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Business Owners Beware

The New York State Business Corporation Law (“BCL”) sets forth the responsibilities of owners after the corporation has been formed. The BCL requires non-exempt New York corporations to hold at least one meeting of shareholders each year and to maintain a record of these meetings. Meetings are for the election of directors, even if the same directors are elected year after year. If you are a business owner, even of a small, closely held business, the BCL applies to your business. Annual meetings do not need to be formal, they can be held in your kitchen over dinner, but an annual meeting is a crucial part of the business owner’s year. Failure to comply with this corporate formality may result in personal liability for all corporate debts and obligations.

The corporate by-laws, which are typically part of the corporate set-up, address when meetings of the shareholders and board members should be conducted and how the notice of these meetings should be given. Ordinary business of the corporation should be addressed in addition to the election of board members and officers. Regular meetings and votes are critical. The board is responsible to keep a written report of each meeting, in the form of minutes.

The by-laws, corporate books, records and minutes are internal documents which must be maintained by the corporation. They need not be filed with the Department of State or any other state agency. Many business owners neglect their obligation to maintain the corporate books and records. This can be dangerous. If you have any questions pertaining to the issues discussed in this article, or wish to have any assistance with maintaining and/or updating your corporate books, please do not hesitate to contact Berwitz & DiTata LLP. We will be happy to help you.