

Corporate Veil Protection Checklist

- Elect officers and directors upon formation of the corporation and confirm and ensure the accuracy of their names and contact information at least annually.
- Draft by-laws or LLC operating agreement upon formation of the company to provide details of how internal affairs of the company will be managed.
- Hold director and shareholder meetings (*or execute written consents for corporate actions*) at least annually.
 - *Generally, at a minimum, the shareholders must elect directors annually and the directors must elect officers annually. Annual meetings or annual consents may also include director approval of other actions such as major business decisions and actions that are out of the ordinary course of business. Special meetings or special consents may also be used for this purpose.*
- Conduct business in the company's name only. When doing business with third parties, including entering into agreements, the company's officers, directors, managers, and agents must make it clear that they are acting on behalf of the company (*and not in their individual capacity*), and not make any statements or take or fail to take any actions that in any way call into question or dispute the company's validity, legitimacy, and/or good standing. Officers and agents should use their proper titles and be sure to use the company's full and correct name.
- File applications and pay all required fees for qualification as a foreign corporation or limited liability company in all states where the company is "doing business" (*as that term is defined in the relevant jurisdictions*).
- File valid incorporation or organizational documents with the state of incorporation or formation, and pay associated filing fees.
- File annual reports and make franchise tax payments with the state of incorporation or organization, and with state(s) where qualified to do business, in a timely manner.
- Confirm and ensure that the company has sufficient capital given the nature and the risks of the business in which it is engaged.
- Confirm and ensure that no company funds or other assets are commingled with those of any other entity or individual.
- Confirm and ensure that no personal expenses are paid out of company funds or assets.
- Confirm and ensure that the company keeps its own accounting records separate from those of other entities or individuals.
- Submit all tax returns/reports and payments to local, state, and federal governments in a timely manner.
- Pay any applicable payroll, unemployment insurance, and Social Security withholdings on time.

- Review by-laws or LLC operating agreement to ensure that the company's current business practices are in accordance with documented requirements and promptly complete any appropriate updates to comply.
- Maintain a third-party relationship with a registered agent. (*Maintaining a third-party relationship is one more way to demonstrate an arm's length relationship with your corporation or LLC.*)
- File amendments to filed incorporation or organizational documents upon a change of the name of the company or a change in the amount of authorized stock (*if a corporation*), or upon any change that would make the current incorporation or organizational documents no longer accurate, and file all amendments to filed documents that are required by applicable law.
 - *Generally, amendments to the by-laws should be adopted by either the directors or shareholders in accordance with the provisions of the current by-laws. Make sure that all business practices and changes to by-laws and LLC operating agreements comply with all applicable laws.*
- Document loans to and from shareholders, directors, unit holders, members, managers, officers and employees with a promissory note and, if applicable, a security agreement and UCC-1 financing statement.
 - *UCC-1 stands for Uniform Commercial Code Form 1. A security agreement used to place liens against specified business property*
 - *A Financing Statement (Form UCC1) is filed to perfect a security interest in named collateral and establishes priority in case of debtor default or bankruptcy*
- Confirm and ensure that the company was formed for a legal purpose and has not engaged in any illegal activity. .
- Pay the company's annual registered agent fee.
- At least annually, request a Certificate of Good Standing from the state(s) where the company was formed and the state(s) where the company does business.
- To the extent that the company conducts business under a name other than its full corporate or LLC name (*e.g., a trade name or doing business as – “D.B.A.”*), confirm and ensure that the company's use of such name complies with all applicable laws and statutory and registration requirements, and that it is reasonably apparent that the business conducted under such name is the business of the company itself, and not an individual, unincorporated or unformed entity.

ADDITIONAL CHECKLIST REQUIREMENTS IF A CORPORATION:

- After the consideration has been paid for the stock, issue signed stock certificates to the shareholders and prepare and regularly maintain the stock register showing the ownership of the corporation's stock.
- Begin and regularly maintain a corporate minute book and include:

- a copy of the incorporation documents filed with the state and all amendments thereto;
 - the corporation's organizational action;
 - copy of the by-laws; minutes of all meetings of shareholders and directors;
 - all resolutions passed by shareholders and directors;
 - an accurate and up-to-date stock register;
 - records of any significant corporate activities, including loans, purchases, leases, and payment of compensation to officers.
- Update the stock register as new shares are issued and issued shares are transferred.

ADDITIONAL CHECKLIST REQUIREMENTS IF A LIMITED LIABILITY COMPANY:

- After the consideration has been paid for the units of interest in the company, issue signed interest certificates to the members, if applicable, and prepare and regularly maintain the interest register showing the ownership interests of each member.
- Begin and regularly maintain a company record book and include:
- a copy of the organizational documents filed with the state and all amendments thereto;
 - the company's organizational action;
 - copy of the LLC operating agreement;
 - minutes of all meetings of members and/or managers;
 - a copy of all signed consents listing resolutions passed by members and/or managers;
 - an accurate and up-to-date interest register;
 - and records of any significant company activities, including loans, purchases, leases, and payment of compensation to officers.
- Confirm and ensure that officers', members', and managers' names and contact information are accurate and up-to-date.
- Hold manager and/or member meetings (*or execute written consents for company actions*) at least annually..
- Update the interest register as new units of interest are issued and issued units of interest are transferred.