

# Data Room Checklist



# Introduction

When choosing a Virtual Data Room (VDR), it's important to find the solution that fits your needs quickly. It's likely you're in the market for a VDR to help facilitate an upcoming M&A transaction, a round of fundraising, or another financial event that requires immediate action, so implementation time and ease of use should drive your software selection process.

This Data Room Checklist gives you everything you need to know when preparing to implement a virtual data room, as well as some things to consider once your data room is in place.

# Data Room Checklist

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# Virtual Data Room Features and Options

There are dozens and dozens of features offered by virtual data room providers. Some of them are necessary to complete a deal, while others could complicate your experience, drive up the price, or even delay your deal. Here is a list of some features and things to consider when looking for a virtual data room solution.

## **Quick Set Up**

One of the most important reasons people invest in a virtual data room is to expedite their deal process and move forward as quickly as possible. Your deal cannot progress to the next stage until your VDR is in place and all of your documentation is organized. Your software vendor should never create roadblocks or delays, so it's important to work with a provider that gives you instant access to your data room without making you navigate through a hefty sales process.

## **Intuitive, User-friendly Interface**

It's important to find a solution that not only fits your needs quickly but that also includes the features you really need. Most major financial transactions that require a virtual data room are time-sensitive in nature, so finding a system that you and your team are comfortable using often outweighs a tool that is feature-rich but requires hours of training. You can't let an overly complex data room get in the way of achieving your business and financial goals.

## **A Pricing Structure That Includes What You Need**

It might sound obvious, but finding a VDR with a pricing package that fits your specific needs is critical. If your situation only calls for a very basic offering, then it doesn't make sense to implement a tool that includes every feature under the sun. On the other hand, if you have a large volume of people involved with the process and hundreds of documents in play, going with a pay-as-you-go model could end up being much more expensive than an all-inclusive package.

Here are some questions to ask yourself during the VDR selection process that will help drive your pricing model decision:

- How long do our deal cycles last? Will we need our data room open for just a couple of months or do we have longer-term needs? Do we need to facilitate ongoing fundraising?
- How many users and documents do we have?
- Will we need extra training or help with implementation?
- Is a built-in electronic signature tool important?

### **Data Control**

Handling confidential data requires having tools and systems in place to help you manage that information and securely share data with specific individuals and groups. The ability to assign flexible user roles and permissions can help ensure that your partners, investors, and employees can access the information pertinent to them and nothing else. Virtual data room software makes storing and sharing documents simple while maintaining the highest levels of security to prevent your confidential information from falling into the wrong hands.

### **Deal Insight**

Another benefit of a virtual data room is having access to audit logs that can help you and your team gauge investor interest. Having clarity into who is viewing what and how often can lead to a better understanding of which investors are actually interested and engaging with your company information.

### **Training and Support**

Ease of use and simplicity are hallmarks of a great virtual data room, and ideally, the solution you choose will get you up and running right away, but there are always times when a little extra training would make your life easier. Look for a VDR that has support available for when you have questions about the platform.

# What to Keep in Your Virtual Data Room

The contents of your virtual data room will vary based on what you are using it for, but there are a few types of documents and information that are especially important. Having these documents organized and accessible in your VDR will help your business transactions move more efficiently.

## **Financial and Tax Information**

Potential buyers in an M&A transaction must be able to access your financial and tax information. Some of the financial documents to include in your VDR are:

- Federal and state tax returns
- Monthly, quarterly, and annual financial statements from at least the past five years
- Audit results from third-party accounting firms
- Loans, leases, and security agreements
- Company bank accounts

## **Intellectual Property**

In some cases, companies may not be as concerned about sharing sensitive data with external parties, and yet still need a coherent data security strategy. This is particularly true for startups and other businesses whose growth and survival is highly dependent on safeguarding invaluable intellectual property (IP). For companies falling under this umbrella, establishing a VDR to store any and all IP-related documentation is always a good idea. Your company leaders and legal counsel will no doubt be pleased to know your invaluable IP will continue to be invaluable.

## **Asset Information**

Depending on the organization, your company assets may represent the most valuable part of your business. The documents to include here are:

- A summary of all owned and leased property
- Property mortgages, liens, titles, and deeds
- Complete lists of equipment along with their date of purchase
- Equipment purchase agreements and financing documents
- Lists of key suppliers and manufacturers
- Product inventories

### **Employee Information**

Your employees are the heartbeat of your business. They are the living and breathing parts of business that make everything possible. As an employer, it is your responsibility to ensure that their personally identifiable information is kept secure. If this information is not protected, you and your business could suffer greatly should a data breach occur. Using a VDR is a simple and cost-effective way to store all of your HR documents.

## **Who Should Have Access to Your Data**

It is important to consider who needs access to the data in your VDR. Having the appropriate permissions established ahead of time will allow your business transactions to move smoothly and prevent unnecessary hiccups that could ultimately delay a deal. Below are some of the primary groups who will need access to your data.

### **Leadership/Internal Stakeholders**

Ensuring that all of your executives and leadership team have an efficient way to access company information can help prevent breakdowns in communication, especially when they're spread across multiple offices. Virtual data rooms also offer the ability for executives to share sensitive corporate documents with only those employees who need access to specific information.

## **Board of Directors**

Board members often insist on being heavily involved with a company's leadership team and other facets of the operations. But, board members do not always reside nearby, nor do they make frequent visits to the office headquarters. In these instances, when key personnel are scattered around the globe, it will be critical to have a system in place that allows for instant, secure sharing of information. One of the best ways to ensure that documents are shared quickly and safely is by storing them in a VDR, then granting access to others, including remotely located board members as appropriate.

## **Human Resources**

HR departments responsible for maintaining employee records need a secure system for maintaining confidential information. Employee titles, salaries, benefits, bonuses, health insurance plans, and stock options should all be included in your virtual data room.

## **Investors**

Any reputable investor is going to require you to disclose a ton of information about your operations, practices, and finances, so having meticulous records is a must. Even a small investment is going to involve a fairly detailed review of a company's dealings, so every item must be managed well. Having well-organized records will both impress prospective investors and facilitate the progress of any investment deal. To ensure records are meticulously maintained, it is a good idea to establish a corporate repository from the very beginning of a company's existence and to tend to the organization of important documentation on a regular basis. If an online database is utilized, such as a virtual data room, this can easily become the starting point for a deal room in the event a due diligence investigation is necessary.

## **Strategic Partners**

Even if companies do not formally merge or acquire another business, it often makes sense to partner with other firms for the provision of some good or service or to engage in an entirely new venture. As with most

partnerships, these sorts of arrangements will no doubt require a substantial amount of data sharing. This is once again a situation in which a VDR will prove invaluable, and it will ease the minds of the leaders involved in the partnership, as they can rest assured that all valuable data will be protected.

## Top Virtual Data Room Use Cases

Virtual data rooms are used for a variety of reasons in a range of industries. These are a few of the most common uses for VDRs.

### **Fundraising**

During the fund application process, you'll need to demonstrate a history of positive performance to potential investors. A VDR provides a place to securely store all financial and reporting information and grants limited access to investors for auditing and reporting purposes.

### **M&A Due Diligence**

One of the most popular reasons to get a VDR involves the M&A process. A virtual data room eliminates the need for a physical deal room but still serves as a place to securely review business details and ask questions as needed.

VDRs provide the ability for multiple parties to complete due diligence at the same time. During mergers and fundraising, any approved decision-maker can view sensitive documentation within a controlled and secure environment. For companies merely entertaining a purchase offer, it can be daunting to hand over the sensitive data that will be requested. Thus, companies heavily engaged in M&A can still participate in negotiations and allow for the safe viewing of valuable, confidential data by relying on a purpose-built VDR. And in the event that a deal does not close, access to the data room can simply be terminated.

### **Licensing Deals**

Controlling your copyrights, patents, trademarks, and other elements

included in a licensing deal is an essential part of protecting your business. Virtual data rooms offer a secure location to house this information and easily share with your partners.

### **Corporate Repository**

Many businesses have employees scattered across multiple offices, so a virtual data room can serve as the private and secure cloud where employees access data and documents no matter where they are geographically located, so long as they have been granted access by an administrator.

### **Conclusion**

It is now easier than ever to invest in and set up a highly secure data storage solution, with the modern VDR being the service of choice. Consider starting free trials with any provider you're considering to get a better idea of what it's actually like to navigate throughout the system. There are many VDR options on the market, so make sure to choose one that offers the features and services you need to carry out your business operations efficiently.



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