



YOUR FARM ... YOUR FAMILY ... YOUR FUTURE!

Since 1974

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September 2018

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MAKING SUCCESSION PLANNING WORK

For the better part of five decades now, Corporate Farmer has worked with family farms and ag businesses in the areas of accounting, taxes and business planning. We've helped thousands of farming operations to better organize their financial and personal affairs. One step in that process is determining a succession plan and properly executing that plan.

Serving in an advisory role has its advantages. The biggest advantage is that it has allowed us to see what works and what doesn't work. Fortunately that experience also made it much easier for us to quickly identify what would work for Corporate Farmer and how we would go about making our transition the best for our employees and, most importantly, our clients.

Over the past 4-5 years, we have prepared, discussed and executed this plan. Hopefully our clients haven't noticed many changes because our intention was to make it as smooth and seamless as possible for you.

We look forward to continuing to provide the same quality service that we've come to be known for over the years. If you have any questions or concerns, please do not hesitate to contact us.

- Always do your best. What you plant now, you will later harvest. – Og Mandino

A NOTE FROM DENNIS

I would like to take this opportunity to thank everyone that took the time to attend my retirement party and make it so VERY SPECIAL.

I would especially like to thank my family for organizing everything as well as for all of their love and support! My commitment to Corporate Farmer often meant time away from you and I appreciate your understanding. In

retirement I plan to make up for many of those things I missed through the years.

Also, thanks to the staff at Corporate Farmer for their help and good wishes. I have thoroughly enjoyed my position at Corporate Farmer over the years.

In the past 43 years, I have gained countless friendships and created wonderful memories with all of you. I feel like the employees at Corporate Farmer and our clients have been like one giant family to me. We've shared both the good times and the bad times together. These memories and friendships are things that I will carry with me forever.

I shall truly treasure the gifts, bouquets of flowers, and all the wonderful retirement cards. There is no way I will ever be able to explain how the notes and kind words that were shared in the cards I received have moved me.

May God bless each and every one of you!

Dennis VanGorkom

- The thankful receiver bears a plentiful harvest. – Robert Louis Stevenson

A NOTE FROM CHAD

I would like to echo Dennis' sentiments and thank him for his many years of service to Corporate Farmer and our clients. Corporate Farmer is what it is, in most part, because of his hard work and dedication.

I also want to thank our clients for their understanding and support throughout this process. We are truly grateful for your loyalty and look forward to continuing to provide you with the same level of service and commitment that you've come to expect.

Change isn't easy and I know some clients may be anxious about the future. Please know that our staff is

focused on putting our client's needs first and we are in the process of implementing some changes that will increase response times and improve the quality of our services.

Thanks again for your support!

NEW USDA PAYMENT PROGRAM

On August 27, 2018, Secretary of Agriculture Sonny Perdue announced details of new programs designed to assist farmers in response to ongoing trade disputes. USDA will authorize \$12 billion for three primary programs:

- FSA will administer the new Market Facilitation Program to provide payments to corn, cotton, dairy, hog, sorghum, soybean, and wheat producers, beginning as early as September 4, 2018.
- The Agricultural Marketing Service will administer the Food Purchase and Distribution Program to purchase the unexpected surplus of affected commodities.
- The Trade Promotion Program is designed to restore lost markets and develop new export markets for U.S. farm products.

The **Market Facilitation Program** will make payments to farmers for seven key commodities at these rates:

Commodity	Initial Payment Rate	Est. Initial Payment (in \$1,000s)
Cotton	\$0.06/lb	\$276,900
Corn	\$0.01/bu	\$96,000
Dairy (milk)	\$0.12/cwt	\$127,400
Pork (hogs)	\$8.00/head	\$290,300
Soybeans	\$1.65/bu	\$3,629,700
Sorghum	\$0.86/bu	\$156,800
Wheat	\$0.14/bu	\$119,200
Total		\$4,696,300

Farmers eligible for the payments must:

- Have an ownership interest in the commodity
- Be actively engaged in farming
- Have an average adjusted gross income for tax years 2014, 2015, and 2016 of less than \$900,000
- Comply with Highly Erodible Land and Wetland Conservation Regulations

Eligible producers may apply for a first set of payments after harvest is 100 percent complete and they can report their total 2018 production for the covered commodities. To apply, producers may go to www.farmers.gov/mfp or submit their MFP applications in person, by email, fax, or by mail to their local FSA offices. The first payment period will begin September 4. The second payment period, if warranted, will be determined by the USDA.

The first MFP payment will be determined by calculating *one-half* of the *total 2018 production times the payment rate* listed in the above table. The formula is as follows:

Market Facilitation Program Rate x 50% of Total 2018 Actual Production = Payment

The remaining 50 percent of a producer's total 2018 actual production will be subject to a second MFP payment rate, if such payment is deemed warranted by USDA.

MFP payments will be capped per person or legal entity at a combined \$125,000 for dairy production or hogs. Payment for dairy production will be based on historical production reported for the Margin Protection Program. For existing dairy operations, the production history is established using the highest annual milk production marketed during the full calendar years of 2011, 2012, and 2013. Dairy operations are required to have been in operation on June 1, 2018 to be eligible for payments. Payment for hog operations will be based on the total number of live hogs owned on August 1, 2018.

MFP payments will also be capped per person or legal entity at a combined \$125,000 for corn, cotton, sorghum, soybeans and wheat.

- What we plant in the soil of contemplation, we shall reap in the harvest of action. – Meister Eckhart

CORPORATE VEIL PIERCED BY OWNERS SLOPPINESS

It is generally advisable for business owners to form a separate legal entity to limit personal liability stemming from business contracts or torts. Incorporating or organizing as an LLC can limit owners' personal liability to the extent of their investments. This liability shield, however, is not without exception. In a recent case from the Iowa Court of Appeals, a plaintiff was able to "pierce the corporate veil" in an attempt to collect on a \$410,067 breach of contract judgment. The case provides a good reminder to business owners that they must truly follow statutory requirements for maintaining a true business or they will not receive the protections of those laws.

Facts

The defendant was the sole owner and director of an Iowa corporation that had existed for nearly 20 years. His corporation, which was in the business of biosolids management, agreed to provide lagoon sludge removal for the plaintiff, a construction company building a wastewater treatment facility. After beginning work on the project, the corporation abandoned the work. The plaintiff obtained a \$410,067 judgment against the corporation for breach of contract, but was unable to collect on the judgment. The plaintiff then filed a new action seeking to pierce the veil of the corporation and recover personally from the defendant, its owner.

The trial court ruled in favor of the defendant, and the plaintiff appealed. The Iowa Court of Appeals reversed, finding that corporate veil should be pierced.

Piercing the Veil

The court first reviewed Iowa law governing piercing a corporate veil. Where a corporation is "a mere shell, serving no legitimate business purpose and used primarily as an intermediary to perpetrate fraud or promote injustice, the corporate veil may be pierced." Plaintiffs, however, bear the burden to prove exceptional circumstances. Factors supporting such a finding include:

1. The corporation is undercapitalized;
2. It lacks separate books;
3. Its finances are not kept separate from individual finances, or individual obligations are paid by the corporation;
4. The corporation is used to promote fraud or illegality;
5. Corporate formalities are not followed; and
6. The corporation is a mere sham.

The court found that there was insufficient evidence to support a finding that the business was undercapitalized or purposely underfunded by the defendant. And the

court did not even discuss fraud or illegality. The court also held that the corporation, which had operated for many years before failing, was not a mere sham. Even so, the court found that the other factors combined to show that the defendant did not consider the business or its finances to be a separate entity from himself and his other businesses. As such, the court ruled that the corporate veil should be pierced.

The evidence showed that the defendant, while keeping a separate bank account for the corporation, had commingled its funds with his personal finances. He had used the accounts for the corporation and his other businesses interchangeably, with no regard for which company should be providing money for which expenses. Similarly, the books for the businesses were inadequately tracked, distinguished, and recorded. Nor did the defendant follow required corporate formalities. No bylaws, corporate minutes book, or shareholder ledger were produced for the corporation. Nor was there documentation of shareholder meetings. The only formality that had been followed by the corporation since 2001 was the filing of the biennial report. That report was often filed after the deadline, and the corporation was administratively reinstated three times. The court stated that while the lack of corporate formalities was not sufficient on its own to disregard the corporate entity, it added weight to the other supporting factors.

Considerations

It is tempting for business owners, particularly those running solely owned businesses, to become sloppy with paperwork or finances. They may believe that because the money all belongs to them, there's no problem with blurring the lines. This case demonstrates that corporate protections are only available to businesses that follow the laws establishing the protection. Owners wanting to protect their liability shield must keep business and personal finances separate. This also means separate books for all businesses. And, the law means what it says. Owners must follow corporate formalities, including holding shareholder meetings, filing required reports, and keeping corporate minute books. While LLCs require fewer formalities, this case would likely have had the same result if the corporation was an LLC. The surest way to lose liability protection is to commingle business and personal finances, both by paying personal expenses from business accounts and by failing to keep separate books.

- The law of harvest is to reap more than you sow. Sow an act, and you reap a habit. Sow a habit and you reap a character. Sow a character and you reap a destiny. – James Allen



KERRY HARTWIG



Meet Kerry Hartwig! Kerry has been a bookkeeper with Corporate Farmer for 17 years. Kerry resides in Mason City, Iowa. Prior to moving to Mason City, Kerry grew up in Northwood, Iowa. Kerry's dog, Gracie Lou, is a spoiled rotten 3-year-old Terrier.

When Kerry was growing up she dreamed of being an employee of the Mayo Clinic in Rochester, MN. The item at the top of her bucket list is to visit the Bahamas. Her unknown talent is her ability to perform data entry while carrying on a full-length conversation with anyone who stops by to talk.

Kerry is a graduate of Northwood-Kensett High School and Hamilton Business College. When Kerry isn't at Corporate Farmer, she enjoys the time she spends entertaining Gracie Lou and working on crossword puzzles.

Below is a list of some of Kerry's favorite things:

Food - Mushroom and Swiss Hamburger
 Sport's Team - The Iowa Hawkeyes
 Quote - "Always be humble and kind."
 Color of Tractor - Green
 Farm Animal - Goats
 Movie - Urban Cowboy
 Music Genre - Country and 80's Hair Bands
 Pastime - Football
 Restaurant - Las Palmas
 Ford or Chevy - Chevy
 Holiday - Christmas

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