

Irish investors and entrepreneurs: a summary of SAFE agreements

News - 01/01/2023

Simple Agreement for Future Equity (SAFE)

Simple Agreement for Future Equity (SAFE) notes are an increasingly attractive fundraising tool most common in startups and early stage companies. As the name suggests, it is a simplified agreement whereby a prospective investor receives a contractual right to future equity (shares) on the occurrence of certain milestones achieved by the company, to include further financing rounds or the sale/ listing of the company.

Aims of SAFE agreements

SAFE streamlines the process of investing in an early-stage company with convertible equity. Some key features which will be the basis of negotiation would be the favourable discount rate the investor would receive on future funding rounds and a valuation cap on the conversion price an investor would pay once shares have issued on a financing round.

Key points of SAFE agreements

Subject to the dynamic between the company and investor, the investor may look for a right to appoint a director to the board of the company or more transparency on how their investment is being utilised within the business. The investor may also seek agreement that where future funding is acquired that the SAFE investor is offered at least as favourable terms (or more favourable terms) in the event the terms of subsequent investment differ.

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