

A NEW RETIREMENT PROGRAM FOR CORPORATIONS: EMPLOYEE STOCK OWNERSHIP TRUSTS

Many businessmen, especially those in smaller communities of Nebraska, have been inquiring about the benefits of Employee Stock Ownership Trusts (ESOT). There have been a lot of questions as to whether ESOT contain all of the advantages that some authorities are attributing to them. Most businesses have some kind of retirement programs for their employees, generally Profit-Sharing Trusts. What then is an Employee Stock Ownership Trust? Is it beneficial to a small business, and how is it different from the traditional profit-sharing programs?

Employee Stock Ownership Trusts are nothing new. They have been used for a long period of time. Sears is one company that has implemented this type of trust successfully for more than four decades. But it has been through the tireless efforts of Lewis Kelso, a lawyer from San Francisco, that ESOT have been propagated. The heart of Kelso's economic philosophy stipulates that the real wealth of the nation is produced by ownership of machines and capital and not by labor. Kelso states that the way to close the gap between consumption and production is not through heavy taxation and government spending, but through ownership. Kelso's basic premise has been that there would be two major benefits derived from employee ownership trusts. First, capital, which is facing a critical shortage, could be maintained by the corporation, and second, employee ownership would improve management-employee relationships and should increase productivity in business because of new ownership by employees.

ESOT vs. PROFIT SHARING

ESOT can be implemented similar to profit-sharing plans. Allocation of company contributions is based upon a formula of either compensation or compensation and years of service as a full-time employee. Vesting interests for employee nonforfeitability are either immediate or established on years of service. Distribution of benefits cannot start before age 55, and must commence by the age of 70½ years, at death, or on leaving the company. In both retirement programs employees can designate beneficiaries to the trusts, and the benefits will not be part of the taxable estate. But there are some significant differences between Profit-Sharing Trusts and Employee Stock Ownership Trusts. Both plans can contribute 15 percent of the wage base, but in the case of profit sharing this cannot exceed 50 percent of the profits. Profits are not a necessary requirement for ESOT. An Employee Stock Ownership Trust is permitted to leverage its investments, whereas the Internal Revenue Service does not allow a profit-sharing plan to borrow money to acquire assets. The ability to borrow is an important difference that will be explained later. The main difference is the method of funding. This differ-

ence is what is making ESOT an exciting new concept in retirement benefit programs.

COMMON STOCK FUNDING AND WORKING CAPITAL

If a business has no retirement program, its tax liability increases. Therefore, since retirement contributions are tax deductible, many companies have installed profit-sharing plans. The disadvantage of contributing to the profit-sharing plan is that the amount of cash contribution is taken away from the working capital of the firm. These funds must be set aside and not used by the company. In effect, profit-sharing plans decrease working capital more than if the company had no retirement plan at all. An example illustrates this point:

Salary base assumptions — \$200,000 salary base.

Pre-tax taxable income — \$100,000.

Tax rate — 24.4% under \$50,000, 52.8% above \$50,000.

Case 1 — no retirement plan

Pre-tax taxable income	\$100,000
Taxes	38,600
Earnings retained in bank	\$ 61,400

Case 2 — Profit-Sharing Trust

Income before retirement contribution	\$100,000
Profit-sharing contribution (15% of salary base)	30,000
Pre-tax taxable income	70,000
Taxes	22,760
Earnings retained in bank	\$ 41,240

By installing a profit-sharing plan the tax saving was \$15,840, but the earnings that remained in the firm in the form of capital were reduced by \$20,160. So the question is, how can a corporation get the tax deduction yet not lose so much in the form of capital? The answer is an Employee Stock Ownership Trust. Instead of contributing cash to the Trust, the Internal Revenue Code allows the company to contribute its own stock. The corporation would simply have to contribute authorized, but non-issued stock. In the situation where all the authorized stock has been issued, the firm would have to go to the existing stockholders for permission to authorize more shares. The increase in capital by using its own stock in Employee Stock Ownership Trust can thus be demonstrated under the above assumptions:

Case 3 — Employee Stock Ownership Trust

Income before retirement contribution	\$100,000
Contribution in bank stock (15% of salary base)	30,000
Pre-tax taxable income	\$ 70,000
Taxes	22,760
Earnings retained in bank	\$ 41,240
Noncash contribution	30,000
Retained capital	\$ 71,240

Since the contribution is in the form of stock rather than cash, the amount of capital retained in the company by ESOT is \$30,000 greater than by using a profit-sharing trust. This capital can be used by the corporation in the operation of the business. This would relieve working capital (Continued on page 2)

NEBRASKA'S HOUSING STOCK

Nebraska's housing stock (supply) and the inevitable change in its size and composition have a definite impact now, and will have in the future, on the lives of all people residing in the state. The matter becomes personal when individuals and families are confronted with the financial and social intricacies of housing manipulation. Most of us would find little difficulty identifying with those trying to find a house or apartment during a housing shortage. Conversely, owners of rental property accumulate empty units during times of surplus housing, and homeowners attempting to sell are faced with a buyer's market. Another problem that is often encountered is the gap between housing preferences and the choices of available dwellings. The above are but a few of the difficulties encountered when dealing in the housing market, and are briefly mentioned to point out the human side of the situation.

Factors that influence the size and composition of Nebraska's housing supply are population growth, changes in the number of households, age composition of the population, housing preferences, and social attitudes. In most cases, the relationship of the factor to housing supplies is obvious. Housing preferences are currently changing, as witnessed by a decreasing ratio of multifamily dwellings to single-family dwellings authorized for construction. This ratio indicates that the apartment boom has ended, at least temporarily, with the demand for single-family dwellings increasing. Current social trends that influence the housing stock are increased independence of women, later marriages, earlier age of majority, and a growing number of people desiring to live alone. The preceding discourse points to the complexity of the housing market and a need to weigh all factors carefully in order to obtain insight into this sector of Nebraska's economy.

Households in Nebraska increased 19.3 percent during the 1960s, while the state's population increased 5.1 percent. During the present decade, a similar relationship continues to prevail between household and population growth. Since 1970, the number of households has increased by more than 11 percent, while population increased 4.5 percent. In summary, growth in the number of households has outpaced population growth, and this necessitates further explanation. Specific reasons for substantial increases in the number of households are: (1) a decline in the number of children per family, (2) an increase in the number of elderly residents, (3) an increase in the number of people in the family-formation age group (18-44 years), and (4) an increase in the number of people choosing to live alone. There are, undoubtedly, other factors involved, but these appear to be the primary reasons for the disproportionate increase in households. It is readily apparent that the housing stock will have to increase at a greater rate than population growth, with simultaneous changes in composition due to fluctuating preferences and social attitudes.

Changes in housing-stock size and composition can occur in several different ways, primarily in additions and losses. Addition to the housing stock is usually accomplished by the construction of permanent dwellings, an increase in the number of mobile homes, and conversion of existing dwellings to provide more housing units. Although new construction is the principal source of additions to the housing stock, mobile homes have become increasingly popular in recent years. Data on actual construction of housing units are not available, but construction is undertaken for practically all housing units authorized by permit. Hence, units authorized by permit will be used as a proxy for housing units actually constructed. Losses of housing units can occur by demolition, abandonment, fires, natural hazards, and conversion of residential properties to commercial usage. Reliable data on housing losses are difficult to obtain, and a predetermined percentage loss is often applied to the gross housing stock to obtain an estimate of housing losses.

During the first half of the 1970s, the number of housing units authorized for construction in Nebraska has exhibited a growth pattern similar to that of the nation. For 1970 through 1972, a sizable increase occurred in the number of housing permits issued. This positive growth was followed by a sharp decline in issued permits for 1973 and 1974. A slight increase in issued permits was registered for 1975.

Examination of the data in Table 1 reveals the previously described growth pattern of the present decade, graphically illustrated in Figure 1. Figure 1 indicates a sharp decline in construction of multifamily dwellings, as shown by the ratios of multifamily permits to single-family permits in Table 1. The slight

	1970	1971	1972	1973	1974	1975	1976*
Multifamily units	3,762	6,926	6,931	4,068	2,246	1,069	1,361
Single-family units	<u>4,342</u>	<u>6,230</u>	<u>6,625</u>	<u>6,139</u>	<u>4,773</u>	<u>6,218</u>	<u>6,649</u>
Total	8,104	13,156	13,556	10,207	7,019	7,287	8,010
Ratio of Row 1 to Row 2	.87	1.11	1.05	.66	.47	.17	.20

*Through October, 1976.
Source: Data for this and subsequent tables were obtained from U.S. Department of Commerce publications on population, housing characteristics, and construction reports.

increase in total permits issued for 1975 was due to a substantial increase in issued permits for single-family dwellings, confirming the shift in housing preferences away from apartment units to single-family units. Data through October, 1976, show a total of 8,010 housing permits issued, as compared to 6,360 permits issued for the same time interval of 1975. This represents a 25.9 percent increase in total issued housing permits since October, 1975. Single-family housing permits increased 21.8 percent, and multi-

(Continued from page 1) pressures and eliminate the need for added short-term borrowing. Therefore, this increase in capital should lead directly to increased profitability in the future.

ESTATE LIQUIDITY

A second major problem concerning stockholders in closely held businesses is estate liquidity. In many cases, there is no market for these shares of stock. There is also the added problem

of determining the price at which the shares of stock can be sold. Both of these matters can be solved with ESOT.

Liquidity for an existing stockholder can come about by contributing cash rather than stock to the Trust. This can simply be a directive from the Board of Directors. If there is a problem of marketability of the shares of either a major or minor stockholder and the Board desires to

(Continued on page 6)

family housing permits increased 51.4 percent. A resurgence of housing construction is evident from these statistics. The preceding statements are summarized in Table 2.

Table 2
HOUSING CONSTRUCTION PERMITS ISSUED

	October, 1975	October, 1976	% Increase
Multifamily units	899	1,361	51.4
Single-family units	5,461	6,649	21.8
Total	6,360	8,010	25.9

Growth in Nebraska's mobile-home stock has been rapid since 1970, although the rate has slowed during 1974 and 1975, reflecting the economic conditions and preference changes. Estimates in Table 3 are based on a sample survey of Nebraska counties, conducted by the Bureau of Business Research, and are subject to the usual sampling errors.

Table 3
ESTIMATED NUMBER OF MOBILE HOMES IN NEBRASKA

Year	Number of Mobile Homes	% Increase
1970	10,502	---
1971	12,977	23.6
1972	15,783	21.6
1973	20,213	28.1
1974	24,754	22.5
1975	26,512	7.1

Several areas of Nebraska are presently showing an accelerated socioeconomic growth, and the demand for immediate and inexpensive housing could lead to an increased growth rate for the mobile-home stock. If the state's economy improves in the near future, the demand for mobile homes will, in all probability, increase. The median price for a permanent, single-family dwelling in the United States is now in excess of \$45,000. If this figure continues to increase, a growing demand for low-cost housing in the form of mobile homes is anticipated.

As of 1975, the estimated housing stock in Nebraska is 564,354 year-round dwellings. This represents an increase of 8.8

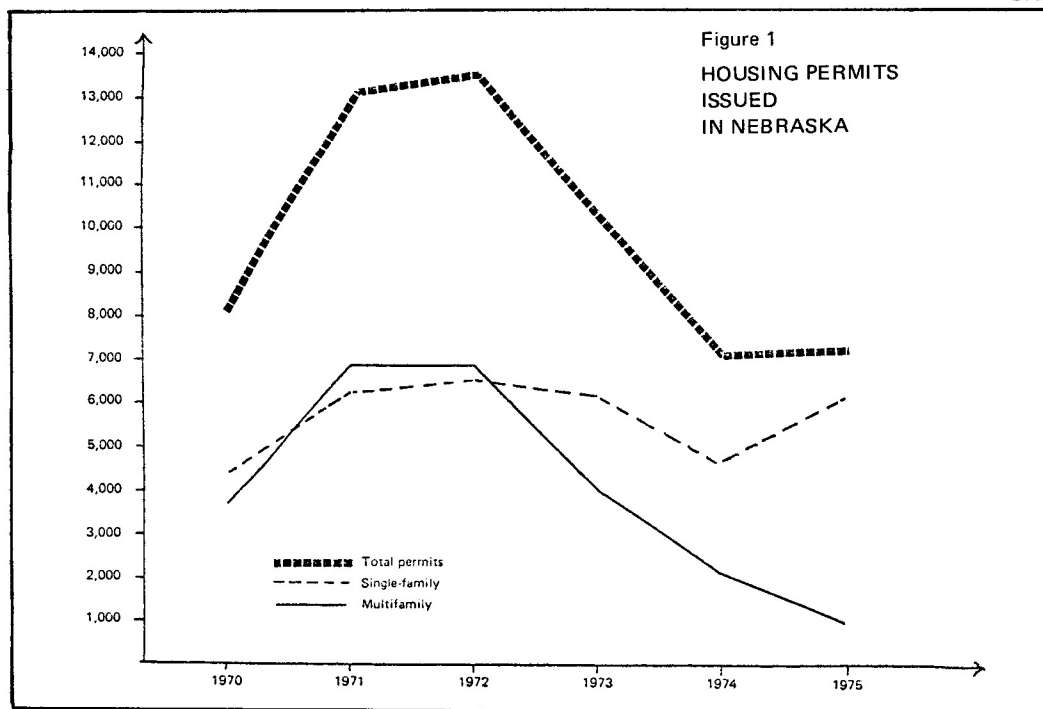
percent from 1970. Table 4 provides the 1970 census figures and estimates for succeeding years through 1975, along with year-to-year percentage changes. Based on an increase in issued housing permits for 1975 and 1976, the housing stock will show a considerable increase by the end of 1976. Future growth and composition changes in Nebraska's housing stock during the late 1970s is expected to continue in a positive direction. Although population growth will stabilize, changing age structure of the population and projected changes in social attitudes will insure an increasing demand for housing. The apartment boom has ended, but demand for apartments and mobile homes will improve. The need for and attention given to low-cost housing will stimulate construction, adding to the housing stock. An increasing proportion of elderly people will provide the impetus for this type of construction. Conflict is expected to develop between the growing demand for housing as opposed to land-use controls and energy-

Table 4
ESTIMATED NET HOUSING STOCK IN NEBRASKA

Year	Net Housing Stock	% Increase
1970 (Census)	518,863	---
1971	531,977	2.5
1972	545,213	2.5
1973	554,658	1.7
1974	559,976	1.0
1975	564,354	.8

conservation planning. Demand for large suburban homes will be diminished by the demand for smaller, energy-efficient houses. Future housing policies will attempt to provide affordable housing while attempting to follow more realistic land- and energy-use policies. The predicted housing growth will depend, to a great extent, upon the availability of financing. As the age mix tends toward a larger proportion of older individuals, the amount of invested capital will increase, providing a greater degree of funding for home building. Although a housing boom similar to the one of the 1960s is not anticipated, a steady growth is expected to be maintained during the remainder of the decade.

CHARLES L. BARE



Review and Outlook

Nebraska's aggregate economic output remained nearly constant from August through October, although the physical volume index (based on 1967 averages) dropped from its revised September level of 136.3 to 135.1 in October. This decline should be viewed with caution since it is due entirely to changes in the agricultural sector and since the October data for the sector are only preliminary. The index of real output for the combined non-agricultural sectors remained constant at 135.1 from September through October after dropping from its August high of 136.5. At the end of October real output for the year to date was 5 percent above the level for the same period in 1975, well above the 4 percent reported in August. The change results from upward revisions

in cash receipts from farm marketings data and from revisions in the reported expenditure patterns for the two large power stations under construction at Sutherland and Nebraska City.

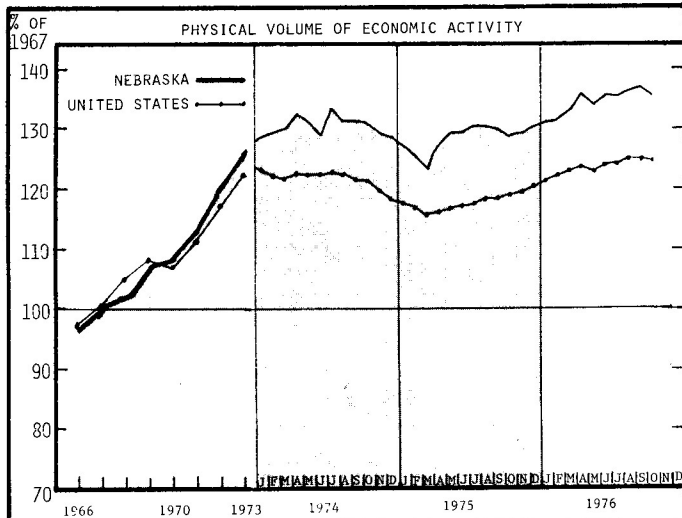
The index of total real output for the nation changed even less from August through October than the Nebraska index. Construction activity rose about 2 percent in September, then slipped back in October to just above its August level. On the basis of incomplete data, manufacturing activity appears to have risen slightly in September, then dropped about 1 percentage point in October. Agricultural output declined in both September and October, with October's index of real agricultural output about 7 percent below August's. The net effect of these changes upon the index of national aggregate real output (Continued on page 5)

Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume indicator and its components adjusted for price changes using appropriate price indexes—see Table 5, page 5.

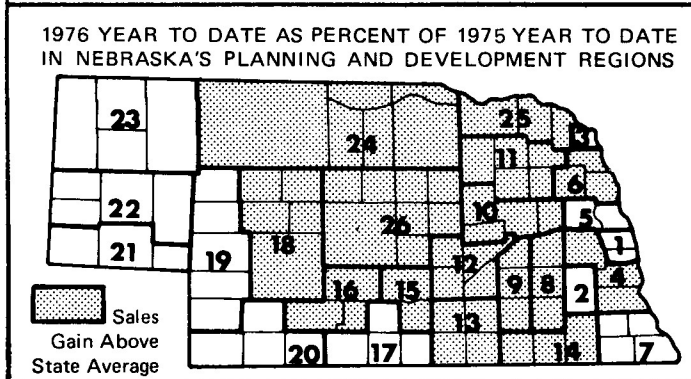
ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES				
1. CHANGE FROM PREVIOUS YEAR				
October, 1976	Current Month as Percent of Same Month Previous Year		1976 Year to Date as Percent of 1975 Year to Date	
	Nebraska	U.S.	Nebraska	U.S.
Indicator				
Dollar Volume	105.9	109.8	109.9	111.1
Agricultural	80.2	92.3	101.1	107.8
Nonagricultural	111.6	110.5	111.6	111.2
Construction	144.7	109.3	110.5	111.0
Manufacturing	113.1	111.6	110.1	112.9
Distributive	109.9	110.6	112.6	111.0
Government	106.6	108.1	110.4	108.5
Physical Volume	105.3	104.8	105.0	105.4
Agricultural	102.6	100.8	104.1	106.4
Nonagricultural	105.7	105.0	105.1	105.3
Construction	136.1	102.8	105.5	106.2
Manufacturing	111.2	107.3	107.0	107.9
Distributive	104.4	105.1	106.3	104.8
Government	95.8	100.9	97.7	102.3

2. CHANGE FROM 1967		
Indicator	Percent of 1967 Average	
	Nebraska	U.S.
Dollar Volume	238.7	219.1
Agricultural	223.5	211.7
Nonagricultural	241.3	219.4
Construction	248.7	185.5
Manufacturing	262.6	206.0
Distributive	233.7	226.4
Government	241.2	234.9
Physical Volume	135.1	124.1
Agricultural	134.8	116.2
Nonagricultural	135.1	124.4
Construction	123.1	91.8
Manufacturing	143.7	113.5
Distributive	134.8	130.6
Government	128.8	136.6

3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES (Adjusted for Price Changes)			
Region Number ¹ and City	City Sales ²		Sales in Region ²
	Oct., 1976 as percent of Oct., 1975	Oct., 1976 as percent of Oct., 1975	Year to date '76 as percent of Year to date '75
<i>The State</i>	102.5	103.4	110.1
1 Omaha	104.6	105.0	107.7
Bellevue	104.4		
2 Lincoln	102.2	105.0	108.7
3 So. Sioux City	101.5	99.3	110.0
4 Nebraska City	108.5	104.4	110.4
5 Fremont	105.2	105.5	109.1
Blair	105.0		
6 West Point	97.7	92.0	112.1
7 Falls City	103.5	103.2	105.5
8 Seward	99.8	100.6	112.3
9 York	89.6	104.3	113.9
10 Columbus	108.6	106.1	116.6
11 Norfolk	104.4	101.1	115.7
12 Grand Island	105.5	103.2	111.3
13 Hastings	103.5	103.3	110.4
14 Beatrice	103.0	100.8	112.8
Fairbury	94.3		
15 Kearney	115.1	118.5	117.9
16 Lexington	109.5	109.3	114.9
17 Holdrege	74.4	87.8	104.8
18 North Platte	106.9	106.7	116.4
19 Ogallala	98.3	88.6	102.7
20 McCook	97.7	99.6	106.8
21 Sidney	100.0	93.2	101.5
Kimball	90.7		
22 Scottsbluff/Gering	100.7	92.9	105.4
23 Alliance	96.1	99.9	108.1
Chadron	108.1		
24 O'Neill	124.5	113.3	123.3
25 Hartington	112.7	93.8	117.5
26 Broken Bow	106.7	106.9	117.3



¹ See region map below.
² Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales; city totals exclude motor vehicle sales.
 Compiled from data provided by Nebraska Department of Revenue.



(Continued from page 4) was small, however, and the revised values for the index were 124.3 in August, 124.4 in September, and 124.1 in October. Real output for the first ten months of 1976 was 5.4 percent above the year-earlier figure, compared with Nebraska's 5 percent gain.

The most important changes in the Nebraska index are the result of updated information about the expenditure flow at the two power plants under construction by the Nebraska and Omaha Public Power Districts. The effect of the new information we have received is to reduce somewhat the level of the Nebraska construction index for 1975 and to increase substantially the level of construction activity in 1976 from April onward. The revised construction data now put total construction activity for that period 2.6 percent ahead of 1975, and at the end of October the year-to-date total was 5.5 percent higher than for the first ten months of 1975. The power plant projects have pushed nonbuilding construction well above 1975, and residential construction continued to maintain a wide margin above year-earlier levels. Residential construction appears to be benefiting from lower interest rates.

Revised data for August have raised the index of the state's manufacturing activity about 1.7 percent. Incomplete data for September and October tentatively indicate a further 2 percent rise in the index from August to September and little change in October.

Movements of the indexes for Nebraska's government sector have been rather confusing in recent months, but a substantial downward revision in the August government employment figure now places the seasonally adjusted peak in July, followed by rapid decline in August and September and a lesser decline in October. The seasonal pattern for real government activity is quite similar to 1975, with the important exception that government employment appears to be headed for lower levels than prevailed in the early months of the year.

Output in the distributive sector slipped from the August high, reflecting a reduced volume of retail sales. Retail sales in August, adjusted for price changes, were 15.2 percent above the August, 1975, level. September's retail sales were fractionally lower than for the previous September, and October's sales were 3.4 percent above the year-earlier level. Retail sales for the year to date were 10.1 percent above 1975, which compares very favorably with the national figure of 6.4 percent. The Nebraska distributive sector continued to lead the national sector in year-to-date improvement over 1975, with Nebraska's index showing a 6.3 percent improvement versus 4.8 percent for the nation. Notable gains in regional retail sales were recorded in Columbus, Lexington, North Platte, O'Neill, and Kearney, October, 1976, compared to October, 1975.

DUANE HACKMANN

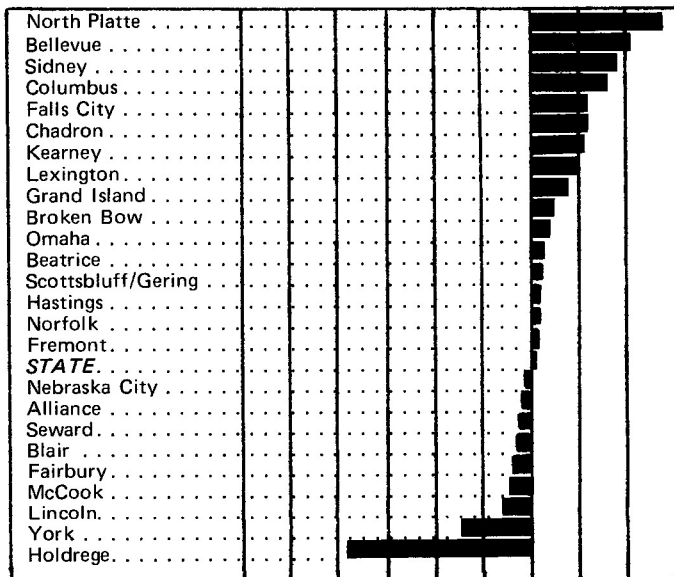
5. PRICE INDEXES

October, 1976	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	173.3	105.3	105.9
Commodity component	167.4	103.5	104.5
Wholesale Prices	185.2	103.5	104.6
Agricultural Prices			
United States	182.2	91.6	101.4
Nebraska	165.8	78.2	97.8

*Using arithmetic average of monthly indexes.
Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.

CITY BUSINESS INDEXES

Percent Change Oct. 1975 to Oct. 1976
-25 -15 -10 -5 0 5 10 15



Source: Table 4 below.

4. OCTOBER CITY BUSINESS INDICATORS

The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Banking Activity ¹ (Adjusted for Price Changes) ⁴	Building Activity ²	Power Consumption ³
<i>The State</i>	96.3	124.8	99.3
Alliance	82.6	471.5	111.3
Beatrice	93.5	163.1	113.3
Bellevue	118.1	98.4	113.1*
Blair	100.1	70.6	82.1
Broken Bow	87.6	205.3	115.2
Chadron	95.2	197.5	114.9
Columbus	110.7	49.0	120.0
Fairbury	91.2	217.7	106.3*
Falls City	110.6	82.9	110.1
Fremont	95.7	123.2	95.3*
Grand Island	97.0	161.1	106.7
Hastings	97.3	134.3	101.2
Holdrege	77.1	98.3	101.4
Kearney	96.0	89.5	113.3
Lexington	82.6	378.4	123.9
Lincoln	85.6	126.1	106.4
McCook	91.1	131.8	113.1
Nebraska City	91.1	98.3	98.8
Norfolk	90.7	133.8	123.6
North Platte	120.2	223.6	97.5
Omaha	102.4	87.3	99.5*
Scottsbluff/Gering	101.3	108.1	106.3
Seward	85.7	187.5	118.9
Sidney	106.4	302.9	123.6
So. Sioux City	NA	NA	NA
York	89.7	58.6	134.3

¹Banking Activity is the dollar volume of bank debits.
²Building Activity is the value of building permits issued as spread over an appropriate time period of construction.
³Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.
⁴Banking Activity is adjusted by a combination of the Wholesale Price Index and the Consumer Price Index, each weighted appropriately for each city.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

(Continued from page 2) buy out the stockholder, then a cash contribution can be made to the Trust. The Trust then purchases the stock from the selling stockholder. If there is not enough cash available, the Trust can borrow and use its existing stock in the Trust as collateral. Thus, liquidity can be provided for a stockholder without having to sell the company to outside interests, but rather to the employees at no cost to them.

The valuation of the shares of stock is resolved when the Trust is set up. A method of valuation must be determined. Valuation of a closely held corporation can be determined by outside experts who specialize in valuing closely held corporations. Factors that are taken into consideration are earnings and earnings growth, book value, price of similar publicly held companies, and the stability of the company and industry.

A pre-set price is important from two different aspects. First, it determines the amount of stock that is contributed to the Trust each year, and second, and probably more important, valuation is established as to the price for which the stock can be sold at retirement. To insure the owner or employee a market for his stock, the Employee Stock Ownership Trust usually guarantees to buy back the shares at retirement.

CONTROL

"Who controls the stock in the Trust?" is always the first question. Who votes the stock? The shares of the Trust are voted by the Trustee at the direction of the administrative committee. The administrative committee is appointed by the company's Board of Directors. Thus, in effect, the Board of Directors still has full control of the voting shares of stock in the Trust. The Trustee, the administrative committee, and in some instances, the board, are fiduciaries, in which capacity they must practice the "prudent man" rule.

EXISTING PROFIT-SHARING PLAN

It is possible that a present Profit-Share Trust can be transferred to an Employee Stock Ownership Trust if it is approved by the District Director of the Internal Revenue Service. If an existing profit-sharing plan has considerable sums of cash or marketable securities, then conversion to ESOT could free this money for either buying out a major stockholder or increasing working capital. Tax regulations change from time to time and their interpretations vary. Some District Directors have allowed existing profit-sharing plans to be converted to Employee Stock Ownership Trusts.

If Employee Stock Ownership Trusts are such a panacea, there must be some drawbacks. There are. Dilution is the major disadvantage. By issuing the newly created stock to the Trust, the value of the earning power of each share and the book value are reduced. The second danger in ESOT is the possibility of bankruptcy by the company. In this case the retirement benefits of the employees would have no value. The question is whether all of the advantages that have been discussed will offset the adverse effects of dilution and possible default.

SUMMARY

Is an Employee Stock Ownership Trust the answer for a closely held firm? It would certainly be worthwhile to investigate the possibilities, but the intent and desires of the major stockholders would have to be known and taken into consideration.

In summary, there are many distinct advantages, namely, to:

1. Increase working capital.
2. Expand profitability through more working capital.
3. Develop greater productivity through ownership.
4. Maintain control through the administrative committee.
5. Give liquidity to existing stockholders at predetermined values.
6. Provide ability to sell the corporation to employees with pre-tax dollars and no cost to them.
7. Improve employee-management relations through ownership.
8. Give ownership of the corporation to employees.
9. Incur debt in the Trust to buy out stockholders.
10. Provide employee-retirement benefit.
11. Convert existing profit-sharing plan to ESOT (under some circumstances).
12. Improve employee morale.

The lone disadvantages are dilution and the possibility of the company going into bankruptcy.

Do the advantages outweigh the disadvantages? If they do, your corporation should inquire further about Employee Stock Ownership Trusts. The answer to this question can be determined only by the principal objectives of the owners of the corporation.

JEROME F. SHERMAN*

*This article was written while the author served as Assistant Professor of Finance at UN-L. He is now Associate Professor of Finance at Creighton University, Omaha.

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UNL NEWS

BUSINESS IN NEBRASKA

PREPARED BY BUREAU OF BUSINESS RESEARCH

Member, Association for University Business & Economic Research

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No. 389

February, 1977

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University of Nebraska-Lincoln
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Lincoln, Nebraska 68588