

Simple Agreement for Future Equity (SAFE)

This **SIMPLE AGREEMENT FOR FUTURE EQUITY** (this “*Agreement*” or this “*SAFE*”), dated as of _____, is entered into by and between the following parties;

Company

Investor

Recitals

WHEREAS, the Company is a startup business engaged in the development, commercialization, and growth of innovative products, services, intellectual property, and related business operations, and requires funding for purposes of development, working capital, expansion, and general corporate uses,

WHEREAS, the Investor desires to provide funds to the Company on the terms and conditions set forth in this Agreement, with the understanding that such funding will convert into equity of the Company if and when certain future financing, liquidity, or dissolution events occur,

WHEREAS, the parties do not, at the time of execution of this Agreement, intend to establish a fixed price per share for such equity, but instead intend that the rights of the Investor be determined based on future valuation or price determinations at the time of a qualified financing, liquidity event, or dissolution event;

WHEREAS, the parties acknowledge that this SAFE is intended to provide a simple, efficient, and flexible mechanism for early-stage investment without creating debt, without providing for interest or repayment other than as expressly set forth herein, and without immediately transferring equity ownership to the Investor;

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements contained herein, and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Company and the Investor agree as follows:

1. Purchase

In exchange for the payment of _____ (the "**Purchase Amount**"), the Company hereby issues to the Investor the rights set forth in this SAFE, subject to the terms and conditions below.

The Purchase Amount will be delivered in immediately available funds to the Company at or before the Effective Date by wire transfer or other method acceptable to the Company.

2. Definitions

For purposes of this SAFE, the following terms have the meanings set forth below:

- "**Equity Financing**" or "**Priced Equity Financing**" means the Company's next sale of Preferred Stock (or other equity designated as part of a priced round) to investors for cash, resulting in gross proceeds to the Company of at least \$1,000,000 (the "Minimum Financing Threshold"), excluding the conversion of SAFEs, convertible notes, and similar instruments unless otherwise agreed.
- "**SAFE Preferred Stock**" means the shares of Preferred Stock issued to the Investor upon conversion of this SAFE in an Equity Financing, which will have substantially the same rights, preferences and privileges as the other Preferred Stock sold in such Equity Financing (subject to price and quantity adjustments described herein).
- "**Valuation Cap**" means \$5,000,000 (pre-money valuation) for purposes of calculating conversion in an Equity Financing, unless otherwise provided in Section 3.
- "**Discount**" means 20% (i.e., the Investor will receive shares at a price equal to 80% of the Price Per Share in the Equity Financing) if Discount applies under Section 3.
- "**Liquidity Event**" means (a) a Change of Control (including a merger, consolidation, sale of all or substantially all of the Company's assets or any other transaction in which more than 50% of votes or value of the Company are transferred), or (b) an Initial Public Offering (as defined below).

- **“Change of Control”** means a transaction or series of related transactions that result in the sale, lease or other disposition of all or substantially all of the assets of the Company, or the acquisition by any person or group of persons (other than the Company or a wholly-owned subsidiary of the Company) of the outstanding voting power of the Company.
- **“Initial Public Offering”** or **“IPO”** means a bona fide underwritten firm-commitment registered public offering of the Company’s Common Stock pursuant to an effective registration statement under the U.S. Securities Act of 1933, with aggregate gross proceeds to the Company of at least \$25,000,000.
- **“Dissolution Event”** means a voluntary dissolution, an involuntary dissolution, or any other winding up, liquidation or bankruptcy event of the Company.
- **“Price Per Share”** means the price per share of the Preferred Stock sold in the Equity Financing, determined by dividing the pre-money valuation for such Equity Financing by the Company’s fully-diluted capitalization (as used by the lead investors for that round, where “fully-diluted” includes all outstanding shares, options, warrants and convertible securities on an as-converted basis).

3. Equity Financing

Automatic Conversion at Equity Financing. In the event of an Equity Financing prior to the termination of this SAFE, this SAFE will automatically convert into that number of shares of SAFE Preferred Stock determined as follows (the Investor will receive whichever of the two conversion methods below results in a greater number of shares):

- **Valuation Cap Conversion.** Number of shares = Purchase Amount ÷ (Valuation Cap ÷ Company Capitalization on a fully-diluted, pre-money basis).
- **Discount Conversion.** Number of shares = Purchase Amount ÷ (Price Per Share × (1 – Discount)).

Form of Issuance. The SAFE Preferred Stock issued on conversion will have substantially the same rights, preferences, privileges and restrictions as the Preferred Stock issued to the purchasers in the Equity Financing (other than relative pro rata quantities and the conversion price). The Company shall deliver to the Investor an instrument evidencing such SAFE Preferred Stock as soon as reasonably practicable after closing of the Equity Financing and update the Company’s cap table.

Fractional Shares. No fractional shares will be issued. If necessary, the number of shares to be issued on conversion will be rounded down to the nearest whole share and any cash attributable to fractional shares will be paid to the Investor in an amount equal to the fractional share multiplied by the Price Per Share.

4. Liquidity Event

Investor Election upon Liquidity Event. If, prior to conversion of this SAFE in an Equity Financing, a Liquidity Event occurs, the Investor will, at the Investor's election, either:

- receive a cash payment equal to the Purchase Amount (less any applicable taxes required to be withheld) (the "**Cash-Out Option**"); or
- receive shares of common or preferred stock issued by the Company (or the acquiring entity, at Company's or acquiror's option) equal to the greater of (i) the number of shares equal to $(\text{Purchase Amount} \div (\text{Valuation Cap} \div \text{Company Capitalization}))$, or (ii) the number of shares equal to $(\text{Purchase Amount} \div (\text{Fair Market Value per share at the time of the Liquidity Event}))$, where such shares otherwise have economic terms substantially comparable to those provided to holders of Company common stock in the Liquidity Event (the "**Share Option**").

Timing of Payment. Payment or issuance under this Section 4 will be made at the closing of the Liquidity Event, subject to customary holdbacks for tax and escrow obligations to the extent reasonably required by the acquirer or applicable law.

5. Dissolution Event

If a Dissolution Event occurs before this SAFE has been converted or otherwise terminated, the Company will pay the Investor an amount equal to the Purchase Amount, payable to the Investor immediately prior to the consummation of such Dissolution Event, subject to the rights of creditors and applicable law. If the assets available for distribution are insufficient to pay the full Purchase Amount to holders of SAFEs and other holders of similar instruments, the Investor acknowledges that it may receive less than the Purchase Amount in proportion to other creditors and senior claimants.

6. Termination

This SAFE will terminate (without obligation of the Company to the Investor) upon the earlier of the conversion of the SAFE in accordance with Section 3, or payment in connection with a Liquidity Event under Section 4 where the Investor exercises the Cash-Out Option; or payment under a Dissolution Event pursuant to Section 5.

The provisions of this SAFE that by their nature are intended to survive termination (including representations, warranties, indemnification, confidentiality, and governing law) will survive any termination.

7. Company Representations

The Company represents and warrants to the Investor as of the Effective Date:

- **Organization and Power.** The Company is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power to own its properties and to carry on its business.
- **Authority.** The execution, delivery and performance of this SAFE by the Company have been duly authorized by all necessary corporate action and do not conflict with the Company's organizational documents or any material agreement, law or judgment.
- **Capitalization.** The Company's capitalization as of the Effective Date is as set forth on the attached capitalization schedule (or, if none, as represented by Company), and there are no outstanding options, warrants or convertible instruments other than those disclosed to the Investor.
- **Validity.** This SAFE is a valid and binding obligation of the Company enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws.

8. Investor Representations

The Investor represents and warrants to the Company as of the Effective Date:

- **Authority; Purchase for Investment.** The Investor has the power and authority to enter into this SAFE. The Investor is acquiring this SAFE and any securities issued upon conversion for investment only for the Investor's own account and not with a view to distribution or resale, and the Investor understands that any securities issued upon conversion will be restricted as to resale.
- **Accredited Investor.** If required by applicable law or regulation or as a condition to the closing, the Investor is an "accredited investor" under Regulation D of the Securities Act of 1933, as amended, or otherwise meets the Company's investor qualification standards.
- **Experience and Risk.** The Investor understands the speculative nature and risks of early-stage investments, including total loss of investment, illiquidity, and dilution.
- **Information.** The Investor has had access to such information regarding the Company, its business, its financial condition and the terms of this offering as the Investor deems necessary to make an informed investment decision, and if the Investor required additional information, the Investor has had the opportunity to request it.

9. Company Covenants

The Company will maintain accurate capitalization records and will reflect the Investor's conversion rights and any securities issued upon conversion on its capitalization table.

Prior to conversion, the Company shall not issue any security that expressly ranks senior to the rights of this SAFE with respect to conversion or payment in a Liquidity Event without the consent of holders of a majority in interest of SAFEs then outstanding.

For so long as the Investor holds at least the lesser of the Purchase Amount converted into shares or an equivalent pro rata stake (as applicable), the Investor shall have standard information rights reasonably requested by investors in similar rounds (financial statements, quarterly updates), subject to confidentiality.

This SAFE does not grant the Investor any voting rights, observer rights, or board appointment rights unless, and until, the Investor receives actual equity securities carrying such rights from conversion.

10. Transfer and Assignment

The Company may not assign its rights or obligations under this SAFE without the prior written consent of the Investor, except that the Company may assign this SAFE to a successor entity in connection with a merger, consolidation or sale of substantially all assets without the Investor's consent so long as the successor assumes the Company's obligations.

The Investor may transfer this SAFE only with the prior written consent of the Company, which consent will not be unreasonably withheld where the transferee is an affiliate or otherwise acceptable investor, provided that any transfer must comply with applicable securities laws and the Company's transfer policies.

This SAFE is binding upon and inures to the benefit of the parties and their respective permitted assigns, successors and legal representatives.

11. Tax Matters

The Company makes no representation regarding the tax consequences to the Investor from purchase of this SAFE or from conversion or payout under the SAFE. The Investor is advised to consult its own tax advisors. The Company may withhold from any payments or distributions any taxes that the Company is required by law to withhold and shall provide the Investor with reasonable documentation supporting such withholding.

12. Confidentiality

The Investor will keep confidential all non-public information provided by the Company in connection with this SAFE, except as required by law, stock exchange rules, or to the Investor's professional advisers who are bound by confidentiality.

The Investor may disclose the existence of this SAFE and the fact of its investment where such disclosure is customary in fundraising or required by law, provided the Investor uses reasonable efforts to preserve confidentiality of other material non-public business information.

13. Indemnification

To the fullest extent permitted by law, the Company will indemnify and hold harmless the Investor and its respective officers, directors, partners, members, employees, agents and affiliates (each, an "**Investor Indemnitee**") from and against any losses, liabilities, damages, claims and expenses (including reasonable attorneys' fees) that result from any breach of the Company's representations, warranties or covenants in this SAFE, except to the extent caused by the negligent or willful misconduct of the Investor Indemnitee.

The Investor will indemnify and hold harmless the Company and its officers, directors, employees and agents from any losses resulting from any breach by the Investor of its representations or covenants herein.

14. Remedies; Specific Performance

The parties acknowledge that remedies at law for a breach of this SAFE may be inadequate and that each party will be entitled to seek injunctive relief and other equitable remedies in addition to any other remedies available at law or in equity. No failure or delay by any party in exercising any right or remedy will operate as a waiver of such right or remedy.

15. Notices

All notices, requests, consents and other communications hereunder will be in writing and will be deemed given when delivered personally, sent by nationally recognized overnight courier, or sent by email (with confirmation) to the addresses set forth above or to such other address as either party may specify in writing.

16. Miscellaneous

Amendment. Any amendment to this SAFE must be in writing and signed by the Company and the Investor.

Governing Law and Jurisdiction. This SAFE is governed by and construed in accordance with the laws of the State of _____ without regard to conflicts of law principles. The parties submit to the exclusive jurisdiction of the state and federal courts located in _____ for any dispute arising out of or relating to this SAFE.

Severability. If any provision of this SAFE is held to be invalid, illegal or unenforceable, the remaining provisions will remain in full force and effect, and the parties will negotiate in good faith to replace the invalid provision with a valid provision that most closely approximates the original intent.

Entire Agreement. This SAFE constitutes the entire agreement between the parties with respect to the subject matter herein and supersedes all prior agreements and understandings, whether written or oral, relating to such subject matter.

No Security Interest. This SAFE is not intended to create and does not create a security interest in the Company's assets.

Costs and Expenses. Except as otherwise provided herein, each party will bear its own costs and expenses in connection with the negotiation, execution and performance of this SAFE.

Counterparts and Electronic Signatures. This SAFE may be executed in one or more counterparts and by electronic signature, each of which will be deemed an original, and all of which together will constitute one instrument.

Assignment of Rights on Subsequent Financing. In the event of subsequent financings, the Company will treat all SAFEs consistently on conversion mechanics unless otherwise agreed in writing by the Investor.

17. Risk Acknowledgement

The Investor acknowledges that the Investor may not be able to sell or transfer any securities issued upon conversion except in compliance with federal and state securities laws and Company transfer policies. Any future equity received upon conversion will likely be substantially diluted by future financings, option grants, conversions or other transactions.

IN WITNESS WHEREOF, the undersigned have caused this Safe to be duly executed and delivered.

The Company

Name

Date

Signature

The Investor

Name

Date

Signature



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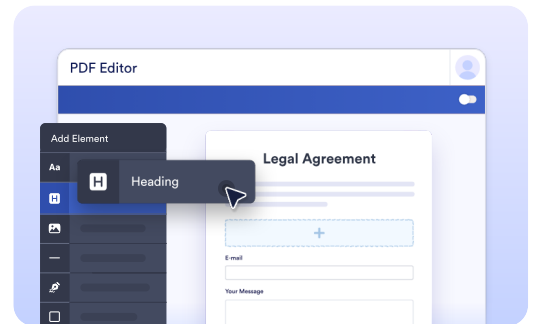
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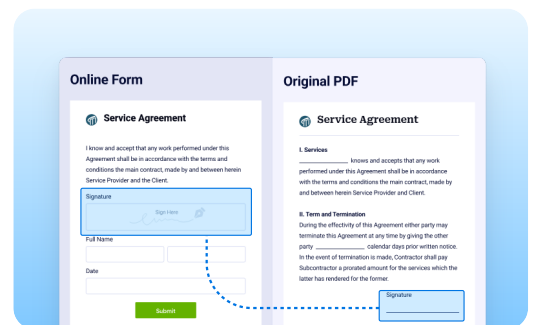
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