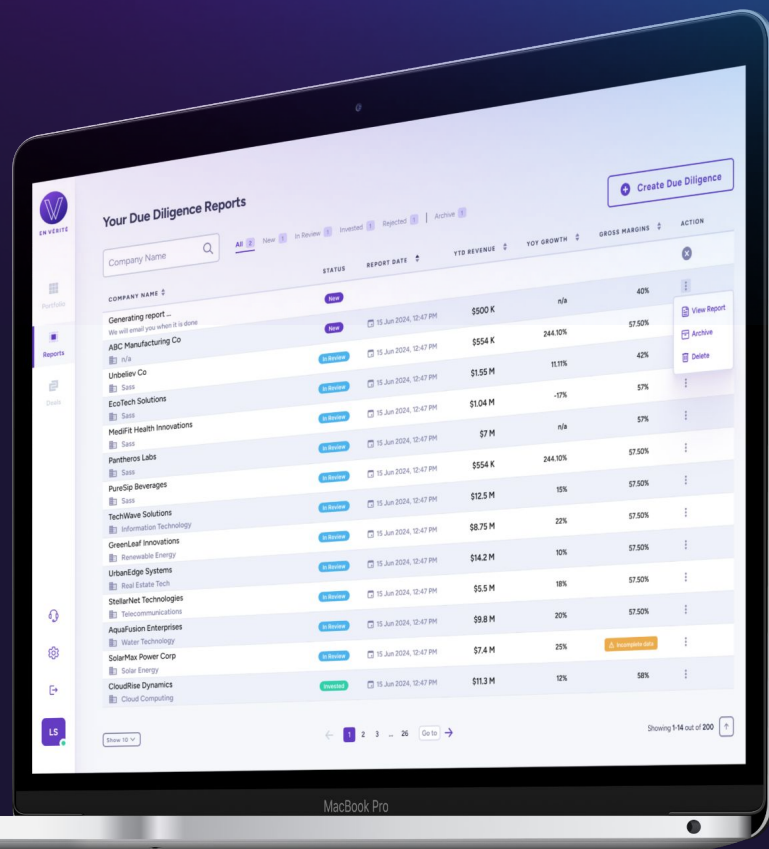




EN VÉRITÉ

Founders Guides: Setting Up Your Data Room

Need additional help? Feel free to email us!
support@enverite.ai



Congratulations!

Let's take a moment to celebrate...

Dear Founder,

If you're reading this, I assume it's because you're taking the first big step in the life of many startups: you're opening up your funding round and starting to talk to investors.

As a 4x founder, I encourage you to take a moment to celebrate this milestone. The journey ahead will be long and arduous and taking time to celebrate these kinds of moments will, I promise, help keep you going when you face the inevitable adversity every founder goes through.

On behalf of En Vérité, please let me extend our heartfelt congratulations to you and wish you the best of luck in your entrepreneurial journey. And remember, you don't have to do it alone - we'll always be here to help.

Very sincerely,
Collin Sebastian
CEO | En Vérité AI



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Setting Up Your Data Room

This guide is meant to teach first-time founders at the Pre-Seed or Seed stage about a critical component of your fundraising process: setting up your due diligence data room. Depending on the stage of your company, you'll have additional components and materials to add. If you don't have everything you need right now, don't worry - you can address it later, or you can reach out to us for help.

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Chapter 1

What is a data room?

Data Room Overview

Before writing you a check, every credible investor will perform what's called Due Diligence, the process by which an investor assesses your business model and verifies that your company is real and your numbers are accurate.

Investors will ask for a link to your Data Room, which is nothing more than the repository where you put all your company information - it could be as simple as a Google Drive folder.

Why do Data Rooms matter?

Your Data Room will be the place where investors go to review your company's information. But it matters for founders for two major reasons:

1. Founders that have well-organized, transparent data rooms immediately look more credible than those who don't; and,
2. Due Diligence can require a ton of time-consuming back-and-forth with investors. Having a clean data room will save you hours of time communicating with investors.

Investable Startup



Uninvestable Startup



Chapter 1

What is a data room?

Data Room Structure

You can keep things really simple for an early-stage Data Room. You don't need to pay for fancy Virtual Data Rooms (the analytics they offer are usually not really useful in your fundraise).

You can simply create a Google Drive folder and a set of subfolders following the structure below:

/ Corporate Documents

/ Financial Documents

/ Legal and HR Documents

/ Sales & Marketing Documents

/ Product, Technology & Team Documents

/ Investor & Round Documents

/ Additional Agreements

That's it! Those seven folders will capture everything you need to set yourself up for the most efficient Due Diligence process possible.



Chapter 2

Corporate Documents

Corporate Documents Overview

Investing laws and regulations differ very greatly between C-Corps. vs. S-Corps. vs. LLCs and other business entities. Most venture capital firms, for example, are only allowed to invest in C-Corps. Corporate documents are the first thing educated investors check to ensure that they're investing in an actual company that's in good standing, not just wiring money into someone's personal bank account.

Document List

1. **Articles of Incorporation** - the State you registered your company with should provide you with an approved copy.
2. Your startup's **Bylaws** - every C-Corp must have Bylaws, and investors care about them because they typically outline important information about the company, like what rights shareholders have and how the Board of Directors is formed.
3. **Board Meeting Minutes, Actions by Written Consent, and Shareholder Consents** - these are important to investors because typical startup Bylaws require startups to get Board consent before taking certain actions, like, for example, opening a fundraising round. If the Board hasn't consented, these actions may not actually be legally valid.



Chapter 2



Corporate Documents

Document List (continued)

4. **Stock Options Plan** - if you have issued stock options grants, you may have already created this. Software providers like Carta or Cake Equity typically have these kinds of documents built into their systems.
5. Sometimes, startups may have specific **Founders' Agreements** that specify equity splits, roles and responsibilities, or any terms of employment not covered by the Bylaws. Your startup may not have these.
6. If your company has any **trademarks** or **copyrights**, the certificates of issuance can also be included in this folder.
7. Some companies or States require you to register your business with them if you operate in those territories. Those **registration documents** (foreign qualifications) should also go in this folder.
8. Any **conversion** documents, like if you converted your LLC into a C-Corp.

Summary

There may only be 5-6 documents here, and that's okay. The point is to show that your startup formed properly and is operating legally.



Chapter 3

Financial Documents

Financial Documents Overview

Financials for an early-stage startup vary quite broadly. But even if you haven't earned a single dollar of revenue yet, how you're spending your current funding, or how you plan on spending and earning money (i.e. your business model) are incredibly important to investors.

Document List

1. **Financial Model** - also known as a forecast, this document should provide investors with future monthly projections for your startup's revenue and expenses. Your forecast should project at least three years out from this year.
2. **Income Statement** (aka Profit & Loss or P&L) - if you have an accounting system like QuickBooks or Xero, this kind of document can be easily exported in PDF. Ideally, you'll provide the Income Statement in a **monthly** format to provide investors clear visibility into the trendlines of your startup's financials.
3. **Balance Sheet** - this is another kind of document that can be easily exported through your accounting software. It gives investors insight into what cash you have in the bank, as well as what outstanding liabilities and debt you may have.



Chapter 3

Financial Documents

Document List (continued)

4. **Corporate Bank Statements** - these help investors verify that the numbers reported in your financial statements match what's in your bank account.
5. **Payment Transactions** - if you're using a payment system like Stripe, investors may want to see the transaction records there and reconcile them against your reported revenues.
6. **Cash Flow Statement** - not all startups have this, but some like to create their own spreadsheet to track their cash flow, particularly if their Income Statement is based on accruals. If you have one, you should include it in your Data Room.

Word of Reassurance

It may feel scary to share financials with investors, but you should know two things:

- a. Experienced early-stage investors will look for signs of fraud, but do not expect perfection from early-stage financials.
- b. Your financials are not “proprietary” and don't need to be kept secret, but if you're really worried about it, you can always ask any prospective investor to sign an NDA before releasing your data room.



Chapter 4

HR & Legal Documents

HR & Legal Document Overview

This section should be dedicated to all our HR documents, contracts, and company policies. It let's investors know that you're in operational compliance.

Document List

1. **Org. Chart** - this is a simple diagram that lists the employees in your company and your management structure. Even if you don't have any full-time employees (you use part-time or contractors), if they're getting paid, they should be on here.
2. **Employment Agreements, Offer Letters, and Contractor Agreements** - for your past and existing employees and contractors.
3. **Employee List** - including names, titles, equity, salaries, start dates, and if applicable, end dates.
4. **Confidentiality and IP Assignment Agreements** - particularly if you have your own IP, your employees and contractors should be signing these agreements.
5. **Employment Handbook** - some companies have them, but all companies should as best practice.



Chapter 4

HR & Legal Documents

Document List (continued)

4. **Vendor Contracts** - if you outsource your marketing, engineering or accounting, for example, you should add those agreements in this section.
5. **Non-Disclosure Agreements** - if you've signed NDAs with anyone, whether or not it was their NDA or yours, you should add them here.
6. **Office Lease or Co-Working Agreements** - whether it's a traditional office lease or a WeWork-type shared office.
7. **Loan Agreements or Promissory Notes** - these are usually official documents, but sometimes, founders take on unofficial loans; any obligation like this should be documented and added here.
8. **Signed Sales Contracts, Privacy Policies, and Terms of Service** - even if you don't have any customers yet, you should have these documents in template form and should add them to this part of your Data Room.
9. **Insurance Certificates** - whether it's Directors and Officers liability insurance or D&O, general liability, workers compensation, etc., you should add all your insurance documentation here, too.



Chapter 4

HR & Legal Documents

Document List (continued)

10. **Partner, Reseller, and Referral Agreements** - if you have them. Some if not most early-stage startups won't.
11. **Master Services and Service Level Agreements** - if you're doing business with a large company, they probably made you sign something along these lines.
12. **GDPR/CCPA Compliance Documents** - if you deal with a customer's personal information, you'll need these.
13. **Litigation Summaries** - if your company has ever been involved in any legal dispute (if you've sued another company, been sued, or involved in any sort of "cease and desist" letter) you should put those documents here.
8. **Regulatory Licenses & Filings** - depending on your product or service, some companies are required to have these to operate.

Word of Reassurance

If you're thinking: "OMG I don't have any of this" - rest assured that these kinds of issues can be addressed. A startup attorney can ensure you're protecting yourself and your company from undue risk. You can visit www.enverite.ai/resources to find a list of great startup lawyers.



Chapter 5

Sales & Marketing Documents

Sales & Marketing Document Overview

This is the place to show off all your fancy marketing materials and showcase the strength of your sales pipeline.

Document List

1. **Sales Materials** - screenshots of your website, sales decks, case studies, etc., add everything you use for sales in here.
2. **PR/Media Coverage** - if you've had any press, take screenshots or download the articles and drop them in!
3. **Customer Metrics** - remember, [investors look for momentum](#), so metrics that show growth are a great way to demonstrate that you're on the right track. Even a simple PowerPoint with data-driven charts, tables, and graphs can go a long way to showcasing your traction in the market.
4. **Demo Videos** - in today's day and age, investors are leveraging video content to diligence startups more and more. Having your product demo recorded is a plus.
5. **Go-to-Market Strategy Presentation** - show investors that you understand your customer, how they buy, how you sell, and the plan you need to execute (with their funding) to hit your next milestones.



Chapter 6



Product & Technology Documents

Product & Technology Document Overview

It's time to show off what you're building and what you're going to build. This section helps investors understand, in detail, your vision.

Document List

1. **Product Roadmap** - we usually recommend a two-slide deck; the first slide has a 3-5 year roadmap, and the second, a 9-12 month GANTT chart. This second slide helps investors understand that you're more than a visionary - that you actually understand how to scope and deliver.
2. **Market/Competitor Analysis** - this is a great way to establish credibility as a founder that you understand *how to win* the market you play in.
3. **Engineering Diagrams** - whether or not you're software or physical products, detailed engineering diagrams help you establish your technical expertise with investors.
4. **Data Security Policies** - especially if you're dealing with customer data, you will want to document your internal security policies. If you're NIST or SOC-II compliant, here's the place to show it.



Chapter 6

Product & Technology Documents

Document List (continued)

5. **Customer Interviews** - investors love to hear what real customers are saying, so if you have quotes or videos, you should absolutely highlight them.
6. **Beta/Pilot Program Results** - if you've done any pre-launch testing (for companies in Stealth-mode), showcase the results here. Genuine, honest reporting will help you find the right investors who have conviction for your company.
7. **Patent Filings/Registrations** - defensible IP and patents are always attractive to investors.
8. **Software Licenses / Open Source Use Summary** - if your product leverages third-party or open source software, note it here with any agreements you have entered into.

Word of Reassurance

It is absolutely okay not to know everything, and to answer a question with: "I don't know, yet, but here's what I'm doing to find out." You don't want investors who expect you to know everything - they're starting out with unrealistic expectations, and those won't change, especially after they've funded you. Great investors don't expect omniscient founders - they expect honest ones



Chapter 7

Investor & Round Documents

Investor & Round Document Overview

This folder should contain the documents investors will use to assess the equity structure of your company and the terms of your deal.

Document List

1. **Cap Table** - this document tracks ownership, equity stakes, and dilution for a company's shareholders. It's a must have.
2. **Prior Investment Notes** - if you've already raised money, you should put prior SAFE or Convertible Notes, as well as any equity purchase documentation here.
3. **Current Round Term Sheet** - this is a little controversial, but we like when founders take the initiative of putting forth their own term sheet. An investor can always ask to use theirs, but defining the terms of your round up front will put you in a better negotiating position.
4. **Options Grant Agreements** - for all your employees, past and present, as well as consultants, Board members, or anyone who has been issued options in your company.
5. **Warrant Agreements** and **Side Letters** - many startups won't have any, but if you do, put them here.



Chapter 7



Investor & Round Documents

Document List (continued)

5. **Board Member/Advisor and Founder Bios** - your Board and advisors can help bring credibility to your company, so if you have experienced, successful advocates, highlight them.
6. **Pitch Deck** - make sure to include your latest pitch deck in this section of your data room! Your pitch deck should also include a slide that highlights your company's timeline and milestones
7. **409A Valuation** - many early-stage companies won't have bothered with a 409A yet, but if you have, share it here.
8. **Leadership Bios** - don't forget to include short biographies of your founding team and any key executives.

Word of Reassurance

This may seem like a lot, but keep in mind: 80% of startups fail Due Diligence the first time. When you fail Diligence, you may be adding 2-3 months of time to your fund raise. It's incredibly important to make sure your data room and your startup are prepped for the detail-oriented analysis your startup will undergo before its funded. Having a well-prepared Data Room will help establish credibility with your prospective investors and speed up the process dramatically.



We're Here to Help!

You Don't Have to Do This Alone

A big part of En Verite's mission is setting founders up for success.

As you embark on this exciting chapter, remember that you're not alone in navigating the complexities of Due Diligence. We are here to support you every step of the way.

Our team is dedicated to helping you present your company with confidence, ensuring that your data room reflects the strength and potential of your business. Whether you need guidance framing your company to meet investor expectations, or preparing for the inevitable onslaught of questions you'll be asked, we're just a message away.

Please don't hesitate to reach out. This journey will be long, hard, and educational, but it can be incredibly rewarding, regardless of the financial outcome.





Start a conversation!



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Email