Arkansas courts have long held that “...the rule of piercing the fiction of a corporate entity should be applied with great caution.” Anderson v. Stewart, 234 S.W.3d 295, 298 (Ark. 2006) (quoting Bank v. Jones, 390 S.W.2d 108 (Ark. 1965)). The Arkansas Supreme Court set out the rule to be followed for disregarding the corporate veil, which has been followed for decades, in Rounds and Porter Lbr. Co. v. Burns, 225 S.W.2d 1 (Ark. 1949). “It is only when the privilege of transacting business in corporate form has been illegally abused to the injury of a third person that the corporate entities should be disregarded.” Id. The party seeking to disregard the corporate protection has the burden of proving the corporate form was abused to his injury. National Bank of Commerce v. HCA Health Servs. of Midwest, Inc., 800 S.W.2d 964 (Ark. 1990).

Legal treatises cited by the Arkansas Supreme Court note that corporate veils are typically only pierced in limited situations when corporations are used to 1) evade the payment of income taxes, 2) hinder, delay, and defraud creditors, 3) evade a contract or tort obligation, 4) evade the obligations of a federal or state statute, and 5) perpetrate fraud and injustice generally. See H. Murray Claycomb, Arkansas Corporations § 3-15 (1991); see also 18 C.J.S. Corporations, § 9 (1990) (courts only disregard corporate form when to uphold it would defeat public convenience, justify wrongs, protect fraud or defend crime).

Almost any good faith effort to maintain business separate business records, adhere to Arkansas corporation laws and maintain appropriate assets to satisfy any judgment against the company, absent clear evidence of fraud or conduct outlawed by the Deceptive Trade Practices Act, will defeat an attempt to pierce the corporate veil. Don G. Parker, Inc. v Point Ferry, Inc.,
461 S.W.2d 587, 589 (Ark. 1971) (refusing to pierce the corporate veil even when the corporation’s business operations were not properly licensed); Quinn-Matchet Partners v. Parker Corp., 147 S.W.3d 703, 707 (Ark. Ct. App. 2004). The Arkansas Supreme Court has upheld the corporate form, refusing to pierce, when incorporators took all necessary legal steps to establish a corporation under Arkansas law and tax returns were properly filed in the name of the corporation. Parker v Point Ferry., 461 S.W.2d at 589. Even when employees and facilities were shared between two corporate entities, Arkansas courts have upheld the existence of the corporate veil when evidence existed proving the corporation 1) adhered to corporate formalities by keeping financial records and bank accounts separate, 2) filed separate tax returns, and 3) recorded the loans made between it and its owner. See Quinn-Matchet Partners v. Parker Corp., 147 S.W.3d at 707. Regular shareholder meetings have not been required by courts to prove the existence of a bona fide corporation. Id.

Case facts may differ, but precedent proves the formidable requirements to pierce a corporate veil. The Arkansas Supreme Court has stated on more than one occasion that sharing officers between corporate entities “does not make the corporations the same, nor the acts of one the acts of the other.” K.C. Properties of N.W. Arkansas, Inc. v. Lowell Inv. Partners, LLC, 280 S.W.3d 1 (Ark. 2008) (citing 19 C.J.S., Corporations, §789, p. 166) The Quinn Court did not pierce the corporate veil even when the individual defendant, the sole shareholder of defendant corporation, made payments to himself from the corporate account at a time when the corporation was not paying its obligations to other creditors, Quinn-Matchet Partners v. Parker Corp., 147 S.W.3d at 707. Furthermore, there is no mention of an arms-length distance requirement in Arkansas law or precedent cases on the matter. See Arkansas Business Corporation Act, Ark. Code Ann. § 4-27-101.
Almost any good faith effort to maintain business separate business records, adhere to Arkansas corporation laws and maintain appropriate assets to satisfy any judgment against the company, absent clear evidence of fraud or deceptive, will defeat an attempt to pierce the corporate veil.