NOT RECOMMENDED FOR PUBLICATION
File Name: 26a0368n.06

Case No. 25-5700

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

FILED
Sep 02, 2026
KELLY L. STEPHENS, Clerk

GRANITE STATE INSURANCE COMPANY,
Plaintiff-Appellee,

v.

KENNETH TAYLOR, JR. and LEE M. BOWLES,
Defendants-Appellants.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF KENTUCKY

OPINION

Before: KETHLEDGE, NALBANDIAN, and HERMANDORFER, Circuit Judges.

NALBANDIAN, Circuit Judge. The defendant shareholder-directors of a now-defunct Kentucky corporation named Star Mine took distributions despite existing and looming liabilities, then sold the company's assets and routed the money into their personal accounts. Plaintiff Granite State was Star Mine's workers' compensation insurer. The companies had a dispute about one of their contracts that devolved into a lawsuit by Granite State. But by the time Granite State got its judgment against Star Mine, Star Mine had no assets.

So Granite State sued the shareholder-directors to enforce that judgment against them personally. First, it sought declaratory relief on a veil-piercing theory to enforce the breach-of-contract judgment. Second, it alleged violations of the Uniform Voidable Transactions Act. And third, it alleged violations of Kentucky's unlawful-distribution statute. The district court granted summary judgment for the insurer on all three claims. For the reasons below, we AFFIRM on the veil-piercing and voidable-transactions claims but REVERSE on the unlawful-distribution claim.

I.

This case is a dispute between Star Mine, a now-defunct Kentucky coal mine staffing company, and Granite State Insurance Company, Star Mine's former workers' compensation insurer. Three shareholders owned and operated Star Mine as a closely-held corporation: Kenneth Taylor, Jr., Lee Bowles, and Todd P'Pool. These men composed Star Mine's board of directors and served as its only corporate officers.

Coal mining is a dangerous industry, so Star Mine shelled out large sums for workers' compensation insurance. Employers typically pay an estimated premium based on projected payroll, and insurers adjust that estimate after an end-of-term payroll audit. *See Granite State Ins. Co. v. Star Mine Servs., Inc.*, 553 F. Supp. 3d 413, 415 (W.D. Ky. 2021), *aff'd*, 29 F.4th 317 (6th Cir. 2022). But Star Mine habitually understated its payrolls. In its final years of operation, the company remitted six-figure reconciliation payments to its insurers. In 2018—Star Mine's final year of operation—Granite State provided the insurance policy. Granite State knew that Star Mine understated its payroll projections, so it issued a mid-year policy endorsement to the tune of $345,443. "The endorsement recalculated Star Mine's estimated 2018 premium based on its actual 2017 payroll," not its anticipated 2018 payroll. *Granite State*, 553 F. Supp. 3d at 415. And it gave Star Mine four weeks to pay up. *Id.* But Star Mine didn't pay, so Granite State cancelled the policy. *Id.*

Despite the cancelled policy and its soon-to-be-defunct business, Star Mine faced its final end-of-year payroll audit. *Id.* at 416. But its directors didn't comply. When a Granite State auditor contacted the directors, they ignored several attempts to schedule the audit. *Id.* So Granite State warned Star Mine that audit noncompliance exposed it to significant liability: an estimated premium based on prior-year estimates and a regulator-approved audit noncompliance charge

outlined in the policy amounting to twice the total payroll premium. *Id.*; *see also Granite State*, 29 F.4th at 320. Yet Star Mine barely budged. One director eventually sent some (but not all) of the required information to Granite State. *Granite State*, 553 F. Supp. 3d at 416. After much communication and several extensions, Granite State "marked the audit noncooperative." *Id.* Citing the unpaid endorsement and the hefty noncompliance charge, Granite State sought $1,366,378 (plus interest) from Star Mine in a breach-of-contract suit filed in federal court. *Id.*

All the while, Star Mine had been planning an asset sale. Shortly after receiving the mid-year endorsement, its shareholder-directors negotiated a deal to sell the company's assets to Raleigh Mine and Industrial Supply, Inc. But Star Mine needed to keep its operations running while it prepared for the sale. So it transferred employees to a Raleigh Mine affiliate, then leased those employees back from the affiliate for no consideration. Around that time, in December 2018, Star Mine's three shareholder-directors paid themselves $210,000 out of Star Mine's accounts. As a result, Star Mine's bank account balance dropped to $259,532—less than what it already owed Granite State for the endorsement alone.

Despite the payroll audit, Star Mine finalized its asset sale to Raleigh Mine. In February 2019, Raleigh Mine paid the purchase price directly to Star Mine's shareholder-directors. Star Mine listed these payments as shareholder distributions—$300,000 to Bowles, $300,000 to Taylor, and $800,000 to P'Pool—although it couldn't have "distributed" cash it never received.[1] Because only the shareholder-directors received consideration for the sale, Star Mine had a meager $20,495 left in its account. And the shareholder-directors never held a vote or a meeting on diverting the

[1] The district court characterized both the December 2018 and February 2019 transactions as shareholder "distributions." *See, e.g.*, R.53, Op. & Order, PageID 880, 885. But the February 2019 transaction wasn't truly a shareholder "distribution" because the money never touched Star Mine's account.

sale proceeds. One of them stated that he didn't remember considering "the potential of liability to Granite State," either. R.43-2, Taylor Dep. Excerpts, PageID 274.

Star Mine then filed articles of dissolution with Kentucky's Secretary of State. According to those articles, Star Mine "authorized" the dissolution—and its shareholders "approved" it—but the shareholder-directors didn't recall convening a meeting or holding a vote. R.43-17, Articles of Dissolution, PageID 423 (citation modified); R.43-2, Taylor Dep. Excerpts, PageID 274 ("I don't remember" a meeting or vote); R.43-3, Bowles Dep. Excerpts, PageID 284 ("I can't remember").

Granite State ultimately prevailed on its breach-of-contract claim to the tune of $1,366,378, and we later affirmed. *Granite State*, 553 F. Supp. 3d at 424, *aff'd*, 29 F.4th 317 (6th Cir. 2022). But it was an empty victory. Star Mine's shareholder-directors had sold the company's assets, routed the sale consideration to their personal bank accounts, and left the company nearly penniless. So there was nothing to collect.

As a result, Granite State brought this new diversity suit under Kentucky law against Star Mine's shareholder-directors. It sought (1) a declaratory judgment to pierce the corporate veil, (2) to void the December 2018 and February 2019 "distributions" based on violations of Kentucky's Uniform Voidable Transactions Act (UVTA), and (3) money damages based on violations of Kentucky's unlawful-distribution statute. R.1, Compl., PageID 7–9. The parties cross-moved for summary judgment, and Granite State prevailed. The court granted declaratory relief on the veil-piercing claim, voided the shareholder-directors' December 2018 and February 2019 "distributions" under Kentucky's Uniform Voidable Transactions Act, and awarded

$1,370,602 in damages[2] based on violations of Kentucky's unlawful-distribution statute. Now, two of Star Mine's shareholder-directors, Taylor and Bowles, appeal.[3]

II.

We review a district court's grant of summary judgment de novo. *George v. Youngstown State Univ.*, 966 F.3d 446, 458 (6th Cir. 2020). Summary judgment is appropriate when "there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). When we address cross-motions for summary judgment, we evaluate each party's motion on its own merits. *Campfield v. Safelite Grp.*, 91 F.4th 401, 410 (6th Cir. 2024). And we draw all reasonable inferences in favor of the nonmovant. *Id.*

III.

A.

We'll start with the veil-piercing claim. Veil piercing "is an equitable doctrine invoked by courts to allow a creditor recourse against the shareholders of a corporation" when those shareholders "exercise[] dominion over the corporation to the point that it has no real separate existence." *Inter-Tel Techs., Inc. v. Linn Station Props., LLC*, 360 S.W.3d 152, 155 (Ky. 2012); *see also* KRS § 271B.6-220(2) (shareholders "may become personally liable by reason of [their] own acts or conduct").

Courts applying Kentucky law analyze veil-piercing claims by considering two prongs: "(1) domination of the corporation resulting in a loss of corporate separateness *and* (2) circumstances under which continued recognition of the corporation would sanction fraud or

[2] This amount reflects the judgment in the breach-of-contract action plus certain costs.

[3] Todd P'Pool, a Star Mine co-owner, was named as a defendant below but did not appear or defend himself in the action. The trial court entered a default judgment against him. R.22.

promote injustice."[4] *Inter-Tel*, 360 S.W.3d at 165. The domination prong hinges on eleven factors.[5] *Id.* at 163–64. But of the eleven factors in this "laundry list," three stand out as "the most critical": "grossly inadequate capitalization, egregious failure to observe legal formalities," and a "high degree" of shareholder control over corporate operations and decision-making. *Id.* at 164 (citation modified). And for the injustice prong, a "court should state specifically the fraud or injustice that would be sanctioned if the court declined to pierce the corporate veil." *Id.* at 165.

We conclude that veil-piercing is appropriate here.

i.

Consider the first prong: Defendants dominated Star Mine. They drained the company of its assets, disregarded corporate formalities, and controlled its day-to-day operations.

First, Defendants left Star Mine undercapitalized. Because of their December 2018 distributions, Star Mine's bank account couldn't cover the mid-year policy endorsement. R.49-17, Jan. 31, 2019 Balance Statement, PageID 830. Based on that math alone, Star Mine was undercapitalized *before* the noncompliance charge.[6] *See, e.g.*, *Pike Cnty. Fiscal Ct. v. RRC Big*

[4] This test reflects two established formulations applied by other courts: the "alter ego" and the "instrumentality" tests. *See Inter-Tel*, 360 S.W.3d at 165.

[5] The eleven factors are as follows: "(1) inadequate capitalization; (2) failure to issue stock; (3) failure to observe corporate formalities; (4) nonpayment of dividends; (5) insolvency of the debtor corporation; (6) nonfunctioning of the other officers or directors; (7) absence of corporate records; (8) commingling of funds; (9) diversion of assets from the corporation by or to a stockholder or other person or entity to the detriment of creditors; (10) failure to maintain arm's-length relationships among related entities; and (11) whether, in fact, the corporation is a mere facade for the operation of the dominant stockholders." *Id*. at 163.

[6] Typically, "the undercapitalization inquiry focuses on whether . . . [a corporation] was undercapitalized at the *time of the initial financing*." *Pro Tanks Leasing v. Midwest Propane and Refined Fuels, LLC*, 988 F. Supp. 2d 772, 786 (W.D. Ky. 2013). But a well-recognized exception applies when undercapitalization results from subsequent "capital transfers to the controlling shareholders." *Pike Cnty. Fiscal Ct. v. RCC Big Shoal, LLC*, 626 F. Supp. 3d 947, 953 (E.D. Ky. 2022) (citation modified). That's what happened here, for the reasons we provide.

Shoal, LLC, 626 F. Supp. 3d 947, 953–54 (E.D. Ky. 2022) (shareholders "siphoned assets" and "rendered [the company] assetless and undercapitalized when its . . . debt came due"). But the noncompliance charge—and Defendants' redirection of the sale consideration to their personal accounts—made matters far worse. Those moves tripled Star Mine's debt and reduced its assets to nearly nothing. And the noncompliance charge was foreseeable because it was in the policy.

Defendants counter that they left enough money for Raleigh Mine to satisfy the Granite State liability. They note that Star Mine's bank account held $386,361 a week after the sale closed, and that another $407,900 flowed into the account a few weeks later. And they contend that Taylor, Bowles, and Raleigh Mine's owner discussed using Star Mine's bank account to "cover any outstanding debts of the company post sale." Appellant Br. 20.

But even assuming the numbers are correct, these arguments still don't convince us. The post-sale bank account balances aren't relevant by themselves because Defendants can't claim that Star Mine was capitalized based on funds it no longer owned. So the only question is whether Defendants struck a deal to pay Granite State through Star Mine's old bank account (now owned by Raleigh Mine). That wouldn't resolve *Star Mine*'s undercapitalization, though it would undercut Granite State's broader equitable argument that Defendants structured the distributions and the sale to avoid paying out Granite State. But there's no evidence that Raleigh Mine agreed to pay Granite State's debt.[7] In fact, Star Mine agreed that Raleigh Mine *wouldn't* "assume . . . any . . . liability, debt or obligation other than" certain secured liabilities. R.43-11, Agreement of Sale and Purchase, PageID 359–60. And as for the purported gentlemen's agreement—whereby

[7] True, Bowles testified that he "left a ton of money back in the company for all bills to be taken care of." R.49-10, Bowles Dep., PageID 758. But he also said that he "had no idea" that Star Mine owed Granite State money. *Id.* So although Bowles thought that Raleigh Mine might use Star Mine's bank account to pay off certain Star Mine debts, he didn't contemplate a deal through which Raleigh Mine would pay the Granite State liability.

Raleigh Mine would pay the Granite State liability despite disclaiming it in contract—Raleigh Mine's president testified that he "wasn't aware" that the Granite State debt existed. R.44-5, Smith Dep., PageID 602.

The district court correctly recognized that the combination of Star Mine's debt to Granite State and the two shareholder "distributions" left Star Mine grossly undercapitalized. *See* R.53, Op., PageID 879–80. And we won't disturb that conclusion.

Second, Defendants failed to observe legal formalities. The December 2018 shareholder distribution disregarded the corporate form. *See Brenco, Inc. v. Lexington Joint Venture*, 2019 WL 3246495, at *3 (Ky. Ct. App. July 19, 2019) ("[C]orporate formalities are violated when the corporate assets are diverted to [the] shareholder . . . ."). Doubly so for the February 2019 "distribution"—which didn't even touch Star Mine's account. Defendants enriched themselves and shirked Granite State's debt by disregarding—then bypassing—the corporate form. These moves support veil piercing under Kentucky law. *See Bear, Inc. v. Smith*, 303 S.W.3d 137, 148–49 (Ky. Ct. App. 2010) (sole shareholder "disregard[ed]" and "abused" the corporate form through "unaccounted-for disbursements" to himself that left the corporation "incapable of repaying" a creditor, "unjustly limit[ing]" the corporation's "ability to respond to [that creditor's] claim for damages").

It's true that Defendants complied with certain perfunctory corporate formalities, like maintaining meeting minutes, issuing stock, and serving as corporate officers in exchange for share ownership. R.53 at PageID 880–81. And to be sure, these are valid considerations under Kentucky law. *See, e.g.*, *Walters v. Gill Indus., Inc.*, 586 F. Supp. 3d 633, 646 (E.D. Ky. 2022) (listing lack of meetings as a factor tending to show the defendants' disregard of corporate formalities).

Nevertheless, "[a]lthough some individual facts do favor [Defendants'] position, the facts taken as a whole are overwhelming and leave no question of material fact for a jury that the corporation was [their] alter ego." *Oren v. United States*, 1992 WL 79110, at *2 (W.D. Mich. Jan. 7, 1992). That's because the key to the second factor lies in Defendants' "distributions"—not in their observance of perfunctory corporate procedures; after all, "corporate formalities are violated when the corporate assets are diverted to shareholder[s]," *Brenco*, 2019 WL 3246495, at *3, or when management "raid[s]" company "accounts to directly pay" itself, *In re ClassicStar Mare Lease Litig.*, 823 F. Supp. 2d 599, 643 (E.D. Ky. 2011), *aff'd on other grounds*, 727 F.3d 473 (6th Cir. 2013). This case features comparable conduct.

And even where defendants don't disregard corporate formalities by *directly* diverting corporate funds for their personal use, their diversion of corporate assets to affiliated entities, to the detriment of creditors and for their personal gain, can trump any adherence to corporate formalities. *ClassicStar*, 823 F. Supp. 2d at 643–44 (piercing the veil to reach the parent's natural-person shareholders despite "no evidence" that they disregarded the subsidiary's formalities, because they directed transfers to other entities knowing the subsidiary couldn't meet its obligations and "benefitted handsomely" from the scheme); *see also Oren*, 1992 WL 79110, at *2 ("Strict adherence to corporate formalities does not preclude piercing the corporate veil . . . . The law is not so rigid.").

Finally, consider Defendants' control over Star Mine. It's true that our decision in *Poyner v. Lear Siegler, Inc.*, 542 F.2d 955, 958 (6th Cir. 1976) lends support to the idea that Defendants' ownership and control of Star Mine isn't sufficient to pierce the veil. But what the *Poyner* court did was caution against overreliance on defendants' mere status as controlling shareholders and directors to pierce the veil. 542 F.2d at 958 ("Ownership and control of a

corporate entity by the persons sought to be held individually liable is necessary but not sufficient by itself for denial of entity treatment."). *Poyner* doesn't preclude considering control as exercised. *See United States v. WRW Corp.*, 986 F.2d 138, 143–44 (6th Cir. 1993) (affirming summary judgment against defendants on a veil-piercing claim given the "complete merger of ownership and control of [the corporation] with the individual [d]efendants"); *see also Inter-Tel*, 360 S.W.3d at 163 (including as a relevant factor "whether, in fact, the corporation is a mere facade for the operation of the dominant stockholders").

Here, Defendants' control of Star Mine extended far beyond their roles as shareholder-directors. They extracted Star Mine's funds without any corporate process, and they drained the company of its assets without any corporate backstops. Defendants' accomplishments prove their control over Star Mine. *See ClassicStar*, 823 F. Supp. 2d at 643–44 (explaining that shareholders, through a parent corporation, "exercised essentially complete control over [the subsidiary's] funds" by, among other things, directing transfers that left the subsidiary unable to meet its obligations). That Defendants operated according to their specific "spheres of influence," *see* R.53 at PageID 881, doesn't change things. Each "sphere" belonged to a shareholder-director with his hand in the till—and none to anyone else.

ii.

On to the second prong. Granite State must also establish that "continued recognition of the corporation would sanction fraud or promote injustice." *Inter-Tel*, 360 S.W.3d at 165. This prong is disjunctive: fraud *or* injustice. *See, e.g.*, *Bear*, 303 S.W.3d at 148–49 (finding a triable veil-piercing claim even though the "circumstances f[e]ll short of fraud"). So Granite State need only show that Defendants' conduct promoted injustice. It has done so.

It's true that injustice must be "something more than simply a creditor's inability to collect a debt," *Inter-Tel*, 360 S.W.3d at 165, but Defendants did more. They refused to pay the endorsement fee and guaranteed a larger penalty. R.53 at PageID 876. Then they emptied Star Mine by taking distributions and routing the asset-sale payment into their personal accounts. *Id.* That amounts to an injustice under Kentucky law. *See, e.g.*, *Inter-Tel*, 360 S.W.3d at 167–68 (explaining that "one unjust situation" occurs when owners "caus[e] a [corporation's] liability" and then render it "unable to pay") (citation omitted); *Roscoe v. Angelucci Acoustical, Inc.*, 512 S.W.3d 730, 737 (Ky. Ct. App. 2017) (piercing the veil where insiders moved "assets that could or should have been part of" the debtor corporation "beyond the reach of legitimate creditors"); *cf. Howell Contractors, Inc. v. Berling*, 383 S.W.3d 465, 469–70 (Ky. Ct. App. 2012) (concluding that a plaintiff didn't establish injustice because "[t]he record does not disclose that [the owner] siphoned money or assets out of [the corporation]," but rather "put money into [it]").

Defendants' two arguments to the contrary aren't convincing. First, they contend that "substantial funds remained" in Star Mine's bank account to pay the endorsement. Appellant Br. 21. But Defendants sold that account, and Raleigh Mine didn't agree to assume the Granite State debt. R.43-11 at PageID 359–60 (Raleigh Mine wouldn't "assume . . . any . . . liability, debt or obligation other than" certain secured liabilities). Second, Defendants argue that they "honest[ly] but mistaken[ly] belie[ved]" that Star Mine didn't owe anything. Appellant Br. 22. But the second prong contemplates fraud *or* injustice, and the injustice branch largely turns on results—not on states of mind. *See Inter-Tel*, 360 S.W.3d at 164–65 (identifying unjust enrichment as a qualifying injustice); *SPA Rentals, LLC v. Somerset-Pulaski Cnty. Airport Bd.*, 2022 WL 3007471, at *5 (Ky. Ct. App. July 29, 2022) (noting that the second prong contains "no

requirement that the intent to defraud be present" and affirming trial court's finding that "it would be unjust to allow [the defendant] to escape liability").

Granite State is entitled to veil-piercing as a matter of law, so we affirm.

B.

The district court also voided the December 2018 and February 2019 "distributions" under KRS § 378A.040.[8] R.53 at PageID 883–87. This provision of the UVTA makes a debtor's transfer voidable as to a creditor in certain circumstances. KRS § 378A.040(1). The debtor must have made the transfer (a) "[w]ith actual intent to hinder, delay, or defraud any creditor" or (b) "[w]ithout receiving a reasonably equivalent value in exchange for the transfer or obligation." *Id*. The latter test also requires the following: that the debtor (1) "[w]as engaged or was about to engage in . . . a transaction for which the remaining assets of the debtor were unreasonably small in relation to the business or transaction" or (2) "[i]ntended to incur . . . debts beyond the debtor's ability to pay." *Id.*

For purposes of today's case, we focus on the first test: actual intent to delay or defraud. The statute lays out a list of factors to "consider[]" in "determining actual intent." *Id.* § 378A.040(2). These include, among others, whether "[t]he transfer occurred shortly before or shortly after a substantial debt was incurred," "[t]he transfer was of substantially all the debtor's assets," or "[t]he debtor was insolvent or became insolvent shortly after the transfer was made." *Id.* Kentucky calls these factors "badges of fraud," and a single badge "is enough [to] raise a presumption that the challenged transfer is fraudulent." *Ky. Petroleum Operating Ltd. v. Golden*,

[8] Granite State also brought a claim under KRS § 378A.050, which applies only to present creditors, but the district court found no occasion to consider that theory because it granted relief under § 378A.040. And there's little reason for us to consider Granite State's § 378A.050 claim because the two provisions afford the same remedy, and § 378A.040 applies to a broader set of creditors (present and future).

2015 WL 927358, at *4 (E.D. Ky. Mar. 4, 2015) (Thapar, J.) (citing *Russell Cnty. Feed Mill, Inc. v. Kimbler*, 520 S.W.2d 309, 311–12 (Ky. 1975)).

Several badges of fraud attach to Defendants' conduct. First, they transferred Star Mine's assets on the heels of substantial debts: the endorsement and the looming non-compliance charge. R.53 at PageID 876–77; KRS § 378A.040(2)(j). Second, the February transfer took all of Star Mine's assets. R.53 at PageID 876–77; KRS § 378A.040(2)(e). And third, the transfers rendered Star Mine insolvent: After December 2018, its assets fell short of its existing debt, and after February 2019, they fell to essentially zero. R.53 at PageID 876–77; KRS § 378A.040(2)(i). Granite State has established a presumption of fraud, and it's entitled to relief under this statute. *See Ky. Petroleum*, 2015 WL 927358, at *4. So we affirm.[9]

C.

Finally, Granite State recovered damages under Kentucky's unlawful-distribution statute. R.53 at PageID 887–91. But that statute doesn't supply a cause of action to creditors. The district court erred in concluding otherwise, so we reverse.

[9] We'll note, however, that veil-piercing alone affords Granite State complete relief. To explain why, we'll briefly peek under the UVTA's hood. Granite State's most practical route to relief is to seek a money "judgment for the value of the asset transferred" under KRS § 378A.080(2). Liability, however, is transferee-specific and capped at the amount of the transfer. *Id.* §§ 378A.080(2)(a) ("[T]he creditor may recover judgment for the value of the asset transferred . . . or the amount necessary to satisfy the creditor's claim, whichever is less."), 378A.080(2)(a)(1) (judgment may be entered against "[t]he first transferee of the asset or the person for whose benefit the transfer was made"), 378A.080(3) ("[T]he judgment shall be for an amount equal to the value of the asset at the time of the transfer."). And there's no provision for joint and several liability. *See generally id.* § 378A.080. So under the UVTA, Granite State appears limited to individual recoveries based on the amount each Defendant transferred, up to the value of Star Mine's debt. By contrast, joint and several liability is available in veil-piercing cases. *Inter-Tel*, 360 S.W.3d at 155 ("[T]he debt of the pierced entity becomes enforceable against those who have exercised dominion over the corporation."); *Providence Grp., Inc. v. Holbrook*, 2024 WL 1335534, at *4 (Ky. Ct. App. Mar. 29, 2024) (describing veil-piercing as a "theor[y] of joint and several liability").

Under KRS § 271B.8-330(1), a "director who . . . assents to a distribution made in violation of [the shareholder-distribution statute] or the articles of incorporation shall be personally liable to the corporation for the amount of the distribution that exceeds what could have been distributed without violating [that statute] or the articles of incorporation if it is established that he did not perform his duties in compliance with [the statute governing director standards]." Granite State pleaded a violation of § 271B.8-330, alleging that Defendants' "distributions" led to Star Mine's insolvency, and that Granite State, as a creditor, "has standing to assert a claim." R.1, Compl., PageID 8. The district court agreed.

It reasoned that Granite State could sue under this statute because Kentucky law recognizes that corporate officers owe certain duties to a corporation's creditors, citing *Bank of America, N.A. v. Corporex Cos.*, 99 F. Supp. 3d 708, 718 (E.D. Ky. 2015). Then it concluded that Granite State was entitled to relief for familiar reasons: Defendants "were on notice of the outstanding financial obligation," Star Mine "had insufficient assets at the time of the sale . . . to pay its debt to Granite State," and Defendants nonetheless "received distributions from the sale." R.53 at PageID 890–91. Similarly, Granite State relies on *Corporex* and a slew of Kentucky fiduciary-duty cases to establish that it could sue Defendants directly under the statute.

But Granite State can't bring this suit under § 271B.8-330. In determining whether creditors have a cause of action under this statute, "we apply traditional principles of statutory interpretation." *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 128 (2014). So, start with the text. The statute imposes liability on directors "to the corporation." KRS § 271B.8-330(1). It doesn't mention creditors. *Cf. Alexander v. Sandoval*, 532 U.S. 275, 290 (2001) ("The express provision of one method of enforcing a substantive rule suggests that [the legislature] intended to preclude others.") (citation modified). No Kentucky court has recognized

an extension to creditors. And *Corporex* didn't hold otherwise. There, the district court rejected certain defendants' reliance on the statute as a defense to the creditor plaintiff's common-law fiduciary-duty claim, observing that "the statute does not say, one way or another, whether corporate officers of an insolvent business owe a duty to the corporation's creditors." 99 F. Supp. 3d at 718. So in *Corporex*, § 271B.8-330 was only a failed defense against a common-law claim.

As *Corporex* illustrates, directors owe some duties to creditors under Kentucky law. *Id.*[10] But Granite State takes this holding too far. Granite State urges us to read § 271B.8-330 against Kentucky's common-law backdrop to extend standing to creditors. Yet that backdrop cuts *against* Granite State, not for it. Why? Because in Kentucky, creditors enforce the common-law duty through common-law claims. *See id.* Granite State pleaded only a statutory claim. So it's seeking a new, extratextual theory of recovery under § 271B.8-330 to make up for a theory it didn't plead. We won't read a common-law cause of action into a statute that doesn't replace or embody—but *exists alongside*—that cause of action.

[10] *See also Enter. Foundry & Mach. Works v. Miners' Elkhorn Coal Co.*, 45 S.W.2d 470, 474 (Ky. 1931) (quoting *United Soc'y of Shakers v. Underwood*, 72 Ky. 609, 618 (1873), for the principle that directors who "misappropriate[] the funds intrusted to their control" are answerable to a damaged creditor).

IV.

For these reasons, we AFFIRM on the veil-piercing and voidable-transactions claims but REVERSE on the unlawful-distribution claim.[11]

[11] Although we reverse on one of Granite State's claims, the trial court's ultimate damages judgment—that "Taylor, Bowles, and P'Pool shall be jointly and severally liable to Granite State in the amount of $1,370,602.31 plus prejudgment and postjudgment interest and costs incurred herein"—is warranted under what we've affirmed.

As we alluded to above, all of the claims, in fact, don't map onto each other perfectly. Kentucky's voidable-transactions statute doesn't contemplate joint and several liability. The same goes for the improper-distribution statute. *See* KRS § 271B.8-330. And liability under the transfer statute is based on the actual distribution amounts. Here, as the district court noted, the total of Defendants' distributions would have resulted in damages that exceed the *Granite State I* judgment. *See id.* § 271B.8-330(1)–(2); R.53 at PageID 892 n.5. And Plaintiff didn't cross-appeal even if it thought that it was entitled to additional damages.