



TIPS

# MAINTAINING THE CORPORATE VEIL

## **1. Maintain corporate formalities.**

Keep proper records. For corporations, you need to adopt bylaws. For LLCs, adopt operating agreements. Create the look of an entity on paper. Document big decisions and any transfers of ownership or changes in ownership.

## **2. Crips Business Bank Account.**

Separate your business account from your personal account. Entirely. No commingling of any sort.

## **3. Use the company name on everything!**

You want your LCC or Corporation to come to the rescue as its own entity if things go south, right. Well, you need for that entity to be the face of your business. Use the business name (note it can be a dba). The point is don't use your own name; use the business name in marketing and in signing all contracts (unless you are required to personally guarantee a lease or loan). If you hire someone, make sure the company hires them. If you buy 1,000 widgets, it's the company buying the widgets.





## **4. Signatures matter.**

Don't sign your name to documents and leave it as that. That gives the opposing lawyer some ammunition that you (and not the company) is bound to the agreement. Yes, you do have to sign your name, but always note that you are signing on behalf of the company. For example, I typically sign things as "Wesley Henderson, Member." Again, you want the company to be bound. You have authority to bind the company as a member or owner so make that clear when you sign. Make it a habit.

## **5. Document finances.**

Document payments, disbursements, loans and similar activity.

## **6. Annual Meetings.**

These are typically required for corporations but not necessarily required by LLCs in all states, but it's a good idea to set a date to hold your annual meeting.

When a lawsuit begins, you want to be able to lay all this out as quickly as possible so that your lawyer can file a motion to dismiss the lawsuit against you as an individual. Following the above guidelines and maintaining good records will help make that happen.

As a reminder from the video, entities can do a lot to protect businesses operating in good faith but nothing can protect a business owner, individually, if they act negligently or fraudulently.

