

## Spring Cleaning for a Business



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Spring has sprung, the cherry blossoms have come and gone and summer is just around the corner. Between getting the lawn in shape and trying to fix a “broken” golf swing, it is easy to lose track of the legal aspects of running a business. Yet spring is the perfect time to take stock of things. The chaos of the holidays and winter vacations is over, people have not yet started taking their summer trips and there is still time to prepare for the frenzy of work that will pour in next fall.

So what should businesspeople be reviewing? Aside from financials, which are probably reviewed every month, this is the time for a business to consider taking inventory of its critical business agreements—both internal and those with outside parties. For example, client contracts should be reviewed as a refresher about pending deadlines, payment terms and termination rights (for the business and the client). It is also important to take a look at office and equipment leases as well as to make sure the business is in compliance with each one (e.g., are leased “work” vehicles over their annual mileage allotment?).

If a business has changed significantly during the last year, insurance binders should be dusted off and checked to ensure that general liability, errors and omissions, and insurance policies for directors and officers are up-to-date and appropriate for the company’s current needs. If more employees were hired, this is the time to review workers’ compensation insurance and unemployment insurance policies. There might even be an opportunity to qualify for a lower “experience rate” on unemployment insurance.

If a business is a corporation, for example, Maryland law requires that businesses keep “correct and complete” books and records of the accounts and transactions of the stockholders and directors of the corporation. Many limited liability companies also keep formal record books for self-accountability. This is the time to make sure that the minutes from annual meetings are in order and that stock or equity certificates are accounted for.

Finally, spring is a great time to examine internal business agreements and policies. Are form sales contracts and purchase orders complete and up-to-date? Has the employee handbook kept up with the growth of the business? Are the necessary steps being taken to protect the assets and confidential information that makes a business successful?

Law firms often receive calls from businesspeople who are panicked about missing one (or 10) annual meeting(s), an out-of-date contract or a controversial employment policy. While attorneys can help put the business back on track, the easiest, most cost-effective thing a business can do is invest a few minutes each year to perform some spring cleaning.

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*Paley Rothman, founded in 1972, provides legal counsel to corporate and individual clients in a wide range of practice areas. It maintains a business-orientation and handles tax, real estate, employment law, estate planning, litigation and a variety of other matters for businesses and professionals in Montgomery County and throughout the Washington, D.C. metropolitan area.*

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