

MGT 429 TOPICS IN CORPORATE GOVERNANCE: TECHNIQUES OF EQUITY COMPENSATION

Summer 2018

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OFFICE HOURS: noon to 2:00 pm on class days and other times by appointment @ 4S126

CLASS HOURS: 6:30 to 9:30 pm (Mondays as indicated below) Rm: 1E106

COURSE DESCRIPTION

Techniques of Equity Compensation is a skills-based 2 unit elective course designed to provide students a comprehensive understanding of equity as a compensation vehicle. After completing the course, students will have the capacity to understand and evaluate the various tools and techniques available under current law and practice for applying corporate equity as a compensation and motivation vehicle for employees as well as a tax and cost effective vehicle for assisting in business succession and capital expansion. The course content will include a review of frameworks currently available under law for creating equity participation plans; hands-on exploration of equity sharing techniques as they are applied in the real world as well as insights into “best practices” to maximize results; and an understanding of future trends in this important area of business management. All assignments, term projects and exams are individual. Group study is encouraged, but not required.

COURSE OBJECTIVES

The objective of the course is to equip students with a comprehensive, practical understanding of the rationale for and implementation of vehicles available under current law and practice for implementing employee ownership and equity compensation and incentive plans. The course is intended to equip students to deal with equity compensation both as a recipient participant and an entrepreneur executive applying equity as a currency of business development.

COURSE MATERIALS

Course materials will include two basic texts: Entrepreneur’s Guide to Equity Compensation (Beyster Institute); An Introduction to ESOPs (National Center for Employee Ownership); and a Reader comprising short readings from:

- Beyster, J. Robert and Peter Economy. The SAIC Solution. Hoboken, NJ: John Wiley & Sons, Inc., 2007.
- Blasi, Joseph R., Douglas Kruse, and Aaron Bernstein. In the Company of Owners. New York: Basic Books, 2003.
- Douglas Kruse, Richard Freeman, and Joseph Blasi Shared Capitalism at Work. Chicago and London: University of Chicago Press 2010.
- Kelso, Louis O. and Mortimer J. Adler. The Capitalist Manifesto. New York: Random House, 1958.
- The National Center for Employee Ownership. Equity Alternatives. Oakland, CA: The National Center for Employee Ownership, 2013.
- The National Center for Employee Ownership. Decision-Maker’s Guide to Equity Compensation: Oakland, CA: The National Center for Employee Ownership, 2007.

- Rosen, Corey, John Case, and Martin Staubus. Equity: Why Employee Ownership Is Good for Business. Boston: Harvard Business School Press, 2005.
- Stack, Jack and Bo Burlingham. A Stake in the Outcome. New York: Doubleday, 2002.
- Blasi, Joseph R., Richard B. Freeman and Douglas Kruse. The Citizen's Share. New Haven: Yale University Press, 2013

COURSE SCHEDULE

Date	Due	Class Topic & Activities	Assignments
Session 1 July 30, 2018	<u>The SAIC Solution - Chapter 5 (Reader)</u> Part 1 Entrepreneur's Guide to Equity Compensation (EGEC)	Introduction to Equity as a Motivation and Retention Tool – Introduction to Case Study Learning – Overview of Techniques: Qualified Plans	<ul style="list-style-type: none"> • <u>The Capitalist Manifesto</u> – Chapters 2 and 3 • <u>An Introduction to ESOPs</u> • <u>EGEC</u> – Chapters 5, 6 and 7 • Worksheet on Qualified Plans
Session 2 August 6, 2018	Preliminary/informal Term Project Case Study Selection Worksheet on Qualified Plans	Overview of Techniques - Non-qualified Plans, Performance Based Incentives, synthetic Equity	<ul style="list-style-type: none"> • <u>EGEC</u> – Chapters 2, 3 and 4 • <u>Equity Alternatives</u> – Chapter 1 • Worksheet on Non-Qualified Plans, Performance Incentives, Synthetic Equity
Session 3 August 13, 2018	Worksheet on Non-Qualified Plans, Performance Incentives, Synthetic Equity Based Incentives	Legal Implications of Equity Sharing – Securities and Accounting Concerns Current and Future Trends in Equity Compensation	<ul style="list-style-type: none"> • <u>Decision-Maker's Guide to Equity Compensation</u> Chapters 8 and 10 • <u>Shared Capitalism at Work</u> – Chapter 1 • <u>In the Company of Owners</u> – Chapter 1 (pages 3-17) and Chapter 2 • Worksheet on Legal Implications and Current and Future Trends • Begin Draft of Term Project
Session 4 August 20, 2018	Worksheet on Legal Implications, Current and Future Trends in Equity Compensation	Employee Ownership in Business Succession Planning and corporate finance;	<ul style="list-style-type: none"> • <u>EGEC</u> – Chapters 11 and 12 • <u>Equity</u> (Case Rosen and Staubus) – Part 1

	(Optional) Submit draft term project for review by November 11th	Example Equity Compensation Program Presentation(s)	<ul style="list-style-type: none"> • <u>A Stake in the Outcome</u> – Chapter 1 • <u>The Citizens Share</u> - Chapter 2 • Worksheet on Employee Ownership and Succession Planning
Session 5 August 27, 2018	Worksheet on Employee Ownership in Business Succession; Final Term Project due by August 31, 2018	Shareholder Concerns in Equity Compensation; ownership culture	<ul style="list-style-type: none"> • <u>Decision-Maker's Guide to Equity Compensation</u> – Chapter 11 • Worksheet – Shareholder Concerns in Equity Compensation
Self-Administered	Final Exam to be completed by August 31, 2018	Final Exam (optional)	

COURSE ASSIGNMENTS

Course assignments will include weekly readings and worksheet on each topic covered. Worksheets will not be graded per se. The course will also include a design project to be completed and submitted in the last week of the program (prior to the Final Exam). There will also be a Final Exam reviewing the course including multiple choice and short essay questions. Class participation will count toward the final grade.

GRADING CRITERIA

The course is a skills based course that will focus on students developing an executive's understanding of the myriad vehicles available under current law and in current practice to employ equity and employee ownership to create a successful business. Therefore, the grading criteria will be as follows:

Class Participation	30%
Topic Worksheets	30%
Term Project	30%
Final Exam	10%

STUDENTS WITH DISABILITIES

A student who has a disability or special need and requires an accommodation in order to have equal access to the classroom must register with the Office for Students with Disabilities (OSD). The OSD will determine what accommodations may be made and provide the necessary documentation to present to the faculty member.

The student must present the OSD letter of certification and OSD accommodation recommendation to the appropriate faculty member in order to initiate the request for accommodation in classes, examinations, or other academic program activities. **No accommodations can be implemented retroactively.**

Please visit the [OSD website](http://osd.ucsd.edu) (osd.ucsd.edu) for further information or contact the Office for Students with Disabilities at (858) 534-4382 or fosorio@ucsd.edu.