



## NEW JERSEY STATE BAR ASSOCIATION

**Statement On S134 (Diegnan)/A3831 (Greenwald)  
Senate Commerce Committee  
November 3, 2022**

The New Jersey State Bar Association thanks Senator Patrick Diegnan and Assemblyman Lou Greenwald for their sponsorship of S134/A3831, which revises law concerning partnerships, limited partnerships, and limited liability companies. This bill was drafted by members of the New Jersey State Bar Association to provide clarity and consistency in connection with the “Revised Uniform Limited Liability Company Act” (RULLCA).

We are appreciative of the opportunity to testify on this bill, which builds upon RULLCA and improves New Jersey law regarding partnerships and limited partnerships by allowing these entities to convert to other types of business entities with ease. RULLCA allows a limited liability company (LLC) to convert to a general partnership and vice versa, but it requires reciprocal enabling legislation authorizing a general partnership to do so. This legislation effectively authorizes the conversion that is provided for in RULLCA. Furthermore, the bill provides for the same conversion ability for limited partnerships converting to limited liability companies or other types of business entities, and vice versa. The bill also simplifies the process and paperwork required from merging two entities to a simple conversion. The ease of conversion will ultimately make New Jersey a more desirable state for businesses to operate.

In addition, the bill makes several clarifications regarding formation and operation of limited liability companies. This bill clarifies how an LLC may use a name that does not comply with the statute. For example, the name may not be available because it is being used by another

company. The proposed legislation simplifies this process by requiring a formal signed record of consent.

The bill also clarifies that an LLC is not required to have a member when it files a certificate of formation, similar to applicable law now regarding business corporations. Currently, corporations are not required to have a shareholder when it files a certificate of incorporation. The bill also clarifies when an LLC is required to indemnify a member, manager, or other company agent and further amends RULLCA to clarify the protection of members and managers when they rely on information and records of the LLCs and the reports of its employees and agents.

Finally, the current RULLCA statute includes an inadvertent error concerning a creditor's bar of claims against a dissolved LLC. RULLCA mentions the five-year bar against claims, but does not include the six months' notice provision, which follows prior law at N.J.S.A. 42:2B-49.1. This bill clarifies that a claim against a dissolved LLC must be received not less than six months following publication of notice of dissolution, rather than five years.

Because the proposal will help to effectuate the purposes of the existing RULLCA statute and clarifies certain provisions of that statute, the New Jersey State Bar Association supports S134/A3831 and urges you to post it for a vote.