

**SIMPLE
AGREEMENT
FOR
FUTURE
EQUITY
SIMPLER**



What's a SAFE?

A Simple Agreement for Future Equity. You get money now, promise shares later. No debt, no interest, no maturity date.

Investor gives you \$100K today, gets shares when you raise Series A.



Why Use SAFEs?

Fast, simple, and cheap way to raise money.
No complex negotiations. Standard documents.

Close investment in days vs. weeks for priced rounds.



Post-Money SAFE

Modern SAFE type. Clear ownership math.
Cap includes all SAFE money raised.

\$100K on \$5M cap = exactly 2% ownership.



Pre-Money SAFE

Older version. Ownership unclear until all
SAFEs raised. Avoid using these.

\$100K on \$5M cap = 1.5-2.5% ownership
(varies)

When SAFEs Convert - 1

Priced round (like Series A): SAFEs become preferred shares.

Raise Series A → SAFEs convert to shares



When SAFEs Convert - 2

Company sale: SAFEs get money or shares.
IPO: SAFEs become common stock.

\$50M sale → SAFE holders get their % of
\$50M



Valuation Cap

Maximum value used to calculate shares.
Higher cap = fewer shares.

\$5M cap means company valued at \$5M
max for SAFE conversion

Discount Rate

% off price new investors pay. Common:
20% discount = pay 80% of price.

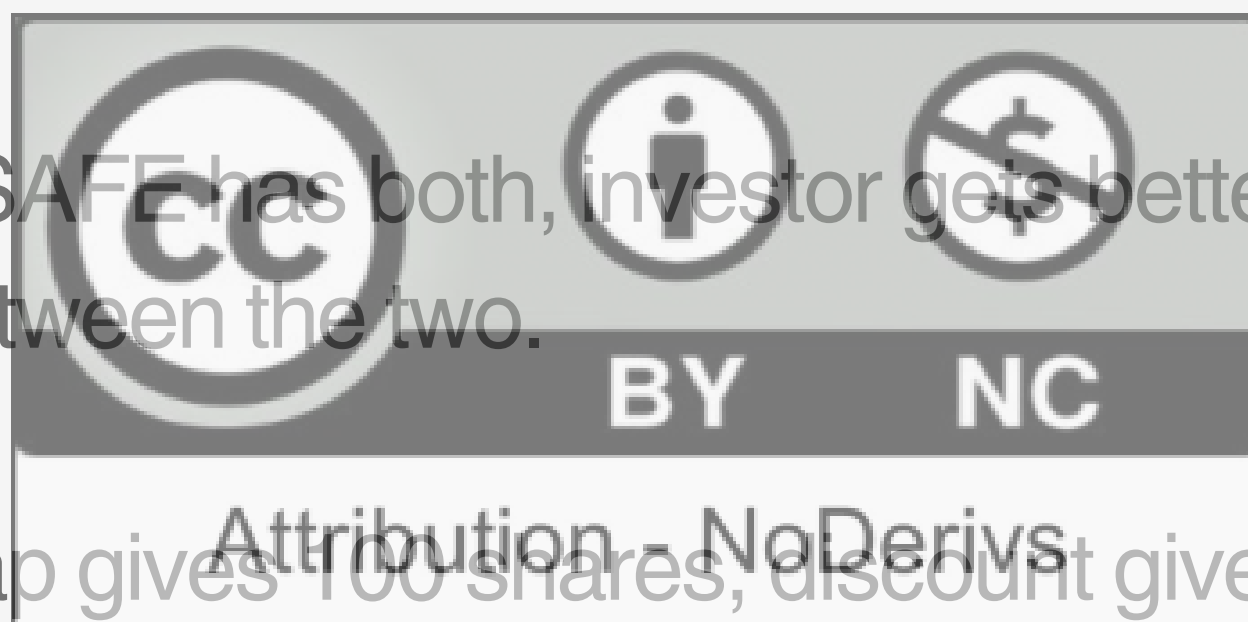
Series A at \$1/share, you pay \$0.80/share



Cap vs Discount SAFE LANGUAGE



2024 / SEPTEMBER



If SAFE has both, investor gets better deal between the two.

Cap gives 100 shares, discount gives 120 → get 120

B U R A K B U Y U K D E M I R



Pro Rata Rights

Right to invest in future rounds to keep your
%. Given in side letter.

Own 5%, new \$10M round → can invest
\$500K

Maximum SAFE Raise

Never raise more than your cap! Leave room for founders/employees.

\$5M cap = raise less than \$5M total on
SAFEs

MFN (Most Favored Nation)

If you give better terms later, early investors can upgrade.

First SAFE: no discount. Later: 20% discount. First can upgrade.

Multiple SAFEs

Can have different caps. Each calculates shares separately.

\$500K at \$5M cap = 10%, \$500K at \$10M = 5%

Option Pool Impact

Existing options count in cap. Future options don't.

10% pool now counts, +5% at Series A doesn't

Converting to Shares

Get either Standard Preferred (like new investors) or Safe Preferred (special series).

Series A-1 shares at adjusted price

Board Approval

Must get board OK before issuing SAFEs.
Document everything!

Record approval in board meeting minutes

Cap Table Tracking

Record all SAFEs, implied %, and total dilution.

Spreadsheet: Date, \$, Cap, Discount, %

Mistake 1: Over- Raising

Raising too much on SAFEs kills future rounds.

\$2M on \$4M cap = hard to raise Series A

Mistake 2: Too Many Rights

Don't give pro rata to everyone. Makes future rounds hard.

20 investors with pro rata = 20 checks to collect

Mistake 3: Mixed Terms

Stick to standard terms. Use post-money SAFEs only.

Mix of pre/post money SAFEs = messy cap table

What VCs Check

Cap table, total SAFE dilution, other terms.

Clean cap table = faster due diligence

When to Avoid SAFEs

Skip if: Ready for priced round, need clear valuation, want investor control.

\$5M revenue = do priced round instead



Documentation Needs

Use YC standard docs. Keep all signed copies + approvals.

1 folder: All SAFEs, cap table, board OK

Company Shutdown

SAFEs get money back after debt, before common stock.

\$500K left → SAFE holders paid first

Key Success Tips

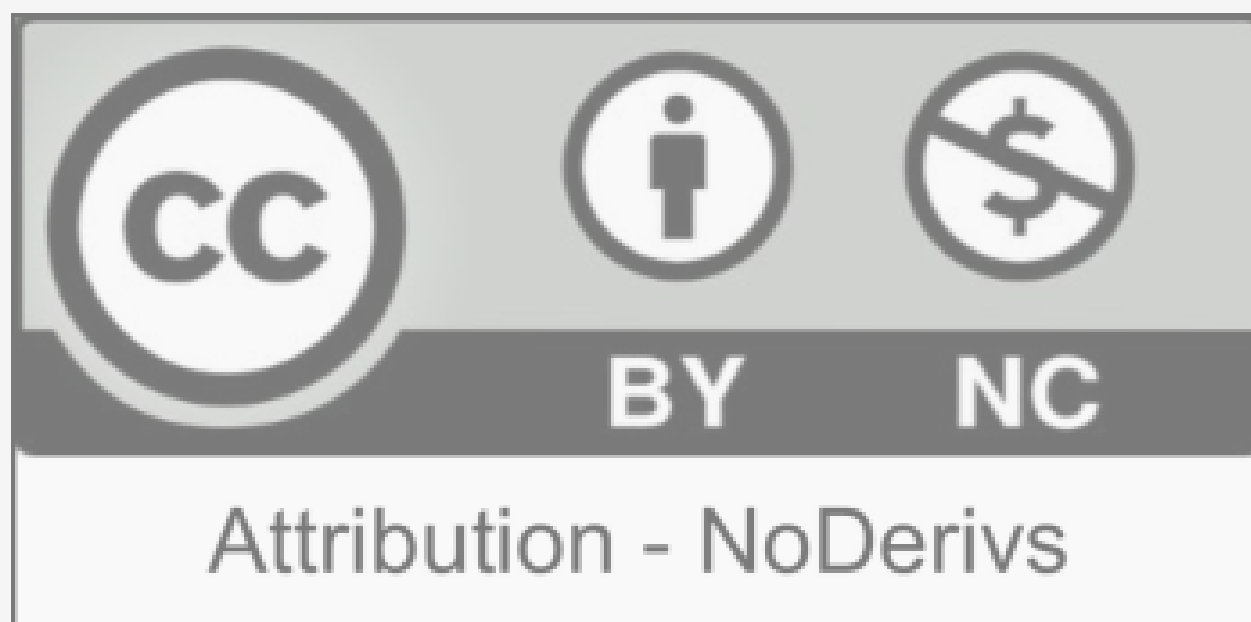
Use post-money SAFEs. Track ownership.
Don't over-raise. Keep it standard.

Clean cap table + happy investors = win

PLAIN LANG UAGE



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