



ENTR 599: Entrepreneurial Ownership

Course Syllabus

Winter 2015

Tuesdays 8:30 a.m. – 11:30 a.m. (Michigan Time Start at 8:40am)

Duderstadt Building, Conference Room 1180

Instructor	e-mail	Location
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Course Description

Employee Ownership in small, medium, and large businesses is a continuum that ranges from 100% employee owned to 100% investor owned. This Equity Ownership course will help students better comprehend equity ownership issues surrounding formation, launch, growth, and long term operation or exit for both non-profit and for-profit entities.

This course is presented from the perspective of the entrepreneur and employee owner. The seven week course will cover the critical steps of equity and employee ownership; founding your own company or joining a start-up, successfully navigating funding rounds, deploying your equity to incentivize employees and encourage long-term growth, or negotiating through an exit.

The student shall develop the critical thinking skills and analytical frameworks necessary to grasp the trade-offs of equity and employee ownership throughout the business lifecycle. By the end of the course, the student should be able to select an appropriate corporate structure, establish basic shareholder governance, calculate capitalization tables, and estimate the value of an entrepreneurial venture. A graduate from this course will make informed tactical and strategic decisions around the efficient and effective and deployment of their equity.

Course Policies

1. All students are expected to attend and participate in class throughout the term.
2. Class starts promptly at 8:40 a.m. Late entries and early departures from class will not be tolerated.
3. Late homework will not be accepted for a grade but the lowest homework grade for the term will be dropped.

Course Format

Each week, classes will generally follow the same structure:

1. Homework is due **24 hours** prior to the start of the class period. This means Monday mornings by 8:00 am.

2. Review homework and discuss
One or more random students will be selected by faculty to concisely and persuasively present their individual results in a compelling fashion.
3. Content lecture and active learning exercises
4. Homework assignment preparation
5. Guest speaker or other content

Evaluation

Student grades for the course will be awarded based on weekly homework deliverables, final exam presentation, class participation and attendance. The final grade for the course will be assigned to each student based on:

Assessment	Percent
Homework deliverables	40%
Final exam presentation	40%
Class participation, attendance, and instructor assessment	20%

Required Course Materials

This course covers a very broad set of topics not covered by any single textbook. Rather than a single required textbook, the course content will be delivered using a combination of online resources and classroom lectures.

A list of recommended readings will be provided throughout the course at appropriate points. A recommend (not required) list is provided below:

- [*Slicing Pie. Fund Your Company without Funds*](#), Mike Moyer
- [*Venture Deals. Be Smarter than your Lawyer and Venture Capitalist*](#), Brad Feld
- [*The SAIC Solution, Built by Employee Owners*](#), J. Robert Beyster
- [*The Founder's Dilemmas*](#), Noam Wasserman
- [*Disciplined Entrepreneurship, 24 steps to a successful startup*](#), Bill Aulet

Course Outline

The course outline listed below is designed to walk students through the evolution of equity and employee ownership from the earliest days of corporate formation through the exit or long-term operation of a mature corporation. The goal of this course is learn both the mechanics behind equity investments and ownership from the perspective of the Entrepreneur and Employee Owner.

Week 1. Equity 101 and Founder's Stakes

In the first week will begin exploring fundamental topics surrounding equity. This class period will establish answers to the basic question of "What is equity, and what is it used for?". The first class period also covers the most challenging process in any new enterprise, determining how much equity each founder should be entitled to own.

Week 2. Basic Capitalization Table

The capitalization table is the scorecard for equity. In this course you will learn the terminology and methods to build a spreadsheet that tracks ownership stakes, voting rights, stock options, and more. The capitalization table is primary tool for this course. Additional content and complexity will be added to the capitalization table every week as new concepts are introduced.

Week 3. Friends, Family, and Fools. Angel Investors

During the third week of class we explore the advantages and disadvantages of the earliest stage funding typically received from friends, family members, and fools. The second part of the course will introduce Angel Investors and the many gains and pitfalls of this class of early stage investor.

Week 4. Venture, Strategic, and Valuations

The fourth week introduces the professional investor. Investors in this category include Venture Capitalists and Corporate Strategic Investors such as Google Ventures. The course content will include investor motivations, investment terms and conditions, funding rounds, and methods to value your enterprise.

Week 5. Boot Strap, Non-Dilutive and Exits

The fifth week introduces a variety of non-dilutive ways you can fund your company. There are numerous ways to fund your organization without having to sell precious equity. This class period also covers the terms and conditions hidden behind the headlines of newsworthy acquisitions and IPOs.

Week 6. Employee Ownership, Non-Profits, Hybrids, JOBS Act

Not every enterprise is about billion dollar exits and IPOs. This class will introduce the numerous types of equity structures that can be built around the concepts of philanthropy, social entrepreneurship, employee profit sharing, crowd-sourcing, and others.

Week 7. Final Exam and Oral Presentations

The final examination for this course is a combination of individual take home exam and final presentation. Students will utilize the concepts from this course to translate a case study into a capitalization table covering the complete life cycle of a business. Individual students will give a short presentation on their results and respond to questions from the teaching staff.

Request for Input and Feedback

This course was launched to provide the background and tools technology students need to better understand the world of equity and employee ownership. The course roadmap we have created is a dynamic structure that can and will change based both on our class experience and your feedback. We welcome your feedback throughout the semester.