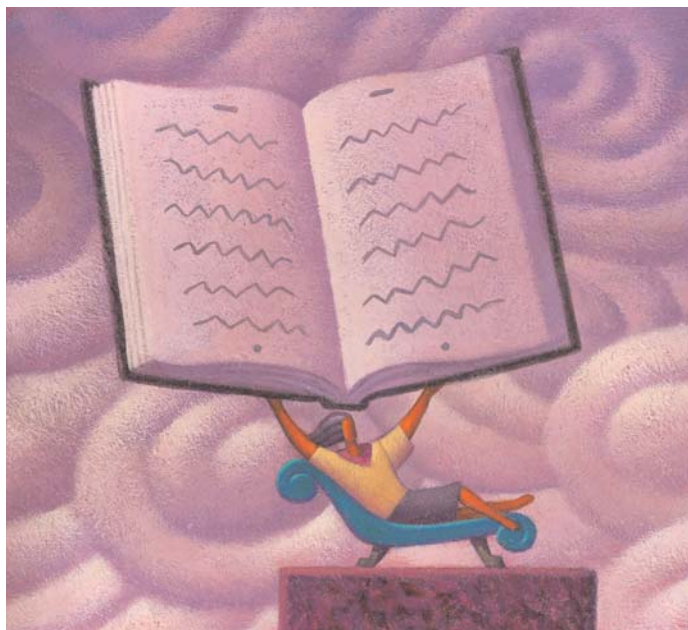


# The Virtual 3-Ring Binder

## Online Corporate Minute Books

by Gary D. Levine of Two Step Software, Inc.



Do you know how many new companies were formed last year? Or how many have filed incorporation documents over the past 50? Millions! Florida alone has more than 1,000,000 active companies registered with the state, more than 200,000 of them formed just last year. So how do all of those companies keep track of all their official legal documents? The old-fashioned way — in simple 3-ring binders, affectionately known as corporate minute books.

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### Minute Books — Many Hours Searching

To get a sense of just how many corporate minute books law firms and corporate legal departments are trying to manage, picture this: if you took every minute book for every company and stood them side-by-side, they would stretch almost halfway across the country! So . . . if you needed to find one of those minute books, would you drive to Philadelphia or fly to Chicago? That's not merely a hypothetical question. Figuratively speaking, lawyers and paralegals have to make such "cross-country trips" every day.

In a typical corporate practice, finding original minute book documents is required in many different situations. Some examples are:

*Looking for a list of the current directors to prepare a consent*

*Looking for a copy of the charter or bylaws to review the language in an article*

*Looking for the minutes of a previous board meeting to find out who voted for or against a resolution*

*Reviewing the stock ledger to calculate the percent of outstanding stock held by an investor*

*Looking for a list of the states where the company is qualified*

Optimally, it takes just a few minutes to find the minute book and a few more to flip through the pages to find what you need. But there's no shortcut. It takes time, even in the best of circumstances — often hours instead of minutes.

### Search Time Adds Up

If one person spends 12 minutes searching for documents each day, he's losing approximately one hour per week — that's 48 hours a year per person of wasted effort and lost productivity. At a law firm, that's time that will go unbilled, written off or charged to a client who might not appreciate the charge. If you have three people in the department, that's a whole month of wasted time. With 18 people you're up to half a year; and with a department of 100 people, you're getting close to three years of billable time. Now we're talking significant cost and/or lost opportunity.

And, that's only time wasted looking for information. We haven't even begun to quantify the time and energy that could

be saved by automating the tasks that still have to be done once the information is located.

Before computers and database storage technology, the 3-ring binder seemed to be a pretty good place to keep the original legal documents that comprise a corporate entity. There was a sense of comfort that the official legal documents were all kept together in one place. Since a corporation is really a virtual entity created by state law, over time each company became physically represented by its 3-ring binder comprising three main sections: the governing documents, the minutes of the meetings and copies of the stock certificates. Of course, if you've ever worked in a law firm or a corporate legal department, you know all too well that the binders are rarely "where they're supposed to be." Even when you finally find the one you're looking for, you may not find the document you need.

## There Must Be a Better Way

With legal costs at an all-time high and clients changing law firms in search of lower fees, shouldn't we find a better way? Although we must continue for the time being to maintain corporate documents in the traditional 3-ring binders, we must also create 24/7 immediate access to all of those minute books so that they can be accessed anywhere, anytime — both by attorneys and their clients. In addition, we must reduce the risk of loss, avoid wasting time searching for the original documents and enable sharing of each minute book by more than one person at the same time. In short, what we need is the same kind of technological replacement for 3-ring binders that we have for so many other systems in law firms.

And such a replacement does exist — an online system. So why is the rate of adoption so slow? Because the old way is what people know, the road to change is pot-holed with uncertainty and fear. In fact, for the vast majority of corporate practices, it's not really a question of whether they should change, but rather, a sense of resignation that they simply can't. But with thousands of hours, additional headcount and critical client loyalty on the line, it's really only a matter of time.

## Common Fears

While most law firms and corporate legal departments agree that adopting some type of online solution for better minute book management is a worthy goal, there are a number of "fear factors" that have so far made this goal somewhat elusive for many firms. These include:

*Will users read 3-ring binders on their computers? The very nature of the minute book itself makes it difficult for*

*people to imagine that all of the information and documents could be viewed in a useful fashion on a computer screen. The fear is that after all the time and effort spent entering data, the system will not be used.*

*Will we ever get all our minute books online? Like spring cleaning, this is a task that, because it seems too daunting, keeps getting postponed. People don't want to start the project, fearing it will never get done but rather stay half-done and never ready to use.*

*Will the information get out-of-date? What happens if we scan and enter all of the historical information and then people do not continue to update the database with new documents and new information? Won't the system become dated and therefore useless? The fear is that all the hard work entering the historical information will have been a waste of time if the system is not updated regularly.*

*What if our clients find out the information isn't up-to-date? It's clear that clients would love to be able to see their information online 24/7 from anywhere, anytime. But what happens if clients have such access and then find that their information and documents are not updated promptly? The fear is that clients will have unreasonable expectations that the law firm will not be able to meet.*

## Get Started Now

Fortunately, adopting and properly implementing an online minute book management system is not an impossible task — and the first step in that process is realizing that it can be done. Adopting and implementing any high quality system — whether custom, off-the-shelf or developed in-house — is better than having no system at all. In fact, the use of minute books really is a system; it's just become outdated. Time, technology and business pressures have made it as outmoded as the typewriter. Postponing the decision only makes the goal more out of reach. The best time to get started is now.

## Basic Requirements

When evaluating a potential minute book management system, the minimum requirement is that it be easy to use and comprehensive. IT departments don't need another great system that is not used, let alone two systems when they could have supported just one. Any system should have the following characteristics:

### Make It Easy-to-Use

Any new practice management system must be both easy-to-use and require limited changes to the way "things have always been done." A user should require no training to be able to use the most important and basic features. Advanced users may need a reasonable amount of training.

### **Make It Comprehensive**

An online minute book management system must track complete entity information, ownership details and finalized minute book documents — all the information found in a standard minute book. This must include entity information for all types of domestic and foreign entities and the related officers and directors; different types of securities such as common stock, preferred stock, option plans, partnerships and LLCs; documents such as governing documents, minutes and consents for meetings of the board and stockholders; and all stock certificates and option agreements.

### **Make It Easy to Share with Clients**

The information and scanned documents tracked in a minute book management system must be accessible from a Web browser so that authorized users can get easy access. These may be internal users such as attorneys, legal secretaries, paralegals and even internal marketing staff or they may be external users such as clients, attorneys from other firms, accountants, bankers or even investors. The more information that is shared with clients and other external users via the system, the greater the reduction in costs associated with e-mailing, faxing, copying and responding to voicemail messages.

### **Ensure Easy Reporting and Document Creation**

In addition to online viewing, users must be able to use the minute book information in their day-to-day work. It should be possible to create reports and generate documents, such as summary corporate and detailed ownership reports, annual consents, memos to clients, mailing labels and organizational charts and capitalization tables. After creating the documents, you should be able to scan and store the signed documents in the system so they are available the next time you need to refer to them.

### **Allow for Appropriate Security**

The system must support appropriate security for each type of potential user. For example, you must be able to define and enforce the difference between those who manage the information and those who can simply view it. And you should be able to control what each user can see such as a limited number of companies or only selected portions of the information. And of course, the security itself must be based on trusted industry standard protocols so that it is something your IT department can understand and support.

## **Implementation Guidelines**

The success of a minute book management system will be largely determined by how well it's initially implemented. If the system fails at any of the initial stages, it is unlikely to be

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accepted by the users later on. The following guidelines are based on successful implementations of online minute book management systems at hundreds of law firms and corporate legal departments.

### **Establish Authority**

There is always resistance to change. It is critical that strong support for the new system be provided at the highest levels of authority, including the chairman of the corporate department or the general counsel. Frequently, adoption of a new system fails when paralegals or application managers are the only ones pushing it. Senior level support for the new system should be provided first at a meeting with all proposed users and then in a follow-up memorandum “from the top” prior to the initial rollout and at subsequent intervals.

### **Ensure Proper Training and Reporting**

It is critical that users receive immediate value when they are first starting to use a new system. The most likely factors to influence acceptance of a new system are the level of training and the extent to which “favorite” reports and documents have been included. There should be frequent and easy access to training. Key reports and documents should be identified early and quickly added to the new system. Further, training, as well as report customization, must be ongoing, as new processes need to be reinforced and new hires require additional training.

### **Plan Historical Data Entry**

At first, the thought of entering all your minute books with potentially thousands of related documents and an even greater number of officers, directors and stockholders will appear to be a monumental task. However, it is one that will surely grow even more “impossible” over time. The key to getting started is careful planning by a team leader with previous experience with large data entry projects. The initial “buy-in” from the entire data entry team is critical. The most successful initial data entry projects have typically started by entering data and scanning documents for a limited number of minute books such as the most important 50 - 100 companies. As you get through the first set of minute books, the task will grow more doable. Make sure to plan reasonable timeframes and achievable targets.

### **Plan New Data Entry and Updates**

While the initial data entry project is proceeding, you can get immediate value from the new system by starting to enter new companies and their related information and documents.

There is no reason to wait for the historical information to be entered before adding newly formed entities. However, it is critical that you plan the data entry process even for new companies before users start entering any data. By planning in advance, you will avoid users doing it in different ways, doing it incorrectly or not doing it at all.

### **Make Ongoing Use Mandatory**

Using a database system should not be optional. As soon as one piece of information is not entered in the system, it dramatically reduces how much everyone can trust all the data. For instance, if one director record is not updated, how can you query the system to find all of the companies where one insider is an officer, director or stockholder? The result will be incomplete. While many users will be motivated to use a new system since it helps them do their work better, others will be hesitant and avoid using it, particularly those who have been doing it the “old way” for a longer period of time. Therefore, use must be made mandatory by people with real authority with checks and balances and consequences for failure.

### **Encourage Sharing with Clients**

The single largest source of positive reinforcement for an online minute book management system is your clients. When they tell their attorneys how much they appreciate being able to find their own information whenever they need it and without paying for billable time, it encourages more use. When a client is paying a law firm more than \$200 per hour for legal services, it seems like a bargain when the client can save on a few phone calls to the attorney and find a number, a date, a report or a document themselves just when they need it. And for the law firm, searching for a minute book document based on a client request is often low-value work and frequently time that goes unrecorded.

Remember that implementation is an ongoing process. It is not typically something that has a definite start and a clear completion date. It is an ongoing cycle of doing, reviewing

and improving. Over time, using the system becomes second nature and its true value more apparent.

### **Don't Wait — Take That First Step**

For many law firms and corporate legal departments, the goal of putting minute books online remains just out of reach. The essence of the problem is that people find it difficult to imagine how they will get all their hundreds of 3-ring binders online. Fortunately, there is general agreement that making this type of change is critical to the efficient practice of corporate law. Despite the best intentions, some level of fear still remains that adopting an online minute book management system will require too much change in the way that traditional corporate minute books have been maintained.

Today, new scanning, database and Web browser technology solutions are available to increase the efficiency of legal work, reduce the risk of loss of original signed documents and share information internally and with clients. At many law firms, major clients are demanding this type of access when selecting new outside counsel. Since every large law firm and corporate legal department will need to attack this problem sooner or later — and the magnitude of the problem only grows with every new company that is formed — it only makes sense to take the time now to realistically evaluate your situation.

So go ahead, create a team that has both the experience and the authority to make online minute book management your new standard practice. It will save money, save time, retain clients and win new business.

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### **About the Author**

Gary D. Levine is the Founder and President of Two Step Software, Inc., a leading provider of corporate, ownership and minute book tracking solutions for law firms and corporate legal departments. Previously, he practiced law for nearly a decade in Boston, Massachusetts, first as a corporate and securities attorney at Hutchins & Wheeler and then as General Counsel of Pilot Software, Inc., an international software company. Gary can be contacted at 800.252.2454 or [glevine@twostep.com](mailto:glevine@twostep.com).