

BLACKTECHSTARTUP EDUCATION

Cap Table Cleanup: Founders, SAFEs, Notes, Options & Equity Promises

Rebuild the company's ownership record from signed instruments and approvals so founders know exactly what has been issued, promised, reserved and likely to convert.

A cap table is not a founder's estimate of who owns what. SEC readiness guidance says it should clearly reflect equity securities and related ownership information. Post-money SAFEs make dilution easier to model, but mixed SAFEs, notes, options, warrants, advisor promises and undocumented "2% when we raise" arrangements can still create a financing mess. The fix is a document-backed security ledger plus pro-forma scenarios.

Know what weak and strong look like

READINESS AREA	WEAK / DILIGENCE RISK	STRONG / INVESTOR-READY
Founders	Spreadsheet percentages with no issued-share records.	Issued shares, purchase/vesting docs and board/stockholder approvals reconcile.
SAFEs/notes	Only principal amounts listed.	Every instrument listed by date, holder, amount, cap/discount/MFN/pro-rata/maturity/interest as applicable.
Options	Offer letters promise equity; option plan records incomplete.	Plan authorization, pool, grants, exercises, cancellations and remaining reserve reconcile.
Promises	Advisor or recruit remembers a percentage.	All commitments documented, approved, quantified and included in fully diluted view.
Pro forma	Current ownership only.	Conversion + new round + pool top-up scenarios show post-financing ownership and control.

Start from legal evidence, not the spreadsheet

Collect charter amendments, stock purchase agreements, board approvals, signed SAFEs/notes, option-plan documents, grant notices, exercise records, warrants, repurchases and transfer records. Rebuild the ledger chronologically.

Separate issued, reserved, promised and convertible

Issued shares are not the same as options reserved under a plan. A verbal promise is not an issued security but still creates risk. A SAFE is not common stock today but can create future ownership. Track each status explicitly.

Model every conversion rule

For each SAFE/note record cap, discount, MFN, interest, maturity, pro rata or side-letter rights. Then model a priced round at several valuations. YC's post-money SAFE structure was designed in part to make ownership sold more transparent; use the actual instrument terms rather than assumptions.

Audit the option pool

Confirm authorized size, grants promised vs approved, terminated employee treatment, exercises and remaining reserve. Model any investor-requested pool increase on the correct side of the financing because it can change founder dilution.

Resolve discrepancies before outreach

Do not "clean it up at closing" when the discrepancy concerns ownership. Use startup counsel to correct missing approvals, duplicate issuances, stale promises or instrument conflicts before diligence pressure reduces your negotiating room.

Run the diligence stress test before investors do

Do not rehearse an answer. Rehearse the evidence. Give yourself a short diligence window and try to produce the underlying records without rebuilding the story from memory. A clean result is reproducible, tied to a source system or signed document, and consistent with the numbers elsewhere in the company.

→ **Founders:** Put the underlying records on screen and prove this standard: Issued shares, purchase/vesting docs and board/stockholder approvals reconcile. If the evidence still looks

like this weak state—Spreadsheet percentages with no issued-share records.—record the gap, name an owner and give it a due date instead of explaining it away.

→ **SAFEs/notes:** Put the underlying records on screen and prove this standard: Every instrument listed by date, holder, amount, cap/discount/MFN/pro-rata/maturity/interest as applicable. If the evidence still looks like this weak state—Only principal amounts listed.—record the gap, name an owner and give it a due date instead of explaining it away.

→ **Options:** Put the underlying records on screen and prove this standard: Plan authorization, pool, grants, exercises, cancellations and remaining reserve reconcile. If the evidence still looks like this weak state—Offer letters promise equity; option plan records incomplete.—record the gap, name an owner and give it a due date instead of explaining it away.

→ **Promises:** Put the underlying records on screen and prove this standard: All commitments documented, approved, quantified and included in fully diluted view. If the evidence still looks like this weak state—Advisor or recruit remembers a percentage.—record the gap, name an owner and give it a due date instead of explaining it away.

→ **Pro forma:** Put the underlying records on screen and prove this standard: Conversion + new round + pool top-up scenarios show post-financing ownership and control. If the evidence still looks like this weak state—Current ownership only.—record the gap, name an owner and give it a due date instead of explaining it away.

Do the math investors will do

Example dilution check: a \$500k post-money SAFE at a \$10M post-money cap represents 5% under the simplified cap calculation before later priced-round dilution; another \$1M at a \$16M post-money cap represents 6.25%. The danger is not the arithmetic—it is forgetting additional instruments, pool changes and priced-round dilution when telling founders they “still own 88.75%.” Build the full pro forma.

Build the evidence investors can verify

✓ Security ledger tied to signed documents

✓ Current basic and fully diluted cap tables

✓ SAFE/note/warrant schedule with every economic term

✓ Option-plan/grant/exercise/cancellation schedule

- ✓ Equity-promise cleanup log
- ✓ Three priced-round conversion scenarios
- ✓ Board/stockholder approval evidence for material issuances

Questions an investor may ask

- ? What securities exist that are not shown here?
- ? Show me the signed instrument behind this line.
- ? How much ownership have the SAFEs sold at their caps?
- ? What happens if the next round is below the highest cap?
- ? How large will the post-financing option pool be, and who absorbs that dilution?

30-day repair sprint

- 1 Days 1–5: collect every security and approval document.
- 2 Days 6–10: rebuild the chronological security ledger.
- 3 Days 11–15: reconcile options, exercises, repurchases and promises.
- 4 Days 16–20: model conversions under three financing scenarios.
- 5 Days 21–25: resolve discrepancies with counsel/board action.
- 6 Days 26–30: lock the cap-table process and data-room evidence.

Research behind this guide

Use the primary and authoritative sources below to verify current rules, market conditions and technical guidance. Terms and regulations can change.

SEC — Ready to Raise CAPITAL



SEC — Small Business Glossary: Due Diligence



Y Combinator — SAFE Financing Documents



Cooley GO — Cap Table Fundamentals



NVCA — Model Legal Documents



Important: This guide is educational information, not individualized legal, tax, investment, employment, security or compliance advice. For decisions with material legal or financial consequences, use a qualified professional who can review your facts.

SHARE THIS GUIDE ↗

POWERED BY: BLACK TECH STARTUP

blacktechstartup.com