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PIERCING THE CORPORATE VEIL

By Matthew Griffith, Esq.

The single greatest advantage to operating a business as a corporation is that the owners of the business protect their personal assets from the corporation's creditors. Incorporation creates a fictional "shield" or "veil" between the corporation's owners and its creditors. Generally, incorporation protects its owners from personal liability and limits an owner's risks to the loss of his or her investment in the corporation.

Unfortunately, many business owners form a corporation but fail to take the necessary steps to maintain the integrity of the corporation. Even worse, owners will blur the distinction between their personal affairs and the corporation's business. The consequences are that the corporate veil can be "pierced" and an owner may be subjected to personal liability by the corporation's creditors.

Maintaining the corporate veil is not difficult, but it does require some basic instructions and vigilance. Here is a partial list of tasks which should be completed in order to maintain the integrity of the corporate veil:

1. Never commingle personal and corporate finances. Never pay personal expenses with corporate funds.
2. Corporate officers should always execute documents in their corporate capacity. For example, sign documents as "John Doe, As President of ABC Corporation."
3. Hold annual meetings of shareholders to elect directors.
4. Hold annual meetings of directors to select officers.
5. Create and maintain a corporate record book which should include minutes of all corporate meetings.
6. Prepare and adopt good Articles of Incorporation and By-Laws.
7. File biennial reports with the Secretary of State.
8. Register all assumed business names with the Secretary of State and appropriate county recorders.

This list is certainly not exhaustive, but completing these tasks will greatly help preserve the protections afforded to business owners by incorporation. **Thrasher Griffith & Voelkel, P.C.** also can help by reviewing your present corporate documents, make any necessary changes to those documents, prepare notices and minutes of meetings, and generally assist a corporation's officers in complying with state law. For additional information or to schedule a review of your business operations, please feel free to contact us.

PRACTICAL ADVICE. PERSONAL ATTENTION.

