

Starting or Buying a Business

Practical & Legal Considerations

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Outline

- ✓ What form of entity do I need?
- ✓ Do I really need a Business Plan?
- ✓ Dealing with Business Partners—Now.
- ✓ Where Does The Money Come From?
- ✓ What's In A Business Name?
- ✓ Buying a Business
- ✓ Buying a Franchise

Do I Even Need An Entity?

- Personal Exposure of Sole Proprietorship or General Partnership
- Liability Protection from Entity Form
- Degree of Risk of Your Business
- Extent of Assets to Protect
- Ability to Pull Assets Out of Business
- Personal Guarantees

The Alphabet Soup of Entities

C-Corp, S-Corp, LLC, GP, LP,
LLP, PC—WHAT DO THEY
ALL MEAN???

Corporations

- Unless elect otherwise, C-Corp
- Structure
- Formation
- Limited Liability for Shareholders
- Double Taxation of Shareholders
- Piercing the Corporate Veil
 - Maintaining the Corporate Form
 - Segregation of Assets
 - Adequate Capitalization

S-Corp

- Make an election with IRS
- Limited Liability for Shareholders
- Pass-Through Taxation
- Restrictions on Shareholders:
 - Only individuals & certain trusts
 - No non-resident aliens
 - Not more than 100 shareholders
 - Only one class of shareholders

Limited Liability Company (LLC)

- Structure
- Formation
- Limited Liability for Members
- Pass-Through Taxation
- Great Deal of Flexibility
- Less Stringent Formalities
- Potentially Higher Start Up Costs
- Gross Receipts Fee

Partnerships

➤ General Partnerships

- No filing requirements
- Unlimited personal liability

➤ Limited Partnerships

- Limited liability of limited partners
- Limited partners must be passive
- General partners do not have limited liability
- File with Secretary of State

A Business Plan

Your Road Map to Success

Or

Yes, You Need to Stop and Ask for
Directions or You Will Be Hopelessly Lost

Or

How Do You Know When You're There If
You Don't Know Where You're Going?

Basic Elements of a Plan

- Executive Summary: Hit the highlights.
- Company Description: Legal form, history, start-up plans.
- Product or Service: What are you selling? Focus on customer benefits.
- Market Analysis: Your market, customer needs, where they are, how to reach them, competitors
- Strategy and Implementation: Be specific. Include responsibilities with dates and budgets. Be able to track results.
- Management Team: Describe backgrounds and responsibilities of the management team.
- Financial Analysis: Don't scrimp—think this through!

Friends, Relatives, & Business Partners: Who Are You in Business With?

- Best time to deal with partnership issues is NOW.
- Make sure you have a common vision.
- You and your partners WILL part ways.
- Plan for the inevitable and the unexpected.
- Put it in writing
- Keep open communication.
- Keep a healthy BUSINESS relationship.

Show Me The Money!

➤ Personal Assets

➤ Bank Loans

- Personal Guarantee
- Business Plan with Financials


➤ Investors

- Securities Laws!!
- Business Plan with Risk Disclosures

A Rose By Any Other Name...

- Selecting a Business Name
- Selecting a Product Name
- Protecting the Name
- Overall Branding Strategy

Buying A Business

- Due Diligence - Know What You Are Buying
 - Stock Sale or Asset Sale-What's the Difference
 - What's the Bulk Sales Law?
 - Non-Competition Agreements
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Buying a Franchise

- Due Diligence
- Franchisor's Offering Circular
- Franchise Agreement
- Operations Manual
- State Filings

Thank you!

- Questions?
- Contact Information:

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