

A Brief Comparison of Business Entities

Benefits, Concerns and Life Insurance Strategies

Type of Business Entity	Benefits	Concerns	Insurance Strategies
Sole Proprietorship	<ul style="list-style-type: none"> · Simple to create and operate · Owner controls business and assets · Owner has unlimited access to business assets and income 	<ul style="list-style-type: none"> · Unlimited personal liability · Income is subject to full withholding for unemployment and Medicare tax · Business assets are not protected from personal creditors 	<ul style="list-style-type: none"> · Owner-owned policy for supplemental retirement income · Estate planning for owner · Business continuation (“one-way buy-sell” to employee or third party) · Key person policy on owner’s life · Bonus Plan (only for non-owner employees) · Split-Dollar SERP for non-owner employees
General Partnership	<ul style="list-style-type: none"> · Simple to create and operate · Manage and control is held by partners · One level of taxation · Partnership assets protected from partners’ personal creditors 	<ul style="list-style-type: none"> · Each partner is liable for all partnership activities · Partnership profits are taxable to partners even if not distributed · Each partner has legal authority to make management decisions 	<ul style="list-style-type: none"> · Partner-owned policy for supplemental retirement income · Estate planning for partners · Business continuation (entity, cross-purchase or wait-and-see buy-sell plans) · Key person policy on partners and key employees · Bonus Plan (only for non-owner employees) · Non-Qualified Deferred Compensation/ Split-Dollar SERP for non-partner employees
Limited Partnership	<ul style="list-style-type: none"> · Created under state law · Managing partners control day-to-day business operations · Limited partners have limited liability · One level of taxation · Partnership assets (not a partner’s interest in the partnership) are generally protected from personal creditors of each partner 	<ul style="list-style-type: none"> · Partnership profits are taxable to partners even if not distributed · General partner has unlimited liability · The transferability of interests of limited partnership may be restricted 	<ul style="list-style-type: none"> · Partner-owned policy for supplemental retirement income · Estate planning for partners · Business continuation (entity, cross-purchase or wait-and-see buy-sell plans) · Key person policy on key partners and employees · Bonus Plan (only for non-owner employees) · Non-Qualified Deferred Compensation/Split-Dollar SERP for non-partner employees
Limited Liability Company	<ul style="list-style-type: none"> · Informal setup and management · Can choose equal management or centralized management · All members have limited liability, without the complexity of corporations · Choice of taxation (depending on type of LLC (e.g. as C corp, S corp or Partnership)) 	<ul style="list-style-type: none"> · LLC law varies by state · Generally cannot offer public shares · Restrictions on transferability may apply · U.S. law on legal issues involving LLCs is relatively new and uncertain 	<ul style="list-style-type: none"> · Member-owned policy for supplemental retirement income · Estate planning for members · Business continuation (entity, cross-purchase or wait-and-see buy-sell plans) · Key person policies on key members and employees · Bonus Plan (only for non-owner employees) · Non-Qualified Deferred Compensation/Split-Dollar SERP (depending on tax classification)

Type of Business Entity	Benefits	Concerns	Insurance Strategies
Regular C Corporation	<ul style="list-style-type: none"> Shareholders have limited liability Unlimited number of owners Control and voting rights can vary according to class of stock 	<ul style="list-style-type: none"> Formal requirements to create and manage; subject to varying state corporate tax law systems Two tiers of taxation (corporate tax and taxation on dividends to shareholders) 	<ul style="list-style-type: none"> Executive Bonus Plan for executives/owners for supplemental retirement income Estate planning for owners Business continuation (entity, cross-purchase or wait-and-see buy-sell plans) Key person protection on top executives, managers, and key employees
S Corporation	<ul style="list-style-type: none"> No taxation at corporate level Income and level taxed only once at shareholder level Shareholders have limited liability 	<ul style="list-style-type: none"> Shareholder limited to 100 persons Shareholders must be qualified Must be U.S. citizens or residents Two classes of stock not allowed 	<ul style="list-style-type: none"> Shareholder-employee owned policy or Split-Dollar SERP for supplemental retirement income Estate planning for shareholders Business continuation (entity, cross-purchase or wait-and-see buy-sell plans) Key person policy on key shareholders and employees Executive bonus for non-shareholder employees
Professional Corporation	<ul style="list-style-type: none"> Shareholders have limited liability Management and control by professionals is same occupation (physicians, attorneys, architects, engineers, etc.) 	<ul style="list-style-type: none"> Stock only issued to persons licensed in same profession or occupation Owners have limited liability, but not for activities directed related to professional services 	<ul style="list-style-type: none"> Shareholder-owned policy or Split-Dollar SERP for supplemental retirement income Estate planning for shareholders Business continuation (entity, cross-purchase or wait-and-see buy-sell plans) Key person protection on top managers and key employees Executive bonus for employees (including owner-employees)

For more information about Your Specific Business Needs, contact **your Financial Representative.**

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No Bank Guarantee	Not FDIC Insured	May Lose Value