

# Cap Table Mistakes That Delay Startup Funding (And How to Fix Them Early)

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## Cap Table Mistakes That Delay Startup Funding (And How to Fix Them Early)

Ask a founder how much of their company they own, and they'll usually answer instantly and confidently. Ask them whether that number matches what's actually filed with the Corporate Affairs Commission, and the confidence often drops.

That gap — between the cap table founders carry in their heads or in a spreadsheet, and the ownership record that's actually legally registered — is one of the most common reasons startup fundraising slows down. Not because the ownership is disputed. Because it's undocumented.

### The direct answer

A cap table mistake, in the context investors care about, isn't a typo in a spreadsheet. It's any point where the ownership a founder believes exists — verbally, informally, or in a working document — hasn't been properly issued, allotted, and filed. Investors don't just want to see who owns the company. They want to see that the answer is the same whether they ask the founder, check the spreadsheet, or pull the CAC record. When those three don't match, diligence stops until they do.

### Why cap tables cause more delay than almost anything else

A cap table sits underneath everything else in a fundraise. The size of the round, the investor's percentage, the price per share, the post-money valuation — all of it depends on an accurate, current ownership picture. If that picture is wrong, every number built on top of it is provisionally wrong too.

This is also why cap table issues are disproportionately disruptive compared to their apparent size. A single undocumented 5% advisor grant doesn't just need "fixing" — it changes the ownership percentage of every other shareholder, which means it can require revisiting the entire round structure, not just one line item.

### The mistakes that actually delay deals

#### 1. The spreadsheet doesn't match CAC's records

This is the most common issue, and often the most surprising to founders. A cap table spreadsheet is a working document. It's not, on its own, a legal record of ownership. The legal record is what's registered with CAC — the company's shareholding as filed and reflected in its statutory records.

It's entirely possible to run a company for years with a spreadsheet that says one thing while CAC's records say another, because nothing forces the two to reconcile automatically. An investor's lawyer will pull the CAC record. If it doesn't match what the founder presented, that's the first flag in the process — and it invites scrutiny into everything else.

## **2. Equity promised but never issued**

An advisor gets 1%. An early contractor is told "you'll get equity for this." A friend puts in money with a handshake understanding about their stake. All common, all reasonable in the early days — and all worthless from an investor's perspective until the shares are actually allotted, recorded in the register of members, and filed with CAC.

Under CAMA 2020, shares generally cannot sit "authorised but unissued" the way they could under the older regime — the company's issued share capital is its share capital. That means informal promises don't just need paperwork; they need a formal allotment process to become real ownership. Until that happens, the person believes they own equity, the founder believes they've granted it, and legally, neither is quite true.

## **3. Share transfers that were never completed**

Founders sometimes handle share transfers — a co-founder buyout, an early investor exiting, shares moving between family members — as an informal handshake or a signed piece of paper that never goes further. A proper transfer requires a board resolution approving it, stamp duty paid to the Federal Inland Revenue Service (currently around 0.75% of the value of the shares transferred), an updated register of members, and the change filed with CAC. Skip any of these steps and the transfer is legally incomplete, regardless of what both parties believe happened.

## **4. Dead equity from departed founders or advisors**

Someone leaves the company — a co-founder, an early technical hire who was granted equity, an advisor who stopped being active — and keeps their full shareholding because there was never a vesting schedule or leaver provision to reduce it. This is one of the most damaging cap table problems, because it isn't a paperwork gap. It's ownership that's technically valid but commercially unresolved and the fix at times may mean finding somebody you haven't spoken to in years to sign a document and sometimes if they notice you are mid-raise, they may want to re-negotiate. An investor sees a meaningful percentage of the company sitting with someone no longer contributing to it, and has to ask what happens if that continues indefinitely.

## **5. Multiple, conflicting versions of the truth**

The pitch deck says one ownership breakdown. The spreadsheet the founder actually updates says another, slightly different one. CAC's records say a third. Each version might have been accurate at some point — they just weren't updated at the same time. Investors don't assume malice when they find this. They assume carelessness, which is almost as damaging, because it raises the question of what else hasn't been kept current.

## **6. Not accounting for foreign investment thresholds**

This one catches founders raising from foreign angels or funds off guard. A Nigerian company with

foreign shareholding is generally required to meet a significantly higher minimum issued share capital than a wholly Nigerian-owned company — a threshold that exists specifically because of foreign participation, separate from the general CAMA minimum. Founders who build a cap table assuming their existing Nigerian company structure can simply accept a foreign investor's cheque, without checking whether the company's share capital meets this requirement, discover the gap only when the investor's lawyers raise it — at which point it can affect deal timing and structure.

## **What this actually costs, commercially**

None of these mistakes are usually about dishonesty. They're about the natural drift between what happens in a fast-moving early-stage company and what gets formally filed. But investors don't distinguish between "we were careless" and "we were misleading" at first glance — they just see a number that doesn't reconcile, and they slow down until it does.

The commercial cost isn't just delay. It's leverage. A cap table issue discovered during diligence gets fixed under the investor's timeline, with the investor's lawyers watching, and often becomes a point of renegotiation — a lower valuation, additional warranties, or a holdback until the issue is resolved. The same issue, fixed before the process starts, is simply gone.

## **How to check your own cap table before an investor does**

- Pull your current CAC status report and compare it, line by line, against your working cap table spreadsheet
- List every person who believes they have equity — including informal advisor or early contributor arrangements — and confirm whether shares were actually allotted and filed, or only discussed
- Check every past share transfer for a complete paper trail: board resolution, stamped instrument, updated register of members, CAC filing
- Identify any departed founder, advisor, or early hire who still holds their full original equity with no vesting or leaver provision
- If you've raised or plan to raise from a foreign investor, confirm your company's issued share capital meets the applicable threshold for foreign participation
- Engage a startup lawyer to confirm that all issuances and grants were properly authorized and documented.

If any of these turns up a gap, that's not a reason to panic — it's a reason to fix it now, while you control the timeline.

## **Common mistakes founders make trying to fix this themselves**

Editing the spreadsheet instead of fixing the underlying filing. Updating the numbers in a Google Sheet doesn't change what's legally registered. The fix has to happen at the CAC level, not just the document a founder personally maintains.

Assuming a signed piece of paper is the same as a completed transfer. Without stamp duty paid and the register of members updated, a signed transfer agreement is an intention, not a completed legal transfer.

Leaving vesting and leaver provisions out because "everyone gets along." These provisions matter precisely because they only become relevant when someone leaves — by which point it's too late to negotiate them from a position of goodwill.

## When to get professional help

Reconciling a cap table against CAC's actual records, formally allotting shares that were only promised, and completing incomplete transfers all involve real legal and filing work — not just updating a document. If your own review surfaces gaps, particularly around undocumented equity or incomplete transfers, that's the point to bring in someone who can execute the fix properly, not just identify that it exists.

## Where Leap Wise fits

A cap table gap is one of the most common issues surfaced during due diligence, and one of the more time-consuming to fix once an investor's timeline is already running. If you are preparing for fundraising, Leap Wise LP can review your corporate, contractual and compliance position — including your cap table against CAC's actual records — and identify issues that may surface during investor due diligence.

## FAQ

How do I know if my cap table actually matches CAC's records? Pull a current CAC status report and compare it directly against your working spreadsheet, shareholder by shareholder. This is the single fastest way to find out where the two have drifted apart.

Is a messy cap table a dealbreaker for investors? Rarely on its own. What matters is whether it's fixed before diligence starts or discovered during it. A gap that's identified and resolved proactively is a minor administrative point. The same gap discovered by an investor's lawyers becomes a negotiating issue.

Do small, informal equity arrangements really need to be formally filed? Yes, if they're meant to be real. An arrangement that exists only verbally or in a spreadsheet isn't legally recognised ownership until it's properly allotted and filed with CAC — regardless of how long ago it was agreed or how clear the understanding was at the time.

What's the fastest way to avoid this problem going forward? Treat every equity decision — a new hire's option grant, an advisor's stake, an early investor's shares — as incomplete until it's actually filed with CAC, not just agreed. The gap between "agreed" and "filed" is exactly where these mistakes accumulate.

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