Preparing for Investment – How Organized are your Corporate Documents?

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Preparing for a venture capital financing or an acquisition? Make sure your corporate documents are ready for prime time.

You will not be able to close a financing or sell your company if your corporate documents are in disarray. When the time comes to raise money or get acquired, the investor or acquirer is going to want to review your company's key documents. Disorganized or incomplete records will slow down the deal, impact its terms or even derail it. There are some simple things you can do to avoid these sorts of problems resulting from disorganized or incomplete records. Here are two things to keep in mind to help you avoid this problem when seeking a new round of financing or starting to pursue an acquisition:

Create a Data Room and Keep It Current.

Set up a secure, professional data site to store your company's records. As a word of caution, personal or free editions of cloud storage sites typically lack the sorts of access controls, security and organizational tools that are available in enterprise-grade data sites. In the long run, it is more beneficial to have an enterprise-grade data site that has access controls, better security and more robust organizational tools to keep your deal running efficiently.

In a perfect world, you'd have a data room set up and running from the time of formation through the present. If you haven't done this yet, it's okay – there's no need to panic. The best time to start getting your records organized is now. Your data site should be organized with folders that correspond to typical due diligence categories (e.g. constitutional documents, board and shareholder actions and minutes, equity records, legal and regulatory matters, IP, employees and consultants, debt, customer and supplier agreements, etc.), and only include fully-executed agreements with clear, descriptive file names. If you don't have a sample request list, contact us and we'll provide one.

You should update your data room in as close to real-time as is reasonably possible.

Memorialize Every Transaction and Agreement in Writing, and Make Sure That Those Agreements Are Fully-Executed.

Every transaction and agreement that relates to your company should be memorialized in writing. To have fully-executed agreements means that an authorized representative of the company has signed and dated it, and the counterparty has signed and dated it. Certain types of agreements have particular requirements – for instance, awarding or transferring equity. To make sure that these agreements are documented correctly, you should work with counsel even

if it is just to get a solid form of agreement.

The advantage of adhering to these two rules for corporate record keeping is that they will ultimately reduce your expenses in the long run and help speed up the process for closing your deal. You will also impress potential buyers and investors with your organization and this can make your deal move expediently.

For more information about preparing corporate documents for a financial transaction, please contact Dan Wilcox.