

Equity Grant Guidelines

The following guidelines serve as Gordon Daugherty's personal cheat sheet of sorts for granting equity to new employees via stock options. Read his article titled "[Founder & Early Employee Compensation](#)" for important additional insights.

Guidelines for Using this Resource (Equity Component)

1. The equity amounts suggested in this document are not for the founders or earliest employees that join before any funding is secured. There are too many other factors involved that cause wide ranges of equity grants.
2. The recommended equity amounts that follow assume employees are making below market-rate cash compensation as compared to a \$10M revenue company. If an employee requires cash compensation higher than what is shown, their equity amount should be reduced.
3. The "Pre-Seed Funded" stage assumes an MVP has been built and possibly in beta test mode. It also often means a small friends-and-family or angel round of funding has been secured (perhaps \$100-250K).
4. The suggested equity amounts are reduced for each evolutionary stage of the company because of the reduced death risk and increased odds of success. A 20% reduction is shown from Pre-Seed Funded to Seed Funded and a 25% reduction is shown from Seed Funded to Series A Funded. Since each company is different, consult with your advisors and board members on this.
5. You might decide to adopt a practice of initially try to close candidates at ~75% of the equity listed in the table, treating those as "no higher than" and something you could stretch to for awesome candidates
6. Sales professionals get ~35% less equity-based compensation than their counterparts at a similar level. This is because they already have up-side cash compensation potential via their sales commission plan. The chart that follows shows two examples, but similar reductions in equity should also apply for a sales director or VP.
7. Exceptions to stock guideline should be reviewed with the Board of Directors before submitting an offer
8. VP offers should likely be reviewed with the Board before submitting an offer, even given the guidelines
9. An official stock option plan (aka – "employee incentive plan") should be properly instituted and approved (usually a board approval) before issuing stock options to employees. Also, important legal paperwork is required with each option grant.

Disclaimer: *You should always seek advice from certified professionals (ie – accountant, attorney) when dealing with something as important as issuing equity*

Cash Compensation Guidelines

The following guidelines serve as Gordon Daugherty's personal cheat sheet of sorts for granting equity to new employees via stock options. Read his article titled "[Founder & Early Employee Compensation](#)" for important additional insights.

Guidelines for Using this Resource (Cash Component)

1. The % market rates shown are benchmarked against what a typical \$10M revenue company would pay for the same position in the same local market.
2. The "Pre-Seed Funded" stage assumes an MVP has been built and possibly in beta test mode. It also often means a small friends-and-family or angel round of funding has been secured (perhaps \$100-250K).
3. The percentages are highest for the entry-level positions and lowest for the executive positions. This is because very few entry-level employees are able to accept a job that pays considerably below the market rate. That is not the case for executives.
4. If an employee requires cash compensation higher than what is shown, their equity amount should be reduced. Conversely, if they are willing to take less than what is shown, a larger equity grant could be considered.
5. The mention of "bare minimum" cash compensation for vice presidents could mean \$0 for some executives that can last a few months or longer at that rate, in exchange for using all of the company's cash to advance the business forward. Other executives might need some minimal salary just to cover their basic costs, but this might mean \$2,000/mo and rarely as much as \$5,000/mo without a downward adjustment to their equity component.

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Compensation Guidelines for New Employees

Job Level	Pre-Seed Funded		Seed Funded		Series A Funded	
	Equity (% fully-diluted)	Cash (% mkt rate)	Equity (% fully-diluted)	Cash (% mkt rate)	Equity (% fully-diluted)	Cash (% mkt rate)
Entry	0.15%	80%	0.12%	85%	0.09%	90%
Professional	0.30%	80%	0.25%	85%	0.19%	90%
Sales Professional	0.20%	80%	0.15%	85%	0.12%	90%
Manager	0.60%	65%	0.50%	70%	0.38%	80%
Sales Manager	0.40%	65%	0.32%	70%	0.25%	80%
Director	1.25%	40 – 50%	1.00%	60%	0.75%	75%
Vice President	3.0 – 5.0%	bare minimum	1.50 – 3.0%	30 – 50%	1.0 – 2.0%	70%
Board Dir (2 yrs) (assumes some light advisory work)			1.00 – 1.25%		0.75 – 0.90%	