

	C Corporation	S Corporation	Limited Liability Company (LLC)
Limited Liability	Yes	Yes	Yes
Flow thru Taxation	No	Yes	Yes
Simplicity/Low Cost	Yes	Yes	No
Special Allocations	No	No	Yes
Tax Free In Kind Distributions	No	No	Yes
Qualified Small Business Stock Exclusion for Gains	Yes	No	No
Limitations on Eligibility	No	Yes	No
Limitations on Capital Structure	No	Yes	No
Unrelated Business Taxable Income for Tax Exempt Investors	No	Yes	Yes
Ability to Take Public	Yes	Yes ^(A)	No ^(C)
Flexible Charter Documents	No	No	Yes
Ability to Change Structure Without Tax	No	No	Yes
Availability of Tax Free Corporate Acquisition Provisions	Yes	Yes	No
Favorable Employee Incentives (including incentive stock options)	Yes	Yes/No ^(B)	Yes/No ^(D)
Basis Step-up from Undistributed Earnings	No	Yes	Yes

^(A)S Corporation would convert to C Corporation upon a public offering because of the number of shareholders.

^(B)Although an S Corporation can issue ISOs, the inability to have two classes of stock limits favorable pricing of the common stock offered to employees.

^(C)Although the public markets are generally not available for partnership offerings, a partnership or LLC can be incorporated without tax and then taken public. Note, a publicly traded partnership is taxed as a corporation.

^(D)Although partnership and LLC interests can be provided to employees, they are poorly understood by most employees and so typically are appropriate for and limited to a small number of the most sophisticated executives. Moreover, ISOs are not available.