

October 9, 2012

VIA EMAIL AND HAND DELIVERY

Corcoran Gallery of Art & College of Art + Design  
c/o Harry Hopper, Chairman of the Board of Trustees  
Fred Bollerer, President and Chief Executive Officer  
Lauren Garcia, Chief Operating Officer  
500 17th Street, NW  
Washington, DC 20006

Re: Leadership of the Corcoran Gallery of Art

Dear Mr. Hopper, Mr. Bollerer, and Ms. Garcia:

This firm represents Save the Corcoran, a D.C. non-profit corporation devoted to ensuring the Corcoran's long-term financial and artistic success by keeping the Corcoran in the District of Columbia. Save the Corcoran has rallied thousands of supporters, including Corcoran students, staff, faculty, alumni, donors, and friends—all of whom are deeply concerned about the Corcoran's fate and about your performance as stewards of this cherished cultural institution.

For the last several months, we have monitored events at the Corcoran and have engaged in an extensive factual and legal investigation of the Corcoran's current circumstances.

Regrettably, it has become clear that the Corcoran has been fundamentally and tragically mismanaged in recent years. Save the Corcoran writes to document that mismanagement and to demand corrective action by you and the Board.

I. *Charter Violations and Corporate Waste: The Unlawful Move Outside of Washington, D.C.*

Let us start with the obvious: the June 4, 2012 announcement of the potential sale of the Corcoran building and the potential relocation of the museum outside of the District, and potentially to Alexandria, Virginia, where we understand you have already made site visits, and where, we understand, Mr. Hopper and Ms. Garcia personally reside. This entire enterprise has involved considerable out-of-pocket expenses (documented below) and a diversion of attention away from fundraising and maintaining the museum's financial integrity. Moreover, as you surely know, the museum's charter *requires* that the Corcoran remain in Washington. The time, money, and resources that are now being devoted to the

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potential relocation of the museum *outside* of Washington—a relocation that would violate the museum’s founding document—is the quintessential definition of corporate waste and mismanagement. It must stop immediately.

As you undoubtedly know, the Corcoran’s current leaders have *no legal right* to relocate the Corcoran outside the City of Washington. When William W. Corcoran executed the Deed that established the Corcoran in 1896, he specifically established “an institution in Washington City, to be dedicated to Art, and used solely for the purpose of encouraging American genius, in the production and preservation of works performing to the Fine Arts.” Congress codified this trust just two years later by a Special Act incorporating the Corcoran in execution of those stated purposes “and not to any other intent or purpose whatever.” 16 Stat. 139 (May 24, 1870).

For nearly 150 years the Corcoran has been the flagship institution among D.C.’s museums. In 1891 the Corcoran completed construction of a building worthy of this status—the Corcoran Flagg Building. Named for its architect, Ernest Flagg, the building has stood the test of time. Frank Lloyd Wright called it the “best-designed building in Washington,” and it is widely recognized as “the single most important piece of artwork in [the Corcoran’s] collection.” David C. Levy, *The Corcoran at a Crossroads*, Wash. Post, June 8, 2012. Several groups have formally recognized the building as worthy of historical protection. The Corcoran’s home is one of only 2,500 sites and buildings in the U.S. designated as a National Historic Landmark. And just recently the D.C. Preservation League nominated most of the interior of the building as a local architectural landmark with the D.C. Historic Preservation Review Board. See David Montgomery, *Preservationists File to Protect Corcoran*, Wash. Post, Oct. 1, 2012.

The Corcoran’s June 4, 2012 announcement that it would explore a sale of the Corcoran Flagg Building and a potential relocation outside of the District of Columbia threatens the purposes William Corcoran envisioned and made binding on the Corcoran through his Deed to the Trustees. Moreover, it places in grave jeopardy the Corcoran’s most valuable asset: its more-than-century-old home.

The Corcoran’s Deed is unequivocal. It requires the Corcoran to remain “an institution in Washington City.” In 1869, “Washington City” had a very specific meaning. At that time, the District of Columbia was composed of three distinct municipal entities: the City of Georgetown, Washington City, and Washington County. Washington City was bounded by the Potomac River to the southwest, the Anacostia River to the southeast, and Florida Avenue to the north. It did not include any part of Alexandria City or Alexandria County, which had been retroceded to the Commonwealth of Virginia in 1846. Because the Corcoran

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*must* remain “an institution in Washington City” under the plain terms of the Deed, any move to Alexandria would violate the Corcoran’s governing documents.

Despite the clarity of these governing documents, the Corcoran’s management nonetheless has expended precious corporate resources in investigating a move out of Washington City. That is unacceptable.

Corcoran management has publicly presented a relocation plan to Alexandria as simply one of “many options” it is investigating. We understand, however, that Corcoran management has been actively investigating potential sites on the Alexandria waterfront since at least September 2011. We also understand that senior Corcoran leadership has made site visits to Alexandria. We do not yet know the extent to which the Board of Trustees was fully informed about these visits.

Each Trustee of the Corcoran is charged with the duty to administer the trust in accordance with its terms and purposes and with reasonable care, skill, and caution. *See* D.C. Code § 19-308.01, 19-308.304. Because such a move is plainly barred by the Corcoran’s governing documents, including a federal charter, any move outside of the historical boundaries of Washington City would constitute a clear breach of trust under D.C. law and carry federal law implications. *See* D.C. Code § 19-1310.01(a). The Corcoran’s time and expenditures in pursuing a move that would violate the charter diverts the Corcoran’s assets for an improper purpose and therefore constitutes impermissible corporate waste. *See Daley v. Alpha Kappa Alpha Sorority, Inc.*, 26 A.3d 723, 730 (D.C. 2011).

We are deeply concerned about the focus on the Alexandria waterfront as a potential new home for the Corcoran for an additional reason. We understand that Mr. Hopper and Ms. Garcia are heavily involved in the redevelopment of the Alexandria waterfront. Ms. Garcia is listed as a member of “Securing Alexandria’s Future,” a political action committee apparently devoted to bettering the Alexandria community. We understand further that the Corcoran’s new Senior Director of Communications and Marketing, Mimi Carter, also is listed as a member of “Securing Alexandria’s Future” and serves on the Alexandria school board. In addition, several of the new members of the Corcoran’s management staff, including Ms. Garcia, appear to be neighbors or close personal friends of Mr. Hopper and/or Mr. Bollerer. On occasion, we understand these individuals have been invited into management positions without any public notice of the job posting they filled. We do not yet know if the Board of Trustees was informed about these hires, but the hiring of friends and neighbors who are active in Virginia local politics raises serious questions about the legitimacy, transparency, and integrity of the hiring process for these significant positions.

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## II. *Corporate Mismanagement and Leadership Failures*

In its public comments, the Corcoran has primarily offered two justifications for relocating out of the Corcoran Flagg Building: (1) the Corcoran's financial condition and (2) the lack of gallery and classroom space and the maintenance issues in the current building. Neither of these reasons justifies the drastic and impermissible measures the Corcoran is considering.

### **A. The Corcoran's Financial Woes Are Largely Self-Inflicted and Irreconcilable With The Money Now Being Spent on Consultants Affiliated With Mr. Bollerer's Consulting Firm.**

The Corcoran's financial problems are largely a result of the gross mismanagement and lack of strategic vision that has plagued the institution in recent years. Since the failure of the capital campaign for the Gehry Wing (itself a project that cost the Corcoran over \$20 million in planning and fundraising costs), the Corcoran has been in a fundraising free-fall. In FY2001, the Corcoran was able to raise \$20.4 million in donations. In every year since that date, the Corcoran has brought in significantly less in charitable giving:

- FY06: \$13 million
- FY07: \$8.2 million
- FY08: \$6.6 million
- FY09: \$4.4 million
- FY10: \$3.2 million

Remarkably, Mr. Hopper has publicly admitted to "malaise, even at [the] board level" and that the institution lacked any strategic plan that could give donors hope about the future of the institution. Jacqueline Trescott, *As Corcoran Reels, Washington's Other Private Art Museums Hold Their Own*, Wash. Post, June 29, 1991. These developments are particularly troubling in comparison to D.C.'s other private art museums, which have been "holding their own" with respect to fundraising. *See id.* At the very time the financial alarm bells should have been sounding inside the Corcoran and prompting intense fundraising, the institution's senior leadership essentially surrendered.

This fundraising collapse has been exacerbated by constant turnover in development staff and a lack of clear fundraising leadership. The Corcoran's fundraising operation has been led by three different individuals in the past two years. Incredibly, we understand that the Corcoran has *turned away* potential donors because the Corcoran lacked a strategic plan and

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could not guarantee how the funds would be used. It is not surprising that these circumstances would lead to massive attrition among Corcoran development staff. The Corcoran responded by merging development into its communications division under Mimi Carter, the newly hired Senior Director of Communications and Marketing. Our understanding is that Ms. Carter has little-to-no relevant non-profit fundraising experience and has outsourced most of the Corcoran's fundraising efforts to paid outside consultants.

While the Corcoran's fundraising efforts have unjustifiably cratered, Corcoran senior leadership has not been so reluctant to spend substantial sums of money outside of normal operating budgets. The Corcoran has retained multiple outside consultants and paid millions of dollars in consulting fees—with little to show for their work, and without implementing a fundraising strategy to finance these expenditures. Specifically, the Corcoran has authorized payments of more than \$600,000 on a "strategic management plan" developed by Mr. Bollerer's former firm, Real Change Strategies, LLC ("Real Change"). We also understand that the Corcoran has spent another \$1 million or more for a consulting report from Lord Consulting that has largely gone unused. The Corcoran also has spent more than \$200,000 on a six-minute promotional video—produced by a firm called WeaselWorks—that has been roundly derided by Corcoran faculty for its poor quality and exorbitant cost. Although the Corcoran has not released its tax records for the latest fiscal year, we understand that leadership's reliance on—and payments to—outside consultants have increased this year, exacerbating the deficit.

The Corcoran's consultant relationships have, at the very least, raised serious questions about related-party transactions and independence problems. In 2009, the Corcoran retained Mr. Bollerer to serve as its Chief Operating Officer. At the time, Mr. Bollerer was serving as a principal of the consulting firm Real Change. For a time, Mr. Bollerer was serving in both roles, while the Corcoran was paying substantial sums in consulting fees to Real Change. Mr. Bollerer came to the Corcoran with virtually no experience in non-profit art galleries or higher education. Yet despite this lack of experience, the Corcoran promoted Mr. Bollerer to Chief Executive Officer and President of the Corcoran in 2010. And even though the Corcoran has been operating at a deficit for years, Mr. Bollerer receives more than \$320,000 in salary—the highest salary of any director in the Corcoran's history and a notable increase from the previous President and CEO. We also understand that the Corcoran continues to hire and employ consultants from Real Change. In particular, we understand that Real Change principal Lisa Karlisch regularly attends high-level meetings—and has done so for some time—at significant cost to the Corcoran. And yet another Real Change principal, Debbie Feinberg, has been brought in as interim Vice President of Finance. We question whether the Board understands the full extent of the spend rate and the number of hires from Mr. Bollerer's old firm, and whether these dealings have been thoroughly evaluated in light of the Corcoran's conflict-of-interest statement.

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## **B. The Corcoran's Lack of Leadership Has Been Especially Pronounced In Recent Months**

We are also disturbed by the unaccountable lack of leadership at the management level in recent months. Over the summer and early fall of 2012, when the Corcoran most needed its leadership to focus on a sustainable future, we understand that both Mr. Hopper and Mr. Bollerer left the country—on vacation—for several weeks. In the case of Mr. Hopper, we understand that he spent a significant portion of the summer vacationing outside the U.S., while Mr. Bollerer spent three weeks in September traveling in Europe for pleasure. These leaders should have been devoting their efforts to strengthening the Corcoran. Instead they left the Corcoran in turmoil. We again question whether the Board was informed that these key principals would be absent and on vacation while the Corcoran is fighting for its survival.

To make matters worse, Mr. Bollerer is administering the Corcoran essentially as a lame duck after clarifying over the summer that his tenure as director will cease in December. His announcement leaves the Corcoran with merely four months to secure a replacement director. We understand that search processes to find a new leader for museums of the Corcoran's stature typically last 12–18 months. We fear that the Corcoran, which faces enormous challenges and desperately needs extraordinary leadership, may be rushed to fill a position that requires the utmost consideration.

We also understand that the financial condition of the Corcoran is much worse than Corcoran officials have publicly acknowledged. Management failures resulted in an operating deficit of \$7.2 million in FY2010. All evidence suggests that this deficit will only be larger in FY2011. In addition, there have been persistent rumors that the Corcoran has spent down its endowment and utilized restricted funds. While we've received no indication the Corcoran has used deaccession funds to cover its operating expenses, we are increasingly concerned that the current leadership may resort to that unacceptable course if the Corcoran's financial struggles continue. Such action would threaten the Corcoran's accreditation with the American Alliance of Museums and constitute an existential threat to the institution. We again do not know whether and to what extent the full Board has accurate information about the current state of the Corcoran's finances.

## **C. The Corcoran's Publicly Stated Reasons Do Not Justify Its Relocation Plans**

The Corcoran's management has put forth no credible evidence that any problems with the Corcoran Flagg Building could not be remedied with solutions other than the sale of the building and a relocation to Alexandria that would destroy the museum and college. The

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Corcoran's management has made essentially two arguments for why the institution can no longer exist in its current home.

*First*, the Corcoran's management has claimed that the Corcoran Flagg Building suffers from a lack of gallery space to display more than 3% of the gallery's holdings and that more space is needed to allow the school to grow. As an initial matter, this assertion is highly misleading. The vast majority (up to 85%) of the Corcoran's holdings constitute works on paper, which may only be displayed for limited periods in order to protect the works from harmful light. Moreover, the proportion of holdings the Corcoran is able to display is not markedly less than other museums, most of which show only about 3–5% of their collection at any one time. *See* Kriston Capps, *Does it Matter That the Corcoran Shows Just 3 Percent of Its Art*, Wash. City Paper, Jun 7, 2012. We have consulted independent professionals who confirm that the argument the Corcoran has advanced on this point is specious.

More fundamentally, the Corcoran's assertions that it needs space are flatly inconsistent with its repeated failure to take any action to utilize the premiere space it already owned for expansion. Until very recently, the Corcoran's property included an undeveloped parking lot adjacent to the Corcoran Flagg Building. The Corcoran could have developed this space as an extension of the school and the art gallery. Instead, in 2010 it chose to lease this space to Carr Property under a 99-year ground lease. Under the terms of the agreement, Carr would build an office building on the location, and the Corcoran would use the rent to fund operations of the gallery and the school. But in 2011, the Corcoran changed the terms of the arrangement, selling the lot for \$20.5 million to Carr outright. And despite the concern over the lack of space, the Corcoran made no discernible effort to negotiate rights to space in the new building.

*Second*, management has claimed that the building requires in excess of \$130 million in renovation and other improvement costs. At times, Corcoran press statements have stated that the museum needs *\$300 million* for an endowment, repairs, and operating expenses.

Our factual investigation has confirmed that this number is wildly inflated and is not credible. The Corcoran recently hosted a world-class exhibition that it could *not* have exhibited had the museum been so incapable of protecting and displaying classic works of art. Moreover, the \$130 million figure bakes in high-end upgrades and repairs that, when pressed, Corcoran leadership concede do not need to be made, and at any rate could be made over time as part of a tiered maintenance initiative. To take just one example, among the "critical" renovations the Corcoran purportedly needs, the \$28 million top-of-the-line museum-wide fire-suppression system identified by Corcoran leadership is more expensive than even those used by the Smithsonian and other local museums. *See* David Montgomery & Jacqueline Trescott, *The High Cost of Change at the Corcoran*, Wash. Post, June 12, 2012.

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No doubt a museum-caliber sprinkler system is needed, but a spare-no-expense system is inappropriate given the current financial constraints. Even Mr. Bollerer appeared to admit as much. *See id.* This admission supports the conclusion that the Corcoran's management is deliberately inflating the cost of necessary renovations in its public statements in order to paint a picture of financial hopelessness that paves the way for a relocation. Moreover, management has consistently misled the public by suggesting that all of these expenditures must be made immediately rather than phased in over time. Again, we sincerely hope that the Board of Trustees has carefully evaluated these public statements and carefully reviewed the diligence supporting the repairs that management claims are necessary for the museum to function.

The leadership of the Corcoran has also failed to address any of the practical problems with relocating the gallery and the school into a new building. A move would require the Corcoran to undertake the expense of packing and storing the collection for several years while a new space is built. No indication has been given as to how the Corcoran could afford to construct a new building, manage the relocation process, or how the school or museum would function during the interim period.

\* \* \* \*

For more than a century, the Corcoran has remained just steps from the White House in the iconic building that was designed and erected specifically for the institution. The Corcoran Flagg Building has become so beloved that it is impossible to wrest one from the other. Moving from the building now—especially if such a move took the institution outside of the District of Columbia in violation of the Corcoran's governing documents—would destroy what goodwill the Corcoran has remaining in the community.

It is time for this institutional paralysis to stop. The mismanagement, mixed messages, and dwindling fundraising are driving away donors and students, and have slowed planning for future student programs and future exhibitions to a standstill. The crisis is demoralizing Corcoran staff and students. The new leaders "onboarded" onto the museum's leadership team have demonstrated a clear inability to work with the Corcoran's stable of devoted long-term professionals. Prospective students are being driven away, soured by the idea (and the uncertainty) that the institution might willingly give up the very building and location that draws students to the Corcoran in the first place. The Corcoran's main draw to many students is its central location in D.C.—a key benefit that is lost if the institution is to move. And donors will not return without a strategic vision that ensures that the Corcoran will honor its commitment to D.C. arts.

There are two key steps that that Corcoran must take to move forward.



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*First*, the Corcoran must stop the corporate waste on any unlawful move outside of Washington, D.C. All such planning, investigations, and expenditures should immediately stop, and the Corcoran should publicly announce it will not move out of the District. This announcement would send a strong signal to potential donors that the Corcoran will not abandon its historical role at the center of D.C.'s private art museums.


*Second*, after years of mismanagement and irrational spending, it is time to bring the arts community into the fold of the Corcoran's leadership. The Corcoran has not filled all of the open positions on its Board of Trustees, and it is operating with only 14 of 18 possible trustees. New voices and perspectives are essential.

To that end, Save the Corcoran demands that the Board name **three** additional Trustees of Save the Corcoran's choosing to the Corcoran's Board. Save the Corcoran's advisory board consists of well-respected individuals with expertise in the areas that will be essential in helping the Corcoran weather this crisis. Save the Corcoran's members include experts in fundraising, nonprofit management, education, and art, all of whom are connected by a deep and abiding commitment to the Corcoran's success as a unique pillar of the D.C. art community. In short, Save the Corcoran's members have the know-how and dedication to provide the necessary leadership in overcoming the Corcoran's challenges. The current Trustees will be aided enormously by the presence of a management expert, a fundraising expert, and an art expert as selected by Save the Corcoran. Only by engaging in such a partnership does the Corcoran have any hope of surviving this crisis.

Please be assured that this letter does not constitute an exhaustive statement of the facts relating to current mismanagement at the museum, more of which will be documented at the appropriate time. Given that conditions at the museum appear to be much worse than Corcoran officials are publicly acknowledging, we request a response to our demand for three Board seats by no later than Friday, October 19.

We trust you will share this letter promptly with the members of the Board of Trustees.

Sincerely,



Andrew Tulumello

cc: Interested Parties