

5 STEPS TO MAINTAINING YOUR CORPORATION OR LLC



SAFE SHIELD CONSULTING
THE BUSINESS ARCHITECTS
INTEGRITY, EXPERIENCE, RESULTS

VITAL ACTIONS THAT WILL PRESERVE YOUR LIABILITY PROTECTION

Establishing a LLC is the first (and most important) step to protecting your business and personal assets as you work hard to build a successful business and gain financial freedom for yourself and your family. The peace of mind and protection the LLC provides to you is priceless, making it imperative that you take the necessary steps to maintain it and insure that it will be there to protect you if/when you need it. Following our guide is an important step in preserving LLC compliance standards and meeting the necessary requirements to uphold the liability protection of your LLC.

STEP 1 - KEEP AN ORGANIZED RECORD BOOK:

The statutory requirements of each state dictate that you keep a LLC Record Book at your principal business address. Documents to be retained include:

- Federal Tax ID
- Operating Agreement
- Articles of Organization
- Certificate of Organization
- Membership Ledger and Certificates
- Register of Officers/Managers/Governors
- Founder's Agreement or Organizational Meeting Minutes
- Company Resolutions, Meeting Minutes and Written Consents

Whether you choose to keep electronic records or hard copies, it is critical that you keep them organized and accessible in order to comply with state laws. In addition to random government audits, you will be expected to produce these documents when qualifying for a bank loan, entering into contracts or agreements, or if you face litigation.

****Safe Shield's online Record Book allows our clients access from anywhere.***

STEP 2 - EXECUTE ALL LEGAL DOCUMENTS (SIGNATURE AND TITLE):

Once you have established your LLC, it is paramount that you include your Company title with all signatures of legal documents. In addition to your organizational documents, you may also enter into the following:

- Contracts
- Loan Agreements
- Lease Agreements

Regardless of the type of document you sign on behalf of the Company, be sure to include your officer title, Manager, Governor, or Member after your name. This provides clear evidence that you are executing the document and entering into the agreement on the Company's behalf, in accordance with your fiduciary responsibilities to the LLC.

STEP 3 - MEET ANNUAL FILING REQUIREMENTS:

No matter what state your business is organized in, it is extremely important to be aware of annual report filings that are mandated by your state government. Some states simply require an annual renewal that can be completed online, while others demand a more detailed report. Typically, annual reports include the following information:

- Statement of Activity
- Principal Office Address
- Registered Office Address
- List of Officers, Managers or Governors
- List of Members and Membership Percentages
- Current Address of Members, Officers, Managers or Governors
- Renewal of Assumed Names or DBA's (Doing Business As) of the Company

****Safe Shield provides ongoing compliance & assists clients with annual filings.***

STEP 4 - CONDUCT REGULAR REVIEWS (AT LEAST ANNUALLY):

The peace of mind that the personal liability protection your LLC provides you with is priceless, but it comes with certain ongoing expectations you simply must meet. Basic LLC formalities and compliance standards include regular reviews of your Company, at least annually, and detailed documentation of the regular activities of the business. In addition to re-appointing Officers, Managers or Governors, you should also draft formal resolutions approving the following actions:

- Review & Approve Insurance
- Review & Approve Bank Accounts
- Review & Approve Major Expenses
- Review & Approve Financial Reports
- Review & Approve all LLC Agreements
 - Lease Agreements, Loan Agreements & Purchase Agreements
- Review & Approve Employee Related Actions:
 - Employee Roster, Employee Benefits, Employee Handbook. Employee Bonus Schedules, Employee Hires, Terminations & Discipline
- Review & Approve Member Contributions & Distributions
- Review & Approve Membership Changes (Transfers of Interest)
- Review & Approve Actions by Registered Agents or Authorized Agents
- Review & Approve Registered Address Changes or Registered Agent Changes

While the list above certainly isn't intended to be all-inclusive, it should give you a good idea of the types of actions that should be reviewed, approved and document in order to be thorough and demonstrate that you are adhering to LLC compliance standards and operating the business as a distinctly separate entity from yourself. These measures will go a long way toward ensuring that your business continues in good standing and the integrity of your LLC and the liability shield it affords you remains intact. Conversely, the failure to implement these practices may void the liability protection of your LLC.

**Safe Shield assists our clients with annual reviews and documentation.*

STEP 5 - MAINTAIN SEPARATE FINANCIALS (DON'T COMMINGLE FUNDS):

Your LLC is a separate entity from you and therefore it requires bank accounts and financial records that are exclusive to the Company. Any use of business funds to cover personal expenses is considered commingling of funds and doing so ultimately destroys the liability separation between the business and you. In order to avoid commingling of funds, always take the following steps:

- Utilize a proven small business accounting system to ensure that your financials are organized, tracked properly and simple for your accountant or tax preparer.
- Never use Company funds to pay personal expenses such as your mortgage, vehicle payment, or grocery bill. Additionally, paying business expenses from your personal bank accounts can be equally damaging as it blurs the boundaries between your Company and you (the individual), and your personal assets.
- Only pay legitimate business expenditures out of your Company bank accounts. If the business is experiencing cash flow issues and requires you to use personal capital to cover costs, deposit the personal funds into the business bank account and make a specific reference in your accounting records that it is a Member Contribution or Loan to the Company before paying the expenses.
- Pay yourself a Member Distribution or Draw from the Company bank account, depositing the money into your personal account, prior to making any personal expense payments. You work hard to make money and deserve to be paid accordingly.

While there are no guarantees in life or business, by implementing these 5 important practices into the operation of your business you will meet compliance standards and preserve the integrity and liability protection of your LLC. If you have not enrolled in our ongoing compliance management service, please visit www.safeshieldconsulting.com for more information, or email us at info@safeshieldconsulting.com.

****Safe Shield Consulting does not provide legal services or legal advice and any suggestions made by Safe Shield, its agents or employees, are that of opinion only and should not be viewed as legal advice.***