

**CORPORATE FORMALITIES CHECKLIST**  
**PROTECTING YOUR PERSONAL ASSETS FROM LIABILITY**

If your business is already incorporated, please refer to the checklist below for the steps that you must routinely take to ensure that your personal assets are protected.

In recent years, Courts have found a number of reasons to “pierce the corporate veil.” Simply put, if the Courts cannot determine where the corporation’s liabilities and activities are separate and distinct from the owner’s liabilities and assets, then the Court has the right to take the entire “enterprise,” owner and corporation, to Court.

Unfortunately, what can be perceived as a minor slip-up can put you, as an individual, at risk for the acts of the corporate entity. In order to maintain your personal limited liability, you must observe corporate formalities, no matter how large, or small, your corporation may be. Among the corporate formalities each corporation should follow, are:

**Hold Annual Meetings**

- The date for the Annual Shareholder’s Meeting should be in the bylaws.
- The Annual Board of Director’s Meeting should be held shortly after.
- The Shareholders must be given notice of the Annual Shareholder’s Meeting, according to applicable laws and the Corporation’s Articles of Incorporation or Bylaws.
- The Board of Directors must be given notice of the Annual Board of Director’s Meeting, according to applicable laws and the Corporation’s Articles of Incorporation or Bylaws.

**Keep Accurate Minutes**

- Keep track of the corporate minutes in a corporate **record book**.
- Ensure the appropriate governing body has passed Resolutions: Stockholders, Board of Directors, or both.

**Hold Special Meetings of the Board of Directors, when appropriate**

- Entering into a new lease;
- Entering into a new substantially funded commitment;
- Opening new bank accounts;
- Entering into any substantial contractual agreement;

- Changing the salary of an officer;
- Appointing a new officer;
- Considering a sale or new acquisition of the business.

**❑ Remember Your Fiduciary Duty**

- Directors and officers hold a fiduciary duty to the corporation, thus they must at all times do what is in the best interest of the shareholders and the corporate entity.
- Corporate matters should be kept confidential.

**❑ Enter Into All Contracts in the Name of the Corporation**

- Adopt a corporate resolution that authorizes officers to sign on behalf of the contract.
- Make all corporate purchases under the name of the corporation.
- Maintain corporate funds in a separate corporate account.
- Fund the corporation at the time of incorporation with enough capital to keep it running through the initial phases of the incorporation process.
- Set up a review mechanism for decision-making.
- Carry reasonable insurance.

**❑ Keep Accurate Financial Records**

- Maintain accurate record of corporation's financial accounts.
- Distribute annual report according to applicable laws and Corporation's Bylaws.

**❑ Do Not Give Personal Guarantees.**

- Any document signed on behalf of the corporation should clearly indicate such.

**❑ Issue Stock.**

**❑ File Statement of Information Annually with the Secretary of State.**

**❑ Always Comply with the Articles of Incorporation, the Bylaws, and Any Other Organizational Documents Your Corporation May Have.**