

North Carolina Law Life

Schedule Your Legal Checkup

By: Donna Ray Chmura. *This was posted Wednesday, January 6th, 2010*

One of my favorite sites, [Women Entrepreneur](http://www.womenentrepreneur.com), gives some specific examples of how your business attorney can save your bacon through annual legal checkups: <http://www.womenentrepreneur.com/2009/12/your-biz-needs-an-annual-legal-physical.html>

I appreciate the article because I would not want to appear completely self-serving when I advise that businesses of all sizes should meet with their attorneys (and accountants) at least once a year to head off potential problems. I know there is a lot of belt-tightening going on right now, but penny-wise can turn pound-foolish in an instant. For example:

- One of my first matters as a corporate attorney was “cleaning up” an IT company that had a founder’s friend do the formation. He was an attorney, but a divorce attorney, and it took about 30 hours to unravel the mistakes that were made in setting up the stock, the shareholders’ agreement and stock-option plan. It was pure luck that the S-corporation election was not invalidated by the way the stock was set up.
- Another client got into a dispute with a supplier of wire and wanted to cancel the contract. A low-level manager had written a contract that said the supplier would supply all wire needed by the company for the next three years (including a minimum purchase requirement). There was no way to terminate the contract early. It took many hours of negotiation to end the contract early when the telecom industry tanked and the client didn’t need the minimum order.
- Finally, one of the saddest matters I have handled was a client who got into some financial trouble and didn’t pay state income taxes. They owned a viable retail business, but the Department of Revenue padlocked them and put many people out of work.

All of these situations could have been largely avoided (or handled quickly and possibly less expensively) if the clients had spoken with a business attorney early on.

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