A TWO STEP SOFTWARE WHITE PAPER

THERE'S A WHOLE NEW WAY TO LOOK AT CORPORATE MINUTE BOOKS:

ADOPTING AN ONLINE MINUTE BOOK MANAGEMENT SYSTEM

TWO STEP
SOFTWARE

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Adopting an online minute book management system

THE MINUTE BOOK CHALLENGE

When Henry Ford founded the Ford Motor Company in 1903, he used paper and pen to track the stock holdings for the original 11 investors. When Richard Hale and Dudley Dorr started Hale and Dorr in 1918, they kept the minutes for their clients' meetings in maroon three-ring binders. When Bill Hewlett and Dave Packard founded HP in 1939, their stock certificates were printed with a typewriter in their Palo Alto garage.

Well, things have changed a lot over the past century — and even more over the past 25 years. You're driving a minivan instead of a station wagon. You're using a cell phone instead of a pay phone. You've even replaced your checkbook with Quicken. And, while things have changed a lot recently, one thing hasn't changed — the way law firms and corporate legal departments organize and update their minute books and stock ledgers.

Think about it. What happens when the tax department needs the Federal ID numbers for your 45 subsidiaries? How do you find a copy of the minutes for last quarter's board meeting? Perhaps the minutes are in a minute book that's been "borrowed" from your office. In fact, do you even know if you actually have a complete set of minutes for a Sarbanes, pre-IPO, or merger-related compliance audit?

These are the unavoidable challenges — large and small — that are all too common in virtually every corporate legal department or busy law firm. They're time-consuming, low-value, high-risk tasks that you need to stay on top of. The fact is, whether you're an in-house general counsel or an attorney at a law firm specializing in corporate law, chances are you've seen firsthand the difficulties that minute book management can create. Too often, you're made to look bad by the

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presumably simple challenge of managing corporate minute books and their growing array of documents. When you stop to look at the bigger picture of minute book management, it's easy to see both the clerical and legal challenges. In short, while it should be simple, in actual practice - it isn't.

While there may be no way to replace the time-honored practice of signing the original minute book documents and storing them in three ring binders, there are better ways to organize, track, update, and share this critical information. In fact, modern ways of managing minute book information also provide an opportunity for better safeguarding of the originals. With all your information and documents online, you can store the original minute books in more secure locations that are less prone to temporary borrowing and risk of loss. Let's explore what an online minute book management system is all about.

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ORGANIZING MINUTE BOOK INFORMATION

Consider the volume of critical data and documents you must maintain for a single entity in just a single minute book:

- Basic corporate entity information
- Articles of incorporation and other governing documents
- Minutes of meetings and consents
- Officer and director lists
- Stock and option ownership
- State qualifications
- Intellectual property filings
- Corporate compliance filings
- Key contracts and other agreements
- Corporate organization charts
- Reports, letters, forms and other documents
- Complex stock and option calculations
- Stock certificates
- Option agreements

The challenge, of course, is that there isn't just one minute book or one simple stock ledger. If you're an in-house counsel, you might have minute books for dozens or hundreds of subsidiaries and affiliates — all with slightly different lists of officers and directors, ownership structures, filing deadlines, and other requirements.

If you're a venture-backed company, you may have a complex ownership structure to manage. And, if you' re at a law firm, you can multiply that complexity by the number of clients you serve — easily reaching hundreds or thousands of three-ring binders.

TRACKING THE MINUTE BOOKS

Since all of those minute books are usually organized in three-ring binders with hundreds of pages, it' s particularly difficult to find, update, and share them with others. Typically, there' s just one copy of these vital documents that different people must update and maintain. This increases the risk of missing an update or losing a document. And since these documents are irreplaceable, lawyers are disinclined to let someone borrow a minute book without some sort of cumbersome check-out procedure or making a duplicate copy. This only multiplies the tracking and updating challenge and the risk of loss.

SHARING MINUTE BOOK INFORMATION

Legal departments and law firms often create libraries with walls of bookshelves to store their hundreds or thousands of books — but too often, it falls to you to answer the continuous flow of requests for information those books contain. These requests can create a flurry of e-mails, faxes, and confidential printouts. Too often, the cycle repeats itself when the same question needs to be answered weeks or months later. The level of urgency and the volume of requests for information and copies of documents can multiply many times under the time pressure of due diligence. While the requests vary in complexity, in the aggregate, they can consume huge amounts of time and limit your productivity.

Many requests are for detailed information. Finance needs a fully diluted capitalization table. HR needs a breakdown of last month' s stock option grants. Tax or accounting needs Federal ID numbers for several newly created subsidiaries. The real estate group needs to know the expiration of building leases in the Western region. Tracking down the information that is needed (if you can even find it) — or calculating stock ownership, for example — can cause legal fees to soar. It' s a low-value, high-cost activity.

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Sometimes, people will request a single copy of a critical document such as the original charter, an amendment to the by-laws, last quarter's board meeting minutes, or the annual stockholder's consent from two years ago. How easily can you find these documents? How easily can you find the minute book that contains these documents? Who has it? Where is it stored or being used at the moment?

Some requesters try to sidestep this process by finding the information or documents for themselves. Maybe they're working late or over a weekend and need a "self-service" answer. In the case of law firms who track the minute books for their clients, they suddenly appear to be creating billable hours solely to deliver a copy of a signed document. It's a no-win situation for law firm and client alike that only serves to frustrate one and make the other look like it's not providing optimal service.

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UPDATING MINUTE BOOK INFORMATION

Updating the information in each minute book can be a low-value, time-intensive process. Consider how just one change — a director resignation — can ripple through the minute book library. First, you need to prepare a director resignation for every company the person was serving on. Then, you need to prepare a director election for the new director for one or more companies. Next, you need to remove the old director and add the new director to the summary sheets in one or more minute books. You must enter the new director name, address, and contact information. The change in director status may need to be filed with various state agencies. Upcoming board consents and notices need to be updated. Perhaps the change ends vesting on one director's option while stock needs to be issued to the new director. This can force a lawyer or paralegal to create dozens of documents and file them in any number of places within any number of minute books. It doesn't sound difficult — and it isn't. It's simply a time-intensive, repetitive task that's vulnerable to errors.

GENERATING MINUTE BOOK DOCUMENTS

Can you quickly generate the minute book documents your company or your client requires? Each entity, of course, must conduct an annual meeting and create the related stockholder and director notices and execute standard consents. Preparing for dozens of simultaneous annual meetings can create a blizzard of documents — all of which must be one hundred percent accurate and legally compliant.

Imagine having to create annual reports, memos to clients, and filing letters to the secretaries of state for multiple states for dozens or hundreds of entities — all on a timely basis to avoid embarrassing late fees and penalties that can multiply quickly. Or, consider the complexity of generating a fully diluted capitalization table. You must look at cancelled shares, stock transfers, and new issuances. You must convert different classes of preferred stock to common, calculate the impact of warrant and stock option exercises, and factor in relevant time periods. Then, you need to create new stock certificates and option agreements.

Whether it's organizing and updating minute book information or sharing historical documents, these are challenges that lawyers at legal departments and law firms face every day. But, they don't have to be high-cost, time-consuming, productivity-wasting activities like they were when your grandfather started practicing law. A modern minute book management system can improve your level of service and lower the risk of errors.

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THE REQUIREMENTS FOR A MINUTE BOOK MANAGEMENT SYSTEM

In the face of these growing challenges, corporate legal departments and law firms are looking for a new breed of automated solutions that can bring greater speed, accuracy, and efficiency to the minute book management challenge. Increasingly, many believe the answer lies in bringing minute book information online in a secure, easily accessible fashion. A minute book management system or virtual minute book library has several important requirements:

COMPREHENSIVENESS

The proper solution for minute book management must encompass virtually all types of information and documents in a single, centralized repository. It must avoid the need for multiple systems and provide several different information-management functions.

- **Entity Tracking:** An online minute book solution must track detailed information about each corporate entity:
  - Corporate basics, such as incorporation information
  - Officers and directors
  - Governing documents and meeting minutes
  - Qualifications and other filings
  - Agreements and key documents
  - Key reminder dates and deadlines
  - Names, addresses, and contact information
- **Ownership Information:** Similarly, attorneys must manage all types of information pertaining to the ownership structure of every entity whether complex or basic, whether domestic or international. This can include:
  - Ownership for all entity types (corporation, partnership, LLC, and LLP)
  - All forms of stock ownership (common, convertible, preferred, restricted)
  - Stock option plans, including grants and vesting
  - Automated stock transfers and option exercises
  - Ownership reporting by date or by name
  - Capitalization tables
  - Stock certificates and related documents

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- **Historical Documents:** In connection with the entity and ownership information tracking, you need to track numerous historical documents that are the original source of the information. They are typically signed and finalized agreements or stamped filings from a government office. They can include:
  - Governing documents such as charters, by-laws, and amendments
  - Minutes and consents from board and stockholder meetings
  - Stock certificates, option agreements and other securities records
  - State and Federal filings such as annual reports, trademark filings, tax filings, and SEC filings
  - Key contracts, employments agreements, leases, bank lines, purchase agreements, and other transaction documents

CENTRAL STORAGE WITH WORLDWIDE ACCESS

Attorneys require a solution that centralizes the storage and management of information in one secure location and permits structured processes to backup and safeguard the data. What' s more, this paradigm permits worldwide sharing of that information with any authorized user from any web browser — 24x7. Ideally, users who want to "self-serve" can eliminate the ritualistic chasing down of missing minute books (through e-mail or interrupting phone calls, for example).

And for law firms, this distributed model can enable you to create breakthrough client service by responding to client inquiries faster and at a lower cost. Suddenly, a process that only seems destined to make you look bad — getting a client a new report or copy of a historic document — can make you look good. You can provide even better service without an increase in manpower by permitting clients to peruse their own minute books to find the information themselves.

COMPLETE REPORTING

One of the primary advantages of a centralized repository for minute book information is that you can create a broad selection of reports. Look for a solution that can deliver information on all aspects of corporate information and ownership. You also need a solution that can create different slices of the same information based on different

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reporting needs. While it' s beneficial to standardize, there are frequently cases where different users or clients need their own unique format for various reports.

DOCUMENT CREATION

Lawyers need a system that works like they do — in a document-centric way. The expectation — and requirement — today is for a system that can generate accurate documents with the most current information at the click of a mouse, from written consents and annual reports to cover letters and mailing labels.

What' s more, an ideal online minute book solution can offer other innovations to increase speed and accuracy, such as customizable documents and agreements, auto-entry, and more. Create an option agreement for a new employee instantly. Generate stock certificates one hour before the closing. Or, create all your incorporation documents automatically.

The ability to auto-populate and generate a customized, legally compliant consent in a minute — with up-to-date information on lists of officers, directors and stockholders — is a powerful feature that should be on every evaluator' s checklist. With centrally managed data, you enjoy complete consistency in every instance for every document. Change an address for a director once and generate all of the necessary documents immediately. The right solution eliminates the need to copy data from other sources and reduces or eliminates re-keying of identical information.

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BUILT-IN REMINDER TRACKING FOR EASIER COMPLIANCE

With so many entities, agreements, and filings, deadlines are an essential fact of life for every corporate attorney and general counsel. For example, different entities operating in multiple states must file qualifications each year — that' s hundreds of documents with hundreds of deadlines. Leases must be renewed. Annual meetings must take place within certain time windows. Tracking critical due dates is a must. A built in reminder list of upcoming deadlines lets you know of upcoming dates with plenty of advance notice. Reminder dates or alarm dates support the tracking.

SECURITY

Security is a non-negotiable requirement for any online minute book system. The proper solution should store all data on the customer' s internal, secure, and reliable network in an industry-standard database that provides proven and accepted security protocols. A system that stores the database files and application files on the customer' s internal network helps each user achieve the optimal combination of standard database security features, Web browser SSL encryption, and standard network operating system security features. The entire system must be protected from the risks of having your critical information stolen or out of your own control, such as when it is stored at an off-site, third-party location.

SIMPLIFIED DEPLOYMENT

Law firms and legal departments don' t have time to deploy overly complex computer systems. They want and need a solution that features easy installation and maintenance. What' s more, the right solution should be:

- **Easy to Install:** Few law firms or corporate legal departments have an interest in lengthy implementation cycles and expensive consultants. Look for something that is easy to adopt and get up and running.
- **Easy to Administer:** By embracing industry-standard components (e.g. browsers and databases), a proper online minute book system can be as easy to administer as it is to install. Internal IT support, when required, is already familiar with the technology. Menu- driven approaches to required customizations eliminate the need for costly consulting engagements.
- **Easy to Learn:** Don' t make it any more complex than it needs to be. The right system works the way you've already been working, only better. The right minute book system can be learned in a few hours. You shouldn't need to fly somewhere for multi-day classes to improve something you've already been doing.

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CORPORATE FOCUS™ FROM TWO STEP SOFTWARE

Over the past decade, Two Step Software has become the undisputed leader in comprehensive entity and ownership tracking. Hundreds of leading law firms and corporate legal departments use its flagship solution — Corporate Focus™ — to track the minute book information for thousands of companies.

Corporate Focus is the legal market's most comprehensive minute book management solution. With Corporate Focus, law firms and corporate legal departments gain control over their entity tracking procedures, increase visibility into corporate information, and more easily access minute book documents and ownership records. The result - increased productivity and reduced legal and business risk in the corporate governance process. Maybe that's why more than 40 percent of the AmLaw 100 law firms use Corporate Focus and more than 90 percent of U.S. law firms that have purchased a system to manage their clients' entity and ownership information have chosen Corporate Focus.

Corporate Focus saves you time in tracking and reporting minute book information in a number of different ways:

- All data and documents reside in a central location so they are never lost or misplaced.
- There's no need to re-key data to create different types of reports.
- You can sort and group companies by state, annual meeting dates, type of entity, attorney, and many other ways.
- You can easily track officers and directors for each company and then review them across all of the companies where they are elected.
- Manage critical due dates for all the companies on a single reminder screen so you can avoid missing important deadlines.
- Track custom items in user-defined fields throughout the application.

Over the past decade, Two Step Software has become the undisputed leader in comprehensive entity and ownership tracking.

With Corporate Focus, law firms and corporate legal departments... increase productivity and reduce legal and business risk in the corporate governance process.

EXTENSIVE CORPORATE TRACKING

Corporate Focus makes it easy to manage all general corporate information, including both current and historical officer and director information, for one or hundreds of companies. The types of data you can track include:

- States and dates of incorporation
- Registered agents
- Annual meeting dates
- Types of entities
- Officers, directors, and committee members (including current and former)
- State qualifications, and annual reports
- Key contracts and other agreements
- Charter amendments, and key votes
- UCC, trademark, and other corporate filings
- Names, addresses, and contact information

Corporate Focus makes it easy to manage all general corporate information, including both current and historical officer and director information, for one or hundreds of companies.

COMPLETE OWNERSHIP TRACKING

Corporate Focus makes it easy to track all types of securities (common, preferred and restricted stock, options, warrants), different stock certificate legends, stock transfers, and a list of all the names and addresses. With Corporate Focus you can:

- Track new stock issuances and the details of stockholder transfers
- Track convertible preferred stock and the common equivalents
- Track equity compensation plans, including stock options, warrants, and restricted stock
- Manage option grants, different vesting schedules, and multiple plans for a single company
- Use automated features to complete stock transfers, exercise an option or warrant, and create the related new stock certificate
- Print stock and option ledger reports, stock certificates, and other related stockholder documents
- Print stockholder mailing labels

Previously, creating a fully diluted capitalization table was a time-consuming and error-prone task. Corporate Focus eliminates the pain by simplifying and accelerating the creation of capitalization table reports. Exporting stock and option information to a cap table in Microsoft Excel® is fully automated. By tracking all of the capitalization data in Corporate Focus, you can generate fully diluted cap tables automatically.

Corporate Focus also provides an excellent way to print stock certificates. You can print to any blank or pre-printed stock certificate — quickly and correctly. You can also print other securities documents such as option agreements, cross receipts, restricted stock letters, and transfer documents.

ONLINE DOCUMENTS ARE INSTANTLY AVAILABLE

Corporate Focus tracks all your documents online, allowing you to index and make instantly accessible all the historical documents you are currently storing in your minute books or filing cabinets. Corporate Focus provides a secure place for scanned copies of:

- Governing documents
- Meeting minutes and consents
- Stock certificates and option agreements
- Annual reports
- Trademark filings
- Securities filings
- Contracts and key agreements

Corporate Focus' document tracking eliminates the need to dedicate precious office real estate to storing minute books because you' re storing them electronically (with the paper originals safely stored offsite). There' s no need to track down paper documents that have been misplaced or temporarily borrowed from the records room. Everything is online and immediately available. That means you can:

- Eliminate the time wasted looking for minute books
- Eliminate copies of board minutes and stockholder consents or duplicate binders for clients
- Enable associates to find copies of the charter and by-laws even when you are not available.

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- Get immediate access to copies of all of the past corporate, tax, and securities filings when preparing new filings
- Find copies of signed employment agreements, leases, or banking agreements without searching for a closing binder
- Immediately access an up-to-date list of current or past officers and directors, their correct titles, and exact addresses
- View a stockholder ledger, transfer history, or other securities information at any time from anywhere

Corporate Focus tracks all your documents online… all the historical documents you are currently storing in your minute books or filing cabinets.

Everything is online and immediately available.

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FOR MORE INFORMATION

To learn more about Corporate Focus or to schedule a demonstration, contact a sales representative at (800) 252-2454 or e-mail: sales@twostep.com

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