



Carta Cap Table Training & Equity Management Insights

Meet your team



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Cap Table Agenda

Introduction

Cap Table Essentials

Due Diligence

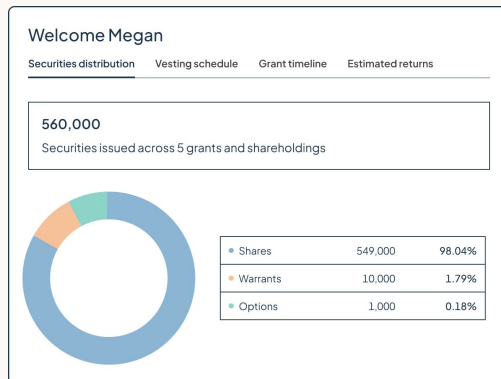
Red Flags

Introduction

About us

Carta enables high-growth companies to keep track of their cap tables as they scale, with greater accuracy and efficiency. Its unique cap table software is complemented by a suite of features including digital share schemes, online issuances and exercises, company valuations and secondary transactions.

Carta manages over two trillion dollars in equity for nearly two million people. Carta is trusted by more than 40,000 companies and over half a million employees to manage cap tables, compensation and valuations.



Name	Category	Country	Securities	Shares	Votes %
Seeded Ventures	VC	GB	CS	2000	20.00%
Wormhole Capital	VC	DK	SH	2000	20.00%
Zoey Carpenter	Founder	GB	OP	5650	56.50%
Seth Owen	Employee	GB	OP	125	1.25%
Sofia Deleon	Employee	GB	OP	125	1.25%
Renee Morrow	Advisor	DK	SH	100	1.00%



Goals

Increase confidence in understanding cap tables

- Understand who the cap table is important for and all its component parts

Learn what prospective and future investors expect to see

- Know how to approach a cap table in the context of a fundraising and due diligence processes

Spot red flags with ease

- Avoid cap table catastrophes that slow down funding rounds and transactions

Cap tables 101

Cap table principles

What is a cap table?

A cap table is a list of all the securities a company has issued and who owns them.

This can affect:

- How you price future funding rounds
- Dilution of your ownership percentage
- Who needs to sign off on major company decisions
- Due diligence conversation with investors

A cap table is a reflection of the players in the game and their incentives: startups are driven by people and people are driven by incentives.

Why is the cap table important?

There are two guiding principles of a cap table...
economics and control

How do these impact the people most interested in the cap table?

VCs

- Shows you who's interested
- Shows you the founder incentives
- (Maybe) shows you who's in control
- A predictor of the future

Founders

- Tracker of economics and control
- Compliance (boring but crucial)

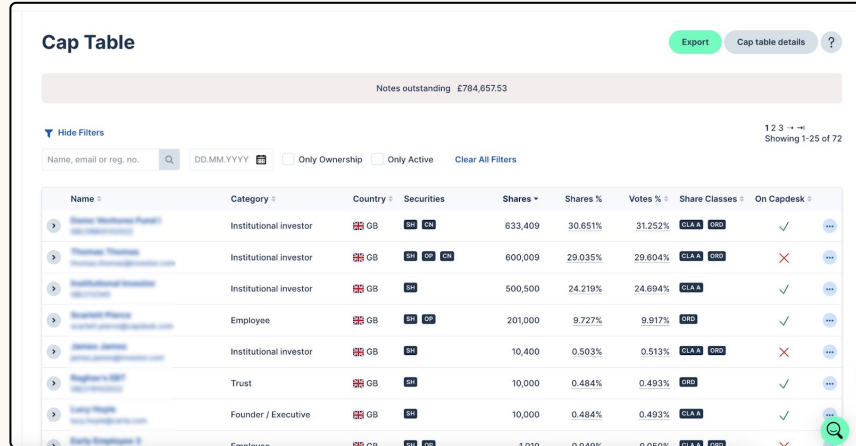
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Cap tables 101

Due diligence

Visualising the cap table

While there's no standard format, here's what a cap table could look like:



Notes outstanding £784,657.53

Hide Filters 12 3 Showing 1-25 of 72

Name, email or reg. no. DD.MM.YYYY Only Ownership Only Active Clear All Filters

Name	Category	Country	Securities	Shares	Shares %	Votes %	Share Classes	On Capdesk
Thomas Woodhouse Partners	Institutional investor	GB	SH CN	633,409	30.651%	31.252%	CLAA BOP	✓
Thomas Woodhouse Partners	Institutional investor	GB	SH OP CN	600,009	29.035%	29.604%	CLAA BOP	✗
Investment Manager	Institutional investor	GB	SH	500,500	24.219%	24.694%	CLAA	✓
Michael James	Employee	GB	SH OP	201,000	9.727%	9.917%	BOP	✓
James James	Institutional investor	GB	SH	10,400	0.503%	0.513%	CLAA BOP	✗
Regina's BVI	Trust	GB	SH	10,000	0.484%	0.493%	BOP	✓
David Wood	Founder / Executive	GB	SH	10,000	0.484%	0.493%	CLAA	✓
David Wood	Employee	GB	SH OP	1,000	0.048%	0.050%	CLAA BOP	✗

- **Stakeholders:** founders, investors, advisors and employees
- **Details of ownership**
 - Security types
 - Percentage ownership
 - Dates of investment
- **Company option pool size**
- **Outstanding shares** → to give an overall picture of the fully diluted share capital

What's missing from the cap table?

Control

- Investor **rights**
- Board **rights**
- General provisions (drag/tag-along)

Economics

- **Terms** of founder shares
- **Terms** of investor shares
 - Anti-dilution rights
 - Cumulative dividends
 - Liquidation preferences
- **Terms** of promised equity - pre or post money, valuation cap, discount, interest (CLN only), conversion events

Question time

Put your knowledge to the test.

The founder of *Pan-European Solutions* is seeking investment in the Series A round for their software startup.

This is *Pan-European Solutions*' cap table.

1. What can you learn?
2. What's missing? What do you still need to know?

Shareholder	%
Founder	25%
CTO (Founder 2)	22.5%
COO	22.5%
First engineer	5%
First commercial hire	2.5%
Angel investor	2.5%
Google Accelerator	7.5%
Preferred Ventures	12.5%
	100%

The due diligence checklist

- Who are the owners?
- What are the details of ownership?
- Is there an option pool?
- What does the fully diluted cap table look like?
- What are the terms of share ownership? (Economics)
- Who has what rights? (Control)

Cap tables 101

Cap table red flags

Example: Founder incentives

Do founders have enough of a share in the business to stay incentivised long term?

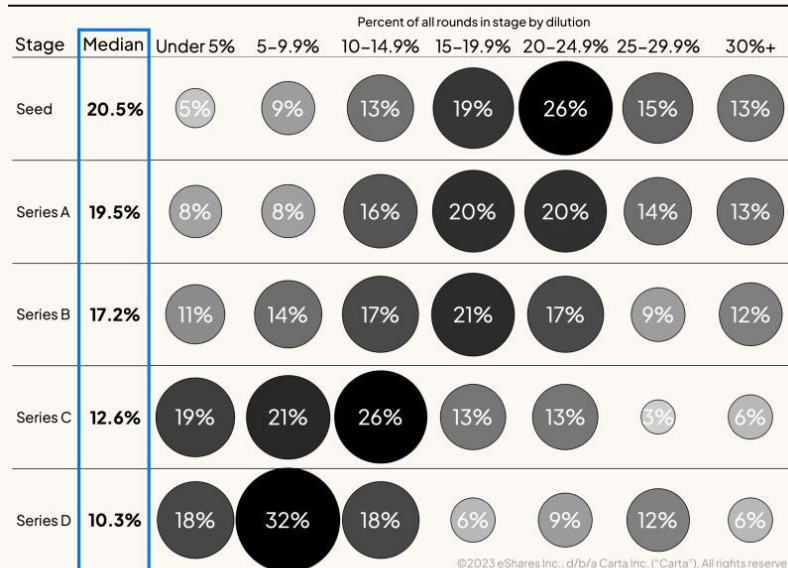
If founders give away more than 20–25% before seed, things become difficult at a later stage.

Understand the economics:

- Is there a preference stack?
- If so, how big is it?

How much equity do founders give investors in each venture round?

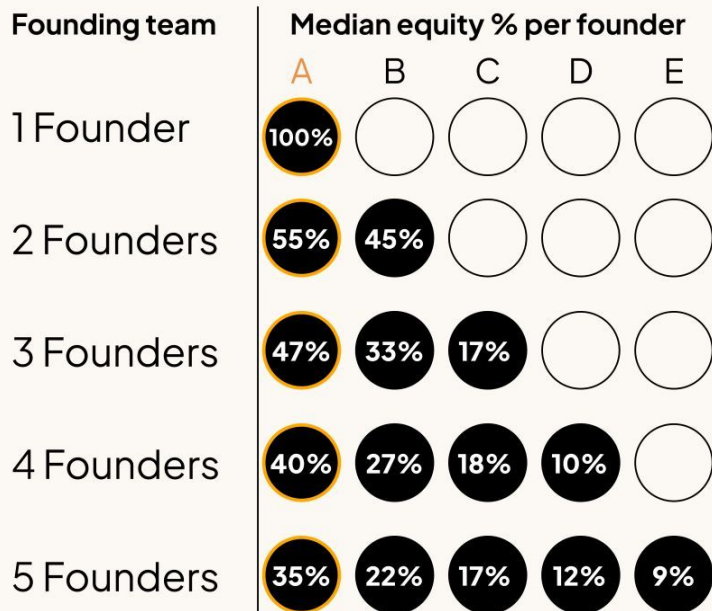
Data from 1,229 primary priced equity rounds in 2023 | US only



Cofounder Equity Splits

How much equity does each founder usually get?

Study of 7,764 US companies | Equity split % before any fundraising



Example: Equity imbalance

A common approach: 50:50 equity split from day one

If equity is not equal between co-founders, consider:

- Is equity allocated according to salary? Is there a difference between founder salaries?
- Did one “founder” join the company later?
- Has a past investor specified an equity imbalance?

Potential solutions:

- Issue options to under-allocated founder
- Deploy growth shares – more flexible but more complex and expensive

Example: Dead equity

Dead equity is what's held by stakeholders who are no longer involved in the company.

Examples include:

- Early employees
- Exited founders
- Early advisors

How do you manage the risk of dead equity?

- Give visibility over every shareholder on the cap table
- Founders' vesting agreements
- Limit rights of shareholders with minority
 - For example, less than 5%
- Buy out dead equity and redistribute appropriately

Examples: Control

Investor control

The problem: an investor has disproportionate control ('control' rather than % ownership)

Potential solution:

- Renegotiate terms with investor(s)

Check BVCA Shareholder Agreement template for fair standards

Investors hold too much

The problem: c. 25–30% is held by a distributed group of investors. This can hold up funding rounds and speed of executing admin.

Potential solutions:

- Tighten up investor communications
- Use an SPV
- Amend articles of association

Non-dilutive shares

Anti-dilutive shares protect an investor against a future down-round.

Non-dilutive shares are shares that don't get diluted in future rounds.

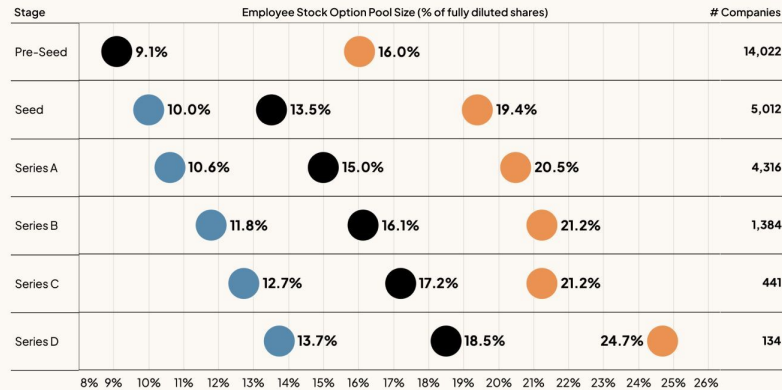
The problem: Vague and/or poorly drafted wording could lead to non-dilution shares which has the potential to dilute founders and future investors.

Potential solution: Renegotiate terms with investor

Example: Pool problems

Option pools grow steadily as a startup fundraises

Percent of fully diluted shares dedicated to the employee option pool by stage | ● 25th pct ● Median ● 75th pct



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There are several problems you can face when it comes to your option pool:

Problem 1

No option pool has been created post pre-seed or seed. Why?

- Are salaries proportionally too high?
- Are options being used to attract, motivate and retain talent?

Problem 2 The pool is too small – <10% at seed

Problem 3 'Exhausted' equity pool

All of these will mean further dilution is needed.

Example: Problems with spreadsheet-based cap tables

No single source of truth

There's usually more than one version of a manually updated Excel cap table model.

Your lawyer manages one copy (for an hourly fee), while you or your CFO are responsible for another version.

If an employee joins or exercises their options and you forget to send the updated cap table to your lawyer, or vice versa, there's no longer a single source of truth.

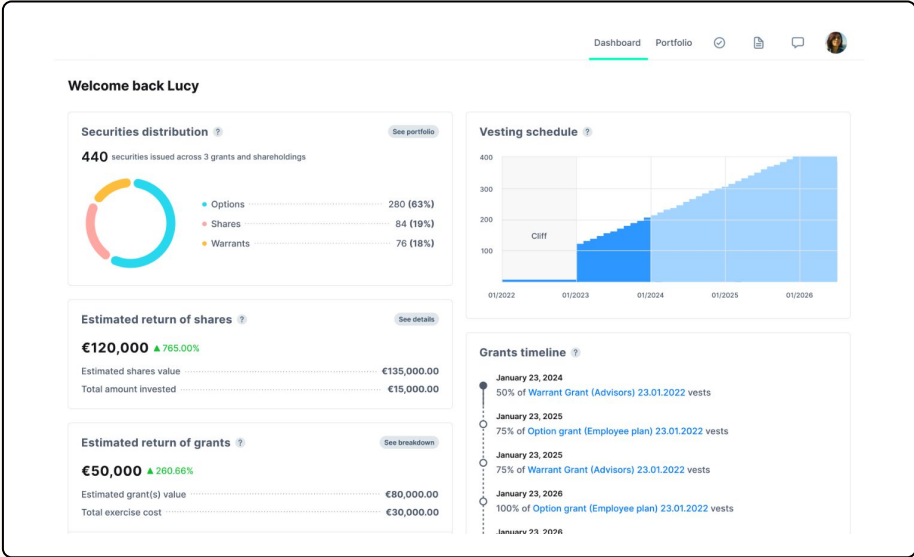
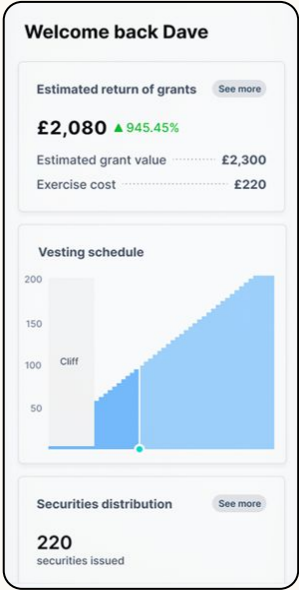
Mistakes compound and things get complicated.

Expensive (time and money)

It can take a law firm many billable hours to issue share option grants in line with HMRC and Companies House requirements.

The costs can add up quickly when it's time for your next funding round – we've seen quotes of over £15,000 in legal fees to reconcile different versions of a company's cap table.

The solution: a scalable digitised solution



1

2

3

4

5

Learnings

1. The basic principles of a cap table are economics and control
2. It's important to learn what's not written on the cap table
3. Know your cap table red flags
4. Spreadsheet-based cap tables won't provide you with a single source of truth
5. Putting a scalable cap table solution in place early on will make your life easier

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Q&A

Equity Management Agenda

Goals

The Basic of Share Plans

Why Employee Equity

Questions & Answers

Goals

Understand why employee equity

- Learn about the value of share plans in incentivising and retaining employees

Increase confidence in share plans

- Understand how they work, the different types and international considerations

Understand how digitising can simplify your admin

- Learn about how it can look when equity plans are managed digitally

Recapping the Basics

Chapter one



Types of Equity

Option

A type of equity award which gives the option-holder the right to buy a certain number of shares at a fixed price in the future.

Warrant

A type of equity award which gives the warrant-holder the right to buy a certain number of shares at a fixed price in the future.

Refresher grant

An additional equity award, typically offered to high-performing or long-standing employees.

Restricted stock unit (RSU)

A type of equity award which grants the right to shares at a fixed price in the future. RSUs are not exercised; they're issued automatically as they vest.

For more information and terminology, take a look at the [Carta equity glossary](#).

Options vs. Shares

Share options

A share option grants the optionholder the right to purchase shares at a later date for a predetermined price – known as the strike or exercise price.

Options are typically awarded gradually over an agreed period, known as the vesting schedule.

Early-stage companies typically issue share options to employees.

Example option agreement terms

Number of options granted	The total number of shares the optionholder will be able to buy once the other terms of the agreement have been met
Strike price	The pre-established cost of purchasing the shares granted through an option agreement. Also known as the exercise price
Vesting schedule	The preset schedule which determines when employees can acquire full ownership of their granted assets. This takes place gradually, typically over a period of four years
Bad leaver	If an employee is dismissed from the business due to gross misconduct, they are a “bad leaver” and will no longer have access to any of their vested options
Good leaver	An employee who has the right to purchase any vested options for a set period of time after leaving the company. This window typically lasts 90 days, but will vary from company to company.

Options vs. Shares

Continued

Shares

Shares, by contrast, represent a piece of a company.

Shareholders are entitled to a portion of the profits, which are paid out in the form of dividends. They also enjoy other benefits, such as voting rights.

Typically only issued to founders or co-founders.

Example option agreement terms

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The Option Pool

An option pool, or incentive pool, is a board-approved allocation of shares set aside by a company for employee equity awards.

As a rule of thumb, the option pool represents 10–20% of a company's total equity – including allocated and unallocated options.

Once created, it can be adjusted over time to suit your evolving financial status and recruitment needs.

Latest funding type	Average pool size
Seed	18.3%
Series A	15.6%
Series B	15.5%
Series C	20.5%
Series D & E	20.9%
Venture – series unknown	14.8%
Equity crowdfunding	20.3%

Industry	Average pool size
Mobility tech	31.0%
Retail tech	21.1%
Edtech	15.1%
SaaS and general IT	15.2%
HR/Recotech	17.4%
Fintech	15.3%
Ad/Martech	18.9%
Gaming	12.8%
Deeptech	17.9%
Health and biotech	16.7%
Green tech	16.2%
PropTech	12.8%
Grand total	17.5%

Common option pool mistakes to avoid

- 1. Getting the timing wrong**
For those promised options in the past, issue them their grants before receiving an investor term sheet (so that they retain lower strike price)
- 2. Failing to get a valuation (or update your previous one)**
At minimum, make sure you have a new valuation on the calendar every 12 months,
- 3. Not getting board approval for issuances**
Set up a standard board consent procedure for stock option approvals
- 4. Thinking all stock options are the same**
Make sure you consider your long-term company goals and employee needs.
- 5. Failing to correctly track vesting schedules**
Set up a vesting schedule and track it

Employee Equity

Chapter two



Compensation for Employees

One of the most common reasons why startups grant options is that they're strapped for cash and unable to pay the market rate to attract top talent.

Nonetheless, they still need those quality hires to reach business goals.

The promise of long-term financial gain through equity is a worthwhile alternative form of compensation.

Equity is a great way to:

- Motivate and reward employees
- Retain world-class talent
- Align multiple stakeholders on the same goal: the success of the business

The Link between Equity and Salary

At seed stage, equity can act as a buffer for the cash deficit.

As companies progress from Series A, the scale of equity awards reduces as salaries start to approach industry standards.

The goal is to find the right balance between equity and cash at each stage.

Equity compensation and salary benchmarks

Stage	Pre-seed to seed	Seed to Series A	Series A +
Number of employees	<20	20–100	100+
Cash salary	Far below industry standard	Below industry standard	Close to industry standard
Equity award (per person)	≥ 1%	≤ 0.5%	Dependent on seniority
	At the earliest stages, high equity rewards compensate hires for the risk they're taking.	Companies should establish a more systematic way of distributing rewards.	A well-structured scheme should apply to all new hires, to ensure a fair distribution of equity.

Deciding who deserves what when it comes to equity can become complex. Assigning equity bands – in the same way you'd allocate salary bands – can help make those decisions easier.

Grant Size Decisions

Questions to ask your founders:

- What are your estimated hiring needs for the next 1–2 years?
- How much equity you want to give to senior vs. junior employees?
- What buffer do you want to leave for rewarding exceptional performance (e.g. refresher or performance-based grants)?

Example scheme based on employee level

Employee level	Salary multiplier (x)
Senior	0.7–2
VP	0.5–1
Director	0.3–0.7
Manager	0.2–0.5
Non-executives	0–0.2

Example scheme based on job function

Employee function	Salary multiplier (x)
Software developer	0.7–2
Sales	0.5–1
Marketing	0.3–0.7
HR	0.2–0.5

Granting Share Options

Be willing to negotiate for key hires and keep a buffer in your option pool!

Worked example: post-Series A

A manager earns a £50k salary.

In the suggested scheme, the “Manager” multiplier for options is 0.2–0.5× the proposed salary:

$$0.2 \times £50,000 = £10,000$$

$$0.5 \times £50,000 = £25,000$$

The value of the options granted to this manager will be between £10k and £25k.

Remember: share options grant the optionholder the right to buy a certain number of shares at a fixed price in the future. Options are not the same as shares.

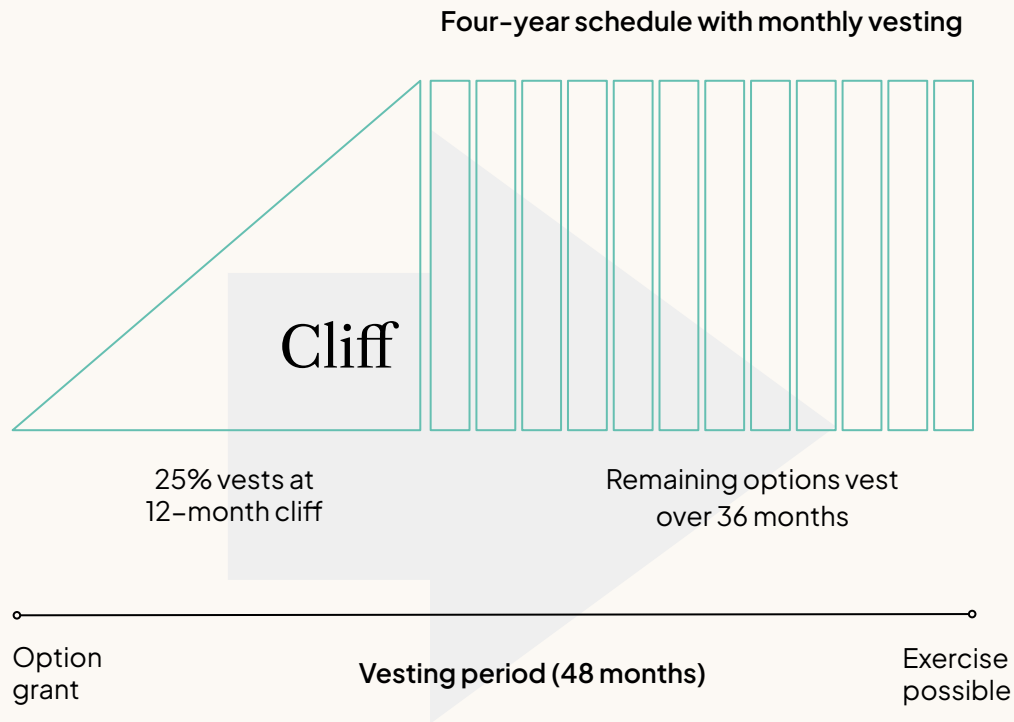
The Vesting Schedule

To incentivise loyalty among employees, companies can set a vesting schedule – a period of time over which options become available.

A four-year schedule for option grants is very common.

After 12 months, 25% vests. The remaining options vest in equal instalments over the next 36 months.

Some companies opt for back-loaded or temporal vesting schedules.



The Vesting Schedule

Continued

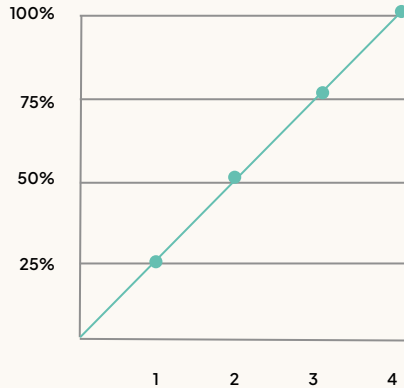
Some companies use back-weighted vesting schedules.

Instead of equal instalments, the back end of the schedule provides more vesting than the front.

An example of a back-weighted vesting schedule:

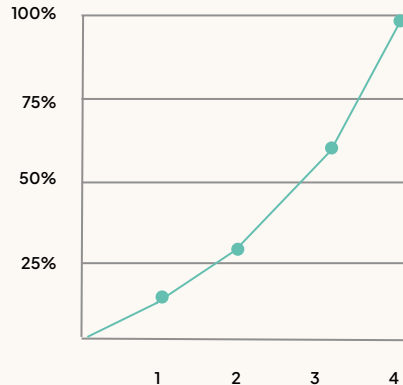
- Year 1: 10%
- Year 2: 20%
- Year 3: 30%
- Year 4: 40%

Employees are incentivised to stay at the company to unlock larger portions of their equity grant.



Traditional vesting schedule

Back-loaded vesting schedule



Retaining Talent

One way to retain talent is to issue refresher equity grants.

Refresher grants are typically issued 3–5 years after an employee starts at the company. Note that these grants are discretionary.

Types of refresher grants:

Performance-based grants

- Options will vest once a performance goal has been reached
- Commonly issued to C-suite hires whose performance impacts revenue and profit
- Around 50% of options granted will follow a normal schedule to account for uncontrollable factors

Milestone grants

- Options will vest once an event has happened
- Commonly used in early-stage companies when available cash is limited

Leavers

Some employees may choose leave the business for a variety of different reasons.

What happens to their options or shares?

Options

A share option agreement sets out what happens to unvested options and vested but unexercised options.

Shares

Company-level documents (e.g. shareholders' agreement or articles of association) outline what happens to shares.

Companies may set their own conditions for leavers. However, there is a standard template for what this could look like.

Good leavers vs. bad leavers

A **good leaver** is an employee who leaves a company under normal circumstances and has the right to purchase any vested shares within a fixed window (typically 90 days from the date of departure).

A **bad leaver** is an employee who leaves a company under specific circumstances, such as gross misconduct. They are no longer entitled to any equity granted under an employee share scheme.

Growing an International Team

As your team grows beyond one jurisdiction, you'll need to think about your options.



Can I grant equity in the same way in every jurisdiction?

Equity doesn't translate across borders due to differences in tax and legal regulations.

If you're not sure about granting equity abroad, ask a tax expert.



Do I need to grant options in the same way to each employee?

If you want to ensure your employees are compensated consistently, understanding local jurisdictions will help you decide what to issue and how.



What else do I need to consider?

Think about all eventualities, including your options for an exit: IPO, merger or acquisition.

Equity types

Option pools

Share plans

Valuations

Employee equity

Incentivising talent

Learnings

1. **Options** are the most common way to grant equity to employees
2. The **option pool** is a growing stakeholder. Make sure you manage it carefully
3. It's important to understand the benefits and limitations of issuing equity through **EMI, CSOP and growth share schemes**
4. Plan **international expansion** strategically, especially regarding equity issuances and valuations
5. **Incentivise talent** with clear and consistent communication about equity

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Q&A

Carta Classroom


Cap Table 101

Everything about your company—from incorporation to IPO is built on the cap table.

Learn the fundamentals of this equity cornerstone with help from experts at Carta.

[Start the course to learn more about cap tables.](#)


Overview



7 CHAPTERS
Introducing the cap table

Dive into the world of cap tables—how they work, types of equity offered, calculating ownership percentages, valuations, vesting schedules, and more.


Start section 1 →



4 CHAPTERS
Building the foundation for success

Ready to create your first cap table? Begin the journey of a fictional company as we build a cap table from scratch, bring in an advisor, raise early funding rounds, and hire our first employees.

Start section 2 →



2 CHAPTERS
The Series B (and beyond)

We're upping the ante in Section 3 as we raise another funding round to scale our fictional company. We'll also see how our cap table comes into play when the company sells, goes public, or has a liquidity event.

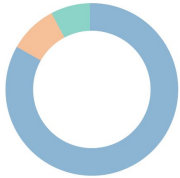
Start section 3 →

Welcome Megan

Securities distribution Vesting schedule Grant timeline Estimated returns

560,000

Securities issued across 5 grants and shareholdings



• Shares	549,000	98.04%
• Warrants	10,000	1.79%
• Options	1,000	0.18%

20% discount

Name	Category	Country	Securities	Shares	Votes %
Seeded Ventures	VC	GB	CS	2000	20.00%
Wormhole Capital	VC	DK	SH	2000	20.00%
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