MUSIC • VISUA ARTS • DIGITAL MEDIA • PRO BONO• PRO BONO• PRO BONO• PERFORMINGARTS • LITERATURE • MUSIC • COMPOSING • ARTS EDUCATION • FASHION DESIGN PRO BONO• PHOTOGRAPHY • DIRECTING • SCULPT TELEVISION• PRO BONO• MUSIC • VISUA ARTS • DIC DOCUMENTARY • GRAPHIC DESIGN PRO BONO• PEDANCE • OPERA• PRO BONO• CURATING • COMPOS CHOREOGRAPHY • MUSEUMS • PUBLISHING PRO BIVIDEOGRAPHY • ACTING • PAINT

• PRO BONO• THEATER • DOCUI LITERATURE • MUSICALS • DAN FASHION DESIGN • CHOREOG **DIRECTING • SCULPTING • VIDE** VISUALARTS • DIGITAL MEDIA • P **BONO · PERFORMINGARTS · LIT** COMPOSING \*ARTS EDUCATION PRO BONO PHOTOGRAPHY • D TELEVISION• PRO BONO• MUSI **DOCUMENTARY • GRAPHIC DES** DANCE • OPERA • PRO BONO • C CHOREOGRAPHY • MUSEUMS • VIDEOGRAPHY • ACTING • PAINT • PRO BONO• THEATER • DOCUI LITERATURE • MUSICALS • DAN • FASHION DESIGN • CHOREOG **DIRECTING • SCULPTING • VIDE** VISUAL ARTS • DIGITAL MEDIA • P

**BONO · PERFORMINGARTS · LITERATURE · MUSICAI** COMPOSING \*ARTS EDUCATION • FASHION DESIGN PRO BONO PHOTOGRAPHY DIRECTING SCULPT TELEVISION • PRO BONO • MUSIC • VISUA ARTS • DIG DOCUMENTARY • GRAPHIC DESIGN PRO BONO • PE DANCE • OPERA • PRO BONO • CURATING • COMPOS CHOREOGRAPHY • MUSEUMS • PUBLISHING PRO BI VIDEOGRAPHY • ACTING • PAINTING • TELEVISION• P • PRO BONO• THEATER • DOCUMENTARY • GRAPHIC LITERATURE • MUSICALS • DANCE • OPER• PRO BO • FASHION DESIGN • CHOREOGRAPH• MUSEUMS • DIRECTING • SCULPTING • VIDEOGRAPH ACTING • VISUALARTS • DIGITAL MEDIA • PRO BONO • THEATER BONO · PERFORMINGARTS · LITERATURE · MUSICAI COMPOSING \*ARTS EDUCATION \*FASHION DESIGN PRO BONO PHOTOGRAPHY DIRECTING SCULPT TELEVISION • PRO BONO • MUSIC • VISUA ARTS • DIC DOCUMENTARY • GRAPHIC DESIGN PRO BONO • PE DANCE • OPERA • PRO BONO • CURATING • COMPOS CHOREOGRAPHY • MUSEUMS • PUBLISHING PRO BI VIDEOGRAPHY • ACTING • PAINTING • TELEVISION• PI • PRO BONO• THEATER • DOCUMENTARY • GRAPHIC LITERATURE • MUSICALS • DANCE • OPER• PRO BO • FASHION DESIGN • CHOREOGRAPH• MUSEUMS • DIRECTING • SCULPTING • VIDEOGRAPH ACTING • VISUAL ARTS • DIGITAL MEDIA • PRO BONO • THEATER BONO · PERFORMINGARTS · LITERATURE · MUSICAI COMPOSING \*ARTS EDUCATION • FASHION DESIGN PRO BONO PHOTOGRAPHY DIRECTING SCULPT TELEVISION • PRO BONO • MUSIC • VISUA ARTS • DIO DOCUMENTARY • GRAPHIC DESIGN PRO BONO • PE DANCE • OPERA • PRO BONO • CURATING • COMPOS CHOREOGRAPHY • MUSEUMS • PUBLISHING PRO BI VIDEOGRAPHY • ACTING • PAINTING • TELEVISION• P • PRO BONO• THEATER • DOCUMENTARY • GRAPHIC LITERATURE • MUSICALS • DANCE • OPER• PRO BO • FASHION DESIGN • CHOREOGRAPH• MUSEUMS • DIRECTING • SCULPTING • VIDEOGRAPH ACTING • VISUALARTS • DIGITAL MEDIA • PRO BONO • THEATER **BONO · PERFORMINGARTS · LITERATURE · MUSICAI** COMPOSING \*ARTS EDUCATION \*FASHION DESIGN PRO BONO PHOTOGRAPHY DIRECTING SCULPT TELEVISION • PRO BONO • MUSIC • VISUA ARTS • DIG DOCUMENTARY • GRAPHIC DESIGN PRO BONO • PE DANCE . OPERA . PRO RONO. CLIRATING . COMPOS

## LCA's Video Law Library

## Representing the LCA Music Client: Band Formation

#### Speakers:

Barry Irwin | Irwin IP Peter Strand | Leavens, Strand & Glover





### Band Formation: Agreements Among Band Members

- Fundamental issues to address
  - Band Member jobs and responsibilities
  - How to split profits from gigs
  - How to split merchandise profits
  - How the band should make future decisions
    - Majority vs. Unanimous vote
  - How to determine songwriting credits
  - Who owns the band name
  - What to do if a band member wants to quit



## Band Formation: Choice of Entity

General Partnership

"S" Corporation

Limited Liability Company (LLC)



### General Partnership: Advantages and Disadvantages

- Advantages
  - Simplicity minimal startup requirements, flexibility in structuring operations, and no required state filings.

- Disadvantages
  - Personal Liability each band member can be held personally responsible for the acts and debts of the band as an entity.

## General Partnership: Drafting the Partnership Agreement

- Defining scope of band partner services
  - Contributions to sound recordings as well as live performances
- Restrictions on non-band partner activities
- Explicit rejection of employer-employee relationship
- Establishment of Name/Logo/etc.
- Rules for meetings
  - Including delineation of which matters require a unanimous vote and which require a simple majority



## General Partnership: Drafting the Partnership Agreement

- Ownership of Sound Recordings
  - Will Copyrights be registered in the name of the Band Partnership or each Band Partner?
- Ownership of Musical Compositions/Publishing Rights and division of publishing income
- Band Partner Contributions amount, frequency, etc.
- Profit and Loss Sharing
- Accounting procedures



## General Partnership: Drafting the Partnership Agreement

- Dissolution what happens when the band dissolves, or even when a band member leaves
- Procedures for addition of new members
- Rights and Duties of former members
- Additional Boilerplate
  - Warranties and Indemnification
  - Notices
  - Waiver
  - Choice of Law
  - Mediation/Arbitration
  - Etc.



## "S" Corporation: Advantages and Disadvantages

- Advantages
  - Limited liability protection
  - Single taxation
  - Reduced annual cost (as compared to LLCs)

- Disadvantages
  - Rigid management structure
  - Onerous ongoing requirements



## "S" Corporation: Formation Checklist

- Articles of Incorporation
- By-laws
- Organizational Consents
- Stock Certificate and Receipts
- Shareholders Agreement
- Employer Identification Number
- S-election form
- Disclosure Document
- Annual Consents
- Annual Report filing with Secretary of State



### "S" Corporation: Articles of Incorporation

- Filing Fee \$150.00
- Corporate Name
- Registered Agent & Office
- Purpose of the Corporation
- Shares

Form available in Supplementary Materials as well as via www.cyberdriveillinois.com

FORM BCA 2.10 (rev. Dec. 2003) ARTICLES OF INCORPORATION **Business Corporation Act** 

Secretary of State Department of Business Services 501 S. Second St., Rm. 350 Springfield, IL 62756 www.cyberdriveillinois.com

Remit payment in the form of a cashier's check, certified check, money order

	an Illinois attorney's or CPA's yable to Secretary of State.	check				
Se	e Note 1 on back to detern	ine fees.				
Fil	ing Fee: \$150 Franchise Ta	x \$	Total \$	File #		Approved:
-	Submit in duplic	ate ———	Type or Print clear	ly in black ink	Do not write above	this line ———
1.	Corporate Name:					
	The Corporate N	ame must conta	in the word "Corporation	n," "Company," "Incorporated	i," "Limited" or an abbre	viation thereof.
2.	Initial Registered Agent:		First Name	Middle Initial	Last Name	
	Initial Registered Office:	Number	Street	Suite N	o. (P.O. Box alone is un	acceptable)
				IL		
	-		City	ZIP Code	County	
4.	Paragraph 1 — Authorize	ed Shares, Is		Consideration Received		nsideration to be
	Class	Authoriz	zed	Proposed to be Issue	d R	eceived Thereof
					\$	
					TOTAL = \$	
	Paragraph 2 — The prefeshares of each class are if more space is needed.			,	cial or relative right	s in respect of the
				on back)		



# "S" Corporation: Articles of Incorporation

- Initial Board of Directors
- Corporate Property and Estimated Business
- Additional Provisions
- Incorporators

Form available in Supplementary Materials as well as via www.cyberdriveillinois.com

		ITEMS 5, 6	AND 7 ARE OF	TIONAL		
		Number of Directors constituting the initial boar Names and Addresses of persons serving as di cessors are elected and qualify:	rectors until the f		ing of sharehold	
	_	Name	Address		City, Sta	ite, ZIP
6.		It is estimated that the value of the property to	be owned by th	e corporation		
	b.	for the following year wherever located will be It is estimated that the value of the property to		n the State	\$	
	C.	of Illinois during the following year will be: It is estimated that the gross amount of busine			\$	
		the corporation during the following year will be	oe:		\$	
	d.	It is estimated that the gross amount of busine from places of business in the State of Illinois			\$	
	rati	ner Provisions: Attach a separate sheet of this on (e.g., authorizing preemptive rights, denying rements, fixing a duration other than perpetual	ng cumulative vo			
		NAME(S) & ADDR	ESS(ES) OF INC	ORPORATOR(	S)	
		e undersigned incorporator(s) hereby declare(s) Articles of Incorporation are true.	), under penalties	of perjury, that	the statements i	made in the forego-
	Da	Month & Day	Year			
		Signature and Name			Address	
	١.		1.		Street	
		Signature			Street	
		Name (type or print)		City/Town	State	ZIP Code
2	2.	Signature	2.		Street	
		Name (type or print)		City/Town	State	ZIP Code
•	3.	Signature	3.		Street	
		Name (type or print)		City/Town	State	ZIP Code
na	0	tures must be in BLACK INK on an original only be used on conformed copies.  If a corporation acts as incorporator, the name of execution shall be by a duly authorized corporation.	of the corporation	and the state of	incorporation sh	all be shown and the
		- Fee Schedule:	15/100 of 1 perc		2 - Return to	:
	(\$1	.50 per \$1,000) on the paid-in capital represented imum initial franchise tax is \$25.)			Firm	name
		e filing fee is \$150.			Atter	ntion
	The	e minimum total due (franchise tax + filing fee)	) is \$175.	_	Mailing /	Address
					C1. No.	7000-4-



## "S" Corporation: By-laws

- Common Provisions
  - Offices
  - Recordkeeping procedures
  - Meetings and relevant procedures
    - Including voting and attendance rules
  - Board of Directors
    - Rights and Responsibilities
  - Officers
  - Shares and transfer thereof
  - Contract/Loan/Deposit Authority
  - Indemnification
  - Miscellaneous



## "S" Corporation: Organizational Consent

#### MEMORANDUM OF RECORDING

The original of the Articles of Incorporation, File No. [File Number], immediately following this Memorandum, was filed for record in the Office of the Recorder of Deeds of [County], Illinois, on [Date] as document number [Document Number].



## "S" Corporation: Organizational Consent

#### [BAND CORP.]

CONSENT OF SOLE INCORPORATOR TO ADOPTION OF RESOLUTION IN LIEU OF ORGANIZATIONAL MEETING

The undersigned, being the sole incorporator of [BAND CORP.]., an Illinois corporation, pursuant to

Sections 2.05 and 2.20 of the Illinois Business Corporation Act of 1983, consents in writing to the adoption of the following resolution in lieu of an organizational meeting:

RESOLVED, that the following named persons are elected to serve as directors of the Corporation, to serve until the first annual meeting of the shareholders and until their successors are elected and qualified:

[Board Member 1]

[Board Member 2]

[Board Member 3]

Dated as of [Date]



# "S" Corporation: Organizational Consent

There will also be a document memorializing the consent of the Board of Directors regarding:

- Ratification of actions of the incorporator
- Adoption of By-Laws
- Election of Officers
- Issuance of shares
- Fiscal Year
- Bank Accounts



## "S" Corporation: Stock Legends

#### LEGENDS TO ADD TO REVERSE SIDE TO STOCK CERTIFICATES

The securities represented by this certificate have been acquired for investment and has not been registered under the Securities Act of 1933, as amended, or any applicable state securities laws. Without such registration, such securities may not be sold or otherwise transferred at any time whatsoever unless, in the opinion of counsel satisfactory to the Company, (1) registration is not required for such transfer and (2) such transfer will not be in violation of the Act or applicable state securities laws, or any rule or regulation promulgated thereunder.

The sale or transfer of this certificate is subject to an agreement between the Shareholders dated [Date of Shareholder's Agreement]. A copy of this Agreement is on file in the Office of the Secretary of the Corporation.



### "S" Corporation: Shareholders Agreement

- Basic Provisions
  - Name of band
  - Details of formation
  - Term of agreement
  - Place of business
  - Purpose
  - Directors and Officers



## "S" Corporation: Shareholders Agreement

#### Distribution of Profits – Sample Provision

- a. Net Profits shall be equally distributed to the Shareholders from time to time as authorized by the Board of Directors. The aggregate amounts distributed to the Shareholders from the Corporation's profits shall not, however, exceed the amount of cash available for distribution, taking into account the Corporation's reasonable working capital needs as determined by the Board of Directors.
- b. For the purpose of this Agreement, "Net Profits" shall mean all income, advances, royalties, license fees, commissions, bonuses, payments (other than repayment of loans), interests or monies of any kind or nature paid to the Corporation after deducting the sum total of all expenses, including, but not limited to, salaries, management fees, license fees, royalties, rent, promotional costs, travel costs, office expenditures, telephone costs, accounting and legal fees, entertainment costs and any and all other Corporation expenses incurred by the Corporation while conducting Corporation business.
- c. The Corporation shall distribute to each Shareholder on or before sixty (60) days after the end of each fiscal year an amount sufficient to cover such Shareholder's tax obligation as a shareholder in a "S" Corporation for such fiscal year.



### "S" Corporation: Shareholders Agreement

- Shareholders
  - Rights and Obligations
  - Restriction on transfer of shares
- Assets of the Corporation
- Corporate Bank Accounts
- Miscellaneous
  - Insurance
  - Construction/Severability
  - Modification



### "S" Corporation: Employer Identification Number (EIN)

- Sometimes referred to as a Tax Identification Number (TIN)
  - Can obtain <u>online</u>

#### **Step 1: Determine Your Eligibility**

- You may apply for an EIN online if your principal business is located in the United States or U.S. Territories.
- The person applying online must have a valid Taxpayer Identification Number (SSN, ITIN, EIN).
- You are limited to one EIN per responsible party per day.

#### **Step 2: Understand the Online Application**

- You must complete this application in one session, as you will not be able to save and return at a later time.
- Your session will expire after 15 minutes of inactivity, and you will need to start over.

#### **Step 3: Submit Your Application**

 After all validations are done you will get your EIN immediately upon completion. You can then download, save, and print your EIN confirmation notice.

**Apply Online Now** 



### "S" Corporation: S-Election – IRS Form 2553

- Necessary to obtain Single Taxation benefit
- Requirements
  - Domestic Corporation
  - No more than 100 shareholders
  - Shareholders are individuals, estates, other exempt organizations, or trusts
  - No nonresident alien shareholders
  - One class of stock
  - Cannot be
    - Bank, insurance company, possessions corporation, DISC
  - Must have one of the permitted tax years
    - Ends 12/31, natural business year, ownership tax year, etc.
  - Consent of Shareholders



## "S" Corporation: Disclosure Document

- Often a letter directed to the new "Band Corp."
  - Explain corporate formalities and operating procedures
    - Minute Book
    - Annual Report
    - Annual Meetings
    - Tax Returns
    - Changed Circumstances



## "S" Corporation: Annual Consents

- Adoption of Resolutions in Lieu of Annual Meeting
  - Ratification of Prior Acts
  - Shareholders' Election of Directors
  - Directors' Election of Officers



## "S" Corporation: Annual Report

- Basics
  - Identifying Information
  - Principal Address
  - Date of Incorporation
- Officers and Directors
- Authorized and Issued Shares
- Paid-in Capital

Form available in Supplementary Materials as well as via www.cyberdriveillinois.com

YEAR ( File Pric			DOMESTIC CORPOR	OF ILLINOIS ATION ANNUAL REPOR INT CLEARLY IN BLACK INK		ORPORATION LE NO.
,	NOTE: A Chan	ge in the registered ag	ent and/or registered office n	nay only be effected by filing	form BCA-5.10/5.20. I	f there have been any
			BCA-14.30 must be comple			,
1.) (	CORPORATE I	NAME				
,	REGISTERED					
	REGISTERED					
	CITY, IL, ZIP C				COUNTY	
`	OTT, IL, ZIF O	ODE			COOKIT	
2.) F	Principal addres	ss of corporation:				
		Stree	¢ .	City		State ZIP Code
	Date Incorporat					
.) 1	The names and	d addresses of ALL o	fficers & directors MUST b	e listed here!		
	1					
OFFI		NAME	NUMBER 8	STREET CIT	Y STAT	E ZIP
Presid						
Treas						
Direc						
Direc						
Direc	0101					
-		of the stock is owned b es authorized and issu	y a minority or female, pleas ed <i>(as of</i>	e check appropriate box.	Minority Ow	ned Female Owned
LASS		SERIES	PAR VALUE	NUMBER AUTHOR	RIZED	NUMBER ISSUED
LASS		SERIES	PAR VALUE	NUMBER AUTHOR	RIZED	NUMBER ISSUED
MPOR			PAR VALUE  6 or 7a differs from the Secre			
MPOR	TANT! Whener					
MPOR	TANT! Whener	ver the amount in item paid-in capital as of	6 or 7a differs from the Secr		n BCA 14.30 must be o	
MPOR'a.) T	TANT! Whener The amount of p	ver the amount in item paid-in capital as of	6 or 7a differs from the Secre is: \$		n BCA 14.30 must be o	ompleted.
MPOR'a.) T	:TANT! Whener The amount of p	ver the amount in item paid-in capital as of	6 or 7a differs from the Secre is: \$ Secretary of State is: \$		(Paid-in Capita stated Capita counts.)	ompleted.  all reflects the sum of the I and Paid-in surplus ac-
MPOR  'a.) T  'b.) T	TANT! Whener The amount of p The Paid-in Cap (An	ver the amount in item baid-in capital as of sital on record with the	6 or 7a differs from the Secre is: \$ Secretary of State is: \$	etary of State's records, form	(Paid-in Capit stated Capita counts.)  Under the penalty officer, I declare the	ompleted.  all reflects the sum of the I and Paid-in surplus ac-
MPOR  a.) T  b.) T  i.) B	ETANT! Whener The amount of p The Paid-in Cap  (An	ver the amount in item baid-in capital as of sital on record with the	6 or 7a differs from the Secre is: \$ Secretary of State is: \$	etary of State's records, form	(Paid-in Capit stated Capita counts.)  Under the penalty officer, I declare tre provisions of the been examined to	ompleted.  all reflects the sum of the I and Paid-in surplus ac- or of perjury and as an authorized at this annual report, pursuant to Business Corporation Act, has yone and its, to the best of my yone and its, to the best of my
MPOR  a.) T  b.) T  i.) B  RETUR  esse V	ETANT! Whener The amount of p The Paid-in Cap By (An	ver the amount in item baid-in capital as of sital on record with the	6 or 7a differs from the Secretis: \$  Secretary of State is: \$	etary of State's records, form	(Paid-in Capit stated Capita counts.)  Under the penalty efficer, I declare if provisions of the been examined:	ompleted.  all reflects the sum of the I and Paid-in surplus ac-
MPOR  a.) T  b.) T  RETURN  Secreta	ETANT! Whener The amount of p The Paid-in Cap  (An	ver the amount in item hald-in capital as of pital on record with the by Authorized Officer's Sign	6 or 7a differs from the Secretis: \$  Secretary of State is: \$	etary of State's records, form  (Tate) (Date)	(Paid-in Capit stated Capita counts.)  Under the penalty efficer, I declare if provisions of the been examined:	ompleted.  all reflects the sum of the I and Paid-in surplus ac- or of perjury and as an authorized at this annual report, pursuant to Business Corporation Act, has yone and its, to the best of my yone and its, to the best of my
MPOR  a.) T  b.) T  certure to the control of the control of the control of the control of the certure to the c	TANT! Whener The amount of p The Paid-in Cap By (An RN TO: White ary of State med of Busines field, IL 62756	ver the amount in item baid-in capital as of sital on record with the y Authorized Officer's Sign as Services	6 or 7a differs from the Secretis: \$  Secretary of State is: \$	etary of State's records, form  (Tate) (Date)	(Paid-in Capit stated Capita counts.)  Under the penalty efficer, I declare if provisions of the been examined:	ompleted.  all reflects the sum of the I and Paid-in surplus ac- or of perjury and as an authorized at this annual report, pursuant to Business Corporation Act, has yone and its, to the best of my yone and its, to the best of my
MPOR  (a.) T  (b.) T  RETUR  ease V  ecreta  pringfi  elephor	ETANT! Whener The amount of p The Paid-in Cap  (An RN TO: White any of State ment of Business one (217) 782-7	ver the amount in item baid-in capital as of bital on record with the y Authorized Officer's Sign as Services	6 or 7a differs from the Secretis: \$  Secretary of State is: \$	etary of State's records, form  (Tate) (Date)	(Paid-in Capit stated Capita counts.)  Under the penalty efficer, I declare if provisions of the been examined:	ompleted.  all reflects the sum of the I and Paid-in surplus ac- or of perjury and as an authorized at this annual report, pursuant to Business Corporation Act, has yone and its, to the best of my yone and its, to the best of my
MPOR  (a.) T  (b.) T  RETUR  ease V  ecreta  pringfi  elephor	ETANT! Whener The amount of p The Paid-in Cap  (An RN TO: White any of State ment of Businese one (217) 782-7 yberdriveillinois	ver the amount in item baid-in capital as of bital on record with the y Authorized Officer's Sign as Services 7508 com	6 or 7a differs from the Secretary of State is: \$  Secretary of State is: \$  ITEM 8 MUS	etary of State's records, form (Title) (Date)	(Paid-in Capit stated Capita counts.)  Under the penalty officer, I declare the provisions of the been examined to knowledge and be	ompleted.  all reflects the sum of the I and Paid-in surplus ac- y of perjury and as an authorized at this annual report, pursuant to Business Corporation Act, has by me and is, to the best of my alief, true, correct, and complete.
MPOR  (a.) T  (b.) T  RETUR  ease V  ecreta  pringfi  elephor	ETANT! Whener The amount of p The Paid-in Cap  (An RN TO: White any of State ment of Businese one (217) 782-7 yberdriveillinois	ver the amount in item baid-in capital as of bital on record with the y Authorized Officer's Sign as Services 7508 com	6 or 7a differs from the Secretis: \$  Secretary of State is: \$	etary of State's records, form (Title) (Date)	(Paid-in Capit stated Capita counts.)  Under the penalty officer, I declare the provisions of the been examined to knowledge and be	ompleted.  all reflects the sum of the I and Paid-in surplus ac- y of perjury and as an authorized at this annual report, pursuant to Business Corporation Act, has by me and is, to the best of my alief, true, correct, and complete.
MPOR  (a.) T  (b.) T  RETUR  ease V  ecreta  pringfi  elephor	ETANT! Whener The amount of p The Paid-in Cap  (An RN TO: White any of State ment of Businese one (217) 782-7 yberdriveillinois	ver the amount in item baid-in capital as of bital on record with the y Authorized Officer's Sign as Services 7508 com	6 or 7a differs from the Secretary of State is: \$  Secretary of State is: \$  ITEM 8 MUS	etary of State's records, form (Title) (Date)	(Paid-in Capit stated Capita counts.)  Under the penalty officer, I declare the provisions of the been examined to knowledge and be	ompleted.  all reflects the sum of the I and Paid-in surplus ac- y of perjury and as an authorized at this annual report, pursuant to Business Corporation Act, has by me and is, to the best of my alief, true, correct, and complete.
MPOR  (a.) T  (b.) T  (b.) B  (cose v	The Paid-in Cap  The Paid-in Cap  An TO:  White any of State ment of Business  Gold, IL 62756  one (217) 782-7  yberdriveillinois  (PLI	ver the amount in item baid-in capital as of bital on record with the y Authorized Officer's Sign as Services 7508 com	6 or 7a differs from the Secretary of State is: \$  Secretary of State is: \$  ITEM 8 MUS	etary of State's records, form (Title) (Date)	(Paid-in Capit stated Capita counts.)  Under the penalty officer, I declare the provisions of the been examined to knowledge and be	ompleted.  all reflects the sum of the I and Paid-in surplus ac- y of perjury and as an authorized at this annual report, pursuant to Business Corporation Act, has by me and is, to the best of my alief, true, correct, and complete.
MPOR  (a.) T  (b.) T  RETUR  RETUR  Pepartn  Pepartn  Pepartn  Peresit	ETANT! Whener The amount of p The Paid-in Cap  (An RN TO: White any of State ment of Businer fold, IL 62766 (PLI DENT	ver the amount in item baid-in capital as of bital on record with the y Authorized Officer's Sign as Services 7508 com	6 or 7a differs from the Secretary of State is: \$  Secretary of State is: \$  ITEM 8 MUS	etary of State's records, form (Title) (Date)	(Paid-in Capit stated Capita counts.)  Under the penalty officer, I declare the provisions of the been examined to knowledge and be	ompleted.  all reflects the sum of the I and Paid-in surplus ac- y of perjury and as an authorized at this annual report, pursuant to Business Corporation Act, has by me and is, to the best of my alief, true, correct, and complete.
MPOR  a.) T  b.) T  c.) B  RETUR  elecreta  elepartn  plingfic  pl	TANT! Whener The amount of p The Paid-in Cap By (An RN TO: White any of State ment of Businer field, IL 62756 one (217) 782-1 yberdriveillinois (PLI DENT ETARY ABOVE OFFIK	ver the amount in item paid-in capital as of pital on record with the y Authorized Officer's Sign as Services FB08 EASE COMI	6 or 7a differs from the Secretary of State is: \$  Secretary of State is: \$  ITEM 8 MUS	etary of State's records, form (Title) (Date)  ST BE SIGNED  EVERSE SIDE (	(Paid-in Capit stated Capita counts.)  Under the penalty officer, I declare the provisions of the been examined to knowledge and be	ompleted.  all reflects the sum of the I and Paid-in surplus ac- y of perjury and as an authorized at this annual report, pursuant to Business Corporation Act, has by me and is, to the best of my alief, true, correct, and complete.
MPOR  To.) T  Secreta	TANT! Whener The amount of p The Paid-in Cap By (An RN TO: White any of State ment of Businer field, IL 62756 one (217) 782-1 yberdriveillinois (PLI DENT ETARY ABOVE OFFIK	ver the amount in item paid-in capital as of pital on record with the y Authorized Officer's Sign as Services FB08 EASE COMI	6 or 7a differs from the Secretary of State is: \$	etary of State's records, form (Title) (Date)  ST BE SIGNED  EVERSE SIDE (	(Paid-in Capit stated Capita counts.)  Under the penalty officer, I declare the provisions of the been examined to knowledge and be	ompleted.  all reflects the sum of the I and Paid-in surplus ac- y of perjury and as an authorized  ast this annual report, pursuant to  Business Corporation Act, has  by me and is, to the best of my  allef, true, correct, and complete.
MPOR  (a.) T  (b.) T  (b.) T  (c) Secretary  (c) Se	The Paid-in Cap  The Paid-in Cap  RN TO: White any of State ment of Busines fold, IL 62756 (PLI  DENT  ETARY  ABOVE OFFICE  COMMENT  ABOVE OFFICE  COMMENT  ABOVE OFFICE  COMMENT  COMME	ver the amount in item paid-in capital as of paid-in capital as of pital on record with the y Authorized Officer's Sign as Services FASE COMI CERS' NAMES AND A NLY THE ADDITIONS	6 or 7a differs from the Secretary of State is: \$  Secretary of State is: \$  ITEM 8 MUS  PLETE THE RE  DDRESSES ARE MISSING S OR CORRECTIONS BELO	etary of State's records, form  (Title) (Date)  ST BE SIGNED  EVERSE SIDE ( OR HAVE  W.	(Paid-in Capits stated Capita counts.)  Under the penalty officer, I declare the provisions of the been examined it knowledge and but the provisions of the state of the penalty of the penalty of the penalty of the provisions of the penalty of the pe	ompleted.  all reflects the sum of the I and Paid-in surplus actions an authorized sat this annual report, pursuant to Business Corporation Act, pursuant to Business Corporation Act, pursuant to grain and is, to the best of my silef, true, correct, and complete.  EPORT)  File No.
MMPOR  Tal. Tal. Tal. Tal. Tal. Tal. Tal. Tal.	TANT! Whener The amount of p The Paid-in Cap By (An RN TO: White ary of State medic, It. 62756 one (217) 782-7 /berdrivellinois (PLI DENT TARY ABOVE OFFIC GED, ENTER O DENT ETARY	ver the amount in item hald-in capital as of bital on record with the y Authorized Officer's Sign as Services FASE COMI CERS' NAMES AND A NILY THE ADDITIONS NAME NAME	6 or 7a differs from the Secretary of State is: \$	etary of State's records, form  (Title) (Date)  ST BE SIGNED  EVERSE SIDE ( OR HAVE  W.  CITY  CITY	(Paid-in Capit stated Capita counts.)  Under the penalty efficer, I declare the provisions of the been examined: I knowledge and bit in the penalty efficer.	ompleted.  all reflects the sum of the I and Paid-in surplus ac- y of perjury and as an authorized  act this annual report, pursuant to  Business Corporation Act, has  yme and is, to the best of my  ellef, true, correct, and complete.



## "S" Corporation: Annual Report

- Allocation of Assets and Property
- Annual Franchise Tax and Fees

The value of the property (gross assets) (a) owned by the corporation, wherever located, was (b) of the corporation located within the state of Illinois wa (c) everywhere for the above period was (d) at or from places of business in Illinois for the above period was (Write this figure on ALLOCATION FACTOR = line 11b below.) (6 decimal places) 10.)(a.) ALL property of the corporation is located in Illinois and ALL business of the corporation is transacted at or from places of business (b.) The corporation ELECTS to pay franchise tax on the basis of 100% of its total paid-in capital. ALLOCATION FACTOR = 1.00000 (Write this figure on line 11b below.) Item 9 or 10 must be completed before continuing STOP! TO Item 11. 11.) ANNUAL FRANCHISE TAX AND FEES (a.) Total Paid-in Capital (Enter amount from Item 7a from the other side of report. If late, enter the greater of 7a or 7b.). (b.) ALLOCATION FACTOR (Enter from Item 9 or Item 10 above) (c.) ILLINOIS CAPITAL (Multiply line (a.) by line (b.)) (d1.) Multiply line (c.) by .001 (Round to nearest cent): (d2.) ANNUAL FRANCHISE TAX (Enter amount from line (d1.), but not less than \$25). (e1.) If Annual Report is late, multiply line(d2.) by .10 .... (e2.) If Annual Franchise Tax is late, multiply line (d2.) by .01 for each month late or part thereof (minimum \$1.00) + 75.00 (e3.) INTEREST & PENALTIES (Add lines (e1.) and (e2.)). (g.) TOTAL ANNUAL FRANCHISE TAX, FEES, INTEREST, & PENALTIES DUE (Add line (d2.) MAKE CHECKS PAYABLE TO ILLINOIS SECRETARY OF STATE. (Place corporate file number on check.) IMPORTANT!

(Item 9, OR 10, (a.) OR 10, (b.) whichever is applicable, MUST be completed

IMPORTANT

If there have been changes in Items 6 or 7, form BCA 14.30 must be executed and submitted with this annual report in the same envelope.

Form available in Supplementary Materials as well as via www.cyberdriveillinois.com



### LLC: Formation Checklist

- Articles of Organization
- Operating Agreement
- EIN Application
- Disclosure Letter
- Annual Report



### LLC: Articles of Organization

- Basics
  - Name
  - Principal Place of Business
  - Effective Date
  - Registered Agent & Office
- Purpose
- Duration

Limited Liability Company Act FILE # Articles of Organization This space for use by Secretary of State. Secretary of State Department of Business Services Limited Liability Division SUBMIT IN DUPLICATE 501 S. Second St., Rm. 351 Type or print clearly Springfield, IL 62756 217-524-8008 This space for use by Secretary of State. www.cyberdriveillinois.com Payment must be made by certified Filing Fee: \$500 check, cashier's check, Illinois attorney's check, C.P.A.'s check or money order payable to Secretary of State. Limited Liability Company Name: The LLC name must contain the words Limited Liability Company, L.L.C. or LLC and cannot contain the terms Corporation, Corp., Incorporated, Inc., Ltd., Co., Limited Partnership or L.P. 2. Address of Principal Place of Business where records of the company will be kept: (P.O. Box alone or c/o is unacceptable.) 3. Articles of Organization effective on: (check one) a later date (not to exceed 60 days after the filing date): 4. Registered Agent's Name and Registered Office Address: Registered Agent: Middle Initial Last Name Registered Office: (P.O. Box alone or c/o is unacceptable.) ZIP Code 5. Purpose(s) for which the Limited Liability Company is organized: The transaction of any or all lawful business for which Limited Liability Companies may be organized under this Act. (LLCs organized to provide professional services must list the address(es) from which those services will be rendered if different. from item 2. If more space is needed, use additional sheets of this size.) 6. Latest date, if any, upon which the company is to dissolve: Month, Day, Year (Leave blank if duration is perpetual.)

Illinois

Form LLC-5.5

Form available in Supplementary Materials as well as via www.cyberdriveillinois.com



### LLC: Articles of Organization

- Regulation of Internal Affairs
- Member vs. Manager Managed
- Organizers

Form available in Supplementary Materials as well as via www.cyberdriveillinois.com

### LLC-5.5 7. (Optional) Other provisions for the regulation of the internal affairs of the Company: (If more space is needed, attach additional The Limited Liability Company: (Check either a or b below.) a. is managed by the manager(s) (List names and business addresses.) b. has management vested in the member(s) (List names and business addresses.) Name and Address of Organizer(s) I affirm, under penalties of perjury, having authority to sign hereto, that these Articles of Organization are to the best of my knowledge and belief, true, correct and complete. Month & Day Name (type or print) Name if a Corporation or other Entity, and Title of Signer ZIP Code Name (type or print) City/Town Name if a Corporation or other Entity, and Title of Signer ZIP Code Signatures must be in black ink on an original document. Carbon copy, photocopy or rubber stamp signatures may only be

Signatures must be in black link on an original document. Carbon copy, photocopy or rubber stamp signatures may only be used on conformed copies.

O Printed on recycled paper. Printed by authority of the State of Illinois. June 2010 — 2M — LLC 4.14



# LLC: Operating Agreement

- Formation of LLC
- Assets
  - Name
  - Albums
  - Domain
- Definitions
- Purpose
- Members
- Term
- Principal Office



# LLC: Operating Agreement

- Capital Contributions
  - Initial
  - Additional
  - Capital Accounts
- Distributions and Payments
- Allocations of Profits and Losses
- Books and Records
- Fiscal Year
- Company Funds
- Rights and Duties of Members



## LLC: Operating Agreement

- Meetings of Members
  - Place
  - Quorum
  - Voting
- Powers, Rights, and Duties of the Manager
- Transfer of Membership Interest
- Dissolution
- Amendment of Operating Agreement and Articles of Organization
- Admission of New Members
- Miscellaneous



### LLC: Employer Identification Number (EIN)

- Sometimes referred to as a Tax Identification Number (TIN)
  - Can obtain <u>online</u>

#### **Step 1: Determine Your Eligibility**

- You may apply for an EIN online if your principal business is located in the United States or U.S. Territories.
- The person applying online must have a valid Taxpayer Identification Number (SSN, ITIN, EIN).
- You are limited to one EIN per responsible party per day.

#### **Step 2: Understand the Online Application**

- You must complete this application in one session, as you will not be able to save and return at a later time.
- Your session will expire after 15 minutes of inactivity, and you will need to start over.

#### **Step 3: Submit Your Application**

 After all validations are done you will get your EIN immediately upon completion. You can then download, save, and print your EIN confirmation notice.

**Apply Online Now** 



## LLC: Disclosure Document

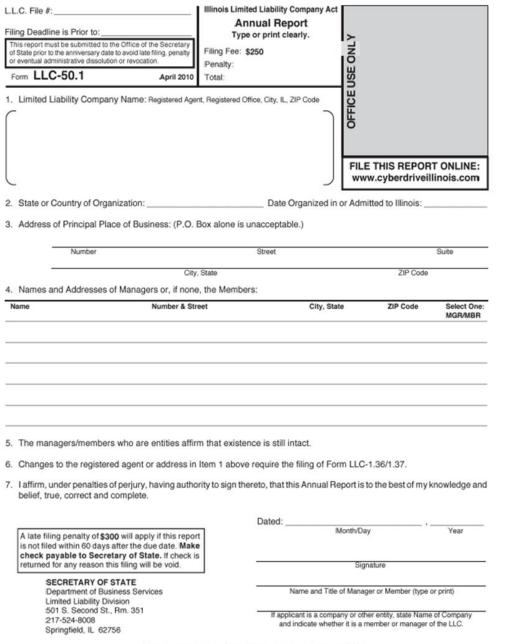
- Often a letter directed to the new "Band LLC"
  - Explain LLC formalities and operating procedures
    - Record Book
    - Annual Report
    - Tax Returns
    - Changed Circumstances



### LLC: Annual Report

- Identifying Information
- Principal Place of Business
- Names/Addresses
  - Managers if Manager-Managed
  - Members if Member-Managed
- Affirmation

5. The managers/members who are entities affirm that existence is still intact. belief, true, correct and complete. Dated: Month/Day A late filing penalty of \$300 will apply if this report is not filed within 60 days after the due date. Make check payable to Secretary of State. If check is returned for any reason this filing will be void. Signature SECRETARY OF STATE Department of Business Services Limited Liability Division 501 S. Second St., Rm. 351 217-524-8008 Form available in Supplementary Materials Springfield, IL 62756 as well as via www.cyberdriveillinois.com Printed by authority of the State of Illinois. June 2010 - 3M - LLC 23.8





## Choice of Entity: Recap

General Partnership

"S" Corporation

Limited Liability Company (LLC)



### About LCA

Lawyers for the Creative Arts is an Illinois nonprofit organization providing pro bono legal services to individuals and organizations engaged in all areas of the arts – the visual, music, performing and literary arts, as well as arts education and nonprofit organizations in general. Services are provided by LCA staff and a roster of volunteer attorneys experienced in all areas of law which affect the arts. LCA also provides mediation and facilitation services through its Patricia Felch Arts Mediation Service and numerous educational outreach programs. To apply for legal help on your arts-related matters, complete the form at www.law-arts.org/application.



### About LCA

This project is partially supported by a CityArts Grant from the City of Chicago Department of Cultural Affairs & Special Events, and by the Chicago Community Trust. Other funding gratefully acknowledged from Alphawood Foundation, The Chicago Bar Foundation, Gaylord and Dorothy Donnelley Foundation, The Richard H. Driehaus Foundation, and the Illinois Arts Council, a State Agency.







GAYLORD & DOROTHY
DONNELLEY FOUNDATION











MUSIC • VISUALARTS • DIGITAL MEDIA • PRO BONO PRO BONO PERFORMINGARTS • LITERATURE • MU COMPOSING \*ARTS EDUCATION • FASHION DESIGN PRO BONO PHOTOGRAPHY DIRECTING SCULPT TELEVISION • PRO BONO • MUSIC • VISUA ARTS • DI DOCUMENTARY • GRAPHIC DESIGN PRO BONO • PE DANCE • OPERA • PRO BONO • CURATING • COMPOS CHOREOGRAPHY • MUSEUMS • PUBLISHING PRO BO VIDEOGRAPHY • ACTING • PAINTING • TELEVISION• P • PRO BONO• THEATER • DOCUMENTARY • GRAPHIC LITERATURE • MUSICALS • DANCE • OPER• PRO BO • FASHION DESIGN • CHOREOGRAPH• MUSEUMS • DIRECTING • SCULPTING • VIDEOGRAPH ACTING • VISUAL ARTS • DIGITAL MEDIA • PRO BONO • THEATER **BONO** • PERFORMINGARTS • LITERATURE • MUSICA COMPOSING \*ARTS EDUCATION \*FASHION DESIGN PRO BONO PHOTOGRAPHY DIRECTING SCULPT TELEVISION PRO BONO MUSIC VISUA ARTS DI



## Thanks for viewing

For more information on this topic, as well as model agreements, please see the Supplementary Materials included with this CLE program.

Please check out the remainder of our series on Representing the LCA Music Client and the rest of the LCA Video Law Library.

CHOREOGRAPHY • MUSEUMS • VIDEOGRAPHY • ACTING • PAINT • PRO BONO• THEATER • DOCUN LITERATURE • MUSICALS • DANG • FASHION DESIGN • CHOREOG DIRECTING • SCULPTING • VIDE VISUAL ARTS • DIGITAL MEDIA • P BONO• PERFORMINGARTS • LIT COMPOSING • ARTS EDUCATION • PRO BONO• PHOTOGRAPHY • DITELEVISION• PRO BONO• MUSIC DOCUMENTARY • GRAPHIC DES DANCE • OPEFA • PRO BONO• CIC HOREOGRAPHY • MUSEUMS • VIDEOGRAPHY • ACTING • PAINTI • PRO BONO• THEATER • DOCUN LITERATURE • MUSICALS • DANC • FASHION DESIGN • CHOREOG DIRECTING • SCULPTING • VIDE VISUAL ARTS • DIGITAL MEDIA • P BONO• PERFORMINGARTS • LIT COMPOSING • ARTS EDUCATION • PRO BONO• CIC CHOREOGRAPHY • MUSEUMS • VIDEOGRAPHY • MUSEUMS • VIDEOGRAPHY • ACTING • PAINTI • PRO BONO• THEATER • DOCUN TELEVISION• PRO BONO• CIC CHOREOGRAPHY • MUSEUMS • VIDEOGRAPHY • ACTING • PAINTI • PRO BONO• THEATER • DOCUN • FASHION DESIGN • CHOREOG DIRECTING • SCULPTING • VIDE VISUAL ARTS • DIGITAL MEDIA • PITERATURE • MUSICALS • DANC • FASHION DESIGN • CHOREOG DIRECTING • SCULPTING • VIDE VISUAL ARTS • DIGITAL MEDIA • PITE COMPOSING • ARTS EDUCATION • PRO BONO• PERFORMINGARTS • LITE COMPOSING • ARTS EDUCATION • PRO BONO• PERFORMINGARTS • LITE COMPOSING • ARTS EDUCATION • PRO BONO• PERFORMINGARTS • LITE COMPOSING • ARTS EDUCATION • PRO BONO• PERFORMINGARTS • LITE COMPOSING • ARTS EDUCATION • PRO BONO• PERFORMINGARTS • LITE COMPOSING • ARTS EDUCATION •

DOCUMENTARY • GRAPHIC DESIDANCE • OPERA • PRO BONO • CI

**BONO · PERFORMINGARTS · LITERATURE · MUSICA** COMPOSING \*ARTS EDUCATION \* FASHION DESIGN PRO BONO PHOTOGRAPHY DIRECTING SCULPT TELEVISION. PRO BONO. MUSIC . VISUA ARTS . DIG DOCUMENTARY • GRAPHIC DESIGN PRO BONO • PE DANCE • OPERA • PRO BONO • CURATING • COMPOS CHOREOGRAPHY • MUSEUMS • PUBLISHING PRO BO VIDEOGRAPHY • ACTING • PAINTING • TELEVISION• P • PRO BONO• THEATER • DOCUMENTARY • GRAPHIC LITERATURE • MUSICALS • DANCE • OPER• PRO BO • FASHION DESIGN • CHOREOGRAPH• MUSEUMS • DIRECTING • SCULPTING • VIDEOGRAPH ACTING • VISUALARTS • DIGITAL MEDIA • PRO BONO • THEATER **BONO · PERFORMINGARTS · LITERATURE · MUSICA** COMPOSING \*ARTS EDUCATION \*FASHION DESIGN PRO BONO PHOTOGRAPHY DIRECTING SCULPT TELEVISION • PRO BONO • MUSIC • VISUA ARTS • DI DOCUMENTARY • GRAPHIC DESIGN PRO BONO • PE DANCE · OPERA · PRO RONO · CLIRATING · COMPOS