



## Section 3 - Beneficial Owners



Understanding who needs to be included in a BOI Report as a Beneficial Owner is critical to ensure its completeness. In this section, we'll go through all the steps you'll need to take to make sure you've included the right people in your BOI Report.

### What is a Beneficial Owner

A beneficial owner is an individual who ultimately owns or controls a company, either directly or indirectly. According to the Corporate Transparency Act (CTA), a beneficial owner is defined as any individual who:

- Exercises substantial control over a reporting company

OR

- Owns or controls at least 25% of the ownership interests of a reporting company

*Note: A beneficial owner must be a natural person (i.e., an individual), not another company or legal entity. We'll review how to manage Reporting Companies owned by other companies in a later section.*

## **Substantial Control**

Reporting Companies are required to identify all individuals who exercise substantial control over the company. There is no limit to the number of individuals who can be reported exercising substantial control. An individual who exercises substantial control over a Reporting Company if the individual meets any of the four criteria:

1. Senior Officer
2. Appointment or Removal of Authority
3. Important Decision-Maker
4. Catch-All

### **Senior Officer**

Any individual holding the position or exercising the authority of a:

- President
- Chief Financial Officer (CFO)
- General counsel (GC)
- Chief Executive Officer (CEO)
- Chief Operating Officer (COO)
- or any other office, regardless of official title, who performs a similar function as these officers.

### **Appointment or Removal of Authority**

Any individual with the ability to appoint or remove any Senior Officer or a majority of the board of directors or similar body.

### **Important Decision-Maker**

Any individual who directs, determines , or has substantial influence over important decisions made by the reporting company, including decision regarding the reporting company's

1. Business, such as:

- a. Nature, scope, and attributes of the business
- b. The selection or termination of business line or ventures, or geographic focus
- c. The entry into or termination, or the fulfillment or non-fulfillment, or significant contracts

2. Finances, such as:

- a. Sale, lease, mortgage, or other transfer or principal assets
- b. Major expenditures or investments, issuances of any equity, incurrence of any significant debt, or approval of the operating budget
- c. Compensation schemes and incentive programs for senior officers

3. Structure, such as:

- a. Reorganization, dissolution, or merger
- b. Amendments of any substantial governance documents of the Reporting Company, including the articles of incorporation or similar documents, bylaws, and significant policies or procedures.

Catch-all

any other forum of substantial control over the Reporting Company. Control exercised in new and unique ways can still be substantial. For example, flexible corporate structures may have different indicators of control than the indicators included here.

## **Ownership Interest**

Reporting Companies are required to identify all individuals who own or control at least 25% of the ownership interests of the company through:

- Equity, stock, or voting rights
- Capital or profit interest
- Convertible instruments
- Option or Privilege
- Any other instrument, contract, or mechanism used to establish ownership



We will explore complex and unique situations with ownership in a subsequent section



## Exception of Beneficial Ownership

There are five exceptions to the definition of Beneficial Owner. When an individual who would otherwise be a Beneficial Owner of a Reporting Company qualifies for an exception, the Reporting company does not have to report that individual as a Beneficial Owner in its BOI Report to FinCEN. Here's a list of the 5 exceptions:

1. Minor Child
2. Nominee, intermediary, custodian, or agent
3. Employee
4. Inheritor
5. Creditor

Once we have identified the Beneficial Owners of the Reporting Company (individuals who exercise substantial control or ownership interest over the Reporting Company), personal information needs to be collected for each individual.

### **Personal Information required for each Beneficial Owner**

- Full legal name
- Date of birth
- Complete residential current address
  - Report the individual's residential street address. No P.O. boxes. The address is not required to be in the United States.
- Unique identifying number and issuing jurisdiction from, and image of one of the following non-expired documents:
  - U.S. Passport
  - State driver's license
  - Identification document issued by a state, local government, or tribe
  - Foreign passport (if none of the above are available).

OR

- FinCEN Identifier (if applicable, see below).

#### FinCEN Identifier

A FinCEN Identifier is a unique identifying number that FinCEN will issue to an individual or Reporting Company upon request after the individual or Reporting Company provides certain information to FinCEN. This identifying number can be used in place of the above information.

Note: The 4 pieces of information (full legal name, DOB, Address, and government ID information) will be reported to FinCEN and the individual can request a FinCEN Identifier.

#### Bob's Plumbing Service

Bob has 3 Beneficial Owners that needs to be Reported:

Legal Name	Robert Joseph King
DOB	1/23/1965
Residential Address	348 Main St. Houston TX 75269
Identifying Information	Texas Drivers License, ID No. 12343532, Expiration date: 1/23/2028
Significant Control?	Yes - title is Chief Executive Officer
Significant Ownership?	Yes - owns 60% of the company

Legal Name	Mark Aaron Smith
DOB	3/10/1972
Residential Address	1697 Walnut St. Houston TX 75269

Identifying Information	Texas Drivers License, ID No. 98464566, Expiration Date: 3/10/2029
Significant Control?	Yes - title is Chief Operating Officer
Significant Ownership?	Yes - Owns 30% of the company

Legal Name	Gerald James Johnson
DOB	4/20/1979
Residential Address	5987 Oak Dr. Houston TX 75269
Identifying Information	U.S. Passport, ID No. 589741565, Expiration Date: 4/20/2032
Significant Control?	Yes - Chief Financial Officer
Significant Ownership?	No - Owns 10% of the company