

COMPARISON OF BUSINESS ENTITIES

The Limited Liability Company and Limited Liability Partnership are only two of multiple available choices of business entities. The following chart briefly analyzes the advantages and disadvantages of many of the more common business entities:

<i>Survey of Business Entities</i>	Sole Proprietorship	General Partnership	LLP	LLC	S-Corp
Liability	Unlimited personal liability	Unlimited personal liability, but with rights of contribution	GP's - Unlimited personal liability; LP's - Limited to investment	Limited to equity	Limited to equity
Control	Full authority	Each partner has full authority	GP's have full authority; LP's have no authority	Can be member-managed or manager-managed.	Shareholders have few management rights; management by Board and Officers
Transfer of Ownership	Transfer of assets	Partnership interest is transferable; any partner can cause dissolution	Interest is transferable; any general partner can cause dissolution	Distribution rights transferrable; membership rights generally not transferable	Generally freely transferrable
Taxes	Taxed at individual level; self employment tax applies	Taxed at individual level; informational return filed	Same as GP's except LP's losses limited by at risk rules; Self employment tax applies to GP's but not LP's	Choice of taxation as (1) corporation; (2) partnership/ sole proprietorship	Taxed at individual level; information return filed; loss subject to at risk rules and passive loss limitations
Formation and Maintenance Requirements	None	Few, although partnership agreement is advisable; annual informational return	Formation documents; complex agreement; annual informational return; accountings	Formation documents; annual reports; annual informational return; accountings	Formation documents; possible shareholder agreements; annual informational return and reports