

**Auburn Old Town Gallery
Membership Meeting
November 18, 2024**

-DRAFT-

Call to Order: President Connie called the meeting to order at 6:31pm

Sign In: Please sign in on sheet

Agenda Adjustments: None

September 2025 Meeting – Meeting Minutes are approved as submitted

Treasurer’s Report:

MMA: \$10,987.92

LLC Ckg: \$16,916.41

Petty Cash: \$200.00

Total of \$28,179.33

Currently negative YTD of -\$6977. This is attributed to a decrease in sales and the \$2500 retainer for Tuttle Law.

President Report: Connie

Introduction of New Members

Stella Canfield

Carrie Gerrard Olsen

Resignation Notices

Announcement of recent resignations

Kathy Triolo, Kaz Huette, Carol Crocket, Cathy McAllister

Recognition of this year’s board. The Board tackled large issues that were not of our making but we were forced to deal with it. Louise did a great job of representing the members of our gallery. Kirsty found the Treasurer position much more demanding than expected but she hung in. Diane and Linda are the longest serving and also always the voices of experience, kindness and reason. Suzanne brought so much experience and efficiency to the Membership/Jurying team. Cathy is always practical, does a lot behind scenes that we don’t always recognize. Thanks to Lorna for stepping up to take Publicity and bringing enthusiasm and positivity to the board. Janis deserves an enormous credit. She brought expertise of parliamentary rules and processes, and problem solving skills.

Legal Memo Status

Board had a follow-up consultation with Tuttle last month to make edits etc., to the memorandum received by them (and shared with Membership) previously. The finalized memo will be presented to us this next week. This is the memo that outlines the different entity structures and what they mean as well as our current structure with comments regarding regulatory and compliance safeguards.

In the survey Connie distributed early in year, one member wrote “do not make any crazy changes this year.’ A chuckle was shared, as that is exactly what happened. Change!

She shares this because the memo that was presented by Tuttle Law with so many suggestions, etc., some may have wondered why we didn't just leave well enough alone.

Connie shared that early in 2024 our CPA, Jennifer Starbucks informed AOTG that she was discharging us as a client. She explained at that time this was due to the unorthodox number of calls she received from AOTG members (not her clients) that called her office to voice displeasure and lack of understanding regarding the issuance of the annual K-1 Statements. We learned later (and documented below) that this discharge had other issues driving the decision.

At May membership meeting Connie reported that Janis, as a personal client of our CPA was able to keep communication open. She arranged a meeting with Jennifer with Kirsty, Sandi (AOTG Bookkeeper), Janis and Connie attending. At that meeting Jennifer discussed the option of changing our tax filing status to C corp as a way of eliminating the K-1 Statements and replacing with 1099 reporting. She also strongly advised we obtain legal advice before initiating any change.

This then became the direction we thought we were going and Connie subsequently talked with 5 different attorneys' who, because of the messiness of such a large LLC, declined to work with us. We fortunately found Tuttle Law who has extensive experience with Gallery Cooperatives. Board Recommendation to retain their services follow below.

The draft legal memo made us aware that changing to a C-Corp was not an option for AOTG, because California law states that members of an LLC taxed as a corporation are employees.

We kept Jennifer Starbucks abreast of our legal work and on November 1st Jennifer agreed to keep us as a client. In her email she stated the following ' The oddness of the entity structure has been eating at me since I started working with the Gallery.'

Connie and Janis have a meeting scheduled with Jennifer December 4th to supply us information regarding the K-1 and our responsibility for disclosure.

SOI Filing

Kirsty will be managing the filing for us. Due date is 11/30/24.

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Vice President Report: Louise

Nothing to report

Secretary Report: Janis Quinn

No report

Special Events: Diane Tharp

Thank you to everyone that supported the Art Tour. Many members volunteered their time. Over three days sales amounted to just over \$4000K.

Overall the tour had lower attendance, which could be attributed to factors out of or control

Classic Christmas coming up, 12/14 and 12/21 5-9pm. Traditionally we see lots of traffic, our space will be outside our doors. Encouraging some demos and maybe musicians. Auburn Sym will be at the gallery on 12/14. Sonja referred to someone that has offered to play for us anytime, Linda shared she heard this woman would play for tips

Publicity Reports: Lorna Miser

According to the Auburn Journal AOTG we have been voted the best of the best gallery in Auburn!

Old town Business Association

Meg attended meeting 10/16.

Reviewed the OTBS discussion regarding vacant buildings in Old Town and concern landlords might not be doing much upkeep on the buildings or finding potential renters. The City Council would like to have more oversight on such builders and are working towards that. Additionally it's noted that the signage in Old Town are dark brown and not highly visible with a plan to update them with brighter colors to make them more visible.

New lights have been approved and will hopefully be installed before Christmas. There is also a plan to install lighted wreaths. Plug ins will be installed on the street lamps thru Old Town.

Two Christmas events will occur in Old Town. There will be carolers food trucks and Santa. In October Old Town held two events with a Ghost Tour theme.

The Planning commission answered questions regarding the closed Mexican Restaurant and fenced off parking lot next to it. The parking lot has been fenced for some time and has stirred up question. We learned that the property has been purchased by someone who has plans to make it look like a small village – unsure when ground breaking will occur.

Membership – Suzanne

Suzanne was not in attendance and no report was given.

Display: Cathy McAllister

Nothing specific to report. Some moves will be coming up but not announced quite yet. Ann shared that a fellow shop owner commented on our dirty ceiling fans and cobwebs. Also noted plants need to be better watered. Linda commented she cleaned everything a month ago

Facilities: Linda Whiteside

No report

Old Business:

Review & Questions re: Tuttle Law draft memo

Reference to memorandum provided by Tuttle Law and distributed to membership for review on October 3, 2024.

When we engaged Tuttle Law we thought we would be changing our filing status to a C-corp. We quickly learned this is not an option under our current LLC member-owned status, as our members would essentially be viewed as employees of a corporation rather than as owners of our LLC entity and partners of such. In addition we learned:

- Documents out of legal compliance
- What Tuttle perceives as organizational issues Current aspects of our governance do not align with our entity structure as a member -managed LLC
- Current documents contain numerous errors and are unenforceable

- While our structure offers substantial protection there are gaps and regulatory noncompliance could result in our being held individually and personally liable, especially if due to negligence.

They advise the importance of ensuring everyone's status is explained correctly as an OWNER of our business, not as employees of the gallery. It's important that everyone read and ask questions when emails are distributed so they are updated on our business. We are all responsible to recognize compliance and be responsible, act prudently and reduce our risk of liability. Our attorney's strongly advice a risk-adverse approach to weigh risk vs. liability of AOTG and its owners. There is not a comparison between how different galleries run their business, which is not relevant to how AOTG is structured. We are owners of this business, we must evaluate risk before making decisions of our business.

Question posed regarding liability. While the LLC offers substantial liability to our owners, there are gaps, regulatory negligence is one, and someone getting injured because of negligence on our part is an example.

Question posed: can members be personally sued. Connie answered this by quoting the phrase of 'piercing the veil of the LLC.' In some circumstances we could have responsibility if we were negligent. None of this is new, this has always been the case – we've just never discussed it or dealt with it. Some of the filing requirements are new, and we need to stay current. Its more difficult for us because of the size of our gallery and some may be more comfortable than others taking risks. As owner we are all entitled to knowledge and transparency.

Question; How does any of this relate to sexual harassment. Other than pointing out that sexual harassment is a tort (injury), and therefore possibly not covered by LLC protections, Connie was unsure of the answer, because she is not an attorney.

Question: Does gallery have insurance? Yes, a general liability policy. We do not have director/officer insurance, which has been strongly recommended by CPA and Attorney and addressed below

Question: How does the ADA requirement fit into any of this. Cathy McAllister responded that she and her team address this in how displays are established, we keep wide aisles, we ensure there are no obstacles in the way of customers moving through the gallery. The Display Team exercises due diligence, they keep chairs away from fire exits as an example. We exercise due diligence. Susan Stoll shared this is why they ask artists to please not pedestals around as the Display Team places them to ensure clearance. Livia Kerr, who works for an ADA attorney shared that they send inspectors to businesses to ensure the business, is meeting ADA compliance. She offers that service

Question: Have we considered starting completely over vs. staying as an LLC?

Connie shared that Tuttle Law's memo was written from the standpoint of our remaining an LLC. In review with Tuttle the Board learned that to change our entity would require that we undertake a number of large issues. Beginning with identifying what type of entity we want to be and then a complete overhaul of our structure. This would be a major and complex change. Another important note is that if we chose to reorg as a corporation, with employees vs. owners, we would be responsible for employee law regulation

Question: Could we form as a non-profit. We cannot qualify because a non profit cannot make money. Must provide significant community services of some kind. Classes, outreach to schools. You have to qualify and any profits are distributed to community services. As an example, North Tahoe

Arts operates an art gallery where artists are allowed to sell work, but only because the organization running it is a non-profit offering community services.

Stacy Pedri shared that the Georgetown gallery operates as a non-profit and their qualifier for community outreach is managed by donating any profits being donating towards scholarship and art education in the community. Huge endeavor to set up and maintain

Connie called out several points from the Tuttle memo including: If AOTG wants members to provide services as member/owners, we need to make sure it meets state and federal laws for treating members as owners; Tuttle recommends we take a risk-averse approach to ensure employee law violation does not occur. That is the reason for the changes they have recommended. We can adjust practices so we contribute our labor but we must clearly establish we are all owners. There is a list of criteria used to determine member/owners. AOTG is not required to meet all the criteria, but we must meet enough to ensure it is clear we are all owners of the gallery and not employees. Connie reviewed some of the factors courts consider.

The Board and Tuttle Law reviewed our current work requirements and Tuttle's recommendations moving forward: Some of their suggestions follow:

Drop fine for missed shifts

We can offer incentives to our members for their contribution to the gallery.

If desired, an owner can pay an increase in rent as opposed to working shifts.

Ask people to honor their commitments. We cannot require someone to work during 45-notice period but we can ask that they do.

When the gallery profits at year end, this money could be distributed to owners or deposited into a reserve fund

Shift from board management to all member managed monthly. Not a requirement, just suggestion

Stay small – not applicable

Adjust process for termination/probation period

Management of an LLC this size is difficult. It involves a lot of people, lots of voices and votes

Board Recommendation:

The Board recommends that we continue to operate as a member managed LLC with a partnership tax filing structure. This has been reviewed and recommended by legal counsel with recommended changes that will be reflected in our new Operating Agreement and Membership Agreement documents.

No discussion

Vote called AYE

Opposed NONE

2025 Leadership Roles - Janis

Committee signups have been going well, but not everyone has returned calls to the nominating/telephone tree committee to respond to their inquiry of what tasks an artist would like to contribute to in 2025.

We find ourselves with vacancies in the positions of President, Vice President, Display Director and Membership Director.

Several current board members have offered to stay in current positions, Kirsty/Treasurer; Janis/Secretary; Linda/Facilities; Lorna/Publicity; Diane/Special Events with Livia Kerr accepting nomination to co-chair with her.

During the discussion, Gia McNutt offered to run for Membership Director! Thank you Gia!
Connie – finance committee

Any artist can choose to run for any position, regardless of a current board member offering to stay in the position. The vote will decide the outcome.

Janis encouraged artists to step up, get more involved. Supporting the flavor of emphasizing we are all OWNERS of this business the idea of changing the title from Board of Directors to Leadership Team. Something to think about.

As we have several key positions open, and covered so much in tonight's meeting, it was agreed to postpone the election until December 1, 2024 to allow everyone time to really consider, think, talk and decide if they can step up to an officer position.

Vote to Continue to retain Tuttle Law

Board Recommendation:

The Board motioned that we continue our relationship with Tuttle Law. This means paying the \$5850 for services to date, leave our \$2500 retainer with them and have them finish our documents. Their estimated additional expense for this would be \$3500.

Discussion none

Call the vote

All in favor AYE

Any opposed NONE

Tuttle suggested that instead of us trying to update our Operating Agreement (formerly called bylaws) and Membership Agreement, we allow them to rewrite as they understand what needs to be updated and can easily make edits that we have discussed. There will then be a review period and the finalization of documents. There will need to be more changes than we have currently presented, ie., managing elections for one. Examples like this will be shared with Tuttle.

New Business:

In the interest of saving a small monthly amount our bookkeeper asked if we would be willing to have our checks filed in our folders rather than her mailing them to us.

A notification notice could be sent to everyone announcing the checks have been filed.

A discussion showed that we aren't ready to make a decision about this and the topic was tabled until next year.

General Liability and Directors & Officers Insurance:

Board Recommendation:

The board proposes that we initiate a contract with our current insurance agent to initiate a contract for a policy for liability insurance for the Directors & Officers.

Discussion:

If we are all equal owners, why would just the Directors & Officers need the extra policy?

How does this affect all owners? Would everyone be covered by this extra policy?

This needs to be clarified.

Motion tabled for now.

BOI Filing Update – Beneficial Ownership Interest

Still working on ultimate clarification as to whether information for each owner is required.

Question has been submitted to the financial network site for clarification

In the meantime, Janis gave huge thanks for the wonderful response in providing a copy of your CDL! Great job, and we only have a few left to collect

Vote On Restructuring Jurying Process

Board Recommendation:

We empower the Membership Committee the ability to create a panel of no fewer than nine, consisting of themselves and any other member that wishes to be involved in the jurying process to review potential artists work and vote on their acceptance or non acceptance into the gallery.

Discussion: Some discussion and clarification about how this would work. Clarified that the vote would have to carry the same percentage of acceptance that we currently require. Emphasized that any and ALL member/owners would be invited to participate on the night of jurying. This would not be a closed jury for just the membership committee to manage – it is open to all member/owners.

Call the Vote

All those in favor AYE

Any opposed NON

In closing, Connie will be leaving a number of items in the President folder for anyone to review. Much of this is information that the Board is currently working on and documents supporting some of the Board Recommendations tonight.

We did not address an issue regarding a situation that, should it occur, could result in a claim against our general liability insurance. Our insurance agent urged caution and said this would probably get a business policy non-renewed, and it could be very expensive or impossible to find a replacement. This information is filed in the folder.

Patti motioned to adjourn the meeting

Linda seconded

All in favor AYE

Opposed NON

Meeting Adjourned at 8:08 PM

Respectfully Submitted,
Janis Quinn, Secretary