

JBN Attorneys

- Kent A. Noble
- Frederick A. Johnson
- James P. Johnson
- Brian F. Johnson

Of Counsel

- Patrick T. Chambers
- Frederick D. Johnson

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Johnson, Bunce & Noble, P.C.
Executive Offices—Parkway Plaza
7800 N. Sommer St.
Suite 425
Peoria, IL 61615-1994

Phone: (309) 691-9650
Fax: (309) 691-9651
Web: www.peorialawyers.com

Johnson, Bunce & Noble, P.C.

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Business Housekeeping

Every business, no matter how small or large, should routinely look at the way they do business. This simple review serves as business housekeeping, which can be invaluable in times of stress. Here are a few housekeeping items from the legal side of business to help the small or large business owner.

1. **Minute Book:** The minute book is typically put together at the onset of a corporation's (including LLC's) formation. Making sure the book contains the vital annual minutes (minutes once a year reflecting the annual meeting), special minutes (for extraordinary transactions), resolutions, and the recording of numerous other events is important. The first thing the IRS will request in a business audit is the minute book. Keep it up to date.
2. **Buy-Sell Agreements:** A shareholder agreement is an agreement between two or more shareholders of a corporation that binds the shareholders to do or not do something. An LLC can have similar agreements. A Buy-Sell Agreement is a form of shareholder agreement. It can govern what happens to a shareholder's shares upon the happening of certain events. For example, upon the death of a shareholder,
3. **Business Succession Planning:** The transition from an older generation to a younger generation is vital but extremely difficult. Recent statistics show that many small- to mid-sized businesses fail to properly plan for the future, causing obvious problems. A succession plan can help early on in the transition.
4. **Employee Handbooks:** All employers should have a set of policies and rules laying out the employer-employee relationship. The handbook should contain, among other things, a statement about equal opportunity employment, anti-discrimination policies, and benefit and time-off information. An employee handbook can help all employers in discrimination claims, retaliation claims, and unemployment claims.
5. **Contract Review:** All parties to a contract should have that contract reviewed before they sign it. Additionally, all industries which

the surviving shareholders may be required to purchase the deceased's shares. This forced purchase keeps outsiders from penetrating the corporation and causing disharmony.

make their customers/clients sign a form contract should have the contract reviewed periodically to make sure that the contract has the necessary language, including: timing for performance, payment information, services/goods to be provided, services/goods excluded from the contract, and collection procedure, and liability for costs and fees.

6. **Cleaning Up Accounts Receivable:** Businesses with slow-pay or no-pay customers/clients should consult with their accountant to determine if accounts deemed uncollectible should be written off. Those accounts not deemed uncollectible should be reviewed for the possibility of collection actions.

Although this list is not exclusive, these are a few topics business owners should think about in 2009. Get organized and stay organized—it's cheaper than the alternative.



Powers of Attorney vs. Guardianships

There is a lot of confusion about the difference between powers of attorney and guardianships.

A Power of Attorney is a document that allows a person (the principal) to appoint another person or entity (the agent) to make certain decisions on the principal's behalf. Although a Last Will and Testament controls a person's property after death, a power of attorney typically controls while the person is still alive.

If a person does not have a power of attorney covering the specific decisions and is not able to make decisions on their own accord, typically the person or entity needing the decision will require a guardian to make that decision.

A guardian is a court-appointed person or entity that is allowed to make certain decisions regarding the disabled person's person (health care) and/or property. A guardianship can be either plenary (unlimited) or limited. It can also be permanent or temporary.

Typically, if a person has properly drafted and valid powers of attorney in place covering the decisions needing to be made, then a guardianship is not necessary. Usually, having powers of attorney drafted are less expensive, less public, and less time consuming than having a guardianship proceeding. Although an agent needs to keep detailed reports of transactions, they generally need not file annual reports with the court, unlike a guardian.

Required Distributions On Hold

Typically, IRA owners over age 70 1/2 are required to take a certain amount of money each year from their IRA and 401(k)s. This distribution is frequently referred to as a "Required Minimum Distribution" (RMD).

A new tax law, however, suspends the RMD in 2009. This law was apparently intended to help those people who encountered shrinking IRAs and 401(k)s by letting them keep the money in the account in hopes of an increase in value.

If you turned 70 1/2 in 2008, you are required to take your RMD by April 1, 2009 but that distribution will be counted towards your 2008 RMD.

If you turn 70 1/2 in 2009, you will have until December 31, 2010 to take your first withdrawal, but the IRS will

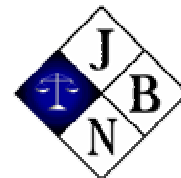
consider that your second withdrawal. In essence, your first distribution is considered skipped.

The new law is scheduled to end for the 2010 tax year. Additionally, the law does not apply to Roth IRAs or defined benefit plans.

Regardless of your age, keep in mind that you may also convert your IRA to a Roth IRA if your modified adjusted gross income is \$100,000 or less. However, there are some limitations. For more information, please feel free to call us.

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- **Selling your home or refinancing? Tell your Realtor/Lender that you want JBN Title Services, Inc. to handle the closing. Let us know and we'll apply our client discount to your closing costs.**
- **REMINDER: JBN prepares simple and complex income tax returns.**



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7800 N. Sommer St.—Suite 425
Peoria, IL 61615-1994

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