



Consumer Advocate Law Firm

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WHAT YOU NEED TO KNOW ABOUT OPERATING YOUR CORPORATION

Avoid Liability as an Individual. Sign as an Officer.

For small businesses the incorporator or the business owner typically acts as an officer within the corporation as well. For some corporations the same person may concurrently hold more than one officer position. In these cases it is important to consider the officer position that you are signing on the behalf of. Unless you are entering into an agreement or contract on behalf of yourself as an individual you should never merely sign your name. You should always sign your name, your respective Corporate Title, and your company name to avoid being held personally liable. Below are some examples of how and how not to sign.

If your corporation owns real estate, when you draft and execute a rental lease agreement make certain the lessor is your corporation and the lease is signed by a duly authorized officer.

HOW NOT TO SIGN AS AN OFFICER

Example 1: Date: _____ Signature: _____ *Jane Doe*

HOW TO SIGN AS AN OFFICER

Example 2: Date: _____ Signature: _____ *Jane Doe, Officer Title*
ABC Corporation, Incorporated

Example 3: ABC, Inc. By: _____ *Jane Doe*
Officer Title

Sign your name with your Corporate Title (President, Vice President, Secretary, etc.) below the line.

How to avoid piercing the corporate veil

1. Adhere to Corporate Formalities

For your corporation ensure that: the bylaws are regularly updated, stock transfer ledgers are up to date and the stock certificates are issued to the respective owners, initial and annual meeting are held for shareholders and directors, the corporate taxes are paid, and the necessary documents are filed with the state.

For your LLC ensure that: the operating agreement is regularly updated, membership transfer ledgers are up to date and the unit certificates are issued to the respective owners, initial and annual meeting are held for shareholders and directors, the company taxes are paid, and the necessary documents are filed with the state.

2. Make a Paper Trail

Ensure that your company always documents the major events and meeting minutes throughout your incorporation. This entails holding on to the any contracts your company may have entered as well as formal documents for at least seven years.

3. Refrain from mixing business and personal assets

Establish a business checking account and obtain a business credit card solely for the use of your company. Remember to always keep assets for the company i.e. property and equipment separate from all personal assets.



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4. Maintain adequate Business Capital

Business survival is impossible without adequate capital. Operating your business will require money and the equipment required to run your business. Money can be obtained through a business loan, accepting money from others, and even contributing money of your own.

5. Market your Company

Pass out business cards with your company name and logo. Pay invoices using your business's credit and business accounts. Formulate invoices with your company name and logo. Always sign your company name when conducting business on its behalf

Just remember that the courts need to be able to distinguish personal assets from company assets. If this cannot be determined the liability may fall on the individual instead of the business.

Annual Reports

Annual Reports are used to provide the shareholders and other businesses with a summary of the success of your business within the last year. These have to be filed with the state of your incorporation every year. Failure to do so may result in the involuntary dissolution of your company. If you have retained our office as the Registered Agent for your company we will prepare this document for you for the price of the state filing fee. If you have not retained our office as your Registered Agent you can do so at anytime for a \$100 annual fee plus the state filing fee for the Annual Report.

Using Your Employer Identification Number (EIN)

Bank Accounts

Your Employer Identification Number (EIN) will be utilized to open your Business Bank Account. You may also be required to provide a Corporate Resolution that provides authorization for the account to be opened and provides authority to the individual(s) setting up the account on behalf of the Corporation.

When opening a Bank account:

1. When you receive the letter of confirmation for your EIN from the Internal Revenue Service (IRS) and make copies. The IRS will not send another copy if it is lost, stolen, or damaged.
2. Call the bank that you will be dealing with, and ask them about the procedure and items needed to transfer an account to a living trust
3. Lastly, take a copy of your EIN confirmation letter, Living Trust, and other required documents to the bank and speak with the "new accounts" representative.

Board of Directors

The board of directors is a body of elected personnel who collectively manage the activities of your company. The powers of each director are outlined in the Bylaws which may be amended from time to time through passed resolutions. The directors are typically elected/re-elected annually, but otherwise can always be stipulated in the bylaws.

Committee

A committee is a group of two or more individuals who are appointed to carry out a specific duty within the company. Committees typically consist of individuals who are employed by your company.