

The logo for Thrasher PLLC Law Offices is centered in a dark blue rectangular box. The text "THRASHER PLLC" is written in a large, white, serif font, with a thin white horizontal line underneath it. Below the line, the words "LAW OFFICES" are written in a smaller, white, serif font.

**Beginning September 1, 2020, Arizona's new LLC Act will affect all Arizona LLCs, regardless of their date of formation.**

All Arizona LLCs formed before September 1, 2019 should revise their Operating Agreements to comply with the new Arizona Limited Liability Company Act before September 1, 2020.

Beginning September 1, 2020, all LLCs will be regulated by and under the new Act. Thus, it is essential to ensure that your operating agreement accounts for all default provisions in the Act, and overrides any that do not align with the interests of your company.

Below are some of the more significant changes to be aware of:

- Section 29-3404 requires all pre-dissolution and winding up distributions to be “***in equal shares among Members.***” This means that, unless the Operating Agreement specifies otherwise, distributions made by an LLC would be equal among members.
- Section 29-3502 sets the default rule that transfers of membership interests to persons not already members of the LLC are limited to economic rights to share in distributions. Therefore, new members would not have the right to vote or receive financial information about the LLC. The member assigning the interest retains all non-distribution rights, duties, and obligations of a member.
- Section 29-3409 imposes fiduciary duties, including those of loyalty and care, on members and managers. Note, however, that while an LLC can choose to expand, modify, or limit fiduciary duties in its operating agreement, the operating agreement cannot effectively eliminate the

contractual obligation of good faith and fair dealing or the duty to refrain from willful or intentional misconduct.

- The Act requires that a contribution obligation be set forth in writing and states that one's contribution obligation is not excused by death, disability, termination, or other liability to perform personally. Further, the obligation of a person to make a contribution may be compromised only by the affirmative vote or consent of all the members.

In addition to the above provisions, the Act creates several other default provisions relating to indemnification, personal liability, member voting and statutory indemnification rights for managers. For a more in depth dive into what this New Act means and how it will affect all Arizona LLCs going forward, please check out our article [here](#), or contact our office with any questions regarding the New LLC Act.

**Learn More**

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