
A BILL FOR AN ACT

RELATING TO LIABILITY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 414, Hawaii Revised Statutes, is
2 amended by adding a new section to part XIII to be appropriately
3 designated and to read as follows:

4 "§414- Successor liability; eliminated; exceptions.

5 (a) Upon a sale, lease, exchange, or other disposition of
6 property under section 414-331 or 414-332 from a corporation to
7 a successor corporation formed under this chapter or chapter
8 414D, the successor corporation shall not be liable for the
9 debts and liabilities of the predecessor corporation.

10 (b) Notwithstanding subsection (a), the successor
11 corporation may be held liable if:

12 (1) The successor corporation expressly or impliedly
13 agrees to assume the debts and liabilities of the
14 predecessor corporation;

15 (2) The alleged transactions between the two corporations
16 amount to a consolidation or merger of the
17 corporations;



- 1 (3) The successor corporation is a mere continuation or
2 reincarnation of the predecessor corporation; or
- 3 (4) Clear and convincing evidence proves that transferring
4 the assets from the predecessor corporation to the
5 successor corporation without the debts serves the
6 fraudulent purpose of escaping debt liability.
- 7 (c) This section shall not apply to any liabilities
8 arising from a tort action."

9 SECTION 2. Chapter 414D, Hawaii Revised Statutes, is
10 amended by adding a new section to part XI to be appropriately
11 designated and to read as follows:

12 "§414D- Successor liability; eliminated; exceptions.

13 (a) Upon a sale, lease, exchange, or other disposition of
14 property under section 414D-221 or 414D-222 from a corporation
15 to a successor corporation formed under this chapter or chapter
16 414, the successor corporation shall not be liable for the debts
17 and liabilities of the predecessor corporation.

18 (b) Notwithstanding subsection (a), the successor
19 corporation may be held liable if:

20 (1) The successor corporation expressly or impliedly
21 agrees to assume the debts and liabilities of the
22 predecessor corporation;



- 1 (2) The alleged transactions between the two corporations
2 amount to a consolidation or merger of the
3 corporations;
- 4 (3) The successor corporation is a mere continuation or
5 reincarnation of the predecessor corporation; or
- 6 (4) Clear and convincing evidence proves that transferring
7 the assets from the predecessor corporation to the
8 successor corporation without the debts serves the
9 fraudulent purpose of escaping debt liability.
- 10 (c) This section shall not apply to any liabilities
11 arising from a tort action."

12 SECTION 3. This Act does not affect rights and duties that
13 matured, penalties that were incurred, and proceedings that were
14 begun before its effective date.

15 SECTION 4. New statutory material is underscored.

16 SECTION 5. This Act shall take effect on July 1, 2112.



Report Title:

Corporate Successor Liability; Eliminated; Exceptions

Description:

Eliminates corporate successor liability except under specified conditions. Effective July 1, 2112. (HB2497 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

