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:

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
"50/50"
"60/40"
"80/20"
"25/25/25/25/25"

90%+ of startups do equal splits
50/50
50/50

What if...

50/50
You want to quit? 
50/50

You do all the work? 

You bring in another guy? 

Your partner wants to quit? 

1,000,000 other things?
Your Share % > $\frac{\text{The Value of Your Contribution}}{\text{The Total Value}}$

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 % = \[
\frac{\text{The Theoretical Value of Your Contribution}}{\text{The Total Theoretical Value}}
\]

3. Allow it to self adjust over time (dynamic)
Assign Theoretical Values
Time

Negotiated Base Salary

- Cash Compensation

\[ \times \frac{\text{Two}}{2,000} = \text{Grunt Hourly Resource Rate (GHRR!)} \]
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
# 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.

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time-Grant</td>
<td>Grant Hourly Resource Rate (GHR) = (Negotiated Base Annual Salary ÷ 2) - 2000</td>
</tr>
<tr>
<td>Time-Grant who also gets cash compensation</td>
<td>GNRR = (Negotiated Base Annual Salary - Current Comp) ÷ 2 - 2000</td>
</tr>
<tr>
<td>Time-Consultant</td>
<td>Hourly Rate × 2 (reserve the right to buy back)</td>
</tr>
<tr>
<td>Money- Cash</td>
<td>Amount of Money × 4 (2x if second-hand)</td>
</tr>
<tr>
<td>Money- Personal Credit, Paid Off by Company</td>
<td>N/A (1x)</td>
</tr>
<tr>
<td>Money- Personal Credit, Paid Off by Grant</td>
<td>Amount of Money paid towards bill (including interest) × 4</td>
</tr>
<tr>
<td>Money- Loan to the Company</td>
<td>No gain, just principle and interest from the company. Treat as cash if not repaid by company.</td>
</tr>
<tr>
<td>Money- Unamortized expenses</td>
<td>Amount of expenses × 4</td>
</tr>
<tr>
<td>Supplies and Equipment- Business Facilitating</td>
<td>Nothing</td>
</tr>
</tbody>
</table>
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 2’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

<table>
<thead>
<tr>
<th>Fired</th>
<th>Good Reason</th>
<th>No Good Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Resigned</td>
<td>C</td>
<td>D</td>
</tr>
</tbody>
</table>
Removing a Grunt

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

- Keeps pie
- Buyback at theoretical value
- No non-compete
Removing a Grunt

Grunt 1

Grunt 2

Grunt 3

Grunt 4
Removing a Grunt

Grunt 1

Grunt 2

Grunt 3

Grunt 4
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
• SlicingPie.com
• Slicing Pie
• Get Them Gators
• The Pie Slicer Handbook (coming soon)
• Online Pie Slicer (coming soon)
Moondog-

**Team**

**Mike**
Slices: 51,550
Well: 47.30%
Well Balance: 4245USD
Pie: 40.13%

- **Add Contribution**
- **Remove Team Member**

**Merrily**
Slices: 15,000
Well: 0%
Well Balance: 0USD
Pie: 11.68%

- **Add Contribution**
- **Remove Team Member**

**Fund Summary**

- **Add Contribution**
- **Remove Team Member**

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**Pie Slices**

- **Mike**: 128,450 Slices
- **Merrily**: 8,975 USD