Tansy and the Simple Promise



FundOpsHQ

A story about a SAFE



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Tansy the hedgehog knitted warm socks on one old machine in a little workshop by the woods. Every pair she made sold the same week.



She wanted a second machine, which cost 20 coins. But her company was so new that nobody could say what it was worth.



Barley the badger loved her socks. "If I give you coins for part of your company," he asked, "how big a part should 20 coins buy?" Neither of them knew.



So they signed a SAFE, short for a simple agreement for future equity. Barley gave 20 coins now. He would get shares later, once the company had a price.



"It is not a loan," said Barley. "There is no interest, and no date to pay it back. When you sell shares at a price, my coins turn into shares."



They also agreed on a cap of 200 coins. However high the price was later, Barley's coins would turn into shares as if the company were worth no more than 200.



Tansy bought the second machine. Now two machines clattered all day, and her socks went out to shops in three valleys.



A year later, Magnus the moose wanted to invest too. He looked at all the orders and said the company was now worth 400 coins before his money came in.



Magnus paid 100 coins for new shares at that price. This was the company's first priced round, and it was the moment Barley's SAFE turned into shares.



Because of the cap, Barley's 20 coins counted as if the company were worth 200, not 400. So each of his shares cost about half what Magnus paid for his.



"That is fair," said Magnus. "Barley backed you first, when no one could say what you were worth. The cap is his reward for going early."



It could have gone the other way. Had the workshop closed, Barley would get back only what was left after its debts were paid, which might be nothing.



That night Tansy knitted Barley a pair of striped socks. "For going first," she said. Barley pulled them on at once, and they fit just right.



A note

The words in this book are real ones, explained simply. The animals and examples are made up, and real terms vary from fund to fund. It is not advice. The pictures were drawn with an AI image model and checked by hand.

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