Stock and option record keeping

The startup world moves fast, and decisions that may impact your capitalization are continuously being made by your company, potential investors and potential employees. These decisions will involve your stock and option records. To feel confident about making good decisions quickly, you should keep accurate stock and option records. This guide was prepared to show you when it is important to have records and to offer a few tips about efficient record keeping.

When will it be important to have accurate records?

Accurate records will come in handy when you are:

- Recruiting and terminating directors, officers, and employees (See our articles on Equity incentive plan basics and Founder departures)
- Considering new financing or selling your company (See our article on getting ready for an exit)

Tips for keeping records

Now that you know how important it is to keep accurate stock and options records, how should you go about it? We recommend these three basic steps.

Collect and record all documents

You should identify and collect all documents relating to:

- option agreements
- exercises/cancellations
- employee terminations
- common stock certificates by the company and employees

Your board will have to approve all stock and option grants. These legal actions should all be recorded. For more about the formalities in documenting those legal actions, see Board consents and minutes.

It will be important to create and maintain a capitalization table. This table typically reflects which groups of people own which type of stock or option. For more guidance on preparing a capitalization table, see Capitalization tables, Stock ledgers and Option ledgers.

Digitalize all documents

All documents should be in digital form. This will help to keep them organized and easily accessible, which will come in useful when you're ready for a financing or other major corporate transaction (see our article on Top ten things to get ready for an exit and M&A process)

You should also consider developing a system that automates all transactions and calculations while creating a digital trail showing user changes to legal documents.

Compile all documents in one central location

There will be times when you will need swift access to all your information all at once. For this reason, it is most efficient to gather all of these documents into one uniform, integrated system. The importance of this approach will only increase as your company continues to grow.

For more information on stocks and options, see our other articles: Stock issuances, Founder stock allocation and vesting, Founder stock vesting, Option grants – who gets what (advisors, directors, executives), Option grants – documents and execution option grants and exercises, Option plans – sizing the pool and Granting options vs. issuing restricted stock, or contact any member of the DLA Piper corporate team.

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