



The Law Offices  
of Jeffrey S. Salisbury



## Clients & Friends Newsletter

June/July 2009

### How are you doing?

It goes without saying that this economy has been bad, very bad, over the past year or two. Well that “badness” has hit home to the Salisbury family, just as it has so many other families across the country. Although my law practice is doing fine, my children have had a lot of trouble finding summer jobs to raise money for college tuition and living expenses in the fall. My oldest son, Sean, 23, has been doing door-to-door alarm system sales. Unfortunately most people cannot afford to pay the monthly fee to protect their house from criminals who steal things because they, too, are unemployed and in bad financial shape! Sean’s wife, Amy, recently graduated with a bachelor’s degree and a high GPA. She has sent out over 30 resumes in the past 6 weeks, but has only had 3 job interviews, with no offers. I suppose the best off of the kids is my 18 year old son, Ian, who will be a freshman at the U of O. The good news is that he landed a nice job scooping yogurt at TCBY, but the bad news is that it’s only part-time. I suppose I am laying all of this on you merely to let you know that we are all in this economic funk together, and that its tentacles reach into every nook and cranny of the country. Let’s hope that our government leaders do all they can to empower the economy, and the people who drive it, to be free to unleash the great innovation and hard work that has always pulled us through hard times in the past and even pushed us to greater heights each time!

### Tip of the Month!

One offshoot of the bad economy is that I’ve seen an increase in litigation between creditors and debtors, as money is harder to come by. This month’s tip is on the importance of maintaining your corporation’s formalities. If you are a small business owner who operates as a corporation, you are probably doing so to enjoy “firewall” protection against personal liability. This means that if your business is successfully sued, your personal assets are protected against the judgment entered on the claim. However this protection can be lost if you do not honor the corporate formalities involved in running the business. In fact I have a case going right now on behalf of a creditor seeking recovery from a debtor corporation as well as its shareholder-owners personally on the grounds that they did not file corporate tax returns, put enough money into the corporation up-front, or document loans they made to the corporation to shore it up. I am also alleging the corporation didn’t hold annual meetings or document its transactions in writing. Unfortunately for the individual shareholders, I think I’ve got a pretty good shot at winning this one, which means their “firewall” will not protect them, such that setting up the corporation in the first place was a waste of time and money. Don’t let this happen to you! Be sure to do the following: (1) put enough money in the business to begin with to meet expected expenses plus a modest reserve, (2) file your tax returns annually, (3) hold annual corporate meetings and document them with shareholder and director resolutions and minutes, (4) if you need to lend money to the corporation to keep it going, be sure to document the loans with written promissory notes, (5) don’t use corporate funds for personal reasons, and (6) use business letterhead, envelopes and cards bearing the name of the corporation. If you have gotten behind in one or more of these items, don’t panic. Give me a call, and I will help you catch up and stay caught up.

Here’s to hanging tough in these difficult economic times and to preserving and protecting your business as well as your peace of mind!

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