Common Differences Between SAFE and KISS

Fundamentally, SAFE and KISS notes are convertible security notes, under which the investor is promised the future equity in the company at a lower valuation than that of the financing round's valuation of the company such that the investor pays a lower price per share. In essence, it aims to reward the investor for having confidence in and taking the risk of investing early in the company. Broadly speaking, SAFE is a strict conversion note, while KISS takes on the characteristics closer to a convertible loan note, but the table below highlights the essential, specific differences. That being said, do note that both notes can be varied and have terms changed to differing extents.

	Simple Agreement For Future Equity SAFE	**Keep It Simple Securities KISS**
Variations	• Valuation Cap, no Discount. • Discount, no Valuation Cap. • Valuation Cap and Discount. • Only MFN Clause.	• Equity: contains a Valuation Cap and Discount, but no repayment or interest. • Debt: contains a Valuation Cap and Discount, accrues interest, and repayable on maturity.
Valuation Cap	• Optional.	• Standard.
Discount	• Optional.	• Standard.
Interest	• None.	• Only for debt version (usually 5%).
Maturity Date	• None.	• Standard on debt version (usually 18 months). • Debt will convert into shares, if there has not been a conversation trigger by the maturity date.
Most Favoured Nation (MFN)	• Optional	• Standard • MFN clauses allow investors to change their terms in the future to the most favourable terms that the company has issued to other investors.

Common Differences Between SAFE and KISS

Simple Agreement For Future Equity
SAFE

Prepayment Option

- None.

Conversion Trigger

- On any equity financing round that occurs at any valuation, the SAFE note converts into shares.
- The conversion price will be the lowest of, as the case may be, the Valuation Cap, Discount, terms under MFN, or financing round.

Sale of Company

The investor may:

- Convert the SAFE note into shares at the specified Valuation Cap.
- Receive a payment equal to the SAFE Investment Amount.

Insolvency/Dissolution

- The investor receives a payment equal to the SAFE Investment Amount.

Rights

- No rights to information.
- Rights to participate in future financing rounds after conversion.

Keep It Simple Securities
KISS

Prepayment Option

- Only for Debt version and requires investor consent.

Conversion Trigger

- On an equity financing round where the company receives not less than the amount specified in the KISS note (usually $1 million), the note converts into shares. or on any date as elected by the investor after the Maturity Date.
- The conversion price shall occur at the lower of the Valuation Cap or the Discount.

Sale of Company

The investor may:

- Convert the KISS note into shares at the specified Valuation Cap.
- Receive a payment equal to a multiple of the KISS Investment Amount (and with any accrued interest) as specified in the KISS note.

Insolvency/Dissolution

- The investor receives a payment equal to a multiple of the KISS Investment Amount (and with any accrued interest) as specified in the KISS note.

Rights

- Standard major investor rights.
- Participation rights in all future financing rounds.

Common Differences Between SAFE and KISS





Simple Agreement For Future Equity
SAFE

Representations

- Basic representations and warranties.
- Intellectual Property representations.

Transfer of Note

- Subject to company's approval unless the transfer is to the investor's affiliates.

High Resolution Fundraising

- Yes, SAFE notes can have different terms (even within the same series of notes).

Keep It Simple Securities
KISS

Representations

- Basic representations and warranties
- Intellectual Property representations.
- Litigation representations.

Transfer of Note

- Yes- to anyone.

High Resolution Fundraising

- No, KISS notes generally have identical terms (other than investment amount) within the same series.

Which one is better for your company?

SAFE

- More start-up friendly. The postponement of the company's valuation, as well as the simple provisions, makes it cheaper, simpler, and more efficient! Beyond that, the terms usually offer 1x repayment on exit events, and the lack of interest makes obligations arising from the SAFE less onerous.
- More flexible. Beyond the other hallmarks of a SAFE, companies often include further terms to cater to more investors and their needs, making it easier to fundraise.
- The only thing to note is to be aware of how much you might be diluting your company ownership when using a SAFE.

KISS

- More investor-friendly. While still simple and easy to negotiate, there are significantly more terms that benefit the investor, such as 2x multiplied repayment on exit events, a debt option, and giving investors more freedom (such as standard MFN clause).
- Less flexible insofar as there are standard terms but having standard MFN clauses also restricts the company in offering different terms to different investors under the same series of notes.