



## Template convertible note (SAFE terms)

### User notes

This note is a convertible instrument that is intended to be used to document a seed investment from a third-party investor or a bridge financing from existing shareholders.

The terms of the note are substantially based on the *simple agreement for future equity* created by the US accelerator, Y-Combinator.

This agreement anticipates that the investment amount is drawn down in a lump sum on one date and is unsecured. The amount of the investment is not a loan, has no set maturity or repayment date and does not accrue interest. The investment amount remains outstanding until:

- ▲ it is automatically converted to equity on the date of an equity financing
- ▲ it is repaid or converted (at the election of the investor) on the occurrence of a liquidity event.

We recommend that the investors take specialist tax advice before entering into a convertible note of this kind (noting that any tax obligations on conversion will be for the account of the investor rather than the company).

Your lawyer or company secretary will need to complete any necessary board and/or shareholder resolutions needed to implement this document.

You should obtain tax and accounting advice before adopting this document.

This document should be used in conjunction with company governance documents (e.g. constitution and/or shareholders' agreement) that adequately deal with small minority shareholdings, including pre-emptive rights on share transfers and drag along.

### applicable law

This document is intended for use by companies domiciled in Southeast Asia. Because the laws in each Southeast Asian country are different, you should have the document reviewed by a local lawyer. We have suggested (as a placeholder) that the document be subject to Singapore law as this is the most common domicile of tech companies raising capital in Southeast Asia, and Singapore is well respected as a legal jurisdiction.

### using this template

The **User Notes** and the statements in the footer below (all marked in red) are included to assist in the preparation of this document. They are for reference only –you should delete all user notes and the statements in the footer from the final form of your document.

The use of [*square brackets*] around black text means that:

- ▲ the requested details need to be inserted
- ▲ there are different options for you to consider within a clause
- ▲ the whole clause is optional and you need to consider whether to include it, based on the company's circumstances and the user notes.

Before finalising your document, check for all square brackets to ensure you have considered the relevant option and ensure that all square brackets have been deleted.

If you delete any clauses or schedules, remember to cross reference check the document.

# CONVERTIBLE NOTE (SAFE TERMS)

DATE

PARTIES

1 **[User note: Use this description if the Investor is a company.] [INSERT NAME OF COMPANY]** (company number [insert company number], a company incorporated in [insert] whose registered office is at [insert]) (**Investor**)

**[User note: Use this description if the Investor is an individual.] [INSERT]** (passport/ID number: [insert] of [address]) (**Investor**)

**[User note: Use this description if the Investor is a trust.] [INSERT]** (passport/ID number: [insert] of [address]), **[INSERT]** (passport/ID number: [insert] of [address]) and **[INSERT]** (passport/ID number: [insert] of [address]) as trustees of [insert name of trust] (together, the **Investor**)

2 **[User note: Use this description for the company receiving the investment.] [INSERT NAME OF COMPANY]** (company number [Insert company number], a company incorporated in [insert] whose registered office is at [insert]) (**Company**)

BACKGROUND

The Investor has agreed to provide to the Company the Investment Amount on the terms set out in the Agreement.

**SIGNED** for and on behalf of **[INSERT** )  
**NAME OF COMPANY]** by: )

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Signature of authorised signatory

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Print full name of authorised  
signatory

**[User note: Use the following signature block if the Investor is a company.]**

**SIGNED** for and on behalf of **[INSERT** )  
**NAME OF COMPANY]** by: )

\_\_\_\_\_  
Signature of authorised signatory

\_\_\_\_\_  
Print full name of authorised  
signatory

**[User note: Use the following signature block if the Investor is an individual.]**

**SIGNED** by **[INSERT NAME OF** )  
**INDIVIDUAL]:** )

\_\_\_\_\_  
Signature

## TERMS OF THE AGREEMENT

**1 INTERPRETATION**

1.1 **Definitions:** In the Agreement, unless the context requires otherwise:

<b>Definition</b>	<b>Meaning</b>
<b>Agreement</b>	this agreement, including any schedule attached to it.
<b>Business Day</b>	Monday to Friday, other than any public holiday that occurs in [Singapore].
<b>Companies Act</b>	[Companies Act (Cap. 50) of Singapore].
<b>Conversion</b>	the conversion of the Investment Amount into Conversion Shares under clause 4.
<b>Conversion Price</b>	<p>▲ for a conversion under clause 4.1, a price per Share equal to the lower of:</p> <ul style="list-style-type: none"> <li>&gt; the Valuation Cap divided by the Fully Diluted Capitalisation immediately prior to the Equity Financing; and</li> <li>&gt; the price per Share at which Shares were issued to investors under the Equity Financing, less a discount of [20%]; and</li> </ul> <p><b>[User note: Alternatively, the Conversion Price on an Equity Financing can be calculated without reference to a valuation cap and/or without a discount to the price per share of the Equity Financing.]</b></p> <p>▲ for a conversion under clause 4.3, a price per Share equal to the Valuation Cap divided by the Fully Diluted Capitalisation immediately prior to the Liquidity Event.</p>
<b>Conversion Shares</b>	<p>▲ for a conversion under clause 4.1, the highest class of Share issued under the Equity Financing; and</p> <p>▲ for a conversion under clause 4.3, ordinary Shares.</p>
<b>Drawdown Date</b>	the later of [insert date] or the date that is two Business Days following the satisfaction or waiver of all of the conditions set out in clause 2, or such other date as the parties agree.

- Equity Financing** the next issue or related series of issues by the Company of Shares for capital raising purposes after the date of the Agreement.
- Fully Diluted Capitalisation** the number of Shares on issue at the relevant time, including:
- ▲ the number of Shares to be issued on the exercise of any options over, or other rights to be issued, Shares in existence at the relevant time (excluding any conversion of (i) the Investment Amount under the Agreement; and (ii) all other convertible loans or notes); and
  - ▲ all Shares reserved and available for future issue under any equity incentive or similar plan of the Company, including any such plan created or increased in connection with an Equity Financing.
- Insolvency Event** an Insolvency Event occurs if:
- ▲ an order is made, resolution passed or legal proceedings issued (other than a proceeding which is vexatious or frivolous), or corporate action is taken, notice given or other step taken for the winding up or liquidation of the Company;
  - ▲ a liquidator, receiver, manager, administrator, inspector, trustee or other similar person is appointed in respect of the Company or some or all of its assets;
  - ▲ any distress, attachment, or execution is levied, issued, enforced or obtained on or against all or a material part of the Company's assets;
  - ▲ any security over all of the assets of the Company is enforced;
  - ▲ the Company suspends, stops, or threatens to suspend or stop payment of a material part of its debts;
  - ▲ the Company commences negotiations or takes any proceedings for the general deferral, readjustment or rescheduling of its indebtedness, or a material part of its indebtedness;
  - ▲ the Company makes, or proposes to make, any assignment, arrangement or composition for the benefit of its creditors generally;

- ▲ the Company ceases or threatens to cease to carry on all or substantially all of its business or operations; or
- ▲ any event occurs that is in substance the same as those in the paragraphs above.

**Intellectual Property Rights** includes copyright and all worldwide rights conferred under statute, common law or equity relating to inventions (including patents), registered and unregistered trade marks and designs, circuit layouts, data and databases, confidential information, know-how, and all other rights resulting from intellectual activity.

**Investment Amount** \$[insert amount of the investment] or the principal amount outstanding from time to time.

**Liquidity Event** any of the following events:

- ▲ the Company or a shareholder (or shareholders) of the Company enters into a binding agreement with a third party (or a group of associated third parties) on arms' length terms under which the third party is to acquire (other than by way of a subscription for new Shares) 50% or more of the voting Shares of the Company, and that agreement becomes unconditional;
- ▲ the Company enters into a binding agreement to dispose of all or substantially all of the Company's assets, and that agreement becomes unconditional;
- ▲ the Company enters into a binding agreement to amalgamate with any other company (whether or not it is the continuing company), in a transaction that is in substance the same as those transactions described above, and that agreement becomes unconditional; or
- ▲ the admission of all or any of the Shares or the Securities to the [Singapore] stock exchange, or other internationally recognised stock exchange of similar or better standing,

provided, however, that a transaction will not constitute a Liquidity Event if its sole purpose is to change the place of the Company's incorporation, or to create a holding company that will be owned in substantially the same proportions by the

persons who held the Shares immediately prior to such transaction.

**Purpose**

**[User note: Consider the Purpose carefully. The Company is required to use the Investment Amount only for this stated purpose (unless the Investor agrees otherwise).]**

[insert the purpose of the Investment Amount, i.e. what the Company is raising the Investment Amount for].

**Shareholders' Agreement**

a shareholders' agreement between the Company and all of the shareholders of the Company.

**Shares**

shares in the Company.

**Valuation Cap**

**[User note: The valuation cap is critical to the economics of the note. The amount of the valuation cap divided by the number of shares on issue in the Company at the relevant time is the price per share at which the Investment Amount will convert to Conversion Shares on the occurrence of a Liquidity Event (if the Investor elects to convert). On the occurrence of an Equity Financing the price per share determined by the valuation cap is the highest price at which the Investment Amount will automatically convert to Conversion Shares (whereas the Investment Amount will automatically convert at a lower price per share if the Equity Financing is undertaken at a valuation that is lower than the valuation cap, after applying the discount set out in the definition of Conversion Price).]**

[\$[insert valuation cap].

**1.2 Interpretation:**

- a A reference to:
- i a **clause** or a **schedule** is to a clause in or a schedule to the Agreement;
  - ii a **person** includes a body corporate, an association of persons (whether corporate or not), a trust, governmental or other regulatory body, authority or entity, in each case whether or not having a separate legal personality;
  - iii **including** and similar words do not imply any limitation;

- iv a **statute** includes references to that statute as amended or replaced from time to time;
  - v a **party** is a reference to a party to the Agreement, and includes that party's permitted successors and permitted assigns; and
  - vi **\$** or **dollars** are to [*Singapore*] currency.
- b The **headings** in the Agreement are for convenience only and have no legal effect.
  - c The **singular** includes the plural and vice versa.

## 2 CONDITIONS

- 2.1 **Conditions:** The Agreement is conditional on the Company delivering to the Investor:
- a resolutions of the directors and (if necessary) shareholders of the Company authorising the execution of the Agreement and the issue of the Conversion Shares on conversion of the Investment Amount in accordance with the Agreement; and
  - b to the extent necessary, signed waivers from the existing shareholders of the Company of any rights of pre-emption relating to the execution of the Note and any issue of Conversion Shares.
- 2.2 **Non-fulfillment:** If the condition in clause 2.1 is not satisfied or waived by both parties in writing on or before the date that is [*30 days*] following the date of the Agreement, the Investor or the Company may terminate the Agreement by written notice to the other. If the Agreement is cancelled in accordance with this clause 2.1a, no party will have any obligation to any other party other than for a breach of the Agreement occurring before termination.

## 3 THE INVESTMENT AMOUNT AND TERMS OF THE AGREEMENT

- 3.1 **Investment Amount:** The Investor must make the Investment Amount available to the Company in one drawing only on the terms set out in the Agreement.
- 3.2 **Drawdown:** The Investor must pay the full amount of the Investment Amount to the Company on the Drawdown Date in cleared funds into the nominated account of the Company.
- 3.3 **Purpose:** The Company must use all amounts drawn down only for the Purpose or for any other purpose approved by the Investor.

## 4 CONVERSION AND REPAYMENT OF INVESTMENT AMOUNT

- 4.1 **Equity Financing:** On the date of an Equity Financing, the Investment Amount will automatically convert into Conversion Shares by applying that amount to subscribe for Conversion Shares at the Conversion Price.
- 4.2 **Conversion documentation:** The Investor must execute any agreements, resolutions and/or other documents (including any subscription agreement or shareholders' agreement) that are



required to be executed by the Investor in order to complete an Equity Financing and/or record the Conversion contemplated by clause 4.1, provided that the terms of issue of the Conversion Shares are in accordance with clause 4.7.

- 4.3 **Liquidity Event:** If a Liquidity Event occurs, the Investor may elect to convert the Investment Amount into Conversion Shares on the date of the Liquidity Event by applying that amount to subscribe for Conversion Shares at the Conversion Price. If the Investor does not elect to convert the Investment Amount to Conversion Shares, the Company must repay to the Investor the Investment Amount within 20 Business Days of the date of the Liquidity Event.
- 4.4 **Insolvency Event:** If an Insolvency Event occurs, the Company must immediately repay to the Investor the Investment Amount.
- 4.5 **Insufficient funds on a Liquidity Event or Insolvency Event:** If there are insufficient funds to pay the Investor and any other person that has entered into an agreement with the Company on terms that are substantially the same as the Agreement (except for the Investment Amount and the Drawdown Date) (**Participating Investors**) any amount payable under clause 4.3 or 4.4, then the Company's available funds must be distributed amongst the Participating Investors in proportion to their Investment Amounts. If any part of an Investment Amount remains unpaid following that distribution, the remaining Investment Amount is to automatically convert into Conversion Shares by applying that amount to subscribe for Conversion Shares at the relevant Conversion Price.
- 4.6 **Notice of Equity Financing, Liquidity Event or Insolvency Event:** The Company must provide the Investor with written notice of:
- a the terms of an Equity Financing at least 5 Business Days prior to the closing of the Equity Financing;
  - b a Liquidity Event at least 10 Business Days prior to the occurrence of the Liquidity Event; and
  - c an Insolvency Event promptly following the occurrence of the Insolvency Event.
- 4.7 **Terms of issue of Conversion Shares:** Conversion Shares issued as a consequence of a Conversion will rank for dividends from the date they are issued and will otherwise rank equally in all respects with the other Shares of the same class then in issue, except that in the case of a Conversion in accordance with clause 4.1, any price based anti-dilution rights, dividend rights, or liquidation preferences may be amended (at the discretion of the Company) so as to reflect the Conversion Price.
- 4.8 **Governing documents following a Liquidity Event:** Any Conversion Shares issued in accordance with clause 4.3 are to be issued subject to the terms of any constitution of the Company and any Shareholders' Agreement in force as at the date of issue of the Conversion Shares. Immediately following the issue of any Conversion Shares, the Investor must execute a deed of accession to any Shareholders' Agreement, agreeing to be bound by its terms.

- 4.9 **Fractional entitlements:** The number of Conversion Shares to be issued to the Investor must be rounded up to the nearest whole number if there is a fractional entitlement.
- 4.10 **Adjustment:** If there is any bonus issue, consolidation or subdivision of any Shares or any reduction or cancellation of share capital (or any similar reorganisation of the capital of the Company), the Conversion Price must be adjusted by the Company, if necessary, to ensure that the economic effect of the Conversion remains the same.

## 5 COMPANY'S UNDERTAKINGS

While the Investment Amount is outstanding, the Company:

- a must notify the Investor promptly in writing upon the occurrence of an Insolvency Event and provide a statement of steps being taken to remedy the Insolvency Event; and
- b must not, unless approved in writing by the Investor:
  - i make any material change to the business carried on by it at the date of the Agreement; or
  - ii pay any dividend or make any other distributions in respect of its Shares.

## 6 WARRANTIES

- 6.1 **Mutual warranties:** Each party represents and warrants to the other that the following is true as at the date of the Agreement:
- a if it is a company, it is duly incorporated and validly existing under the laws of [Singapore];
  - b it has the power, and, if it is a company, has taken all necessary action (including the passing of all resolutions and obtaining any necessary consents) to enter into, execute and deliver, and exercise its rights, and perform its obligations, under the Agreement; and
  - c it has validly executed and delivered the Agreement and its obligations under the Agreement are legal, valid and binding and the Agreement is enforceable against it in accordance with its terms.
- 6.2 **Company warranties:** The Company warrants to the Investor that the following is true as at the date of the Agreement:
- a as far as the Company is aware, the Company owns or is legally entitled to use all Intellectual Property Rights used in the conduct of its business;
  - b as far as the Company is aware, the business of the Company does not infringe any Intellectual Property Rights of any other person and, as far as the Company is aware, no claims relating to Intellectual Property Rights used by the Company are pending or threatened by any third party;

- c the Company is not a party to any legal proceedings, arbitration, or statutory or governmental inquiry of any kind, nor is the Company aware of any such legal proceedings, arbitration or inquiry, pending or threatened against the Company; and
- d as far as the Company is aware, there is not any existing cause of action, or facts or circumstances that could be used for commencing legal proceedings, either civil or criminal, against the Company that could prevent or materially alter or delay any of the transactions contemplated by the Agreement.

6.3 **Exclusions from warranty claims:** No facts or circumstances will give rise to a claim by the Investor against the Company under clause 6.2 to the extent that those facts or circumstances:

- a were fairly disclosed in writing to the Investor by or on behalf of the Company prior to the date of the Agreement;
- b were available on a public register, file or record maintained by the [*Accounting and Regulatory Authority or the Intellectual Property Office of Singapore*] as at the date of the Agreement; or
- c arose because of an action taken by the Company with the Investor's prior written consent.

6.4 **Timing:** The Company will have no obligation to the Investor in respect of any claim under clause 6.2 unless written notice of that claim is given to the Company within 12 months of the date of the Agreement.

6.5 **Aggregate maximum liability:** The Company's aggregate liability to the Investor in respect of a breach of any of the warranties set out in clause 6.2 will be limited to the Investment Amount.

## 7 GENERAL

7.1 **Confidentiality:** Each party must keep the Agreement and information it receives about the Company and its business in connection with the Agreement (**Confidential Information**) confidential, and must not use or disclose that Confidential Information without the prior written consent of the Company except to the extent that:

- a disclosure is required by law;
- b the relevant information is already in the public domain other than through the default of the other party;
- c it is reasonably required to obtain professional advice; or
- d it is reasonably necessary in connection with any proposed:
  - ▲ financing of that party;
  - ▲ sale of that party's interest in the Company; or

▲ sale of all or part of the business of, or the shares in, that party,

and the party receiving the Confidential Information has entered into confidentiality undertakings substantially the same as those set out in this clause.

7.2 **Notices:** All notices and communications given under the Agreement must be in writing and must be delivered personally, sent by post or sent by email to the address or email address set out in the Schedule (or at such other address as notified from time to time by the party changing its address).

7.3 **Time of service:** Any notice given under the Agreement will be deemed to be validly given:

- a in the case of delivery, when received;
- b in the case of posting, on the third Business day following the date of posting; or
- c if emailed, one hour after the email is sent unless a return email is received by the sender within that one hour period stating that the addressee's email address is wrong or that the message cannot be delivered,

provided that any notice received after 5 pm on a Business Day or on any day that is not a Business Day will be deemed to have been received on the next Business Day.

7.4 **Entire agreement:** The Agreement contains all of the terms, representations and warranties made between the parties relating to the matters dealt with in the Agreement and supersedes and cancels all prior discussions and agreements covering the subject matter of the Agreement. The parties have not relied on any representation, warranty or agreement relating to the matters dealt with in the Agreement that is not expressly set out in the Agreement, and no such representation, warranty or agreement has any effect from the date of the Agreement.

7.5 **Further assurances:** The parties must each sign all further documents, pass all resolutions and do all further things as may be necessary or desirable to give effect to the Agreement.

7.6 **Amendment:** The Agreement may only be amended by agreement of the parties in writing.

7.7 **Waiver:** No exercise or failure to exercise or delay in exercising any right or remedy will constitute a waiver by that party of that or any other right or remedy available to it.

7.8 **No assignment:** No party may assign any of its rights or obligations under the Agreement without the prior written consent of the other party.

7.9 **Costs:** Except as otherwise provided in the Agreement, the parties will meet their own costs relating to the negotiation, preparation and implementation of the Agreement.

7.10 **Partial invalidity:** If any provision of the Agreement becomes invalid or unenforceable to any extent, the remainder of the Agreement and its application will not be affected and will remain enforceable to the greatest extent permitted by law.

- 7.11 **Signature:** The Agreement may be executed in two or more counterparts, each of which is deemed an original and all of which constitute the same Agreement. A party may enter into the Agreement by signing and sending (including by email) a counterpart copy to each other party.

## 8 GOVERNING LAW

The Agreement, and any disputes or claims arising from or in connection with it, will be governed by, and interpreted in accordance with, the laws of [Singapore].

**[User note: The clauses below provide that disputes that are not settled will be referred to the Singapore International Arbitration Centre (SIAC). SIAC is seen as a leading venue for the holding of commercial arbitration and is used by companies across Southeast Asia.]**

## 9 [DISPUTE RESOLUTION

- 9.1 **Dispute:** *If any dispute, controversy or claim (**Dispute**) arises out of or relating to this Agreement, or to the interpretation, breach, termination or validity of this Agreement, the parties to the Dispute (**Disputing Parties**) must use their best efforts to resolve the Dispute through consultation or mediation. The consultation or mediation between the Disputing Parties must begin as soon as practicable after one Disputing Party has delivered to the other Disputing Party or Parties a written notice setting out the matter of the Dispute (**Dispute Notice**).*
- 9.2 **Arbitration:** *If a Dispute is not settled under clause 9.1 within 30 days after the date of the relevant Dispute Notice, the Dispute must be referred to and resolved by arbitration in Singapore in accordance with the Rules of the Singapore International Arbitration Centre (**SIAC Rules** and **SIAC** respectively). The tribunal will consist of one arbitrator, to be appointed by the President of the SIAC. The language of the arbitration will be English.*
- 9.3 **SIAC Rules:** *The SIAC Rules are deemed to be incorporated by reference in this clause 9. However, to the extent that the SIAC Rules are in conflict with the provisions of this clause 9, the provisions of this clause 9 will prevail.]*

**SCHEDULE 1****Details for notices**

<b>Company</b>	
<b>Contact Name:</b>	<i>[insert]</i>
<b>Address:</b>	<i>[insert]</i>
<b>Email address:</b>	<i>[insert]</i>

<b>Investor</b>	
<b>Contact Name:</b>	<i>[insert]</i>
<b>Address:</b>	<i>[insert]</i>
<b>Email address:</b>	<i>[insert]</i>