

Entity Formation

Factor	Sole Proprietorship	General Partnership (GP)	Limited partnership (LP)	Corporation (C, S, close, benefit, or social purpose)	Limited Liability Company (LLC)
1. Number of owners	Individual	At Least Two	At Least Two	At Least One	At Least One
2. Formation	Formed when owner begins conducting business	No filing requirement	Must file certificate of limited partnership (\$70 filing fee)	Must file articles of incorporation (\$100 filing fee)	Must file articles of organization (\$70 filing fee)
3. Anonymity	None	None	General partners are public record, limited partners are not	Officers and directors are public, shareholders are not	Managers are public, members are not
4. Management and control	Individual has sole authority	All partners have equal rights	General partner manages the business	A board of directors	By the member or manager
5. Agency authority of owners and management	Individual has sole authority	Each general partner is an agent of the partnership.	Each general partner is an agent of the partnership.	Officers are agents of corporation	Managers are agents of company
6. Owners' personal liability for business debts and obligations	Unlimited	General partners are jointly and severally liable	General partner(s) are jointly and severally liable	Shareholders are liable up to amount of investment	Members are liable up to the amount of their investment
7. Obtaining working capital and investors	Difficult because structure does not support sharing ownership	Working capital comes from partners, but not attractive investments for passive investors.	Working capital comes from partners and may be attractive investments for passive investors.	Working capital comes from shareholders and may be a good choice for attracting outside, passive investors.	Working capital comes from members and may be a good choice for attracting outside, passive investors.
8. Must ownership interests be registered or qualified with state and/or federal regulators as "securities"?	No	No	Yes, absent an exemption	Yes, absent an exemption	Possibly, absent an exemption
9. Continuity of business: departure of an owner	Departure of owner terminates business	Majority of partners can elect to dissolve, but remaining partners can reconstitute new partnership. Transfer of partnership interest can be cumbersome.	Departure of GP dissolves LP unless new GP admitted. Departure of LP does not affect partnership. Transfer of partnership interest can be cumbersome.	Corporation has independent existence from shareholders and continues after shareholders depart. Must have one shareholder or corporation typically winds up and dissolves.	LLC has independent existence from members. Members can withdraw at any time subject to articles and operating agreement. Transfer of membership interest can be cumbersome.
10. Continuity of business: arrival of a new or additional owner	Arrival of additional owners creates partnership.	Consent of all GPs required to admit new partners. Partner may assign an economic interest in her partnership interest but not full partnership rights.	New GP is admitted as provided in LP agreement. New LP is admitted in same manner.	Transfer of stock is generally much easier than LP or LLC interests. Free transfer of stock allowed subject to any buy-sell agreement among shareholders.	New members can acquire LLC interests from the company or the existing members subject to operating agreement.
11. Termination	No special termination requirements	Subject to dissolution and winding up under certain occurrences.	Subject to dissolution and winding up under certain occurrences.	Perpetual unless otherwise stated in articles of incorporation.	Subject to dissolution and winding up under certain occurrences.
12. Available to attorneys, accountants, and architects?	Yes	Yes	No, but LLP yes.	Yes	No
13. Advantageous for estate planning purposes?	No	No	Potentially	Potentially	Potentially

These are general rules, subject to exceptions. Contact us to discuss your specific circumstance and objectives.