



Who does the Trustee represent?

The Trustee represents the shareholders.

If you go to a broker and buy stock in a publicly traded corporation, like Apple, you own the stock in your name. You can sell it, use it as collateral for a loan, or pass it on in your will.

In an ESOP, participants do not want shares of stock to be held outside of the employees. First, the law requires this limitation since an ESOP is a regulated pension plan. When a participant leaves the company, their stock is repurchased by the corporation. This is how the participants get their money, and the repurchase guarantees that shares are available for other participants.

Since sales are restricted, and other ESOP obligations must be managed, the ESOP shares are held in a trust. A trust is an entity where a Trustee is the legal owner of property, and it is held for the ultimate use of the beneficiaries. This is similar to a trust that a parent might set up for small children in a will. If the parents die, they appoint a Trustee to manage the money while the children are young. The money belongs to the children, but the Trustee manages and distributes it for their benefit.

