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LAW FIRM

THE START-UP JOURNEY:

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THE START-UP JOURNEY:

- The process of forming a new company
- The process of financing a new company
- The possible paths for a new company

The Process of Forming a New Company

- Business Plan
- Entity Choice
- Financing Options
- Operating the Company
- Exit Strategies
- Boom or Bust?

Why a Business Plan?

- Essential for financing
- Essential for success

Traditional choices for operating a business:

- Partnership
- Corporation
- Sole proprietorship
(one person, or a husband and wife)

Two Concerns:

- Limitation of liability
- Two levels of taxation if possible.

The Partnership Option

If organized as a **partnership**:

- The partnership would receive **pass-through taxation** (thus avoiding a second layer of taxation) but
- would not be able to avoid personal liability.

The Corporation Option

If organized as a **corporation**:

- The corporation would receive **liability protection**, but
- income from the business would be subject to taxation prior to any distribution to shareholders

Subchapter S?

Because S corporation tax status gave the owners pass-through taxation as well as liability protection, the business probably would have chosen to:

- Incorporate and
- elect S corporation tax status

A Look at a Limited Partnership

- One general partner (with general liability)
- One or more limited partners (with limited liability)
- We can even now elect to be a limited liability limited partnership

Recognized By All States and Hugely Popular, a LLC:

- Has the most popular attribute of a partnership: pass through tax status
- Has the most popular attributes of a corporation: limited personal liability for the owners
- Can be formed even if a business is wholly owned by just one person

Main Features of the LLC Entity That Make It So Attractive to Small Business Owners & Their Attorneys:

- Until the LLC came along, business owners were personally on the hook for all business debts, including liability from lawsuits, unless the business was incorporated.
- LLC owners, on the other hand, are not personally liable for business debts such as court judgments obtained against the business.
- They risk losing only the amount paid into the business to get it started.



For More Information

- Contact Beverly Evans or Julie Johnson McLean at The Davis Brown Law Firm. 515.288.2500 or on the web at www.davisbrownlaw.com.



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