

TERRY M. MALLERY, A PROFESSIONAL LAW CORPORATION
TABLE: COMPARISON OF NON-TAX ATTRIBUTES OF BUSINESS ENTITIES

ATTRIBUTES	SOLE PROPRIETORSHIP	GENERAL PARTNERSHIP	LIMITED PARTNERSHIP	CORPORATION	LIMITED LIABILITY COMPANY
Management & Control	By one owner. (Spouses are considered one owner).	By two or more general partners.	By general partners. Limited partners are excluded from management to preserve limits on personal liability.	By directors and officers. Ownership separate from management. (Exception: election of statutory close corporation status pursuant to Corp. Code 158).	By members, or by managers if manager-managed.
Liability of Owner/Investor	Unlimited liability (i.e. business and personal assets are at risk).	All partners have unlimited joint and several liability.	General partners have unlimited joint and several liability. Limited partners liable only for amount of capital contribution.	Shareholders liable only for amount of contributions. (Exception: Piercing of corporation veil will result in shareholder liability, as will shareholder guaranty of corporate debt).	Same as corporation.
Availability of Capital	Owner's funds, trade credit, loans from third parties.	Partners' capital contributions; partners' loans to partnership; loans from third parties.	Same as general partnership.	Various sources, including common & preferred stock, and various types of debt financing.	Same as general partnership.
Transferability of Interests	A sale of the business is a sale of it's assets; liabilities may be assumed by buyer	Partner can transfer its share of profits and losses and its right to receive distributions but not its other rights as partner (i.e. full economic, voting, and management rights) unless other partners agree.	Same as general partnership. Partnership agreement may further limit transferability of limited partner's interest.	Stock freely transferable unless restricted by a buy-sell agreement or incorporation documents.	Same as general partnership.
Continuity of Existence	None; business terminates on death of owner.	Death of a Partner generally does not cause dissolution; business continues.	Death or withdrawal of general partner may dissolve limited partnership unless business is continued by the remaining partners, Death or withdrawal of limited partner generally has no effect on continuity of existence.	Perpetual existence, unaffected by changes in ownership and management . . .	No automatic provision for termination or dissolution. Dissolution occurs only at the time or on the happening of events specified in the articles of organization or operating agreement; or by the vote of the members; or by judicial decree.
Applicability of Securities Law	Not applicable.	General partnership interests generally not deemed securities	Ownership interests of limited partners are generally deemed to be securities.	Equity and debt instruments can both be subject to securities laws.	Non-managing members' membership interests are considered securities; interests of members actively engaged in management are generally not

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Cost of Formation (does not address cost of licenses, permits and employer registration)	Generally less costly than other entities; no filing fees for formation documents.	More costly than formation of sole proprietorship. Can be more costly than formation of corporation depending upon complexity of partnership agreement. Fee for filing Certification of General Partnership .	Generally higher legal fees than general partnership due to increased complexity of structure;filing fee for Certificate of Limited Partnership	Comparable to formation of LLC or limited partnership. Filing fee required for Articles of Incorporation. Additional cost for corporate record book.	Comparable to cost of corporation or limited partnership.
Cost of Doing Business in Other States	No qualification or registration requirements, but if applicable, owner must procure business license, permits and register as an employer).	Must qualify to do business by filing short form with fee and designation of agent for service of process. Generally, annual fees apply	Same as general partnership.	Must qualify to do business by filing short form with fee and designation of agent for service of process. Generally, annual fees apply, and possibly state income tax	Same as corporation.
Disclosure of Identity of Participants	Full disclosure.	Limited disclosure but subject to discovery.	Full disclosure for general partners; all names subject to discovery.	Limited disclosure but subject to discovery. (shareholder names not usually disclosed on public documents .	Member-managed LLCs disclose the members' names; manager-managed LLCs disclose the managers
Formalities of Business Operation	None, but business assets should be segregated from personal assets.	None, unless defined in partnership agreement.	As described in the Limited Partnership Agreement	Must follow all corporate formalities (e.g. filing annual statements and holding annual and special meetings, etc.) (Exception: election of statutory close corporation pursuant to Corp. Code Sec. 158).	Must file Articles of Organization and annual statements. Formalities only as prescribed by operating agreement.
Agency Authority of Owners and Managers	Owner and anyone owner designates is an agent.	Each partner is agent.	Each general partner is agent; limited partners are generally not agents.	Officers are agents. Directors are generally not agents. Shareholders are not agents except where corporation is managed by its shareholders.	Same as limited partnership except in member-managed limited liability company. In member-managed companies, each member is agent.
Type of Business Limited	N/A	N/A	N/A	Most professionals must form a "Professional Corporation".	No business or profession regulated under the Business & Professions Code (about 68 of them) may do business as an LLC.