

BUSINESS LAW

One of the most critical decisions that organizers of a business make is what form of entity to use. Choices range from sole proprietorships to general or limited partnerships, C-corporations, S-corporations or limited liability companies. Consideration of such issues as the formality of the business, the number of owners, capital structure, profits, voting, management, transferability of interest, continuity of the business life, flexibility, liability and tax consequences are all important factors to consider. The following chart compares some of the characteristics of various business entities:

General Business-Related Matters

	LLC	C Corp	S Corp	Gen Partner	Ltd Partner
Owner's liability exposure	limited	limited	limited	joint and several among partners	joint and several among general partners; limited for limited partners
Minimum number of owners	1	1	1	2	2 (1 general, 1 limited)
Maximum number of owners	---	---	100	---	---
Classes of ownership interests allowed	1 or more	1 or more	1 (may have different <i>voting</i> classes)	1 or more	1 or more
Management	centralized or decentralized	centralized	centralized	decentralized	centralized
Owners may participate in management	yes	yes	yes	yes	only general partners
Voting	as operating agreement provides	by shares; class or cumulative voting; special voting preferences	by shares; class or cumulative voting; special voting preferences	as partnership agreement provides	as partnership agreement provides
When profits are distributed	as operating agreement provides	dividends at board's discretion	dividends at board's discretion	as per partnership agreement	as per partnership agreement
Transferability of ownership interest	restricted or free (but, if free, generally restricted by operating agreement)	restricted or free	restricted or free (but generally restricted by contract)	restricted or free (but, if free, generally restricted by partnership agreement)	restricted or free (but, if free, generally restricted by partnership agreement)
Duration	may be perpetual	may be perpetual	may be perpetual	limited	limited