

CHOICE OF ENTITY COMPARISON CHART

| | General Partnership | Limited Partnership | C Corporation | S Corporation | Limited Liability Company |
|---------------------------------------|--|---|---|--|--|
| Formation | No statutory requirements; trade name app; EIN; partnership agreement | Certificate of LP; EIN; partnership agreement; \$100 filing fee | Articles of Incorporation; EIN; bylaws/shareholder agreements; \$100 filing fee | Same as C Corp; IRS Form 2553 (S Election) | Certificate of Formation; EIN if more than 1 member, or if single member w/ employees; LLC agreement; \$100 filing fee |
| Number of Owners | At least 2 | At least 2 | No limit | 1 to 100 | No limit |
| Types of Owners | No restrictions | No restrictions | No restrictions | Individuals (U.S. citizens/residents), estates, certain trusts only; no corporations, LLCs, nonresident aliens | No restrictions |
| Different Classes of Owners | General partners only | At least one general partner; multiple classes of limited partners | Unlimited | Only one class of stock permitted; voting differences permitted | Unlimited |
| Management | No restrictions; except as may be imposed by partnership agreement | Limited partners cannot participate in the management | No restrictions; usually centralized in board of directors who may or may not be shareholders | No restrictions; usually centralized in board of directors who may or may not be shareholders | No restrictions, except as may be imposed by operating agreement; usually member-managed or manager-managed |
| Transferability | Economic rights may be assignable; transfer of governance rights requires consent of partners; agreement governs | Restrictions imposed by agreement | Yes; Restrictions may be imposed by shareholders agreement | Yes; Restrictions may be imposed by shareholders agreement; transfer to an ineligible party may result in termination of S corp status | Economic rights may be assignable; transfer of governance rights requires consent of members; agreement governs |
| Liability | General partners personally liable, usually jointly and severally with other general partners | General partners personally liable; limited partners liable to extent of capital contribution | Limited to extent of capital contribution | Limited to extent of capital contribution | Limited to extent of capital contribution |
| Continuity of Life | No | Generally no, unless partners reconstitute | Yes | Yes | Yes |
| Levels of Fed. Income Taxation | 1(individual; pass through) | 1 individual; pass through) | 2 (corporate and shareholder) | 1 (individual; pass through) | 1 (individual; pass through) |

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|---|--|--|---|---|---|
| NH State Tax Issues | No recognition of pass-through entities | No recognition of pass-through entities | | No recognition of pass-through entities | No recognition of pass-through entities |
| Advantages | Pass-through taxation; minimal formalities | Pass-through taxation; limited partnership will not dissolve on the death, bankruptcy or withdrawal of a limited partner; limited liability of limited partner | Most widely recognized business entity in the world; the premier entity for going public; developed body of law/legal precedent regarding corporations and stock; stability; attractive for investors | Pass-through taxation; corporate form is recognized by investors; see also C Corporation | Pass-through taxation, limited liability shield; few corporate formalities; flexibility in operation and tax classifications |
| Disadvantages | No limited liability for partners; death or withdrawal of a partner causes immediate dissolution | General partner is fully liable for the debts and obligations of the limited partnership | Double taxation on earnings and profits of business; corporate formalities must be maintained | Limitation on shareholders; limited to one class of stock; requires a timely election; must adhere to corporate formalities | Undeveloped case law, some creditors will require members of start-up LLCs to personally guarantee the LLC's loans, thus making the members personally liable for the debts of the LLC; management structure may be unfamiliar to many |
| Type of Businesses Best Suited For | Existing real estate partnerships where legal fees associated with conversion would not merit conversion; co-ventures; business where there is adequate insurance for partnership activities and partners want flexible relationship | Businesses where there are many partners, some of whom do not want to be involved in the mgmt. and operation of the business and also want to limit their liability (e.g. real estate development projects where one or two partners will be doing all of the work, and the other partners are involved solely to provide funds) | Businesses that may have large start-up costs, wants to look for outside investors, may go public in future; want to have multiple classes of stock and sell stock to anyone, (e.g. businesses that sell products, have a storefront and employees, warehouse with inventory) | Businesses that have low start-up costs, that do not need to purchase a significant amount of assets to begin operations, businesses that have no storefront, low operating costs, no warehouse (e.g. purchasing a turn-key business, Internet-only businesses) | Businesses that hold real estate, or other tangible assets, particularly assets prone to obvious dangers such as boats and airplanes, businesses that want flexibility in management and ease of governance without having to adhere to corporate formalities, (e.g. real estate holding companies, operating and mgmt companies) |