

MEMORANDUM

TO: ALL CORPORATE CLIENTS

FROM: R. LEONARD DAVIS, III, ESQUIRE

DATE: FEBRUARY 20, 2009

RE: IMPORTANT REMINDER REGARDING ANNUAL MEETINGS

I greatly appreciate the privilege of representing you as your corporate attorney.

This is an important reminder to all my corporate clients to hold regular annual meetings of the Shareholders and Directors. (This reminder may apply to certain LLC's as well.)

Most of the Corporations I have set up require an Annual Meeting to be held in the spring of each year. The Corporation can, by appropriate shareholder and director action, change this meeting to a different time during the year, but the "default" provision in your Bylaws requires a meeting in the Spring, normally in March or April.

I cannot stress strongly enough the need to have this meeting regularly, on at least an annual basis. This applies even to "one person" Corporations, which have only a single shareholder, a single director, or a single shareholder/director.

We provide various legal services in the ongoing support of our corporate clients, including the following for your consideration:

1. Some of our corporate clients ask us to conduct their Annual Meetings in our office. (This can also be done at the Corporation's office, or by means of a telephone conference call). Often, in these cases, I prepare the Minutes of those Annual Meetings. I recommend and prefer this approach, because it gives me an opportunity to meet on at least an annual basis with my corporate clients, the principals of those Corporations, and often other advisors, including the Corporation's accountants.

2. Some clients have their own internal meetings, but then call or write me with information about what transpired, and ask me to prepare a set of Minutes reflecting the actions taken at the Annual Meetings. For such clients, I have attached a form of Sample Agenda for the Annual Meeting of the Shareholders and the Annual Meeting of the Board of Directors.

3. Some clients ask me to send them a form of minutes each year, which they complete and maintain on their own.

My concern is that a client may fail to hold Annual Meetings, or may fail to prepare

adequate Minutes of the Annual Meetings. Failure to have Annual Meetings or to prepare and maintain Minutes of those Meetings can result in many problems, as described below.

If you would like me to assist you in connection with your Annual Meeting, in one of the ways described above, or if you have other ongoing corporate legal needs, please do not hesitate to contact me. I look forward to hearing from you. Set forth below are:

Six Reasons for Holding Regular Annual Meetings of the Shareholders and Directors of a Pennsylvania Corporation

1. Section 1501 of the Business Corporation Law of Pennsylvania requires a minimum of one Meeting of the Shareholders each year. Because corporations are creatures of state law, they must abide by the state law under which they are created.
2. Taxing authorities, such as the Internal Revenue Service and Pennsylvania Department of Revenue, require corporations to observe corporate formalities, one of which is holding Annual Meetings. Otherwise, questions will arise whether the individuals comprising the business are acting as proprietors or partners, rather than corporate officers, directors and shareholders.
3. Observing corporate formalities is very critical in the area of creditor-debtor relations. A principal reason of incorporating is to shield shareholders from corporate liabilities. However, a creditor of your Corporation may be able to "pierce the corporate veil" in the event that the Corporation fails to observe proper corporate formalities such as holding regular meetings of the shareholders and directors. If this were to happen, a creditor of your corporation could sue you, as a shareholder, and possibly attach your personal assets.
4. From a managerial standpoint, corporate meetings provide a record of decisions and proof of corporate authority to undertake certain actions. A clear record of decisions made, and of the persons assigned to carry out those decisions, is essential for effective management. Furthermore, this type of record keeping is essential to minimize liability of directors and officers in cases where it may be alleged that they were acting outside the scope of their proper authority.
5. From a practical standpoint, the Annual Meeting of your Corporation is an excellent occasion to step back from the day-to-day decisions of the business, review the past year's performance and financial statements, and to plan and strategize for the future.
6. The Annual Meeting is an opportunity to discuss current issues and problems with your professional advisors--not only your corporate counsel, but also accountants, insurance agents, and the like.