

# New Jersey Overhauls Limited Liability Company Act

by Bob Marsico on October 8, 2012

New Jersey's limited liability companies will now be able to operate more freely under modernized rules recently signed into law by Governor Chris Christie. The law is modeled after the Revised Uniform Limited Liability Company Act adopted by the National Conference of Commissioners on Uniform State Laws and is intended to make New Jersey more business friendly to LLCs.

The Revised Uniform Limited Liability Company Act is the first significant overhaul since the New Jersey Limited Liability Act was enacted in 1993. The changes were recommended by the Red Tape Review Commission, which we have previously discussed on this New Jersey business law blog.

Some of the most notable changes include the following:

- **Duration:** Like corporations, LLCs will now have a perpetual duration unless the operating agreement specifies otherwise.
- **Purpose:** LLCs can now be formed "for any lawful purpose, regardless of whether for profit." This clarifies that LLCs may be used to carry out non-profit operations.
- **Operating Agreements:** Governing agreements are no longer required to be in writing, but may be oral or implied. The new law also allows the operating agreement to mandate that amendments require the approval of a person who is not a party to the operating agreement or the satisfaction of a condition in order to be effective.
- **Statement of Authority:** The new law provides for the use of statements of authority, which establish the authority of certain individuals to act on behalf of the LLC. The documents will be filed with the Office of Commercial Recording.
- **Resignation Rights:** A resigning member of an LLC will no longer be entitled to receive the fair share value of the member's LLC interest. Under the new rules, a resigning member is dissociated from the LLC and only has the rights of an economic interest holder.
- **Remedies for Oppressed Members:** The new rules provide certain remedies for minority members. For example, a member may seek a dissolution order from the New Jersey Superior Court on the grounds that the controlling members have acted in a manner that is oppressive or harmful.

The new rules go into effect on March 20, 2013 for limited liability companies formed after that date. Existing LLCs will fall under the purview of the new regime starting on April 1, 2014.

*If you have any questions about the new LLC regulations or would like to discuss how they may impact your business, please contact me, Robert Marisco, or the Scarinci Hollenbeck attorney with whom you work.*