

Valuation

Your valuation must fit within the risk/reward expectations of our angel investors. Because of the early stage at which they invest, Angel group members typically receive 20 – 40% of a company's fully-diluted equity in exchange for their investment.

Valuation: Typically, our angels look for pre-money valuations from as little as \$250,000 to less than \$3 million. It takes special circumstances – existing revenues, issued patents, demonstrated growth, etc. – for us to consider pre-money valuations higher than that.

Full-dilution: In determining valuation, we look at the effect of all the commitments you've made to issue shares (the "fully-diluted" number). The fully-diluted number includes the unconditional and contingent share commitments you've made through options, warrants, conversion of preferred shares, convertible debentures, etc. We expect that a reasonable number of shares would have been reserved, and counted in the full-dilution, for key-person compensation and employee stock options.

Pre-money valuation: This is the value of your company prior to getting the investment you're seeking. It is computed by multiplying the fully-diluted shares prior to the proposed investment (e.g. 2 million), by the price per share of the proposed financing (e.g. \$1/share) for a pre-money valuation, in this case, of \$2 million.

Pre-money valuation based on percent of company: Some entrepreneurs prefer to offer a percent of their company (e.g. 20%) for a specific amount (e.g. \$500,000) of financing. Dividing the proposed financing (\$500,000) by the percentage offered (20%) gives you the post-money valuation (in this case \$2.5 million). Subtracting the financing, gives you a pre-money valuation of \$2 million.

Post-money valuation: The value of the company after financing, by adding the financing amount (e.g. \$500,000) to the pre-money valuation (e.g. \$2 million), for a post-money valuation of \$2.5 million.