

Forming a Limited Liability Company (LLC) Through BLG

Introduction

At Buchanan Law Group, we offer a Basic Formation Package that provides new business owners with all of the documents and guidance they need to quickly get up and running as a California LLC. 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 members at the formation meeting. In certain situations, overall costs may be lower than the estimated cost. In addition to our hourly charges, the above estimate includes the following hard costs (a total of approximately \$305):

- California Secretary of State filing fee for *The Articles of Organization* 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
- LLC Minute Book to house all official company documents

Articles of Organization

In this phase, we prepare *The Articles of Organization* (Form LLC-1) for the new entity and submit them to the California Secretary of State's office. Upon receipt of the documents, we prepare and submit the IRS Form SS-4 (Application for Employer Identification Number) for the new entity.

Formation Meeting

The next step is the Formation Meeting. This is the first meeting of the members of the LLC. It is at this initial meeting that contributions to the LLC are approved, certificates are issued to members, managers and officers are elected (if applicable), an operating agreement is adopted, and other housekeeping matters are handled. To keep costs down for our clients, we typically conduct this meeting at our offices, but by special arrangement we can also meet at their place of business or by telephone conference. It is important to note that costs can rise dramatically if all members are not present at this meeting, primarily because coordinating all of the necessary signatures becomes much more difficult and time-consuming.

Before the meeting, BLG will prepare the following documents for client review and comments:

- Transfer documentation (Bill of Sale, Assignments)
- Waiver of Notice of First Meeting of Members
- Minutes of First Meeting of Members

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- Basic Operating Agreement
- LLC Certificates of Unit Ownership (including appropriate legends) for members

At the 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

Next, we will prepare duplicate copies of the formation documents and send them to each of the members. If appropriate, we will prepare and submit a Form §25102(f) Statement on behalf of our clients and submit it to the Department of Corporations, with confirmation going directly to the clients. This statement enables LLCs with fewer than 35 members to issue stock.

Finally, we will prepare and send the LLC Operations Memorandum to the client, which contains advice and guidance on the LLC's ongoing operations. We also prepare and submit the *Statement of Information* to the California Secretary of State's office along with the appropriate filing fee.

Additional Information

Some clients may need to take additional steps that apply to their particular business. BLG can perform the following services at our normal hourly rates:

Compliance with Bulk Sales Laws

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

Understanding Taxation of LLCs

Different tax laws apply to different types of LLCs. For example, for purposes of federal income taxation, single-member LLCs are taxed as sole proprietors. In these cases, all income and deductions are declared on the individual's IRS Schedule C form. However, when an LLC involves two or more members, federal and state tax laws can classify it as either a partnership or a corporation—and the default provision is taxation as a partnership. BLG can address any tax issues that the client has and ensure that the LLC is taxed appropriately.

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