

Module 1B

Business Organization



Disclaimer

These sample contracts and opinions are provided for informational purposes only and should not be relied on as legal advice. Nothing herein constitutes the establishment of an attorney/client relationship between you and any attorney involved in the drafting of material included in these sample contracts. The sample contracts cannot and do not address the unique facts and circumstances of your specific situation and should not be relied on for your particular transaction. We make no claims, promises, or guarantees about the accuracy, completeness, or adequacy of any information contained in these sample contracts.

Disclaimer

Therefore, you should not use the sample contracts without first obtaining the advice of a competent contracts attorney. Finally, nothing contained in these sample contracts should be construed to constitute a recommendation or endorsement of any organization, product, service, law firm or attorney.

Disclaimer

By utilizing these materials, you: (i) assume full responsibility for any loss, damage, or liability resulting from the use of these sample contracts; and (ii) release the authors of the sample contracts, their contributors, agents, licensees, successors and assigns from any and all known or unknown claims, demands or causes of action that may arise, at any time, out of or relating to your use of any of the sample contracts, recommendations or opinions.

Limited Liability or LLC

Advantages:

- Combines the advantages of a sole proprietorship with the protection of a corporation;
- No formalities or requirements like a corporation;
- Flexibility in management and organization;
- Flexibility in allocating income to the members;
- No annual requirements, paperwork and fees (in some states;)
- Easy dissolution.

Disadvantages:

- More difficult to raise capital with an LLC than a corporation entity;
- Operating agreement is suggested, but not required;
- Organization sometimes confusing.



Corporation

Advantages:

Limited liability – self standing legal entity;
Corporate tax treatment separate from the owners;
Attractive to investors for stock ownership possibility;
Owner/Employee – deductions, benefits;
Operational organization structure;
Easily transferrable through shares.

Disadvantages:

Fees;
Formalities and Paperwork;
Dissolution Formalities;
Tax Consequences – double taxation for C Corporations.



My Suggestions for RE Investing

- LLC or Corporation
Secretary of State Website or See Internet Resource
- Elect Your Entity as an S-Corp
- Form One LLC or Corp per RE Niche

... in order to be in “business”

- Form an LLC or Corporation
Secretary of State Website or See Internet Resource
- Obtain your FED ID # or EIN
See link in Module 1 to apply online
- Operating Agreement
Optional, but some banks require it to
open a business account (see sample in Module 1)