

## Choice of Entity (Cheat Sheet)

	C-corporation	S-corporation	LLC
<b>Livelihood business</b> (goal is current income for owners working in business)	No (double tax)	Yes (if client can follow formalities; conversion to LLC hard)	Yes (but partnership economic rights/tax sometimes complicated)
<b>High-growth startup:</b> (goal is to raise capital and make \$ for founders, angels and VC through IPO)	Yes (VC and IPO eligibility key; angel investors like BOD structure and transferable interests)	No (common stock only and SH restrictions difficult for outside investors)	Infrequently (VC investors don't like for complicated tax reasons)
<b>Real estate projects:</b> (goal is returns to outside investors, but not through IPO)	No (double tax)	No (common stock only and SH restrictions difficult for outside investors)	Yes (but OA should permit some transfers)
<b>Joint venture</b> (two established entities collaborate for current income or to raise venture capital)	Yes (if goal is to raise VC for joint business)	No (entities can't own S-corp stock)	Yes (if goal is income now or if willing to convert to C-corp later for VC)

	C-corp	S-corp	LLC	Partnership
<b>Liability</b>	Limited	Limited	Limited + charging order	<u>Not limited</u>
<b>Complicated Allocations?</b>	Yes (preferred stock allowed)	No (common stock only) and entities can't own stock	Yes (OA allocates profits & losses)	Yes (agmt allocates profits and losses)
<b>Easy conversion?</b>	Sticky	Sticky (but to C-corp okay)	Yes	Yes
<b>Tax</b>	Double tax	Single tax	Single tax	Single tax
<b>VC &amp; IPO?</b>	Yes	No (b/c SH limitations)	No (IPO & VC rare) tax complications	No
<b>Formalities:</b>	Important	Important	Less important?	Not important
<b>Separate ownership/control?</b>	Yes	Yes	Somewhat	No
<b>Transferability</b>	Easy	Somewhat (SH limitations)	Somewhat (economic only)	Somewhat (economic only)

some investors prefer them because they protect minority shareholders

a member's creditor can satisfy its claim from the member's interest in the LLC

why an LLC board of managers is less desirable:

- (1) each manager is an apparent agent with authority to bind the entity
- (2) LLC statute lacks default board procedures