



Agri-Tourism Business Structures

Limiting Your Liability

[Presented by:]

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[Ways to Limit Liability]

- Waiver/Releases
- Insurance Products
 - General Liability
 - Specific Liability Insurance for Industry
- Business Structures

[Why a Business?]

- Limit Liability
- Separate the business
 - From other businesses
 - From the family
- Ease of Recognition
- Legitimizes the Operation

[Types of Businesses]

- Sole Proprietorship/Partnership
- Limited Partnership/LLLP
- Limited Liability Company
- Corporations (C and S-Corps)

Sole Proprietorship – Partnerships

- Advantages
 - Control
 - Easy Bookkeeping
 - Less expensive to maintain
- Disadvantages
 - Liability not limited
 - Could lose it all...

[Limited Liability Company]

■ Advantages

- Liability of members limited to their investments
- Can choose your accounting system (partnership, S-corp or C-corp accounting)
- Easy to form and maintain
- Some tax advantages (if using partnership accounting or S-corp accounting)

■ Disadvantages

- Tax accounting sometimes difficult

[C-Corporations]

- Advantages

- Shareholder liability limited to investments
- Easy to form

- Disadvantages

- Double tax returns/accounting systems
- Less flexibility

[S-Corporations]

- Advantages

- Shareholder liability limited to investments
- Easy to form
- Tax advantages

- Disadvantages

- Limited number of investors
- Not quite as flexible as an LLC

[Maintaining Limited Liability]



["Arms Length" Transactions]

- What – Keeping all agri-tourism business activities separate from any other businesses or family operations.
- Why – Again to limit liability and to avoid “piercing the corporate veil”.
- How

[Record Keeping]

Records for the LLC or corporation must be devotedly maintained

- Board Meetings (should meet at least quarterly to discuss the business)
- Minutes of major activities
 - Buying/selling real or personal property
 - Hiring management personnel
- Annual Shareholder/Member Meetings
- Annual Reports to the Secretary of State

[Business Operations – Part I]

- Separate Bookkeeping – accounting records must be completely separate from other operations
- Bank Accounts Must Be Separate
 - Includes separate credit cards
 - Separate bank lines of credit
 - Avoid personal guarantees with the bank

[Business Operations – Part II]

Contract Tracking

- Buying Feed – for the agri-tourism operation or for other operations
- Fuel purchases
- Vendor contracts (try to avoid personal guarantees)
- Administrative Services Agreement – between the “family” or owners and the new company – Spells Out:
 - Management of the operations
 - Bookkeeping/administrative services
 - Personnel agreements

[Business Operations – Part III]

- Outside Personnel – Employee payrolls through the business
- Independent Contractor Agreements (with indemnification/limitations of liability clauses)
- Leasing the “family” as personnel for the business (again a contract is needed)

[Conclusion]

- Waivers/Releases
- Insurance
- Separate Business Organizations

Through these vehicles you CAN limit your liability and successfully operate your agri-tourism business.

Thanks
For
Listening

