

Owners' Responsibilities in Bankruptcies (February 2014)

[phone ringing]

Receptionist: Cohen Highley.

Announcer: And now the Cohen Highley Legal Moment. I'm here with Christian Jannetta, a Partner at Cohen Highley Lawyers. In the event of a bankruptcy, is the owner of the business really safe from being personally on the hook for unpaid salaries?

Christian: If it's a corporation, the owner or shareholders are protected, yes, but the directors may not be. A director can be personally liable for unpaid salaries, for example, unless the director can show that he or she took reasonable steps to ensure that salaries were being paid and generally had no knowledge that they weren't, they can be held personally responsible.

Announcer: What about things like source deductions?

Christian: Again, unless the directors can make a strong case that they used due diligence to satisfy themselves that source deductions were being paid, they would potentially be personally liable.

Announcer: Thanks Christian. This has been the Cohen Highley Legal Moment.

Singing: Cohen Highley, we're listening.

Announcer: cohenhighley.com.