.

The gallery probably houses the largest collection of fine art being sold anywhere in Canada, with over 1000 pieces of mostly affordable artwork on display. These are all original works, and no reproductions have been sold at the gallery through all these years.

The gallery has also, over the years, tried to help younger artists, whom I, as an artist myself, recognized as having the artistic talent to succeed. Two of these success stories are Beth Hoselton and Jordan Hicks.

Beth Hoselton was added to the gallery 25 years ago at the age of 18. Her wildlife work was good, as good as the top wildlife artist of the period, and she did not resort to selling reproductions. She stayed true to her art, unlike that particular individual. The gallery has sold 250 of her paintings, with resales of up to \$45,000, and with no reproductions.

Jordan Hicks was added 19 years ago while in his 20s, and he has had phenomenal success with over seven different galleries exhibiting his colorful daisy and landscape works. Over 575 of his paintings have been sold by Studio 737 alone.

The biggest success story, however, is that of my discovery of Donald Gordon Fraser, who was one of my art instructors back in Toronto in the 1950s. He had, for the most part, retained in his recent Queensborough home, the majority of his life's work, approximately 1400 oils, watercolors, and sepia sketches.

After convincing Don to exhibit his paintings at the Studio 737, it even resulted in a major museum exhibition in France, and a sold-out Harbour Castle show in Toronto in 1997, with a combined total of over 1000 of his works sold by studio 737 during these past 26 years. Our recent resale of one of his major works produced \$12,500. He is also gaining recognition in the auction houses here in Canada. These were the best paintings that Don produced. The balance that we could not sell were turned over to the family, at their request after Don passed away, but we still have some fantastic pieces of his paintings that have come back on a resale basis.

You can examine the works of these three artists, and all the other exhibitors, including some of my own work, on our website at www.studio737.com.

As you can see the resale factor in just these three artists alone is enormous, and it will one day bring a financial reward that is just unimaginable.

As your business grows you may want to franchise the "Studio 737" name. Yes, "Studio 737 Toronto, Studio 737 Ottawa, Studio 737 Vancouver". Why not a Studio 737 auction house? You will have a head start with over 5000 original paintings out there to be resold, and only you will have their location information.

If you take into consideration that Canada is only 147 years old and Studio 737 has been providing Art to its customers for 26 years, then original Canadian art that Studio 737 has sold will in due time become historical. Some of it already has for some of our artists who have passed on. It is truly Canadian art that we have sold during these 26 years to over 3000 of our customers.

Studio 737 has never claimed the title of the "group of 50", as a way to market their artists, as were the "Group of Seven", and which even continue to be marketed in this fashion today by the Museum system, auction houses and retail sectors. Between this type of marketing, the reproductions and poster craze, that has developed since 1960s, there has been an diminishing of artists staying true to their art and producing only works of original art. We have lost so much creativity because of the shortsightedness of these institutions. Galleries like Studio 737 must continue to operate and find new artists to exhibit and sell their works, because of their individuality, and not just because they're part of a group.

The youngsters graduating from university today will, perhaps, become a lot more intelligent with their art purchases, than the previous generation. Art created today, and in the past 50 to 60 years, is just as good, if not better in some instances, than what was created previously. Canada did not stop existing in the 1920s, and never will its artists.

You may want to expand the current exhibition space, or even add a restaurant or coffee/ice cream shop on the property, which will result in even more traffic flow, since the gallery is situated here on busy Highway #7. This is the gateway to the "Land O Lakes" region, which is currently on the way to becoming the next Muskokas. It should be even bigger and better over the years, because it is easily accessible to individuals from both the Ottawa and Toronto areas. You have all seen what has happened around Lake Simcoe and further to Muskokas, and that was just due to mostly residents of Toronto and its surrounding areas. Standby ... now it's becoming a reality here also.

Finally, the property is actually listed as residential with a commercial building on it, so your mortgage would be listed as residential as the property and all the land is sold as one unit, and it has never been subdivided. Compare the taxes of \$2900 per year to what you're currently paying, and you can apply that amount to any mortgage and you're already saving and on your way.

We are open to the possibility of the price of the business itself being paid in installments, subject to terms arranged between the buyer and myself, and documentation prepared by our lawyer. There is also about \$15,000 worth of stock, previously purchased by Studio 737, which could be consigned to the new owners and paid for on an 'item by item' basis as they are sold. This would further **reduce start-up costs**.

The house is now vacant, and any renovations that the new owners would like to perform will be allowed upon closing, making an early transition into the spring season possible. The artists, for the most part, will remain on board, and new insurance and consignment documents will be prepared releasing me as the consignee, and place the new owners instead as the consignee as of the closing date.

The new owners will be provided with the computer data, and all the listings of customers and artwork sold, on closing as well. My husband, Joe, and I will be living 10 minutes away, and Joe will assist, if needed in the transformation of all documents, provide instructions on how to cut mats and do framing, as part of your operation. We both want the new owners to succeed and make Studio 737 even bigger and better.

We have never really used the Internet to assist us fully in sales and have only advertised a comparatively limited way. More extensive use of the Internet would offer the buyers a way to build the business further.

We have already turned down three prospective buyers, because they wanted us to provide mortgage funding. However, we do not wish to get involved in financing.

All these years, we have enjoyed and loved selling Canadian art, and our artists and customers all have almost become one "happy family" over these 26 years. I'm sure any prospective buyer will want that relationship to continue once they actually take over the gallery. We will miss it but time for us to move on!

Arja Palonen

Owner and Artist-in-Residence

December 29, 2014