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**Courting the Aging Rocker -- Independent Labels Offer Acts Creative Freedom, Hope Fans Will Bring In Steady Profits**

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IN 1991, a Spin magazine cover proclaimed Paul Westerberg, former lead singer of revered rock band The Replacements, the "soul of rock and roll." But by 2001, after a few years of pattering around alone in his basement recording studio, Mr. Westerberg found himself with more songs than money, no record contract, and a pre-requisite that most major labels would find difficult to swallow: "I wasn't about to change one note," he says.

So the 42-year-old, who had made eight albums with the Replacements and three modest-selling major label solo albums, signed a deal with Vagrant Records, a smaller Santa Monica, Calif.-based independent label. In return he got an advance of more than \$150,000 and the promise that "Stereo," his new album hitting stores today, would be released as is. "I'm in the best possible position I've ever been in my life," says Mr. Westerberg.

As the troubled music industry grapples with its first major sales decline in more than a decade, some veteran artists with loyal but modest followings are having trouble continuing their careers on the big major labels they once called home. Instead, they're finding a safe haven -- and more creative freedom -- with so-called independent labels. Many "independents" are scrappy start-ups with relatively limited distribution and marketing dollars, although some have evolved into multimillion dollar companies that work with major labels to get wider distribution for their acts.

Last year singer-songwriter Carole King was shopping new record material to major labels who expressed interest but wanted her to make changes to the music, says Laurie Soriano, Ms. King's lawyer. Rather than alter her vision, Ms. King instead started her own independent label,

Rockingale, on which she released her latest album, Love Makes the World, which so far has sold 130,000 copies and been "very profitable," Ms. Soriano says.

Driving the shift are the tricky economics of the music business. With the high cost of recording and marketing albums, major labels now say they often must sell half a million copies of a record in order to make a significant profit. In the last few years, many majors have trimmed their rosters of artists who have loyal followings yet fall short of profit goals.

By contrast, some big independents say they can make sizable profits off an album after selling between only 100,000 and 200,000 copies. They do this by being choosier about whom they sign and more flexible and cost-conscious in their marketing and promotion strategies. A label might release only one artist at a time in a particular radio format, for example, to avoid competing with itself for already limited air space. And if an artist even gets to make a music video -- it's often on a \$60,000 budget, rather than the hundreds of thousands of dollars the majors spend. With fewer artists and no corporate parent worried about quarterly earnings, independent labels say they can also be more patient in letting acts develop.

"We're looking at things on an arc of two to three years instead of two to three months," says Danny Goldberg, former chairman of Warner Bros. Records, who started New York-based Artemis Records nearly three years ago with Michael Chambers, who was running his own independent label at the time and invested \$10 million to start the new venture.

Artemis had a good first year, grossing about \$50 million dollars in 2000, largely on the strength of a new novelty hit, the Baha Men's "Who Let the Dogs Out". Artemis says it hopes to turn a profit for the first time late this year. But when hits from new acts are slow in coming, major labels have the luxury of falling back on their catalogs for steady income, something most new independents lack.

To help weather the dry spells, Mr. Goldberg fills about half of his Artemis roster with veteran artists. The reason: they have enough experience to make a record cheaply, and come with name recognition and well-established fan bases of music buyers. Among his signings was Steve Earle, a noted songwriter with a steady few hundred thousand fans; earlier Mr. Earle had parted ways with Warner Music.

Mr. Earle's first Artemis release "Transcendental Blues," sold 171,000 copies in the U.S., according to Soundscan. That well surpassed the 127,000 copies he sold with his last major label album, "El Corazon," which he released in 1997 with Warner and his own independent label, E-

Squared. "It's not like [Goldberg's] running some sort of welfare program for adult artists," says Mr. Earle, 47, who just released another album this month.

In fact, these veterans often times are like blue chip investments for the smaller labels. Classic rock titan Boston, best known for hits such as "More than a Feeling," and "Don't Look Back" has sold more than 28 million albums world-wide and has the best-selling debut album ever. Now Boston mastermind Tom Scholz -- who plays several instruments and has been the group's main creative force and primary songwriter -- is readying a comeback album.

Mr. Scholz, 55, could likely have signed with a major label, but instead went to independent Artemis, which gave him a two-record deal and an advance of several hundred thousand dollars, among other perks. For all this, Artemis chief Mr. Goldberg considers Boston the "least risky" act on the label because of the pent-up demand since its last record. The company plans to invest \$1 million in marketing and promotion and to ship at least 500,000 copies initially. It's also letting Mr. Scholz take his time -- more than two years now -- to record the album, much of it in the basement studio of his Massachusetts home. Mr. Scholz says innovation can't be rushed and thus he's pleased with the "enormous artistic freedom" granted by Artemis.

Likewise, Mr. Westerberg of Replacements fame is relieved to be free of major label tinkering. This time, he says, no expensive producers messed with his album. The photograph on the cover is a grainy Polaroid Mr. Westerberg shot of himself. And he's urged Vagrant, his new label, to spend as little as possible on marketing and promoting until he sees how initial sales fare. "Whether they do this again or not is the question," says Mr. Westerberg wryly. "I'm a difficult creep, and I won't change my stripes."

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