

**Piercing the Corporate Veil: A Paradigm in Rhyme  
By Jonathan R. Zuckerman**

**Gather 'round me, friends and scholars,  
Hang on tightly to your collars  
My lecture task is to explain  
I'll also try to entertain  
The topic that I will assail  
Is piercing of the corporate veil**

**The Corporation is a distinct entity  
Shielding stockholders from Liability  
So if, on a note Disney Inc would default  
You cannot bill old Uncle Walt  
Shareholder isn't liable for the debts of corporation  
And that is the cause of its celebration  
But a limit to this privilege, there must be,  
All in the name of equity!  
For to abuse the corporate form  
Fraudulently is altogether wrong  
The Court is mostly reluctant to act  
Sometimes it will and that's a fact**

**The Corporation is a fictional person;  
A well settled principle; that is a terse one  
But in a case know as *Van Dorne*<sup>[1]</sup>  
A test for an equitable remedy is born  
To pierce on through the corporate veil  
A two pronged test you cannot fail  
The first prong of this two pronged test  
Is Unity of in-ter-est**

**When ownership is found to be  
Such that the separate personalities  
Of corporation and shareholder  
Are indistinct and just a blur**

**Prong number one is then passed;  
The court investigates at last  
If honoring a separate corporate existence, thus  
Would sanction fraud or promote injustice**

**The court will examine many factors  
Is the corporation is controlled by other actors?  
As to justify the disregard of separate identities  
Such as failure to comply with Corporate Formalities**

Commingling of funds, what could be worse?  
Than treating your corporation as if it was your purse?  
Undercapitalization for the type of trade  
Or siphoning, it's a sort of charade  
One corporation treating the assets of another as its own  
Assets that the corporation should leave alone

A third prong that the court will apply  
Is if a reasonable party may rely  
On whether there is adequate capitalization  
Without some kind of investigation<sup>[2]</sup>;  
The party would assume the risk of loss,  
And that wouldn't make for a happy boss!

So if you are prepared and don't quiver and quail;  
You too, may pierce the corporate veil!