

# **"An Open Letter To Every Person In Ohio Who Owns A Corporation... And... Foolishly Believes It Will Protect Their Personal Assets!"**

John Q. Everett  
c/o "Name Of New Ohio Corporation (#corp. id no.)"  
123 Elm Street  
Massilon, OH 44646

Dear Mr. Everett,

As you can see, I have attached a nice crisp \$1 Dollar Bill to the top of this letter.

As you can also see by reading the letterhead at the top of this page, I am an attorney licensed to practice in the states of Nevada and Utah.

What's this all about?

Well, an independent examination of the public records reveals you have recently formed the licensed corporation above, listed just below your name in the address section of this letter.

My guess is, you did this to protect your personal assets and the assets of your family... from any consequences of your business dealings. In other words, to limit your personal liability.

Well, guess what?

**Your Ohio Corporation Isn't Going To Offer You Any Protection *Whatsoever* From  
The IRS Or Any Greedy Lawyer Who Wants Your Money!**

How can this possibly be?

Simple. It happens when the affairs of your corporation are conducted... as if no corporation existed!

Here's the story:

Even though forming a corporation is generally thought to be a safe and legal way to limit your personal liability, most business owners are unaware of a critical "exception" that makes your corporate shield, about as effective as a water pistol is,

against an M-16 automatic assault rifle.

The "exception" relates to a set of laws called the "alter-ego" doctrine.

Generally, your corporate shield (or "veil" as it is referred to in legal terms) protects you from any liability arising from corporate debt or corporate action.

In layman's terms, what this means is, if your corporation owes someone money, your corporate "veil" prevents that person from coming after you personally for the money, should your business (for whatever reason) not pay the bill.

And when I say "corporation", I'm referring to any legal entity: a "regular" C corporation... an "S" corporation... an "LLC" limited liability corporation... or a "LLP" limited liability partnership.

Another example would be if your business owns trucks, cars or any other equipment. If one of your employees is hurt while they are operating the equipment, or if a customer or a pedestrian is injured by any of this equipment, "conventional wisdom" says your corporate veil will protect you.

Meaning, if the injured person wishes to sue you for damages, they can't. They can (supposedly) only sue your business. But contrary to popular belief...

### **It Is Very Likely, Owning A Corporation Will Do Nothing At All To Protect Your Personal Assets!**

You see, all corporations must meet legal requirements at the time they are incorporated, and also during their continued existence, in order to protect your personal exposure with their privileged status (their corporate veil).

For example, when you decided to incorporate, more than likely you hired an attorney like myself to make sure you filed all your papers correctly... applied for all your state and local licenses... and paid all your appropriate state filing fees.

However, once things are up and running... without exception,

### **There Is A Stack Of Legal Formalities That Must Continue To Be Met... Each-And-Every Month!**

Merely "creating" or establishing a corporation gives you absolutely no divine rights to being protected by your corporate

veil.

No, in fact... it's quite the opposite. Whether you know it or not, once you incorporate, you're actually "signing up" for, and agreeing to abide by... your state's laws controlling how your business is *supposed* to be run.

Then and *only* then, if you qualify by meeting their (admittedly difficult, and not often logical) requirements... can your corporate veil wrap its arms safely around you, and protect your personal assets.

But make no mistake about it, unless you have met these requirements...

### **Your Corporate Veil Is As Thin As... Tissue Paper!**

What I'm talking about are the state statutes that require you to do certain things to keep your company "alive". Remember, there is no free lunch. If you want to play in the big leagues, you've got to pay the piper as well.

Here's what I mean: A corporation does not "exist" in the same manner that we, as people do.

We can walk and talk and breathe and that is "proof" of our existence.

Corporations on the other hand, exist only on paper through their corporate charter... their corporate by-laws... the board of director's resolutions... and their stock certificates.

All these items have probably been inserted into your corporate book. That's the 3-ringed black binder with your corporate seal (the metal grip-thing that looks like a hole puncher).

And simply, the rules are as follows: If you can prove that your corporation has its own, "ongoing" and "separate" existence, and is not merely an extension of you, then you qualify to be protected by your corporate veil.

### **The key words here are "ongoing" and "separate".**

You see, your board of directors runs your corporation. And that's true whether you have one board member... 10 board members... or even if you are a publicly traded corporation.

You see, contrary to popular belief, the *board of directors* makes strategic and operational decisions about how your business is going to operate, what it is going to do, and when it is going

to do it -- not the owners.

Then, after the board approves and authorizes these actions, the officers of your company... the President, Vice Presidents, Treasurer, Secretary, and so on... these officers implement the actions your board has decided to take.

Again, this holds true regardless of whether you have one officer and it's you, or even if you have 15 officers all spread out around the country.

**The "ongoing" written documentation of board of director resolutions... consents... and minutes of their meetings, create the only verifiable and physical proof your company exists.**

In fact in the eyes of the courts, it's...

### ***The Only Way Your Business Gets To Continuously... Exist!***

What I'm saying is that the courts will not recognize your corporation as a separate entity (with separate liability protection for you) unless these things are done regularly and consistently.

Exactly what types of decisions need to be duly authorized?

Well, here are a few examples of just some of the actions and decisions that need to be documented, authorized and recorded on a consistent and ongoing basis.

Check off which of the following you will most probably be doing at some point in time:

- ☐ **Hiring an employee**
- ☐ Leasing office space, a car or any other kind of equipment
- ☐ **Firing an employee**
- ☐ Setting up an employment agreement with your employees
- ☐ **Hiring an accountant, a lawyer, a consultant, a business broker or hiring legal counsel to be on staff.**
- ☐ Electing or changing your corporate tax year. This may come into play if your business is very seasonal or if you have several businesses operating.
- ☐ **Changing your corporate address. This is important because if you get sued, you must have a "registered agent" on file to accept your lawsuits for you.**
- ☐ Approving a salary Increase or a bonus.
- ☐ **Changing your corporate name or adopting a DBA ("doing business as") name in another state.**
- ☐ Dissolving your company
- ☐ **Doing business in another state**
- ☐ Adopting and registering a trade name in your state.
- ☐ **Changing or restating your articles of incorporation. This**

requires action by both the board of directors and the shareholders.

- ☐ Ending your status as a foreign corporation doing business in another state.
- ☐ Electing "S" corporation tax status. In fact, you may have already done this. And if you do not have the proper paperwork intact and you are ever audited by the IRS, you will have "blown" the "S" election and now your company has to pay taxes, instead of having them passed through directly to you.
- ☐ Giving specific authority to the officers of your corporation to make certain decisions.
- ☐ Changing the number of shares of stock that are authorized. If your business grows, this may be a critical need should you ever look for more investors or want to sell your business.
- ☐ Sell or borrow against your accounts receivable.
- ☐ Assigning your accounts receivable to a creditor.
- ☐ Opening a bank account.
- ☐ Any other banking matters (like opening a money market account or an overnight "sweep" account).
- ☐ Filing for bankruptcy. Although I certainly hope this does not happen to you, sometimes bankruptcy can save a business and get it out of an unreasonable or an unjust debt. This too, requires action by both the board of directors and the shareholders.
- ☐ Taking out a line of credit, or borrowing money against the value of your inventory and equipment.
- ☐ Taking out a mortgage
- ☐ Authorizing miscellaneous expenses like taking clients to lunch or dinner, or any other travel and expenses.
- ☐ Changing your corporate bylaws.
- ☐ Buying a car, plant equipment, office equipment, tools or real estate.
- ☐ Selling any of your assets.
- ☐ Investing money in another business or buying shares of another company.
- ☐ Obtaining licenses and permits needed to carry on business.
- ☐ Taking out a corporate credit card and using it to pay for corporate expenses.
- ☐ Implementing a pension plan or profit-sharing plan, or any other kind of qualified or non-qualified retirement plan (like a 401k plan) -- even if it is just for yourself.
- ☐ Accepting the resignation of a board member or officer.
- ☐ Requesting the resignation, or removing a board member or officer from their position.
- ☐ Appointing a new board member or officer.
- ☐ Obtaining a trademark or a patent.

See, no matter what it is you are doing for a living, reality is...

## **It Is A Virtual *Certainty*, Your Corporation Will Do Several... If Not *Many*... Of These Things!**

And you MUST document them to comply with your state statutes and in order to show your corporation exists separately from you and that it has a life of its own.

In return, your corporation gets to shield your personal assets against any outsider, and "thicken" its corporate veil.

Remember, if the courts do not recognize this separateness ... there is no corporate veil... and no separate asset protection for you!

See, earning a living and accumulating assets is only one side of the coin... one-half of your responsibility to your family... and one-half of your financial life.

Making sure you get to keep what you are earning and accumulating is the other half.

And if you are doing only half your job, you are doing so only at your own very extreme risk and hidden (yet certain) peril!

### **But does it really matter that much?**

You know, it really does.

See, when your company gets sued because of something it did (or didn't do), you should anticipate, the plaintiff (that's the person who is suing you) will also seek to *name you personally* as well. This is pretty much standard fare.

The standard claim (whether it is true or not) against you as the owner, is that you are liable as a shareholder because you failed to maintain the separate identity of the business. In effect, they are attempting to "pierce" through your "corporate veil" and get to you personally.

Meaning, they are actually entering a lawsuit against your business, but they are really trying to extend the liability of your business to you and to your personal assets.

But if you have diligently kept up with the legal "formalities" of owning and maintaining your business in an "ongoing" fashion, then don't worry because your corporate veil is solid as a rock.

However, if you have not, because like many business owners you are w-a-a-y too busy just trying to make it through the end of the day alive and in one piece, then...

## **Watch Out! Because The Sharks Will Be Circling Around, And You Will Be The Bloodied Live Bait In The Middle!**

And what are the realistic chances of this happening? What are the numbers on this?

Well, statistics tell us there were over 21 million lawsuits filed in the United States last year. In fact, we have more attorneys per capita than any other developed country in the world.

And guess how attorneys support their families? By protecting people?

No, I'm afraid that's not it. Yep, you got it:

### **By Filing, Or Defending Lawsuits. Not... By Preventing Them!**

And who do you think gets sued the most - poor people?

No... business owners! Today, if you own a business, your odds of being sued are better than your chances of bowling a strike. In fact, they are 1 in 3.

Businesses are the targets of greedy lawyers... disgruntled employees... the IRS... state and local taxing authorities ... regulatory bodies... and unreasonable customers. Not to mention, jealous competitors or crazed creditors who insist on making their problems, your problems.

Plus, rampant divorce and family breakdowns can have a tragic effect and wreak huge financial devastation to owners, officers and board members of corporations.

These kinds of lawsuits are the bread and butter of "the ambulance chasing" attorneys of the world. And all of them are starving after the exact same thing:

### **To "Pierce" Your Corporate Veil... And Stick Their Grubby Little Hands Into Your *Personal* Bank Accounts!**

And if you are not keeping your books current, it's literally impossible for the courts to recognize your company has its own "life", and you will likely lose these cases and be held personally responsible for your corporate liabilities.

And according to The Cornell Law Review, once the courts determine you have *not* kept up the separate existence of your corporation, 96% of corporate veils are then successfully pierced!

Picture this: It's Friday afternoon at 3:00. You've had a

**great** week. Been working like a dog, but boy have you got a lot to show for it.

This week alone, you picked up 3 new pieces of business you had been waiting on... your new assistant is working out to be the best thing that ever happened to you (taking a long vacation with the kids is starting to look like a reality now) ... and a new contract you just signed will keep you busy for the next month or so (but will pay your bills for at least the next 3 months).

### **Things are really running smoothly for a change.**

The sun is shining, the birds are singing... and you feel like knocking off early for a long weekend with the family. After all you deserve it.

After toiling away for so long, you're finally starting to see the fruits of your labor materialize. A-h-h-h, this is what owning a business is all about!

No boss to go to and "hope" he'll let you off early today. It's just you, the fresh air... and the sun in your eyes... and you're raring to go!

All of a sudden, an unusual looking gentleman gently pushes his way through the front doors of your office, clutching a brown manila envelope in his hand.

He smiles cordially, and then, with his brows knitted together, he looks around calls out your name.

You smile back and say "Yes, that's me". He smiles again and then confidently but politely hands you the brown envelope.

You look down at the envelope and notice it's from a local attorney you never heard of. You turn the envelope over and with your forefinger, you lift up the edge of the flap and tear the fold of the envelope open, wondering what's going on.

You open the papers inside... and see...

### **You're being sued by your former secretary!**

You know, the incredibly lazy one you fired 2 and a half months ago.

The one who would never get off the phone with her controlling husband and who consistently came in 15 minutes late, 4 out of 5 days a week.

Apparently, she is suing your business, as well as you and



your partner (who's out on vacation) personally, as the owners.

She's claiming, those goofy e-mails with the risqué "jokes" your buddy from college sent you every Monday morning, were not only "overtly sexual" in nature... but the comments you, your partner, and another staff person made, caused her *extreme* anxiety and made her feel awkward... and embarrassed.

It was very difficult for her to come in to work (that's why she was always late -- she had to "talk to herself" every day just so she could face all of you).

So, she's suing your company for wrongful termination and loss of wages. And since she has been to afraid to go to work and her therapist feels she needs time to "work things out", she is also suing you *personally* for damages arising from her loss of future earnings and missed opportunities.

Oh yeah, and since it has affected her at home, she and her control freak husband are both suing you for... loss of consortium!

If you don't believe this is a valid claim, do some research. It's one of the most-often claims made in personal lawsuits.

Think this can't happen to you?

Think again. Remember....

### **You Never Get Hit By The Bus You Are Watching!**

What kind of a weekend do you think you will be having now? Instead of calling your spouse from the car to let them know you'll be home early tonight, now you've got to call... your lawyer!

Sheesh! And just when things were starting to go well. The second this happens...

### **You'd Better Start Praying Your Corporate Veil Is Made Of Steel... And Not... Tissue Paper!**

Just consider, as a business owner, the infinite possibilities that can create a lawsuit. The first ones that come to mind are, of course:

☞ **Divorce**

☞ Employee sexual harassment

☞ Patients or clients who did not get the results they

**"expected" (unreasonable as they may be)**

- ☞ Disgruntled employees who were fired or not promoted
- ☞ **Angry or unreasonable customers**
- ☞ Competitors who are jealous of your success
- ☞ **Strangers and other "dead-beats" who envy your success and just want to have what you've already got.**
- ☞ The IRS and other bureaucrats

Still don't think it's possible? Listen to this:

In September 2001, Treasury And Risk Management Magazine reported, "3 out of 5 companies will be sued for wrongful termination alone!"

"And another 3 out of 5 will be sued for sexual harassment!"

"Claims (successful lawsuit judgments) are rising at an out-of-control rate of 30% a year!"

"Add the weak economy, loss of jobs and poor stock market performance into the mix and sadly, this may only be the tip of the iceberg."

And so now, go back and take a look at the items you checked off before. Which ones have you been consistently discussing, recording and documenting with your board of directors and your officers?

**And what kinds of supporting documents have *you* created to back them up?**

Armed with this new information, you can see why having the protection of the corporate veil is probably one of the primary reasons to incorporate nowadays, if not the only reason.

Let's face it, it's not like years ago when there was a huge tax advantage to being a corporation. Today, the tax rates for corporations and for individuals just aren't that far apart anymore.

But having the limited liability of a corporation means, the only thing you'll ever have to risk is the money you've put into your company.

Without this corporate veil though, the risk and the cost of doing business would simply be too high... and too

unreasonable.

And although it is definitely inconvenient, try to look at corporate record-keeping as a chore you must do in order to insulate you from any liability, and... so you can take advantage of the few remaining tax deductions, owning a business still gives you.

The bottom line is, corporate record keeping is just another cost of doing business.

And frankly, in comparison to some of the other things you have to do (like paying income taxes... having to get a license or a permit to do almost anything... and having to buy things like fire insurance every year) the cost is pretty small, especially when you consider the returns you get in the form of protecting your family, and... your assets.

### **What Can You Do?**

First, unfortunately there is a widely held (but very untrue) belief among business owners that you can enjoy limited personal liability from your business, simply by incorporating.

And we have seen (in painful detail) how this is just not so.

Second, we've looked at a couple of examples of how business owners never even give this a second thought... until it is too late.

Why? Because you really don't know the risks involved, and... because you're too busy taking care of the more mundane day-to-day tasks of running your business, and generating cash flow.

### **At Last! Here's An Easy Way Out... *Without* Any Time-Consuming Hassles!**

Remember, to avoid problems all you need to do is diligently follow all the corporate formalities required by your state and the federal government.

Now frankly, a careful review of your affairs can be done by a qualified attorney. Then he or she will tell you if you are adhering to whatever formalities are required.

In fact, there are many lawyers who specialize (for a huge fee) in corporate work... contract law... and taxes, who would *gladly* help you.

Or... you can do it yourself, there's nothing stopping you

from that either.

### **But... What a chore *that* is!**

Every move, *not* just annual meetings and minutes, (that *might* make sense) must be accounted for. Dozens of every day, ordinary and commonplace transactions must be put in writing and kept on file.

And I know you've heard it a million times, but there's a good reason why you *must*...

### **Get Everything... In... Writing!**

If it's not in writing, your business is not in compliance with state laws... and your personal assets are wide open and vulnerable... to... being attacked! So...

### **Is your corporate veil "air-tight", or is it more like... a leaky boat slowly on its way down?**

Look, let's be realistic. The likelihood of you getting nailed for not properly documenting any "one" thing is probably not that big. In fact, all things considered... it may be small.

But, the reality of you getting shafted because you've missed nearly *everything* is ... significantly higher!

Why do you think every single one of America's Fortune 500 companies has an armada of lawyers either on staff as legal counsel, or on constant retainer?

### **So They Can Survive! Remember... It's A Jungle Out There!**

### **But Hang On -- Help Is On Its Way!**

A business owner friend of mine, XXXX XXXX, has spent \$97,215 Dollars in time and legal fees, to develop a system that takes the entire process of properly documenting your corporate books, (and all the boring legal forms that go along with it) and boils it down so that all you need to do, is make a 5-minute investment in your company every month... and you're done!

### **Presto! You're in legal... and statutory compliance!**

XXXX's system literally does everything for you.

In fact, it's so simple, you don't even have to talk with XXXX to see how it works. It's cheap (less than \$1.00 per day) and the whole thing can be explained to you by his secretary

Angela in approximately seven minutes.

And if you call her now, she'll tell you about how you can have access to this system, for **FREE**, for the first 90 days.

Call her and... at least... discuss it. It really could save your financial life. Her number is...

**1-000-000-0000**

Sincerely,

Charles Abbott, Esq.

**P.S.** The way to protect yourself that XXX XXX has figured out, is not only tax-deductible, it costs...

**Less Than One Night In A Halfway  
Decent Hotel Room!**

**P.P.S.** One last thing: If all my years as an attorney has taught me anything, it's that, in matters like this...

**It Is Better To Be Five Years Too  
Early... Than Even One Minute... Too Late!**

Do yourself a huge favor. Call Angela NOW while you are reading this letter and the phone is right beside you.

Remember, delay... can be the death of your dreams!

**Call 1-000-000-0000 now!**