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***Piercing the Corporate Veil – How to Avoid***

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In order for the owners of a business to avoid the piercing of the corporate veil by a creditor, or by a claimant in a lawsuit, and therefore looking through to your personal assets for satisfaction of a liability:

1. Form an entity to operate your business (a corporation or LLC).
2. File the Secretary of State annual report (on time) each year in order to maintain active status of the business entity.
3. Keep your business entity properly capitalized:
   1. Initially, and
   2. Continuously (to the extent possible on an ongoing basis).
4. Observe all corporate formalities (formation, stock issuance, corporate minutes/resolutions, file annual reports)
5. Keep corporate assets separated from personal assets. Document all transfers to or from personal accounts, or for payment as personal expenses, as loans, distributions or payroll checks.
6. Sign only in the corporate name, never in your personal name. (Though you may be required to provide a personal guarantee, which is acceptable if you can’t negotiate it away.)
7. Prepare agreements in the company name, not in personal name.
8. Purchase proper insurance protection so that if a liability does occur, the insurance will cover much of it, and will not therefore emaciate the company’s assets.
9. Maintain high standards and levels of performance, competence, integrity, and due diligence on potential business associates, to avoid getting into situations where liability might arise.
10. Authorize the officers to act for, and legally bind, the company and only those officers or employees you want to act.