

***“Pioneers in ESOP Financing,
Expanded Ownership Systems and
Justice-Based ManagementSM”***



**EQUITY EXPANSION
INTERNATIONAL•INC**
www.eei-consultants.com

Justice-Based Investment Bankers and Consultants
Specializing in Ownership-Broadening
Systems and Technologies

Justice-Based Employee Stock Ownership Plans (ESOPs)

•

Ownership-Broadening Financing and Administration

•

For-Profit Citizens Land BanksSM (CLBs)/
Citizens Land CooperativesSM (CLCs)/
Community Investment Corporations (CICs)

•

Homeowners Equity Corporations (HECs)

•

Worker and Customer Shareholder Associations

•

Justice-Based ManagementSM Systems

•

Ownership Unions

•

Democratization Approaches to
Divestitures, Reorganizations and De-Nationalizations

•

National Capital Homesteading Monetary and Tax Reforms



EQUITY EXPANSION
INTERNATIONAL•INC
www.eei-consultants.com

A Justice-Based Company for the 99%

Equity Expansion International (EEI) was launched in 1982 as a special kind of investment banking and consulting firm. Most investment bankers raise money for the top 1%, helping the rich get richer. EEI creates ownership systems and raises money for the 99%—helping the non-rich to become owners of income-generating equity, without harming the property interests of existing owners.

EEI consultants are among the world pioneers in structuring financing strategies through employee stock ownership plans (ESOPs) and related ownership-broadening mechanisms. Members of our team include founder Norman G. Kurland who worked closely for over eleven years with the late ESOP inventor Louis Kelso. Mr. Kurland crafted the first ESOP laws in the U.S. and internationally, as well as several of the “world’s firsts” in ESOP applications.

Over the past 30 years, EEI’s professionals have designed and implemented prototype leveraged worker buyouts, and have authored model ESOP legislation in the U.S. and internationally. We have decades of experience in the legal, administrative, financial, managerial, communications and policy elements of ESOP and expanded share ownership for enterprises and countries, including those in developing and transforming economies.

Working Our Philosophy

Our name reflects our philosophy and mission—expanding “equity” to working people and the poor around the world. We believe that sustainable growth, productivity, and the dignity and empowerment of each person are maximized when the two meanings of the word “equity”—fairness and ownership—are united.

We believe that every person is by nature a worker, and that every worker should be an owner.

EEI’s corporate philosophy is articulated in the Core Values and Code of Ethics of the Center for Economic and Social Justice, our non-profit sister organization and think tank. Our philosophy is based on what we believe are the universal moral principles expressed by all the world’s great religions and spiritual traditions. EEI’s justice-based ownership designs embody the “shared abundance and empowerment” paradigm articulated by such thinkers as George Mason, Abraham Lincoln, Martin Luther King, Louis Kelso, Buckminster Fuller and William Ferree.

As architects of “invisible” structures for promoting broad-based ownership, we follow basic design principles of economic and social justice, within a system we call “Justice-Based ManagementSM”, or JBMSM (originally named “Value-Based Management”/“VBM” by EEI in the late 1980s). Our ESOPs are designed to help companies maximize organizational performance, human potential and justice through effective education, communication and participation. On the macro-economic level, we are the pioneers in “Capital Homesteading” legislative designs that help countries create the proper monetary, tax and legal environment for ownership cultures to flourish.

EEI is itself 100% worker-owned and operates according to democratic principles of participation and accountability.

EEI's Services for Enterprises

Financing, design, implementation and administration for:

- ESOPs
- Citizens Land Cooperatives/Community Investment Corporations
- Worker and Customer Shareholder Associations and Cooperatives
- Homeowners Equity Corporations (HECs)

- Capital Homestead Accounts (CHAs)

Ownership transfers and capital expansion

Leveraged buyouts

Divestitures and corporate reorganizations

Liquidity analysis to project and fund ESOP repurchase liability

"Justice-Based ManagementSM" systems

Flexible risk-and-reward systems linked to the bottom line

Participatory ownership communications and education

Graphics and audio-visual services for ownership communications

Labor-management negotiations and industrial relations consulting

Shareholder voting and corporate governance consulting

Seminars and workshops on expanded ownership and Justice-Based ManagementSM

Who We Serve

EEI is not looking for just any client. We are seeking companies with leaders who share our philosophy of serving and empowering others. For those companies who are serious about creating an ownership culture for all their workers, EEI is uniquely responsive to that need.

EEI serves companies, governments and local communities to raise levels of productivity, profits and equity through expanded share ownership opportunities. We are especially attuned to the needs of small businesses. We also serve unions who are seeking greater levels of economic justice and empowerment for their members through ownership-oriented "labor deals".

We serve authentic leaders, people who lead by good example, by clear vision, and by sound ethical values. Our experience has shown that a true ownership culture will never emerge or be sustained without authentic leaders who seek to serve, teach and empower others.

We serve every owner—every worker-owner (rank-and-file through top executives), every customer-owner, and every citizen-owner—to ensure that maximum benefits, participation opportunities and profits flow to all the owners.

We respect and work within an organization's chain of command. However, we will *not* serve companies whose leadership does not respect the ownership rights of workers or seeks to benefit themselves at the expense of everyone else.

Our Unique Products

In addition to "justice-based" ESOPs, EEI's ownership-broadening technologies include:

- For-profit Citizens Land BanksSM (CLBs) Citizens Land Banks (CLBs)/Citizens Land CooperativesSM (CLCs)/Community Investment Corporations (CICs) to enable local residents to acquire a share of the equity and profits in a professionally managed, for-profit land planning and real estate development corporation (particularly in "enterprise zones" and "super empowerment zones");
- For-profit, professionally managed Homeowners Equity CorporationsSM to turn home renters into owners.

- Justice-Based ManagementSM (JBMSM) systems that apply principles of economic justice, free enterprise, and private property within a corporate context to instill and sustain a culture of shared ownership and responsibility; and
- "Parallel Legal Systems" for allowing countries to introduce transitional or experimental monetary and tax systems for shifting their economies from wage system, socialized patterns to free market, broadened ownership system patterns.

What Makes EEI-Designed ESOPs Different?

Just as your company is unique, so is your ESOP. We give you and your company's worker-owners the personal attention you need and deserve.

Most worker benefits, law and accounting firms, banks and other companies now providing ESOP services are rarely sensitive to the special needs and nuances of an ESOP that go beyond those of a typical pension plan or profit sharing plan. EEI devotes its expertise exclusively to this "special breed" of worker benefit.

We take worker share ownership seriously because we know that it will have an impact on your company, its management system, and most of all, your worker-shareholders. Every member of the EEI team is committed to the philosophy and values underlying the ESOP. We don't just install ESOPs and disappear from the picture. As your company matures and your ESOP needs change, we're there to assist you along the way.

And while other firms offer ESOP services in a piecemeal fashion, EEI handles every phase of an ESOP—from initial design of the plan itself, to its on-going administration and communication. We help you gradually and systematically integrate worker-ownership into your unique corporate culture through a structured "Justice-Based ManagementSM" approach.

Most important, we believe that a well-functioning ESOP maximizes ownership participation opportunities that enhance everyone's chances of success. Ultimately, we know that if our clients succeed, we'll succeed.

How We Deliver Value to You

Let's face it. Putting together and implementing an ESOP require a substantial investment of your company's time and money. But even more expensive is doing it wrong. One serious misstep with IRS or Department of Labor requirements and you can end up paying a substantial penalty or having your plan disqualified.

Our aim is to keep your ESOP operating in complete compliance with ever-changing ESOP laws and regulations. We want to make having an ESOP as easy and worthwhile for you as possible.

Equity Expansion International is committed to providing our clients with the best value in the ESOP industry—the highest quality services at the lowest possible cost by:

...working with the most experienced ESOP professionals...who know how to do the job accurately, promptly and efficiently...who can spot danger signs...who appreciate the “big picture” as well as the little details.

...increasing the efficiency of our ESOP administration through the use of customized computer programs.

...keeping our own costs low by practicing in our own company what we preach—stressing flexible rewards through ownership sharing and profit sharing, rather than constantly ratcheting up our own fixed labor fees.

ESOP Design and Financing

The following lists sequentially the primary ESOP services offered by Equity Expansion International, Inc. where the laws permit ESOPs to be established. An actual detailed checklist and timetable for a typical client would show about 50 legal and administrative procedures, tailored to that client's needs, which must be performed between the time of the client's decision to proceed and the completion of ESOP installation and the first year's administration. Depending on the complexity of the case, EEI will spend 3 to 12 months to prepare and present an ESOP for approval by the client. The EEI team can supply a client all services for achieving a quality ESOP, from A to Z.

1. ESOP on-site exploratory consultation and establishment of working relations with local professionals.
2. Preliminary analysis and, when appropriate, arrange for detailed ESOP feasibility study.
3. Stock valuation (client selects independent appraiser to work within EEI time frame).
4. Design ESOP specifications to meet client's objectives.
5. Assist client in obtaining letter of commitment from lender.
6. Draft ESOP plan, trust agreement and board resolutions and coordinate preparation of all supporting documents for approval by client.
7. Design, introduce and conduct Justice-Based ManagementSM and worker ownership education programs.
8. File data and forms for approval by appropriate government agencies.
9. Prepare Worker Ownership Handbook explaining the ESOP in easy-to-read language.
10. Conduct meetings with management and non-management to distribute and explain Worker Ownership Handbook.
11. File Worker Ownership handbook with appropriate government agency (if required).
12. Prepare ESOP accounting and allocation manual and administration handbook and checklist for client.
13. Train in-house administrators of ESOP.
14. Conduct computerized allocations and prepare individualized participant letters and ESOP statements.
15. Assist client in preparation of ESOP annual financial reports, tax forms and distribution of ESOP statements to workers.

ESOP Administration

EEI's Unique Position in the Industry

Our professional goal is to deliver the highest possible value to our clients—by providing the highest quality service at the lowest competitive price. We work to remove the headaches of running their ESOP so our clients can focus on running their business. We provide to each of our clients the sort of long-term, comprehensive, and personal attention that makes EEI's ESOP administrative consulting services truly unique.

“ [W]ere it not for having met you, I am not sure whether Mid-South would be an ESOP company today. Not only do you continue to provide excellent services at reasonable prices, but you continue to keep us excited about the ESOP concept. I can't believe that [17] years have passed since we created our employee stock ownership plan and became one of the first 100% Employee Owned, 100% Bank Financed ESOPs in the country. ”

Andrew R. Tavss,
President and CEO
Mid-South Building Supply, Inc.
Springfield, Virginia

EEI constantly upgrades its administration system to provide quick turnaround, accurate results, strict adherence to all legal requirements, and responsiveness to the specific needs of our clients. We strive to keep your ESOP administration costs as low as possible

EEI's professionals rank among the pioneers and innovators in the ESOP field. Our work has contributed to the creation of legal incentives enabling ESOP companies to function effectively. We are widely recognized for our deep commitment to the principles of equity and economic empowerment underlying the ESOP. Furthermore, we view a well-designed, well-maintained ESOP as a cornerstone to a healthy ownership culture and service-oriented workplace where everyone gains a personal stake in growing the company's bottom-line profits. Our comprehensive ownership services are designed to enable all owners of a company to gain the maximum benefit from, as well as a deeper sense of responsibility and pride in, being a co-owner.

The services outlined below represent EEI's key ESOP administration services:

Gathering and Processing of Client Data

Many ESOP consultants leave the gathering and processing of raw data to the client. EEI gathers necessary information from the client, and assumes the task of processing and analyzing this data.

Maintenance of Participant Records

As part of the allocation process, EEI develops and stores in a readily accessible form all legally required records generated for each client. These include share cost basis, legally mandated stock categories, participant census data, participant termination data, and benefit schedules. EEI also provides the client with copies of these records as part of the annual ESOP administration process.

Allocation of Plan Assets and Company Contributions

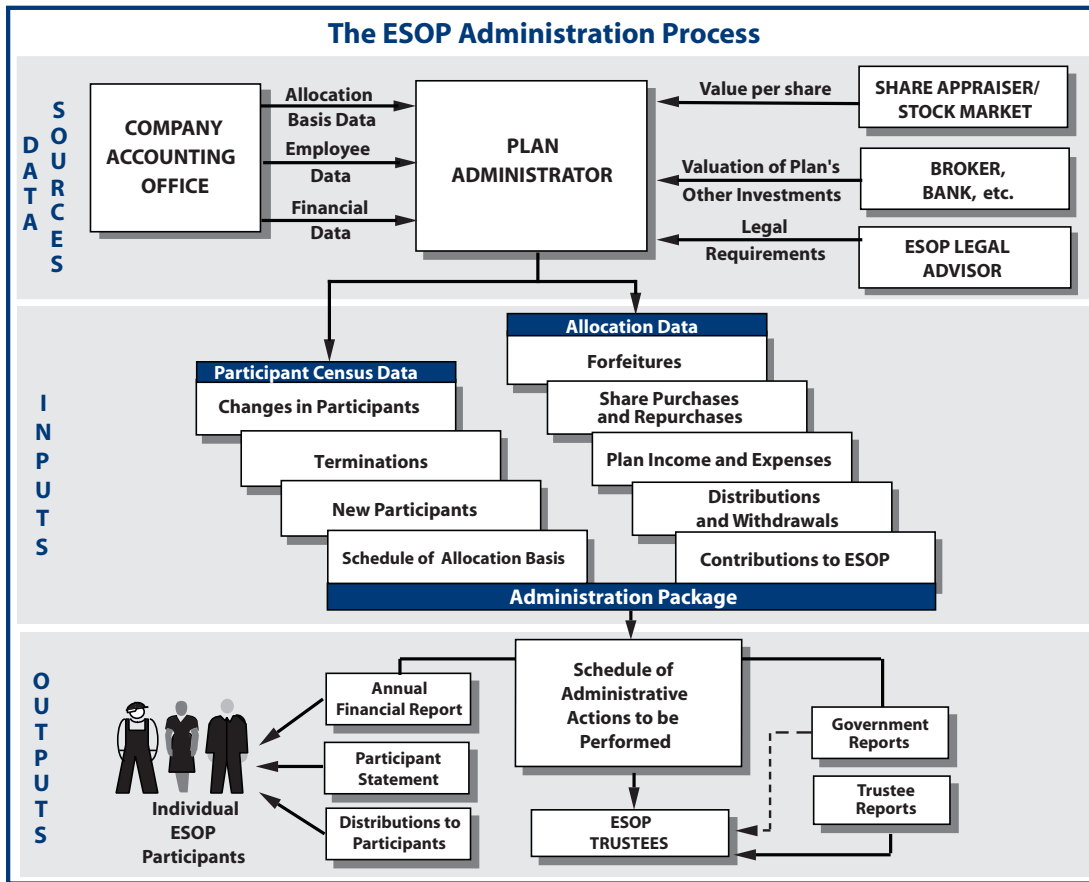
EEI allocates among Plan Participants all assets held by the Plan, contributed to the Plan or earned by the Plan. EEI designs and maintains a customized allocation program for each client, which can be tailored to allow for special transactions, or material modifications or amendments to the Plan.

Review of the Annual Share Valuation Report

In order to avoid conflict of interest, EEI does not perform annual valuations needed for ESOP shares of closely-held companies. However, EEI reviews the valuations performed by independent valuation experts. We can also recommend the best professionals in that field.

Preparation of Distribution Letters and Notification of Benefits

EEI prepares custom-tailored, individualized letters for Participants scheduled to receive distributions of benefits in accordance with the accepted distribution policy of the client. Unlike some consultants, EEI covers under our annual administration fees the preparation of routine distribution letters and the attached forms. We also prepare (as part of “additional consulting”) special distribution letters to meet unusual circumstances, such as deviations from the standard distribution policy.



Preparation of All Required Federal Forms and Reports

EEI prepares all forms to meet Federal requirements, removing a significant headache for the ESOP Trustees. EEI has developed customized computer programs to provide the client with Federal Form 5500-C/R, 5500, and all attachments, as needed, such as the Schedules A, C, E, G, P and SSA, for the Plan Year. We also provide the client with individual Form 1099-Rs for each Participant receiving a distribution of benefits within the calendar year.

Administrative Action Memorandum and ESOP's History

EEI provides the client with an item-by-item "checklist" of tasks to be performed during the Plan and calendar year, and specifies the individual or group responsible for carrying out each task. We also include an annually-updated history of key financial and census figures relating to the ESOP. All of these are bound with the annual allocation report in a convenient, "user-friendly" 8-1/2 x 11 inch format that our clients find much easier to use than the usual computer printout. Other helpful features include graphs of critical ESOP and company data drawn from the ESOP History (especially popular with many of our clients), Company and ESOP Share Ledgers, and ESOP information updates and recommendations.

“ [Y]ou've not only provided our company with expert administrative services, but more importantly you've instilled in our corporate culture a sincere form of fairness and equity that I believe will guarantee the success of our company for many years to come. ”

Jack Metzner, President
Conservit, Inc.
Hagerstown, Maryland



The Justice-Based ManagementSM (JBMSM) mark certifies that a company that displays this mark on its products is managed in a manner consistent with JBMSM standards and criteria as defined and approved by the Center for Economic and Social Justice (CESJ) and any licensing board approved by CESJ. This mark also certifies that a consultant or consulting group is qualified to provide JBMSM consulting and educational services, and subscribes to the philosophy and operates according to the principles, standards and criteria of economic and social justice as defined on the CESJ web site at www.cesj.org. Equity Expansion International is a JBM-certified service provider.

Justice-Based ManagementSM

In his testimony before the U.S. Senate in July 2002, Federal Reserve Chairman Alan Greenspan remarked that the problem of today's free enterprise system is one of "infectious greed." He also observed that the quality of corporate governance rests on the character of the corporate leader.

We agree. Our experience has taught us that the long-term success of any ownership culture depends largely on authentic leaders who inspire others through their values, vision and actions. The leader defines a culture and transmits values throughout the organization, working with others to create structures that promote the shared values and vision of the group. The authentic leader also strives to create new leaders and institutions to sustain the culture beyond his or her tenure or lifetime.

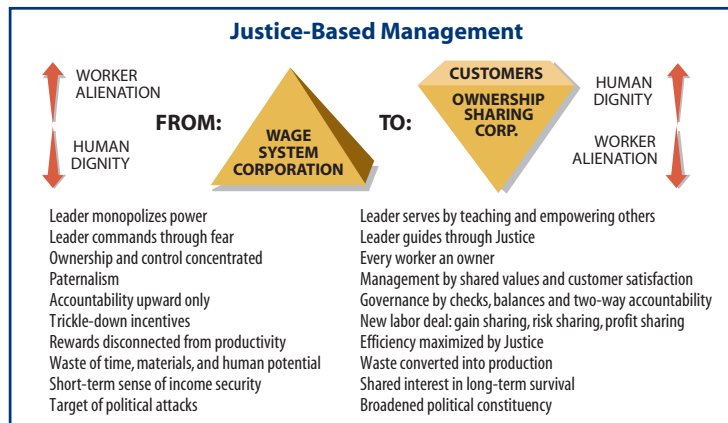
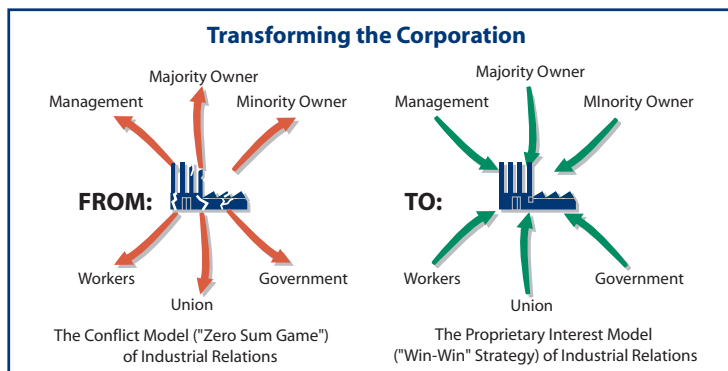
EEI assists the organization's leader and core group to guide the transition to an ownership culture, gaining input and buy-in from all levels of the company, and introducing structures and processes to anticipate and address the challenges of leadership succession, business down-turn, and internal conflicts.

EEI's employee stock ownership plans (ESOPs) and other expanded ownership systems embody the principles of "Justice-Based ManagementSM", as defined and certified by the Center for Economic and Social Justice.

"JBMSM" is a leadership philosophy and management system that applies principles of economic and social justice within business organizations. Worker ownership, in our view, is not some kind of village democracy, but should have a representative form of governance with structured checks-and-balances, where leaders are transparent and accountable to all owners. We work with our clients to develop and maintain their ownership cultures, through custom-tailored processes and structures for:

- Ownership culture planning, implementation and renewal
- Company-wide ownership education and communications
- Worker-monitored risk-and-reward compensation systems
- Anticipatory planning and crisis management
- Structures for stimulating and utilizing worker input and participation
- Governance and accountability structures
- Conflict resolution systems

One of EEI's justice-based management innovations is the Worker Shareholders' Association (WSA), first introduced for the creation of the Alexandria Tire Company of Egypt. The WSA serves as an ESOP-type vehicle to replace a trust, which may not be recognized under the laws of certain countries. More important, the WSA represents an advance over a trust, which is typically created by management and may not be operated democratically or in the best interests of the workers. The WSA allows for involvement of worker-elected representatives to participate in the design of the ESOP and the establishment of an ownership culture, as well as allowing worker-owners to have a formal voice within the governance of their company. The WSA also serves as the vehicle for channeling low-cost credit to finance the capitalization needs of the corporation while building the equity stakes of its worker-shareholders.



Expanded Ownership Legislation and Economic Development Consulting

EEI develops macroeconomic policies and national infrastructure for encouraging ESOPs and other broadened ownership institutions. To assist countries in introducing expanded ownership reforms, EEI has authored a “parallel legal system” that includes comprehensive tax and monetary reform legislation, a prototype ESOP (developed with the input of one of America’s top ESOP lawyers), and the bylaws for establishing a Worker Shareholders Association. This comprehensive legislative package is designed to implement “Capital Homesteading” — widespread worker and citizen ownership through individual “capital homesteading accounts”, employee and consumer stock ownership plans (ESOPs and CSOPs), for-profit Citizens Land Banks (CLBs) Citizens Land Banks (CLBs)/Citizens Land CooperativesSM (CLCs)/Community Investment Corporations (CICs), and Homeowners Equity CorporationsSM (HECs).

The parallel legal system can be easily adapted to the laws of any country. It allows for experimentation and gradual introduction of expanded ownership reforms and establishment of a free market system, without sudden disruption of the existing economic system. At the heart of the parallel legal system is the democratization of capital credit combined with an approach for lowering interest rates to spur private sector growth linked with expanded capital ownership. The legislation would leave present tax and monetary laws intact, but would add a parallel system of monetary and tax reforms that offer powerful incentives for people to move into the expanded ownership system.

Central Bank Discounting of ESOP Credits

The ultimate measure for providing the opportunity for ownership of productive capital to large numbers of citizens while accelerating economic development and reducing inflation, is the discounting by the central bank of broadened ownership loans made by local banks at a service charge which covers the cost to the central bank of expanding the money supply.

Such central bank discounting is based on the realization that commercial credit expansion which flows into economically viable investments (figura-

tively called “green money”) is, in the medium term, non-inflationary and even counter-inflationary, since such credit produces an increase in the supply of goods and services larger than the corresponding increase in the money supply. This is contrary to the effect of the central bank covering government deficits or wage increases without a corresponding increase in the production of goods and services (so-called “red money”), which is necessarily inflationary.

Under this economic policy, expanded ownership loans could be provided by local banks at a fee of two to four percent, which covers their cost of money (the central bank discount rate) plus the bank’s operating costs and profits. The availability of such low-cost productive credit for viable private-sector investments will accelerate economic development. At the same time the channeling of such credit to enable large numbers of citizens to finance their purchase of shares in productive enterprises, will create a broad-based distribution of the new assets and future profits. The EEI team establishes dialogue with the country’s central bank to examine if and how this economic policy could be implemented at the present time; EEI then assists in drafting the necessary legislation.

Divestiture of State-Owned Enterprises to Their Workers

While many state-owned enterprises have produced poor economic results and are a burden on the public treasury, initiatives for their privatization usually encounter the opposition of persons who fear domination of the economy by economically privileged groups or foreign interests. However, divestiture becomes attractive to workers, the Government and the general public when workers and ordinary citizens are offered the means to purchase the equity in state-owned enterprises through innovative credit mechanisms secured by future profits.

EEI has prepared proposals for ESOP divestitures in several developing countries, as well as for government-owned enterprises in the U.S., including the U.S. Postal Service and a mass transit system.

EEI Services for Governments and Institutional Clients

- Worker and citizen ownership strategies for democratizing public sector enterprises
- Capital Homesteading legislation and economic democratization strategies
- Parallel legal systems for introducing expanded ownership reforms
- Seminars and workshops on ESOP privatization, Capital Homesteading, and parallel legal systems
- Citizens Land Banks
- Customer Share Ownership Plans
- Homeowners Equity Corporations
- Ownership Unions
- Justice-Based Labor Relations
- Capital Credit Insurance and Reinsurance Corporations

“One uniquely beneficial U.S. effort in Egypt... the Alexandria Tire Co. recently became the first leveraged Employee Stock Ownership Plan (ESOP) in the Third World... Such technical assistance that promotes democratic capitalism is the kind of stuff AID should be seeking to make its hallmark.”

Melanie Tammen
Competitive Enterprise Institute,
Editorial page of the *Wall Street Journal* (Jan. 1989), on the
EEI-designed and installed
Employee Stock Ownership Plan
for the Alexandria Tire Company
in Alexandria, Egypt

“The participants found your presentation one of the most interesting of the program – many commented in their final evaluations that ESOPs were an attractive option for their countries.”

Letter from the International
Law Institute to EEI Managing
Director Norman G. Kurland

Divestitures may be hampered by legal restrictions. For example, in Egypt the law restricted the sale to the private sector of any shares in enterprises which are 100% state-owned. EEI identifies such legal impediments and proposes legislation to remove them for the sale of equity in state-owned enterprises to workers.

Creating Local Ownership of Multinational Corporations

The multinational corporation, with its global access to raw materials, technology, management and markets, is a highly efficient organization for global production and marketing of goods and services. But many governments of developing countries view multinationals as exploitative and resent having to negotiate with them on unequal terms. Multinationals on the other hand, fear nationalization. Also, their growth is constrained by the limited buying power in the host countries.

EEI addresses these concerns by proposing mechanisms for widespread ownership of the corporate investments of multinationals by citizens of the country in which they operate. In this way the dividends of these enterprises remain in the country and increase local buying power and market demand for their products, while the multinationals build a local shareholder constituency that will resist initiatives for their nationalization. EEI reviews a country's investment laws and proposes means for encouraging multinationals to sell equity shares to their local workers and other citizens.

Debt-Equity Conversions with an ESOP Orientation

While debt-equity swaps have attracted attention as a means for reducing the debt burden of developing countries, they have encountered the resistance of those concerned about the social and political implications of selling key national assets to foreign interests. These concerns can be resolved through a swap of public sector debt paper for shares in state-owned enterprises, with a re-sale of those shares to workers on credit repayable from future profits.

A variation of this involves so-called “sunset provisions”—ESOP transactions structured in such a way that when foreign interests purchase equity positions in an enterprise, incentives are built in for motivating

the foreign investors to gradually transfer their equity positions to workers of the enterprise. EEI crafts ESOP legislation to encourage such debt-equity conversions which ultimately build ownership into the workers.

Our Accomplishments

- Among the companies for which EEI principals have supplied ESOP services for nearly 25 years, are the prototype worker buyouts at Allied Plywood Corporation (a model risk-and-reward sharing program), Mid-South Building Supply (100% bank-financing), South Bend Lathe (which served as the model for saving 8,000 jobs at Weirton Steel), and La Perla (a model corporate farm in Guatemala with 500 farmworker-owners).
- In addition to developing the initial U.S. laws and policies that have led to over 10,000 ESOPs in the U.S., EEI founders also spearheaded the White House task force that presented a report to President Reagan in 1987. This report, *High Road to Economic Justice*, called for promoting worker ownership initiatives in U.S. economic assistance efforts in Central America and the Caribbean.
- EEI was a founding member of the USAID-funded Center for Privatization (1988), where it championed the democratized ownership of profitable, well-managed privatized companies, in contrast to the standard privatization model.
- EEI associates have consulted extensively for USAID, the World Bank and other international organizations on economic development projects. EEI has provided ESOP privatization and economic development services in various countries including Bangladesh, Costa Rica, Czechoslovakia, Egypt, El Salvador, Guatemala, Honduras, Hungary, Kazakhstan, Mexico, Nigeria, Russia, Sri Lanka, Tanzania, Uganda and Zimbabwe.
- EEI professionals are working closely with the Institute of Integrated Rural Development in Bangladesh to start up a worker-owned garment factory as an alternative to the sweatshop model for selling to global customers. This model will introduce the idea of a “Justice-Based ManagementSM label,” providing a competitive advantage to firms selling to customers in the U.S. and other global markets who want

products reflecting “value without exploitation.”

- Under a USAID contract, EEI’s professional team structured the first ESOP in the developing world for the Alexandria Tire Company of Egypt, a \$160 million joint venture between the Egyptian government-owned tire manufacturer TRENCO, the Pirelli Tire Company of Italy, 11 other investors, and the “ATC Worker Shareholders’ Association” (“WSA”). The team invented the WSA as a substitute for an ESOP Trust, an entity not legally recognized under Egyptian law. With a loan of 42 million Egyptian pounds (\$18 million) to purchase 25.8% of the stock, the ATC “ESOP” (representing over 600 workers who had not yet been hired by this start-up company) became the largest shareholder of this “state of the art” steel-belted radial truck tire manufacturer. The ATC model served as a prototype for further ESOPs in Egypt.

The EEI design introduced several innovations, including 1) the creation of a Worker Shareholder’s Association to replace the use of a trust, which is not recognized under Egyptian law; 2) the expansion of opportunity to acquire shares on credit to the 3500 workers of the parent company—an important step in the direction of universal access to capital ownership; 3) the involvement of worker representatives from the very start in the design of the ESOP plan and bylaws through a Temporary ESOP Steering Committee (a broadly representative body including worker representatives) which precedes the establishment of the ESOP; and 4) the channeling of extremely low-cost credit to building productive capacity while providing ownership to workers, without resorting to interest rate subsidies. The Alexandria Tire Company experience has created a broad coalition for worker ownership among Egyptian ministers and other key decision-makers, and engendered the establishment of an investment fund for creating other WSAs, including the divestiture of state-owned enterprises to their workers.

- Under a contract requested by the Government of Costa Rica (1989), EEI developed in a model “parallel legal system” for presentation to a review board designated by the Costa Rican Ministry of Planning. In August 1990, FEDEPRICAP, a regional private sector umbrella group, held a conference in San Jose

to bring together business and labor leaders to study EEI’s proposals.

- EEI served as ESOP advisor to the U.S. Urban Mass Transportation Administration’s program for privatizing mass transit systems through ESOPs. EEI was hired as the general contractor of a professional consortium that included Price Waterhouse, a top Michigan law firm and a number of leading ESOP practitioners, to develop an ESOP buyout strategy for the Isabella County (Michigan) Transportation Commission (ICTC).
- EEI principals were contracted by the Inter-American Development Bank (1993) at the request of the Mexican Ministry of Finance to collaborate with a highly respected private university, Instituto Tecnológico Autónomo de Mexico (ITAM), resulting in ESOP legislation for Mexico (“Plan APOYE”).
- An EEI principal acted as an advisor to the Minister of Cooperatives of Indonesia on utilizing worker cooperatives as ESOP vehicles for building ownership into workers in various enterprises, including divestiture of state-owned enterprises and joint ventures with multinational corporations.
- EEI was requested by the World Bank to identify opportunities for debt-equity conversions which would gradually transfer ownership of state-owned enterprises to the workers through ESOP mechanisms.
- EEI completed a USAID-funded study (1990) commissioned by the Cámara Empresarial de Guatemala (CAEM) to encourage ESOPs in that country. Among other advances, this led to a proposal to sell on credit Guatel, the telecommunications company, to its workers and consumers. The study also recommended ESOPs for “free trade companies” (to position those companies to request exemptions from U.S. trade quotas and other trade barriers), and the adoption of a “parallel legal system” like that proposed for Costa Rica.
- EEI was contracted by the Private Sector Financial Operations Group, Co-Financing and Financial Advisory Services Division of the World Bank (August 1990), to explore the feasibility of enabling workers to purchase the SIDERMEX Steel Complex from the Government of Mexico through an ESOP.

“I encourage you and the bank to continue to provide technical assistance and credit to promote the ESOP approach within other countries you serve.... I am confident that Mr. Kurland would be very helpful to you in developing strategies for spreading ESOPs throughout the Western Hemisphere. That would be a very important step towards creating a common market for all the Americas and strengthening the bonds of friendship and commerce for all our people.”

Letter from former Secretary of Agriculture Mike Espy to Engrique Iglesias, President of the Inter-American Development Bank (June 10, 1993)

“[W]e appreciate your commitment to assist [Tanzania Harbours Authority] to adopt a ‘third way’ approach to privatization developed by your firm. . . . Your input at this stage is highly desired.”

Jane Kitilya,
Director of Planning
Office of the Director General
Tanzania Harbours Authority
Dar es Salaam, Tanzania

- In 1991, an EEI principal on loan to the consulting firm ABT Associates Inc. served as chief of party of a USAID-funded team to study the financial and ESOP design feasibility of privatizing the state-owned seed processing plants of the Honduran Ministry of Natural Resources (MNR). This led to a rare combination of a two-year lease purchase to be followed in 1993 by a 100 percent leveraged worker buyout in which the MNR will supply credit by “taking back paper.” This two-stage buyout will enable the workers to acquire immediate control and eventual title of the seed processing plants’ existing assets, supplement their wages with monthly and year-end profits and pay off the acquisition loan totally out of future profits.
- EEI principals were invited to the People’s Republic of China, under the auspices of the Commission for Reconstruction of the Economic System, to collaborate with Chinese decision-makers in adapting the ESOP concept to Chinese conditions and to select several enterprises to serve as ESOP pilot projects. EEI principals have also worked closely with former Chinese officials and scholars now living in the United States who were among the vanguard of China’s economic reforms.
- In May 1989, EEI principals met with leaders of Poland’s Solidarity Union to discuss implementation of ESOPs for privatizing state-owned companies in Poland. In 1990, EEI principals visited the Czech Republic and Hungary to confer with high-level officials and scholars on the EEI approach to economic democratization.
- EEI assisted USAID in drafting a letter that was sent to all USAID Mission Directors stating USAID policy of promoting ESOPs and encouraging them to pursue the establishment of ESOPs in the countries of their concern.
- EEI has worked with several key Congressional leaders to include within enterprise zone legislation new tax incentives and central bank discounting reforms to encourage ESOPs and community investment corporations owned by resident-shareholders.
- EEI is working with community leaders in low-income areas such as in Washington, D.C. and East St. Louis, Illinois to introduce a Citizens Land CooperativeSM for enabling local residents to become shareholders in a for-profit, professionally managed land development company and share in profits generated from leasing and other arrangements from new businesses and industries that could be attracted to locate in the community. EEI is also collaborating with Equitech International, LLC to help commercialize advanced waste-to-energy technologies developed in the U.S. space and energy programs as a new economic base for redeveloped communities, and to offer expanded ownership opportunities for workers, local citizens and other stakeholders.
- EEI principals regularly provide international privatization seminars, workshops and conferences for senior policymakers and executives, for such groups as the International Law Institute, the International Development Law Institute (Rome), the World Institute for Development and Peace, and the International Management Group/INTRADOS,
- EEI has also conducted seminars for the International Monetary Fund (IMF), the World Bank, the U.S. Agency for International Development, the U.S. Department of Agriculture, the Central American business school INCAE, the Latin American Chambers of Industry and Commerce, the Czechoslovak Academy of Sciences, the Chinese Scholars for Political Science and International Studies, the Heritage Foundation, the Hudson Institute and various U.S. Congressional committees. Our principals have also spoken before the George Meany Center for Labor Studies, the Ohio Employee Ownership Center, the ESOP Association, and the National Center for Employee Ownership.

EEI Principals and Directors

Norman G. Kurland

Mr. Kurland, a lawyer-economist, is President and Managing Director of Equity Expansion International, Inc. (EEI), which he co-founded in 1982. He also serves as President of the Center for Economic and Social Justice (CESJ), an all-volunteer, non-profit think tank headquartered in Arlington, Virginia. He is considered one of America's pioneers in participatory ownership law and ESOP credit institutions. Mr. Kurland was a close colleague for eleven years of the late Louis Kelso, author of binary economics and inventor of the ESOP. With Kelso, Mr. Kurland co-founded and served as the first executive director of the Institute for the Study of Economic Systems. He later became Washington Counsel for Kelso's investment banking firm. Collaborating with Kelso, Kurland authored and lobbied the first and subsequent ESOP legislative initiatives in the U.S. Congress.

In 1981, at the request of senior White House officials, Mr. Kurland developed the "Capital Homestead Act," a comprehensive package of national infrastructural reforms for broadening citizen access to capital ownership. In 1985 Mr. Kurland was appointed Deputy Chairman of President Ronald Reagan's bipartisan Task Force on Project Economic Justice that recommended reforms to implement ESOPs in U.S. development initiatives in Central America and the Caribbean. He was the chief architect of the first ESOP in a developing country, for the Alexandria Tire Company in Egypt. Later he conceived the landmark "parallel legal system" for promoting ESOPs in Costa Rica. These strategies introduced the "Worker Shareholders' Association," an advance over the ESOP trust mechanism in the U.S.

Mr. Kurland was the principal ESOP technical consultant in the USAID-funded project to implement ESOPs in Guatemala, and has been a consultant to the Inter-American Development Bank on ESOP privatizations. At the request of the Mexican government, he was contracted in 1992 by the Inter-American Development Bank to design ESOP legislation for Mexico.



He is the principal architect of several model ESOPs and legal systems for expanding ownership. Among his major ESOP prototypes, Kurland engineered the world's first 100% leveraged ESOP in 1975, which saved 500 jobs at South Bend Lathe, a failing machine tool company. This strategy, which was later replicated in the worker buyouts of Weirton Steel and AVIS, offers a viable alternative for privatizing state-owned enterprises.

Mr. Kurland's innovations include the first ESOP and worker shareholders association in the developing world at the Alexandria Tire Company in Egypt; the "Capital Homestead Act" (a comprehensive package of national monetary and tax reforms); the "Citizens Land BankSM" (also known as the for-profit "Citizens Land Cooperatives" or "Community Investment Corporation" (a vehicle for enabling community residents to share land ownership and profits); and "Justice-Based ManagementSM" (a system for applying Kelsonian principles of economic justice for building a participatory ownership culture at the workplaces of business corporations). *Business Week* described him as "the resident philosopher of ESOP in the capital." He was the recipient of CESJ's first Kelso-Ferree Lifetime Achievement Award, an honor he shares with the late Senator Russell Long, the legendary champion of ESOP on Capitol Hill.

Before joining Kelso, Mr. Kurland was director of planning of the Citizens Crusade Against Poverty, a national coalition headed by the labor statesman Walter Reuther. Before that Mr. Kurland, as a Federal government lawyer, became deeply involved as a civil rights investigator in the Mississippi "one-person, one-vote" movement and later with the core group shaping economic empowerment initiatives in President Johnson's "War on Poverty." He came to Washington in December 1959 after receiving a Doctor of Laws degree from the University of Chicago, where he studied law and economics, following five years as an officer on flying status in the U.S. Air Force.

EEI Collaborations

Center for Economic and Social Justice (CESJ), Washington, DC

Equitech International, LLC, McLean, VA

Team Syntegrity, Toronto, Canada

International Law Institute, Washington, DC

Institute of Integrated Rural Development, Bangladesh

Bangladesh Institute for Economic and Social Justice, Bangladesh

Wyvetter H. Young Center for Economic and Social Justice, East St. Louis, IL

Metro East Citizens Land Cooperative, East St. Louis, IL

OU(R) Union, Brush Prairie, WA

Economic Development Center, Mississippi Valley State University, Itta Bena, MS



Joseph W. Recinos

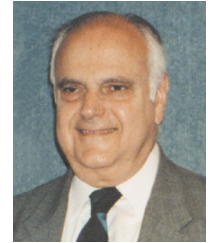
Mr. Recinos is Managing Director of Equity Expansion International's operations in Latin America. He is an international consultant in imports/exports, privatization, public sector modernization and agribusiness with over 30 years of professional experience in over 40 countries. He has consulted for the United States Agency for International Development (USAID), the World Bank, the Inter-American Development Bank, and several international private consulting firms. Mr. Recinos was the principal consultant for the ESOP at Finca La Perla, which has received recognition as a new model for land reform. He was project manager of EEI's professional team which designed an "ESOP parallel legal system" funded by the Ministry of Planning in Costa Rica, and for the USAID-funded project to implement ESOPs in Guatemala.

Mr. Recinos serves on the Board of the non-profit Center for Economic and Social Justice (CESJ). In 1986 Mr. Recinos was appointed a Counselor to the Presidential Task Force on Project Economic Justice, an initiative spearheaded by CESJ. In 1991 he designed a 100% ESOP buyout plan to privatize the seed processing plants owned by the Ministry of Natural Resources of Honduras. He has advised the World Bank on privatization of the Mexican Steel Industry. Mr. Recinos was contracted by the Inter-American Development Bank to work with the Ministry of Finance and the Technological Institute of Mexico (ITAM) to design ESOP legislation. He serves as a principal advisor of the Central American Solidarista Labor Federation and is currently advising port authority and telecommunications labor unions on ESOP privatization strategies.

Mr. Recinos was an import-export consultant to a 100% worker-owned company, developing and implementing a strategic plan allowing the company to become an importer and distributor of wood products from the People's Republic of China. He designed an initiative lead by several corporate founders of the Natural Rubber & Development Foundation of Guatemala, the governments of Guatemala and France, the UNDP and USAID to double rubber production over 8 years with development loans to private estates and worker cooperatives and to build a processing plant owned by

participating cooperatives, private estates and the plant's workers as a second stage of the Peace Accords of 1996. Mr. Recinos received his Master's degree in Economics and Latin American Affairs in 1969 from the Georgetown University School of Foreign Service, and his B.A. in Political Science and Economics in 1967 from the City University of New York.

Dr. Norman A. Bailey



Dr. Bailey is a Senior Consultant to Equity Expansion International. President of Norman A. Bailey, Inc., he is a consulting economist who has worked extensively on international economic and strategic issues for over 30 years, specializing in international debt and monetary affairs. He received his Master of International Affairs and Ph.D. from Columbia University. His clients include governments, corporations, banks, investment firms, trading companies, and consulting, law and accounting firms in four continents. While serving as president of an international investment banking firm he was appointed Professor of Political Science at the City University of New York (Queens).

In 1981 he joined the Reagan Administration as the Director of Planning and Evaluation for the National Security Council. He was later appointed Special Assistant to the President and Senior Director of International Economic Affairs at the White House. Dr. Bailey was a principal author of President Reagan's Caribbean Basin Initiative and a major force within the White House for encouraging ESOPs in domestic and foreign economic policy, helping introduce such policy initiatives as the Capital Homestead Act and Project Economic Justice. Dr. Bailey speaks five languages and has authored five books and over 130 articles on international politics, economics and business. He served on the Board of Directors of the Center for Economic and Social Justice and is now on the CESJ Board of Counselors.

Dawn K. Brohawn

Ms. Brohawn is Director of Justice-Based ManagementSM Services for Equity Expansion International. She designs and implements communications and participation systems to help ESOP companies build and sustain their ownership culture. She has organized and facilitated worker ownership education and planning forums (including advanced communications protocols such as syntegrations), and has conducted worker ownership attitude surveys. She has also organized and administered elections for worker representatives to the Board of Directors. Ms. Brohawn has served on the Advisory Committee on Ownership Culture of The ESOP Association (formerly the Advisory Committee on Competitiveness, Communications and Participation) since 1989, and served twice as a judge for The ESOP Association's national competition for excellence in worker ownership communications.

Ms. Brohawn also serves as Director of Communications of the Center for Economic and Social Justice, headquartered in Arlington, Virginia. CESJ, which she co-founded in 1984, is an all-volunteer, non-profit, non-partisan, ecumenical research and educational organization promoting a free market approach to economic and social justice for every person. Ms. Brohawn was the principal editor for CESJ's 2002 report, *Capital Homesteading for Every Citizen: A Just Free Market Solution for Saving Social Security*, prepared under a grant by the William H. Donner Foundation. She edited the orientation book for President Reagan's 1986 Presidential Task Force on Project Economic Justice (a CESJ initiative), as well as the 1997 compendium, *Journey to an Ownership Culture: Insights from the ESOP Community* (published by Scarecrow Press and The ESOP Association). Ms. Brohawn received her B.A. in 1979 from Georgetown University, where she was in the English Honors Program and Liberal Arts Seminar.



Michael D. Greaney

Mr. Greaney, Director of ESOP Administration Services for Equity Expansion International, is a Certified Public Accountant with over 15 years of experience assisting ESOP companies to comply with the vast array of federal and state ESOP regulations. He designs and implements accounting systems, and has audited profit and non-profit organizations throughout the world with the American Red Cross, Georgetown University Medical Center, and the U.S. Federal Election Commission. Mr. Greaney developed a state-of-the-art accounting and administration manual for the Alexandria Tire Company ESOP in Egypt, the first ESOP in the developing world. This manual was used as a template for ESOP privatizations in the transforming economies of Eastern Europe. Mr. Greaney, who computerized EEI's ESOP allocation process, has performed financial projections and feasibility analyses for ESOPs. He has also performed financial reviews of overseas privatization projects.

Mr. Greaney serves as Secretary and executive committee member for the Center for Economic and Social Justice, as well as CESJ's Director of Research. Mr. Greaney, who has authored numerous articles on expanded ownership, money and credit, and social development, was a contributing author and the associate editor of the book, *Curing World Poverty: The New Role of Property*, published in 1994 by the Social Justice Review in collaboration with the Center for Economic and Social Justice. Mr. Greaney received his B.B.A. in Accounting from the University of Notre Dame in 1977 and his M.B.A. from the University of Evansville in 1979.



Cooperating with

- The ESOP Association
- The National Center for Employee Ownership
- Ohio Employee Ownership Center
- Global Justice Movement (Canada)
- Institute of Integrated Rural Development (Bangladesh)
- European Federation of Employee Ownership
- Summit Council for World Peace
- Partners in Sustainable Development
- Clarendon Foundation

Please contact us and arrange for a free initial consultation and for a price comparison for our services. We'll show you how EEI delivers the highest value for your ESOP dollars.

*“Pioneers in ESOP Financing,
Expanded Ownership Systems
and Justice-Based ManagementSM”*



EQUITY EXPANSION
INTERNATIONAL•INC
www.eei-consultants.com

P.O. Box 40711 • Washington, D.C. 20016
Tel: 703-243-5155 • Fax: 703-243-5935 • Email: info@eei-consultants.com



JBM-Certified Service Provider

10-1015