WEST VIRGINIA CODE: §31b-3-303

§31B-3-303. Liability of members and managers.

(a) Except as otherwise provided in subsection (c) of this section, the debts, obligations, and liabilities of a limited liability company, whether arising in contract, tort, or otherwise, are solely the debts, obligations, and liabilities of the company. A member or manager is not personally liable for a debt, obligation, or liability of the company solely by reason of being or acting as a member or manager nor for fines, fees or penalties individually assessed against another member or manager for acts unrelated to the business of the limited liability company. It is the intent and policy of the Legislature to modify the applicability of the "corporate veil piercing" analysis adopted in Joseph Kubican v. The Tavern, LLC, 232 W.Va. 268, 752 S.E.2d 299 (2013) with respect to any claim against a limited liability company arising after the effective date of the reenactment of this section during the regular session of the Legislature, 2022.

(b) The failure of a limited liability company to observe the usual company formalities or requirements relating to the exercise of its company powers or management of its business is not a ground for imposing personal liability on the members or managers for liabilities of the company.

(c) All or specified members of a limited liability company are liable in their capacity as members for all or specified debts, obligations, or liabilities of the company if:

(1) A provision to that effect is contained in the articles of organization, and a member so liable has consented in writing to the adoption of the provision or to be bound by the provision;

(2) The member against whom liability is asserted has personally guaranteed the liability or obligation of the limited liability company in writing;

(3) There is any tax liability of the limited liability company, which the law of the state or of the United States imposes liability upon the member;

(4) The member commits actual or constructive fraud which causes injury to an individual or entity.

(d) The "corporate veil piercing" analysis adopted in Joseph Kubican v. The Tavern, LLC, 232 W.Va. 268, 752 S.E.2d 299 (2013) shall apply to a claim asserted against a limited liability company for the purpose of determining personal liability of all or specified members or managers only if (1) the company is not adequately capitalized for the reasonable risks of the corporate undertaking and (2) the company does not carry liability insurance coverage for the primary risks of the business, with minimum limits of $100,000 liability insurance, or such higher amount as may be specifically required by law.

WV Legislature

(e) *Enterprise liability.* — In circumstances where the members of a limited liability company are, in whole or in part, corporations, limited liability companies, or other entities which are not human beings, then, if a jury shall determine that the liability of a limited liability company sounding in tort arose as part of the activities of a joint enterprise, those entities which are part of the joint enterprise with the limited liability company may be liable for the liability of the limited liability company which arose as part of the business operations of the joint enterprise, not as a "piercing of the veil", but instead under the doctrine of joint enterprise liability.

(f) *Member as tortfeasor.* — Nothing in this section may immunize or shield a member of a limited liability company, solely because he or she is a member of a limited liability company, from liability for his or her own tortious conduct that proximately causes injury to another party while the member is acting on behalf of the limited liability company. In such circumstance, the liability of a member is not through "veil piercing", but rather primary, as against any tortfeasor.

(g) *Clawback authority.* — If a member is proved to have committed any of the following acts, then a creditor of the limited liability company whose judgment the limited liability company cannot satisfy may seek clawback from the member under this subsection: *Provided*, That the limited liability company's judgment creditor may proceed in the shoes of the limited liability company to clawback funds from the member in order to reimburse the limited liability company for either the amount of the judgment against the limited liability company or the amount transferred from the limited liability company to the member in bad faith, whichever is less. The wrongful acts which will justify clawback, but not "veil piercing", are:

(1) Conflicted exchange;

(2) Insolvency distribution; or

(3) Siphoning of funds.

(h) *Definitions.* — As used in this section:

(1) "Conflicted exchange" means a transfer of money or other property from a limited liability company to a member of the limited liability company, or to any other organization in which the member has a material financial interest, in exchange for services, goods, or other tangible or intangible property of less than reasonable equivalent value.

(2) "Insolvency distribution" means a transfer of money or other property from a limited liability company to a member of that limited liability company, or to any other organization in which the member has a material financial interest, in respect of the member's ownership interest, that renders the limited liability company insolvent.

(3) "Insolvent" means, with respect to a limited liability company, that the limited liability

WV Legislature

company is unable to pay its debts in the ordinary course of business. Claims that are unusual in nature or amount, including tort claims in claims for consequential damages, are not to be considered claims in the ordinary course of business for the purposes of this section.

(4) “Siphoning of funds” means whether the manager or majority member has siphoned funds from the limited liability company in violation of the articles of organization, the operating agreement, or this article.

WV Legislature