



EMPLOYEE OWNERSHIP TRUST

A Complete Guide to Understanding and Establishing EOTs



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EMPLOYEE OWNERSHIP TRUST 101

The Employee Ownership movement in the United States has grown and evolved tremendously over the past few decades. As of the most recently available data, there are approximately 6,548 Employee Stock Ownership Plans,¹ 751 Worker Cooperatives (WCs),² and 46 Employee Ownership Trusts (EOTs).³ ESOPs and WCs are the most dominant form of employee ownership in the United States, but momentum for EOTs is building off the model's preeminence in the UK and Canada.⁴



The emergence and spread of EOT based employee ownership in the US signals the evolution of the movement as a whole, and requires our attention to foster its expansion. The EOT's values-embedded model can take employee ownership to new heights – ushering in a new era of workplace democracy. Through EOTs, growing inequality and the “Silver Tsunami” can be leveraged to broadly and indefinitely anchor a positive social mission at the core of small business operating logic. This toolkit offers a clear overview of EOTs, including definitions, comparisons to ESOPs, ideal business profiles, best practices, key statistics, enabling policies, funding sources, and a case study of Clegg Auto, a Utah based EOT.

¹ Employee Ownership by the Numbers. (n.d.). National Center for Employee Ownership. Retrieved August 5, 2025, from <https://www.nceo.org/research/employee-ownership-by-the-numbers#how-many-esops-are-there>

² Democracy At Work Institute. (n.d.). State of the Sector 2023. Democracy At Work.

³ Hand, Mark Clayton, Jenny Everett, Courtney Kemp, Stacey Smith, and Natalie Reitman-White. 2023. “Purpose Trust Service Providers in the United States.” Harvard Dataverse. <https://doi.org/doi:10.7910/DVN/RIO0PG>.

⁴ Maxwell Johnson, The Emergence of Employee Ownership Trusts in the U.S., Aspen Institute Economic Opportunities Program (Nov. 30, 2023),

What is an Employee Ownership Trust?

Employee Ownership Trusts (EOTs) – a type of purpose trust without an ascertainable beneficiary – hold some or all of the shares of a company for the indirect benefit of all of the employees.⁵ EOTs are not a retirement plan, like ESOPs.⁶ They cannot be bought nor sold, and employees don't have to sell shares before reaping financial benefits – in fact, they can't since they don't personally hold the shares. Most simply put, EOTs are a perpetual purpose trust whose purpose is to benefit all present and future employees through profit-sharing plans established by the trustor. Profits generated by the business are shared with all employees through cash compensation, a contribution to a 401(k) plan, or any configuration established by the trustor.

Employee Ownership Distinctions

The most popular broad-based Employee-Ownership models in the United States are Worker Cooperatives (WCs) and Employee Stock Ownership Plans (ESOPs).⁷ To understand where Employee Ownership Trusts (EOTs) fit within the Employee-Ownership landscape, the chart below differentiates.

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="width: 30%; font-size: 2em; font-weight: bold; color: #f4a460;">EMPLOYEE OWNERSHIP MODELS</div> <div style="width: 65%; font-size: 0.8em;"> <p>Employee ownership at the workplace comes in different forms. An Employee Stock Ownership Plan is a trust that allocates shares of the company to employees as a form of retirement plan. A Worker Owned Cooperative involves direct democratic ownership by workers, who govern the business on a one-person, one-vote basis. An Employee Ownership Trust allocates ownership to a Trust, whose trustees have a permanent obligation to seek the benefit all employees, past and future.</p> </div> </div>		
EMPLOYEE STOCK OWNERSHIP PLAN	WORKER OWNED COOPERATIVE	EMPLOYEE OWNERSHIP TRUST
<ul style="list-style-type: none"> Retirement plan, regulated by federal law (ERISA) Employees gain ownership through company stock held in a trust Often used in larger firms, due to regulatory complexity and costs Provides major federal tax advantages, including capital gains exemptions for selling owners 	<ul style="list-style-type: none"> Democratic business structure where workers are direct member-owners Workers directly govern their business on a one-person, one-vote basis Profits are shared equitably, based on labor contributed Common among smaller businesses, with less complex regulatory structure than ESOPs 	<ul style="list-style-type: none"> A perpetual trust that holds a controlling stake in business on behalf of employees Trustees obligated to pursue employee benefit & other social purposes in Trust Deed. Employees benefit through profit-sharing & job security, but typically do not own individual shares Perpetuity model resists sale to outside parties

⁵ Johnson, M. (n.d.). *The Emergence of Employee Ownership Trusts in the United States*. Aspen Institute. <https://www.aspeninstitute.org/blog-posts/the-emergence-of-employee-ownership-trusts-in-the-us/>

⁶ Ibid.

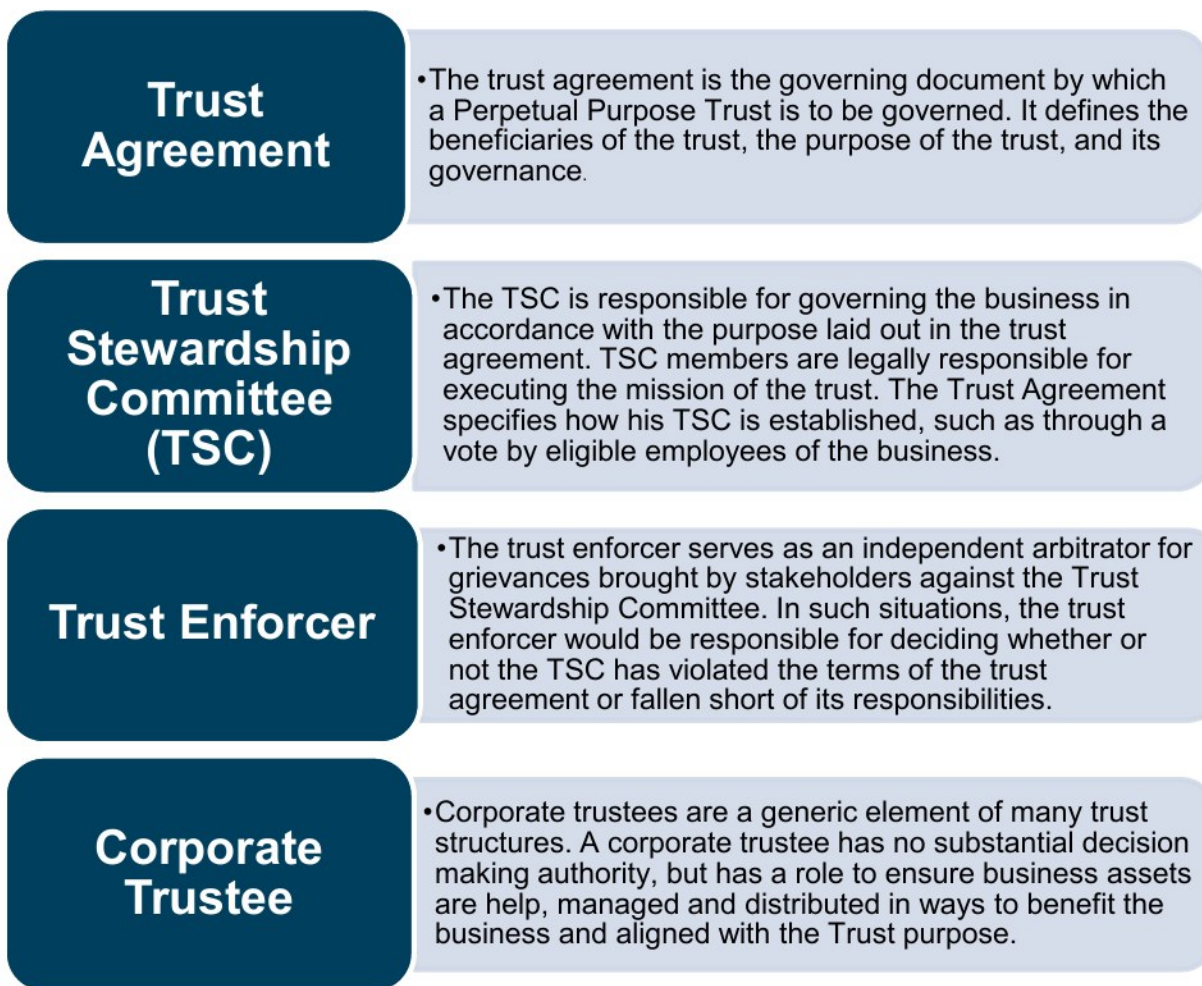
⁷ Ibid, See NCEO Employee Ownership by the numbers.

	ESOP	EOT
Regulated by State or Federal Law?	Federal	State
Complexity	Requires compliance with strict federal ERISA rules, including annual valuations, repurchase obligations, and fiduciary obligations to maximize retirement benefits of employees.	Less complex than ESOPs: no ERISA compliance needed, Governance and trust structure still require legal design and regular trustee oversight.
Ownership	Trust holds stock behalf of employees	A perpetual trust owns the company on behalf of employees; no shares are held by individual owners.
Governance	Founder/Seller often selects Initial Trustee who oversees business adherence to Trust deed; Over time Trustee Board selects Trustee; employees have limited voting rights. Employees are typically passive beneficiaries	Varies: EOT board often includes employee representation; trust deeds often require employee consultation but do not mandate direct voting control. Most employees not engaged in direct management.
Profit Distribution	Shares in company gained over time and share value realized upon employee retirement or departure from company	Very limited benefits in federal tax law.
Federal Tax Status	Multiple tax benefits, including: capital gains tax exemptions, income tax exemptions, tax-free loan interest repayments, dividend deductions, and IRA rollovers.	Very limited benefits in federal tax law.
Trustee Role	Fiduciary duty to maximize financial benefit for current ESOP shareholders, which can result in "demutualization" and sale of company to a traditional private buyer.	Holds company in perpetuity. Company cannot be demutualized or sold to non-employee ownership structure. Trustee required to consider employee benefit, and other purposes embedded in trust deed.

How Does it Work?

EOTs are governed by a trust structure and are regulated by state trust law, which generally respects the wishes of the trustor.⁸ Appointed trustee(s) are the central governing body of the trust and must act in the employee's best interest according to the trust deed; some EOTs appoint individual or committee trust enforcers that oversee trustees and assure their compliance with the trust deed.⁹ Additionally, employee councils or advisory committees can be established to provide elevated employee input.¹⁰

Key Elements of a Perpetual Purpose Trust

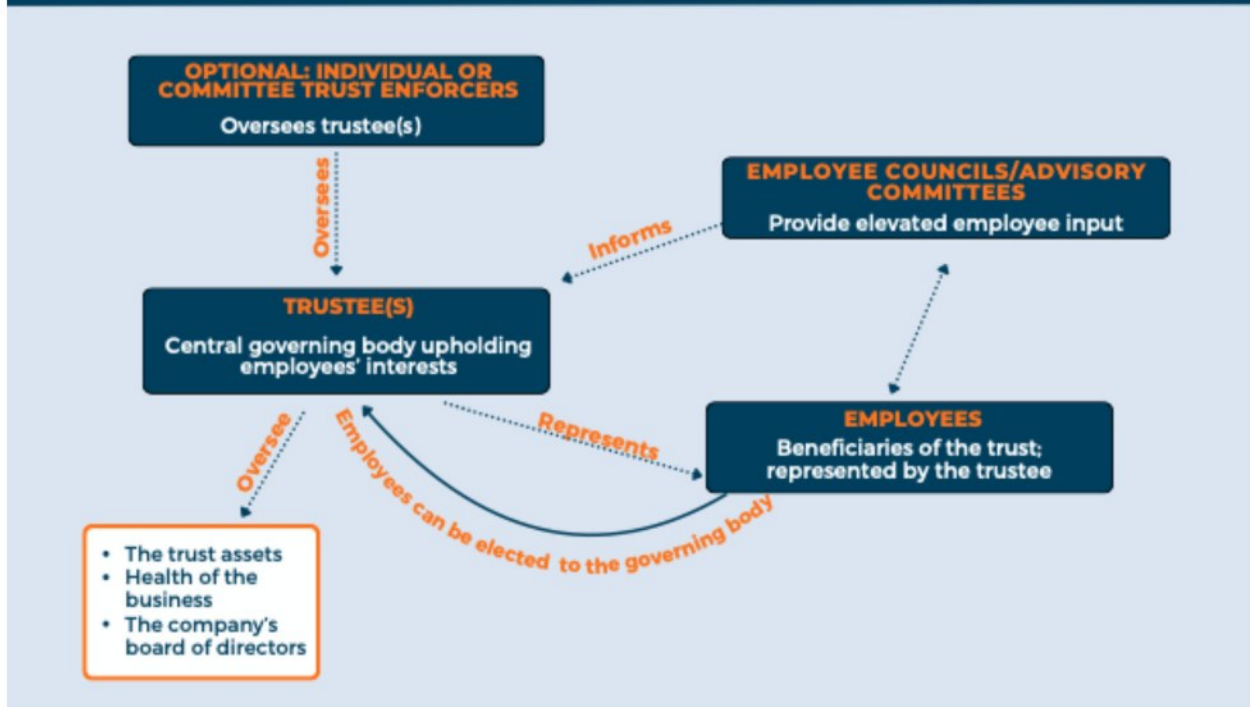


⁸ EOT Advisors. (n.d.). *EOT FAQs*. EOT Advisors. <https://eotadvisors.com/employee-ownership-trust-eot-faqs?>

⁹ Harrison, E. K., & Reitman White, N. (n.d.). *Taking Care of Business: New Approaches to Business Succession Planning*. ACTEC Foundation. https://actecfoundation.org/wp-content/uploads/Lloyd-Leva-Plaine_Jan-14_2025_Chapter-3.pdf?

¹⁰ Watson, N. (2025, May 28). *Who runs an employee-owned company? Some governance observations*. Burges Salmon. Retrieved August 7, 2025, from <https://www.burges-salmon.com/articles/102kcno/who-runs-an-employee-owned-company-some-governance-observations/>

THE EOT MODEL

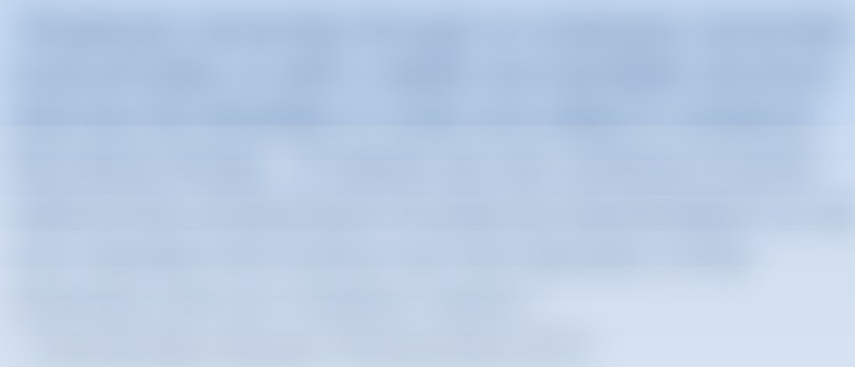


Why EOTs? An ESOP and EOT Comparison

As Colorado business owners retire, Employee Ownership Trusts (EOTs) offer a simpler, more flexible alternative to traditional Employee Stock Ownership Plans (ESOPs). ESOPs are federally regulated retirement plans with high costs, complex rules, and pressure to sell to the highest bidder, EOTs are more flexible, cheaper to set up, and designed to preserve company values and serve its employees. EOTs don't require constant revaluing or repurchasing of shares, avoiding financial burdens and inequality among staff. For small businesses, EOTs offer a practical, mission-driven path to succession that keeps jobs local, rewards employees, and indefinitely serves a social purpose.

An Employee Ownership Trust is the name used for a Perpetual Purpose Trust created for the purpose of providing ongoing benefit the employees of the company. Since the trust owns the shares of the company, strictly-speaking, this isn't "employee ownership" in the literal definition of the term but is considered a form of employee ownership given the motivations and results of the purpose." -- Local Ocean Seafood, "What is Trust Ownership and How Does a Trust Run a Business?"

localocean
NEWPORT OREGON



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Section 3: Details

Section 4: Conclusion

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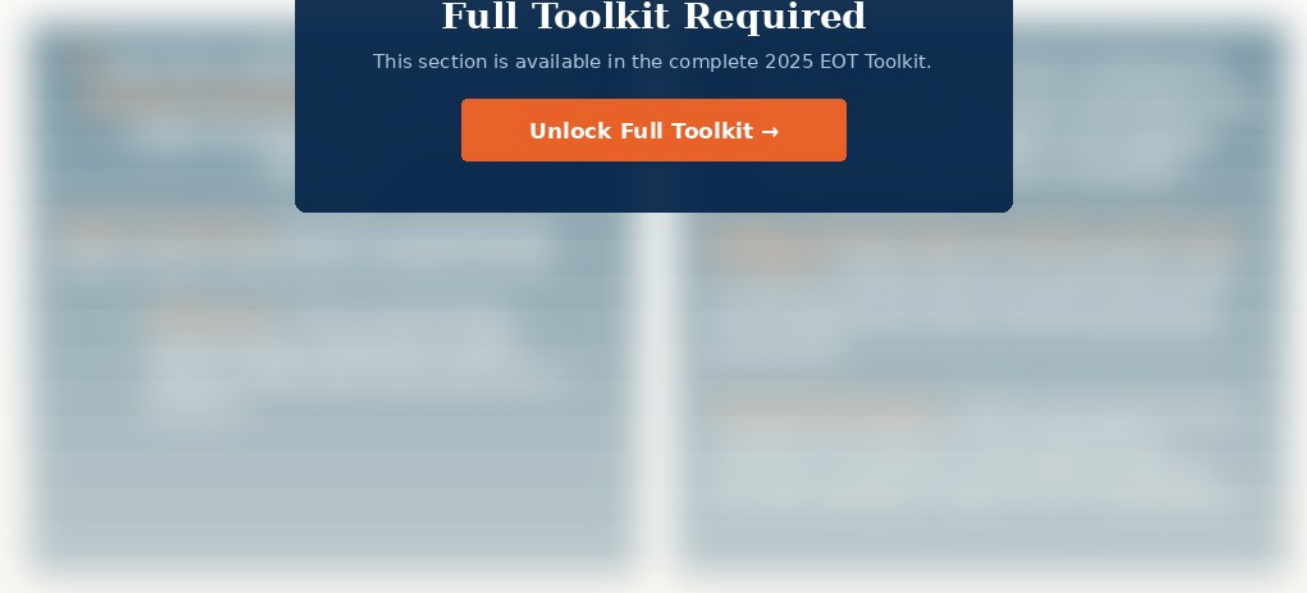
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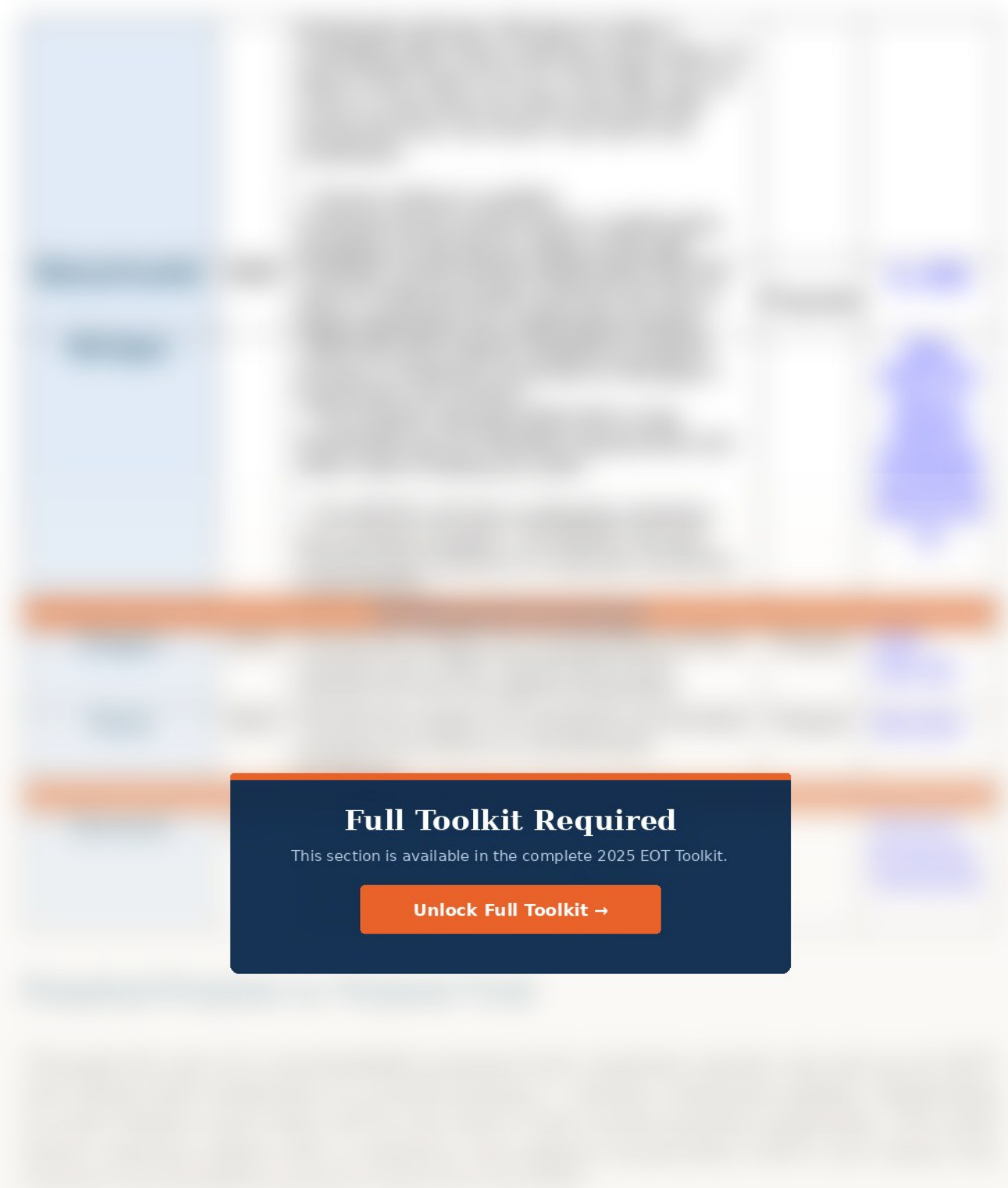
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Category 7	Item 7.1	Item 7.2	Item 7.3	Item 7.4
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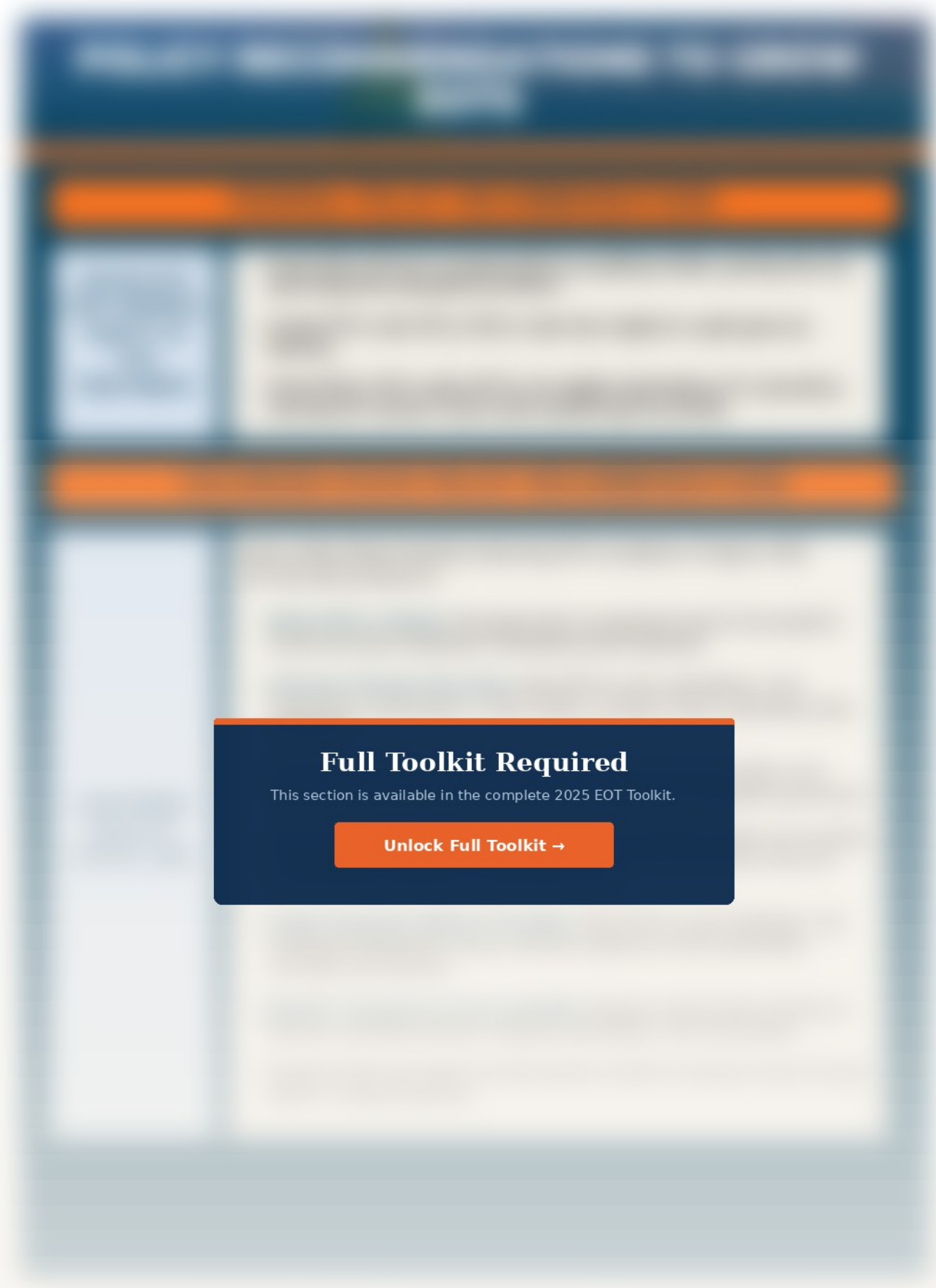
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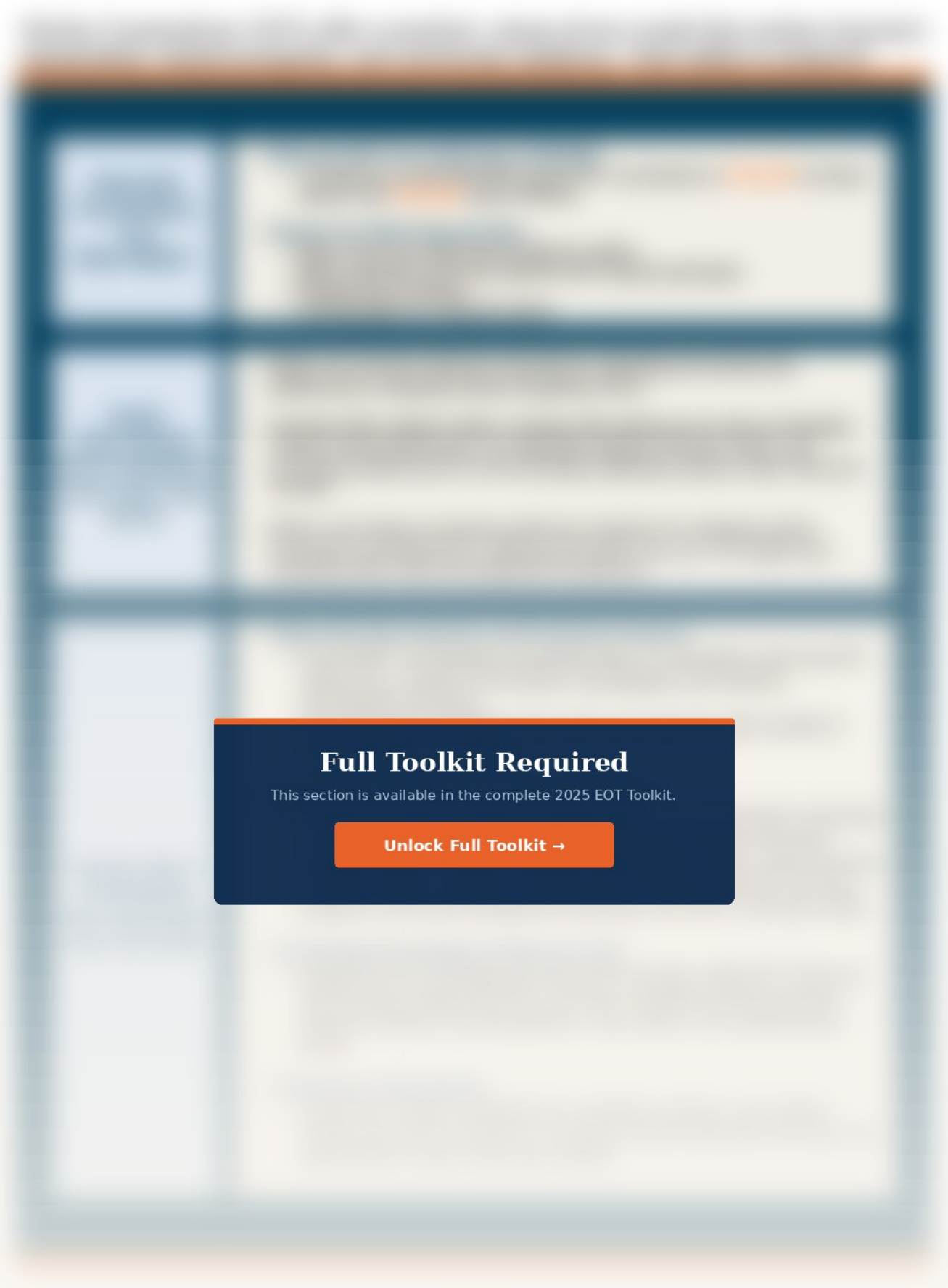
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