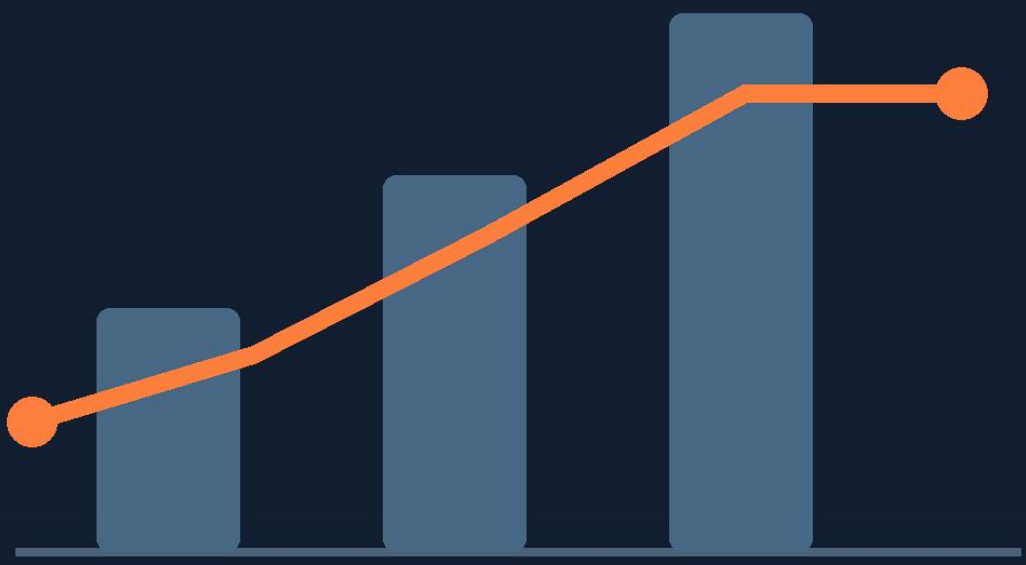
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SF / 05

# Startup Valuation & Deal Terms

Pricing Ownership & Understanding Rights



SF PUBLICATIONS

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# Startup Valuation & Deal Terms

## Pricing Ownership, Understanding Rights and Negotiating with Discipline

SF PUBLICATIONS / VOLUME 05

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**Audience:** Founders, early-stage investors, venture advisers and executive teams

> **Important reader note.** This book is educational. It is not a valuation opinion, financial forecast, legal document, offer of securities or personalized investment advice. All companies and transaction amounts are fictional examples. Valuation depends on evidence, security rights, jurisdiction and time. Have qualified counsel and financial professionals review any real transaction and current regulations.

## About this book

A headline valuation is only one part of a financing. A founder can receive an attractive price and still transfer unexpectedly significant control, face a costly preference stack, or dilute more than anticipated. An investor can acquire a promising percentage without obtaining the information, seniority or exit rights assumed. The commercial task is to understand the entire package: company economics, capitalization, transaction documents, downside, milestones and human decisions.

This practical book begins with what is being valued, moves through methods and cap-table arithmetic, and then examines the contractual terms that govern economic outcomes. It uses deliberately simplified fictional calculations to teach logic, not to forecast investment returns. IPEV's 2025 valuation guidance offers a current reference point for fair-value thinking in private capital, while NVCA and Y Combinator publish model venture financing materials; none replaces local legal or valuation advice [R1] [R2] [R3].

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CHAPTER 01

# 1. What Is Being Valued and Why It Matters

## The object of valuation is not always the same

A business enterprise, the equity in that business, and a particular preferred share can carry different values. Enterprise value concerns the operating business before certain financing adjustments; equity value is affected by cash, debt and other claims; a security's specific rights may alter what it is worth to its holder. A startup that announces a $20 million 'valuation' may be describing a negotiated post-money price, a preferred-share round, a cap in a future-equity instrument, or an estimate for an internal reporting purpose. Each answers a different question.

Begin every model with four labels: valuation date, currency, company boundary, and unit of value. State whether you value a fully diluted equity interest or an enterprise, whether prices are before or after the proposed financing, and which classes of shares exist. Keep accounting book value and negotiated venture price separate. Neither automatically measures the intrinsic future value of the company.

## Negotiated price is not a universal market fact

Early-stage transactions may be influenced by competition among investors, strategic benefits, bargaining power, access to future rounds and non-price terms. A recently signed transaction is useful evidence, but it must be interpreted in light of the share rights and business circumstances at that date. IPEV's 2025 guidelines explain best-practice valuation of private capital investments at fair value; they do not declare that a recent headline funding announcement establishes fair value for all securities [R1].

A practical valuation memo should contain: operating evidence, method selected, assumptions, scenario ranges, a link to the cap table and sensitivity to the deal terms. It should also say what the analysis cannot prove. For a company with no repeat paying customers, long-range numerical precision is often misleading; focus on milestone-based reasoning rather than converting ambition into a definitive figure.

## Price reflects a financing decision

Suppose a fictional company needs $1.2 million to reach a credible product and sales milestone. The founders propose a $4.8 million pre-money value, implying a $6 million simple post-money value and 20% ownership for new cash investors before other adjustments. The investor may ask whether the milestone can be reached with the funds, whether the cash runway is sufficient, and what rights would compensate for the risk. A different price could be reasonable under different commercial and legal terms.

**Deliverable:** A one-page valuation basis document defining date, unit of value, stage, funding requirement, data quality, proposed securities and unresolved questions. **Decision gate:** Refuse to negotiate based only on a headline number that nobody can define.

CHAPTER 02

# 2. The Revenue and Operating Evidence Behind a Price

## Start with a reproducible operating model

Price discussions should begin with what the company does, who buys it, how money is received and what delivery costs. For a software subscription, distinguish monthly recurring revenue (MRR), annual recurring revenue (ARR), bookings, recognized revenue, cash collected and deferred revenue. They overlap but are not synonyms. For a marketplace, define gross merchandise value separately from the platform's net revenue and include refunds and payment-related costs. For a services company, distinguish project revenue from recurring contracted fees.

An example: a fictional company has 100 active customers paying $500 monthly on standard subscriptions. Reported MRR could be $50,000 if all subscriptions are active and qualified under the company's stated definition. Simple run-rate ARR would be $600,000, but neither is a forecast of cash receipts or next-year revenue. Discounts, free months, uncollected invoices and cancellations may change the interpretation. Put the formula and exclusions next to every figure.

## The quality of growth matters

A venture growing quickly through one promotional channel may be more fragile than one growing slowly through repeat buyers. Evaluate gross margin, churn, retention, customer concentration, implementation burden, sales cycle, acquisition payback and burn. A venture can display strong top-line growth while its working capital deteriorates because cash arrives late. Reconcile invoice, ledger and bank receipt samples rather than trusting a dashboard alone.

Revenue quality also depends on repeatability. Does a salesperson other than the founder close deals? Can customers onboard without extensive custom engineering? Are contracts cancellable? Does a signed renewal represent a binding obligation or a non-binding intent? Define a cohort before comparing retention over time. Never treat pilots, free users and recurring paying customers as equivalent units.

## Build scenarios from operational drivers

A good base case is not simply management's most optimistic plan divided by two. Start with realistic customer counts, conversion timing, price, cost to deliver, headcount and working capital. Use a downside case to answer: What if new sales are 40% below plan, collections take 60 days longer, or a large customer churns? Identify which assumptions have primary evidence and which are estimates. Add a cash trigger for changes in spend or scope.

**Illustrative example:** At $50,000 current MRR, a model assumes 10 new accounts per month, but procurement data show each account needs a 90-day security review. The model should place revenue at the expected activation date, not immediately after a sales call. A spreadsheet can be mathematically correct and commercially impossible.

**Deliverable:** A twelve-month operating-driver model with definitions, links to records, assumption owners, and a downside cash case. **Decision gate:** Do not apply a market multiple to numbers that have not been defined and reconciled.

CHAPTER 03

# 3. Valuation Methods for Different Venture Stages

## A method is a lens, not an oracle

The **market approach** adapts selected transaction or traded-company measures. The **income approach** discounts forecast cash flows. The **cost approach** considers replacement cost where appropriate. All remain uncertain at early stages; method choice depends on purpose and evidence. IPEV discusses valuation methods and calibration for private investments [R1].

Comparisons need normalization. A liquid listed company is not identical to a small private startup. Transaction prices may include control, warranties, earn-outs or unusual market conditions. Document adjustments; never treat every company in a sector as interchangeable.

## Multiples require a consistent metric

A hypothetical enterprise generates $1.5 million of trailing annual revenue, and a relevant adjusted enterprise-value-to-revenue multiple is judged to be 3.0x. This would suggest an illustrative enterprise value of $4.5 million. If unrestricted cash is $0.8 million and debt-like claims are $0.3 million, a simplified bridge produces $5.0 million of equity value. Real cases must examine minority versus control, excess cash, working capital, preference claims and other adjustments. Do not use a revenue multiple without understanding revenue quality, gross margin and growth.

## Discounted cash flow depends on hard assumptions

A simple fictional model forecasts free cash flow of $0.3 million, $0.5 million and $0.8 million at the ends of the next three years, followed by a separately justified $5 million terminal value at year three. At a hypothetical 25% annual discount rate, present value is approximately $0.24 million plus $0.32 million plus $0.41 million plus $2.56 million, totaling $3.53 million. The arithmetic is exact to the model, but the result is not a real-world valuation because the forecasts, terminal value and discount rate are invented.

Terminal value often dominates a young-company DCF. Test changes in discount rates, sales delays and terminal assumptions. Without reliable cash-flow estimates, use valuation ranges tied to measurable milestones and financing alternatives.

## Use calibration and triangulation

Where a recent financing exists, inspect what was exchanged: primary versus secondary shares, investor rights, dates, future commitments and side arrangements. A valuation model should reconcile meaningful differences with that transaction rather than ignoring inconvenient evidence. Compare at least two plausible lenses and write a reasoned explanation of why one is more useful. Do not manufacture three methods simply to average them into a comforting number.

**Deliverable:** A valuation range table showing method, comparable or forecast base, assumptions, adjustments, sensitivities and unresolved questions. **Decision gate:** Numerical precision cannot outrun underlying evidence quality.

CHAPTER 04

# 4. Pre-Money, Post-Money and the Cap Table

## The simplest priced-round equation

In a conventional simplified priced equity financing: **post-money equity value = pre-money equity value + new primary cash**. With an $8 million pre-money valuation and $2 million new investment, post-money is $10 million; new investors notionally hold 2 / 10 = 20%. Existing holders collectively retain 80%, before detailed instrument and option-pool adjustments. This is the starting arithmetic, not necessarily the final cap table.

If a founder owns 80% just before the simple round and everyone existing is diluted pro rata by 20%, that founder owns 80% x 80% = 64% after. A later new round that issues 25% of the company post-financing would reduce 64% to 48% under an otherwise simple structure. Sequential dilution multiplies; it is not necessarily calculated by subtracting round percentages from the founder's original ownership.

## Option-pool treatment changes who bears dilution

Investors may ask a company to create or enlarge an employee option pool before the round. If the pre-money valuation is fixed, a pre-money top-up can dilute existing holders before new money arrives. Consider a simple fictional example: 8 million existing shares, $8 million pre-money value and no new options. If the pool is first increased by 1 million shares under the agreed pre-money capitalization, the financing price becomes approximately $8m / 9m = $0.8889 per share. A $2 million investor receives approximately 2.25 million new shares. Post-financing there are 11.25 million shares: existing shares are approximately 71.11%, the newly created pool 8.89%, and new investors 20%.

In reality, the required post-money target option-pool percentage, outstanding options, warrants, prior instruments and anti-dilution provisions affect the calculation. Model the transaction on a fully diluted basis and align the wording to the definitive documents. A headline '20% sale' may hide a different founder outcome if pre-round reallocation is ignored.

## Build the cap table as a reconciliation tool

A reliable cap table should show the legal share classes, issued shares, exercisable and unexercised options, reserved pool, convertible notes, SAFEs, warrants, vesting and relevant side letters. Record holders with lawful access controls and avoid exposing personal identifiers to a public template. Reconcile shares to board approvals, issued certificates or electronic registry records, and legal documentation.

Scenario rows should include a base case, any option pool expansion, proposed new money, each conversion instrument and potential pro-rata exercise. The outputs should include ownership by holder and share class, not just founder versus investor percentages. Counsel and the company's finance owner should approve any cap table used for a live transaction.

**Deliverable:** A fully diluted cap-table model with three scenarios and source links to every instrument. **Decision gate:** Do not sign a financing on the strength of percentage arithmetic that excludes existing rights.

CHAPTER 05

# 5. SAFEs, Notes and Conversion Mechanics

## A future-equity instrument is not a priced share purchase

A SAFE (Simple Agreement for Future Equity) is a contractual instrument intended to deliver equity under defined triggering events rather than issuing preferred shares immediately. The wording matters. Y Combinator publishes forms and a user guide for post-money SAFEs, including valuation-cap, discount and MFN versions; the official material explicitly urges users to consult qualified local legal counsel [R3]. Do not assume that a template for US companies is appropriate in another jurisdiction.

A **valuation cap** affects the price at which shares may be issued on conversion, subject to the instrument's mechanics. A **discount** gives a specified lower conversion price relative to a later financing in relevant forms. An **MFN** right may allow adoption of more favorable future terms under specified conditions. A SAFE is generally not the same as a convertible loan, which may carry interest, repayment obligations and maturity provisions. Read the actual signed documents.

## Understand post-money SAFE ownership illustrations

In YC's simplified post-money valuation-cap explanation, a $600,000 SAFE investment with a $6 million post-money cap corresponds to approximately 10% of the company at the cap before dilution from later new priced-round money, subject to the SAFE's detailed capitalization definitions [R3]. If another investor contributes $400,000 at an $8 million post-money cap, the illustrative additional ownership is approximately 5%. This does not prove that the founders' final ownership is exactly 85% after the subsequent priced round. Existing options, other instruments, option pool top-ups and the priced-round shares can further change the outcome.

Do not infer that all SAFE structures convert identically. Some forms have no cap, some use a discount, some include pro-rata side letters or amended terms, and local practices differ. A single 'conversion percentage' in a pitch is not a substitute for instrument-by-instrument cap-table modeling.

## Conversion changes economic expectations

Convertible notes add debt terms that can alter risk: interest, maturity, security, default provisions and conversion prices. A note that has accrued interest increases the amount potentially converting if the terms provide for it. Model outcomes for successful equity financing, sale before conversion, prolonged delay and failure to raise. Include ranking on liquidation and enforceability. Terms can be highly jurisdiction-specific and should be reviewed as actual contracts, not internet summaries.

A sound financing memo records exact instrument name, dated version, currency, cap and discount, conversion trigger, governing law, side letter, approvals, cash received and anticipated modeled dilution. Never treat a signed but unfunded instrument as necessarily effective without checking the governing terms and actual transfer record.

**Deliverable:** Conversion schedule for each SAFE or note with source document and downside scenarios. **Decision gate:** Verify jurisdictional compatibility and formal corporate authority before issuing securities.

CHAPTER 06

# 6. Preferred Shares, Liquidation Preferences and Waterfalls

## Share rights determine what owners receive

The percentage of a company owned on paper does not necessarily equal the percentage of sale proceeds received. Preferred shares may carry liquidation preferences, participation, conversion rights, dividends, protective provisions and seniority over common shares. The distribution waterfall depends on the documents, transaction expenses, debt, other preferred classes and the nature of the exit. NVCA's model documents provide examples of rights commonly negotiated in venture financings; they are not a universal template or legal advice [R2].

A **1x non-participating liquidation preference** can, in a simplified case, allow an investor to choose a return of invested capital before common distributions or to convert into common equity to receive its percentage share of distributable proceeds. Assume one investor contributes $1 million for 20% of the fully diluted equity and that there are no debts, fees, other preferences or special rights. On a $3 million distributable exit, 20% as-converted would be $600,000, so a simple 1x non-participating preference could produce $1 million for that investor and $2 million for other holders. On a $10 million distributable exit, conversion could produce $2 million, exceeding the $1 million preference. These are fictional arithmetic illustrations.

## Participation can change the waterfall

With a hypothetical 1x participating preferred share on the same $10 million distributable exit, the investor might receive $1 million first and then 20% of the remaining $9 million, totaling $2.8 million, if the shares participate without a cap and subject to the actual documents. This outcome differs materially from the $2 million simple non-participating case. Participation caps, other financing classes and payout priority can change everything.

The investor may also hold veto rights over future financings, sales, budgets or governance actions, even if the economic stake is small. Conversely, a founder with majority common shares may not control all reserved decisions. Keep the economics waterfall and the decision-rights chart side by side.

## Read downside before upside

Compare exits at values below invested capital, around the preference stack and above the level where conversion makes economic sense. Identify who bears losses, who is protected first and how much founders and employees receive. A preference stack can make a modest exit practically worthless for some common holders. Avoid celebrating valuation increases without understanding what might be distributed to each class under realistic outcomes.

**Deliverable:** Three-exit-value waterfall with preferred and common proceeds and a written explanation of the relevant terms. **Decision gate:** A founder or investor should understand the downside distribution before endorsing a headline price.

CHAPTER 07

# 7. Control, Governance and Investor Rights

## Economic rights and decision rights are different

A 10% investor might possess contractual rights disproportionate to voting percentage, such as information rights, board representation or consent over major corporate actions. These rights may be reasonable for a particular risk, but they create long-lived operating obligations. Model the venture's decision rights before and after financing: who can approve a new share issue, hire or remove senior leaders, approve a sale, borrow money, change the business or enter related-party transactions?

Information rights can require periodic management accounts, audited statements, budgets and board packages. They carry staff cost, data privacy considerations and confidentiality commitments. Understand how detailed and frequent reporting must be, who receives it and what remedies apply for noncompliance. An information request that would expose customer personal data or trade secrets needs lawful handling rather than automatic release.

## Pay attention to transfer and future round mechanics

**Pro-rata participation** may give an investor the opportunity to invest in later rounds to maintain ownership, subject to the wording. **Rights of first refusal, co-sale and drag-along** provisions can affect founder transfers and exit decisions. **Anti-dilution** provisions may adjust conversion terms following certain future financings; weighted-average and full-ratchet mechanisms can have very different effects. Every side letter should be incorporated into the rights review.

Vesting and leaver provisions matter when a founder departs. A company may need reasonable continuity mechanisms, but unclear repurchase rights or unfair acceleration provisions can create future conflict. Employment and tax consequences are jurisdiction-specific and need local professional advice.

## Turn term reading into an authority map

Write each term as a plain-language operational effect: 'The board must approve X,' 'Investor consent is needed for Y,' or 'A sale below Z may cause a different proceeds split.' Assign the clause number, decision owner, fallback and counsel question. This exercise often reveals that the real negotiation is about ability to operate, not merely the price per share.

**Deliverable:** Rights matrix with economics, governance, information obligations, transfers and future financings. **Decision gate:** No one should commit the company to a reserved decision right they do not understand.

CHAPTER 08

# 8. Negotiation Through Milestones and Scenarios

## Negotiate the whole package

Founders and investors often enter negotiations with one desired number. A better preparation lists all material issues and ranks them by importance: capital amount, security structure, price, liquidation rights, board matters, information rights, option pool, timing, due diligence conditions and closing cost. Separate hard constraints from preferences. Identify the next milestone that capital must purchase and the alternative if the round fails.

A high valuation can become expensive if it raises expectations beyond the company's likely next milestone. An excessively low price can place unnecessary dilution on founders. Explore different financing sizes, tranches tied to verifiable milestones, a limited paid pilot, or non-equity funding where lawful and suitable. Tranching introduces its own risks: ambiguous milestones, timing conflicts and negotiation leverage at later stages. Document success criteria precisely.

## Use a decision table, not improvisation

A fictional company is considering (A) $2 million at $8 million pre-money with standard non-participating preferred terms, (B) $1 million at $6 million pre-money, or (C) customer-funded development and a financing review in six months. Compare each under base and downside execution assumptions. The initial round percentages in simple priced structures would be 20% for A and about 14.29% for B. But the smaller financing could leave insufficient runway for required milestones. The customer-funded route could reduce dilution but delay hiring. The decision must reflect operating needs, rights and founder objectives as well as percentages.

A negotiation range should arise from evidence: what comparable deals demonstrate, what milestone risk remains, what capital is available, and what alternatives the company can truly execute. Do not bluff about offers or investors. Do not present an indicative term sheet as a legally binding commitment unless counsel confirms its terms and effect.

## Define authority and stop conditions

A founder, board or delegated executive may have different powers depending on constitutional documents and local law. Set a written approval matrix for price bands, rights, exclusivity, costs, confidentiality, signatures and external statements. An intermediary who introduces investors or receives transaction-linked compensation may trigger regulations; verify the jurisdictional requirements before relying on that model.

**Deliverable:** Negotiation issue list, trade matrix and board decision checklist. **Decision gate:** Price authority, external commitments, signatures and securities-law conclusions remain with authorized humans.

CHAPTER 09

# 9. A Practical Term-Sheet Review and Closing Process

## Read the term sheet in sequence

First identify the parties and entity issuing the security. Then read the cash terms, price and capitalization definitions. Next examine the class rights, preferences, future financing participation, governance, information obligations, transfers and closing conditions. Finally examine exclusivity, confidentiality, expenses, governing law and dispute resolution. Some provisions in an otherwise non-binding term sheet may be intended to be binding; qualified counsel must identify those explicitly.

Mark each provision in a review table: term, plain-language consequence, base-case model effect, downside effect, owner position, investor position, compromise option, specialist question and status. If a claim concerns ownership or cap-table numbers, reconcile it to formal records. If a clause changes a security right, update the waterfall. Keep the contract model, cap table and committee approval aligned with the same dated term sheet version.

## Close with documentary controls

A typical closing process may require corporate approvals, signed definitive documents, conditions precedent, funds-transfer verification, updated registries and accurate reporting. The precise steps vary by jurisdiction and security. Establish secure bank verification processes to reduce fraud risk. Never allow a change of beneficiary instructions based solely on an unverified email or chat. Do not copy identity documents into a public data room.

Only describe a transaction as closed after the responsible authorized people verify execution, funds and required conditions. A draft press announcement is not confirmation. After closing, record the actual cap table, governance obligations and next reporting deadlines. Tax, accounting and regulatory filings need specialist ownership.

## Improve the next financing

After a deal or a decision not to proceed, compare the modeled assumptions with observed results. Which deal terms created administrative burden? Which valuation sensitivities proved material? Which sources were most reliable? Build an internal checklist that favors explainability over complexity. A sophisticated process is one in which another reviewer can reproduce the analysis and understand the choices.

**Deliverable:** Version-controlled term-sheet summary, approval record and closing checklist. **Decision gate:** No legal instrument, investor solicitation or transfer of funds is authorized by this publication.

REFERENCE MATERIAL

# Appendix A. Worked Valuation Calculations

| Illustration | Inputs | Simplified result |
|---|---|---|
| Priced round | $8m pre-money + $2m new primary cash | $10m post-money; 20% new investor stake |
| Multiple approach | $1.5m trailing revenue x 3.0 EV/revenue | $4.5m illustrative EV |
| Enterprise/equity bridge | $4.5m EV + $0.8m cash - $0.3m debt | $5.0m simplified equity value |
| Annualized subscription run rate | 100 active paying accounts x $500 per month | $50,000 MRR; $600,000 simple ARR |
| DCF teaching model | PV of $0.3m, $0.5m, $0.8m, plus $5m terminal at 25% | Approximately $3.53m PV |
| SAFE cap example | $0.6m / $6m post-money valuation cap | ~10% at cap before priced-round dilution under YC assumptions |

The formulas intentionally omit actual preferred rights, transaction fees, taxes, options, non-operating items and other items requiring professional judgment. They are educational examples, not reference prices or assumptions for real companies.

REFERENCE MATERIAL

# Appendix B. Cap Table and Dilution Worksheet

**Source records:** Corporate register; issuance approvals; option grants; each SAFE or note; side letters; transaction term sheet. **Start date and currency:** [fill in].

| Ownership category | Before | New issuance | After, diluted |
|---|---|---|---|
| Founders and existing shareholders | Verify issued and fully diluted shares | Show impact of new options/conversion | Recalculate actual number and percent |
| Option reserve and grants | Verify authorized and issued units | Model any pre-money or post-money top-up | Document strike prices and vesting where material |
| SAFE and note holders | Verify each signed instrument and receipt | Model according to contract terms | Separate estimated and legally confirmed outcomes |
| New priced investors | None until actual issuance | Cash invested / agreed price per share | Reflect final capitalization after closing |

**Validation checks:** The ownership percentages sum to 100%; share counts equal registered or authorized records as appropriate; every assumed conversion maps to a signed instrument; stock class rights are not collapsed into one economic value; the board and professional reviewers approve the final transaction model.

REFERENCE MATERIAL

# Appendix C. Key Term Glossary

**Pre-money valuation:** Equity valuation before new primary money in a conventional priced-round framing. **Post-money valuation:** Pre-money value plus primary investment in a simplified priced round. **Enterprise value:** Value of the operating enterprise before certain capital structure adjustments. **Fully diluted capitalization:** Share count assuming specified rights to acquire shares are reflected, subject to defined convention. **Option pool:** Equity reserved for eligible incentives under corporate approvals.

**SAFE:** A contract for future equity under the signed form. **Convertible note:** Debt that may convert under specified conditions. **Liquidation preference:** A right that may prioritize certain distributions. **Non-participating preferred:** Preferred shares generally choosing preference or as-converted economics under their terms. **Participation:** Potential additional distribution rights after preference. **Protective provision:** Investor consent required for certain decisions. **Pro-rata right:** Optional participation in future issuances under agreed conditions. **Anti-dilution:** Contractual adjustment mechanisms under specified future financings. **Down round:** Later priced financing at a lower measure of value, with definitions depending on context.

REFERENCE MATERIAL

# Appendix D. A Founder Negotiation Checklist

- Write the funding milestone and the minimum financeable scope before discussing valuation.
- Reconcile revenue, cash, debt, the current cap table and prior securities to source records.
- Define the exact capitalization used for pre-money and option-pool calculations.
- Model no-financing, base, downside and follow-on-dilution scenarios.
- Show liquidation waterfalls at low, medium and high exit values.
- Map approvals, board seats, information rights, vetoes and transfer restrictions.
- Verify local securities law and corporate authority; use qualified counsel.
- Record which provisions may be binding even before definitive agreements.
- Use secure verification for any closing bank instructions and actual received funds.
- Keep pricing, concessions, signing and binding commitments within authorized decision makers.

REFERENCE MATERIAL

# Appendix E. Source Register and Editorial Notes

**Primary sources consulted (verified 30 October 2026):**

- [R1] International Private Equity and Venture Capital Valuation Guidelines, *IPEV Valuation Guidelines 2025* (published December 11, 2025). https://www.privateequityvaluation.com/Valuation-Guidelines
- [R2] National Venture Capital Association, *Model Legal Documents* (versions vary, including updates in 2025 and 2026). https://nvca.org/model-legal-documents/
- [R3] Y Combinator, *The SAFE*, including forms and explanatory guide. https://www.ycombinator.com/safe
- [R4] U.S. SEC Investor.gov, *Private Placements under Regulation D - Updated Investor Bulletin* (updated September 21, 2026). https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/private-placements-under-regulation-d-updated-investor-bulletin
- [R5] WIPO, *Valuing Intellectual Property Assets*. https://www.wipo.int/en/web/business/ip-valuation

All arithmetic examples are hypothetical and were created for instruction. No outside source endorses the fictional calculations or this publication. Readers should review current sources at the eventual public publication date and use specialist advice for live transactions.

## About Silicon Founders Publications

Silicon Founders Publications provides practical English-language resources for venture founders, investors and institutional partners. This educational book does not claim that Silicon Founders manages an authorized investment fund, has executed the example deals, provides regulated advice, or guarantees investment outcomes.

PRACTICAL WORKSHEET / 01

# Valuation Basis and Evidence

Use this page as a reusable internal working tool. Record dates, sources and accountable owners; do not invent entries.

Prepared by: _____ Date: _____

## As-of date, equity/enterprise object and currency

_____

_____

## Revenue, margins and operating data with source

_____

_____

## Selected approaches and comparable adjustments

_____

_____

## Downside, base and upside sensitivity

_____

_____

## Qualified valuation reviewer and limitations

_____

_____

PRACTICAL WORKSHEET / 02

# Fully Diluted Cap Table Planning

Use this page as a reusable internal working tool. Record dates, sources and accountable owners; do not invent entries.

Prepared by: _____ Date: _____

## Current share classes, issued shares and option grants

_____

_____

## SAFEs, notes, warrants and other outstanding rights

_____

_____

## Pre-money option pool top-up and new money

_____

_____

## Model results by security class and investor

_____

_____

## Approvals and reconciliation to corporate records

_____

_____

PRACTICAL WORKSHEET / 03

# SAFE and Note Conversion Register

Use this page as a reusable internal working tool. Record dates, sources and accountable owners; do not invent entries.

Prepared by: _____ Date: _____

## Instrument, amount, currency and signature version

_____

_____

## Valuation cap, discount, interest and maturity where relevant

_____

_____

## Trigger events, side letters and governing jurisdiction

_____

_____

## Conversion scenario and dilution sensitivities

_____

_____

## Counsel owner and authority to issue

_____

_____

PRACTICAL WORKSHEET / 04

# Liquidation Waterfall Review

Use this page as a reusable internal working tool. Record dates, sources and accountable owners; do not invent entries.

Prepared by: _____ Date: _____

## Distributable exit proceeds after relevant claims

_____

_____

## Preferred class ranking and preference amounts

_____

_____

## Participation, caps and as-converted economics

_____

_____

## Outcomes for founders, employees and each class

_____

_____

## Specialist review and proposed next action

_____

_____

PRACTICAL WORKSHEET / 05

# Negotiation and Closing Gate

Use this page as a reusable internal working tool. Record dates, sources and accountable owners; do not invent entries.

Prepared by: _____ Date: _____

## Top five economic and control terms by priority

_____

_____

## Tradeoffs among price, size, board and investor rights

_____

_____

## Binding clauses, exclusivity and transaction costs

_____

_____

## Legal, tax, governance and bank-verification checks

_____

_____

## Authorized decision owner and closing conditions

_____

_____