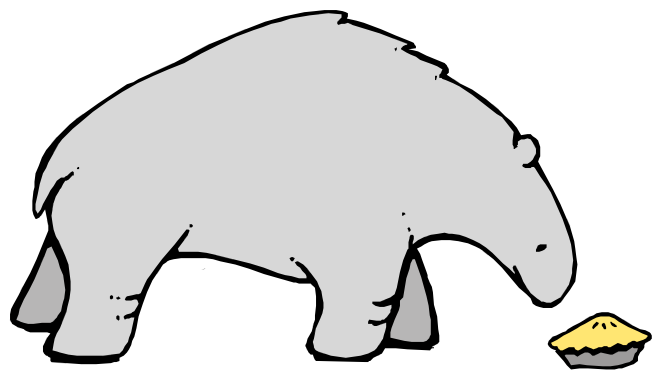


**EUREKA!**



# Slicing Pie

@GruntFunds

**Let's start  
a business!**



# Why?



**Hard work now**

*Fun Along the Way*



**Big payout later**



**Hard work now**



**?**



**How much  
do we get?**

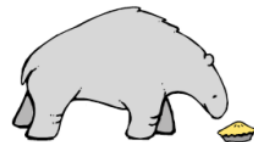


# Perfectly Fair Equity Calculation:

$$\text{Your Share \%} = \frac{\text{The Value of Your Contribution}}{\text{The Total Value}}$$

# Fixed Equity Split

67% split equity at the outset of the venture



\* Wasserman/Hellman

**Slicing Pie**



**“50/50”**

**“60/40”**

**“80/20”**

**“25/25/25/25”**

90%+ of startups do equal splits



**50/50**



**50/50**



**50/50**

**What if...**



**50/50**



**50/50**      **You want to quit?**

**You do all the work?**

**You bring in another guy?**

**50/50**

**Your partner wants to quit?**

**1,000,000 other things?**



$$\text{Your Share \%} > \frac{\text{The Value of Your Contribution}}{\text{The Total Value}}$$

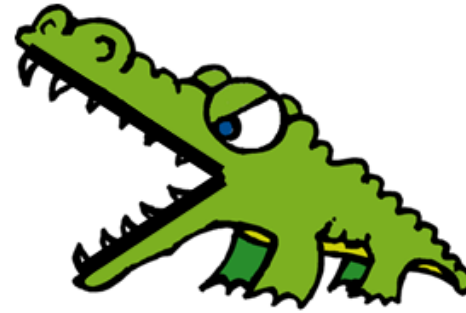
$$\text{Your Share \%} < \frac{\text{The Value of Your Contribution}}{\text{The Total Value}}$$

# Alligator Pit



Less Than Gator

VS



Greater Than Gator

**Not Fair**

**=**

**Not Fun**



# What We Need

- Perfectly fair
- Rewards participants for contributions
- Provides ongoing motivation to continue contributing
- Accommodates additions or subtractions to the team
- Flexible in the face of rapid change
- Gets rid of the gators!



# Dynamic Equity Split

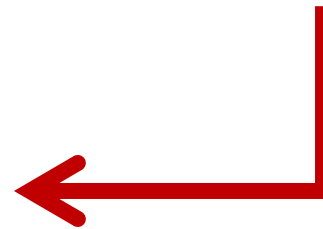


**Hard work now**



**What you deserve later**

**Share in proportion to  
what you contributed**



**You Contribute 50% = You Get 50%**

**You Contribute 10% = You Get 10%**

**You Contribute 23.2% = You Get 23.2%**

**No more and no less**

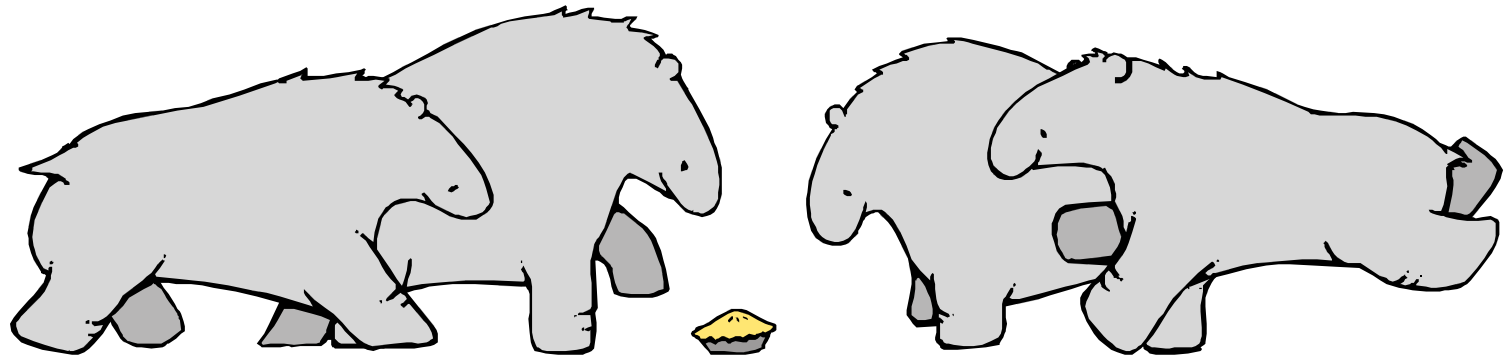


**Fair**

**=**

**Fun**





# The Grunt Fund

# How it works

1. Assign a *theoretical* value to the various inputs provided by each participant

2. Your Share % = 
$$\frac{\text{The } \textit{Theoretical} \text{ Value of Your Contribution}}{\text{The Total } \textit{Theoretical} \text{ Value}}$$

3. Allow it to self adjust over time (dynamic)

# Assign Theoretical Values





# Time

Negotiated Base Salary

-

Cash Compensation

X

Two

÷

2,000

=

Grunt Hourly Resource Rate (GHRR!)





# Time

\$100,000

-

\$25,000 (\$75,000 at risk)

X

Two (\$150,000)

÷

2,000

=

Grunt Hourly Resource Rate (GHRR!)

\$75/hr



# Small Money

Dollar Amount

X

Four

# Everything Has a Theoretical Value



- Unpaid Commission x 2



- Equal to Unpaid Royalty or Development Hours + Costs



- Nothing or Unreimbursed Expense (4x)



# Everything Has a Theoretical Value



- Cash if purchased for the company
- Cost if owned less than a year
- Resale value if over a year



# Cheat Sheet



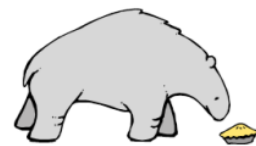
## Slicing Pie

Grunt Fund Relative Value Cheat Sheet

### Summary Calculations

The following table summarizes the theoretical value of the various ingredients for use in a Grunt Fund. Detailed explanations and justifications can be found in the book Slicing Pie.

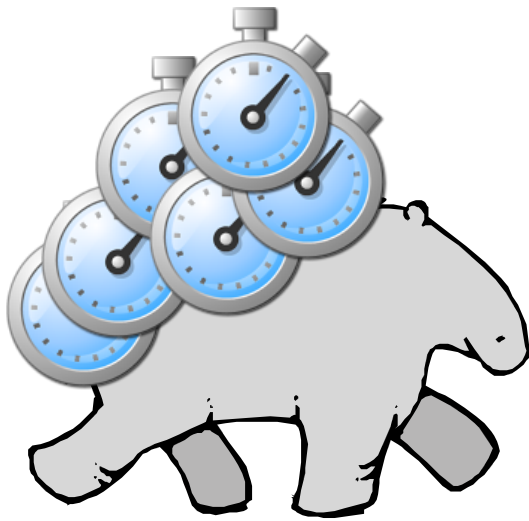
Ingredient	Calculation
Time- Grunt	Grunt Hourly Resource Rate (GHRR) = Negotiated Base Annual Salary $\times 2 \div 2000$
Time- Grunt who also gets cash compensation	GHRR = (Negotiated Base Annual Salary - Current Comp) $\times 2 \div 2000$
Time- Consultant	Hourly Rate $\times 2$ (reserve the right to buy back)
Money- Cash	Amount of Money $\times 4$ (2x if crowd-funded)
Money- Personal Credit, Paid Off by Company	Nada
Money- Personal Credit, Paid Off by Grunt	Amount of Money paid towards bill (including interest) $\times 4$
Money- Loan to the Company	No pie, just principle and interest from the company. Treat as cash if not repaid by company.
Money- Unreimbursed expenses	Amount of expenses $\times 4$
Supplies and Equipment- Business Facilitating	Nothing



**Slicing Pie**

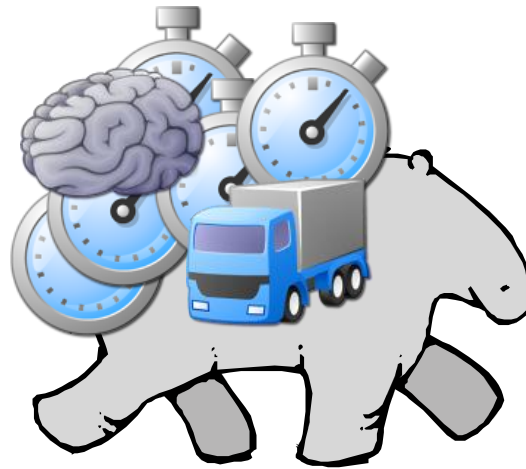
# Grunts Contribute Different Things

Grunt 1



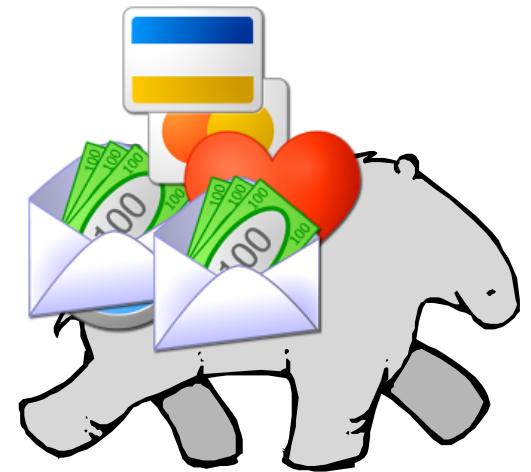
Jr. Developer

Grunt 2



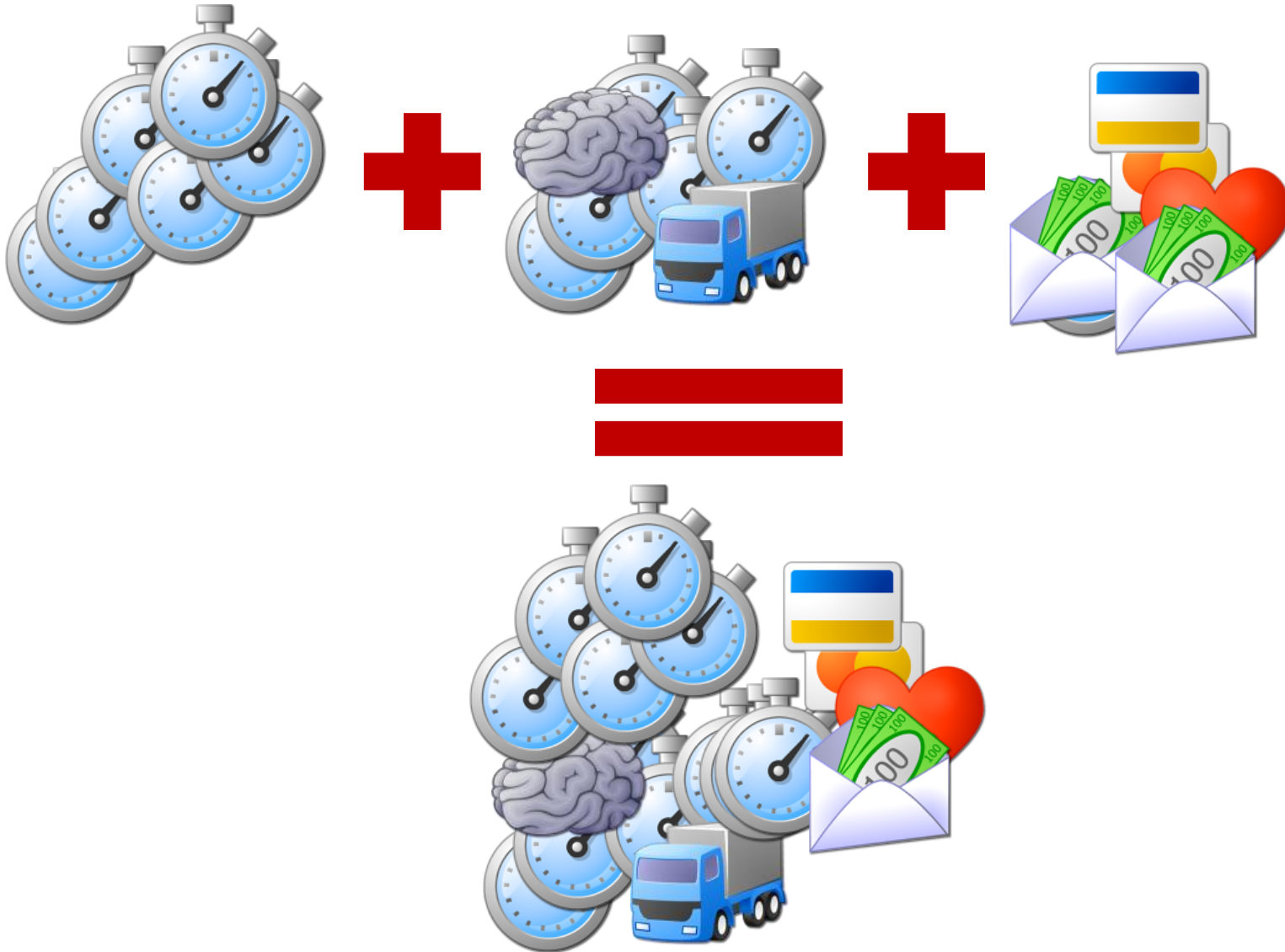
Founder

Grunt 3

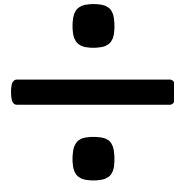


Rich Uncle

# Theoretical Base Value (TBV)

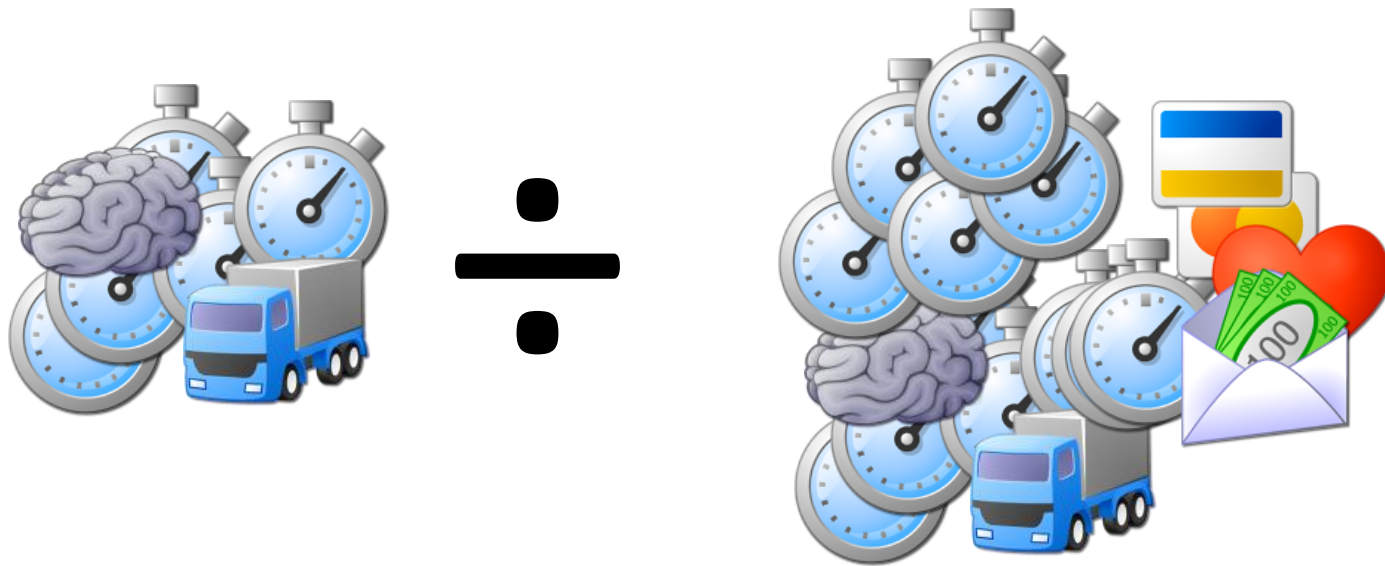


# Grunt 1's Share

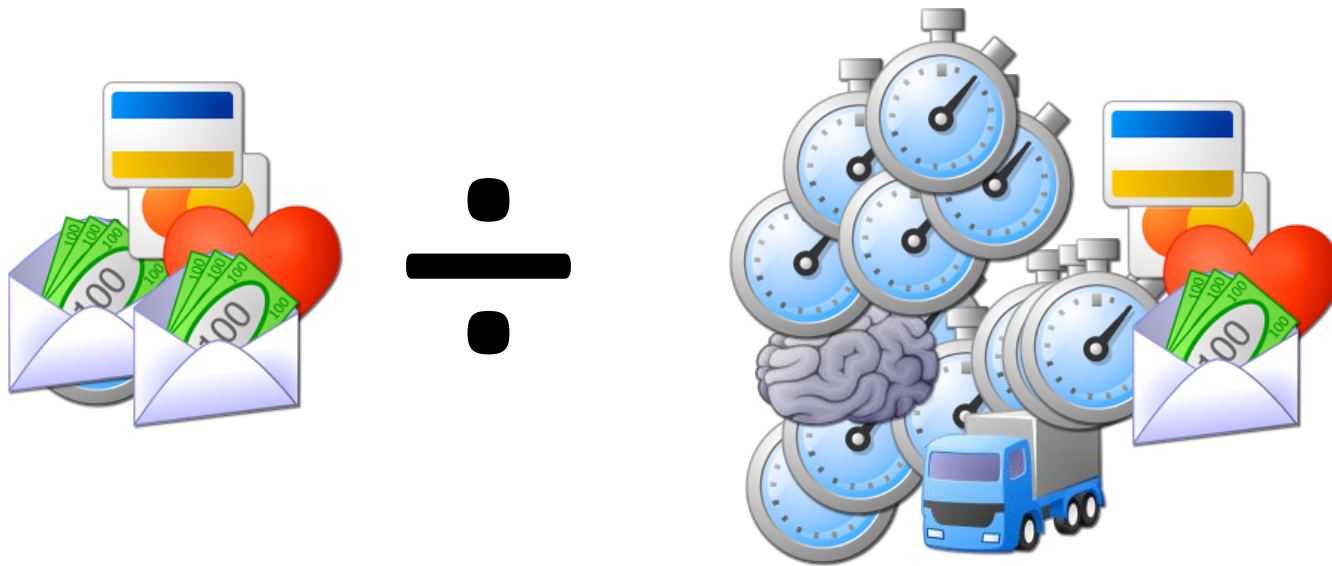


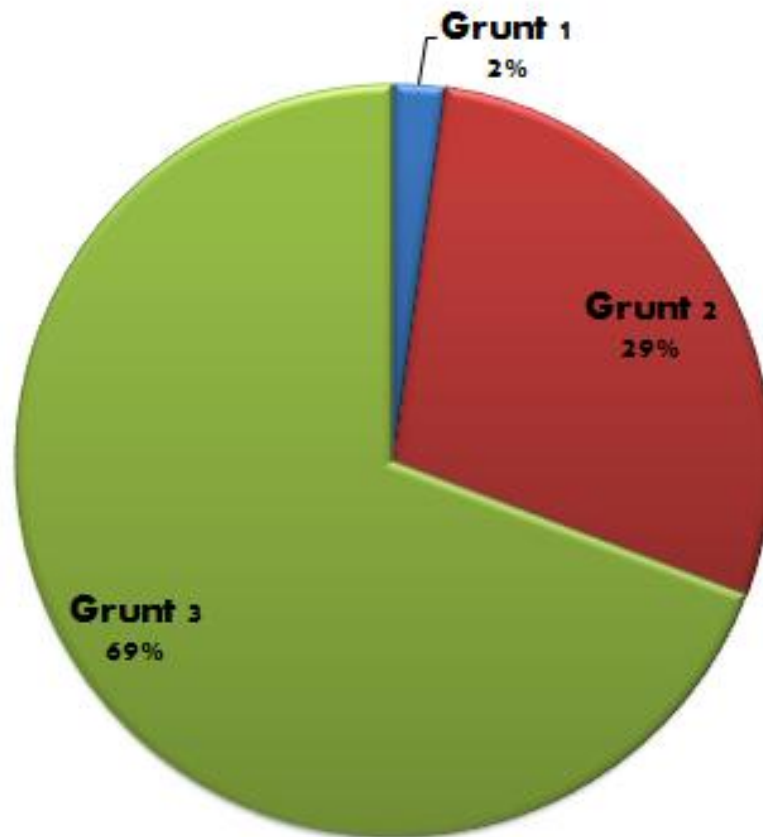


# Grunt 2's Share

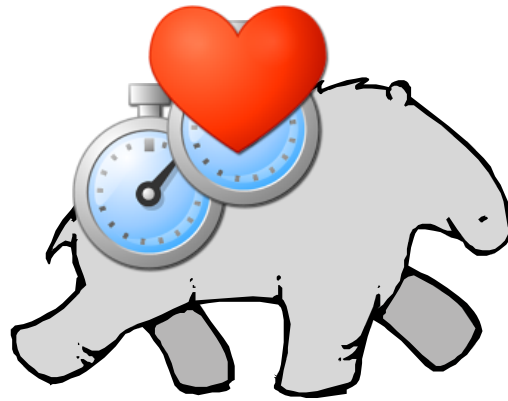


# Grunt 3's Share

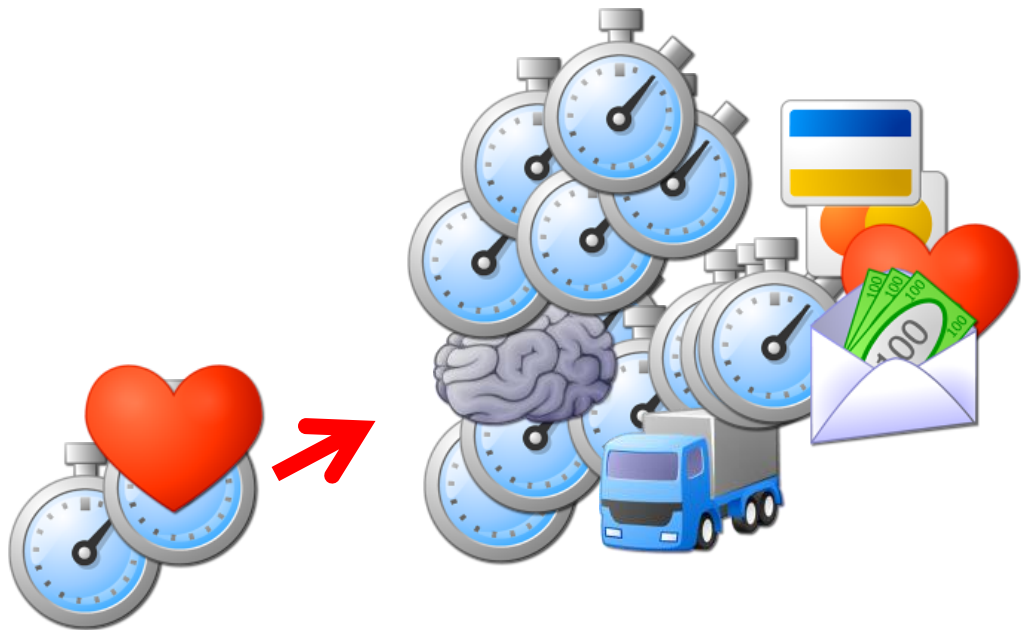


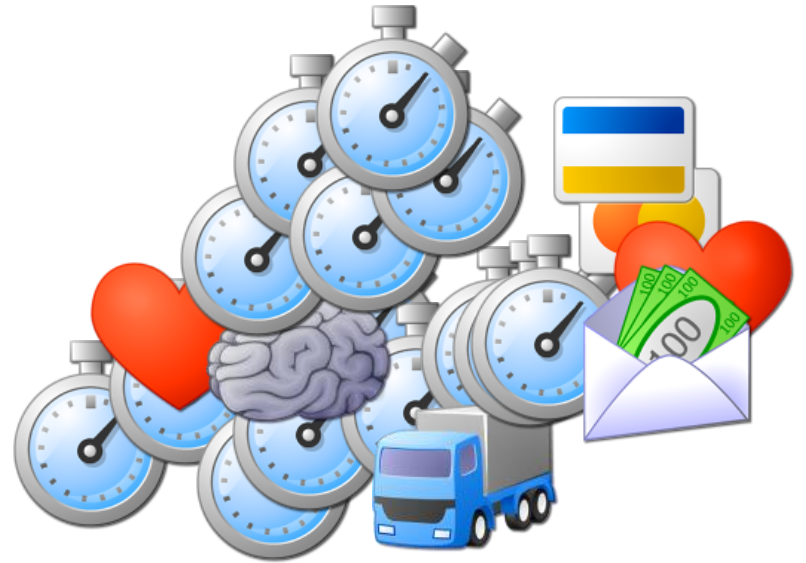


Grunt 4

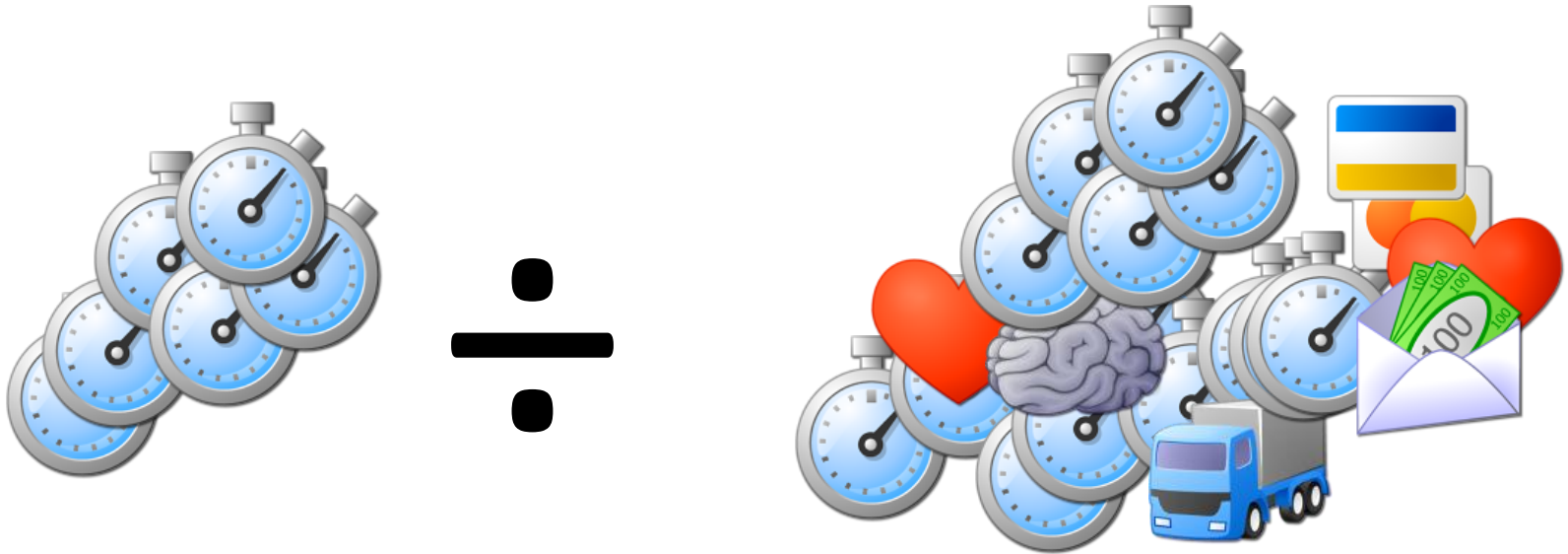


Sales Guy





# Grunt 1's Share\*

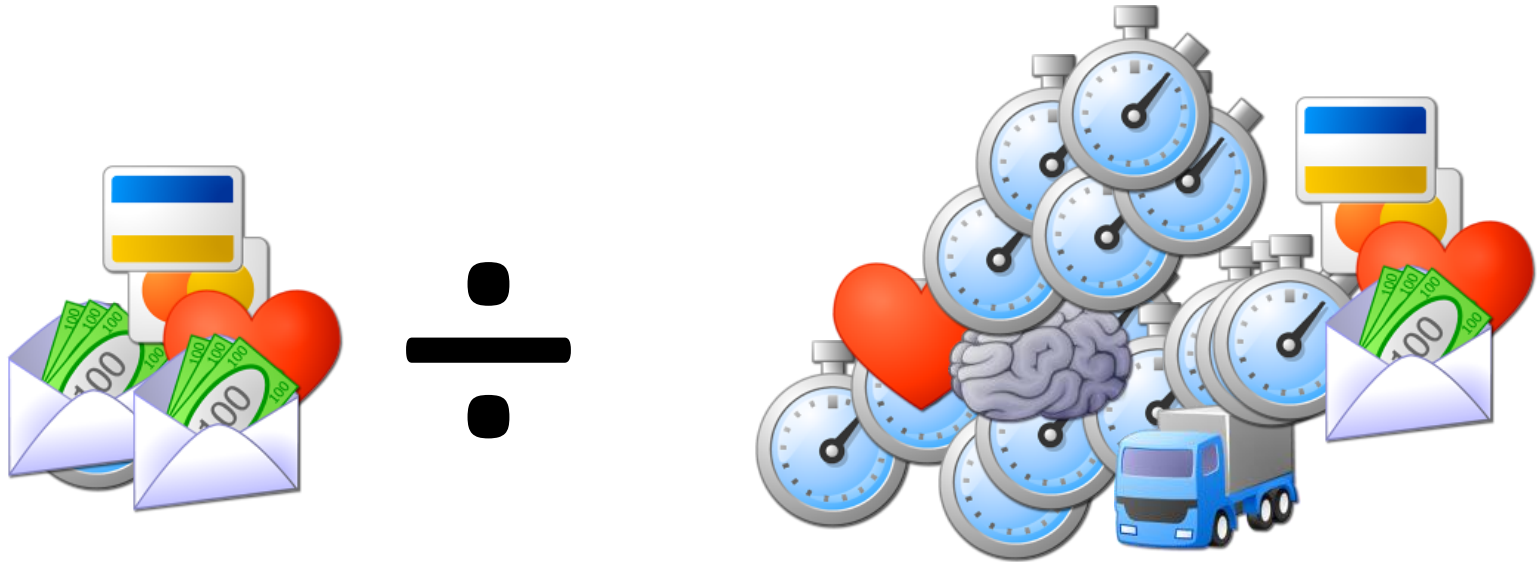


\*If the Grunt Does Nothing Else



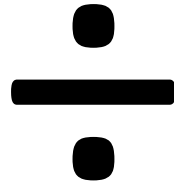


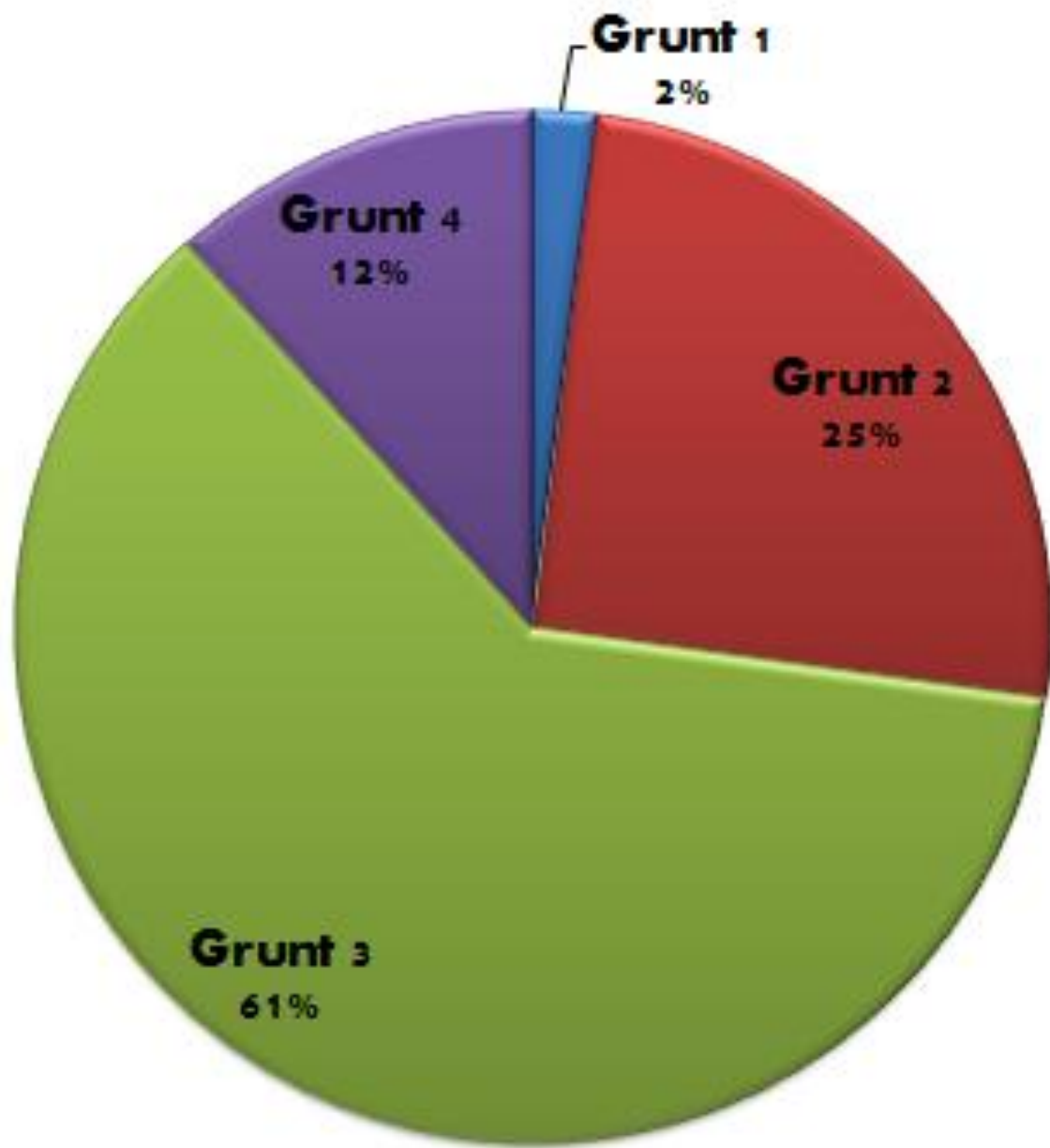
# Grunt 3's Share\*



\*If the Grunt Does Nothing Else

# Grunt 4's Share





# Removing a Grunt

Good Reason

No Good Reason

Fired

**A**

**B**

Resigned

**C**

**D**

# Removing a Grunt

- No pie for time
- Adjust other inputs to dollar amount (no multiplier)
- Buy back if possible
- Non-compete

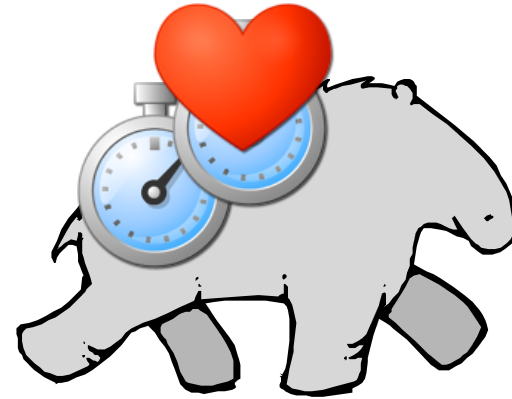
	Good Reason	No Good Reason
Fired	<b>A</b>	<b>B</b>
Resigned	<b>C</b>	<b>D</b>

# Removing a Grunt

- Keeps pie
- Buyback at theoretical value
- No non-compete

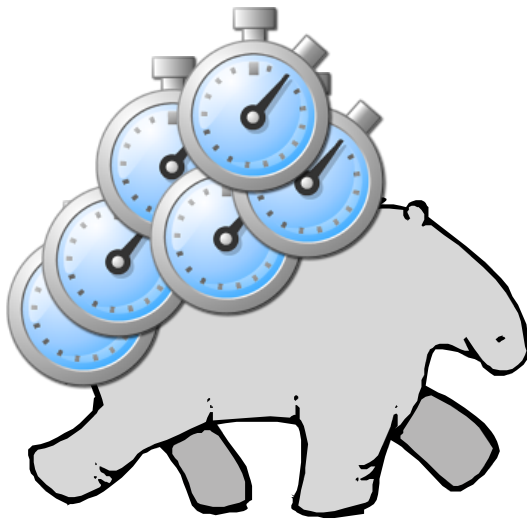
	Good Reason	No Good Reason
Fired	<b>A</b>	<b>B</b>
Resigned	<b>C</b>	<b>D</b>

# Removing a Grunt

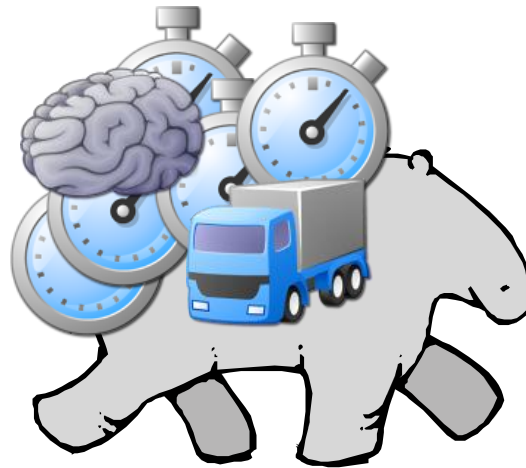


Grunt 4

Grunt 1



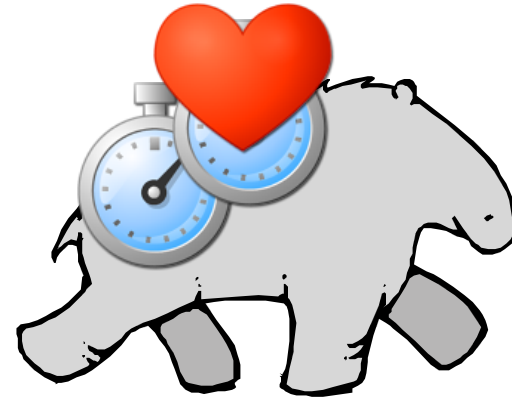
Grunt 2



Grunt 3



# Removing a Grunt

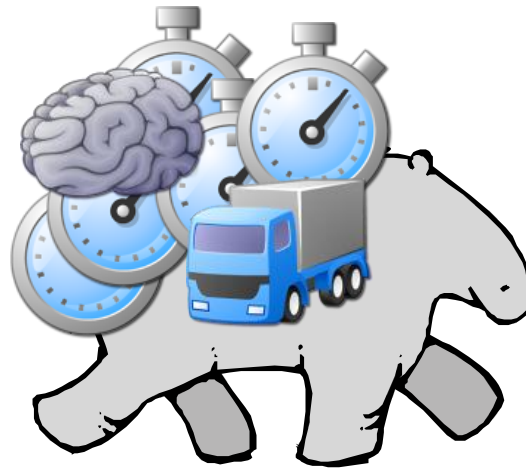


Grunt 4

Grunt 1



Grunt 2

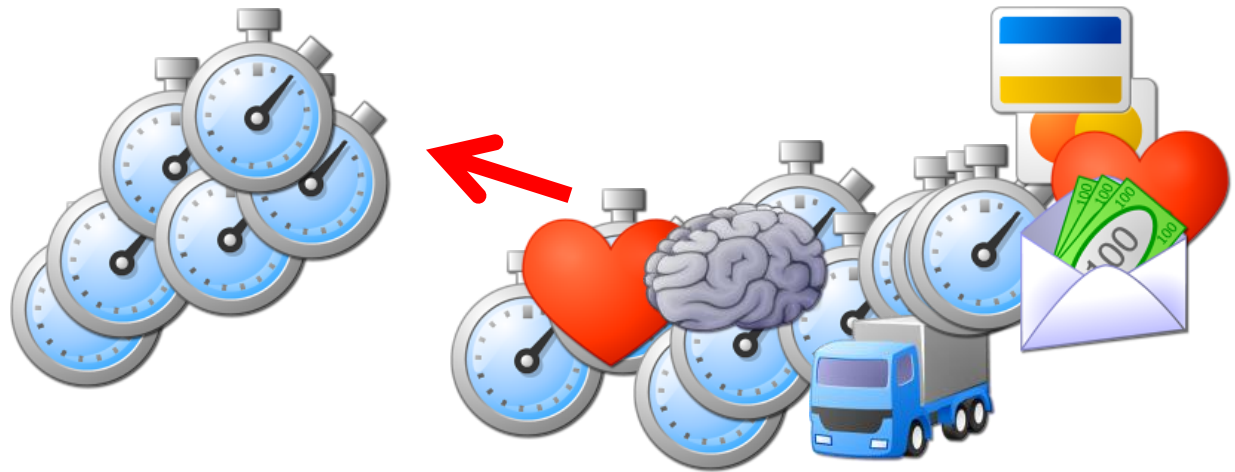


Grunt 3





# Removing Contributions



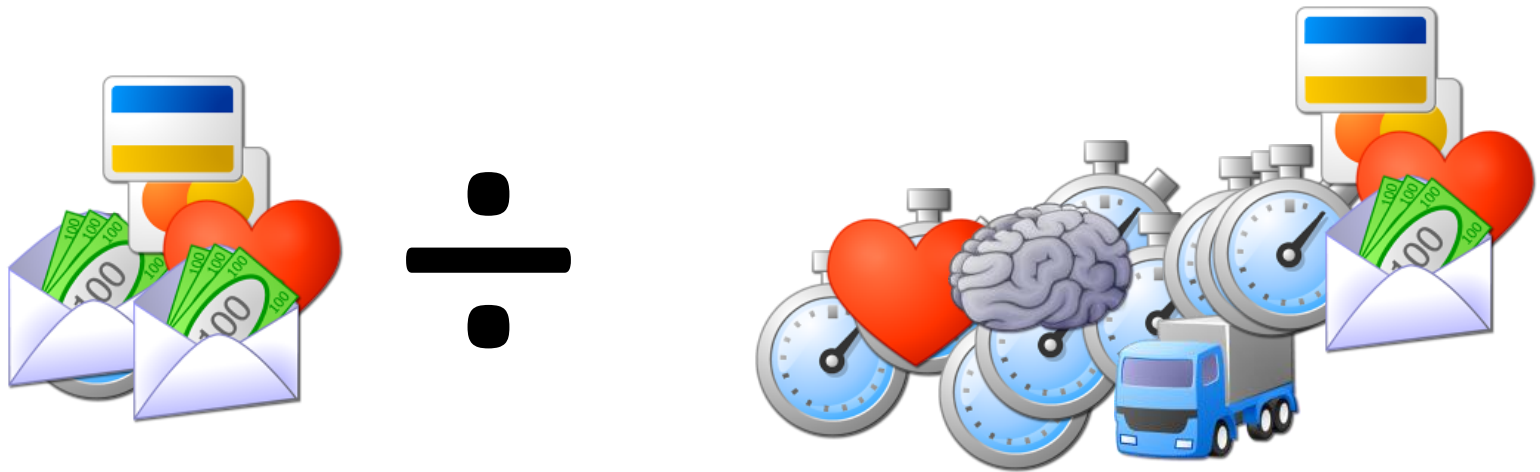
# Grunt 2's Share



÷



# Grunt 3's Share

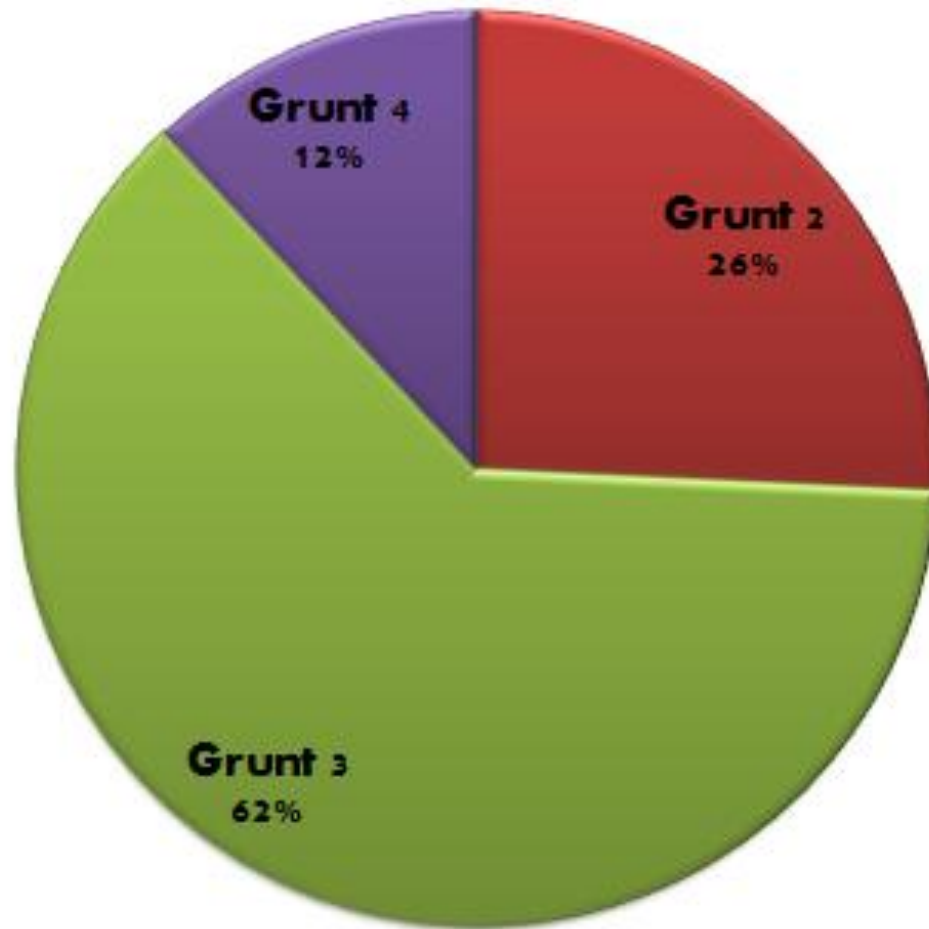


# Grunt 4's Share



÷



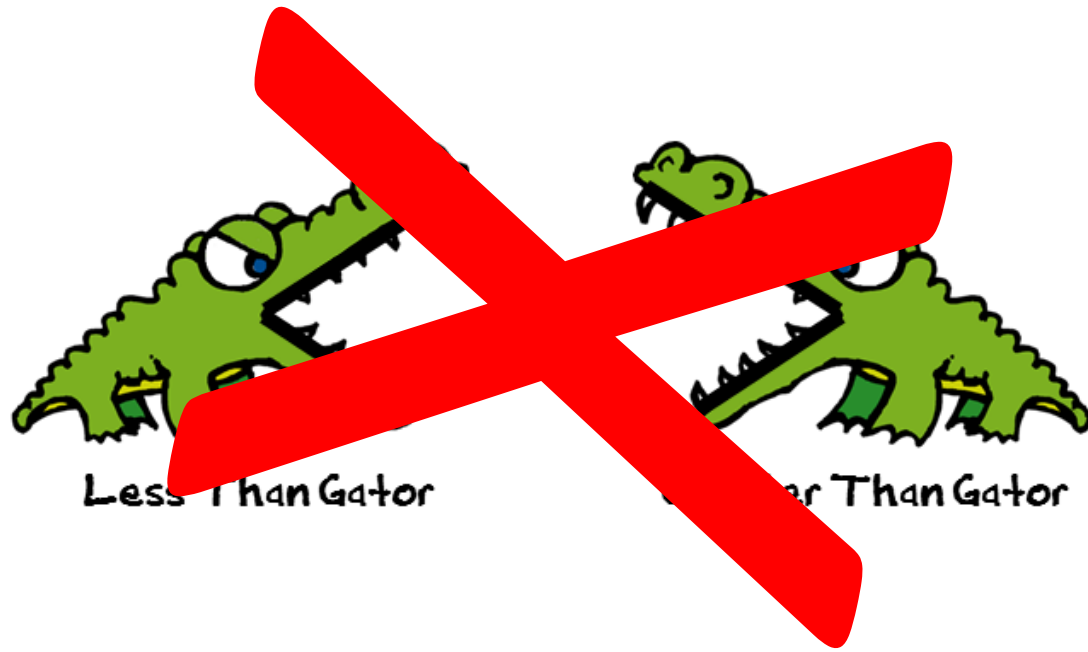


# What We Get

- Perfectly fair
- Rewards participants for contributions
- Provides ongoing motivation to continue contributing
- Accommodates additions or subtractions to the team
- Flexible in the face of rapid change
- Gets rid of the gators!

# Outgrowing a Grunt Fund

- Real revenues
- Positive cash flow
- Significant Series A investment
  
- Just pay people!



- Almost done.....



# Resources

- [mike@slicingpie.com](mailto:mike@slicingpie.com)
- [SlicingPie.co.uk](http://SlicingPie.co.uk)
- [SlicingPie.com](http://SlicingPie.com)
- Slicing Pie
- Get Them Gators
- The Pie Slicer Handbook (coming soon)
- Online Pie Slicer (coming soon)