



DEATH & TAXES

a professional company

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Board Meeting Minutes: Tuesday, December 13, 2005
7:00pm in Oakland, CA

Board Members:

Present (in-person): *Stephan Jost, Beth Lisick, Sarah Lockhart, Cheryl Meeker, Maria Porges, Diane Shields, Allen Spore, Marcia Tanner*

Present (via web-conference): *Peter E. V. Allen, Matthew Jackson, Heidi Zuckerman Jacobson, Lisa Melandri*

Absent: *Ray Beldner, Carol Ladewig, Sue Mark, Richard Lee (attorney)*

Quorum present? *Unknown as our charter has not yet been drafted. There was a majority present.*

Others Present: *Chief Financial Officer, Isabel Reichert, Chief Operations Officer, Sean Fletcher, Videographer, Allen Tollefson & Whitney Deatherage*

Proceedings:

Meeting called to order at 7:15pm by COO, Sean Fletcher

Introductions

All present board members introduced themselves and provided a brief synopsis of their professional back ground and experience.

Executive Summary

Mr. Fletcher and Ms. Reichert presented a brief summary of how the corporation would be structured, how the shares in the company would be owned, what the objective of the company is, and how the board will participate. They explained that the board will be responsible for making financial decisions that will directly impact the lives of the two main employees, Sean Fletcher and Isabel Reichert. The board will have access to the artists' financial data and will advise ways to improve the financial situation of these two conceptual artists.

Mr. Fletcher explained that if the company is unprofitable by the end of 2006 it will dissolve.

The product of the company, explained Fletcher and Reichert, is conceptually based performance art within a historic pattern of life and art intersecting. Ms. Reichert commented that when either or both of the artists leave their home, they cease to be working for the company and are then working for someone else -- presumably a paying employer.

Mr. Fletcher and Ms. Reichert will fund the company in January with an initial deposit intended to fund the January expenses. Part of the initial deposit will be shareholder equity and part will be a loan by the artists. The loan will be repaid with an equivalent value in food and clothing over the course of the year.



Mr. Fletcher and Ms. Reichert are currently the only shareholders of the company. Part of the reason given for this is to take advantage of any favorable tax consequences the business may provide should it end the year in an unprofitable status. The two employees committed to considering a gift of shares at some future date should the company begin to profit from its art.

Mr. Fletcher and Ms. Reichert described forming an "S" corporation. Ms. Lockhart explained how an S Corporation was taxed and suggested the company also consider a "Service Corporation," which she said is a form of C Corporation. Ms. Lockhart said this would address any future intent to sell shares, as she said it would be inappropriate to find a public market for shares of an S Corporation.

Fletcher and Reichert will have employment contracts sent out in the first few weeks of January for board approval effective January 1st.

Mr Richard Lee was introduced via his credentials and it was discussed that Fletcher and Reichert consulted with him regarding much of the information presented on the type of corporate structure employed. Mr. Fletcher and Ms. Reichert motioned to vote on retaining Mr. Lee for 10 hours at \$150 per hour (a discount rate for members of California Lawyers for the Arts). After 10 hours, Mr. Lee will increase his rate to \$250 per hour.

Mr. Spore opposed spending money on a professional attorney and suggested the company investigate Nolo Press to meet its legal needs. Ms. Lockhart said the matter would do well with professional guidance. Mr. Allen also agreed (being a lawyer himself).

The board voted to retain Richard Lee with a single dissenting vote, that of Mr. Spore.

Board Officer Elections

The board held elections. Allen Spore was elected president of the board with the chief responsibility of keeping time at our next meeting. Maria Porges was elected vice-president of the board (to fulfill the duties of president should the president be absent from a meeting). No-one wanted the responsibility of keeping minutes at the board meetings. Ms. Reichert agreed to take notes so long as the minutes are approved by a board member. Peter E. V. Allen was elected Secretary and given the responsibility of approving the minutes after each board meeting. Sarah Lockhart was elected Treasurer.

Financial Data Reviewed

Mr. Fletcher and Ms. Reichert reviewed their financial situation with the board. Their current "net worth" (not accounting for a current valuation of their home, or their art collection) is \$26,142. It was suggested by Maria Porges that the company ask Ray Beldner for advice on appraising the art collection.

The board discussed, in a general format, how certain items should be titled, and what, if any, of the artists current property should be granted to the company to assist with expenses and/or start-up costs. A long discussion took place concerning the house, and Ms. Shields and Ms. Lockhart



suggested that the house remain outside the corporation. The chief reason for this is to retain the homeowners exemption for the house and any reassessment that might be triggered by the change in title.

It was unanimously agreed that the corporation would rent a portion of the house from Mr. Fletcher and Ms. Reichert instead of granting the house to the corporation.

It was unanimously agreed that the current art collection would remain outside the corporation, too, and that only art created between January 1st and December 31st 2006 would be property of the corporation.

Mr Jost requested that Mr. Fletcher and Ms. Reichert outline items in their net-worth that seem logical to grant to the corporation and items they feel would be rented by the corporation and submit it for review prior to the next board meeting. Mr. Jost expressed concern that the current strategy to hold an open discussion at the meeting would not provide a paper trail, and therefore would not be admissible as art upon completion of the project.

Ms. Shields recommended requesting a "private letter ruling" by the IRS regarding the ownership/rental of space and equipment.

Fletcher and Reichert then presented an income statement to the board which showed that in 2004, the two artists earned \$23,663 after expenses and taxes. In 2005 the artists anticipate earning closer to \$54,000 after expenses and taxes. Both artists earned substantially more from their respective employers in 2005 than in 2004. Ms. Reichert said this would not continue for her in 2006, since she committed to teaching less than she did in 2005. Mr. Fletcher, on the other hand, believes his income will increase in 2006 over what he earned in 2005. The reason given is that part of Mr. Fletcher's income is derived from managing other peoples' money and the amount of assets currently managed is significantly greater than it was in the beginning of 2005.

Fletcher and Reichert then presented their anticipated expenses in 2006. There was an open discussion regarding which of these expenses should be assumed by the corporation. Again, Mr. Jost suggested that the two employees draft a proposal for the board regarding which expenses seemed logical, and the board will approve it prior to the next board meeting.

Mr. Fletcher objected, as this would not provide enough time to meet some expenses that are due in the beginning of the year. The board agreed to approve "reasonable" expenses until the next meeting. There was unanimous approval for this. No definition was given beyond "reasonable".

Mr. Spore suggested forming a finance sub-committee that could meet in the beginning of the year, after the attorney has been retained, to review the finance proposal. Mr. Jost agreed to be a part of this committee. More on sub-committees was discussed later.

Future meeting dates

All present board members were given a hand-made pocket calendar created by the artists for holding photographs. Fletcher and Reichert promised to send these calendars to board members who were not present for the meeting. In the back of each calendar was a pocket with a CD-ROM.



The CD-ROM contains a copy of the presentation as well as the spreadsheet containing the financial data presented during the meeting. There is also a copy of the most recent 2004 tax return on the CD-ROM.

The board voted on the following meeting schedule at the end of each quarter: Either the first Tuesday of the last month of the quarter OR the first Thursday of the last month of the quarter. The first Thursday date met with objection as the board said it would conflict with potential art events occurring throughout the region. The more favorable option was the first Tuesday of the last month of the quarter as follows: March 7th, June 6th, September 5th, and December 5th.

The board suggested email as the best course of correspondence in approving meeting dates in advance of meetings.

Directors and Officers Insurance

The board discussed, briefly, the need for insurance on its directors and officers. Ms. Reichert explained that she had received an informal quote for between \$1,500 and \$2,000 for 15 board members. She did not, however, know what the deductible was or what the insurance would cover. The board moved to request a formal quote from an insurance broker and present it via the internet for board approval in advance of the next meeting. Mr. Fletcher and Ms. Reichert will request a quote.

Mr. Jost again suggested that the quote would result in a papertrail that will exist as art.

Ms. Porges suggested talking with Ray Beldner, since he teaches a course on "Survival for Aristos" on ways to improve cash flow for the business. Mr. Fletcher and Ms. Reichert said they would like to hire a business coach. Ms. Melandri said that they should use the resources of the board before considering adding to the expenses.

Mr. Jost called for a strategic planning sub-committee.

Sub-Committees

Ms. Melandri suggested that the company send an email announcement regarding the formation of sub-committees that calls for involvement. The four sub-committees are as follows: Finance Sub-committee, Strategic Planning sub-committee, Marketing sub-committee, and Ethics sub-committee.

Mr. Fletcher agreed to coordinate efforts to fill these four committees. The finance committee should meet early in January to approve expenses and review the discussion with Mr. Lee (attorney).

Adjournment:

Meeting was adjourned at 8:45pm