

the complete

CALIFORNIA INCORPORATION CHECKLIST

provided by
PARASEC

THE COMPLETE CALIFORNIA INCORPORATION CHECKLIST

	Action Required	Purpose	Timeframe	Be Aware of These Important Facts
<input type="checkbox"/>	1. Reserve a corporate name with the Secretary of State <i>(Not required, but strongly recommended)</i>	To check availability of your preferred corporate name and hold that name until your Articles of Incorporation are filed.	Check and reserve prior to filing your Articles of Incorporation. Expect results same day.	Tips: Check the name availability <i>before</i> submitting the Articles of Incorporation for filing and, if available, <i>reserve</i> the name so it can't be utilized by someone else while you are preparing your articles for filing. Risks: If your name isn't available when you submit the articles, the article will be rejected and you will have to start over.
<input type="checkbox"/>	2. Prepare Articles of Incorporation for filing with the Secretary of State	Required to initiate the incorporation process.	First action in the process.	Tips: Speaking with an attorney is recommended if you are unsure of the legal and tax ramifications of the different forms of business entities. Risks: Not understanding the potential ramifications may result in forming an entity that doesn't offer you the protection or benefit you need.
<input type="checkbox"/>	3. Name a registered agent for service of process in your Articles of Incorporation	To establish a person or entity on which legal documents will be served if necessary; i.e. if a company were sued, the registered agent would receive the service of process. The registered agent must be available during regular business hours.	The registered agent must be named in the Articles of Incorporation. Our registered agent service, Paracorp, is ready for service upon appointment.	Tips: By having process served on a professional registered agent, you'll avoid the embarrassment of having your employees see that you are being sued. Professional registered agents meet all of the legal requirements including being available during regular business hours. Risks: If process is served on someone in your office who doesn't understand the urgency, they may not forward the documents in a timely manner.
<input type="checkbox"/>	4. Submit Articles of Incorporation to the Secretary of State	Provides the state with the documents required to actually form the corporation.	Can be submitted by mail, overnight or over the counter. Over the counter is always recommended. Expedite options are available.	Tips: The most reliable process is over the counter service. Risks: If filing by mail or overnight, you run a higher risk of your document being lost and, if rejected, there is no one to correct it. This will result in even longer turnaround times.
<input type="checkbox"/>	5. Receive date-stamped and filed copies	Your verification that the state has filed and formed your corporation.	Generally 7-10 business days. Depends on the state's workload.	Tips: These documents should be filed in the corporate kit/minute book for ease of reference later. Will likely be required by the bank for opening an account. Risks: Losing these documents may result in needing to obtain certified copies later which result in additional expenses and will take time.

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<input type="checkbox"/>	6. Obtain a Certificate of Good Standing from the Secretary of State <i>(Not required, but strongly recommended)</i>	To provide proof that the corporation is in good standing with the Secretary of State.	Obtain at the time the articles are filed. If requested, the certificate comes at the time the Articles of Incorporation are returned.	Tips: Most banks require you to provide proof that the corporation is in good standing. This is more common since 9/11 because of passage of the Patriot Act. Risks: Obtaining the Certificate of Good Standing after the filing will result in additional expense and time.
<input type="checkbox"/>	7. File an S-Election with the IRS <i>(If applicable)</i>	Designates your business as an S corporation. This filing is <i>only</i> applicable if you are choosing to be an S corporation.	File once you receive your filed articles from the Secretary of State.	Tips: Due to deadlines involved in filing the S-Election that may impact your ability to claim S-corporation status. Risks: Missing the timeframe may cause you to lose the S-Election option for that year.
<input type="checkbox"/>	8. Obtain a corporate kit/minute book	Used to store corporate minutes, bylaws and incorporation documents. A binder of some kind is typically maintained for this purpose.	The corporate kit/minute book should be ordered as soon as your articles are filed. When ordering from a professional service, you'll receive the kit two to three business days after the filed articles are returned from the state.	Tips: We recommend utilizing a kit designed specifically for this purpose. Kits generally include a binder embossed with the corporate name, a corporate seal and stock certificates. Risks: Not having a place to keep all of your documents together sets you up for losing them and having to retrieve them again. Loss of corporate minutes and other records could result in loss of the protection provided by the corporation.
<input type="checkbox"/>	9. Obtain EIN number from the Internal Revenue Service <i>(Federal Tax Identification Number)</i>	This is a required number which enables the IRS to identify the corporation for taxation purposes. The EIN number is frequently required by banks to help them track and identify the corporation.	This is best ordered at the same time your articles are filed. Turnaround is one to two business days.	
<input type="checkbox"/>	10. Obtain an EDD number from the Employment Development Department <i>(If applicable)</i>	Required for any corporation that employs anyone other than the owners of the corporation.	Best ordered when you know you will be hiring employees. http://www.edd.ca.gov/	Tips: Consider obtaining this number only when you plan to hire employees. Obtaining a number before you need it will result in unnecessary paperwork. Risks: If you don't have an EDD number, you can't legally operate with employees other than the owners.

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<input type="checkbox"/>	11. Prepare corporate bylaws, either yourself or with the assistance of an attorney <i>(Templates are included with corporate kits)</i>	Identifies the structure of the corporation and the rules by which it will function. Required for a corporation to be in legal compliance.	Recommend preparation at the same time as the articles so they are ready once the articles are filed. http://www.corp.ca.gov/	Tips: We recommend that these documents be prepared by an attorney to ensure that they meet the minimum legal standards. Risks: If these documents are not prepared, you may fall out of compliance and lose the protection you formed the corporation to ensure.
<input type="checkbox"/>	12. Open bank account	Required to enable most financial transactions.	One to five days.	Tips: Banks now require significant documentation as a result of the Patriot Act. Will most likely need a certified copy of the Articles of Incorporation as well as a Certificate of Good Standing. Risks: If the Certificate of Good Standing is not obtained at the time of filing it can delay the opening of the bank account by several days.
<input type="checkbox"/>	13. File form 25102F with the Department of Corporations <i>(If applicable)</i>	Required of all corporations to place on record the number of shares and types of stock the corporation has issued.	File when the corporation is first formed.	Tips: This form is often forgotten, so if it is necessary, be sure to get it done. Risks: Failure to file could result in monetary penalties.
<input type="checkbox"/>	14. Prepare stock certificates using blank forms or with the assistance of an attorney	To be issued to the shareholders identifying the number of shares they own.	Once the corporation has been formed and the authorized number of shares of stock has been established, the stock certificates must be prepared and issued.	Tips: Corporate kits/minute books generally include blank stock certificates as well as stock log to record the shares issued and to whom. We recommend using an attorney to assist with preparation of shares to ensure they are accurate. These shares represent ownership in the company and you want to be absolutely certain they are prepared correctly. It is also recommended that the original certificates be kept in the corporate kit/minute book to avoid loss or sale without the corporation's knowledge. Risks: If prepared incorrectly or lost, ownership in the company could be questioned in court.
<input type="checkbox"/>	15. Prepare minutes of meeting of incorporator and/or ratification of bylaws by incorporator and file in corporate kit <i>(If applicable)</i>	If corporation was formed utilizing an incorporator.	Can be handled at the same time as the articles and bylaws are prepared.	Tips: These are only applicable when an incorporator forms the corporation. Risks: These documents help to ensure the company is in compliance when using an incorporator.

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<input type="checkbox"/>	16. Obtain resignation of incorporator and file in corporate kit/minute book <i>(If applicable)</i>	If corporation was formed utilizing an incorporator.	Can be completed once the articles have been filed with the Secretary of State	Tips: Once the corporation has been formed, the incorporator should resign to avoid confusion about their continuing involvement. Risks: If not completed, there might be future possible questions about when the incorporator completed their involvement with the corporation.
<input type="checkbox"/>	17. Prepare and send notice of meeting or prepare waiver of notice of meeting	Required by the corporate bylaws but may be bypassed by utilizing a unanimous written consent.	Consult bylaws to determine when the notice must be sent out.	Tips: Meetings are required annually and notices of meetings are generally required. Recommend utilizing an attorney to ensure compliance with the bylaws. Risks: Not adhering to the bylaws may cause loss of compliance.
<input type="checkbox"/>	18. Hold the initial stockholder meeting	Required by the corporate bylaws but may be bypassed by utilizing a unanimous written consent.	To be held shortly after the corporation is initially formed.	Tips: The board of directors should be elected during this first meeting. Risks: Not holding the required meeting may cause loss of compliance.
<input type="checkbox"/>	19. Hold the initial board of directors meeting	Required by the corporate bylaws but may be bypassed by utilizing a unanimous written consent.	To be held shortly after the initial stockholder's meeting.	Tips: Business that might be covered during the board of directors include ratifying the corporate bylaws, establishing the corporate officers, ratifying the Agent for Service of Process, accepting the corporate seal, adopting the principal office, accepting the bank account(s), approving share certificates and issuance of shares, adopting the fiscal year and handling any other business which may be before the board at that time. Risks: Not holding the required meeting may cause loss of compliance.
<input type="checkbox"/>	20. Prepare corporate minutes, either yourself or with the assistance of an attorney	Documents shareholder and Board of director meetings. Ongoing corporate minutes are an absolute requirement for a corporation to be in compliance with state law and to maintain the legal protections provided by the corporation structure.	Corporate minutes should be prepared after every shareholder and director meeting.	Tips: There are legal requirements for initial meetings. These meetings must be documented in your corporate kit/minute book. We recommend that your corporate minutes be prepared and maintained by an attorney to ensure legal compliance. Without assistance, procrastination often occurs and this crucial function doesn't get done or misses critical items. Risks: Non-action means risk of losing the protection you formed the corporation to ensure.
<input type="checkbox"/>	21. File Statement of Information (SOI) with the Secretary of State	Identifies the officers and directors of the company and can be used to change the registered agent.	File within 90 days of the initial filing of the Articles of Incorporation.	Tips: This form is required to be filed annually. Risks: If you don't file each year, you may fall out of compliance and lose the protection you formed the corporation to ensure. You may also incur penalties.

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<input type="checkbox"/>	22. Determine whether a trademark, servicemark or copyright is needed and apply	Establishes legal protection for products, logos and other intellectual property.	Searches and filings can take weeks to months.	<p>Tips: This can be a tedious and sometimes expensive process, but can be critically important.</p> <p>Risks: Could lose legal rights to use a name or logo or to keep others from copying intellectual property.</p>
<input type="checkbox"/>	23. File Fictitious Business Name <i>(If applicable)</i>	Allows you to do business under a name different than the corporate name without having to create a new corporation.	Takes about five business days. This is filed in the county in which you will be doing business under an alternate name than what is filed on your articles.	<p>Tips: Fictitious business names can be useful if you want to use a different name than your corporation to do business.</p> <p>Risks: Doing business under a different name from your corporate name without filing a fictitious business name could be considered fraud.</p>
<input type="checkbox"/>	24. Arrange for workers' compensation insurance if employing workers other than owners <i>(If applicable)</i>	Workers' compensation insurance is required if you are hiring employees.	Depends on the underwriting requirements and the insurance company being used.	<p>Tips: Required insurance if hiring employees. Recommend getting quotes from several companies to find the best quote for your circumstances.</p> <p>Risks: This is not an insurance you want to forget about. Not carrying workers' compensation can result in extensive penalties as well as litigation.</p>
<input type="checkbox"/>	25. Arrange for an account with the Board of Equalization if your company will need to pay sales tax <i>(If applicable)</i>	If handling any product or service on which sales tax must be collected, this account is required.	Takes 5 – 10 business days. http://www.boe.ca.gov/	<p>Tips: Apply for the account before you begin selling your product that requires collection of sales tax.</p> <p>Risks: Not collecting and forwarding sales tax when required can result in significant penalties as well as litigation.</p>
<input type="checkbox"/>	26. Apply for a business license at the applicable city or county	Required to legally transact business.	Call us and ask to speak to our Business License Department.	<p>Tips: Generally very affordable but can be easily forgotten.</p> <p>Risks: Doing business without a business license can result in penalties and may be considered fraud.</p>
<input type="checkbox"/>	27. Arrange for Liability Insurance	Recommended for all businesses.	Depends on the underwriting requirements and the insurance company being used.	<p>Tips: Recommend getting several quotes to find the best quote for your circumstances.</p> <p>Risks: Doing business without liability insurance may result in litigation.</p>

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<input type="checkbox"/>	28. Contact additional agencies depending on type of business <i>(If applicable)</i>	Depending on type of business additional agencies may need to be contacted and additional requirements may exist. Possible agencies include: Department of Insurance, Department of Financial Institutions, Department of Consumer Affairs, etc. <i>(this list is not comprehensive).</i>	Depends on the agency and requirements.	Tips: Identify through attorney if additional agencies need to be contacted. Risks: Doing business without completing required agency policies may result in serious legal consequences.
<input type="checkbox"/>	29. Send out required meeting notice prior to annual shareholder and board of directors meetings	Review bylaws and send out notice per the timeframe outlined. May also use the waiver of notice.	Required annually.	Tips: Meetings are required annually. Risks: Not holding meetings annually may cause you to fall out of compliance and lose the protection you formed the corporation to ensure.
<input type="checkbox"/>	30. Hold required annual shareholder meeting	Review bylaws and hold meetings according to the time frames outlined there.	Required annually.	Tips: Meetings are required annually. Topics which might be covered include ratifying or reelecting the board of directors as well as any other business which might be before the shareholders. Risks: Not holding meetings annually may cause you to fall out of compliance and lose the protection you formed the corporation to ensure.
<input type="checkbox"/>	31. Hold required annual board of directors meeting	Review bylaws and hold meetings according to the time frames outlined there.	Required annually.	Tips: Meetings are required annually. Topics which might be covered include ratifying the actions of the corporate officers from the prior year, approving bonuses or increases in compensation, approving significant purchases of assets as well as any other business which might be before the board. Risks: Not holding meetings annually may cause you to fall out of compliance and lose the protection you formed the corporation to ensure.
<input type="checkbox"/>	32. Prepare corporate minutes for annual shareholder and board of directors meetings, either yourself or with the assistance of an attorney	Document shareholder and director's meetings. Ongoing corporate minutes are an absolute requirement for a corporation to be in compliance with state law and to maintain the legal protections provided by the corporation structure. May bypass the meetings by utilizing a unanimous written consent.	Corporate minutes should be prepared after every shareholder and director meeting.	Tips: These meetings must be documented in your corporate kit/minute book. We recommend that your corporate minutes be prepared and maintained by an attorney to ensure legal compliance. Without assistance, procrastination often occurs and this crucial function doesn't get done or misses critical items. Risks: Non-action means risk of losing the protection you formed the corporation to ensure.

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DEFINITIONS:

25102F – This document is filed with the Department of Corporations and identifies the number of shares being offered by the corporation. This filing is often overlooked. If requested at some point by the Department of Corporations, omitting the filing could result in monetary penalties.

Articles of Incorporation – Documents filed with the California Secretary of State forming the corporation.

C-Corporation – A type of corporation identified by the Internal Revenue Service with specific tax ramifications.

Certificate of Good Standing – Documentation provided for a fee from the Secretary of State verifying that a corporation has fulfilled the legal requirements with their office and is in good standing.

Copyright – A document which grants the named party exclusive rights to publish and sell artistic, literary or musical works.

Corporate Bylaws – A document detailing the specific rules by which a corporation is to be run. Includes an explanation of the rights and powers of the shareholders, directors and officers of the corporation. Maintained in the corporate kit/minute book.

Corporate Kit /Minute Book – A binder or other method for maintaining the documents related to a corporation including minutes, resolutions, Articles of Incorporation, corporate bylaws and stock information among other things.

Corporate Minutes – A record of the decisions made and actions taken by the shareholders and/or board of directors of a corporation. Minutes should be recorded for each meeting of the board of directors or shareholders during the year.

Corporate Name Reservation – A filing with the California Secretary of State which reserves a specific name for 60 days so that no one else can use that name to form a corporation during that time period.

Corporate Resolutions – Decisions by a corporation that legally require both the shareholders and the board of directors to vote on them. Some examples of decisions requiring dual voting include amending the articles of incorporation or decisions to dissolve the company.

EDD Number – The identification number provided for the corporation by the California Employment Development Department to be utilized for all California employee and payroll matters.

EIN Number – The corporate identity number provided by the Internal Revenue Service, which will serve as the corporation's identification number on all tax returns, bank documentation as well as many other locations.

Fictitious Business Name – A county level filing which allows a corporation to transact business under a name other than their legal corporate name. May be used when the corporation wants to operate a number of businesses under the same corporation but with different individual names. Must be filed in each county where the corporation is doing business and where they wish to use the assumed name. Fictitious business name is synonymous with assumed name and DBA.

Incorporator – An individual or entity who assumes the responsibility for forming the corporation. Possible incorporators include attorneys and service companies. Once the board of directors is established, the powers of the incorporator are eliminated but it is prudent to obtain a resignation of incorporator in writing to avoid any future questions.

Notice of Meeting – Notice sent out according to specifications in the corporate bylaws notifying interested parties of a shareholder or board of directors meeting.

Patriot Act – The Patriot Act expanded the authority of U.S. law enforcement to allow for easier access to potential terrorist activities.

Registered Agent for Service of Process – The person or entity designated to receive and forward service of process documents on behalf of the corporation. A natural person may act as registered agent or a professional registered agent may be designated. It is recommended that a professional registered agent be utilized because the agent by law must be available at all times during business hours and the possibility of being served a lawsuit in front of employees and/or clients is eliminated.

Resignation by Incorporator – A document signed by the incorporator in which the individual or entity gives up their responsibilities and powers with respect to the corporation.

Retention of Minutes – It is recommended that minutes be retained indefinitely.

Secretary of State – The state government office where corporation paperwork is filed and maintained.

S-Election – A filing with the Internal Revenue Service to form an S corporation, which is a type of corporation identified by the Internal Revenue Service with specific tax ramifications.

Service mark – Similar in nature to a trademark but used to identify services rather than products or goods. Might include a logo, color, sound, phrase, smell, phrase etc. Once registered, the named party has exclusive rights to utilize the service marked item.

Statement of Information (SOI) – A required annual filing with the California Secretary of State listing the corporation's principal address, names and addresses of the corporation's officers and names and addresses of the corporation's directors. This document is also used to change the corporation's registered agent if desired. It is required annually but may be filed more often if changes occur.

Stock Certificates – A document reflecting the owner of shares in the corporation and how many shares are owned.

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Stock Ledger – A ledger usually maintained in the corporate kit/minute book identifying to whom stock has been issued, how much stock and when. The ledger details the history of stock transactions for the corporation.

Trademark – A name, motto, emblem or symbol that is used to identify a product or goods. Once registered, the named party has exclusive rights to utilize the trademarked item.

Waiver of Notice of Meeting – Notice filed in the corporate kit/minute book that all interested parties have agreed to waive the required notice of meeting according to the corporate bylaws.

OTHER IMPORTANT CONSIDERATIONS:

Types of Decisions Handled by the Board of Directors:

Election of corporate officers and directors, establishing salaries, authorizing bonuses, declaration of dividends, election of S-corporation status, approval of general daily activities of the corporation, approving transactions between the shareholders and the corporation, approval of retirement plan contributions, large purchases by the corporation, etc.

Type of Decisions Handled by the Shareholders:

Election of the board of directors.

Timeframe:

You can expect the entire process to take about four to six weeks if you accomplish these activities yourself and personally submit the necessary forms to the appropriate agencies. If you have to send in forms via mail, the formation process itself can take as long as eight to twelve weeks. If you use a law firm or professional service company, the process can be shortened dramatically, as they are set up to do these tasks on a daily basis. Allow about two weeks lead-time using a professional company. Some companies offer expedited services, which can cut the time down to one week.

Cost:

Each activity has an associative cost. You'll experience a flat fee for filing of forms with state agencies, and likely hourly charges if an attorney assists you with tasks like preparing corporate minutes. On average, you can expect to spend between \$500 and \$600 if you handle all steps yourself with no assistance from an attorney. If you use a professional, they will charge you either for each activity separately, or package them for ease of use and to help ensure that all activities get done correctly and in a timely fashion. Comprehensive packages range from \$1,000 to \$10,000 depending on the complexity of your business.

Should I Navigate the Process Myself or Use a Professional?

The incorporation process is a set procedure that anyone can accomplish if they fill out the correct forms and file them with the appropriate agencies. Most forms are available from the Secretary of State either online or at their office. However, doing the work yourself takes patience, time and a basic understanding of the process to get the desired results. Using a professional has several advantages. First, it is faster, as described above. Second, a professional is familiar with the procedure and can guide you through what can be a complicated and confusing process. In addition, a professional will be familiar with reasons an agency may reject the articles and forms, so they can anticipate and avoid those problems up front to reduce delays. They can offer you one point of contact for all the necessary activities, which cuts down on coordination efforts for you. Finally, this is their job, so they can remove the anxiety and hassle you may experience by having to do unfamiliar or infrequent tasks.