

Corporate Formalities Annual Review

Many closely held companies often forget to check the status of their business entities and to ensure that their files properly document their practice of following corporate formalities. This oversight could be used against them by a claimant or creditor who wants to "pierce the corporate veil" and come after the owners and/or their assets, separate and independent of the business entity. Take the time, annually, to conduct this simple review and address any deficiencies:

1. Review the filings in every state in which you conduct business.

- Are you properly authorized to conduct business in each state?
- Are your principle place of business and address listed correctly?
- Are your officers/managers correctly identified (if required)?
- Is your registered agent correctly identified?

2. Review your operating agreement, shareholder agreement or other documents governing your business entity.

- What annual meetings are called for in your agreement and are these being held and documented?
- Do certain types of transactions require formal approval of members/shareholders or a management group? If so, have any of these transactions occurred, and are they properly documented?
- Is your operating agreement or shareholder agreement adequate to address your current business needs? Does it authorize your company's decision makers to make the decisions they are making. If not, what revisions need to be made and what is the procedure for making revisions?

3. Conduct your annual membership or shareholder meeting.

- Make sure you have provided proper notice to all persons entitled to notice.
- Make sure you have a quorum present and document all persons in attendance.
- Review the previous year and discuss plans for the upcoming year.
- Take minutes of the meeting and circulate copies of the minutes to all attending.

Contact CBL if you need assistance with your review or with making any changes to your business.