

## Business Entity Comparison Chart

### Legal Characteristics

LEGAL CHARACTERISTICS	Sole Proprietorship	General Partnership	Limited Partnership	C Corporation	S Corporation	LLC
Restrictions - business type	N/A	N/A	N/A	Rules for professions	Rules for professions	No professional services
Who are the owners?	Sole proprietor	General partner(s)	General & limited partners	Shareholders	Shareholders	Members
Restrictions - # of owners	1	Minimum: 2	Minimum: 1 GP, 1 LP	Minimum: 1	1-100	Minimum: 1
Who makes decisions?	Sole proprietor	General partners	General partner(s)	Board of directors	Board of directors	Members/Managers
Who can obligate the entity?	Sole proprietor	Any general partner	Any general partner	Directors & officers	Directors & officers	Members/Managers
Who has personal liability?	Sole proprietor	General partners	General partner(s)	N/A	N/A	N/A
What if an owner dies/quits?	Dissolves	Default: Dissolves	Default: Dissolves	State in Bylaws	State in Bylaws	State in Operating Agmt
Restrictions - transfers	N/A	All GPs must consent	All GPs must consent	Corp. sets rules in Bylaws/Articles of Incorporation; must comply w/ securities laws	Corp. sets rules in Bylaws/Articles of Incorporation; must comply w/ securities laws; qualifying shareholder only	LLC sets rules in Articles of Organization
Paperwork/maintainence	Minimal	Minimal; partnership agreement recommended	Startup filing; partnership agreement recommended	Startup filing; Bylaws; annual meetings required	Startup filing; Bylaws; annual meetings required	Startup filing; Operating Agmt; meetings not required
Who provides start-up funds?	Sole proprietor	General partners	General & limited partners	Shareholders	Shareholders	Members
How is capital obtained?	Sole proprietor's contributions, loans backed by sole proprietor's personal assets	General partners' contributions; loans backed by business and/or personal assets	Limited partners' contributions; loans backed by general partners' personal assets	Outside investors may buy shares (of various classes); loans generally backed by personal assets	Outside investors may buy shares (but only 1 class allowed and 100 shareholder limit); loans generally backed by personal assets	Members' contributions; loans generally backed by personal assets
Is it easy to convert?	Yes - at will	Yes - may change to LP, Corp., or LLC	Yes - may change to Corp. or LLC	<u>Yes</u> , if changing to S corp. - tax election; <u>No</u> , if changing to LLC - legal & tax complexities involved	<u>Yes</u> , if changing to C corp. - terminate election (cannot reelect for 5 years); <u>No</u> , if changing to LLC - legal & tax complexities involved	Yes - change to GP, LP, or Corp.
Subject to securities laws?	Generally not	Generally not	Issuance or sale of LP interests subject to state & federal securities laws	Issuance or transfer of stock subject to state & federal securities laws	Issuance or transfer of stock subject to state & federal securities laws	Probably not, if all members active in business