

# LLCS AND REVERSE VEIL PIERCING

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## Background

### Veil Piercing

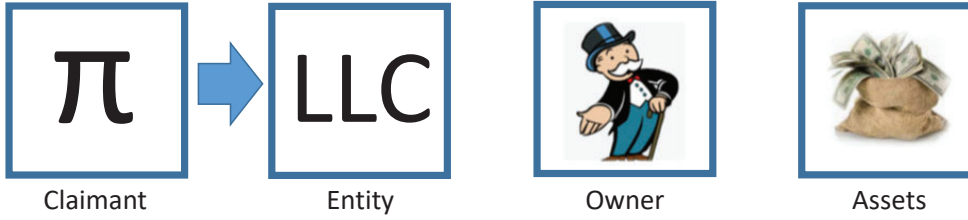
- Common law doctrine; equitable remedy.
- Holding owners and management liable for obligations of the entity.
- “[E]nveloped in the mists of metaphor.” Justice Cardozo



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## Background (cont'd)

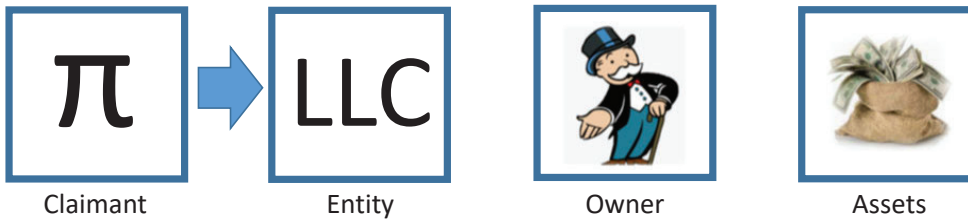
Entity Shield



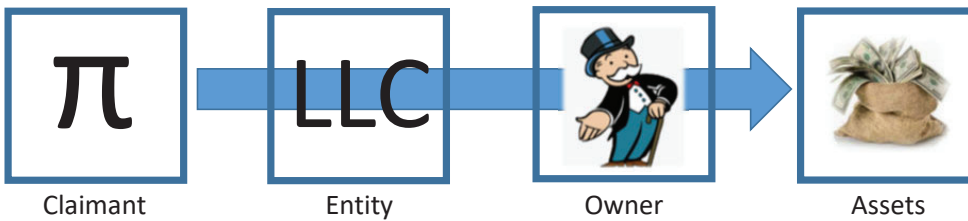
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## Background (cont'd)

Entity Shield



Veil Piercing



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## Background (cont'd)

### *Castleberry v. Branscum* 721 S.W.3d 720 (1986)

“[W]e disregard the corporate fiction:

- (1) when the fiction is used as a means of perpetrating fraud;
- (2) where a corporation is organized and operated as a mere tool or business conduit of another corporation;
- (3) where the corporate fiction is resorted to as a means of evading an existing legal obligation;
- (4) where the corporate fiction is employed to achieve or perpetrate monopoly;
- (5) where the corporate fiction is used to circumvent a statute; and
- (6) where the corporate fiction is relied upon as a protection of crime or to justify wrong.”

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## Background (cont'd)

Most commonly applied veil piercing principles:

- Alter ego theory (tool or business conduit).
- Sham to perpetrate a fraud (means of perpetrating a fraud).



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31<sup>st</sup> Annual LLCs, LPs and Partnerships session

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