



**Substitute House Bill No. 7340**

**Public Act No. 19-181**

**AN ACT CONCERNING THE USE OF VEIL PIERCING TO DETERMINE THE PERSONAL RESPONSIBILITY OF AN INTEREST HOLDER OF A DOMESTIC ENTITY FOR THE DEBTS, OBLIGATIONS OR OTHER LIABILITIES OF SUCH ENTITY AND THE RESPONSIBILITY OF A DOMESTIC ENTITY FOR THE DEBTS, OBLIGATIONS OR OTHER LIABILITIES OF AN INTEREST HOLDER OF SUCH ENTITY.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective from passage and applicable to any civil action filed on or after the effective date of this section*) As used in this section and sections 2 and 3 of this act:

(1) "Affiliate" means with respect to any specified person, any other person directly or indirectly controlling, controlled by or under common control with such specified person. As used in this subdivision, "control" has the same meaning given to that term in 17 CFR 240.12b-2, as amended from time to time;

(2) "Domestic entity" means an entity whose internal affairs are governed by the law of this state;

(3) "Entity" means (A) a business corporation, (B) a nonstock corporation, (C) a limited liability partnership, (D) a limited partnership, including a limited liability limited partnership, (E) a

**Substitute House Bill No. 7340**

limited liability company, or (F) any other person that (i) has a separate legal existence, and (ii) is subject to a provision of the general statutes which provides that an interest holder of such person is not personally liable for a debt, obligation or other liability of such person solely by reason of being or acting as such interest holder;

(4) "Governance interest" has the same meaning as provided in section 34-600 of the general statutes;

(5) "Governor" has the same meaning as provided in section 34-600 of the general statutes;

(6) "Interest" means (A) a governance interest in an entity, (B) a transferable interest in an entity, or (C) a share, membership interest or other ownership interest in an entity;

(7) "Interest holder" has the same meaning as provided in section 34-600 of the general statutes;

(8) "Person" has the same meaning as provided in section 34-600 of the general statutes; and

(9) "Transferable interest" has the same meaning as provided in section 34-600 of the general statutes.

Sec. 2. (NEW) (*Effective from passage and applicable to any civil action filed on or after the effective date of this section*) (a) A statutory limitation on the liability of an interest holder of a domestic entity for a debt, obligation or other liability of such domestic entity, including without limitation, the limitation set forth in section 33-673 or 34-251a of the general statutes, may not be disregarded based upon a veil piercing doctrine, claim or remedy in connection with a transaction to which the entity is a party, unless a court finds by a preponderance of the evidence that: (1) The interest holder exerted complete domination and control over the management, finances, policies and activities of such

***Substitute House Bill No. 7340***

entity with respect to such transaction; (2) such domination and control was used by the interest holder to (A) commit fraud or other intentional wrong against the person asserting such doctrine, claim or remedy, (B) intentionally violate a statutory or common law duty to such person, or (C) commit a deceitful or other unlawful act against such person; and (3) the domination and control exerted by the interest holder and the breach of duty or other act proximately caused injury or loss to the person asserting such doctrine, claim or remedy.

(b) In making a determination under subdivision (1) of subsection (a) of this section, a court shall consider factors that include, but are not limited to, whether: (1) The entity was adequately capitalized, (2) assets of the entity were distributed or otherwise transferred from the entity to the interest holder or any affiliate of such interest holder without any lawful business purpose, (3) there were overlapping interest holders, governors or other management personnel between the entity and the interest holder or any affiliate of such interest holder, (4) the interest holder or any affiliate of such interest holder shared office spaces, addresses and telephone numbers with the entity without payment of fair consideration, (5) transactions involving the entity and the interest holder or any affiliate of such interest holder were at arm's length and for fair consideration, (6) funds of the entity were commingled with funds of the interest holder or any affiliate of such interest holder, (7) the entity was treated as a separate legal entity for financial and other business purposes as evidenced by having its own contractual relationships, bank accounts, books of account and financial statements, (8) the entity was insolvent or rendered insolvent by the acts of the interest holder or any affiliate of such interest holder, and (9) the property of the entity was used by the interest holder or any affiliate of such interest holder without payment of fair consideration.

(c) The burden of proof shall be on the person seeking to hold the

**Substitute House Bill No. 7340**

interest holder of a domestic entity responsible for the debts, obligations or other liabilities of such entity.

(d) The failure of a domestic entity to observe formalities relating to the exercise of its powers or the management of its activities and affairs is not grounds for imposing personal liability on an interest holder of such entity for a debt, obligation or other liability of such entity based upon a veil piercing doctrine, claim or remedy.

(e) When determining whether a statutory limitation on the liability of an interest holder of a domestic entity for a debt, obligation or other liability of such domestic entity, including without limitation, the limitation set forth in section 33-673 or 34-251a of the general statutes, may be disregarded based upon on a veil piercing doctrine, claim or remedy, a court shall make such determination exclusively in accordance with the provisions of this section and section 1 of this act.

Sec. 3. (NEW) (*Effective from passage and applicable to any civil action filed on or after the effective date of this section*) No domestic entity shall be responsible for a debt, obligation or other liability of an interest holder of such entity based upon a reverse veil piercing doctrine, claim or remedy.

Approved July 9, 2019