

Forming a Corporation Through BLG

Introduction

At Buchanan Law Group, we offer a Basic Incorporation Package that provides new business owners with all of the documents and guidance they need to quickly get up and running as a California corporation. Designed to be as turnkey as possible, this service typically costs between \$1,500 and \$2,000. However, because we bill this process at our standard hourly rate, costs can be significantly higher in cases involving complex tax or financial issues, extensive negotiation, or non-attendance by one or more shareholders at the formation meeting. In certain situations, overall costs may be lower.

In addition to our hourly charges, the above estimate includes the following hard costs (a total of approximately \$335):

- California Secretary of State filing fee for *The Articles of Incorporation* and *Statement of Information*
- Fees associated with hand-delivery of all necessary documents to the California Secretary of State
- Department of Corporations filing fee
- One-time client setup fee with BLG
- Corporate Minute Book to house all official company documents

Articles of Incorporation

In this phase, we prepare *The Articles of Incorporation* for the new entity and file them with the California Secretary of State's office. Upon receipt of the filed Articles, we prepare and submit the IRS Form SS-4 (Application for Employer Identification Number) for the new corporation.

Formation Meeting

The next step is the Formation Meeting, which is the first meeting of the corporation's shareholders and first meeting of the board of directors. The shareholders will elect a board of directors and approve the bylaws. The directors will elect officers, approve the contributions of shareholders, authorize the issuance of shares, and tend to other initial housekeeping matters relating to the corporation's formation. Generally, we conduct this meeting at our offices, but by special arrangement we can also meet at the client's place of business or conduct the meeting by telephone conference. Costs can rise dramatically if all shareholders and directors are not present at this meeting, primarily because coordinating all of the necessary signatures becomes much more difficult and time-consuming.

Forming a Corporation Through BLG

Prior to the formation meeting, BLG will have prepared the following documents for client review and comments:

- Transfer documentation, if appropriate (Bill of Sale, Assignments)
- Waiver of Notice of First Meeting of Shareholders
- Minutes of First Meeting of Shareholders
- Waiver of Notice of First Meeting of Board of Directors
- Minutes of First Meeting of Board of Directors
- Basic Bylaws
- Stock Certificates (including appropriate legends) for shareholders

In the event that the new corporation has elected to be taxed as an S Corporation, we will also prepare IRS Form 2553 for signature by the shareholders and submit this form to the IRS on behalf of the client.

We will also have prepared the *Statement of Information* for later submission to the California Secretary of State's office. This form is generally due within 90 days of formation.

At the formation meeting, we will discuss the above mentioned documents and also any other legal or business issues that the client may have.

After the Formation Meeting

After the formation meeting, we will prepare one duplicate copy of the formation documents and send them to the shareholders. If appropriate, we will also prepare a §25102(f) Statement on behalf of our client and submit it to the Department of Corporations, with confirmation going directly to the client. This statement verifies the applicability of an exemption from registration of the securities with the State of California.

Finally, we'll prepare and send the Corporate Operations Memorandum to the client, which contains advice and guidance on the corporation's ongoing operations.

Additional Information

Some clients may need to take additional steps that apply to their particular business. BLG can perform the following services at our prevailing or a negotiated hourly rate:

Compliance with Bulk Sales Laws

Corporations may be subject to California's bulk sales statutes if all of the following conditions are true: a) a shareholder is transferring more than half the value in inventory and equipment from an unincorporated business located in California to your new corporation, b) the value of the assets transferred is at least \$10,000 but no more than \$5 million, and c) the incorporated business is a restaurant, retail company, or wholesale business. BLG can help ensure that corporations are in compliance with this statute.

Forming a Corporation Through BLG

Corporate Buy-Sell Agreement

In most cases, BLG strongly advises shareholders in new corporations to adopt a corporate buy-sell agreement. Such agreements typically address what happens when a shareholder departs, divorces, dies, or files for bankruptcy, as well as how to handle voluntary and involuntary dispositions of stock and, when necessary, replace shareholders. For more information, read the article entitled [The Buy-Sell Agreement: What is it and why is it important?](#), available on our website.

The information contained herein is for informational purposes only. Buchanan Law Group (BLG) expressly disclaims all liability for anything the reader chooses to do or to omit doing in reliance upon the contents of this document. Posting and receipt of this information is not intended to create, nor does it create or constitute, an attorney-client relationship between BLG and the reader. No client or other reader should act or refrain from acting on the basis of any matter contained on this website without seeking appropriate legal or other professional advice based upon the particular facts and circumstances at issue.