

Limiting Your Personal Liability For Corporate/LLC Actions

Be Certain The Corporation or LLC Is Correctly Established

1. Provide adequate capital to the corporation or LLC in light of its potential liabilities. (For example, a corporation or LLC which is expected to incur large liability cannot be started by having only \$50 in the corporate account.)
2. Properly file Articles of Incorporation or Articles of Organization.
3. Enact By-Laws or an Operating Agreement.
4. Issue stock certificates or Certificates of Ownership.
5. Keep an official corporate minute book of meetings and actions taken or an official LLC book.
6. Hold a meeting to set up the LLC or hold corporate meetings to set up the corporation, including votes to elect directors and officers, issue stock, etc.
7. Open separate bank accounts.
8. Keep separate books and accounting.
9. Obtain a corporate/LLC identification number (EIN number).

Follow All Corporate Formalities In Your Day-to-Day Business

1. Follow the rules and procedures set forth in the corporation's By-Laws or the LLC's Operating Agreement.
2. Hold formal corporate meetings (which include proper written notice given in accordance with state Law and the corporation's By-laws). This should be once a year minimum and more often if major decisions or corporate actions are being taken. Hold LLC meetings as appropriate.
3. Keep written documentation of corporate or LLC meetings and actions.
4. Obtain formal corporate or LLC approval of all significant actions taken (hiring, loans, acquisitions, major purchase, changes in business).
5. Make sure anyone you deal with knows you are acting on behalf of a corporation or LLC, not on your own behalf.
6. If you are a corporate officer acting on behalf of the corporation, always be sure to sign your name by indicating your title and always use the corporate name along with the signature (for example: ABC, Inc. by John Smith, its President). Make sure you have corporate or LLC authorization to take the actions you are taking and that such authorization is documented in the official corporate or LLC book in one of the following forms: Corporate Resolution, By-Laws, Operating Agreement, Employment Agreement, or other document.
7. If the corporation or LLC has insufficient assets to cover liabilities, shareholders or members who take money out of the corporation or LLC in the form of a salary may expose themselves to personal liability.
8. Keep separate books and accounts.
9. File corporate or LLC tax returns as appropriate.
10. Never commingle personal money or assets with personal money or assets.

If a shareholder or member puts money into the corporation or LLC (beyond the capital investment to purchase stock), document this by using a Promissory Note from the LLC or corporation and a Corporate Resolution.

11. Be certain your advertising, letterhead, contracts, invoices, and business cards contain the corporate name, including the designation “Inc.” or “Corporation” or “LLC.”
12. File annual reports with the state.
13. If you do business in another state, register the corporation or LLC in that state.

Provided courtesy of:



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