

# Setting up an LLC: Member or Manager Managed LLC (Business Formation)

Posted by Andrews Law

## **Member-managed LLCs**

All members participate in the decision-making. Each member is an agent of the LLC and each member has a vote in business decisions. Each member has the authority to make decisions for the the company, but contracts and loan agreements must be approved by a majority of the members.

## **Manager-managed**

## **LLCs**

Members relinquish authority to the manager or managers, who are agents of the company. A manager may be a member but does not have to be. A manager may generally be another LLC or a corporation, unless your state sets restrictions on the types of entities that may be managers of an LLC.

LLCs often choose a manager where members can be passive. These individuals may be investors and designated as members, but they do not participate in the day-to-day decision making of the company. Here it makes sense to have a manager or managers run the LLC. In large LLCs, it also makes sense to select one or more managers to run the company, since it would be prohibitive to try to get all the members together to make decisions.

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