



15 Steps to Successful Corporate Entity Management:

**A Professional's Guide
to Governance and
Compliance**

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Careful management of legal entity portfolios is essential to successfully identify, execute, and monitor necessary governance and compliance activities, ranging from staying on top of filing dates and statutory updates, to reacting to changes in jurisdictional rules.

Inconsistent or incomplete entity management can increase the risk of loss of good standing and the costly reinstatement fees that go along with it. Poor entity management can also threaten the success of transactions like mergers and acquisitions.

In this white paper, we'll provide an overview of the steps required to properly manage a legal entity portfolio. Topics include entity formation, entity record keeping, qualification, business licenses, Uniform Commercial Code (UCC) considerations, and entity dissolution.



Careful and comprehensive entity management is critical to ensure that the entities in a portfolio are kept in good standing.

1 Define the business objectives

Before tackling the task of entity management, it is important to clearly define the business objectives. This will help determine your next steps.

For example, are you forming a new entity? Are you trying to determine whether to qualify to do business in another state? Are you preparing for a merger or an acquisition?

Clearly defining plans will help to drive next steps, such as choosing an entity type, determining the need for qualification, or outlining the compliance tasks needed to prepare for a merger or acquisition.

2 Choose an entity type and jurisdiction

If you are forming a new entity, use the business objectives to determine the entity type—corporation, limited liability company, partnership, etc.—that best suits your needs. Ask these questions to help determine the appropriate entity type:

- Who will own the business?
- Who will make management decisions?
- Will the owner assume personal liability for any debt incurred by the business?
- Are there any restrictions or characteristics of a particular entity type that could impact the business activity? (For example, certain entity types may give rise to double taxation.)

Once you have selected the entity type that is best suited for your business activity, select the jurisdiction(s) where the entity will do business. When choosing a jurisdiction, keep in mind such factors as where the company is located, where its customers are located, and whether it may be best served by a particular jurisdiction because of tax law or corporate governance regulations.

It's important to understand the tax implications of your choice of entity and jurisdiction. Your accounting or tax department can help identify tax obligations and advantages.

The shareholders will need to approve the entity formation. It may also be necessary to escrow funds if you are using the entity for transactional purposes.

Choose the entity type that best fits your business activity.

3 Select a registered agent

You will need to name a registered agent or designate a registered office address for your entity. A registered agent is a business or individual that you appoint to receive service of process (SOP) and other state correspondence on behalf of the company. Most states require entities to name a registered agent upon formation, and require you to provide the name and address of the agent on the articles of incorporation/formation.

If your business is likely to require significant online marketing or supply chain management, you may also want to choose an accredited domain name registrar to officially register your website URL. Look for a registrar that is accredited by the Internet Corporation for Assigned Names and Numbers (ICANN).

4 Check for name availability

Conduct a corporate name availability search in the business name registry in the jurisdiction you have chosen to confirm that your company name is available.

If a company name is already registered in your jurisdiction, or if the state believes that the name could be confused with a name that is already registered, your entity filing will be rejected and you will need to select a new name and resubmit the filing.

It is also a good idea to check the availability of domain names and trademarks related to your business objectives. UCC and real property searches can help determine domain name availability. Your registered agent service provider can assist with these searches.



5 Reserve a corporate name

Consider filing a name reservation to protect your desired name for up to 365 days. Although not a requirement for formation, this step could save you time and trouble later.

If you find that your name is not available, you may be able to get consent from your state to use a similar name, or you may need to choose a fictitious name.

Be aware of naming restrictions in your jurisdiction(s). Most states restrict the use of specific words such as bank, finance, trust, cooperative, credit union, insurance, or savings, and instead require a “corporate indicator” in the name, like Inc. or LLC.

Once you have filed formation documents, consider protecting your company name in foreign state jurisdictions by checking name availability and reserving your name in those jurisdictions too.

Check and reserve your corporate name and domain name early to ensure that you will be able to use them for your entity.



6 Obtain supporting documents

Find out which supporting documents your jurisdiction requires for formation/qualification. For example, you may need to obtain such documents as a certificate of good standing or its equivalent, certified copies, a tax status certificate, a “bring-down” letter, a legalized authenticated document, and an apostille.

If your company decides to do business outside of its state of formation, you will be required to present a certificate of good standing from your home state as evidence of your company’s status in order to qualify to do business in foreign states.

During closings, you may need to provide lenders with good standing certificates.

7 File formation/qualification documents

Once you have confirmed name availability and gathered the necessary documents, you are ready to prepare and file articles of incorporation/formation, or qualification documents. Be sure to follow your jurisdiction’s guidelines carefully so that your filing is received and approved timely.

You will also need to prepare and file industry-specific licenses and supporting documentation with the necessary governing authorities at the federal, state, county, and municipal levels. There are more than 160,000 jurisdictions in the United States that issue licenses, and each has its own rules and regulations, making it complicated and time consuming to determine which licenses you need to operate your business. Your service provider can help identify and expedite the licenses and permits needed.

Plan to register relevant domain names and trademarks and file a UCC financing statement at the time you form your entity.

***NOTE:** It is critical to develop and document a process for preparing, completing, and tracking your company’s filings and renewals, including the responsible parties and required resources.*

In addition to formation documents, you will likely need to file for industry-specific licenses and permits for all jurisdictions where you plan to do business.

8 Register for an EIN number

You will need to obtain a federal Employer Identification Number (EIN), also known as a Federal Tax Identification Number, from the Internal Revenue Service.

Your jurisdiction may also require a state tax ID number for reporting state sales taxes and other purposes. Check with the state’s corporate division to learn whether you need additional state or local tax ID numbers.

9 Organize foundational documents

It is essential to create and organize all foundational documents for each entity formed, and to perform other corporate governance activities to make sure that the entity remains in good standing. Tasks include:

- Draft the entity bylaws/operating agreement
- Create stock/membership certificates
- Draft resolutions for corporate actions, banking resolutions, delegation of authority, intercompany agreements
- Name officers and directors
- Appoint independent directors

Use standardized formats for all materials. This will simplify your ongoing management responsibilities.

10 Maintain corporate governance data

Conduct periodic or annual shareholder and board meetings as required by your jurisdiction and your entity’s governing documents. Establish a system to record, distribute, and archive corporate activities and documents such as minutes, consents, capital contributions, and dividends.

Meeting compliance and comprehensive recording keeping demonstrate that proper entity procedures have been followed, which is critical to keeping your company in good standing and the corporate veil intact.

Entity record keeping has become increasingly complex and laborious as the rules and regulations impacting corporate governance have increased and become more complex. An entity management solution can be invaluable in helping you manage and maintain your corporate governance data.

Careful recordkeeping is critical to keep your entity in good standing.

11 Monitor your corporate entity portfolio

Establish procedures to monitor your corporate entity portfolio for status changes, including tracking your domain renewal deadlines.

You should also carefully monitor your UCC portfolio for changes in financing statement status, debtor financing, debtor corporate status, and debtor bankruptcy, as changes may require additional action to protect assets or ensure that financing contracts remain in good standing.

Establish a system to monitor your entities to record any changes and complete necessary filings.

12 Complete annual filings

Be sure to complete all annual filings correctly and timely, and pay annual report fees, renewal fees, and franchise taxes on time.

Annual filings may include:

- Annual reports
- Corporate annual tax returns
- Licensing renewals
- UCC financing statement continuations
- Domain name renewals

Many companies outsource this highly administrative renewal process, allowing their employees to focus on more substantive work.

13 Update corporate documents

Changes to your entity's structure must be approved by the board. Decisions should be recorded using resolutions or written consent, and the appropriate filings, such as corporate amendments or amended certificates of authority, should be filed in the entity's jurisdiction.

Likewise, be sure to register additional domains or trademarks as they are developed for use by the company, and update UCC financing statements in the case of continuations, rights assignment, termination, releases, or to add a party to a statement.

14 Dissolve an entity or withdraw from a jurisdiction

If you decide to dissolve an entity or withdraw an entity from a jurisdiction, you must follow the formal legal steps required to "wind up" the entity. Winding up typically involves these steps:

- File tax returns
- Obtain a tax clearance
- File voluntary dissolution or withdrawal documents
- Retire domain names and trademarks
- Terminate UCC financing statements

Internationally, the process of dissolving or withdrawing an entity can be much more complex. Be sure to research the requirements for the dissolution process in the country(ies) where your entity operates or does business.

15 Manage entity documents and records

Each of the tasks outlined in this paper requires proper management and archival of documents and records in a centralized and secure location.

Designate and train the parties responsible for recordkeeping, and establish clear protocols for day-to-day management of all legal entities and legal eSecurity. A clear chain of command, as well as comprehensive and secure recordkeeping, are critical to maintaining your entity in good standing.

Conclusion

Proper entity management requires careful planning and continued diligence to ensure that entities remain in good standing from formation through dissolution. Implementation of an entity management system is sound practice to maintain your entities' data and documents.

CSC Entity ManagementSM is the industry's most capable entity management system for receiving, indexing, and safeguarding all of your corporate entity data. Every time you conduct a corporate transaction with CSC[®]—from annual report filings and business license renewals to service of process—your entity and jurisdictional data are automatically added to your online portfolio.

You'll get a clear view of your company-wide governance and compliance activities, as well as valuable insight into the health and status of all your entities.






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