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EOT/PPT Glossary

This glossary captures the initial terms submitted by the NCEO EOT Peer Network on October 8, 2025, and was edited by EOT Peer Network members Meg Anderson and Jason Wiener. This resource will be continuously updated and expanded for the NCEO's EOT resource library. To propose a new term, please reach out to us at education@nceo.org.

EOT Acronyms and Common Terms Defined

Term or Acronym	Definition	Context or Notes
Beneficiary	An individual or class of individuals (in the EOT context, typically all current employees) for whose benefit the trust is created and managed.	In the case of a beneficiary trust, all employee-owners can be named as beneficiaries of the trust. Their benefit is derived from the trust holding the company shares and the direction the trust gives to the operating company's board.
Board of directors	The governing body of the operating company, responsible for the strategic direction, financial oversight, and management of the company.	In a case where the EOT owns the majority of a company, the trustee typically appoints the board of directors, but the board of directors manages the business (company leadership oversight, major plans and decisions, etc.) distinct from the trust. This separation of fiduciary duties is a core feature of the EOT model. To note, there are a variety of approaches to designing governance structures in EOTs.
BOI	Beneficial ownership information	Compliance term (related to the Corporate Transparency Act). An EOT may be a beneficial owner, meaning it would need to be listed in a BOI report. Note: the BOI reporting obligation is being litigated and is in flux as of this writing (November 2025).
BSO	Business support organization	Intermediary providing general business assistance.
Dividends	Distributions from a C corp's available proceeds, paid out to shareholders on a per-share basis.	The company may choose to pay dividends to shareholders pro rata based on share ownership. The company is paying cents or dollars per share periodically at the discretion of the board, based on legally available proceeds. This can be in lieu of or in addition to profit sharing.

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EBITDA	Earnings before interest, taxes, depreciation, and amortization	Financial metric used in valuation and modeling. A recognized standard for assessment of operational profitability.
Employee council or committee	A formal group of employees, elected or appointed by the employees, designed to facilitate communication, engagement, and input to company management and/or the TSC (depending on the company-specific trust agreement).	This group is crucial for establishing, fostering and ushering the ownership culture and is typically separate from the trust's formal governance (i.e., trustee, TP, TSC, etc.). This group can also be synonymous with the trust stewardship/protector committee.
EO	Employee ownership, employee-owners, or employee-owned	The beneficiaries of the trust (or used to denote an employee-owned company).
EOT	Employee ownership trust	An employee ownership model where a trust holds company shares for the benefit of employees as a purpose (whether or not named as identifiable beneficiaries). EOTs are regulated under state trust law but are not regulated like ESOPs or worker cooperatives. EOTs have highly technical and varied federal tax treatment.
ERISA	Employee Retirement Income Security Act	A federal law that sets minimum standards for qualified retirement plans to protect the participants in those plans. EOTs are not qualified retirement plans and are not subject to ERISA. EOTs are regulated under state trust law.
ESO	Entrepreneur support organization	Intermediary providing business or start-up assistance.
ESOP	Employee stock ownership plan	A qualified retirement plan for employee ownership, governed by ERISA.
Fiduciary duty	A legal or ethical relationship of trust where one party (e.g., the trustee or trust protector) acts in the best interest of another (the beneficiaries or the purpose). The highest duty of care recognized by law. Think doctor to patient, lawyer to client, financial advisor to client.	The trustee in an EOT has a fiduciary duty to the beneficiaries or purpose of the EOT. This is distinct from the duties owed by the company's board of directors. This may be limited to making sure the company is not sold (if that is a provision of the trust) but could include other requirements related to the purpose of the trust. There are two roles involved with fiduciary duty: the person with the fiduciary duty and the one who is owed the fiduciary duty.

Term or Acronym	Definition	Context or Notes
FMV	Fair market value	Valuation term, critical for transactions. The price at which a business would change hands between a willing buyer and a willing seller.
Grantor trust	A trust where someone makes a grant of an asset into the trust as a completed transaction. They relinquish full control of the asset into the trust.	A specific type of trust application for EOT development.
IDGT	Intentionally defective grantor trust	A specific type of grantor trust structured to be "defective" for income tax purposes only. This allows the seller to make a gift and avoid capital gains tax on the sale to the EOT, making the transaction more tax-efficient from a capital gains perspective for the selling owner. This will have operational and income tax consequences to consider.
PBC	Public benefit corporation	Corporate legal structure balancing profit and purpose. In order to protect the officers and directors of the operating company, it should be set up as or converted to a PBC. The stated purpose of the PBC in the articles should align with the purpose of the purpose trust. This way, any minority shareholders will not be able to sue the operating company for failure to maximize financial value, and the operating company can pursue the purpose that aligns with the purpose trust.
PBT	Purpose benefit trust	An alternative name often used for perpetual purpose trusts.
Perpetuity	The state of lasting forever or indefinitely.	A key feature of PPTs and many EOTs, where the trust document is structured to prevent the business from ever being sold to a third party, ensuring the trust benefits the employees across multiple generations. Perpetuity in a trust, where legally recognized, is crucial to avoid the application of the rule against perpetuity, which can cause a legal dismantling of a trust after a certain period of time following the death of a grantor/settlor.

Term or Acronym	Definition	Context or Notes
PPT	Perpetual purpose trust	Trust ownership of a business that is perpetual and dedicated to a specific purpose, usually for the benefit of the employees, community, and/or the environment. The structure is adopted to ensure continued independence of the company. Often used interchangeably with EOT. This is also a legal term of art under various state laws.
Profit share	The share of annual profits paid to employees.	Profit sharing can be paid in addition to or in lieu of dividends. Companies can choose any formula for allocation, such as relative pay, tenure, discretionary awards, or some combination of these. Companies may pay the profit share as an addition to wages or in a qualified profit-sharing plan (see "Qualified Profit-Sharing Plan").
Qualified profit-sharing plan	Profit-sharing plan that meets rules under ERISA as a retirement plan.	Profit sharing with employees in a qualified retirement trust are tax-deductible to the employer but not taxed to the employee until withdrawn from the plan after termination. Plans must meet rules under ERISA for allocation, eligibility, and vesting.
Seller note	A debt instrument representing the portion of the purchase price that the seller of a business agrees to finance for the purchasing entity (the EOT).	This is the most common form of financing for the sale, where the EOT repays the note over time using future company earnings.
Settlor (or grantor)	The original owner or entity that establishes the trust (the EOT/PPT) and transfers the initial assets (shares) to the trustee.	In most EOT transactions, the selling business owner is the settlor.
Steward ownership	An ownership model and philosophy where control of the company is separated from economic benefit, ensuring the company's purpose and independence are protected perpetually.	EOTs and PPTs are legal structures frequently used to implement the philosophy of steward ownership, which emphasizes purpose and self-governance.
TP	Trust protector	Governance role overseeing the trustee and trust's purpose. This individual or committee is a key legal safeguard in the EOT, holding specific powers (often defined in the trust document) to ensure the trustee acts in accordance with the trust's original purpose (e.g., perpetual employee benefit).

Term or Acronym	Definition	Context or Notes
Trust document	The primary legal instrument that creates and governs the EOT or PPT.	This is the foundational agreement. It must be carefully drafted to ensure compliance with state trust law, federal tax law, and the grantor/settlor's intent. The trust document defines the purpose of the trust, the powers of the trustee and trust protector, and the benefits due to the beneficiaries.
Trust enforcer	Individual or committee tasked with protecting the purpose of the trust.	Most often an individual. Responsible for enforcing the trust agreement, if needed. The trust enforcer holds the trustee and stewardship committee accountable to the fundamental mission and purpose defined in the trust document. The authority is rarely exercised, as the role is established for passive oversight as opposed to active decision making. Note that the term of trust protector and trust enforcer depends on which state trust statute is being used to establish the trust.
Trust purpose	The legally binding mission statement of the trust agreement, detailing why the trust exists and what it must protect.	All entities in the EOT governance structure (e.g., trustee, TSC, trust enforcer, etc.) are legally bound by fiduciary duty to uphold the trust's purpose.
Trustee	The individual or entity legally charged with exercising the powers over the company shares on behalf of the trust and managing the trust in accordance with the terms of the trust document and its fiduciary duty to the purpose and/or beneficiaries.	This is the person or entity that formally exercises the powers of the trust. The company's board of directors manages the business, while the trustee manages the trust's assets and powers.
TSC	Trust stewardship committee	A common name for the governance body for the trust. The TSC ensures the trust is operating in accordance with its founding documents and serving the best interests of the beneficiaries. Note: there are a variety of approaches to designing governance structures in EOTs.