



The 409A Renewal Guide: Preparation, Process, and Safe Harbor

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As companies and their finance teams approach their 409A renewal date, it is worth allocating a small amount of time to ensure the renewal process runs smoothly and aligns with key internal deadlines.

A closer look at the language of the regulation provides some important guidance: Treasury Reg. §1.409A-1(b)(5)(iv)(A) grants a safe harbor presumption – **but only as long as no information has emerged since the valuation date that could materially affect the company's value.** That caveat is important to note.

A valuation from nine months ago can already be indefensible if the right things have changed. A valuation from four months ago can be rock solid. The 12-month window is a ceiling, not a guarantee – and the IRS ultimately asks whether the exercise price reflects fair market value on the date of the grant – and a stale appraisal won't answer that question.

That's why it's worth understanding what a renewal actually requires before you begin. The preparation is straightforward once you know what you're assembling and why – and the companies that move fastest through the process are the ones that arrive at kickoff with a clear picture of what's changed and a complete document package ready to go. This guide walks through both.

What's Different About a Renewal?

If Eton Venture Services performed your last 409A, we already have the baseline – the prior capital structure, the methodology applied, the comparable companies selected, the discount rates and scenario weightings used. A renewal doesn't start from zero, but it isn't a formality either. We will need to understand what's changed since the last valuation date, and that assessment may lead to adjustments in methodology, comparables, or scenario weightings. The output is a new, independent conclusion as of a new date.

Your Three Tasks Ahead of Renewal

A 409A renewal asks three things of the client. Everything else – the analysis, the modeling, the report drafting, the comparable company screening – happens on our side.

Task 1: Tell Us What Changed

Before kickoff, take ten minutes to inventory what's changed since the last valuation date. Did you raise capital? Close a bridge round? Issue new SAFEs or convertible notes? Did the revenue trajectory shift – up or down? Did you hire a CRO who's transforming the go-to-market motion, or lose a technical co-founder who was central to the product roadmap? Was a competitor acquired? Did the broader market reprice your sector? Any of these can constitute the kind of intervening information that erodes safe harbor protection – and material events we don't know about can't be reflected in the valuation.

It's worth noting where the risk lands: the §409A penalties fall on the employee – a 20% additional tax plus premium interest – for a decision they had no part in making. Accuracy here matters beyond compliance.

The data request includes a set of qualitative assessment questions that feed directly into the discount rates, probability weightings, and scenario analyses. These should be completed by someone with real strategic visibility – usually the CEO or CFO. The answers should reflect management's actual view, not the upside case from the last fundraising deck.

Here are key assessment questions your CEO or CFO will need to answer:

1. How would you characterize **current investor interest** in the company's next financing round? (None / Exploratory / Active / Term sheet stage)
2. What is the company's **projected cash runway** at the current burn rate, and does management believe the company can sustain operations through the next planned financing event?
3. Have any **key executives**, technical leads, or board members departed since the last valuation? If so, describe the role and whether a replacement has been hired.
4. Rate management's **confidence in the current financial projections**. (Low / Moderate / High) If the projections differ materially from the forecast provided at the last valuation, explain the variance.
5. In management's judgment, what is the **likelihood of an IPO, strategic acquisition, or dissolution** within 24 months? Assign an approximate probability to each.

The full assessment covers additional dimensions including competitive positioning, customer concentration, geographic dependence, and product-market fit – you’ll receive the complete questionnaire before kickoff.

Task 2: Assemble the Document Package - A Helpful Checklist

The document package is straightforward to assemble once you know what’s needed and why. A CFO or controller who sets aside a focused afternoon to pull everything together – confirmed, current, and reconciled – can kick off the engagement with a complete upload on day one.

Document	Delivers	Reviews	Analytical Function	Failure Mode That Delays
Cap table (as of valuation date)	CFO / Controller	–	Drives the equity allocation model (OPM or PWERM) that maps enterprise value through the waterfall to common stock.	Hasn’t been updated since the prior round. Reconciliation with equity ledger consumes 1-2 weeks before analytical work can begin.
Equity ledger (grants, dates, prices, vesting)	CFO / Controller	–	Defines the fully diluted share count and option pool; must tie to the cap table for the waterfall to function.	Recent grants or exercises not recorded. Discovered during modeling, forcing a round-trip back to the client.
Financial statements in Excel (12 mo. + 3 prior FYs)	CFO / VP Finance	–	Drives fundamental analysis, trend assessment, and comparable company benchmarking. Models are built from this data.	Delivered as PDF (unusable for modeling) or most recent quarter not yet closed, blocking the analysis start.
Financial forecasts / model (Current)	CFO	CEO signs off	Drives the income approach (DCF). The projections define the cash flows being discounted.	Projections reflect the upside case from the last fundraise, rather than genuine management expectations. Requires a correction cycle.
Investor presentation or board deck (Updated)	CEO / Founder	–	Provides management’s narrative on market position, competitive dynamics, and strategic priorities.	Deck is outdated or tells a materially different story than the financials. Requires follow-up to reconcile.
Certificate of incorporation (+ amendments)	General Counsel	–	Authoritative source for share classes, liquidation preferences, anti-dilution, and protective provisions.	Amendments since last valuation not flagged. Discovered during cap table modeling, forcing a documentation request.
SAFEs, notes, warrants, long-term debt	General Counsel	CFO reviews	Affects fully diluted share count and common stock value through conversion mechanics and liquidation priority.	Instruments omitted or terms not current. Conversion assumptions have to be rebuilt mid-engagement.
Prior valuation reports (other firms, last 5 yrs)	CFO	–	Establishes the complete valuation history, not just the current firm’s prior work.	Third-party reports from before the current engagement relationship are not included.
3+ publicly traded comparable companies	Any leadership team member	–	Suggested comparables from management with market awareness. Size differences are expected and adjusted for.	This is market awareness, not a full competitive analysis. Don’t let it hold up the package.

How much difference does document readiness make? Here are two real engagement case studies:

Series B Health-Tech, 60 Employees – Q3 2025	Series B Developer Tools, 45 Employees – Q4 2025
<p>Controller spent one focused afternoon assembling the full package. Cap table reconciled and tied to the equity ledger. Financials delivered in Excel. Certificate of incorporation current.</p> <p>Draft delivered in 7 business days.</p> <p>CFO time commitment: ~4 hours total.</p>	<p>Signed the engagement letter, then discovered the cap table hadn't been updated since the Series A. Reconciliation took 11 business days before analytical work could begin. CFO fielded weekly status calls and chased documents from counsel.</p> <p>Draft delivered in 49 calendar days.</p> <p>CFO time commitment: ~15 hours across six weeks.</p>

With the same valuation methodology, same team, and the same flat-rate fee the only difference was whether the checklist above was complete on day one. Company A's board approved the new strike price on schedule. Company B's board had to postpone option grants by a full quarter.

Task 3: Work Backward from Your Board Date

The person quarterbacking the engagement – usually the CFO or controller – needs to align three dates: when the documents will be ready, when the board will meet to approve the new strike price, and when the next option grants are planned.

The cleanest approach is to work backward from the grant date. If the company is planning to issue options at the next board meeting, the final valuation report needs to be delivered before that meeting – with enough lead time for the board to review. The question we hear most often at this stage: once you have everything you need, how long does the valuation take?

Here's how the calendar works at Eton, once we've confirmed that we have everything we need:

Days 1-7 (Eton)	Draft report delivered to you for review.
Your Review (pauses our clock)	You review the draft for factual accuracy. Take the time you need—this period is yours, not ours.
Days 8-10 (Eton)	No more than 2 business days after you approve the draft, we deliver the signed final report.

That's 10 business days of our work from confirmed materials to a signed report—at our longest standard turnaround, which is also our lowest price tier. Faster turnarounds are available. The fee is a flat rate, all-in—no hourly billing, no revision surcharges, no surprises.

The companies that move through renewals most smoothly share a common trait: **they don't treat their 409A as a compliance requirement to be refreshed on a schedule.** They monitor for material events between formal valuation dates and stay in communication with their valuation firm when circumstances change — not at month eleven, but when something significant happens.

We aim to build that discipline into every engagement with a mid-cycle check-in at the six-month mark — not a formality, but a substantive assessment of whether intervening events have eroded safe harbor defensibility. That way the conversation about renewal timing is grounded in substance rather than the calendar, and clients arrive at the renewal window with the hard thinking already done.

About The Author



Chris Walton, JD, is President and CEO and co-founded Eton Venture Services in 2010 to provide mission-critical valuations to private companies. He leads a team that collaborates closely with each client's leadership, board of directors, internal/external counsel, and independent auditors to develop detailed financial models and create accurate, audit-ready valuations.

Chris has led thousands of valuations, including for equity securities, intangible assets, contingent considerations, financial instruments, investment valuations, convertible debt, business valuations for tax compliance purposes and financial reporting compliance requirements, as well as fairness and solvency opinions.

He started his career as an attorney at Gunderson Dettmer, a Silicon Valley law firm, where he specialized in corporate securities and M&A transactions. After transitioning from law firms to corporate management, Chris held leadership positions at two venture-backed startup companies.