

PUBLICATIONS

Which State Wants to Pierce Your Veil? Private Equity and the Perils of Alter Ego Liability, Part III

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Private equity firms often conduct their business through a variety of legal entities, and when they invest in portfolio companies, they are often empowered to determine the jurisdiction in which the portfolio company will be incorporated — or reincorporated. Of course, the presumption of limited liability treats each such legal entity as a distinct company, separate and apart from its shareholders or corporate parent. This enables and encourages private equity firms to invest in new corporations without trepidation that they will be held liable for the acts of their portfolio companies. Part I and Part II in this series addressed litigation strategy available to private equity firms that are thrust into litigation based on corporate veil-piercing claims. In this article, SRZ litigation partner Howard O. Godnick addresses strategies for combating veil-piercing claims before the corporation is even formed. Former SRZ attorneys Nancy Durand, Montague Hung and Russell S. Yavner assisted in the preparation of this article.

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