



Cap Table

Red Flags

What Investors See That Founders Don't

7 cap table issues that make investors walk away before due diligence even starts.

Your cap table tells investors more about your company than your pitch deck ever will.

It reveals how you think about ownership, how you've structured relationships, and whether the business can survive the journey ahead.

These 7 red flags are what experienced investors check first — often before reading a single slide.

YOUR INVESTOR READINESS SPRINT

We clean up cap tables, fix structures, and get you investor-ready in 2–3 weeks. Fixed scope. Fixed fee.

contact@fiduciaadamantina.ae

Cap Table Red Flags

What investors check before they read your deck.

01 Equal Founder Splits (50/50 or 33/33/33)

THE RED FLAG

When every founder holds exactly the same equity, it tells investors nobody had the difficult conversation about who contributes what. Equal splits suggest the team avoided conflict rather than resolving it.

INVESTOR SIGNAL

"If they can't negotiate equity among themselves, how will they handle hard decisions under pressure?"

THE FIX

Equity should reflect contribution, risk, and role. Use a framework like the Slicing Pie model or have an honest conversation about who's full-time, who brought the idea, who has domain expertise. Unequal doesn't mean unfair.

02 No Vesting Schedule on Founder Shares

THE RED FLAG

All founder shares are fully owned from day one. If a co-founder leaves after 6 months, they walk away with 40% of the company while contributing nothing going forward. The remaining team is stuck.

INVESTOR SIGNAL

"This is a ticking time bomb. One departure and the cap table becomes unrecoverable."

THE FIX

Standard 4-year vesting with a 1-year cliff. Apply it to ALL founders, including the CEO. Most GCC investors will refuse to proceed without this. It protects everyone, including the founders themselves.

03 Too Many Advisors With Too Much Equity

THE RED FLAG

The cap table shows 5–8 advisors each holding 1–3% equity. Combined, advisors own 10–15% of the company but contribute little beyond an initial introduction or a few calls.

INVESTOR SIGNAL

"They gave away equity to anyone who offered advice early on. They don't understand the value of their own cap table."

THE FIX

Advisors should typically get 0.25–0.5% with a 2-year vesting schedule and clear deliverables. If an advisor isn't actively opening doors or contributing expertise monthly, renegotiate or buy back the equity.

04 Dead Equity From Departed Members

THE RED FLAG

A former co-founder, early employee, or friend-and-family investor holds significant equity but is no longer involved. The shares sit there, diluting everyone, with no mechanism to recover them.

INVESTOR SIGNAL

"Who is this person with 15% and no role? This will be a problem at every future round."

THE FIX

This is why vesting matters. For existing dead equity, negotiate a buyback or restructure before you raise. Investors will ask about every name on the cap table — have a clean answer for each one.

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05

Messy Convertible Notes / Stacked SAFEs

THE RED FLAG

Multiple SAFEs or convertible notes at different caps, different terms, and different conversion triggers. Nobody — including the founders — can clearly explain what the cap table will look like post-conversion.

INVESTOR SIGNAL

"If they can't model their own dilution, we're going to find surprises in due diligence."

THE FIX

Build a pro-forma cap table that models every scenario: what happens when each SAFE converts? What's the fully diluted ownership? If you can't build this yourself, get help before you raise.

06

Investor-Unfriendly Terms From Early Rounds

THE RED FLAG

An early angel or family investor negotiated aggressive terms: anti-dilution clauses, liquidation preferences, board seats, or veto rights that are disproportionate to their investment size.

INVESTOR SIGNAL

"We'd be investing behind someone with outsized control. That's a structural risk we can't price away."

THE FIX

Before approaching institutional investors, review every term sheet and side letter from previous rounds. Renegotiate or sunset problematic clauses. A clean structure is worth more than the awkward conversation costs.

07

No ESOP / Option Pool Reserved

THE RED FLAG

Zero equity set aside for future employees. The founders plan to "figure it out later." Investors know this means either the founders will resist dilution when it's time to hire key people, or the company won't attract talent.

INVESTOR SIGNAL

"They haven't thought about the team they need to build. Hiring will be a constant fight."

THE FIX

Reserve 10–15% for an employee option pool before you raise. Investors will often ask you to expand it anyway — but having zero shows a lack of planning. It's one of the simplest things to fix and one of the most noticed.

Cap table need a cleanup?

Our Investor Readiness Sprint includes cap table review, structure cleanup, and full investor preparation. 2–3 weeks. Fixed fee.

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Also available:

Investor Readiness Checklist | GCC Deck Template

5 Financial Model Mistakes | Data Snapshot | Pre-Meeting Checklist