

FRV SAFE Overview - Startupfest

2025 - Overview of the terms for the \$50K Student Entrepreneur Investment Prize

Summary

Front Row Ventures invests \$50,000 CAD in its portfolio companies through a [SAFE \(Simple Agreement for Future Equity\)](#) with a \$2.5M valuation cap, a 20% discount on investment, \$100k Pro-Rata, and standard information rights.

The SAFE allows investment without valuation and is a sign of confidence in our portfolio companies' ability to raise future equity financing rounds. Please note that these are fixed terms and were designed with founder-friendliness in mind.

Note: The basis of this SAFE comes from Y Combinator, for which more information can be found here: [Y Combinator SAFE Financing Documents](#).

\$2.5M Valuation Cap

To align with founder and investor expectations, we cap our SAFE at a \$2.5M valuation. This means our investment will convert into equity at the lower of (1) the capped valuation or (2) the valuation with the 20% discount applied during the next priced equity financing round.

20% Discount Post-Money

We invest at the earliest stages of a company to maximise dollar-impact. As early investors, we set a standard 20% discount on the conversion to equity after an equity financing round is raised in the future.

As an example, a portfolio company is valued pre-money at \$900,000 and raises an equity round of \$100,000 for a total post-money valuation of \$1,000,000 (pre-money + raised). When converting the SAFE to shares, we apply a 20% discount on the post-money valuation, $\$1,000,000 - (0.20 \times \$1,000,000) = \$800,000$, and convert our \$50,000 investment's worth of shares on the discounted amount: $\$50,000 / \$800,000 = 6.25\%$.

\$100k Fixed Pro-Rata

At the discretion of our investment team, the SAFE allows for a follow-up investment of up to 100,000 CAD with the same terms as above. Note that this follow-up is not guaranteed and does not have a set date for the investment to occur.

Information Rights

As part of this SAFE, FRV receives standard information rights, which include:

- **Quarterly Updates:** Brief updates on company progress, metrics, and runway.
 - **Annual Financials:** Financial statements annually.
 - **Major Corporate Actions:** Notification of significant corporate events such as fundraising, M&A activity, or changes in leadership.
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