
M E M O R A N D U M

DATE: May 1, 2003

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RE: Comparison of Business Entities.

	Limited Partnership	Limited Liability Company	S Corporation	C Corporation
Liability for Debts	General Partner ("GP") liable for all debts. GP can be a corporation. Limited Partners ("LPs") are protected beyond their own capital investment unless they participate in management	All members are shielded from liability beyond their own capital investment regardless of participation in management	All shareholders are protected beyond their own capital investment regardless of participation in management	All shareholders are protected beyond their own capital investment regardless of participation in management
Transferability of Interests	Restricted by securities laws. Common provision in partnership agreement is that transferability is conditioned upon consent of the non-transferring partners	Restricted by securities laws. Assignment of a limited liability company interest may be permitted, according to a specified procedure or prohibited by the governing operating agreement.	Restricted by securities laws and shareholder's agreement, if any. Common agreement provision is to prohibit transfers which would jeopardize S-election status	Restricted by securities laws, and shareholder's agreement, if any.

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Term	Partnership agreement specifies term.	Operating agreement specifies term.	Perpetual	Perpetual
Will Entity be dissolved on death, retirement, resignation, expulsion, bankruptcy or dissolution of participant	Yes, if a GP is affected, but may be reconstituted by remaining GP or by agreement of all remaining partners. See Tax discussion below.	Generally, absent contrary provisions in the operating agreement, these events will trigger dissolution unless the business of the LLC is continued by consent of the remaining members within 90 days.	No	No
Taxation	Taxation at partner level only. Cash distributions are nontaxable to the extent of a partner's tax basis. Distributions in kind on liquidation are non-taxable. Partners only may deduct partnership losses to the extent of their basis, which includes their allocable share of partnership debt. Income and loss may be specially allocated among participants. Inside basis adjustment to assets upon transfer of partnership interests including transfer on death of a Partner. Upon transfer of partnership interests on death of a partner, stepped-up basis of a partnership interest can be allocated to the inside basis of the partnership. Limited partnerships may elect to be treated as corporations for federal income tax purposes.	Cash distributions are nontaxable to the extent of a member's tax basis. Cash distributions in kind on liquidation are non-taxable to the extent of a member's tax basis. Income and loss may be specially allocated among participants. Inside basis adjustment to assets upon transfer of interests including transfer on death of a Member. Upon transfer of membership interests on death of a member, stepped-up basis of an LLC interest can be allocated to the inside basis of the LLC assets. An LLC may elect to be treated as a corporation for federal income tax purposes.	Generally taxed at shareholder level only. May be subject to state tax. Generally, no federal taxation unless actions of a shareholder jeopardize qualification. Restricted to fewer than 75 shareholders of limited types, and restricted subsidiary ownership. Cash distributions are generally non-taxable to the extent of a shareholder's tax basis. Income is taxed at shareholder level through flow-through of corporate tax items. Distributions in kind of appreciated property are taxable. Shareholders may deduct the corporation's losses only to the extent of their tax basis in their stock which does not include any portion of the corporation's debt. Unlike partnerships and LLC's, upon death of a shareholder, there is no ability to	Taxed at Corporate level and shareholder level. Cash distributions are taxable as dividends to the extent of a corporation's earnings and profits and then non-taxable to the extent of the shareholder's tax basis. Distributions in kind of appreciated property are taxable. Distributions are not deductible, resulting in double taxation. Preferences in distributions can be given to certain classes or series of stock.

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			step-up inside basis of S Corporation assets. For purposes of determining the limitation on the amount of S Corporation losses a shareholder can deduct, the adjusted basis is computed after it is reduced by nontaxable distributions. All allocations of income and loss are pro-rata since only one economic class of stock is permitted.	
Number of Owners; types of owners	At least 2; no upper limits. No restrictions on types of owners.	In most states, at least one; no upper limits on number of owners. No restriction on types of owners. One person LLCs are permitted in most states and treated as sole proprietorships or corporate branches for federal tax purposes.	No lower limits, upper limit is 75. Ownership is limited to US residents and citizens and certain US trusts, certain tax-exempt charitable organizations, certain qualified pension trusts, and S Corporations (provided they own 100% of subsidiary's stock)	Any number of owners. No restriction on types of ownership
Management	Managed by a GP, with limited or no LP participation. Governed by a limited partnership agreement. No officers.	Managed by managers or members. All members can participate in the management. Governed by a combination of an operating agreement which may in writing or oral, and regulations governing rights of the members, including regulations which are only applicable in the absence of express written agreement by the members in the operating agreement. LLC may have officers if designated by managers and as permitted in operating agreement.	Board of Directors. Governed by Charter and Bylaws. Officers are required.	Board of Directors. Governed by Charter and Bylaws. Officers are required.

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Formation; Formalities: Filings, names of entity,	File a certificate of limited partnership with Sec. of State, generally name must contain "Limited Partnership, LP, Limited, or LTD".	Must File a certificate of Organization w/ Sec. of State. LLC is formed on date of filing with the Sec. of State. Name generally must contain - name of LLC which must contain the words "limited liability company", "limited company," or "LLC," "LC," "L.L.C." or "L.C.," may include the name of a member or manager.	File Certificate of Organization with Secretary of State. Can generally use any name which indicates it is a corporation.	File Certificate of Organization with Secretary of State. Can generally use any name which indicates it is a corporation.

BOS563914