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Corporate Maintenance Checklist **for Corporations or LLCs (Post Formation)**

(Each of these items applies equally to Corporations or LLCs)

- Review “Incorporation Checklist” first (a separate document, on our website <http://www.nfhlaw.com/forming-a-business.asp> to confirm that all items were completed for initial incorporation. Some can be taken care of after the fact.
- Follow **corporate formalities** when signing documents, sign only in the name of the corporation and use corporate title. Use corporate formalities for money flowing in and out of corp. (Use corporate checking account; Use expense reports or reimbursement procedures for money founders spend on behalf of the corporation.)
- **Annual Reports/Franchise Tax:**
 - File with Secretary of State of Incorporation, pay annual franchise tax.
 - File also with states in which corporation is qualified to do Business, pay annual franchise tax.
- **Annual Resolutions Electing Officers and Directors, and Approving Material Corporate Actions:**
 - You don’t need detailed meeting minutes, you only need two sets of documented, approved resolutions, one set by the Shareholders and one set by the Directors: Electing officers and directors for the year, establishing their salaries or other compensation, approving material corporate actions or changes, such as paying dividends, address change, registered agent change, change of ownership, removal of directors or officers, redemption of shares, issuing new shares, hiring key employees, sale of the company, buying an asset at a material cost, and any other material event or action.
 - Shareholders elect directors; and directors elect officers.
- **Resolutions/Minute Book:** Prepare Resolutions backing each material **corporate action**. Conduct **annual and special meetings**, or instead prepare **resolutions** to be adopted by unanimous written consent, without meetings. (Assumes that the organizing resolutions for the company have been properly prepared and adopted. If not, they will need to be brought up to date before the current actions can be authorized.)

- **Material Corporate Actions at Start Up, or During Operations:** Buying equipment, leasing office space or equipment, borrowing money, entering into major contracts, raising funding, hiring officers and key employees, fixing salaries for officers; adopting stock option plans, medical reimbursement plan; any change in stock or rights of stock holder, any change in registered agent or certificate of incorporation.
- **Review Qualification to Do Business in other states** in which you are doing business. File at least where offices, stores and plants are located. In some states, "doing business" includes selling into that state, even over the web, so you may need to file "qualifications to do business" in other states, even if you do not have a physical presence there.
- **Review Qualification to Do Business in Counties, Cities and Villages** in which you are doing business. File at least where you have offices, stores and plant locations. May need to file in additional jurisdictions, even if you do not have a physical presence there.
- Review and audit **trade name, trademark** use:
 - Defensively: Scan for infringers on Google, or purchase a national name search or the "surveillance service" from CCH or Thompson's.
 - Offensively: Consider filing a federal or state trademark application to protect your name and/or tag lines.
- File Illinois **REG-1 Business Taxpayer** registration with Illinois Department of Revenue, and obtain business taxpayer account and IBT #, immediately upon formation. If not done upon formation, at least file before:
 - Selling goods or software for which sales tax should be collected,
 - Hiring employees, or
 - Incurring corporate level taxable income.

File **early** if you will be selling goods subject to sales tax. File Amended Reg-1 to add product sales or to begin paying employees.

- If **selling goods or software in other states**, file Sales Tax reports and pay tax.
- **Professional Certifications or Industry Certifications/Filings:** Maintain professional licensing for the Corporation, **as well as for the individual** owner. The Illinois Department of Professional Regulation (and the Illinois Department of Financial and Professional Regulation) requires additional licensing for: Operating business in the fields of Interior Design, Landscape Design, General Contracting, Plumbing, Electrical, Roofing, Massage, Acupuncture (to name just a few); or Selling Insurance, Real Estate, Securities; Banking, or Practicing Accounting, Architecture, Law, Psychology, Sociology, Medicine, Dentistry, Orthodontics (to name a few). Hundreds of professions are regulated by the ILDPR and require licensing, many of

which would surprise you: <http://www.idfpr.com/> and see <http://www.ildpr.com/default2.asp> View the list of 100's of professions regulated: <http://www.ildpr.com/proflist.asp>

- A license and permit are required for **both** the company and for all individuals in the company practicing the profession
- Annual renewals are required
- Often Continuing education credits are required annually
- **Professional Certification in Other States**
- **Industry Regulation:** Special regulation is required for operating in the fields of Telecommunications (CLEC status), Recycling (EPA); Food Service, Drugs, Cosmetics (FDA); Manufacturing (EPA Regs), to name a few of many industries that are regulated by other federal or state agencies or licensing bodies.
- **Keep Current on Stock Certificates and Stock Ledger**, including type printed certificates and legends on the back. Keep a current list (Stock Ledger) of who owns what shares of stock, names addresses, socials, what % they own, what they gave in exchange for the stock.
- Prepare **Capitalization Table** (who owns what % of stock) especially if contemplating seeking outside financing, debt or equity
- If shareholders added in other states, make **Blue Sky Filings** (even if they are family or close friend shareholders). Perhaps Illinois Blue Sky filing may be required if stock sold to employees or persons other than founding members.
- **Bylaws, prepare if not done initially, and review them periodically to assure that they are pertinent to the corporation.** Canned bylaws come with the minute book, fill in your corporate name and the dates on your own. But does more harm than good if the canned Bylaws do not correctly articulate the actual operations of the company. Custom Bylaws done by attorney.
- **Shareholder Agreement**, review need for. If more than one partner or shareholder running the company, or if any investors invest. This is the “pre-nuptial” agreement among the founding partners of a company. It is the “business succession planning”, for the corporation. If anything goes wrong, or a split-up occurs, or a shareholder quits, dies, becomes disabled, or starts a competing business, then one of these should have been done before those events.
- **NDA Agreements** for every Consultant and Employee protects Intellectual Property.
- **Employment Law.** Consider the need for employment agreements and Noncompete; policies and procedures manuals, and hiring and firing policies.
- **Employment Agreements.** Review need for. Consider Noncompete issues and discuss with an attorney.

- **File Employer Registrations** if you Add Employees:
 - Revise IRS FEIN employee status
 - Revise IL REG-1 employee status, or file REG-1 for first time.
 - Register with Illinois IDDES, unemployment office.
 - Register part time and full time employees in the National “New Hire Registration” list.
- **File Employer Tax Returns:**
 - **For Employees (including yourself, if you get paid salary or guaranteed payments): Forms 941 and State 941**, state unemployment tax returns (Illinois IDDES), federal unemployment tax. Monthly or quarterly payroll tax deposits. At end of year, file Forms W-3 and W-2. Strongly urge all businesses no matter how small, to use a bookkeeping / payroll service for employer tax returns. Very easy to goof up, and penalties are high, IRS is relentless on withheld income tax. Referrals to bookkeepers on our “Accountants” sheet as well.
 - **For Contractors and Consultants: Forms 1099/1096.**
- Document **all agreements** with all parties in form of **Contract**, even if simple. Contracts are business issues, more than legal issues, but they have legal implications. They tell, or remind, the parties of their obligations and how they are required to act. The business parties must record their thinking in order to prevent misunderstandings.
 - Including Consultants
 - Employees
 - Vendors/Suppliers
 - Customers
 - Financing Transactions
 - Stock Options to Employees
- **Medical Expense Reimbursement Plan**
- **Intellectual Property.** See an intellectual property lawyer about protecting your rights in the areas of: Copyrighted materials (writings, software, etc.), any Business Method or process that might be patentable, or any invention, device or composition; Your Trade name, Trademark, Logo, packaging, sound. If writing software based on others such as MS, get the developer’s kit, which licenses you to do so. Do not publicly disseminate your work or your idea until your legal rights are protected, or you may permanently lose them. IP rights are applied for in individual name, so you can take this step first, before you incorporate, or can apply later and assign rights to the corporation.
- **Website Development.** Start sooner than you think. It takes longer than you think and costs more than you think. Informational websites are inexpensive and generally fast; however, any type of product or service website or e-commerce

transaction can be very expensive and take a long time to build.

- **Legal Audit of Website** – Consider that most items you might be doing on a website might be covered by internet communications and advertising laws, which impose surprising restrictions. Seek advice of counsel with the expertise.
- Conduct **Due Diligence** on any party with whom you will do business, customers, suppliers, and any employees or officers you hire.
- **Insurance - Liability, and Directors' and Officers'; Professional Liability Insurance; Casualty; Workers Comp.** Most larger companies with which you hope to contract, will require that you have professional liability insurance, casualty insurance and workers comp. Further, most larger companies require in their contract, that you provide a certificate of insurance, and to indemnify them for any losses incurred if your insurance lapses. NFH will give you referrals if requested.
- **Review Classification of staff** as independent subs or employees. (**Discussion between attorney and accountant.**) The IRS has a surprisingly strict interpretation of who is deemed an employee, for employment tax purposes, versus an independent contractor. Even part time people are considered employees.
- File Corporate **Income Tax Returns**, federal and state.
- When **issuing additional stock** after the initial issuances (see securities lawyer before issuing). Need Subscription agreement, Shareholder Agreement and Possibly Offering Memo.
- Transfers of Stock to other shareholders: Company Consent; Return of Stock Certificate; Prepare stock transfer ledgers (see securities lawyer).