



toast

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STEVE FREDETTE
PRESIDENT AND CO-FOUNDER

The last time you went out to eat or stopped for a coffee or a drink, chances are good that a restaurant POS (point of sale) software solution was working to make your visit smooth and enjoyable. Boston-based Toast, Inc., is a restaurant POS system that helps restaurateurs manage labor, sales, and staff from a single Android application, to improve their efficiency, please more customers, and increase their profits. Toast is growing—fast. Between 2015 to 2016, Toast tripled its revenue, and increased its headcount from 70 to 290. Back when it was just 20 people, Toast became Shoobx’s earliest adopter, and is now one of its largest clients. For Founder and President, Steve Fredette, partnering with Shoobx is a natural fit. Both companies are focused on using technology to make life better for business owners. “What we’re doing for restaurateurs, Shoobx is doing for entrepreneurs,” he explains, “It’s about automating what they don’t have time—or want—to do, and making it easy to do it right.”

Here’s how Fredette and members of his team describe their experience with Shoobx, and the role it has played in Toast’s growth—from its humble start in a co-founder’s basement, right up to and including their \$30 million Series B financing led by Bessemer Ventures and GV (formerly Google Ventures).

Adoption

“Everything was sort of like the Wild West prior to Shoobx,” says Fredette about keeping track of his legal documents. “Early on, you are working so hard to build your business that you’re thinking, ‘Does this really matter? Why should I care?’” Like most startups, Toast did the bare minimum for things like founder documents and employee agreements, recycling the same Word templates over and over. “We were scrappy,” he says, “We were hacking at legal forms and trying to do it all ourselves to save money.”

Fredette knew paying a lawyer to do it all would eat up Toast’s precious few dollars for legal resources, which would be better allocated to higher-value things, like Toast’s customer agreements. He found a way to save himself time and money, while still keeping his counsel involved, using Shoobx.

In June 2014, Fredette signed up for Shoobx and began using it to manage the company’s equity issuance, capitalization table, human resources, and governance matters. He added an account for Toast’s attorney, enabling Fredette to request legal reviews on documents right in Shoobx, and give his counsel insight into the company’s activities. Instead of spending valuable time chasing signatures and filing paperwork, all of

the documents were generated by Shoobx, reviewed by management and counsel, signed online, and safely stored in the Toast data room. “Before Shoobx,” Fredette says, “the closest thing we had to document storage was probably my co-founder’s email inbox.”



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Offering equity was an important part of recruiting top talent for Toast. Before granting his first round of equity awards, Fredette considered the cost of retaining counsel to manage all the details of their employee equity. The legal costs over the lifecycle of a single grant, from issuance to exercise or repurchase, can range upwards of \$500 to \$1000 per grant. Instead, Fredette sought guidance from Toast’s counsel to set up a Stock Incentive Plan, and used Shoobx for equity administration. He entered the terms of the Plan in Shoobx, and was ready to start issuing grants—not a day too soon.

The end of 2014 was looming. Toast employees were waiting on promised equity awards and would miss out on potential tax advantages if their options were not issued before the



end of the year. Fredette wanted to complete Toast's first large round of grants, which meant approving and issuing some 80 grants before midnight, New Year's Eve. Done manually this would have meant volumes of paperwork and the time-consuming exercise of collecting signatures. And it would have been nearly impossible to do. "It was 8 p.m. on December 31st—I was the only one in the office," he says, "but Shoobx already had all of the information. We just had to push the button." Shoobx generated the board consent seeking approval of the grants. Once approved, the equity awards were released to the employees, who then accepted, and in some cases exercised, their grants right in their Shoobx accounts. Fredette met his deadline, generating 1,398 pages of grant documents and collecting 144 signatures—without printing a single document—in just one evening.

Bridge Note

In July of 2015, Toast used Shoobx to execute a major bridge note financing end to end, from term sheet to bank deposit. Shoobx enabled Toast to take a different approach to their bridge round. "We saw a strategic advantage to having a larger network of investors who would all be keeping Toast in mind," Fredette says. "Our philosophy on the note was 'let's welcome smaller investment amounts and have more people. We'll do it because we can, because Shoobx makes it easy.'"

How does Shoobx make it easy? First, Shoobx generates professional, ready-to-sign financing documents on demand. Toast CEO, Chris Comparato explains the implication of this, crediting Shoobx with closing the gap between ‘I’m interested,’ and, ‘I’m in.’ “With Shoobx, I can be in a room full of excited investors and deliver final, executable documents to them right then and there. From their cell phones they can log in and sign the bridge note. Game changer. Full stop.”

Second, Shoobx reduces cost of working with legal counsel. Fredette and Toast’s CFO, Tim Barash, understood the value of getting proper legal advice at this juncture. They also knew that the legal costs associated with manually processing multiple closings would add up fast. Fredette and Barash engaged their counsel to outline Toast’s big picture strategy for the fundraising, define the terms for the bridge note, and review the final documents generated by Shoobx. After that, Barash relieved Toast’s counsel of the manual administration for the notes. He used Shoobx to generate notes for each investor and to track their status—at a fraction of the cost a startup would typically pay per note issuance. Toast’s counsel was notified each time a closing occurred, and counsel had access to all the information necessary to perform the required analysis of state and federal securities laws.

Finally, Shoobx automates the approval process. This makes executing any number of bridge notes—large or small—efficient. “Each note is just another checklist with Shoobx making sure we have everything we need,” Barash explains. All Barash had to do was enter the email addresses of the potential investors. “After that,” he says, “everything kind of took care of itself.” Investors set up Shoobx accounts, where the bridge note documents were waiting for their review and signatures. Toast raised millions of dollars in this bridge financing. “We had thirty investors log in and commit to the note easily and quickly.” Fredette says, “That’s something we couldn’t have done without Shoobx.”



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CHRIS COMPARATO
CEO

Growth

After the close of the bridge note financing, Toast went on a hiring spree, taking on 28 new employees in August 2015 alone and hiring another 90 over the next six months. From that time on, Barash made logging into Shoobx part of his daily routine. The starting point for working in Shoobx is the dashboard, which gives a bird's-eye view of the company's fundraising, HR processes, and the status of active Shoobx workflows. "The dashboard reports are very helpful," he says, "When you're hiring 20-30+ people a month, you really want to keep a pulse on your onboarding activities."

Activities on Shoobx are executed through workflows that take complex processes and turn them into step-by-step procedures, with notifications and the ability to track who is on what step in the workflow until it is complete—and it prevents you from straying from the path. "It's structured," Barash explains, "When it comes to compliance, you don't really want to be able to mess with it." Shoobx will even alert you when it's an especially good time to contact counsel. The workflows make it easy to do things the right way. "You're so busy running your business that you could forget to do all of these things," says Barash, "Shoobx makes it so that you really can't forget."

As Toast grows, so does the number of people using Shoobx for activities once handled solely by Fredette and Barash. "Shoobx definitely makes it easier for mission control to delegate work," Barash says. The ability to see the status of any workflow in progress means staying in touch with the work being done by his staff in Shoobx. He particularly values the ability to customize permissions in Shoobx to guard protected information and grant access to workflows and documents as needed. "The permissioning is definitely very deliberate. People can't just be poking around and bumping into things."



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TIM BARASH
CFO

Central to keeping Toast on track is the data room. “Anyone can have a data room,” Barash says, “but the real value is that Shoobx’s data room builds and organizes itself. It takes care of the housekeeping, so we don’t have to.” The final version of every document executed in Shoobx is automatically filed in the data room, creating a single history for the company. Shoobx documents contain links to back references and attachments, making it easy to determine the provenance of every document. Toast chose to store other company-related documents in the data room, keeping its complete corporate record in just one place. The benefits of the data room shone as Toast started their next big milestone, their Series B financing.



Series B

In December of 2015, Toast embarked on a Series B financing round led by Bessemer and GV (formerly Google Ventures). Toast had more than 1,600 documents in its data room, including key contracts, IP assignments, equity agreements, and other documents, all of which came under scrutiny during due diligence.

Toast granted investor counsel access to the data room and dashboard reports giving insight into the corporate governance of the company. The cap table and stock ledger, which update with every equity transaction in Shoobx, showed the company’s equity structure. “That level of transparency excites investors,” explains Toast investor and board member, Steve Papa, “When they see a startup this organized and invested in holding their company accountable, it raises their confidence in the investment.”

Fredette credits Shoobx with putting Toast in a better position to execute the financing. “In the past, large financings were harder to do and more expensive,” he says. Using Shoobx eliminated the manual processes and introduced a new level of efficiency. “We could simply say ‘here’s all the information that you need, electronically, ready for you wherever, whenever.’” Leveraging Shoobx and its data room for due diligence helped get the financing closed more quickly and reduced the cost of the financing by nearly 50% (as compared to traditional methods), which meant more money in the bank for Toast.

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STEVE PAPA

TOAST INVESTOR AND BOARD MEMBER

Conclusion

Shoobx plays a valuable role at Toast, according to Comparato. “When I look at the all the facets of running the corporate part of our company, Shoobx has been a key success factor for us. It’s made my life easier.” That’s what Shoobx was designed to do, from the ground up. It replaces complex corporate processes with step by step workflows. Shoobx does the heavy lifting—so entrepreneurs focus on growing their business.

Fredette says he tells every startup, entrepreneur, and would-be entrepreneur, about Shoobx. “These startups,” he says, “they’re going to go through a lot of the same things we did. They don’t realize it now, but someday, all of a sudden, all of this stuff will matter. And it will *really* matter that it was done right. Shoobx helps entrepreneurs to make doing just that—doing it right—easy.”



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your startup, visit us at
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