



# New Jersey's New LLC Law Becomes Effective on March 1, 2014

## Client Advisories

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If you own or manage a limited liability company ("LLC") in New Jersey, you should be aware that the state's LLC law will change on March 1, 2014. On that date, the new LLC law, the Revised Uniform Limited Liability Company Act ("RULLCA"), will be fully effective and apply to all NJ LLCs, and the old law will be repealed.

The new LLC law brings many changes, among them:

- 1) equal cash distributions to LLC owners,
- 2) equal voting by LLC owners on ordinary business matters,
- 3) unanimous voting by LLC owners on extraordinary matters (such as mergers),
- 4) an owner withdrawing from an LLC does not get paid fair value for his equity interest and instead remains a non-voting owner entitled to distributions,
- 5) fiduciary duty of loyalty of owners and managers prohibiting them from both competing with the LLC and self-dealing (such as lending money or leasing property) with the LLC, and
- 6) mandatory indemnification of owners and managers.

You can modify these issues in your operating agreement. Therefore, if your LLC doesn't have a written operating agreement, now is the time to prepare one. If your LLC does have a written operating agreement, but the agreement doesn't address these issues, now is the time to amend it. If any of these issues are not addressed properly in your operating agreement, the default provisions in the new LLC law will automatically apply to you and your LLC effective March 1, 2014. Archer can prepare an operating agreement for you if your NJ LLC does not have one. We can also review your existing NJ LLC operating agreement and amend it, if necessary, to effectively address the changes in the new law.

If you have any questions regarding the new NJ LLC law and its impact on your NJ LLC operating agreement, please reach out to your usual Archer contact attorney or, if you do not currently have a contact attorney at Archer, please contact Gianfranco A. Pietrafesa at [gpietrafesa@archerlaw.com](mailto:gpietrafesa@archerlaw.com) or (201) 498-8559. Franco is a partner in **Archer's Corporate Department**, Immediate Past Chairman of the Business Law Section of the New Jersey State Bar Association and was a member of the select committee that drafted the new LLC law. For more detailed information about the changes in NJ's LLC law, please refer to our previous client alert at <https://archerlaw.wpengine.com/new-jersey-adopts-the-revised-uniform-limited-liability-company-act/>.

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