

## Choice of Entity Problems

1. Consider again the facts of the Corporate Formation Problem (from assignment 11) involving Ole Odegaard and his wind farm business. The partner there asked you to prepare a corporation, but **is a corporation the best form for Ole's business? Why or why not? If so, would a C-corporation or S-corporation be better?**

2. **Peter Piper** picked a peck of pickled peppers. The pickled peppers proved particularly pleasing to the palate, and Peter perceived a potential to parlay his peppers into pecuniary profit. Peter promptly persuaded his pals, **Paul** and **Patrick**, to participate in a potentially profitable private pepper partnership.

Peter, Paul & Patrick agreed to produce and promote their peppers for restaurants throughout the state and potentially around the country. They agreed to divide ownership of their new business equally and to share responsibility as follows: Peter would contribute his pepper fields and expertise in potent pepper production, and he would negotiate the purchase of more land for new pepper production capacity. Paul would hire more pepper pickers and manage the pepper production, marketing, and distribution. Patrick would pay in \$25,000 in initial capital. He wants to have some control over important decisions, but beyond this, Patrick has no interest in actively participating in day-to-day management. Peter, Paul & Patrick presently have no plans to progress beyond a three-member partnership.

Prompted by their parents, Peter, Paul & Patrick propose that you “formalize the partnership” for them. They don't really understand what this means—they just want to “cross their t's and dot their i's.” They are neither particularly astute business people nor lawyers, so they need you to lay out their options, point out salient organizational issues, and recommend the best business form for them given your reasonable view of their stated and likely desires.

**Discuss the *advantages and disadvantages* for Peter, Paul & Patrick of a C-corporation, an S-corporation, or a limited liability company, and propose which is the best option here.**