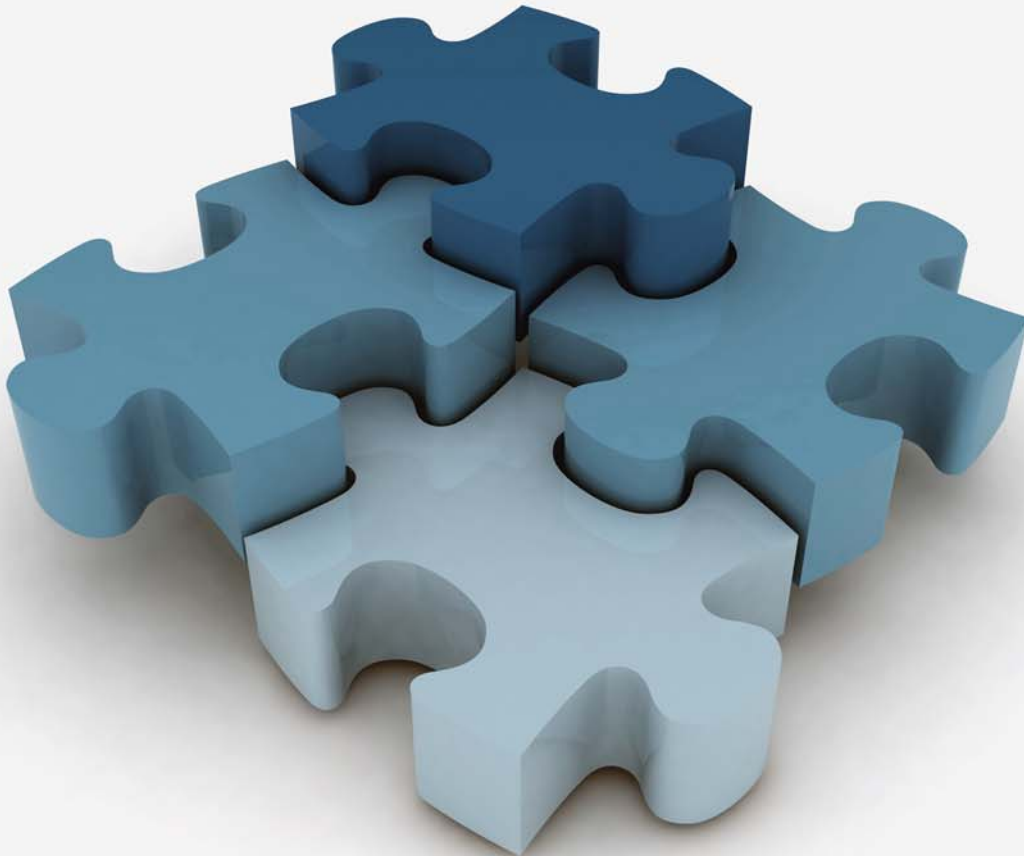


THE
COMPANY
CORPORATION[®]

Incorporating what's right for you.SM



How to Incorporate or Form an LLC

Let us help you put the pieces together.

Protect personal assets.

Realize tax advantages.

Give your business more credibility.

These are just some of the benefits you'll get after you incorporate or form an LLC with The Company Corporation®.

To decide if this is the right move for you, answer these questions:

	Yes	No
1. Do you want to protect your personal assets (your home, car, savings, etc.) from lawsuits against your business??		
2. Does or will your business:		
a. Sell goods or services to the public and/or other businesses?		
b. Bring customers into your office or store?		
c. Have employees?		
d. Take on debt?		
3. Are you entering into a business with family members or friends?		
4. Do you, or will you, have investors or partners?		
5. Would you like the option to raise capital through the sale of stock?		

If you answered "Yes" to any of these questions, you will want to continue to read further in this workbook.

The Company Corporation is a service company. It does not provide legal or financial advice, and its services are not a substitute for advice from a licensed attorney.

Your name is your first connection to your customers.
It's also the first step toward making your dream a reality.

Step 1: Choose a Business Name

How to select a name.

Many businesses select a name that identifies the type of service and products offered or highlights a unique benefit or attribute of their business. For example, a business owner who sells spicy hot dogs might want to name the business "Red Hot Dogs" or "Firedogs." Two more examples of developing names for companies come from John and Jane — who represent small business owners on the path to success.



Meet John ...

"After a few successful investments on the side, I started my own real estate investment company. Forming an LLC helped me keep my family's home and personal assets separate from my investment properties."

In this example, John is the owner of FunHouse Real Estate, LLC. He chose this name because his investment properties are vacation properties ... houses to have fun in.

Meet Jane ...

"I had big plans when I started and needed a way to raise capital, so I formed a corporation. Surprisingly, people took me more seriously when they saw 'INC.' at the end of the name."

Jane, as another example, was one of the first computer experts to set up her own mobile PC repair business. Started in 1992, she now has a crew of six "techs" and two administrative staff. She chose the business name, "IT@home, Inc.," because her staff has the ability to visit customers' houses and diagnose and repair their computers on-site.



Owning a business is more than a state of mind...

That's why you have to decide which state to register in.

Step 2: Select the State Where You Want to Incorporate or Form Your LLC

Lots of businesses start small, but end up big. Many also start in one state, but don't always stay there. So let's figure out which state might be best for you.

Conducting business in your home state?

Most business owners choose to incorporate or form an LLC in the state in which they plan to conduct business. Typically, filing in your home state is the least complicated, especially if you plan to operate your business exclusively in your home state. Also, filing in your home state helps you avoid paying franchise taxes and filing annual reports in multiple states, and, generally, it costs less to incorporate or form an LLC locally.

Conducting business in multiple states?

Many companies conduct business throughout the U.S. and abroad. A business that has locations in multiple states may form a corporation or LLC in a single state and then "qualify to do business" in other states. This means companies must formally register, file annual reports, and pay annual fees to obtain authority to conduct business in those states and benefit from the laws of the state. The Company Corporation can assist you in qualifying your corporation or LLC and keeping track of corporate filing requirements in any state you choose.

Are you located outside the United States?

If you are located outside the United States, please call one of our Business Specialists in the U.S. at 302-636-5430 to form an LLC or incorporate in just 10 minutes.



John ...

"Living in Virginia near the North Carolina border, and with properties in both states, it made the most sense for me to form my LLC in Virginia and qualify to do business in North Carolina."

Jane ...

"There's plenty of business for me in my city alone, so I just formed my corporation in my home state. If the business grows, I'll get The Company Corporation to help me qualify in other states, too."



Just what should your company be... A corporation or an LLC?

Step 3: Decide What type of Company to Form, an LLC or Corporation.

There is no one right answer to the question, "Should I form a corporation or an LLC?" It depends on your needs, your business plan, and many other factors.



John ...

"I wanted to protect my personal assets, of course, but also liked how forming an LLC limited my paperwork."

John, like many sole proprietors, preferred to form an LLC. As an LLC, his business can "pass through" profits and losses from the business to his personal income tax returns. The business profits are taxed as John's income, which enables him to avoid paying income taxes for the business, then paying income tax again on the money he receives from the business. John also preferred to form an LLC because it gave him more flexibility in ownership. He did not have to issue stock and is not required to hold annual meetings.

Jane ...

"With the number of employees I have, it's better for my company to be incorporated. It gives me certain advantages for tax savings on health and retirement benefits that I wouldn't get as a sole proprietor."



By forming a corporation, Jane protects her personal assets. But, she also formed her entity as a corporation in order to give her the ability to raise capital by selling stock in the company.

To get the most out of your small business, choose the right structure. Selecting the right type of company for your new business helps maximize your chances of financial and operational success. Common business structures include:

- C Corporations
- Limited Liability Companies (LLCs)
- Partnerships
- S Corporations
- Sole Proprietorships

Selecting the Right Business Structure

Step 3: continued...

C Corporations

- Independent legal and tax structures separate from their owners
- Help separate your personal assets from your business debts
- No limit to the number of shareholders
- Taxed on corporate profits and shareholder dividends
- Must hold annual meetings and record meeting minutes

Limited Liability Companies (LLCs)

- Independent legal structures separate from their owners
- Help separate your personal assets from your business debts
- Taxed similarly to a sole proprietorship (if one owner) or a partnership (if multiple owners)
- No limit to the number of owners
- Not required to hold annual meetings or record minutes
- Governed by operating agreements

Partnerships

- Partners remain personally liable for lawsuits filed against the business
- Usually no state filing required to form a partnership
- Easy to form and operate
- Owners report their share of profit and loss in the company on their personal tax returns

S Corporations

- Independent legal and tax structures separate from their owners
- Help separate your personal assets from your business debts
- Owners report their share of profit and loss in the company on their personal tax returns
- Limits on number of shareholders, who must be U.S. citizens or residents
- Must hold annual meetings and record meeting minutes

Sole Proprietorships

- Owner remains personally liable for lawsuits filed against the business
- No state filing required to form a sole proprietorship
- Easy to form and operate
- Owner reports business profit and loss on their personal tax return

Business Comparison Chart

Step 3: continued...

	C Corporation	Subchapter S Corporation	Limited Liability Company	General Partnership	Sole Proprietor
Owners have limited liability for business debts and obligations	X	X	X		
Created by a state-level registration that usually protects the company name	X	X	X		
Business duration can be perpetual	X	X	X		
May have an unlimited number of owners	X		X	X	
Owners need not be U.S. citizens or residents	X		X	X	X
May be owned by another business, rather than individuals	X		X		
May issue shares of stock to attract investors	X	X			
Owners can report business profit and loss on their personal tax returns		X	X	X	X
Owners can split profit and loss with the business for a lower overall tax rate	X				
Permitted to distribute special allocations, under certain guidelines			X	X	
Not required to hold annual meetings or record meeting minutes			X	X	X

Butcher, baker, candlestick maker?

What business are you in exactly?

Step 4: Identify the Purpose of Your Company

We are often asked, "Why do I have to say what my company does?" The simplest answer is, "Because the state says you have to." But, more seriously, it helps states keep track of how many businesses are in what industries and categories. This information is helpful in economic development studies. Some states also use these classifications to issue tax identification numbers.



John ...
*"I just filled in 'Real Estate Investing.'
I figured 'Hey, no reason to over think this,' right?"*

Jane ...
*"It's just like on a survey when they ask for your occupation.
You just give them a very general topic. I put 'computer services'."*



Step 5: For LLCs Only

If you plan to form a corporation, please move ahead to Step 6. Otherwise, indicate who will run your LLC and how long you plan to keep your LLC in business.

Most of our customers choose "Perpetual," meaning they intend to keep their LLC open and operating indefinitely. If you plan to close your LLC on a certain date, you may wish to choose the other option. If at any time you wish to change your selection, we can help you file an amendment.



John ...
"I chose 'Perpetual' in case some day my son wants to keep the business going. I did have a friend, though, who chose a dissolution date because he knew he was going to sell the property he bought after only one year."

How long? How many? How much?

Specific questions for LLCs and corporations.

Step 6: For Corporations (Inc.) Only

If you plan to form an LLC, please skip ahead to Step 7.

If you're forming a corporation, you'll need to determine the number of shares you want to have and their "par" value. Par value is the minimum amount for which a share of stock can be traded or sold, as stated in the Articles of Incorporation. Par value does not represent the share's actual market price or future earnings potential.

You can also choose to authorize stock with "no par value." This means the stock has no fixed price. The directors can determine a price for the stock whenever they decide to sell it.

Jane...

"This is one of the things I got stuck on. But authorizing 1,500 shares with no par value gave me the freedom to set a price for raising capital when the time was right."



Step 7: Identify at Least One Key Executive

At the time of filing, the state may require you to list the key executives of the company. Our customers generally pick the individuals who are creating the new company and will be immediately involved in its management. For LLCs, give the name of the person(s) who will run the company. For corporations, give the name of the director(s) of the company.



John ...

"This was one of my proudest moments, when I put down on paper that I was the owner of my own LLC ..."

If John's business grows, and he wishes to make his son or another colleague an owner, John could look to amend his operating agreement to reflect the new owner.

Congratulations!

You're almost done.



Jane ...

"When I started, I was the only director. Soon, I'll be adding two directors, and maybe even more as we continue to grow."

As Jane's company grows, there is added responsibility. So, she is rewarding two of her top employees by making them directors and giving them a greater share in the business. While this may seem like more management for Jane, it's not a drain on her time because she regularly turns to The Company Corporation for help.

Step 8: Write Down Your Address(es)

Provide us with your Shipping, Business, and Legal Address(es).

Relax — the Hard Part is Over

The Company Corporation makes it easy for you to incorporate or form a Limited Liability Company (LLC) in any state. As a Palo Alto Software customer, you can also receive a special \$25 discount when incorporating or forming an LLC. Corporations and LLCs are both separate legal entities (business structures) that enjoy certain protections under the law and important benefits. Most people form a legal business structure to safeguard their personal assets. Incorporating, or forming a Limited Liability Company (LLC), allows you to conduct your business without worrying that you might lose your home, car, or personal savings because of a business liability. The Company Corporation provides a **special \$25 discount** to Palo Alto Software members. To take advantage of the discount, enter the code "BPLANPRO" on our online order form or mention the code to a Business Specialist at 877-256-6055.