OUTLINE

1. TYPES OF ENTITIES – PAGE 2
2. COMPARISONS OF THE ENTITIES – PROS AND CONS – PAGE 2
3. WHICH ENTITY TO USE AND WHY – PAGE 2
4. LLC VS CORPORATION – PAGE 7
5. TAX PLANNING WITH LLCs/CORPORATIONS – USE OF S-CORPs – PAGE 8
TYPE OF ENTITIES AND COMPARISONS

<table>
<thead>
<tr>
<th>SOLE PROPRIETORSHIP</th>
<th>PARTNERSHIP</th>
<th>LLC/CORP</th>
</tr>
</thead>
</table>

COMPARISONS

1. EASE OF FORMATION

2. TAX PREPARATION

3. TAX PLANNING/ENTITY CLASSIFICATION

4. LIABILITY ISSUES
   - PAGE 3
   - PAGE 4
   - PAGE 5 & 6

WHICH ENTITY TO USE AND WHY

PAGE 2
SOLE PROPRIETORSHIP - UNLIMITED LIABILITY

PERSONAL ASSETS - $1,000,000

↑

DH

↓

SP - BUSINESS ASSETS - $10,000

↑

EE - PERSONAL ASSETS - $0.00
PARTNERSHIP UNLIMITED LIABILITY

PERSONAL ASSETS - $0.00

DH

P-SHIP - BUSINESS ASSETS - $100,000

JZ

PERSONAL ASSETS $10,000,000

EE - PERSONAL ASSETS $0.00
LLC/CORPORATION - LIMITED LIABILITY

PERSONAL ASSETS - $10,000,000

DH

LLC/CORP - BUSINESS ASSETS - $100,000

EE - PERSONAL ASSETS $0.00

PERSONAL ASSETS $10,000,000

RS
LLC/CORPORATION – UNLIMITED LIABILITY

PERSONAL ASSETS - $10,000,000

DH

LLC/CORP - BUSINESS ASSETS -$100,000

PERSONAL ASSETS $10,000,000

RS

EE – PERSONAL ASSETS $10,000,000
EE IS NOW DH
LLC VS CORPORATION

SPOUSE

DH

CORP

JZ

SPOUSE

SPOUSE

DH

LLC

JZ
TAX PLANNING WITH LLCs/CORPORATIONS – USE OF S-CORP

<table>
<thead>
<tr>
<th></th>
<th>SP</th>
<th>S-CORP</th>
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<tbody>
<tr>
<td>NI</td>
<td>$100,000</td>
<td>$100,000</td>
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<tr>
<td>TAX AT CORP LEVEL</td>
<td>N/A</td>
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<td>INCOME TAX AT INDIVIDUAL LEVEL</td>
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<td>EMPLOYMENT TAX AT INDIVIDUAL LEVEL</td>
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<tr>
<td>TAX SAVINGS - $15,300</td>
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</table>

SOUNDS GREAT !!!!!!!

PROBLEM – IRS REQUIRES REASONABLE SALARY

WHAT IS REASONABLE SALARY?

IF YOU CHOOSE S-CORP, WHAT ARE THE COMPLIANCE ISSUES?