MassCEO

Employee Ownership Trust

An EOT ensures stability and shared success for generations to come.

What is an EOT?

An Employee Ownership Trust (EOT) is a trust that holds a controlling stake in a company on behalf of its employees.

How Does it Work?

The company is sold to a trust, which holds the shares for the benefit of all employees. Employees do not buy shares directly but benefit from the trust ownership.

Advantages

Long-Term Stability: Ensures the company remains independent and employee-owned.

Broad-Based Ownership: All employees benefit, not just a select few.

Cultural Continuity: Helps maintain the company's culture and values.

Is it Right for You?

Suitable for: companies wanting to ensure long-term stability and broad-based employee benefits. (Small to mid sized)

Types of companies: used by companies with a strong culture and values, such as family-owned businesses and mission-driven organizations.

Common Industries: law, consulting, social enterprises, advertising agencies.

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Massachusetts Center for Employee Ownership

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Steps

Business Owner Decides to Transition

The owner chooses to sell the company to an Employee Ownership Trust (EOT).

Sale to Employee Ownership Trust (EOT)

The company is sold to a trust which holds shares on behalf of the employees.

Trust Holds Controlling Stake

The EOT controls a majority stake in the company, benefitting employees without requiring them to buy shares.

Employee Benefits

Employees gain long-term stability, broad-based ownership, and the preservation of company culture and values.

Ongoing Trust Management

Trust ensures the business remains employee-focused, maintaining its mission and cultural continuity over time.

Common Questions

How does the financing work?

The trust purchases shares using financing from the business, seller, or external lenders.

How long does the trust last?

The trust is designed to last indefinitely, ensuring long-term ownership stability.

Are there tax advantages?

Yes, sellers may qualify for capital gains tax relief, and businesses often benefit from deductions on contributions to the trust. Consult with a tax professional for specific guidance for your business.

What is the annual maintenance/ cost?

Costs include trustee fees, annual valuations, and compliance, typically ranging from $5,000-$15,000 annually.

MassCEO can help!

Contact us today to learn more!

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We're on a mission to expand employee ownership across Massachusetts, **empowering workers, creating jobs, and driving economic prosperity to all of Massachusetts.**

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