



Choosing to Operate as an LLC: What Next?

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Congratulations on choosing to operate your business as a limited liability company. Limited liability companies offer the liability protection of a corporation and the tax benefits of a partnership, which make them a great choice. Deciding what form of entity you will be operating under is a huge step; however, there are now many things you need to do or consider. Below is a list of the top three things to do and/or consider after choosing to operate as a limited liability company:

1. **Where to Organize.** In what state should you organize your limited liability company? This consideration may seem simple, but, you do not have to organize your company in the state where you live or even operate. Additionally, many people choose to organize in Delaware without realizing the annual fees Delaware imposes on companies organized in that state are higher than most other states.
2. **Filing the Correct Paperwork.** You must file the correct paperwork with the secretary of state in the state you choose to organize in. This is extremely important. Failure to file the correct paperwork with the applicable secretary of state could result in ineffective formation, which would mean that you are not operating as a limited liability company and would therefore not have the limited liability protection that the limited liability company structure offers.
3. **Adopting an Operating Agreement.** The operating agreement of a limited liability company is the document that governs how the limited liability company will operate. Unlike other entity structures, limited liability companies can modify many of the rights and restrictions provided for in the relevant state statute governing limited liability companies. In addition to the limited liability protection provided by the limited liability company structure, the ability to choose the rules that will govern your entity is one of the most advantageous aspects of choosing to structure your business as a limited liability company. It can, however, also be the most complex part. You will need to decide things like: (1) whether you would like your company to be member-managed or manager-managed; (2) if it is manager-managed, how will managers be selected; (2) what amount of members will need to consent to an action by consent to make it a binding action of the members; (3) when, how and if distributions will be made; and (4) whether you want to provide for a procedure to buyout another member if working together does not go as planned or if a member dies or becomes disabled.

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These are just a few of the many things you must consider after deciding to operate your business as a limited liability company. If you have any questions regarding forming a limited liability company or the many considerations associated with forming a limited liability company, please contact [Alicia Nicoletto](#) or any other BrownWinick attorney in the [Startup Practice Group](#).

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