

Corporate law: mandm corporation

Law



The paper "Corporate Law: M&M Corporation" is an outstanding example of a law essay.

Does a court of law have the jurisdiction to pierce the corporate veil in the event that the shareholders of a closely held corporation have debts from a previous Limited Company that was previously declared defunct?

Rule statement

A court of law has the jurisdiction to pierce the corporate veil in the event that the shareholders of a closely held corporation have debts from a previous Limited Company that was previously declared defunct.

Analysis section

Donald rented his house to M&M Corp. which was co-owned by Mickey and Minnie. After accumulating rent arrears totaling to \$10, 000, M&M Corp. had no assets and was dissolved by its two shareholders. Despite having attained a \$10, 000 judgment against his tenant, Donald was unable to get his money (Mallor, 2013). After an amazing turn of events, Donald realizes that M&M Corp. was not a duly registered corporation. This implied that its shareholders, Minnie and Mickey, were liable for its debts.

Minnie and Mickey then went ahead and started another corporation, Best Corporation, which was duly registered. They were the only shareholders (Mallor, 2013). This meant that Minnie and Mickey were not to be held liable for any debts incurred by Best. The second company had assets as opposed to the previous one and Donald came demanding for his money from the two shareholders. According to this scenario, Minnie and Mickey and their company Best were considered as two entities and none would be held liable for the debts of the other in respect to the corporate law.

Conclusion statement

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The corporate veil can be pierced by a court of law to enable Donald to get his \$10, 000 judgment from Minnie and Mickey's assets held in Best Corporation. The court can be able to ignore the limited liability as prescribed in the corporate law because Best Corporation is a closely held corporation and both Minnie and Mickey who owned Donald from previous transactions are still the sole shareholders of this new company.