



ENTR 599 009: Compensation, Funding, and Ownership

# Course Syllabus

Winter 2016

Mondays 5:00 p.m. – 8:00 p.m.

HH Dow Building, Room 1014

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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. The Compensation, Funding, and Ownership course will help students better comprehend equity and 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. Numerous finance and investment courses exist within Business School curriculums. These business courses are intended to teach investment and valuation skills to next generation investment professionals. The Compensation, Funding, and Ownership course was created to give technically trained innovators and inventors a better understanding of how businesses and non-profits secure resources to achieve their objectives.

Every organization progresses through multiple phases over its lifetime. This semester long course will cover those critical developmental phases and how they relate to opportunities for innovators and inventors to participate as an employee owner. Topics covered during the course include; founding your own company or joining a start-up, successfully navigating funding rounds, deploying stock options to incentivize employees and encourage long-term growth, establishing compensation plans, or negotiating through an exit.

The student shall develop the critical thinking skills and analytical frameworks necessary to grasp the trade-offs of compensation, equity, and employee ownership throughout the business lifecycle. By the end of the course, the student should understand basic corporate structure and governance, calculate capitalization tables, evaluate a term sheet, negotiate a stock option offer, and estimate the value of a venture. A graduate from this course will make informed tactical and strategic decisions around the efficient and effective deployment of equity to accomplish the goals of any organization.

## COURSE POLICIES

### 1. Class Participation.

- a. All students are expected to attend and participate in class throughout the term.

### 2. Attendance

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- a. All students are expected to attend and participate in class throughout the term.
- b. Class starts promptly at 5:10 p.m. Late entries and early departures from class will not be tolerated.

## 3. Late/Missing Assignments and Exams

- a. Homework is due **24 hours** prior to the start of the class period (Sunday at 5:00 pm).
- b. All homework must be uploaded into the CTools Assignment tab.
- c. Late homework will not be accepted for a grade.

## 4. Academic Integrity

- a. You are expected to adhere to the Code of Student Conduct and/or the Engineering Honor Code, both of which can be found online.
- o 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.

## COURSE FORMAT

Each week, classes will generally follow the same structure:

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

## Student 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:

<b>Homework deliverables</b>	<b>40%</b>
<b>Final exam presentation</b>	<b>40%</b>
<b>Class participation, attendance, and instructor assessment</b>	<b>20%</b>

## REQUIRED COURSE MATERIALS

This course covers a very broad set of topics not covered by any single textbook. Rather than a 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 to learn both the mechanics behind equity investments and ownership from the perspective of the Entrepreneur and/or Employee Owner.

Weeks 1 & 2	Equity 101 and Founder's Stakes	We 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?". These class periods also cover the most challenging process in any new enterprise, determining how much equity each founder should be entitled to own.
Week 3	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.
Weeks 4 & 5	Friends, Family, and Fools. Angel Investors	We will 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.
Weeks 6 to 8	Venture, Strategic, and Valuations	These sessions will introduce 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 9	Exits	How do shareholders and employee owners convert their stock and options into cash? This session will explain what happens during a majority change in ownership. This class period also covers the terms and conditions hidden behind the headlines of newsworthy acquisitions and IPOs.
Week 10	Boot Strap and Non- Dilutive Funding	This session introduces a variety of non-dilutive ways you can secure funding. There are numerous ways to fund your organization without having to sell precious equity.
Week 11	Nonprofits and Social Enterprise	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, crowdsourcing, and others.
Week 12	Ongoing Enterprise and ESOPs	Employee owners can reap significant financial rewards without ever having to navigate through an exit scenario. This class will cover profit sharing, ESOPs, dividends, and other methods to distribute wealth year after year.
Week	Employee	How do you compensate employees? This session will

		other methods to distribute wealth year after year.
Week 13	Employee Compensation	How do you compensate employees? This session will discuss how to evaluate an employment offer or establish compensation plan for your own employees. Topics will include salary, bonus, stock options, stock grants, profit sharing, benefits, and other forms of employee compensation.
Finals Week Date TBD	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 technology students the content and tools needed to better understand the world of equity and employee ownership. The course roadmap is a dynamic structure that can and will change based your feedback and classroom experience. I welcome your feedback throughout the semester.