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Into the Void

by Simon Wilson, Intuitiks

A Beginners
Guide to
Surviving the
Virtual Dataroom

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Keep it simple. While the process can feel complex and challenging, the objective is easily articulated — to exchange critical information beyond the business IT firewall.

A Virtual Dataroom (VDR) is the optimum solution for the controlled exchange of documents between parties to a transaction process. Time is usually of the essence: the VDR must be delivered as quickly as possible. However, very few companies have transaction volumes to justify maintaining dedicated VDR management resources. Most are unaccustomed to this process and do not have the requisite manpower or experience. They must climb a steep learning curve when time is critical and resources stretched. The result is often a delay, a compromise in VDR quality, or both.

Dataroom 101 versus Room 101

Keep it simple. While the process can feel complex and challenging, the objective is easily articulated — to exchange critical information with third parties and their advisers, residing beyond the business IT firewall. Setting up third party users in a VDR is usually straightforward, requiring only their names and e-mail addresses. However, defining what information needs to be exchanged can be more complex. An index can be created from scratch, or based upon a prototype, which may be sourced either from the VDR provider or from advisers. It is sometimes also helpful to request a due diligence list from the transaction counterparty, to help determine which areas might be of most interest to them.

The search for the Holy Grail

Before documents can be "uploaded" (electronically placed) into a VDR, they must first be collected. It is this process which can often be the most time consuming and the biggest drain on resources. Using the index, a search is undertaken for all information which is "relevant and material". In an M&A project, this usually comprises a multitude of documents which might assist a third party to make a binding offer and negotiate a sale and purchase agreement. This includes items which underpin value (e.g. board and financial reports, asset registers, licenses to operate, sales and supply contracts) and those pertaining to actual or potential liabilities (e.g. environmental issues, lawsuits, pensions and other deferred benefits). It is not unusual for tens, or even hundreds, of thousands of pages to be gathered. This process requires co-ordination and works most efficiently when conducted by someone who has done it before. The key is to be as transparent as possible, while maintaining confidentiality on issues which remain crucial to business success, should the transaction fail. This is usually done by withholding or redacting the most sensitive information, until the appropriate moment.

The X files

Most VDRs can accept documents in a variety of software formats, including Adobe Acrobat (pdf) and Microsoft Office (MS). Nowadays, many original documents are available in electronic format, although it may still be necessary to scan older paperwork, or printed copies of documents which have been manually signed and dated. Many VDR providers also offer document scanning services. Extra care should be taken with MS files, as these usually contain additional information, hidden in the document "Properties" section. Excel spreadsheets can also incorporate embedded data, comments and formulae that may be confidential.

Up and away

Uploading into the VDR is quite straightforward and most VDR providers offer "bulk upload" tools to facilitate upload of large documents volumes. Care is required to locate documents in the correct index locations (or "folders") and to provide appropriate notes and cross references. A well designed naming protocol also makes it easier to spot any misplaced documents. It is best to allocate uploading to a small and well trained group, to maintain consistency and reduce errors.

View and search

VDR providers use a range of techniques to open and display documents.The key is that documents open quickly and that their layout bears a faithful resemblance to the original. Again, Excel spreadsheets present a particular challenge and can become quite garbled.

A very useful feature of the VDR is the search tool. On the sell-side, this can be used to check for critical words or terms that must be absent from the VDR before third party access is granted. This might apply to e.g. the names of people, customers and suppliers, or confidential projects. On the buy-side, the search tool is invaluable in identifying documents relevant to a particular topic of interest.

For the record

A good VDR should provide a permanent, detailed record of uploaded documents (including updated or modified versions) and of which documents have been viewed and by whom. This can be invaluable, should there be a post-transaction dispute regarding disclosures

Emerging uses

The functionality available has led to many new and emerging applications for the VDR. In the M&A environment, many VDRs are being used as tools for ongoing collaboration, based upon their rich and comprehensive content. A VDR used for one deal can often be called upon in subsequent transactions. Many companies also now use VDRs for one-off or ongoing exchange of critical information with their advisers, shareholders and other stakeholders. The main advantages are ease of access and permanence of the record.

Essential VDR features for a trouble-free project

- **Security**
  For people, processes and documents, whether accessing the VDR from a PC, laptop, smartphone or iPad. Clearly structured access controls for documents and user groups.
- **Availability**
  Minimum 99.5% uptime, based on Tier IV data centres with highest level of fault tolerance
- **Ergonomics**
  Intuitive to use, ideally based on MS Windows Explorer look and feel with right-click action menus. Easy navigation through the VDR and rapid viewing of protected files in native document format, without the need for software plug-ins.
- **User support**
  Dedicated project managers for the entire VDR lifecycle and global 24/7/365 user support in multiple languages

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- **Editing**

  Bulk upload tools for quickly adding folders/files and for creating new VDRs based on templates. Ability to copy/cut and paste inside VDR and across multiple VDRs, ideally with drag and drop for files/folders. Automatic indexing/re-indexing when changes are made.

- **Search**

  Use of document tags to help organize deal information and ability to search documents and tags within and across data rooms (important on multiple projects).

- **Q+A**

  A built-in Q+A module with clear workflow process and user roles

- **Reports and alerts**

  Automatic alerts when new documents are posted. Multiple real time reports to analyse VDR content, user statistics etc.

- **Pricing**

  A transparent structure, ideally based on maximum VDR size, rather than one related to upload volume

- **Post-Deal archive**

  Provision of a secure offline archive (DVD) with full audit trail, user activity, access reports and version history

About Intuitiks

Intuitiks has worked with VDRs since 2005 and has developed an approach which:

- accelerates VDR delivery
- controls and ensures VDR quality
- improves the VDR user experience
- reduces pressure on client resources

Our system has been tested and proven in VDRs of all types, including large and complex VDRs for multinationals with multiple legal entities and locations.

At the outset, Intuitiks works with the client and their advisers to define VDR scope and the delivery plan. We then co-ordinate the processes within the business which are required for optimal VDR delivery. We work seamlessly with the VDR provider throughout.

With parallel VDR projects, Intuitiks will identify and harness synergistic overlaps, which can save time and effort, particularly in the VDR preparation process. For more information, visit **www.intuitiks.com** or contact Simon Wilson at **simon.wilson@intuitiks.com**

Intuitiks Limited
+44 (0)7753 581431
www.intuitiks.com

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IntraLinks is a leading global provider of Software-as-a-Service solutions for securely managing content, exchanging critical business information and collaborating within and among organizations. More than 1 million professionals in industries including financial services, pharmaceutical, biotechnology, consumer, energy, industrial, legal, insurance, real estate and technology, as well as government agencies, have utilized IntraLinks' easy-to-use, cloud-based solutions. IntraLinks users can accelerate information-intensive business processes and workflows, meet regulatory and risk management requirements and collaborate with customers, partners and counterparties in a secure, auditable and compliant manner. Professionals at more than 800 of the Fortune 1000 companies have used IntraLinks' solutions. For more information, visit **www.intralinks.com** or **blog.intralinks.com**. You can also follow IntraLinks on Twitter at **www.twitter.com/intralinks** and Facebook at **www.facebook.com/IntraLinks**.

AMERICAS	**EUROPE, MIDDLE EAST & AFRICA**	**ASIA PACIFIC**	**LATIN AMERICA**
1 866 INTRALINKS		+ 65 6232 2040	+ 55 0800 892 2247
info@intralinks.com	+ 44 (0) 20 7549 5200		

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