**SAFE Agreement Template**

**Simple Agreement for Future Equity**

**IMPORTANT:** This is a template for reference. Use Clerky.com ($799) or consult a lawyer for actual legal documents.

# What is a SAFE?

A **SAFE (Simple Agreement for Future Equity)** is an investment instrument created by Y Combinator that allows investors to invest money now and receive equity later (at a future priced round).

## Key Benefits

* **Fast:** Close in days/weeks vs. months for priced equity
* **Cheap:** $500-$1K legal fees vs. $10K-$20K for priced round
* **Simple:** 5-page document vs. 50+ pages for priced equity
* **Founder-friendly:** No interest, no maturity date, no board seats
* **Standard:** YC template, widely accepted by investors

# SAFE Agreement Terms (For Your Deal)

| **Term** | **Value** | **Notes** |
| --- | --- | --- |
| **Investor Name** | [Investor Name] | Person or entity investing |
| **Company Name** | [Your Company Legal Name] | Delaware C-Corp recommended |
| **Investment Amount** | $10,000 - $500,000 | Amount investor is contributing |
| **SAFE Type** | Valuation Cap + Discount | Most investor-friendly option |
| **Valuation Cap** | $1,500,000 - $2,000,000 | Maximum valuation for conversion |
| **Discount Rate** | 20% | Discount at next priced round |
| **Pro Rata Rights** | Yes (optional) | Investor can maintain % in future rounds |

# How a SAFE Works

## Investment Today

1. Investor gives you $100,000

2. You give investor a SAFE note (not equity yet!)

3. SAFE has two key terms:

• Valuation Cap: $2,000,000

• Discount: 20%

## Conversion at Next Round (Example)

**Scenario:** 18 months later, you raise Series A

• Series A price: $10,000,000 pre-money valuation

• Series A share price: $10.00/share

**Investor's conversion options:**

1. Use the cap: $100,000 / $2M cap = 5% of company (better for investor)

2. Use the discount: $100,000 at 20% discount = $100,000 / $8.00/share (not as good)

**Investor chooses:** Option 1 (the cap), gets 5% equity

# Four Types of SAFEs

## 1. Valuation Cap ONLY (Most Common)

**Terms:** Valuation cap: $2M, No discount

**Conversion:** Investor converts at the cap OR the next round price, whichever is LOWER

**Use when:** You want simplicity, willing to give cap but not discount

## 2. Discount ONLY

**Terms:** No valuation cap, Discount: 20%

**Conversion:** Investor converts at 20% discount to next round price

**Use when:** Very early stage, can't estimate valuation yet

## 3. Valuation Cap + Discount (Recommended for You)

**Terms:** Valuation cap: $2M, Discount: 20%

**Conversion:** Investor uses whichever is BETTER for them (cap or discount)

**Use when:** Investor taking significant risk, you want to reward them

## 4. MFN (Most Favored Nation)

**Terms:** No cap, no discount - Investor gets same terms as next SAFE investor

**Use when:** Friends & family, very early, uncertain terms

# Recommended SAFE Terms for Your Situation

## For a $10,000 Investment

**Recommended Structure:**

* **Type:** Valuation Cap + Discount
* **Valuation Cap:** $1,500,000
* **Discount:** 20%
* **Pro Rata Rights:** Yes (optional)

# How to Issue a SAFE (Step-by-Step)

## Step 1: Decide on Terms

☐ Investment amount: $\_\_\_\_\_\_\_\_

☐ Valuation cap: $\_\_\_\_\_\_\_\_

☐ Discount rate: \_\_\_\_%

☐ Pro rata rights: Yes / No

☐ Type: Cap only / Discount only / Cap + Discount / MFN

## Step 2: Use Clerky or Lawyer

**Option A: Clerky.com (Recommended for <$500K)**

• Cost: $799 flat fee

• Time: 15-30 minutes to complete

• Includes: SAFE docs, board consent, stock ledger updates

• Link: https://www.clerky.com

**Option B: Law Firm**

• Cost: $2,000-$5,000

• Time: 1-2 weeks

• Use when: Investment >$500K, complex terms, need legal review

# Resources

**Official SAFE Documents:**

• Y Combinator SAFE templates: https://www.ycombinator.com/documents

**SAFE Issuance Services:**

• Clerky: https://www.clerky.com ($799)

• Gust Launch: https://gust.com/launch ($300-$500)

*DISCLAIMER: This is educational material only. Consult a lawyer before issuing SAFEs.*

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