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Reminders for small Closely Held Corporations

1. Limiting liability - although the shareholders will have limited liability, the corporation must in fact be operated as a Corporation and must comply with all corporate formalities in order to maintain this limited liability for the shareholders.
2. The Corporation as a separate entity - the Corporation is a separate entity and, in fact, it must be operated as an entity, separate from the shareholders. Accurate books and records must be kept and regular Board of Directors meetings, as well as shareholders meetings, must take place.
3. Banking - a bank account must be opened immediately under the corporate name and meticulous records must be kept. All funds received by the Corporation should be immediately deposited in the corporate bank account. **Do not commingle funds; the corporation must be treated as a separate person.**
4. Piercing the corporate veil - ordinarily, the courts will respect the corporate entity so long as the shareholders segregate the corporate assets from their individual assets, maintain separate corporate records, hold separate shareholders and directors meetings for affiliated entities and observe the legal formalities of the corporation's existence and operation. **Courts will pierce the corporate veil only in extreme situations of fraud.**
5. Personal liability - officers of the Corporation may be requested to give personal guarantees in many situations, so the shareholders and officers must realize that by giving a personal guarantee, there is no limited liability for that particular debt and they will be held personally liable.
6. Corporate address - it is necessary that a corporation keep its address current with the Secretary of State at all times because if there is ever a lawsuit, creditors can serve the Secretary of State. It will have been deemed effective service even though **you** may not have received copies of the summons because you have moved and not updated your address with Secretary of State.
7. Franchise fees - the Corporation must pay franchise taxes on time even if it does not earn any income and even if it loses money. If the taxes are not paid for two years in row, the Corporation will be dissolved by Proclamation.

8. Annual shareholders meeting - an annual shareholders meeting must be held for the election of the directors and for transaction of business on the date fixed in the bylaws. However, the Secretary of the Corporation may make a statement concerning notice of waiver of the meeting, and then just read the minutes of the last meeting.

9. Insurance - it is recommended that the Corporation obtain insurance such as malpractice or Errors and Omissions insurance as an additional precaution.

If you have any further questions or concerns, please feel free to call the office.