Why Cap Table Accuracy Matters

A cap table is the single record of who owns what and who has the right to own more in your company. Every fundraise, hire, and exit decision is made against it. As rounds, share classes, and option grants pile up, a spreadsheet that once worked becomes the biggest source of risk in the business.

Investor trust

Clean records speed up diligence and reduce renegotiation risk.

Compliance

409A, ASC 718, and IRS rules all key off cap table data.

Exit readiness

Waterfalls and closing statements start from the cap table.

Cap Table Management Checklist

A detailed, one-page this checklist covers six areas: setup, recordkeeping, compliance, governance, review cadence, and fundraising/exit readiness.

01 Foundational Setup & Ownership Records

- [ ] **Build a master equity holder record**
  Every founder, employee, and advisor — name, share class, share count, grant date, and vesting start in one place.
- [ ] **Size the option pool at 10–20% of fully diluted shares**
  Split it between grants already committed and a reserve held back for roles you haven't filled yet.
- [ ] **Track authorized vs. issued shares and par value**
  Keep headroom against the authorized count in your certificate of incorporation; separate common, preferred, and options.
- [ ] **Log every SAFE, note, and warrant with its terms**
  Cap, discount, interest, and principal for each instrument modeled for conversion at the next priced round.

02 Centralized Recordkeeping

- [ ] **Run one single source of truth**
  Retire parallel copies in Excel, Google Sheets, and email threads — one authoritative table, one owner.
- [ ] **Attach the legal document behind every entry**
  Stock purchase agreement, option grant notice, signed 83(b) copy, and board consent, linked to each holder.
- [ ] **Reconcile against your formal stock ledger**
  Delaware law requires a ledger of record; it must match the cap table to the share, not just approximately.
- [ ] **Log transactions the day they happen**
  Issuances, exercises, transfers, and cancellations entered in real time — not reconstructed at quarter-end.

03 US Regulatory Compliance

- [ ] **File 83(b) elections within 30 days, no exceptions**
  Missing the IRS window on restricted stock or early exercise can permanently convert capital gain into ordinary income.
- [ ] **Expense equity compensation under ASC 718**
  Fair value recognized over the vesting period — required for GAAP financials and audit sign-off.
- [ ] **Watch the ISO $100,000 annual vesting limit**
  Value first exercisable in a calendar year above the cap automatically becomes a non-qualified option.
- [ ] **Track Rule 701 disclosure thresholds**
  Aggregate exempt equity compensation approaching $10M in a 12-month window triggers added disclosure duties.
- [ ] **Keep 409A valuations current**
  Refresh every 12 months or sooner after a new financing, so option strike prices stay defensible.
- [ ] **Protect QSBS eligibility**
  Confirm C-corp status, the $75M gross-asset ceiling, and track each shareholder's 5-year holding period from issuance.
- [ ] **File the Delaware franchise tax by March 1**
  Compare the Authorized Shares and Assumed Par Value methods each year — the gap between them can be six figures.

04 Governance, Access & Communication

- [ ] **Set role-based permissions by user type**
  Founders, finance, legal, and investors each see the slice of data relevant to their role, nothing more.
- [ ] **Tie every grant to a dated board resolution**
  No issuance goes on the cap table without a retrievable, minuted approval behind it.
- [ ] **Give stakeholders real-time, self-serve views**
  Investors and advisors pull current numbers directly instead of requesting a refreshed PDF each time.
- [ ] **Standardize the answer to 'what's my ownership %'**
  One reconciled figure that finance, legal, and the cap table all agree on — not three versions.

05 Ongoing Review Cadence

- [ ] **Reconcile quarterly with your accountant or counsel**
  Compare the cap table against legal documents and accounting records, not just against itself.
- [ ] **Update within the week of every triggering event**
  A closed financing round, a new grant, a termination, or an option exercise — updated before the next report.
- [ ] **Audit annually for stale versions and broken formulas**
  Orphaned spreadsheet copies and outdated links are the single largest source of cap table errors.
- [ ] **Model dilution before every financing round**
  Run the new-money, option-pool-refresh, and conversion math before you're inside a term sheet negotiation.

06 Fundraising & Exit Readiness

- [ ] **Maintain a true fully diluted share count**
  Include every option (vested and unvested), warrant, and convertible instrument at full conversion not just issued shares.
- [ ] **Pre-build your waterfall by share class**
  Liquidation preference stack modeled before diligence starts, so a reviewer isn't building it themselves.
- [ ] **Reconcile every holder record to the penny**
  Discrepancies discovered at closing delay signing and inflate the escrow an acquirer demands.
- [ ] **Monitor SEC Section 12(g) thresholds as you scale**
  2,000 holders of record or $10M+ in total assets can trigger mandatory SEC registration.