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Divider Title: 1 _____

IRWIN JACOBS AND QUALCOMM

Irwin Jacobs Chairman and CEO. He founded QUALCOMM in 1985 and has built the company into a firm with international activities in digital wireless telephony, mobile satellite communications and Internet software. Jacobs has taught computer science and engineering at MIT and UCSD. He received the B.E.E. degree from Cornell University and the M.S. and Sc.D. degrees in Electrical Engineering from the Massachusetts Institute of Technology.

- ✓ Awarded the Ernst & Young Information Technology Award for Global Integration by the Computerworld Smithsonian Award Program for outstanding contributions to global integration through the use of information technology (1999).

- ✓ Received the National Medal of Technology Award for extraordinary achievements in the commercialization of technology and the development of human resources that foster technology commercialization.

- ✓ Personally very active in philanthropic activities. He and his wife, Joan, gave $15 million to the UCSD School of Engineering in March 1998.

QUALCOMM Commits $1 million for Education Technology in Schools QUALCOMM will commit to helping to close the digital divide by supporting deployment of education technology in the San Diego, CA area. Those areas of support will include: 1) support to High-Tech High – an innovative secondary school program with a focus on math, science and technology, 2) helping to connect a minimum of five San Diego schools to the Internet, 3) contributing a minimum of 200 PCs to area schools and 4) providing teacher training and technical support so that these schools may fully utilize their new resources. QUALCOMM pledges $1 million to support these educational enrichment efforts on behalf of the San Diego schools.

About QUALCOMM QUALCOMM is a leader in developing, delivering, and enabling innovative digital wireless communications products and services based on the Company's digital technologies.
The company pioneered Code Division Multiple Access (CDMA), the technology of choice for next-generation wireless communications, which has been licensed to over 65 leading communications manufacturers worldwide. And due to its unsurpassed voice quality, system capacity, privacy and flexibility, CDMA is the recognized global standard for next-generation, digital wireless communications products and services.

- ✓ Dedicated to growing the wireless industry through technology licensing, CDMA chipsets and system software, satellite-based systems, and new innovations in wireless data products and applications.

QUALCOMM and the Digital Divide

- ✓ **Teaching and Educating Children by Helping Schools (TECHS):** Grant program that provides QUALCOMM hardware, networking and wiring grants and support to make technology more accessible to students, teachers, schools and other educational organizations.

- ✓ **Teacher Tech Day:** Opportunity for San Diego educators to learn about QUALCOMM's education programs and efforts technology in the classroom; science and math curriculum best practices; and local educational resources

- ✓ **High Tech High**: This program is designed to immerse students in a rigorous learning environment that captures their interest in the fields of engineering and science. As a new, tuition-free, public charter school with a national profile, High Tech High will pursue the integration of intellectual and technical endeavors. Projects flow from industry need and student interest and learning through internships and mentor relationships is encouraged.

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SUDDENLY SIZZLING COMPANIES

ORACLE



Qualcomm's stock soars as industry embraces its technology

By David Einstein

For years, Irwin Jacobs, cofounder and chief executive of Qualcomm (nasdaq: QCOM), has been telling people that his company's technology represents the future for wireless communications. Well the future's almost here, and it looks like Jacobs may be right.

Wall Street certainly thinks so. In the past three months, Qualcomm shares have tripled in value, turning the San Diego maker of communications chips and cellular phones into one of the hottest companies in the technology sector. The stock has been on a roll recently, closing up $6.50 yesterday to hit a 52-week high of $143.50.

This recent surge in stock price is due to a deal the company made in March with Swedish telecom equipment giant Ericsson (nasdaq: ERICY). Under the deal's terms, Ericsson will support Qualcom's CDMA technology as the standard for third-generation, high-speed wireless networks. Ericsson had championed GSM--a rival technology that is the current standard in Europe. But GSM has not been as successful in the U.S., and in the end Ericsson decided it had to embrace CDMA to expand its business in the fast-growing U.S. market.

> "The agreement with Ericsson places the lion's share of the international property in Qualcomm's hands."

As part of the deal, the companies settled a patent infringement suit Ericsson had lodged against Qualcomm in 1996. In addition, Ericsson agreed to buy Qualcomm's money-

losing wireless infrastructure business (estimates of the sale range from $120 million to $500 million).

The March agreement spelled relief for the entire wireless industry, whose main players had grown tired of waiting for a standard to emerge. It was especially beneficial for Qualcomm, promising to further strengthen the company's position as the leading seller of chipsets for CDMA-based cellular phones. To date, Qualcomm has shipped more than 40 million chipsets and owns about 90% of the market.

A standards battle victory also means fatter fees from licenses and royalties for Qualcomm, which currently account for 7% of the company's revenues. "In terms of licensing, they're very well positioned," says analyst Pete Peterson of Volpe, Brown Whelan in San Francisco. "It looks as if the agreement with Ericsson places the lion's share of the international property in Qualcomm's hands."

Devices equipped with third-generation CDMA technology will be able to access information over wireless connections far faster than is possible today. A laptop computer could be used for video conferencing, for instance, while a smart phone could be used to surf the Net.

Moreover, equipment built with CDMA is expected to work over systems using GSM and TDMA, a third technology that is popular in the U.S. That type of compatibility should hasten the time when a person will be able to use the same cell phone anywhere in the world.

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SUDDENLY SIZZLING COMPANIES

ORACLE

continued from **"Qualcomm's stock soars as industry embraces its technology"**

CDMA has risen above the crowd because it offers several advantages over other formats. Developed for military purposes in World War II, it is resistant to eavesdropping, making calls more secure. It also allows a large number of users to share the same radio frequency, increasing the capacity of a system and lowering the cost of operating it.

Jacobs, an MIT-trained engineer who cofounded Qualcomm in 1985, said the company began testing CDMA in 1989. In 1990 Nynex, which has since been acquired by Bell Atlantic (nyse: BEL), and Ameritech announced plans to use it, and, in 1991, Motorola (nyse: MOT), AT&T (nyse: T) and Nokia (nyse: NOK) said they would incorporate Qualcomm's technology into some of their products. In 1996, nine of the 12 largest U.S. cellular carriers moved to CDMA, and the technology today is used in some 30 countries.

Meanwhile, GSM grew to dominate Europe in the 1990s, and companies like Ericsson strove to push the technology on the U.S., creating a ready-made market for its GSM-based products. Of course, GSM companies weren't too keen on the idea of a different standard being imposed on Europe, which would force them to alter their equipment. With Ericsson taking the lead, the GSM group fiercely fought Qualcomm's attempts to evangelize CDMA internationally.

Qualcomm has had a difficult time getting Wall Street on its side, despite an enviable growth record.

"I've always been convinced that our technology would be positive for the industry, but getting the industry to accept it has been an ongoing battle," says the 65-

year-old Jacobs.

Qualcomm also has had a difficult time getting Wall Street on its side, despite an enviable growth record. Revenues have increased from $387 million in 1995 to $3.3 billion last year, while profits are up from $30 million to $108 million. Nevertheless, investors always seemed to treat Qualcomm like a company whose time had not yet come. In eight years as a public company, it had never traded above $40 a share until March.

Analysts say that Qualcomm's challenge now is to sustain its newfound momentum. And to do that, it must find a way to improve its position in the multibillion dollar U.S. market for cellular phones. Finland's Nokia accounted for 40% of the nearly 30 million phones sold in the U.S. last year, followed by Ericsson with 21%, Motorola with 12% and Qualcomm with 8%.

Nokia and Ericsson both have grabbed market share with affordable phones for the masses. Qualcomm, meanwhile, has garnered a reputation for innovative handsets incorporating new-fangled features. For instance, it recently introduced a smart phone that incorporates technology from Palm Computing. Users can track appointments and exchange E-mail in addition to making phone calls.

If Qualcomm can successfully attack the low end of the market, it could turn its brand into a household word. If not, it may end up being known mostly as the company whose name is on San Diego's stadium.

top

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See also:

Hasbro catches online fever
Hasbro, the second-largest toymaker in the world, is going digital and in a few weeks will announce its new online venture, Games.com.

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EARVIN "MAGIC" JOHNSON

Magic Johnson Since ending his professional basketball career, Magic Johnson has been dedicated to his vision that business ventures must have a redeeming social value.

- ✓ **Basketball achievements**: Leading the Lakers to five NBA Titles; playing in 11 all-star games; and, playing with the original Dream Team that won a gold medal at the 1992 Olympics in Barcelona.
- ✓ **Magic Johnson Enterprises**: This growing business empire includes Johnson Development Corporation, Magic Johnson Theatres, Magic Johnson All-Star Camps, Magic Johnson T's, and Magic Johnson Entertainment.
- ✓ **Johnson Development Corporation**: This venture devotes its efforts toward revitalizing urban shopping centers by bringing employment opportunities and stimulating economic growth for future economic investment.
- ✓ **Magic Johnson Theatres**: In partnership with Sony Retail Entertainment, has opened state-of-the-art multiplex screens in Los Angeles, Atlanta and Houston with others planned in New York, Chicago, Detroit, Cleveland, New Orleans, San Diego and Washington, DC.
- ✓ Involved with the Muscular Dystrophy Association, the Starlight Foundation, American Heart Association and the Urban League. Board member of the American Cancer Society.

Magic Johnson Foundation In 1991, the Foundation was established to raise funds for community-based organizations that deal with HIV/AIDS educational and prevention programs. The Foundation now awards grants to community-based organizations that deal with educational, health and social programs for America's youth. The Magic Johnson Foundation supports community-based organizations serving the health, educational and social needs of children residing in inner city communities.

- ✓ Works to counteract the inner city cycle of desperation, poverty, violence and lack of personal skills that can destabilize a community.
- ✓ Helps community-based organizations who have "incredible energy, commitment and dedication," but lack resources. The Magic Johnson Foundation is committed to helping with the resources and assisting these non-profit agencies in gaining exposure to their causes.
- ✓ **The Youth Entrepreneurial Project**: This initiative targets inner city youth who will intern with Earvin Johnson's existing companies through Magic Johnson Enterprises. These internships include working in the entertainment management company, the sports management company, the commercial development enterprise, the film and television division, boxing promotion, and concert promotion.
- ✓ **The Education Program**: This after-school project provides tutoring and computer education at centers in cities where Magic Johnson Theaters exist. The program also focuses on projects that teach history and culture to young people bereft of a sense of history.

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BusinessWeek

Business Week

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February 7, 2000

SECTION: BUSINESS WEEK E.BIZ; DATA MINE; Number 3667; Pg. EB16

LENGTH: 647 words

HEADLINE: Attention Must Be Paid

BYLINE: By ROGER O. CROCKETT, roger_crockett@ebiz.businessweek.com

HIGHLIGHT:
The African American Web community is swelling -- and underserved

BODY:

Silas Myers is a typical new millennium brother. He's 31, holds an MBA from Harvard University, works as an investment analyst for money manager Hotchkis & Wiley, and pulls in a salary close to six figures. Oh yeah, and he spends about 10 hours a week online, buying everything from a JVC portable radio to Arm & Hammer deodorant. "Maybe I'm nuts," he says, "but shopping online is so much easier to me."

No, homey, you're not crazy. Millions of African Americans are livin' large online. They're younger, more affluent, and better educated than their kin offline. And they're not tiptoeing onto the Net. They're flat rockin' the joint. Five million blacks now cruise through cyberspace, nearly equaling the combined number of Hispanic, Asian, and Native American surfers, according to researcher Cyber Dialogue.

True, Net use among African Americans continues to lag behind the white population: 28% of blacks vs. 37% of whites. But it's time to take a closer look at the **digital divide.** While those who don't have Net access tend to be poor and undereducated, there's a large group of African Americans who are spending aggressively on the Web. "We're looking at a tidal wave coming of African American-focused content and online consumers," says Omar T. Wasow, executive director of BlackPlanet.com, a black-oriented online community. "You ignore it at your peril." MAGIC TOUCH. The danger comes in succumbing to the myth that black consumers are a threepenny lot. Blacks earn $ 441 billion in annual income, according to researcher Target Market News Inc. What's more, nearly 30% intend to place Net orders, compared with 21% of the general population.

Some Web sites are awakening to the sunburst of black consumers online. In early January, **Magic Johnson** teamed with former Assistant Secretary of Commerce Larry Irving to form UrbanMagic.com, a site for black-oriented news, chat, and e-commerce. It competes with BlackPlanet.com, Netnoir, and Tribune Co.'s BlackVoices.com.

BlackVoices, with nearly 2 million visitors in December, launched its Isoko e-commerce site in November. Isoko (soko is Swahili for marketplace) proved so popular that BlackVoices shut it down on Jan. 18 to add features such as order and shipping confirmations. And BlackPlanet will launch its e-commerce site this spring to satisfy members who want to shop. "We're seeing enormous enthusiasm for e-commerce," says Wasow.

For good reason. African Americans have become smitten with the ability to compare prices and find bargains online. Melvin Crenshaw, manager at Kidpreneurs magazine, recently used the Travelocity Web site to save $ 300 on a ski trip to Denver. "I really like the value," he says.

It's a shame, then, that so few sites market to such an attractive group. Almost every bookstore on the street has a section on African American or ethnic literature. So it's shocking that e-commerce giants like Amazon.com don't have ethnic book sections.

The solution is easy. Web merchants can create what the National Urban League's B. Keith Fulton calls "microbundles" -- Web categories within a site's merchandise that resemble the inner-city black bookstore or clothier. "You want blacks to click on a button and feel like they're in virtual Africa or virtual Harlem," says Fulton, the Urban League's director of technology programs and policy. To attract blacks, he recommends decorating that corner of the site in kente cloth patterns.

Word that your site addresses the black market will travel quickly. The viral marketing of the Net is simply what black folks call the grapevine. "In the black community, word of mouth has been a central means of getting news and information," Fulton says. You don't need a huge marketing campaign if your site has a product mix and design that attracts black consumers. So put a little soul into your site.
URL: http://www.businessweek.com/index.html

GRAPHIC: Illustration: Chart: CYBER SOUL: People of color are not mere onlookers in the Internet revolution. Of the 14.4 million minorities online, African Americans lead the pack. CHART BY LAUREL ALLEN

LANGUAGE: ENGLISH

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ROBERT JOHNSON – BET

Robert Johnson – Founder, Chief Executive Officer of BET Holdings. Founded in 1980 as an African-American focused television network, Johnson has built BET into a black-managed media empire. Johnson began with a $500,000 loan from John Malone (TCI, Inc.) and two-hours of programming on Friday nights. Johnson is a graduate of the University of Illinois and holds a master's degree in International Affairs from the Woodrow Wilson School at Princeton University.

- ✓ From 1976 to 1979, Johnson served as vice president, Government Relations for the National Cable Television Association (NCTA). He has also served at the Washington Urban League and the Corporation for Public Broadcasting.
- ✓ Serves on the board of US Airways, Hilton Hotels, General Mills and UNCF.

About Black Entertainment Television Black Entertainment Television (BET) was established in 1980 The initial objective was to create an African American focused television venue. Today, BET Holdings, Inc. is worth $2 billion, operates 24 hours a day and is broadcast to more than 60 million households in the US, Africa, Asia and Europe. BET Holdings now includes five cable networks, online services (BET.com, MSBET.com), restaurants, movies, books) and magazines.

- ✓ Key initial investors in BET include TCI, Inc. Taft Broadcasting and HBO. In 1991 BET went public, selling 21% of the company for $72 million. This move helped to infuse capital into several projects such as the BET publishing efforts and online service.
- ✓ BET Holdings has been recognized by *Forbes* magazine as one of the "Best Small Companies in America."

Background on BET.com

- ✓ BET Holding Partners launched BET.com on February 7, 2000 to create an on-line portal for African Americans. In partnership with Microsoft Corporation, Liberty Digital, News America Inc., and USA Networks, BET.com is believed to be the largest investment in an African-American Internet venture.

- ✓ The site is designed to target African Americans of all ages and walks of life. It will offer a broad array of content covering topics such as news, education, health, entertainment, sports, family, finance, careers and technology.

- ✓ The site will offer free email and diverse interactive chat rooms as well as be a direct online retailer of products and services that appeal specifically to the African American market (i.e. urban apparel, books, music, health care, etc).

- ✓ BET Holdings along with its partners provided the initial capital investment of $35 million as well as in-kind contributions for marketing and promotion of the website.

- ✓ Robert Johnson was quoted, "the failure of any community to avail itself of the resources of the internet will limit its ability to succeed in the new Millennium." He sees this website as a way to close the "digital divide."

Summary of BET.com Initiatives to Address the Digital Divide

Free BET.com- Branded Internet Service Provider

BET.com will launch a free BET.com-branded Internet Service Provider ("ISP") targeted to the African American community. This free ISP will feature rich content, robust communities, communication features and commerce tailored to African Americans' interests and preferences. The service will be marketed across BET Holdings' media properties, including its cable networks, magazines and web site. With over 95% brand recognition in the African American community and aggressive marketing of the free service via BET Holdings' media properties, the BET.com branded ISP will increase African Americans' awareness of, and access to, the Internet.

Celebrity Public Service Announcements

BET.com will produce and air on the BET Cable Network and the BET on Jazz Network Public Service Announcements ("PSA") encouraging African Americans' use of the Internet and participation in the digital economy. The PSA's will feature major African American celebrities from the music, sports and film industries explaining the importance of African American participation in the digital economy, as consumers, employees and entrepreneurs. BET.com will ensure substantial celebrity participation in the PSA's by capturing testimonials from the celebrities attending BET Holdings' 20th Anniversary Gala on May 6, 2000.

Celebrity Auction to Benefit Efforts to Close the Digital Divide

BET.com will host an online celebrity auction to benefit efforts to address the digital divide. The auction, to be hosted on BET.com's web site, will feature items donated by African American celebrities. BET Holdings will leverage its extensive relationships in the entertainment industry to secure valuable and interesting contributions from prominent celebrities. All of the proceeds from the auction will be applied to funding efforts to address the digital divide.

In addition to generating proceeds, the publicity and excitement surrounding a major, online African American celebrity auction will increase African Americans' awareness of, and interest in the Internet. BET Holdings will aggressively promote the celebrity auction across all of its media properties.

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September 6, 1999

SECTION: BUSINESS & TECHNOLOGY; Pg. 51

LENGTH: 1094 words

HEADLINE: A cable tycoon takes on the **digital divide**

BYLINE: By Marci McDonald; Miycol Moore; Holly J. Morris

HIGHLIGHT:
BET's founder creates a Web site for blacks

BODY:

It is not a neighborhood where most Washingtonians venture--that is, unless their cars have been towed away by the Capitol's parking enforcement squad. But in a stretch of the city's northeastern industrial wasteland, a chauffeured Lincoln Town Car pulls into a manicured 9-acre compound crowned by a gleaming black office tower. The complex is a fitting symbol of the modus operandi of **Robert Johnson,** the 53-year-old cable tycoon ensconced in the limo's back seat. Just as he built the headquarters of his $ 1.5 billion Black Entertainment Television empire on the site of this former railway dumping ground--leased from the city for a song--Johnson has shown a knack for taking a property nobody else wants and turning it into a gold mine.

Twenty years after Johnson won the first license for a channel aimed at the nation's 35 million African-Americans, **BET** reaches 57.8 million households and boasts ratings that rival MTV's. In fact, the network's hold on the black market (and beyond) remains so secure that Johnson has used **BET's** cash flow to build a miniconglomerate of magazines, restaurants, and auxiliary movie channels. According to Dun & Bradstreet, the network's projected revenue for 1999 will top $ 85 million.

But even Johnson could not have anticipated the latest boost to his fortunes. On the eve of a TV season when the National Association for the Advancement of Colored People and Hispanic organizations are threatening to boycott the networks for programming too few minority characters into their fall lineups, Johnson stands poised to cash in on that lapse. This month **BET** will unveil $ 10 million worth of new programming: a late-night variety show called **BET** Live from L.A., hosted by Cedric the Entertainer, and a series of 10 made-for-TV movies based on story lines from its Arabesque line of black romance novels. The diversity drought also comes just as Johnson is pitching plans for **BET** II, billed as a "black family channel," to the country's major cable carriers. Says Sam Chisholm, whose Chisholm & Mingo Group helps corporations target the $ 500 billion African-American market, "**BET** should capitalize on this opportunity."

Internet segregation. Still, it was not Johnson's TV plans that caught Wall Street's attention last month. It was the announcement that, along with Barry Diller's USA Networks, Rupert Murdoch's News Corp., John Malone's Liberty Media, and Bill Gates's Microsoft, he was launching a $ 35

million new Web portal for blacks: **BET.**com.

Due to debut in November, **BET.**com represents the biggest bankroll yet to target the largely overlooked black online market. At the New York press conference, NAACP President Kweisi Mfume hailed the venture for attempting to bridge the **digital divide**--the growing gap between black and white access to the Internet. According to a Commerce Department study, only 11.2 percent of African-American households have regular access to the Internet, compared with 29.8 percent of white homes. "The hardware divide is solvable," says Johnson. "What I'm more concerned about is the attitudinal divide: Right now African-Americans think, 'There's nothing on the Internet that's of value to me.' "

BET.com is expected to go public within the year. Some analysts like Vaughn Halyard, a vice president at the Meta Group in Stamford, Conn., are upbeat about its prospects. With advertisers targeting increasingly precise slices of the population, Johnson can offer an online audience not unlike the urban 12-to-35-year-olds who make up his core cable viewers. "Hip-hop speaks to a lot of the demographics advertisers are trying to reach," Halyard points out. "It's not just a black thing."

BET.com is Johnson's third try at the Web. In 1996, he launched a much-ballyhooed site with Microsoft, eventually called MSBET. The site never took off the way Johnson envisioned it would, and it is now being rolled into **BET.**com. But the new Web site faces competition from two more experienced black portals: San Francisco-based NetNoir.com and the slightly larger Blackvoices.com, a site set up by the Chicago Tribune's parent company. After five years, neither has yet to turn a profit, but NetNoir President E. David Ellington says he may beat **BET.**com to an initial public offering as early as next spring.

Wall Street blues. For Johnson, going public stirs up memories of a rocky seven-year relationship with Wall Street that only ended last year. In his office, a medallion commemorates the Thursday in October 1991 when his **BET** Holdings became the first African-American-owned company listed on the New York Stock Exchange. He used the IPO money to pay off a longtime Cincinnati investor. And Johnson himself sold 375,000 shares for $ 6.4 million. In 1996, he and his wife, Sheila, spent $ 4.3 million on a 133-acre farm in Virginia's horse country, where he built an indoor arena for their 15-year-old daughter, Paige, an Olympic equestrian hopeful.

But otherwise Johnson's experience with Wall Street has been an unhappy one. Analysts showed no patience for his insistence on diluting his cable profits by dabbling in money-losing magazines and theme restaurants--the latest of which is to open in Las Vegas this week. He saw those spinoffs as the building blocks to turn **BET** into the dominant black entertainment brand. And besides, as he puts it, "I like to tinker around." Last year, he and his original partner, cablecaster Malone, took back control of the company for $ 63 a share, in the process acquiring $ 650 million in **BET** debt.

Over the years, Johnson seemed miffed when the media chalked up his success to his partnership with Malone. But he now concedes that "when you're a black company in a white business world, validation is a major thing. When I say the name John Malone, it's instant validation."

It was Malone who hooked him up with Gates. And four years ago, he invited Johnson to the exclusive annual confab of moguls at Herbert Allen's Sun Valley, Idaho, ranch--an exercise in power networking that ultimately resulted in his Internet shopping deal with Diller et al. "All of a sudden I'm in a room with all these guys," Johnson marvels, betraying a rare chink in his armor of cool. "From the standpoint of an African-American, being the face in the place puts you in another sort of

opportunity."

In fact, when the Internet and cable industries eventually converge, as techno-prophets have long predicted, Johnson may find that his quest for untapped African-American market opportunities has only begun.

GRAPHIC: Picture, Black Entertainment Television's **Robert Johnson** wants to bridge the Internet access gap. (Katherine Lambert for USN&WR)

LANGUAGE: ENGLISH

LOAD-DATE: August 30, 1999

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ROBERTA KATZ – TECHNET

Roberta Katz – President and CEO of TechNet. She was a panelist at the December digital divide event.

The NetDay/TechNet One-Stop Shop The President will announce a commitment from NetDay/TechNet to develop an Internet database of quality educational training tools and information for principals, teachers, parent support groups, and community members. This one-stop shop will serve as a clearinghouse for professional development resources, education discussion groups and online training materials.
TechNet is a network of senior executives of the nation's leading technology companies. TechNet members include chief executive officers and senior partners of companies in the fields of information technology, biotechnology, venture capital, investment banking, and law. The mission is to engage policy makers and industry leaders in a dialogue about New Economy issues. John Doerr helped establish TechNet.

About TechNet TechNet is a national political organization that builds bipartisan support for policies that strengthen America's leadership of the New Economy. It is the premier political organization for the high-tech world in Silicon Valley. TechNet members play an active role in education and training initiatives, financial accounting standards and national research and development.

- ✓ **Research and Development** Lobbied for the enactment of a long-term extension of the Research and Development Tax Credit. Championed increased funding for science and technology research, particularly at the National Science Foundation

- ✓ **H1-B** TechNet is developing an education and training component to the H-1B non-immigrant visa program that will address today's serious shortage of skilled American professionals.

TechNet and the Digital Divide

- ✓ **Education** Developing successful education and training programs, ranging from scholarships which are encouraging young people to pursue careers in engineering and computer science to in-house training programs that prepare current employees for the challenges of the future

- ✓ Endorsed California Proposition 26. Known as the "Let's Fix Our Schools Initiative," the proposition lowers the requirement to pass local school bonds from a two-thirds vote to a simple majority. Proposition 26 includes strict accountability measures for public school facilities funding and provisions to ensure that charter public schools have access to adequate facilities funding. California schools are filled past capacity, and an estimated 500,000 children will enter the school system in the next decade. Passage of Proposition 26 is a critical for California's school children to have the learning environment and technology to excel in the 21st Century.



Tech Chiefs Protest Proposed Merger Rules
New accounting plan could end goodwill tax benefit

Friday, February 4, 2000
San Francisco Chronicle
CHRONICLE SECTIONS

Tom Abate, Chronicle Staff Writer

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Silicon Valley big shots faced the crowned heads of accounting at a public hearing in San Francisco yesterday, hoping to preserve a rule that has made it easy for them to grow through acquisitions.

The Financial Accounting Standards Board, a seven-member private body that governs the profession, wants to eliminate an accounting practice called ''pooling of interests'' that lets companies make acquisitions without taking write-offs that would hurt their bottom line.

Silicon Valley executives, led by venture capitalist John Doerr and former Netscape CEO Jim Clark, said FASB would be foolish to kill the rule.

''This is a direct frontal assault on the New Economy,'' said Doerr, arguing that an end to pooling would slow mergers, discourage venture capital investment and hurt Silicon Valley entrepreneurs who have become ''the envy of the world.''

FASB has said it might eliminate pooling of interests accounting in 2001, because it conceals the true costs of mergers and makes it difficult for investors to evaluate deals.

FASB wants all mergers to be accounted for under the older ''purchase method'' of accounting. Here's the difference:

Suppose Company A spends $100 million to take over Company B, whose hard assets -- such as land, real estate and equipment -- have a book

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value of $60 million.

Under purchase accounting, the part of the purchase price that exceeds book value -- $40 million in this case -- is considered goodwill, and must be written off over time, decreasing the company's earnings.

In a pooling-of-interest mergers, the company is not required to write off any goodwill. The two companies simply combine their expenses and revenues and go forward, with no impact on the bottom line.

With certain limitations, companies can decide which type of accounting treatment they want to use.

Purchase accounting is tough on high- tech companies, which typically have relatively few hard assets. Their value is often tied up in patents and other intellectual property, which would be considered goodwill that must be written off under purchase accounting.

Barksdale, who sold Netscape to America Online for $10 billion in a pooling-of-interests deal, said that if AOL had had to write off the huge goodwill involved, it would have depressed AOL's earnings by so much, for so long, the deal would never have happened.

''Why change this (rule) when it's workin' real well?'' Barksdale asked.

FASB Vice Chairman James Leisenring retorted, ''I don't think it's working at all.''

FASB contends that because they can avoid writing off goodwill under the pooling method, high-tech firms have been able to pump up the price of acquisitions, especially those done with stock.

This has made tech pooling deals seem hotter than mergers involving purchase accounting, said FASB staffer Todd Johnson.

''Investors aren't able to make accurate

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comparisons between companies in the high-tech versus the smokestack or the brick-and-mortar world, so capital may not be going where it should,'' Johnson said.

Dennis Powell, corporate controller for Cisco Systems, which has made dozens of pooling acquisitions in the last three years, said FASB is trying to impose asset-based accounting from the industrial era on companies that don't fit that mold.

''We're investing in the know-how, the people and other things that have no easy book value,'' he said.

This isn't the first time FASB has clashed with Silicon Valley. In the early 1990s, when FASB proposed new accounting rules that would have made companies write off the cost of stock options given to employees, Silicon Valley companies and workers held sidewalk protests that forced the accountants to back off.

Meeting with reporters outside yesterday's hearing, Doerr said such street tactics might be revisited if FASB doesn't retreat on pooling.

FASB will hold a similar public hearing next week in New York and decide the issue by the end of the year. Though FASB is a private body, its standards are accepted by the Securities and Exchange Commission and have something approaching the force of law on U.S. firms.

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ROBERT KNOWLING – COVAD COMMUNICATIONS

Robert Knowling Chairman, President and Chief Executive Officer, Covad Communications. Former Executive Vice President of US West where his 30,000 member Operations and Technologies team provided quality communications services for more than 25 million customers in 14 states. Knowling was recruited in July 1998 to run Covad. He received a bachelor of arts degree from Wabash College and an MBA from Northwestern University's Kellogg Graduate School of Business.

- ✓ Recently awarded Wall Street Project's Reginald Lewis Trailblazers Award by President Clinton and Reverend Jesse Jackson.

- ✓ Became one of the few African-American CEOs in Silicon Valley. During the past 18 months, he's guided the company through a major expansion and an initial public offering.

- ✓ Serves as chair of the Information Technology Association of America's Industry Committee. Through the committee, Knowling has been leading efforts to bring more diversity to the information-technology workforce by developing internship programs, getting hiring commitments from employers and creating new outreach and educational programs that target minorities.

- ✓ Sat in First Lady's box for SOTU 2000.

Covad Communications Covad is the leading national Digital Subscriber Line (DSL) broadband provider. The company's technology provides "always on" broadband Internet access. Covad's network currently covers more than 25 million homes and businesses in major metropolitan areas.

- ✓ Covad services are available across the United States in 56 of the top Metropolitan Statistical Areas (MSAs). By the end of 2000, Covad services will be available in 100 MSAs. At that time, Covad's digital network will reach more than 40 percent of all US homes and 45 percent of all US businesses.

- ✓ Covad provides the "back-bone" that supports Internet Service Providers (ISPs) who offer DSL service commercially. Covad's flagship services, TeleSurfer for residential customers and TeleSpeed for small businesses, are readily available to consumers and businesses through a host of 250 leading ISPs.

DIGITAL OPPORTUNITY INITIATIVE
Building a Larger More Diverse Information Technology Workforce

The Digital Opportunity Initiative (DOI) is a new program sponsored by the Information Technology Association of America (ITAA) and some of the nation's leading IT companies, including Covad Communications

- The DOI was created in response to growing concerns from the private sector about the shortage of qualified IT workers and, in particular, the lack of minorities in the IT workforce.
- Currently, African-Americans, Hispanics, and Native Americans represent a small percentage of the IT workforce when compared to their presence in the general workforce.
- According to a 1998 ITAA task report, African-Americans account for 5% of all computer programmers but 10% of the general workforce, which Hispanics account for 4% of programmers but 9% of the general workforce. Native Americans fare the worst representing less than 1% of both the general and IT workforces.
- The DOI will be comprised of two parts--a web-based IT internship program and an education/outreach campaign.
- The program will be managed by ITAA with direct input from a committee of industry representatives . ITAA's industry advisory committee is chaired by Robert Knowling, President and CEO of Covad Communications.

The DOI Internship Program has six major goals:

- Promote a more diverse IT workforce that includes more African-Americans, Hispanics, and Native Americans
- Provide substantive and supervised work experience for students to develop and enhance IT skills
- Help students build expertise, proficiency, and confidence in applying IT skills to real work situations
- Develop stronger interactions between students and IT employers
- Provide IT employers with the necessary pipeline of future skilled IT workers to meet the growing demand for a qualified workforce

Preference will be given to talented minority students attending an accredited post-secondary two or four-year institution, with a GPA of 3.0 or higher and desire work experience in the IT industry.

Building the 21st Century Information Technology Work Force: Underrepresented Groups in the Information Technology Workforce

The views expressed in this report are those of the individual authors and Task Force members and do not necessarily reflect the views of any of their employers, other individuals or organizations associated with the National IT Workforce Convocation.

OVERVIEW OF ISSUE

The proliferation of digital technologies in the American economy has created robust demand for workers who can create, apply, and use information technology, with especially strong demand for skills in popular new programming languages and network related software. As a result, employers across the country report having difficulties recruiting and retaining adequate numbers of workers with the knowledge and skills in demand.

Women and some minorities are underrepresented in most technical fields, including those related to information technology. As a result, while many employers struggle to recruit adequate numbers of workers with computer-related skills, large pools of potential talent remain untapped. Another underutilized pool of skilled labor that could potentially be tapped for information technology occupations are mid-career and older technical professionals, such as engineers who were dislocated during defense and corporate downsizing. For many, however, this could require making a transition to an entirely new field of career endeavor.

SUMMARY OF RESEARCH

The labor market for information technology (IT) workers is expanding and shifting rapidly. New skills are constantly in demand, and IT occupations are evolving in new directions. New kinds of IT jobs are being created, and new job titles and job requirements are appearing on a regular basis. For example, a few years ago, "webmasters" were few in number; now there are legions of them developing sites and keeping information up-to-date on the World Wide Web.

While IT jobs are changing rapidly, the statistical frameworks used to gather and analyze information about industries and occupations has not evolved very quickly. As such, this paper will refer to occupations--as representative examples of the IT workforce--for which there is a variety of longitudinal data available. These occupations include:

- electrical and electronic engineers
- computer systems analysts & scientists
- operation and systems researchers & analysts
- computer programmers
- computer operators
- data entry keyers

While many workers use computers on the job, this paper refers to those occupations that are more intimately, directly, or frequently involved with the creation of information technologies rather than its application to a wide range of disciplines and enterprises.

GROUPS UNDERREPRESENTED IN THE IT WORKFORCE

The following presents the currently available statistical information on the representation of women, African-Americans, Hispanic-Americans, Older Workers, and Disabled Americans in the overall information technology workforce in the categories listed above.

DATA ON WOMEN'S REPRESENTATION IN THE IT WORKFORCE:

OCCUPATIONS	Total Employed	Gender (as % of total) Male	Female
Electrical and Electronic Engineers	603,000	92%	8%
Computer Systems Analysts & Scientists	1,091,000	72%	28%
Operation and Systems Researchers and Analysts	207,000	57%	43%
Computer Programmers	558,000	69%	31%
Computer Operators	398,000	40%	60%
Data Entry Keyers	690,000	16%	85%
All IT Occupations	3,547,000	56%	41%
All Occupations		54%	46%

While women represent a significant portion of the IT work force as defined above, when the largely administrative support positions of Data Entry Keyers and Computer Operators are removed, women represent only 25 percent of the professional IT workforce. Although significantly underrepresented in computer scientist and programmer positions, the lack of women in computer-related engineering fields is the most stark gender-gap in the industry. It is encouraging, on the other hand, that women are very well represented in the field of Operation & Systems Research.

DATA ON RACIAL/ETHNIC MINORITIES REPRESENTATION IN THE IT WORKFORCE

OCCUPATIONS	Total Employed	Race/Ethnicity (as % of total) White	Black	Hispanic	Other
Electrical and Electronic Engineers	603,000	86.1%	4.3%	3.9%	0.6%
Computer Systems Analysts & Scientists	1,091,000	81.9%	7.1%	2.5%	0.4%
Operation and Systems Researchers & Analysts	207,000	86.6%	8.0%	3.5%	1.4%
Computer Programmers	558,000	83.8%	5.4%	4.6%	0.4%
Computer Operators	398,000	83.6%	13.4%	8.1%	0.6%
Data Entry Keyers	690,000	77.9%	17.1%	11.0%	0.8%
All IT Occupations	3,547,000	82.6%	9.1%	5.4%	0.6%
All Occupations		85.1%	10.7%	9.2%	0.7%

As with women, African Americans seem to do fairly well as a percentage of the overall IT workforce as defined above, until Operators and Keyers are removed. Then the population falls to 6 percent of the professional IT workforce. (African Americans are , however, more strongly represented as Computer Scientists and Operations & Systems Researchers).
Hispanics are significantly underrepresented by either definition, at 5.4 percent of the total IT workforce, or 3.4 percent of the IT professionals.

Although the Bureau of Labor Statistics data above does not break out population to show the representation of Asians or American Indians in the IT workforce, we can see some trends from data collected through the National Science Foundation:

OCCUPATIONS	Asian	American Indian
Science & Engineering Labor Force	8.9%	0.2%
Resident Population of U.S.	3.2%	0.7%

This data is less representative of the entire IT Workforce, as it shows only Science and Engineering workers broadly, but the trends appear to hold true across Information Technology as well. Asians are generally somewhat overrepresented in these fields, and American Indians are quite underrepresented.

DATA ON OLDER WORKER'S REPRESENTATION IN THE IT WORKFORCE:

		Age (as % of total)						
OCCUPATIONS	Total Employed	16-19	20-24	25-34	35-44	45-54	55-64	65-74
Electrical and Electronic Engineers	603,000	0.1%	3.3%	32.4%	34.1%	20.3%	8.6%	1.0%
Computer Systems Analysts & Scientists	1,091,000	0.3%	5.1%	35.0%	34.4%	20.2%	4.5%	0.3%
Op & Systems Researchers & Analysts	207,000	0.0%	3.1%	33.6%	30.3%	25.3%	6.0%	1.8%
Computer Programmers	558,000	0.9%	7.3%	42.7%	29.1%	15.9%	3.8%	0.2%
Computer Operators	398,000	2.9%	12.4%	27.9%	29.5%	16.7%	8.4%	2.1%
Data Entry Keyers	690,000	5.1%	17.6%	28.0%	26.3%	15.7%	5.9%	1.2%
All IT Occupations	3,547,000	1.6%	8.3%	33.5%	31.2%	18.6%	5.9%	0.9%
All Occupations		5.1%	9.6%	25.3%	27.7%	20.1%	9.3%	2.4%

Workers generally seem to be evenly represented in the IT workforce until they reach the 45-54 age range, and even workers in this range do well in all professional IT positions with the exception of Computer Programmer (no doubt a fast growing segment of the job market). Once workers reach 55, however, there is a considerable drop in the numbers holding Computer Science, Systems, and once again Programming jobs. The trend no doubt worsens approaching retirement age and beyond.

DATA ON PEOPLE WITH DISABILITIES' REPRESENTATION IN THE IT WORKFORCE:

OCCUPATIONS	Persons w/ Disabilities	Persons w/out Disabilities
Science & Engineering Labor Force	5.8%	94.2%
Resident Population of U.S.	20.0%	80.0%

Once again, the data available on the representation of persons with disabilities in the IT workforce can be found through the National Science Foundation.

Persons with disabilities are clearly underrepresented in the fields of Science & Engineering, representing one-quarter of what they represent in the overall population.

Degree/Certificates Awarded	Men in All IT Programs	Men in College	Men in Population	Women in All IT Programs	Women in College	Women in Population
Less than Two Yrs. Program	50.10%		48.88%	49.90%		51.12%
Associate's Degrees	75.71%	40.46%	48.88%	24.29%	59.54%	51.12%
Bachelor's Degrees	78.22%	45.35%	48.88%	21.78%	54.65%	51.12%
Master's Degrees	78.95%	44.92%	48.88%	21.05%	55.08%	51.12%
Doctoral Degrees	86.02%	60.56%	48.88%	13.98%	39.44%	51.12%

More disturbing is the trend line: the share of all computer science degrees awarded to women in the United States has fallen steadily from a peak of 35.8 percent in 1984, to 27.5 percent in 1994 (the lowest level since 1979), with only a slight rebound to 28.4 percent in 1996. This trend, coupled with the continued downturn in the number of computer science degrees awarded overall, has cut the number of women receiving bachelor's degrees in computer science by more than half, from a high of 15,126 in 1986 to 6,954 in 1996. In 1996, men were three times more likely to choose computer science as a field of study than women.

African-Americans, Native Americans and Hispanics are also underrepresented in computer science education, though the share of degrees in this fields received by each of these groups has climbed substantially since 1977. These groups also are underrepresented in higher education generally.

Degree/Certificates Awarded	Whites, Non-Hispanic, in IT Programs	Whites, Non-Hispanic, in College	Whites, Non-Hispanic, in Population
Less than Two Yrs. Program	52.03%		73.93%
Associate's Degrees	69.60%	77.70%	73.93%
Bachelor's Degrees	63.60%	78.73%	73.93%
Master's Degrees	43.53%	73.63%	73.93%
Doctoral Degrees	39.42%	62.61%	73.93%

Degree/Certificates Awarded	Blacks, Non-Hispanic in IT Programs	Blacks, Non-Hispanic, in College	Blacks, Non-Hispanic, in Population
Less than Two Yrs. Program	13.66%		11.98%
Associate's Degrees	10.04%	8.73%	11.98%
Bachelor's Degrees	7.64%	7.52%	11.98%
Master's Degrees	3.02%	6.08%	11.98%
Doctoral Degrees	1.04%	3.75%	11.98%

Degree/Certificates Awarded	American Indians in IT Programs	American Indians in College	American Indians in Population
Less than Two Yrs. Program	1.17%		0.73%
Associate's Degrees	0.85%	1.02%	0.73%
Bachelor's Degrees	0.37%	0.57%	0.73%
Master's Degrees	0.14%	0.41%	0.73%
Doctoral Degrees	0.07%	0.29%	0.73%

Degree/Certificates Awarded	Hispanics in IT Programs	Hispanics in College	Hispanics in Population
Less than Two Yrs. Program	14.19%		10.10%
Associate's Degrees	9.46%	6.67%	10.10%
Bachelor's Degrees	5.83%	4.67%	10.10%
Master's Degrees	2.13%	3.25%	10.10%
Doctoral Degrees	1.02%	2.21%	10.10%

Comparing the number of bachelor's, master's, and doctoral degrees granted in 1994 to students of each race and ethnic group to their share of the U.S. population of 22-30 year olds, the percentage earned by Asians (5.5 percent) and Whites (5.2 percent) is significantly higher than Native Americans (2.9 percent), African Americans (2.4) percent, and Hispanics (1.4 percent). However, Asians, African Americans, and Hispanics who earn bachelor's degrees chose computer science as a field of study at higher rates than White and Native American students.

AN EXPANDED POOL OF TALENT

Increasing the representation of women and minorities in the technical workforce may require reaching out to individuals originally trained in other disciplines. Many people who work in skilled IT jobs come from educational backgrounds other than computer science and engineering, including business, social science, physical science, electrical engineering, and mathematics degree holders. In fact, many people working in IT jobs have some college but no formal degree, and others have entered jobs such as computer programming with no post-secondary education at all.

Women, minorities, and disabled persons, some of whom are unemployed or underemployed compose a very large pool of people with technical and other education backgrounds, with the potential to enter successfully IT occupations if appropriate transition assistance was available and affordable.

	Highest Level of Education						
OCCUPATIONS	Total Employed	No Diploma	HS or Equiv.	Some Coll.	Assoc.	BA	MA
Electrical and Electronic Engineers	603,000	0.3%	6.6%	9.5%	10.4%	48.1%	20.9%
Computer Systems Analysts & Scientists	1,091,000	0.3%	6.2%	14.7%	9.0%	47.6%	18.7%
Op & Systems Researchers & Analysts	207,000	0.1%	13.6%	16.5%	9.1%	42.2%	14.7%
Computer Programmers	558,000	1.4%	8.7%	20.9%	9.6%	45.2%	13.0%
Computer Operators	398,000	4.6%	34.2%	31.9%	11.2%	15.3%	2.4%
Data Entry Keyers	690,000	4.7%	40.9%	31.8%	10.7%	10.3%	1.4%
All IT Occupations	3,547,000	1.8%	17.0%	20.2%	9.9%	36.1%	12.7%

Another potential pool of talent for filling IT jobs is comprised of mid-career and older, (over the age of 40), technical professionals, including many with computer-related education and experience who are not now part of the IT workforce. This includes mid-career IT professionals laid-off during defense and corporate downsizing, as well as individuals with advanced training in other fields of science and technology who may be underemployed, unemployed, or working out-of-field. There is considerable debate over why these individuals are not being absorbed into the new technology workforce. Among the most common explanations are opinions that the compensation and security expectations held by mid-career individuals may be higher than those held by new college graduates or those who have been in the workforce for just a few years. This argument can be countered by the observation that these older, often highly trained workers can bring a level of knowledge and experience to the workplace that younger employees have yet to acquire. The debate is by no means simple or straightforward and challenges many widely-held beliefs regarding the flexibility, work ethic, age biases, and technical competence of workers in different age groups.

BARRIERS

Barriers that Cut Across All Groups Underrepresented in the IT Workforce:

All groups underrepresented in the IT workforce face many of the same barriers to entry. These include:

Image of the Profession. The IT field is surrounded by a mystic that can be hard to penetrate. It is often perceived to be the domain of the highly educated and technical elite. The field's technical terminology and jargon may be incomprehensible to the uninformed. And, the field is perceived to be populated by the much maligned "geek" or "nerd," an image many young people and minorities seek to avoid.

Lack of Encouragement. Women and minorities may experience less encouragement to enter technical education and careers due to a lack of role models in the technical professions in school, at home, or in the community. Teachers may operate with a subtle bias toward encouraging boys and white students into more advanced mathematics and science studies. Also, women and minority groups often demonstrate different learning styles which may not be accommodated in the high-school level gatekeeping mathematics and science courses, providing further difficulties for these groups in acquiring the basic knowledge and skills required to pursue post-secondary technical education. Encouragement may also be lacking in the home; based on the family's work history and parental aspirations for children, technical careers may not be considered an option.

Lack of Opportunity and Access. In groups with few economic means, there may be an absence of widespread computer literacy in the population, and inadequate resources to invest in computer-related education or equipment both at home or in schools. Even in more resource rich communities, the number

of computers available to students in school may be less than optimal, teachers may lack computer skills, and the use of information technology may be poorly integrated into the curricula.

Lack of Appropriate Skills. Attaining the right portfolio of skills to enter IT careers may be troublesome for all. Employers often recruit for a highly specific set of skills--often based on particularly IT technologies, programming languages, applications, etc.--which may be difficult for individuals to assemble. The problem is compounded by rapid technological change in the field, and the pace at which the education and training infrastructure, occupational data, and skill standards can respond and serve as up-to-date guides and education providers.

Broader Socio-Economic Context. Some schools are located in high-tech regions, such as Fairfax, Virginia, Silicon Valley, Austin, Texas, or Boston which may confer general advantages to students in those areas with respect to access to IT educational resources. Many other students, in rural areas for instance, may be situated in regions in which the local government may not even have Internet access. Similarly, school districts with active magnet school programs might provide greater encouragement to students to enter IT fields than school districts with fewer magnet schools.

Barriers Unique to Individual Groups Underrepresented in the IT Workforce.

In addition to barriers to participation in the IT workforce that cut across underrepresented groups, each underrepresented group--women, minorities, mid-career and older professionals, persons from other fields moving into IT, and persons with disabilities--faces unique challenges in entering the IT workforce.

WOMEN

Women leave high school about as well prepared as men to enter post-secondary technical education programs. For example, the average mathematics scores of male and female 9- and 13-year olds did not differ in 1992, and the difference in scores for 17-year-old males and females is small. Gender differences in average science achievement test scores have diminished, but males score higher at each level.

There are few role models and mentors for women in science and engineering - in school, in post-secondary education, in the workforce, and among high-tech business owners and executives. For example, at research and doctoral-level academic institutions, among the science and engineering fields, women's faculty presence ranges from less than 6 percent in engineering and 8 percent in the physical sciences, to over 20 percent in the biological sciences. Women may be less likely to be encouraged in science and engineering education as men; educators in technical fields often demonstrate subtle biases in favor of males.

Women have fewer and less developed networks than men in both school and in the business community. This may contribute to women's difficulty in penetrating a glass ceiling to senior-level corporate positions. And, although the IT industry grew out of a male dominated culture, opportunities may be growing for women in rapidly changing fields where there is no long-term base of experience from which to draw senior level personnel.

Finally, several observers have noted a very subtle form of discrimination in the high-intensity IT environment as some IT employers perceive women job candidates as potentially less dedicated to the job due to their obligations to children and family. This includes a perception that women are less available for the overtime, night, and weekend work required in a highly competitive environment.

RACIAL/ETHNIC MINORITIES

There are a number of barriers that inhibit racial and ethnic minorities in pursuing technical education and careers. While racism does not appear to be a strong barrier to employment in the IT industry, insufficient access and opportunities in the education pipeline may prevent racial and ethnic minorities from entering technical education programs and, later on, technical careers.

In K-12, though differences have narrowed, non-Hispanic white youth continue to score much higher than black or Hispanic youth on standardized tests of mathematics and science achievement. Racial and some ethnic minorities suffer a disproportionate impact from poor schools at the K-12 level, for example in the inner cities. Black and Hispanic students are less likely than white students to have access to a computer at home. Racial and ethnic minorities may experience less encouragement to enter technical education and careers due to a lack of role models in the technical professions in school, at home, and in the community. This limits exposure to information technology and IT careers, mentors, and others, as well as opportunities for educational and career positioning. Encouragement may also be lacking in the home; based on the family's work history and parental aspirations for children, technical careers may not be considered an option. Also, employers look for leadership skills cultivated through extracurricular activities that have been curtailed in many financially pressed inner city schools.

In higher education, there may be a lack of linkages--R&D, internship opportunities, and recruitment--between the IT industry and Historically Black Colleges and Universities, Predominantly Hispanic Colleges and Universities, and Native American schools. This reduces opportunities for technical training, real-world IT experience, exposure to the industry, and for springboarding into jobs through the industry-academia partnership pipeline. Also, lack of recruitment at these schools reduces the "market" pull choosing the focus of their education.

For some minorities there may be a cultural tradition that encourages students to pursue other educational directions. For example, Native Americans often choose to study in the fields of education, medicine, law, and social sciences in response to long standing issues, needs, and problems in their communities.

Racial and ethnic minorities still encounter racism and stereotyping in higher education, the recruitment process, and in the workplace.

OLDER WORKERS

Some IT professions are weighted toward younger worker populations. For example, in 1996, 80 percent of computer programmers and 75 percent of computer systems analysts and scientists were 44 years of age or younger. According to the National Survey of College Graduates, the number of computer science graduates employed in skilled IT professions declines substantially as time from college graduation passes.

6 (years) 57%

8 57%

10 47%

12 42%

14 37%

16 34%

18 29 %

20 19%

Even if older IT professionals possess skills in demand or could obtain them quickly and easily, employers often perceive them as costing more to the corporation than younger workers. New graduates or those out of school for just a few years have lower salary expectations, accrue lower benefits costs due to having few or no dependents, and are considered more available for overtime, night, and week-end work due to the lack of childcare and other family responsibilities.

Employers may view young technical employees with a few years of experience as the best buy for the human resource dollar. At this stage of one's career, the technical education is recent and a few years of experience makes an individual more productive. In addition, the young employee with a few years of

experience has not reached the higher salary levels. Newly-minted graduates with the latest skills or those who can be quickly trained, though less productive than the more experienced employee, are also attractive to the employer.

As IT professionals mature, they may become less attractive to employers. They have moved up the salary scale, family obligations grow, medical insurance costs increase, and the educational background is getting old in a fast-moving technical field.

The IT industry is a young one; for example its paragon, Silicon Valley, is well-known for its youth consciousness. Young managers may look to hire individuals like themselves, demonstrating a subtle bias against older workers, or they may feel uncomfortable supervising employees older than they are.

In some parts of the country, and some parts of the IT industry, worker mobility is high, with many IT workers hopping from company to company. Many IT companies are start-ups and many of them fail, leaving their employees to find new jobs. This high-level of mobility and employment uncertainty is uncomfortable to many older works who have financial and family obligations, and who may be accustomed to higher levels of job security. Job security is also important for racial and ethnic minorities; for example, Native Americans traditionally place a high priority on the well-being of their children and their elderly.

NONTRADITIONAL ENTRANTS TO THE IT WORKFORCE

There are many individuals in the United States who are technically trained in non-IT related disciplines. Some are underemployed, some are working outside of the discipline for which they are trained, and some are even unemployed. For example, many technically-trained individuals were laid-off during the defense and corporate downsizing of the 1980s and 90s. Some of these individuals are potential candidates for IT jobs.

While these individuals may acquire IT skills that are in demand, many employers seek individuals with several years of experience in particular programming languages and/or their application. These experience requirements would serve as a barrier to those wishing to switch careers.

Also, many mid-career professionals laid-off during defense and corporate downsizing have experienced financial and emotional hardships. These individuals--who had committed themselves to years of education to attain an advanced technical degree, who worked hard, progressed in their careers, and demonstrated significant loyalty to their employers--found themselves unemployed or underemployed struggling to fulfill their financial and family obligations. For individuals who have worked and studied hard, this experience takes a heavy psychological toll. Because these are well-educated individuals, they are expected to find their own way back into comparable employment with little or no assistance. In reality, they may need career and psychological counseling, help in identifying retraining and employment opportunities, and help tapping into professional and employment networks.

Also, employers often recruit on the basis of narrow skill sets and may overlook the value of the other technical skills and experience these workers possess. Mid-career professionals who left the IT field and seek to reenter it will find that technological change is rapid and their skills, once cutting edge, are out-of-date.

PEOPLE WITH DISABILITIES

According to the President's Committee on the Employment of People with Disabilities, over 54 million Americans identify themselves as having a disability, over 26 million have severe disabilities, and over 65% are currently unemployed. Indeed, this group represents a substantial pool of candidates for the IT Industry -- an industry that will finally value their intellectual capabilities above all other factors. When seeking employment, however, people with disabilities more often than not face the "Glass Door", rather

than the "Glass Ceiling". People with disabilities often have lower levels of education, and until recently were directed away from career opportunities in the IT occupations. In addition, many people with disabilities are challenged by work disincentives created by public assistance programs and choose not to jeopardize their life sustaining benefits.

Although advances in technology have opened virtually all employment areas to people with physical and mental disabilities, many corporate cultures still carry barriers created by myths, stereotypes and fears about people with disabilities in the workplace and falsely perceive that accommodations are too expensive. The latter perception is not well grounded, according to a report by Peter David Blank, Senior Fellow at the Annenberg Washington Program, entitled "Transcending Compliance: Follow-up Report on Sears, Roebuck & Co." (Iowa City, Iowa, 1996). The report supported Dr. Blank's 1994 Sears Report and set forth new findings that the average workplace accommodation for an individual with a disability at Sears was $45.00. This was less than half the $121 average cost for an accommodation at Sears from 1978 to 1992. Employers should be made aware that the average accommodation is not expensive, and including individuals with disabilities into a competitive workplace makes good economic sense for business. This report also discussed how employers and employees can use the ADA to provide a framework for effective dispute avoidance and resolution.

Similarly, the advent of telecommuting can offer tremendous freedom and benefit for people with disabilities. It allows the employee to work from the home -- an environment that has been converted into a highly productive and comfortable space. But here again, employer perceptions are the barrier. Many employers are still uncomfortable about employees working at home -- disabled or not. Managers believe that employees who work off-site may not work required hours, or even as hard as those who are under supervision in a traditional workplace. Until all employers are committed to managing, communicating, and increasing group productivity through the use of technology, the desire for substantial supervisory oversight will continue to keep telecommuting from reaching its potential to serve both the employer and the disabled.

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Divider Title: 6 _____

REBECCA LOBO
WNBA – New York Liberty

Professional Background

Rebecca Lobo is one of the most recognizable women's basketball players in the country. She was a star player for the Connecticut Huskies during 1995, their undefeated NCAA Championship year. Lobo now plays with the WNBA's New York Liberty She also played on the gold medal-winning 1996 USA Women's Olympic Team in Atlanta. She has made appearances at the White House, in Southwick, Mass. for the dedication of "Rebecca Lobo Way," and on The Late Show with David Lettermen. She is a strong supporter of efforts to raise awareness about breast cancer, a disease that struck her mother, RuthAnn, during Lobo's junior year at the University of Connecticut. Lobo was a member of the 1998 WNBA Touring Team. In addition, Lobo was named one of USA Weekend's Most Caring Athletes in recognition of her charitable work.

Rebecca Lobo and the Digital Divide

Rebecca Lobo is one of the WNBA's most community active players. As a part of this commitment, she has focused on motivating young people to "get connected" to technology. Ms. Lobo has her own youth-oriented website, wwww.rebeccalobo.com that encourages interaction with users.

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Divider Title: 7 _____

JAMES MARTIN – AMERICA ONLINE

ames Martin is Senior Vice President and General Manager, Netscape Netcenter, America Online, Inc. He is responsible for growth and strategy of Netscape Netcenter, Netscape/America Online's leading portal site. His responsibilities include overseeing content programming, product and service development, operations, as well as sales and marketing. Martin's background includes 15 years with International Data Group heading up several business units, including serving as President and CEO for Computerworld, Inc., InfoWorld Media Group, and Macworld Communications, Inc. During his tenure with IDG, Martin was successful in growing IDG's businesses including revenue and profit growth, customer acquisition and retention, and the worldwide growth and proliferation of IDG's leading brands. Recognizing the importance of interactive media and communications, Martin was an early adopter of multimedia technology and took on an advocacy role in the development and growth of the popular daytime business destination sites InfoWorld Electric and Computerworld online, as well as IDG's strategic alliance with CNN. Prior to IDG, Martin was with Ziff-Davis and before that, spent time in the consumer publishing, advertising and broadcasting industries.

About America Online Founded in 1985, America Online, based in Dulles, Virginia, is the world's leader in interactive services, Web brands, Internet technologies, and e-commerce services. America Online's AOL Internet service has more than 22 million members. America Online is the world's first $4.7-billion multi-brand new media company.

America Online and the Digital Divide

- ✓ **PowerUP**: PowerUP is an effort of the Case Foundation and more than a dozen nonprofit organizations, major corporations and federal agencies designed to ensure that America's underserved young people acquire the skills, experiences and resources they need to succeed in the digital age. PowerUP's national partners include the Case Foundation, the Waitt Family Foundation, AOL Inc./The AOL Foundation, the Corporation for National Service/AmeriCorps*VISTA, and YMCA of the USA as well as Boys & Girls Clubs of America, Communities in Schools, Family Education Network, Gateway, National Urban League, PowerBar, Inc., Save the Children, Sun Microsystems, and the U.S. Department of Education.

- ✓ **Digital Divide Network**: An initiative launched by the AOL Foundation and the Benton Foundation, the Digital Divide Network is a comprehensive clearinghouse for planning and information sharing among all industry, nonprofit and government organizations working to bridge the Digital Divide.

- ✓ **Digital Opportunity Partnership**: This initiative, in partnership with the Leadership Conference on Civil Rights, is a broadbased education campaign that focuses on bringing the issue of access to the Internet to the top of the social and political agenda across the civil rights community. It will include the creation of a portal, *Civilrights.org*, and the development of ongoing training and education programs for the hundreds of member organizations of LCCR.

- ✓ **Community Education Initiative**: In anticipation of the Digital Divide becoming a core issue during the 2000 election, the AOL Foundation, in cooperation with the Children's Partnership, is developing educational materials for various audiences that will explain basic concepts surrounding the Digital Divide. Materials are being developed for community leaders; nonprofit advocacy organizations; local, state and national candidates; and concerned citizens.

- ✓ **AOL Rural Telecommunications Awards Program**: Among all income groups, rural areas have the lowest online participation rate, as reported recently by the National Telecommunications and Information Administration (NTIA). The AOL Rural Telecommunications Leadership Awards seek to reduce the digital divide by recognizing and promoting telecommunications innovations that strengthen rural communities. This program was administered by the National Center for Small Communities and was such a success that plans are in place to repeat the program again next year.

AOL FOUNDATION AND BRIDGING THE DIGITAL DIVIDE

The AOL Foundation recognizes the promise of the online medium to bridge the Digital Divide by empowering underserved communities to use technology to increase their economic, political and social leverage. The Foundation believes that access to computers alone is not enough to bridge the Digital Divide. There are four critical factors necessary to achieve the meaningful access to information technology:

- *Structural*: put in place hardware, wiring, connection to Internet, including necessary software
- *Training/skills*: develop means for achieving technological literacy as well as appropriate analytical skills
- *Content*: ensure that the fundamental needs and desires are met in a compelling and trustworthy way by online content
- *Community education*: ensure that communities value and prioritize getting online as critical for economic development, political empowerment and the success of children.

The Foundation has developed a portfolio of Digital Divide initiatives that combines these elements in an effort to maximize the benefits of this medium for all communities.

PowerUP – PowerUP: Bridging the Digital Divide is a multimillion dollar effort of the Case Foundation and more than a dozen nonprofit organizations, major corporations and federal agencies designed to ensure that America's underserved young people acquire the skills, experiences and resources they need to succeed in the digital age. PowerUP has been established as a commitment to America's Promise – The Alliance for Youth. PowerUP will be able to scale quickly and reach thousands of young people because it will leverage partnerships with numerous public and private organizations, and build on thousands of existing community centers, schools and other locations nationwide. PowerUP partners will provide technology, funding, trained personnel, in-kind support and other resources to help close the divide between young people who have access to computer-based information and technology-related skills and those who don't.

PowerUP's national partners include the Case Foundation, the Waitt Family Foundation, AOL Inc./The AOL Foundation, the Corporation for National Service/AmeriCorps*VISTA, and YMCA of the USA as well as Boys & Girls Clubs of America, Communities in Schools, Family Education Network, Gateway, National Urban League, PowerBar, Inc., Save the Children, Sun Microsystems, and the U.S. Department of Education.

Digital Divide Network –An initiative launched by the AOL Foundation and the Benton Foundation, the Digital Divide Network has developed into an unprecedented collaborative with broad industry partnership, including AT&T, Microsoft, Bell Atlantic, EDS, BellSouth, SBC and USWest. It is a comprehensive clearinghouse for planning and information sharing among all industry, nonprofit and government organizations working to bridge the Digital Divide.

Digital Opportunity Partnership - This initiative, in partnership with the Leadership Conference on Civil Rights, is a broadbased education campaign that focuses on bringing the issue of access to the Internet to the top of the social and political agenda across the civil rights

community. It will include the creation of a portal, *Civilrights.org*, and the development of ongoing training and education programs for the hundreds of member organizations of LCCR.

Digital Divide Grants – In an effort to learn more about the landscape of nonprofit activity in the Digital Divide area and to help support programs that are taking an innovative approach to addressing this issue, the AOL Foundation has solicited concept letters from nonprofit organizations across the country. More than 900 letters were submitted in response to our RFP. With this grant program, the Foundation hopes to support a few ventures with grants ranging from $25,000 to $100,000. With the review process currently underway, the grants will be awarded early in April, 2000.

Community Education Initiative - In anticipation of the Digital Divide becoming a core issue during the 2000 election, the AOL Foundation, in cooperation with the Children's Partnership, is developing educational materials for various audiences that will explain basic concepts surrounding the Digital Divide. Materials are being developed for community leaders; nonprofit advocacy organizations; local, state and national candidates; and concerned citizens.

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Resources for Nonprofits Area of Helping.Org - Created as an area for nonprofits by nonprofits, this part of Helping.org includes information on best practices and resources that are available for nonprofits seeking to develop greater technical capacity. It is programmed by the leading 25 national organizations focused on technological assistance for nonprofits.

Contributions to Washington DC Schools

AOL Achievers
This pilot program in partnership with DC's Calvin Coolidge High School was launched in February 1999. It seeks to build students' skills and raise their aspirations for post-secondary education, create a sense of community, and foster student and teacher online communications. The program challenges students to set their sights high by pledging $500 scholarships and AOL employee mentors to those who meet a grade point average of 3.5 or higher in any given semester.

- The number of students meeting the GPA criteria nearly doubled after the partnership was launched, and today over 90 students are 'qualified' Achievers.
- AOL has recruited an equal number of employees to serve as mentors to these students and nearly all have received training from Big Brother Big Sisters of the National Capitol Area.
- 22 scholarships have been awarded to students who have entered college.

New program elements include a free 10-week SAT preparation course for seniors, and the administering of a benchmarking survey for students and teachers by the McKenzie Company.

Interactive Education Initiative
The AOL Foundation's Interactive Education Initiative (IEI) provides seed money to teams of educators and others with innovative ideas for using interactive technology to improve student learning. In just two years, 110 grants have been awarded to schools and community organizations in 35 states.

A number of IEI grants have been awarded to DC schools and community organizations. Some amazing programs have been launched through this effort, ranging from an electronic network that enables 100s of deaf students to share information on math and science projects to student groups of volunteers that are tackling the technology needs of their schools.

DC-based IEI grantees include:
- Children's Studio School
- Gallaudet University's Model Secondary School for the Deaf
- Martin Luther King Jr. Elementary School
- Tech Corps – DC
- Martha's Table

Computer Donations
Since 1997, America Online has donated nearly 150 computers to Washington DC schools. 100 of those computers were donated as part of NetDay activities and the AOL Achievers programs. Recipients include:

1997
Woodson High School - 15
Spingarn High School - 15
Bancroft Elementary - 15
Roosevelt High School - 15
Lab School of Washington - 5

1998 (10 total)
Van Ness Elementary
Draper Elementary
MC Terrell Elementary
Stanton Elementary
JC Nalle Elementary
Birney Elementary

1999
Calvin Coolidge High School – 30
Gonzaga - 6
HD Woodson - 6
Dunbar - 6
St. John - 6
Lab School of Washington – 5

Civic Involvement Initiative
The AOL Foundation's Civic Involvement Initiative (CII) supports the volunteer efforts of AOL employees by providing needed funding to the schools and non-profit organizations where employees devote their time. Special emphasis is placed on employee efforts that strengthen communities and improve the quality of life for children and families.

In just two years, the Foundation has awarded nearly 50 grants to schools and non-profit organizations through the volunteer activities of roughly 150 employees. A number of grants have been awarded to DC organizations:

- **Hands on DC** fosters tutoring and mentoring in DC schools and raises scholarship money for low income students.
- **Operation Understanding DC** improves race relations by working with African-American and Jewish high school students to build a future generation of concerned citizens who help stamp out racism, anti-semitism and all forms of discrimination.
- Examples of other DC grant recipients include Bright Beginnings, Greater DC Cares, Whitman Walker Clinic, and the Washington Ear.

Who We Are

- Our Brands
  - AOL
  - CompuServe
  - Digital City
  - ICQ
  - MovieFone
  - Netscape
  - Spinner
- Who's Who
- Data Points
- Timeline
- Public Policy
- Our Partners

Exploring Internet Public Policy

Every day, thousands of people "go online" for the first time to explore the exc new medium known as the Internet. At America Online we believe this interac medium is fundamentally changing the way citizens communicate and educate themselves—and the way consumers buy goods and services—both in this cou and around the world.

But the development of this dynamic new environment has only just begun. Th is still a world of exciting possibilities ahead, and as the Internet continues to g we at AOL want to play our part in ensuring that it grows successfully, efficien and fairly—into a medium that we can all be proud of. That's why the AOL corporate mission is to build a global medium as central to people's lives as the telephone or television—and even more valuable.

Public Policy Principles

America Online believes, therefore, that a few basic principles should guide the development of a public policy environment designed to make the Internet accessible, affordable and valuable to all members of the global community. W believe that adherence to these principles will deliver the economic and social benefits promised by this new Internet medium.

1. Internet policy should foster individual choice and empowerment in the economic and social dimensions and rely on individual decision-making determining the products, services and content available on the Internet. Practices developed in the crucible of the private sector and the marketpl can best direct the development of the interactive medium.
2. Public policies should be market-driven and industry-led. Policies should developed collaboratively, with input from industry leaders, government officials and, perhaps most importantly, consumers and other stakeholde Public or private gatekeepers should not be allowed to prevent new entry deny business opportunities or limit the free flow of information in the Internet.
3. Where government involvement is determined to be necessary, policies should be technologically neutral and non-discriminatory, to ensure that Internet enjoys the same potential for growth as any other medium and th the value of the unique, interactive nature of this new medium can be ful realized.
4. Policies should be designed to assure that all segments of society and all countries of the world have access to the potential economic and social benefits of this new medium—and that the medium becomes as essential our daily lives as the television and the telephone, and more valuable.

In sum, we seek to maximize the economic and social benefits of the Internet w industry-led, market-driven policies that allow this dynamic medium to reach i full potential.

"It is more important than ever that policymakers, both in the U.S. and abroad, recognize the enormous potential economic and social benefits of the medium.

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The Internet's Astounding Growth

In the few short years since it became a part of people's everyday lives, the Inte has managed to link communities together in an unparalleled fashion. The medium's growth rate has been nothing less than phenomenal. In 1990 only a small cadre of researchers knew what the Internet was. By mid-1999, worldwid 150 million individuals were connected to the Internet. Some estimates sugges that worldwide there soon will be as many as one billion people online.

Closer to home, more than 50 million American households and millions of businesses, schools, libraries and other institutions have access to the Internet, that number is growing rapidly. Network traffic continues to double every 100 days, and Jupiter Communications, a leading Internet analyst firm, projects tha almost 55 percent of the U.S. population will be online by 2002. According to Roper Starch study that AOL recently commissioned, nearly two-thirds of Inte consumers who have been online three or more years now view the interactive medium as a necessity in their lives.

The Internet today has been compared to the telephone in the 1920s or televisio the 1950s. And yet, while it took the mass market almost three decades to adop the phone and TV, the Internet has been adopted on a mass scale within just fiv years. Why? Perhaps because, unlike radio and television, the Internet is open, interactive and decentralized. Any one user, anywhere in the world, can "publis and distribute information or electronic products and services to a virtually unlimited Internet audience, at very little cost. In fact, most of the content on th Internet is user-generated. These key factors—openness, interactivity and decentralization—make the Internet a uniquely empowering medium that can h a dramatic impact on people's lives.

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Fueling the Economy

Because of its unique structure, the Internet is bringing a new dynamic to the w economy. In fact, the low cost of opening an Internet "store" and of marketing distributing goods and services is bringing more products and services to more people at lower costs.

Key technology—and even non-technology—companies and innovators will se large percentages of their business move online. Automotive industry analyst J Power estimates that half of all auto sales will soon involve the Internet. Banki advertising, real estate, insurance—all of these industries, and many more, now take advantage of the immediacy, interactivity and convenience offered by the Internet and online services, which provide new ways of reaching customers at fraction of the costs of traditional media.

By 2002, according to U.S. Commerce Department figures, $300 billion worth business-to-business commerce will be conducted online. And it's not just big

companies that are reaping the benefits of this new medium. More than half of small businesses in the United States are now online. Analysts project that mor than 500,000 small companies will be engaged in business-to-business electron commerce by 2002. Small business is the lifeblood of any community, and whe prospers, the whole community prospers.

The information technology industry represents more than one-third of the real economic growth in the United States over the last five years. It generates more than 8% of the U.S. gross domestic product and more than 7 million jobs payin significantly above the private sector average. By 2006, the Commerce Departm projects, almost half of U.S. workers will be employed by industries that produ information technology or are intensive users of it. These figures mean renewe strength for the economy and exciting new business opportunities for a great number of people.

"The information technology industry represents more than one-third of the rea economic growth in the United States over the last five years."

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A Consumer Revolution

Online commerce is also becoming nothing short of an economic revolutio for consumers.
Like everything else in this medium that seems to move at lightning speed, onl commerce is gaining acceptance and momentum within the mass market at a breakneck pace. U.S. consumers purchased almost $13.6 billion in goods and services online in 1998, including $3.5 billion generated during the holiday shopping season alone ($1.2 billion of which can be attributed to AOL membe E-commerce is expected to grow to $3.2 trillion worldwide by 2003, according Forrester Research. By the end of 1998, 35% of the Internet population had ma an online purchase, and 26% of the total family holiday buying in 1998 was conducted over the Internet.

Even the most powerful brands are experiencing a tremendous shift in power in favor of the consumer. In fact, the Internet is helping to usher in a new busines in which the well-informed consumer rules the marketplace. We believe there a three important principles that govern this highly consumer-centric era—princi that will ultimately change the face of business.

Better-informed buyers expect more value for their money
More than ever, consumers are seeking value. For some, this might mean lowe prices; for others it's convenience, product quality, excellent service, or some combination. The Internet provides consumers with all the information they ne to comparison shop until they find what they regard as the best value. If their traditional brand doesn't give it to them, they'll find someone else who does.

Consumers expect more control
Online consumers are active, not passive. They search the Web for the informa they need to make their buying decisions, they read reviews and information bulletin boards, and they share insights with others in online communities. The

more these customers learn, the more control they demand.

Consumers place a high premium on convenience
Nothing is as precious as time, and consumers have ever less of it to spend. Computers are among the most powerful laborsaving devices ever invented, an the Internet has expanded that convenience by orders of magnitude. E-commer offers customers the triple pleasures of speed, convenience and efficiency. The can buy what they want, when they want it, without leaving the comfort of thei homes. There are no closing hours, no holidays, no battles for a parking spot in cyberspace. They can check their bank statement, pay their bills, or buy their spouse an anniversary gift in the middle of the night, if necessary.

Consumers are migrating to the interactive medium to meet their commerce ne because it is convenient and fast, and offers an ever-growing selection of goods and services. Already, consumers can get an auto loan approved on the Internet less than 15 seconds, make airline reservations for a flight around the world wi the click of a mouse, and buy gifts for an entire family online in the time it take for dinner to cook.

And that's only what consumers can do online today. Within less than a decade technology experts predict that consumers will be able to do such amazing thin as:

- place a person-to-person call overseas without having to know how to sp a foreign language—because the computer will automatically translate;
- buy music online directly from the artist or company that created it and download it directly to his or her own computer; or
- download newspapers, brochures and books of all kinds straight from the Internet to palm-sized "electronic books."

Consumers' confidence about the safety of online transactions is also steadily increasing. Secure technologies within the international marketplace, as well as 100 percent Total Satisfaction Guarantee we offer at AOL, have gone a long w to allay consumer worries about the security of online commerce. In 1997, for example, 10% of U.S. consumers did their holiday shopping online—and durin the 1998 holiday season AOL members spent $1.2 billion shopping online. In f according to ZONA research, on average, 26% of the total family holiday buyi in 1998 was done over the Internet.

With today's technology, we've been able to change the methods and economi retailing, as well as offer new levels of security and protection to increase consumer confidence online. And we are starting to see online products and services that are superior in many respects to their offline counterparts—offerin greater selection, better information, lower prices or different features. In fact, according to the Roper Starch study, of those who shop online regularly, almos half (47%) conduct online research as a first step before making a major purcha

Longer term, we believe the benefits of transacting online will stimulate a consumer behavior shift away from bricks-and-mortar stores, paper checks and bills, and written signatures. Recent one-hour promotions on the AOL service, example, attracted more than 50,000 members to the Preview Travel site for $9 airfares and more than 30,000 to the Music Boulevard site for the Titanic soundtrack. It's hard to imagine a bricks-and-mortar store accommodating the crush of 30,000 to 50,000 customers in one hour.

In short, we believe the Internet is ushering in a world of digital information an personalization that has the capability to change how we exchange funds, contr for services, and purchase or sell products.

"Consumers are migrating to the interactive medium to meet their commerce n because it is convenient and fast, and offers an ever-growing selection of goods and services."

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Improving Our Community

Of course, technology is most valuable when it improves the lives of the peopl who use it. The Internet has made some remarkable contributions to society already, but there is much more that can be done.

"Resources available online can enrich a student's learning experience by open doors to vast amounts of information, unique perspectives, and creative method for teaching."

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Enriching Education

The Internet has extraordinary potential as an educational tool. Resources avail online can enrich a student's learning experience by opening doors to vast amo of information, unique perspectives, and creative methods for teaching. By 199 more than 85% of all schools in the United States had Internet access, compare 32% in 1996. But "access" doesn't necessarily mean that students actually have capability to get online; unfortunately, only a relatively small percentage of students are being exposed to a curriculum that effectively integrates the Intern full capacity. As technology becomes more and more essential to our society, w must therefore work to ensure that online resources are widely available in the classroom, and that teachers receive training in how to use these technologies t their maximum potential.

We at AOL hope to play a part in this exciting new world of educational opportunity. Through our partnership with the Family Education Network, eve school in the country has the opportunity to have its own free personalized We site devoted to enhancing communications between parents, teachers and administrators. We offer free AOL accounts to schools in Empowerment Zones partnership with the National School Boards Association we are distributing fr child-safety videos to schools and libraries across the country. And with the American Library Association we have set up Internet clinics for kids and pare or teachers, including hands-on surfing, in numerous cities across the country.

In addition, the AOL Foundation, created in 1997, is seeding scores of pilot projects across the country to enable teams of teachers and community leaders test innovative uses of technology in education. Our hope is to use these pilot projects to develop best practices that can then be made available broadly to he other teachers and communities. We have also implemented a number of other education initiatives—with such goals as increasing parental involvement in education and promoting child safety online—and look forward to continuing t

work with our industry colleagues, along with lawmakers and community partn to make technology and education a high priority.

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Fostering Democratization

The Internet is playing a major role in revitalizing civic discourse and encourag more citizen involvement in the political process. During the 1998 elections, 16 of U.S. voters generally—and an amazing 28% of voters aged 18-29—got the information they needed about candidates and campaigns from the Internet, according to the Pew Research Center for People and Media. This represents a 60% increase over 1996, when only 10% of voters went online for election information. Many of those voters were also newcomers to the online world. In survey by "Web White & Blue," a political-awareness Web site sponsored duri the 1998 elections by the Markle Foundation and Harvard University's Shoren Center, with Web hosting services by AOL, 84% of the site users said that this the first time they used the Internet to find election information.

"My Government," a new AOL area that gives AOL members the latest news about the White House, federal agencies, Congress, the Supreme Court and election campaigns, has become one of the most popular areas on the service. W believe that the Internet medium has tremendous potential for providing all citi with tools for making themselves heard on issues at the local, state and nationa government levels.

We are also dedicated to using the immediacy and interactivity of this medium achieve a higher level of civic discourse and open meaningful dialogues betwe citizens and their elected or appointed representatives. Ultimately, we believe t many government services will be provided online, and we are already working pilot programs at several levels to test the right way to build such programs.

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Bringing Healthcare Close to Home

The Internet is having a major impact on the awareness and availability of heal care treatments, products and services. Online access to medical journals, supp groups and interactive Web sites maintained by leading hospitals has made the Internet a source of medical information for millions of Americans. An estimat one-third of all Internet users now seek out health information online, and we expect that critical health and medical information will become even more wid available in the near future. Furthermore, doctors and medical personnel are expanding their abilities to treat rural communities through "tele-medicine," or long-distance, Internet-based access to leading medical practitioners and resour

At AOL and through the AOL Foundation we are exploring how best to harnes the power of the medium to ensure that health information and services becom widely available to all people regardless of geographic or economic disadvanta as well as actually improving the quality and consistency of health care service while controlling costs.

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Bridging the Digital Divide

As the online world continues to expand, embracing more people around the gl and becoming an indispensable part of their daily lives, it is important to ensur that we put the empowering educational, economic, consumer and social benef of this technology within the reach of those with the greatest needs. Unfortunat the divide between the haves and have-nots seems to grow wider each year. Ou new medium holds enormous potential to narrow that gap — by empowering individuals and cutting across geographic, ethnic, economic and cultural boundaries to strengthen communities.

The Internet is helping to strengthen communities by overcoming the twin barr of distance and economics. But in some places the "digital divide" between tho who use computers and those who do not is widening. A recent Vanderbilt University study found that African-American families with annual incomes of $40,000 and up are rapidly closing the gap that once existed between themselv and white families in terms of PC ownership and online access—but that for African-American households making less than $40,000 a year the gap is widening.

AOL and the AOL Foundation have begun to address the problem of the "digit divide" through several research initiatives, partnerships and projects. We belie strongly that the medium cannot reach its potential without a strong focus by industry, the policy community and the non-profit community working togethe There is much more to be done to ensure that all Americans, no matter what th backgrounds, can share in the economic and social benefits of the Internet. We believe that widespread use of the medium can be used to expand entrepreneur opportunities in communities that lack access to capital, foster greater understanding and tolerance of religious and cultural differences, and provide r citizens with greater access to information, goods and services. And that's only beginning.

"The Internet is playing a major role in revitalizing civic discourse and encouraging more citizen involvement in the political process."

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The Public Policy Environment

Policymakers in the United States and other countries are spending increasing amounts of time on Internet policy, trying to determine the right approach to th public policy issues facing this explosive new medium. In the session of the U. Congress that ended in 1994, there were only seven bills related to the Internet Four years later, the 105th Congress considered almost 200 bills relating to the Internet. And the 106th Congress is more active on these issues than ever.

Other countries are also beginning to devote significant attention to Internet po issues. And because this medium is inherently global, policy decisions oversea can have a significant impact on e-commerce in the United States. Therefore, it more important than ever that policymakers, both in the U.S. and abroad, recog the enormous potential economic and social benefits of the medium—and not unintentionally stifle its growth.

Over the last several years, each new session of Congress has expanded the dig agenda to include various

e-commerce and consumer issues. The 106th Congress is now examining such issues as Internet privacy and security, the importance of open access and consumer choice to new broadband distribution systems, the role of federal antitrust laws in fostering competition in the Internet industry, the privatization the Internet address system, and a wide range of content and consumer protecti questions.

As the Internet becomes increasingly integrated into our societal fabric, it is cru to strike an appropriate balance between the role of the government and the rol industry in formulating solutions to Internet policy issues. Finding this balance the key to ensuring that the Internet will continue to grow to reach its full poten unhampered by unnecessary regulation but appropriately guided and monitored crucial areas to protect the safety and security of its users.

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Divider Title: 8 _____

KENNETH MCNEELY – AT&T

Kenneth P. McNeely Vice President of AT&T Law and Government Affairs. He leads AT&T's advocacy before legislative and regulatory bodies. McNeely serves as AT&T's community relations and employee volunteer leader. He joined AT&T in Atlanta in 1991 as a regulatory attorney. Before joining AT&T, he clerked for the Supreme Court in North Carolina. McNeely graduated from University of North Carolina, Chapel Hill in 1984 and earned his law degree at Howard University.

About AT&T AT&T is one of the world's premier voice and data communications companies, serving more than 80 million customers. The company has annual revenues of more than $64 billion and 151,000 employees.

- ✓ **AT&T Learning Network**, a $150 million corporate commitment to support the education of children in schools (grades K-12) across the United States by providing the latest technology and cash grants to schools and communities. Resources and grants are designed to help teachers, students, parents and communities link to the technology tools and support they need to help improve teaching and learning. This joint business and philanthropic initiative represents AT&T's single largest commitment to education to date.

- ✓ **Community Technology Centers:** AT&T is collaborating with the NAACP, the National Urban League and the Community Technology Centers' Network to give under-resourced communities access to technology.

- ✓ **Leadership Conversations for the Next America:** To bring together high school students, Youth Opportunity Movement participants and Job Corps partners with local, state and national policymakers to discuss economic opportunities, education, job skills and leadership for the 21st century.

- ✓ **Academy of Information Technology:** AT&T is helping to launch the Academy of Information Technology, a high-school level curriculum designed to prepare young students for the information technology workplace.

- ✓ **Cable in the Classroom Program:** AT&T Broadband and Internet Services offers free cable modem and service to every school in its area of service, and through its support for Cable in the Classroom, provides a free cable connection and over 540 hours per month of commercial-free educational programming to schools across the country.

- ✓ **Get Net Wise:** Founding sponsor of GetNetWise: You're One Click Away, a comprehensive Web-based resource designed to ensure parents and families have the technology tools and tips, safety referral contacts and suggestions on quality content they need to help kids have safe and enriching experiences online.

- ✓ **Supporting Teachers**: AT&T supports teachers through its Teachers & Technology Institute, a two-week intensive program pairing math and science teachers with AT&T scientists and managers. The company also created the AT&T Teachers for Tomorrow program, a demonstration project to better prepare teachers for today's urban classrooms.

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Divider Title: 9 _____

JAMES MORGAN – APPLIED MATERIALS

James Morgan Jim Morgan has been Chief Executive Officer of Applied Materials since 1977 and Chairman of the Board since 1987. Prior to joining Applied Materials he was a senior partner with WestVen Management, a private venture capital partnership affiliated with the Bank of America Corporation. Prior to WestVen, he was with Textron, a leading diversified manufacturing company. H earned a B.S.M.E. and an M.B.A. from Cornell University

- ✓ Named "International Citizen of the Year" by the World Forum of Silicon Valley (1995).
- ✓ Board member of the Congressional Economic Leadership Institute (CELI) and the National Center for APEC (Asia-Pacific Economic Cooperation),
- ✓ From 1996 to 1997, he served on the Commission on United States-Pacific Trade and Investment Policy which advised President Clinton and Congress on steps the United States should take to achieve significant additional market access and improve trade relationships in the Asia-Pacific region.

About Applied Materials- Applied Materials is a Fortune 500 global growth company providing core capabilities that enable the emerging Information Age. The Company is the largest producer of wafer fabrication systems and services for the worldwide semiconductor industry. Applied Materials manufactures systems that perform chemical vapor deposition (CVD), physical vapor deposition (PVD), epitaxial and polysilicon deposition, rapid thermal processing (RTP), plasma etching, ion implantation, metrology, inspection and chemical mechanical planarization (CMP).

Applied Materials in the Community

- ✓ Committed $1 million to the Housing Trust Fund of Santa Clara County, which aims to increase the amount of affordable housing in Santa Clara County. The Trust Fund will initially assist 5,000 families in three critical-need categories: first-time home buyers, affordable rental homes and homeless shelters and assistance.
- ✓ Applied Materials underwrites the cost of the Human Race, 10K run and 5K walk that the company has been sponsoring for 6 years. Their sponsorship allows the entire entry fee to go toward the participants choice of area volunteer centers.

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Divider Title: 10 _____

JOHN MORGRIDGE – CISCO SYSTEMS

John Morgridge Chairman of the Board of Cisco Systems. He joined Cisco in 1988 as President and CEO, growing the company from $5 million in sales to over $1 billion. In 1990, he took Cisco public and in 1995 was appointed chairman. As chairman he dedicates his time to Cisco's education and government initiatives and teaches part time at Stanford University's Graduate School of Business. He holds a BBA from the University of Wisconsin and an MBA from Stanford University.

✓ Member of the 21st Century Education Board and the Wisconsin Alumni Research Foundation (WARF).

Cisco Systems, HUD and Communities In Schools Announce 10 Pilot Networking Academies. Cisco Systems, Inc., The Department of Housing and Urban Development, and Communities In Schools will announce a program valued at $1.37 million, to establish 10 Cisco Networking Academies in underserved communities that have traditionally lacked access to technology. The Cisco Networking Academy Program (CNAP) teaches students to design, build, and maintain computer networks through a 280-hour, web-based curriculum and hands-on laboratory exercises on real networks. HUD, Cisco and Communities In Schools are also establishing internship opportunities so Academy students graduate not only with a marketable skill, but also on-the-job experience. Academy graduates that pass the industry standard Cisco Certified Network Associate exam are immediately eligible for more than 800,000 unfilled information technology jobs with high starting salaries.

About Cisco Systems Cisco is the worldwide leader in networking for the Internet. The heart of company's business is selling equipment that directs data around big corporate networks. Cisco is dedicated to empowering the Internet generation.

✓ Recently Cisco became the most valuable company in the world. When the NASDAQ closed on March 27, 2000 Cisco had **a market value of $555.5 billion** compared with $541.6 billion for Microsoft, based on the number of basic shares outstanding.

Cisco and the Digital Divide

✓ **City Year-Boston Tech Team** The program consists of 15 corps members who receive basic computer skills training from volunteers and fellow corps members in a Cisco-sponsored computer lab in Boston's South End. The program fuels community activism through a powerful technology initiative. tapping the civic power of young people for a campaign of community service

✓ **Cisco Network Academies** A complete, four-semester program on the principles and practice of designing, building, and maintaining networks capable of supporting national and global organizations. In partnership with Comp TIA, Fluke Corporation and Microsoft. Also working with Asia Pacific Development Information Program (APDIP) to jointly fund and set up ten Cisco Networking Academies in Asia to create a qualified talent pool for building and maintaining networks.

✓ **NetAid** Partnership between United Nations Development Program (UNDP) and Cisco Systems to create, a global project that harnesses the Internet to battle extreme poverty in the world. In August, they announced that they will partner with the

✓ Worked with a number of schools in Empowerment Zones as part of NextDay-- a program of NetDay, which was launched in early 1999 to help bring information technologies and resources to K-12 schools in poor communities.

Breaking News FROM A.P.

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March 28, 2000

Cisco Surpasses Microsoft in Value

A.P. INDEXES: TOP STORIES | NEWS | SPORTS | BUSINESS | TECHNOLOGY | ENTERTAINMENT

Filed at 10:01 a.m. EST

By The Associated Press

NEW YORK (AP) -- Internet equipment maker Cisco Systems Inc. has pushed past Microsoft Corp. to become the world's most valuable company, further highlighting the Web's growing influence on the economy.

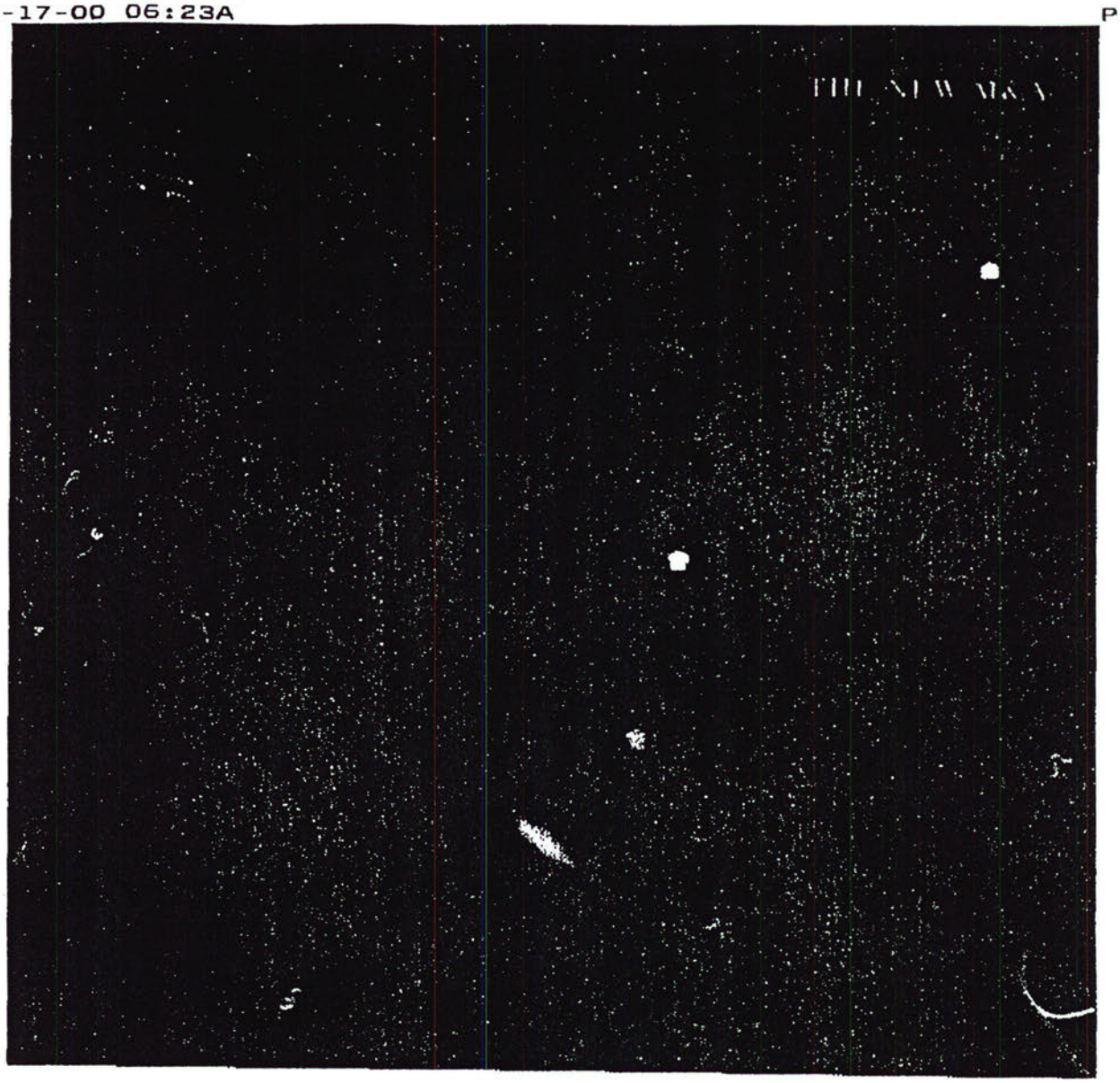
As of the close of trading Monday on the Nasdaq Stock Market, Cisco had a market value of $555.5 billion compared with $541.6 billion for Microsoft, based on the number of basic shares outstanding.

Shares of Cisco inched up 68 3/4 cents to hit an all-time high of $80.06 1/4 while Microsoft tumbled $7.62 1/2, or nearly 7 percent, to $104.06 1/4 amid worries about the outcome of the government's landmark antitrust case against the software company.

The latest benchmark comes only one trading day after the San Jose, Calif.-based Cisco surpassed Microsoft in market value on a diluted-share basis.

Market value is calculated by multiplying the number of shares outstanding. By using diluted shares -- which include stock options, convertible bonds and other securities -- Cisco surpassed Microsoft in market value for the first time last Friday.

However, some of those options and securities may never be converted into stock, causing many analysts to use basic shares while calculating market value. Conversely, analysts focus on earnings per diluted share to gain a more realistic picture of the



Forty-Two Acquisitions and Counting

CISCO'S SECRETS

by Henry Goldblatt

The Internet giant's awesome M&A machine can acquire and integrate six companies at once. Its experts share tips for finding the best buy and making the deal work.

No company typifies the new world of M&A better than Cisco Systems. To find a business that has handled acquisitions as well, you'd have to go back to the AT&T of the early part of the century, when Theodore Vail, its legendary CEO, bought hundreds of tiny phone companies and assembled the first nationwide network, giving birth to Ma Bell.

It's fitting that Cisco, the $12.2-billion-a-year giant that provides the hardware and software behind state-of-the-art Internet networks, now wears the mantle of M&A king. To understand how it has built its empire, forget all you know about corporate raiders and their swashbuckling tactics. (That's so *Dallas* circa 1984.) Disregard the stereotypes of ruthless capitalist villains aiming to gobble up corporate America's finest. (That's so *Wall Street.*) And ignore everything that's happening on the services side of the telecommunications industry. (It's way too early to tell whether WorldCom can successfully swallow MCI and Sprint.)

Think of Cisco as an acquisition engine, as cleverly designed and highly tuned as the giant routers it builds to handle vast surges of Internet traffic. Like those routers, the acquisition engine runs on Internet time. In the

The captain: *Mike Volpi scours the world to bring startups rich in ideas and talent into Cisco.*

PHOTOGRAPHS BY DAVID STRICK

past six years, Cisco has spent $18.8 billion on 42 acquisitions (as of the date this story went to press). Armed with a killer currency (Cisco stock has risen 162% in the past year and is now trading at $72) and a team of well-practiced execs, the company prowls Silicon Valley—and the world—snapping up companies to expand existing product lines or support entirely new initiatives.

The action this August was typical: Cisco absorbed two startups (Monterey Networks and Cerent), closed two other acquisitions, and negotiated two more. Cisco moves at breakneck speed, in some cases sealing a deal after 24 hours of negotiation and closing it in a month or two. "I haven't found anybody in any industry that has a process that is as tuned," says Jon Bayless, a general partner at Sevin Rosen Funds, a Dallas venture capital firm that helped negotiate the Monterey acquisition.



The culture cop: *Scheinman's tips include looking for a bad deal and forgetting the fanfare.*

Even by strict quantitative measures, Cisco's strategy has been wildly successful. While absorbing ten companies in its past fiscal year, the company saw sales grow 44% and profits 55%. When Cisco absorbs a company, it makes a no-layoffs pledge; its turnover rate for employees acquired through mergers is a scant 2.1%, vs. an industry average of more than 20%. Its first acquisition, Crescendo, which Cisco bought in 1993 for $100 million, is the foundation of a unit that generates about $4 billion in revenue annually. It is still run by Crescendo's CEO, Mario Mazzola.

Cisco's process does not depend on the idiosyncrasies of the Internet business. In fact, its techniques are a great how-to manual even for managers considering a single acquisition in an old-line industrial field. In a series of interviews with FORTUNE in September and October, Cisco's merger mavens explained it all.

"Cisco's strategy can be boiled down to five things. We look at a company's vision; its short-term success with customers; its long-term strategy; the chemistry of the people with ours; and its geographic proximity." — MIKE VOLPI

The man who runs the acquisition engine is a soft-spoken 33-year-old wunderkind named Mike Volpi, who bears a passing resemblance to actor John Cusack. CEO John Chambers signs off on all the deals but gets involved with only the largest and most intricate. "We're spending $10 billion a year in acquisitions; this is a process that works," he says.

Chambers' trust is well placed: Volpi is arguably Silicon Valley's shrewdest shopper. He needs to be. With a dearth of engineering talent and shrinking product cycles, Cisco realized that it couldn't build everything it needed inside the company. Says Don Listwin, Cisco's No. 2 executive: "Lucent wants the smartest group of people in Bell Labs. But if we're not good at something, we've got Silicon Valley. It's our lab."

The company looks to startups if it decides it's too far behind competitors to take the time to build a product from scratch. Once that decision is made, Volpi's team consults with business units and customers to find out about their technological needs. Customers have a profound influence on Cisco's strategy. Its executives say that US West, the Denver Baby Bell, was a driving factor behind the decision in March 1998 to acquire NetSpeed, a maker of equipment that turns regular phone lines into high-speed digital subscriber line (DSL) data conduits.

With a few targets in mind, Volpi and his team perform an evaluation that's unique in scope. As engineers examine the technology and financiers go over the company's books, Cisco's team also examines the depth of the company's talent, the quality of its management, and its venture funding—all things aimed at making the integration process easier should Cisco buy. Since Cisco will acquire a company as often for its talent as for its technology, it needs to focus on these "softer" issues early.

There's one more test. Volpi's got a knack for identifying a startup at the sweet spot of its development: when it is old enough to have a finished and tested product, yet young enough to be privately held and flexible in its ways. Acquire a business that's too mature, and risk soars. Explains Volpi: "If you buy a company with customers, product flows, and entrenched enterprise resource systems, you have to move very gingerly. Otherwise, you risk customer dissatisfaction. Figuring out how to integrate this type of company could take nine months."

After all this evaluation, Cisco doesn't necessarily leap to purchase. Instead it may pass on a company or may act as a venture firm, making a 10% equity investment to monitor the startup's growth. That's what it did with Monterey last winter. A few months later, after deciding that the Richardson, Texas, startup would give it entrée into the $20-billion-a-year optical-internetworking market, it gobbled up the rest. Says Joe Bass, CEO of Monterey: "We had interest from other companies, but they didn't move as fast as Cisco. They were still considering us when the announcement came out that Cisco had bought us."

"The pain if you don't pick the winner is enormous, so we'll bet on the company that has momentum." — DAN SCHEINMAN

Dan Scheinman is Cisco's "culture cop," evaluating possible acquisitions to see how well the companies would fit into Cisco. However, the gregarious, basketball-playing 36-year-old vice president for legal affairs comes off as anything but an enforcer. He's a reporter's dream interview—an articulate spokesman who spouts pithy comments, likes to tell colorful anecdotes, and marks important points with inflection. Here are his rules of thumb for okaying a deal for Cisco:

- Look for a bad deal. Any startup should have one glaring mistake it's learned from. If the company hasn't done a bad deal, it's not daring enough. If it's done too many, it's, well, stupid.
- Role play. Go over the decisions that management made, and see if you'd come to the same conclusion. If so, the company's execs probably think the way you do and are likely to fit in fine.
- Move fast. There's no need to hang up on little issues that don't matter. The reason Cisco was able to beat IBM to Kalpana, its third acquisition, was that the Armonk, N.Y., behemoth

was too busy performing groundwater tests designed to check whether Kalpana's headquarters was up to code. Cisco swooped in and cut a deal in a weekend. "I guess in that one we took some groundwater risk—or maybe we didn't. We had the report," he says. Those who negotiate with Cisco appreciate its speediness. "If Cisco wants something, it won't nickel and dime you," says Tom Dyal, now a partner at Redpoint Ventures, a venture capital firm in Menlo Park, Calif. He worked on Cisco's acquisition of StratumOne Communications this summer.

- Observe what's going on in the negotiations. "We've been involved in deals where people start negotiating for themselves," Scheinman says. "There was one deal where the engineering and business teams of a startup didn't show up at the same time, and each negotiated about how to screw the other guys."
- Don't be afraid to pull the plug at the last minute. The night before Cisco was going to buy Chipcom, a maker of Internet switching systems, Scheinman says, he couldn't sleep. "The board asked me if I thought we were doing the right thing, and I said no." Chipcom ended up being acquired by 3Com.
- Finally, forget the fanfare. "We've held only one or two closing dinners," Scheinman says. "It's not the closing we celebrate—it's the integration."

"I'm there from the point of inception till you can't identify the company as an acquisition anymore." — MIMI GIGOUX

Jovial and hard working, Mimi Gigoux came to Cisco with its takeover of Kalpana in October 1994. It was Cisco's third acquisition, and she thought the company did a pretty poor job of integrating its new employees. "They didn't have anyone especially responsible for integration," she recalls during a phone interview from Copenhagen, where she's on a break from her work with CoCom, a cable equipment manufacturer that Cisco recently purchased. "There were these very long and complex meetings with no one tracking progress. It took months before everyone from Kalpana knew what their role was at Cisco and months after that before everyone was moved and located at Cisco."

Gigoux gave a few pointers that so impressed her Cisco bosses that they asked her to help with a few of the following acquisitions. Five years later, she has a staff of 11 solely dedicated to integration. A group stays at a company from the start of the acquisition to the day the deal closes.

Gigoux's process is tailored to each acquisition yet incredibly quick. For each she assembles a customized packet of information that includes descriptions of Cisco's structure and employee benefits, a contact sheet, and an explanation of the strategic importance of the newly acquired company. The day the acquisition is announced, human resources and business development teams travel to the acquired company's headquarters. There they meet in small groups with people from the acquired company to set expectations and answer questions.

The Cisco integration team collaborates with the acquiree's management in "mapping" employees—figuring out where in Cisco they belong, basing decisions on experience. In general, product-engineering and marketing groups remain as independent business units, while sales and manufacturing groups are folded into existing Cisco departments. Meanwhile, back at Cisco, teams get the new employees onto Cisco's computer system, and change payroll and stock-administration programs.

The day after the deal closes, Gigoux's department offers a tailor-made orientation, schooling managers in Cisco's hiring practices, sales people in Cisco's products, and engineers in its development projects. In total, the process takes 30 days. "I joke that I'm going to get companies to the point of do-it-yourself integration, where I just send a videotape of me talking," she says.

Gigoux's being modest; she's much more than a talking head. Outsiders praise her team for being able to digest an entire company without hurting its productivity. While Cisco leaves much of the existing infrastructure in place, it makes sure its new employees know just who their new employer is. "We closed the deal at 11 P.M. on a Wednesday," says Lori Smith, the human resources director at Monterey. "When I walked in



The Integrator: *Gigoux created a seamless process to bring new companies into Cisco's fold.*

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Thursday morning, we all had Cisco tags on our doors and a banner on the front of our building. And they had this huge Cisco art thing on the wall in the lobby. I saw someone in here putting bottled water in the fridge to replace our coolers. They really don't mess around."

Internally, Cisco called this merger "boring" since it went so smoothly. All of Monterey's 147 employees remained at the Texas headquarters, and Bass was made a vice president in charge of a new business unit. For Monterey employees, it was anything but boring—they downed shots to celebrate the deal and their newly acquired Cisco options. Of course, it's these options, and the continued run of Cisco's stock, that might prove to be the most valuable integration and retention tool. "It's easier to integrate engineers who are rich and happy than ones looking for a way out," says Paul Sagawa, an analyst at Sanford C. Bernstein.



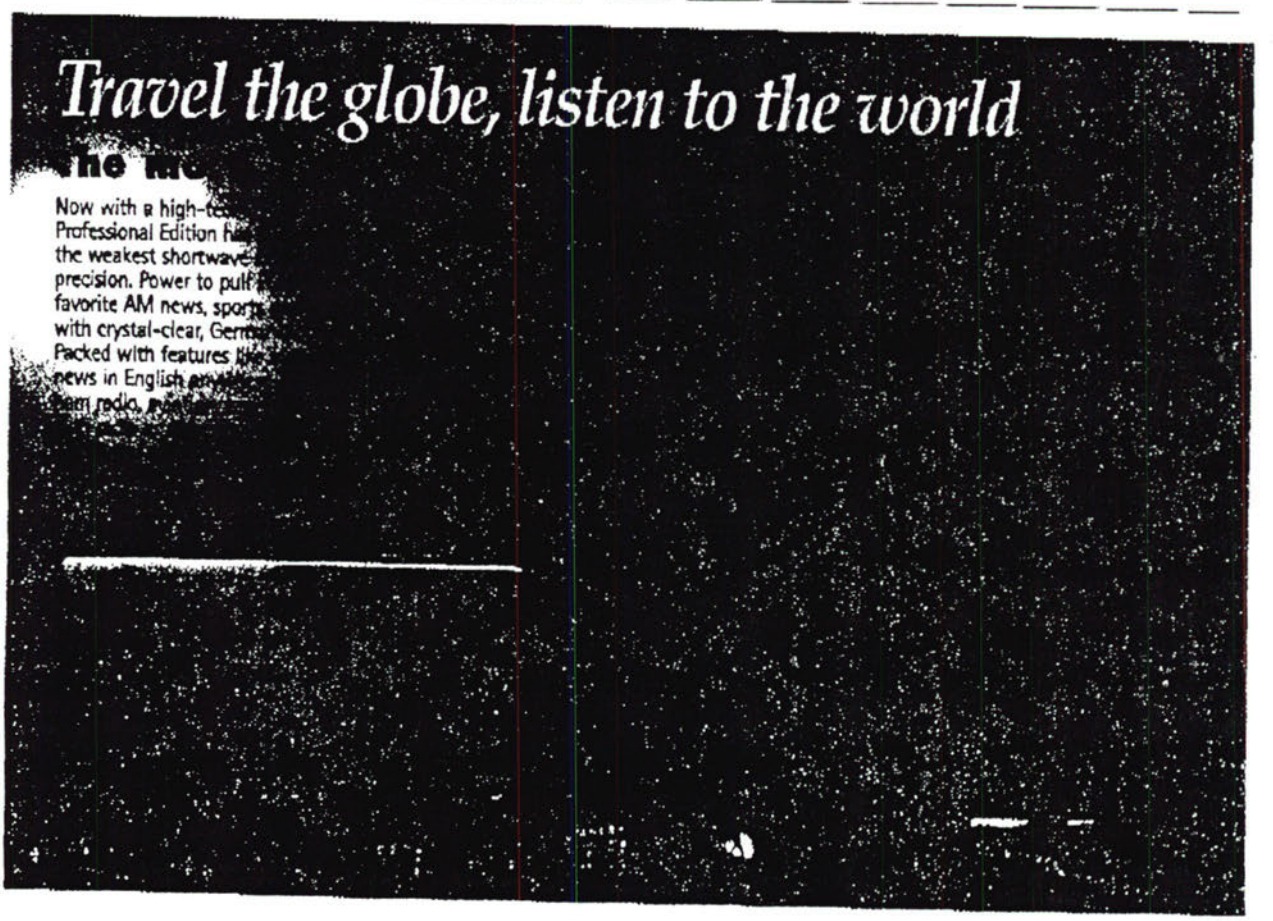
"We closed the deal at 11 P.M. on a Wednesday. When I walked in Thursday morning, we all had Cisco tags on our doors."

"I don't believe mergers of equals work." — JOHN CHAMBERS

The best thing about interviewing Cisco CEO John Chambers is that he's as ready to point out his competitors' mistakes as he is his own. So you feel he's being straight with you. "Almost any combination outside of Cisco hasn't lived up to expectations," he says. "There's no better example than the deal between network equipment makers Synoptix and Wellfleet. Our two toughest competitors combined and took themselves out of business."

Turn the conversation to Cisco, and Chambers is equally frank in discussing its acquisition methods. As with any heavily used process, he says, there are bound to be mistakes. For Cisco, they've arisen when the company has deviated from its strategy by forcing a company into Cisco's infrastructure. ("It was my naiveté when we acquired software companies and moved them from their own distribution systems into ours. Dumb. Dumb.") Or when Cisco has mistimed its bid. Valley pundits say the 1996 acquisition of Granite Systems, a maker of so-called gigabit ethernet switches, didn't work because Granite's product wasn't as far along as Cisco had believed. On the other hand, people close to one of Cisco's largest acquisitions, that of StrataCom in 1996, say it was difficult because StrataCom was too large and its product too developed. Cisco had trouble integrating elements of its operating system into StrataCom's switches.

This particular problem doesn't bode well, say some analysts. As telecom equipment giants Nortel (revenues: $17.6 billion) and Lucent (revenues: $38 billion) take aim at Cisco's markets, they say, Cisco will need another large acquisition. Chambers, however, is forging ahead with smaller ones, telling attendees at October's Telecom 99 conference in Geneva that he'll make up to 25 this year. "In a merger you can't blend resources and cultures—only one can survive," he says. So Chambers and his team are busy scouring the world to make sure the survivor is Cisco.



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DAVID ROBINO – GATEWAY

David Robino – Vice Chairman. Robino joined the company in January 1998 as executive vice president and chief administrative officer. Promoted in January, 2000, Robino's new role of vice chairman gives him additional responsibility for corporate strategy and new ventures. Before joining Gateway, Robino was with AT&T, where he was most recently a vice president in its $24 billion Business Markets Division. At AT&T, his responsibilities included cultural transformation, organizational consulting, learning, staffing, planning, recruiting and reward systems for more than 40,000 employees. Robino earned a bachelor's degree from Graceland College and a master's of science degree in Industrial Relations from Iowa State University.

✓ Member of the Board of the University of California, San Diego Foundation.

Gateway Launches Teach America! [And Commits to Training All East Palo Alto Teachers]. Gateway has pledged to provide 75,000 teachers with technology literacy training under the Teach America! Program. This effort by Gateway brings teachers hundreds of courses to address their increased usage of the Internet and multimedia applications. [All 244 of East Palo Alto's teachers will be trained in the Teach America! program on ways to effectively utilize technology in the classroom.]

About Gateway Gateway is the leading manufacturer of personal computers. The company is dedicated to making the personal computer relevant to people and committed to their vision of "humanizing the digital revolution." The company is guided the idea of: Keeping it personal. Making it simple. This is reflected in their relationships with their customers. Gateway's customer representatives are known to be some of the most knowledgeable and personable in the industry. Their Gateway Country Store model is one in which retail showrooms are created in an effort to showcase products and educate the consumer; these stores carry no nventory, instead the customer explores the product in this environment and makes his purchase over the phone or Web.

✓ Gateway supports the The New Millennium Classrooms Act, which is designed to increase the amount of computer technology donated to schools. This legislation is co-sponsored by Sen. Spencer Abraham (R-Michigan) and Sen. Ron Wyden (D-Oregon) and strongly supported by Daschle. Companies would be eligible for a tax credit equal to 30% of the fair market value of the donated equipment. The credit increases to 50% of fair market value when the recipient is located in a federally recognized disadvantaged area or an Indian reservation.

Gateway and the Digital Divide

✓ **Education:** Gateway is committed to bridging the Digital Divide in education. Gateway will donate training opportunities to educate more than 75,000 teachers over the next five years.

✓ **PowerUp: Gateway** and the Waitt Family Foundation are donating 50,000 computers to PowerUP.

✓ **Waitt Family Foundation Technology Resource Center**: Established to research and develop programs that will provide communities with the ability to participate in today's information-driven society.

✓ **Community Empowerment Program:** Focus on developing the components of a "virtual toolbox" that will allow community groups to build successful programs based upon their ability to select components that uniquely address their own needs. Tools include: indicators; readiness assessment tools; technology models; training models and tools; support models and tools; implementation models and tools; case studies; outreach kits; financial/budgetary models and tools.

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ERIC SCHMIDT - NOVELL

Eric Schmidt Dr. Eric Schmidt joined Novell in April 1997 as chairman of the board of directors and chief executive officer. He came to Novell from Sun Microsystems, Inc., where he was chief technology officer and corporate executive officer. In his 14 years at Sun, Dr. Schmidt held a range of progressively more responsible executive positions, where he earned international recognition for his contributions to the development of the Internet as a tool for building digital communities in business, government, education, science and culture. Dr. Schmidt holds a Ph.D. in computer science and a master's degree in electrical engineering from the University of California at Berkeley. He received his bachelor's degree in electrical engineering from Princeton University.

About Novell Founded in 1983, Novell is the largest software company in the world focused on Net services. With headquarters in Provo, Utah, Novell has 5400 employees. The company is the broadest supplier of Net services products on the market - - all supporting e-business solutions. A $20 billion dollar network economy relies on Novell software. Novell's key partnerships include: 3Com, AOL, Broadvision, Cisco, Compaq, Dell, enCommerce, HP, IBM, Lucent, Network Associates, Oracle, PeopleSoft, Perot Systems, Sun Microsystems.

Novell in the Community

- ✓ **CYBERgrant program**. Novell will donate more than $250,000 (cash and in-kind) to selected non-profit organizations that submit the most creative concepts for integrating technology into community-building initiatives. Through this program, Novell funds organizations that focus on the homeless, arts and culture, and education

- ✓ **InnVision**. Novell supports InnVision, the largest year-round provider of shelter services for San Jose's homeless and at-risk residents. The organization's goal is to break the cycle of poverty and despair and to help people begin self-sufficient lives. Novell's gifts to InnVision provide child care for working mothers, food to homeless children, computer training, and much more.

- ✓ **Newspaper in Education**. Novell provides funding for **Newspaper in Education** (NIE), which is designed to help schoolteachers implement newspaper reading as part of a child's learning experience. Children learn about current events, as well as how to read through a newspaper.

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KAREN SMITH - TECHCORPS

Karen Smith Executive Director of TechCorps. Ms. Smith holds a bachelor's degree in education and has been both a classroom teacher and school district administrator. For the past ten years she has been focusing on designing and implementing partnership programs between business and education.

About TechCorps TechCorps is dedicated to improving K-12 education at the grassroots level by helping educators effectively use technology in their schools. It was founded by Gary J. Beach, senior vice president of International Data Group and publisher of CIO, who envisioned an organization which challenged millions of Americans to build a technology infrastructure for our nation's schools, much like the Peace Corps challenged men and women to help build an infrastructure in developing countries. TechCorps is dedicated to ensuring that all students have access to the most technologically advanced education possible to ensure that they will have the skills needed to compete in the workforce of tomorrow.

- ✓ TechCorps volunteers conduct teacher training seminars, mentor students and staff, repair and install computers, participate on technology planning teams, work side-by-side with teachers in the classroom, assist teachers with the integration of technology into the curriculum, and support a wide variety of other local technology activities.

- ✓ **CyberEd**, a classroom on wheels created with MCI, which brought Internet training to educators, parents, and community leaders in Empowerment Zones nationwide.

- ✓ ***webTeacher,*** a collaboration with the cable television industry, providing a free, online Web training tool for teachers.

- ✓ **Internet Safety Mousepads**, a joint project with Digital Equipment Corporation and the National Center for Missing and Exploited Children, bringing guidelines for safe use of the Internet into classrooms across the country.

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Divider Title: 14 _____

Srinija Srinivasan – Yahoo!

Professional Background

Srinija Srinivasan is Vice President and Editor-in-Chief of Yahoo! She is the driving force behind Yahoo!'s team of human editors and is responsible for the development of original content throughout Yahoo!'s global network of properties. In particular, Srinivasan directs the design and maintenance of Yahoo!'s overall classification and organization scheme, making it an highly intuitive, expandable and efficient guide for online information and discovery. Srinivasan has extensive educational and practical experience in information organization and artificial intelligence. Prior to joining Yahoo! Srinivasan was involved with the Cyc Project, a ten-year artificial intelligence effort to build an immense database of human common sense knowledge. Srinivasan holds a B.S. with distinction from Stanford University in Symbolic Systems.

About Yahoo!

Yahoo! Inc. is a global Internet communications, commerce and media company that offers a comprehensive branded network of services to more than 145 million individuals each month worldwide. As the first online navigational guide to the Web, www.yahoo.com is the leading guide in terms of traffic, advertising, household and business user reach, and is one of the most recognized brands associated with the Internet. The company also provides online business services designed to enhance the Web presence of Yahoo!'s clients. The company's global Web network includes 22 local World properties outside the United States. Yahoo! Has offices in Europe, the Asia Pacific, Latin America, Canada and the United States and is headquartered in Silicon Valley.

Yahoo! and the Digital Divide.

As a formal practice, Yahoo! does not provide nonprofit organizations with cash grants or financial scholarships. Instead, all of Yahoo!'s contributions come in the form of free online advertising (online media sponsorship). Camp Yahoo! is the only exception to this practice.

Believing that the digital divide is largely a product of a lack of training and user education, Yahoo has created the Camp Yahoo! Program. Yahoo! is dedicating $1.5 million to educational software and Yahoo! brand materials to community groups, libraries and other local organizations to develop locally directed Camp Yahoo! programs. The 4-year goal is to train more than 75,000 Camp Yahoo! Counselors, to serve as Internet trainers.

Commitment to the Digital Divide Trip

During the Digital Divide kick-off event you announced an Yahoo! commitment to the AmeriCorps. Yahoo! will provide $1 million in internet advertising to enlist high tech volunteers to AmeriCorps' digital divide initiative. The Yahoo! banner ads will help AmeriCorps meet the challenge of recruiting volunteers with high tech skills to work on technology-related projects.

Monday, April 3, 2000

MEMORANDUM TO GENE SPERLING

FROM: KENDRA PROCTOR GOLDBAS

SUBJECT: BACKGROUND ON YAHOO! COMMITMENT

Yahoo! Will Invest $1 Million in Digital Opportunity. Yahoo! will provide $1 million in internet advertising to enlist high tech volunteers to AmeriCorps' digital divide initiative. The Yahoo! banner ads will help AmeriCorps meet the challenge of recruiting volunteers with high tech skills to work on technology-related projects.

Yahoo! History. Yahoo! was launched in 1994 as a customized database – the software designed to locate, identify and edit material stored on the Internet. Jerry Yang and David Filo, Ph.D., candidates at Stanford University's School of Engineering founded the company.

- ✓ Tim Koogle is Yahoo!'s CEO (chosen by the venture capital firm Sequoia – responsible for bankrolling Yahoo! through to its initial IPO). He has been with the company since 1995 and has more than 14 years experience as an executive manager within the high tech industry. Prior to joining Yahoo! he was president of Intermec Corporation – a manufacturer of automated data collection and data communications products. Before that, he spent nine years with Motorola.
- ✓ Yahoo!'s IPO was in 1996 and while the stock price remains high ($170's) and company's founders Yang and Filo have profited heavily, Yahoo! remains rather cash poor. As a result, contributions to social issues and charitable causes have remained relatively low.

Corporate Giving and the Digital Divide. As a formal practice, Yahoo! does not provide nonprofit organizations with cash grants or financial scholarships. Instead, all of Yahoo!'s contributions come in the form of free online advertising (online media sponsorship). Camp Yahoo! s the only exception to this practice.

- ✓ Believing that the digital divide is largely a product of a lack of training and user education, Yahoo has created the Camp Yahoo! Program.
- ✓ Yahoo! will dedicate $1.5 million to donate educational software and Yahoo! brand materials to community groups, libraries and other local organizations to develop locally directed Camp Yahoo! programs.
- ✓ The 4-year goal is to train more than 75,000 Camp Yahoo! Counselors, to serve as Internet trainers.
- ✓ Yahoo!'s $1.5 million investment in Camp Yahoo! will be announced during the President's visit to East Palo Alto.

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Divider Title: 15 _____

KALEIL TUZMAN – GOVWORKS

Kaleil Tuzman Co-founder, Chairman and CEO of govWorks. He is recognized as a leader and expert in the "e-government" space. Tuzman has extensive experience in the financial world and has raised $60 million in venture capital for the company. He graduated from Harvard University with a degree in Government and a certificate in Latin American studies.

- ✓ Serves on Alumni Steering Committee of Sponsors for Educational Opportunity (SEO), a group that places minority college students in corporate internships.

The Community Commitment Program to Reinvest in Community. Through the Community Commitment program, govWorks will reinvest a percentage of its revenue back into the communities where it does business in their form of publicly accessible computers and Internet services. govWorks will work with localities to place these resources in appropriate locations such as community centers, libraries and city halls. [It is estimated that this year alone govWorks will contribute over $150,000 to communities across the country.]

- ✓ govWorks now has formal partnerships with the City of Philadelphia and the City of New Orleans to initiate the program in these communities.

About govWorks Founded in 1998 by George Featheree and Khalil Tuzman, govWorks is a private company that collaborates with government to provide a wide variety of Internet-based services that enhance interactions with other government agencies, citizens and businesses.

- ✓ Though still a private company, in the last ten months govWorks has grown from 3 to 180 employees and has raised $50 million.
- ✓ Provides secure and efficient means for governments to provide better services, lower costs, increase revenues and free up resources that can be used to address other needs.
- ✓ Citizens and businesses benefit from 24-hour, 7 days a week access to enhanced government services. You can pay bills or taxes online. look for government jobs, access government resources, communicate with local officials, etc.

govWorks and New Markets. Due to the explosive growth of the company, govWorks is in the process of purchasing and renovating the Blumstein Building, a 150,000 square foot building located on 125th Street in Harlem.

- ✓ This move will represent the largest move ever by a technology company into Harlem. The goal is for govWorks to anchor an "Internet/technology cluster" in Harlem, and to help attract several other technology companies to the area.
- ✓ The company is focused on local hiring for the Harlem project and they are adopting a school in Harlem to provide its students with computer and Internet skills and motivation tools.

govWorks and the Digital Divide. In addition to the Community Commitment Program, govWorks is making other positive impacts in the areas it does business:

- ✓ **GovGive** is the company's on-line commitment to nonprofit organizations and volunteers; they offer a free database enabling organizations and donors to exchange information and ideas, and allowing users to make donations and locate volunteer opportunities across the country.
- ✓ **Adopt a School**. govWorks also adopted Public School 126 in downtown Manhattan through Junior Achievement Partnership.

Kaleil D. Isaza Tuzman

Kaleil D. Isaza Tuzman is Chairman, Chief Executive Officer and Co-Founder of govWorks,Inc., the leading e-government Internet services provider. Recently named one of *Interactive Week* magazines, "Top 25 Unsung Heroes of the Net", Mr. Isaza Tuzman has established himself as one of the foremost experts and leaders in the e-government space.

In his capacity as govWorks CEO, he has been successful in developing strong client relationships with government entities across the country, raising significant capital, forging high-level corporate partnerships, securing a top-notch management team, and establishing a well-respected Board of Directors and Board of Advisors. Mr. Isaza Tuzman's personal relationships and experience in the financial world have been instrumental in securing funding for the company. He directed the company's successful second round financing effort, which was completed in November 1999, raising over $18 million from investors including the Mayfield Fund, Kohlberg Kravis Roberts & Co., the New York City Investment Fund, Sapient, Vignette and Hearst New Media. In early 2000, Mr. Isaza Tuzman structured broad strategic relationships with American Management Systems and Arthur Andersen, and raised an additional $39 million for govWorks expansion. In addition, he has provided strategic direction for the Company, developed an aggressive international strategy and formed relationships with other best-of-breed technology companies that support the company's business model in both the US and abroad.

Prior to founding govWorks, Mr. Isaza Tuzman worked as an Associate in the Risk Arbitrage Group at Goldman, Sachs & Co. He graduated *magna cum laude* from Harvard University with a degree in Government and a certificate in Latin American Studies. In addition, he serves on several start-up technology company Boards, the Alumni Steering Committees of Sponsors for Educational Opportunity (SEO), a not-for-profit organization that places minority college students in corporate summer internships, and is on the Board of Junior Achievement.

March 30, 2000

MEMORANDUM FOR GENE SPERLING

FROM: JOSHUA WEINSTEIN

SUBJECT: GOVWORKS

govWorks – Leading "eGovernment" Internet company. govWorks partners with local governments to allow them to use the Internet to better serve their constituents and more efficiently interact with organizations in their communities.

Kaleil Tuzman – Chairman, CEO, co-founder. Provides strategic direction for the company. Named one of *Interactive Week* magazine's "Top 25 Unsung Heroes of the Net."

GENERAL BACKGROUND

The company's goal is to use technology to help governments better serve their constituents, and improve the way that constituents access information about government.

- govWorks provides secure and efficient means for governments to provide better services, lower costs, increase revenues and free up resources that can be used to address other needs. By adopting integrated e-government solutions, government agencies can provide simplified and direct channels of communication exchange to help build upon existing relationships within and among their communities.

- Individuals and businesses can pay tickets, bills or taxes online, look for government jobs, exchange ideas with elected officials and community leaders, find information, access government resources, participate in government auctions and much more.

- Citizens and businesses benefit from 24-hour-a-day, 7-day-a-week access to enhanced government services, with expanded options for making payments online--including the ability to use credit and debit cards, and to save money on the cost of bills and tickets.

- Working with Sapient Corp. (leading e-services consultancy) to provide Internet strategy consulting to make Internet technology work for government agencies.

- In the last ten months, govWorks has grown from 3 to 180 employees; it has raised over $50 million in financing.

HARLEM FACILITY

- govWorks in the process of renovating a 150,000 square foot building on 125th Street in the heart of Harlem's commercial and business district. This move will represent the largest move ever by a technology company into Harlem.

- The company is **focused on local hiring** and is designing a tech training facility to teach community members computer, Internet, and entrepreneurial skills. It hopes that this center will increase career opportunities in the Harlem community and help govWorks have greater access to individuals with the right technical abilities. They have been talking with Columbia University, the Upper Manhattan

Empowerment Zone (UMEZ), the New York City Urban League and others about getting involved in the training center.

- They are also adopting a school in Harlem to provide its students with computer and Internet skills as well as the proper motivational tools.

DIGITAL DIVIDE AND OTHER SOCIAL COMMITMENTS

- They are committed to making positive social impact in the areas it does business and they have a number of initiatives to achieve this goal.

- **Community Commitment Program:** channels a percentage of the Company's proceeds back into local communities in the form of computer hardware and prepaid Internet access donated to community centers, public libraries and city halls.

- **GovGive** is the company's on-line commitment to nonprofit organizations and volunteers; they offer a free database enabling organizations and donors to exchange information and ideas, and allowing users to make donations and locate volunteer opportunities across the country.

- govWorks also adopted Public School 126 in downtown Manhattan through Junior Achievement Partnership, the world's largest and fastest-growing non-profit economic education organizations, serving 3 million students nationwide.

govWorks.com

February 23, 2000

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Mr. William Jefferson Clinton
President of the United States of America
The White House
1600 Pennsylvania Avenue
Washington D.C. 20500

President Clinton:

Congratulations on your leadership and commitment to increasing access to technology and the Internet in America's underserved communities. With this letter, we would like to introduce you to govWorks, Inc. and invite you to visit the "Technology Center" we are initiating in Harlem during your New Markets tour focused on the Digital Divide.

govWorks, founded in 1998, is a leading "eGovernment" Internet company. govWorks partners with local governments to allow them to use the Internet to better serve their constituents and more efficiently interact with organizations in their communities. Constituents can use govWorks.com for anything from paying a parking ticket or water bill, to finding information about a city council member or where to register to vote. Our ultimate goal is to use technology to help governments better serve their constituents, and improve the way that constituents access information about government.

In the last ten months, govWorks has grown aggressively from 3 to over 180 employees and is one of the fastest growing Internet companies in New York City. We have raised over $50 million in financing and are working with several municipalities who will participate in our partnership program. We have also built a strong Board of Directors with individuals including Henry Kravis, Maynard Jackson, Stuart Moore (Founder and CEO of the Sapient Corporation), Dina Dublond (CFO of Chase Manhattan Bank), Michael Levinthal (Senior Partner of the Mayfield Fund), Joel Hyatt (Founder of Hyatt Legal Services and head of California's Public Utilities Commission) and Kenneth Austin (former General Counsel of the National Urban League.)

govWorks is a minority founded and owned company that is dedicated to making a difference both "on and off-line." As a socially conscience company committed to "making good by doing good," govWorks sponsors a number of programs and initiatives with a focus on promoting civic involvement and increasing access to technology.

- govWorks' Community Commitment program channels a percentage of the Company's proceeds back into local communities in the form of computer hardware and prepaid Internet access donated to community centers, public libraries, and city halls.
- govWorks is sponsoring a "dotcom gala" in New York City to bring together Silicon Alley's Internet and technology companies and raise money for local New York City nonprofit organizations, in an effort to increase Internet access and awareness.
- govWorks offers nonprofit organizations free advertising on its website.
- govWorks is also a proud member of the YouthVote 2000 Coalition; a membership coalition of over 50 nonprofit organizations and MTV's Rock the Vote, dedicated to increasing civic participation among our nation's young people.

Through these types of commitments, govWorks not only provides benefits to governments and constituents, but we also try to create a positive and lasting impact in the communities we serve.

As part of our commitment to making a positive impact in the communities where we do business, we are moving our corporate headquarters from downtown Manhattan to Harlem to form a "Harlem Technology Center." We are in the process of purchasing and renovating the Blumstein Building, a 150,000 square foot building located on 125th Street in the heart of Harlem's commercial and business district. Our move will represent the largest move ever by a technology company into Harlem and we are inviting other technology companies to help us bring a piece of the Internet revolution into one of America's most socio-economically disadvantaged, urban communities.

As part of our move, we are developing programs to help govWorks and other technology companies have a positive and lasting impact in the Harlem community. We are focused on local hiring and are designing a technology training facility to help teach individuals from the Harlem community about computers, the Internet and entrepreneurialism. Establishing this training center will increase career opportunities in the Harlem community, and also help govWorks have greater access to individuals with the right technical abilities. We have been in conversations with Columbia University, the Upper Manhattan Empowerment Zone (UMEZ), the Abyssinian Development Corporation (ADC), the New York City Urban League and Bill Strickland (founder of the Bidwell Training Center in Pittsburgh) to get involved with the training center. In addition, we are adopting a school in Harlem to ensure that the children who attend have access to not only technology and the Internet, but also the proper instruction and motivational tools to help them overcome the digital divide. We feel like these types of partnerships will have a positive and sustaining impact because they help both the Harlem community and govWorks' business.

Mr. President, we applaud your commitment to increasing technology opportunities in under-privileged areas and are honored to invite you to visit govWorks' Harlem site as part of your New Markets tour. We welcome the opportunity to discuss this with you further and to answer any additional questions that you may have. Please feel free to contact us at 212.941.6900 or at our respective e-mails below. Thank you for your attention to this matter and we hope to see you in Harlem.

Regards,

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govWorks' Harlem Technology Project

govWorks is a private-sector corporation focused on facilitating transactions and interactions between constituents and local government. govWorks' website, launched earlier this year, will use the power of the Internet to help constituents interact more easily with their local government, and allow local governments to better serve their constituents. The govWorks' Network (www.govWorks.com) offers a range of services including online bill payment, answers to frequently asked questions, a comprehensive local government contact directory, communication forums, jobs and volunteer opportunities and much more.

govWorks, currently headquartered in downtown Manhattan, has experienced explosive growth over the last 12 months, growing to over 210 full time employees. The Company expects to double in size within the next 8 months and is coping with the growing pains of trying to find suitable space in downtown Manhattan. As a result of govWorks growth trajectory, and inline with its commitment to make a positive impact in the communities where it does business, govWorks is moving its corporate headquarters to Harlem.

govWorks is in the process of purchasing and renovating the Blumstein Building, a 150,000 square foot building located on 125th Street in the heart of Harlem's commercial and business district. This move will represent the largest move ever by a technology company into Harlem, one of America's most socio-economically disadvantaged, urban communities. The goal of this move is for govWorks to anchor an "Internet/technology cluster" in Harlem, and to help attract several other technology companies to the area.

The new technology epicenter will provide not only business space for technology companies to grow and flourish, but will also include incubation space and a technical training facility. One of the greatest challenges in the Internet industry is hiring and retaining people with the right technical abilities. Establishing a technical training center will help increase career opportunities in the Harlem community, and also help govWorks, and other rapidly growing technology companies, have greater access to individuals with the right technical abilities. govWorks is engaged in conversations with a number of other smaller Internet companies that have expressed interest in moving to Harlem, and has also been involved in discussions with Columbia University, the Upper Manhattan Empowerment Zone (UMEZ), the Abyssinian Development Corporation (ADC), and Bill Strickland (founder of the Bidwell Training Center in Pittsburgh) regarding the training center and incubation space.

Highlights of govWorks' Harlem Technology Project

govWorks will make a significant financial impact in Harlem

- Over $15 million invested in building improvements in the first year
- Over $10 million spent on salaries of employees living in Harlem
- Over $1 million spent annually on local goods and services
- Over $1 million paid in property taxes and utilities during the first year

govWorks will create jobs and provide career training in Harlem

- govWorks' move will make it the single largest employer on 125th Street in Harlem
- govWorks will develop a local workforce--20% of govWorks' employees will be hired directly from Harlem (a total of over 150 people by 2001)
- govWorks will establish a technical training center to help increase career opportunities in the Harlem community

govWorks will foster new business growth in Harlem

- The Technology Center will provide business space for technology companies to grow and flourish
- Incubation support for emerging companies and urban entrepreneurs to get their start
- Access to an applicant pool of newly-trained Harlem jobseekers

govWorks will increase access to technology in Harlem's public spaces

- govWorks will establish relationships with local schools, libraries, and community centers to provide computers and Internet access to local citizens, young and old alike.

govWorks will be a role model of corporate citizenship

- govWorks will present the Harlem community with a visible example of a successful minority-founded and socially responsible business enterprise.

govWorks.com

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govWorks' Community Development Group

Mission

govWorks was founded to improve the quality of the interactions between constituents and government, and to help reconnect people to their local communities. govWorks is a socially responsible company, committed to making a positive social impact in the areas where it does business. govWorks' Community Development Group is responsible for leading many of the company's socially responsible initiatives and partnerships, but govWorks' commitment to "making good by doing good" manifests itself throughout the entire organization, from govWorks' employees to its corporate partners, and in the Company's values.

Community Commitment Program – "Linking the Digital Divide"

Through govWorks' "Community Commitment" program, the Company channels a percentage of the revenues generated by its govPay module directly back into local communities in the form of computer hardware equipment and prepaid Internet access. govWorks donates these resources to community centers, libraries and city halls to help increase public access to technology and increase the availability of information available on the Internet.

govGive

govGive is govWorks' on-line commitment to nonprofit organizations and volunteers. govGive offers a free database enabling organizations and donors to exchange information and ideas, and allowing users to make donations and locate volunteer opportunities across the country. govWorks also offers nonprofit organizations free advertising on its web site.

Civic Empowerment & YouthVote2000

Both on and off-line, govWorks helps to increase civic empowerment and raise awareness about issues affecting local communities. Online, govWorks provides valuable information about candidates, issues, events and organizations to help constituents get "connected." Offline, govWorks works at the local and national levels to help promote civic involvement.

govWorks is a proud member of YouthVote2000, the largest non-partisan coalition of national organizations committed to encouraging civic participation among our nation's young people. As a member of YouthVote2000, govWorks joins the League of Women Voters, MTV Rock the Vote, YWCA, National Council of La Raza, Black Youth Vote, and over 50 other organizations committed to increase civic awareness and participation among our nations' youth.

Junior Achievement Partnership

govWorks has forged a partnership with Junior Achievement (JA), the world's largest and fastest-growing non-profit economic education organization – serving over 3 million students nationwide. Through JA, govWorks has adopted Public School 126 in downtown Manhattan, where govWorks' volunteers teach elementary students about their roles as individuals, workers and consumers to prepare middle grade and high school students for key economic and workforce issues they will face.



Earth Day 2000

Keeping with its mandate to increase civic involvement and empowerment, govWorks is a Premier Corporate Sponsor for the Earth Day New York celebrations, kicking off Earth Week 2000 on April 16. govWorks will donate over 30 computers and Internet access for the event and allow visitors (both at the event and on its site) to send e-mails to their elected representatives encouraging the support of environmentally friendly legislation. govWorks is also offering Earth Day 2000 free advertising on the govWorks.com site and is designing a custom designed database to help facilitate the interaction with elected officials.

Entrepreneurship - "An Innovative Approach to Philanthropy"

govWorks sponsors a number of forums designed to promote entrepreneurship and social entrepreneurship. In addition, the govWorks Internship Program allows highly motivated students from disadvantaged backgrounds the opportunity to receive "hands-on" entrepreneurial training and to learn about the Internet economy.

govWorks is a proud investor in the Entrepreneurs' Foundation (EF). Founded in 1998, the Entrepreneurs Foundation is a nonprofit organization created to strengthen the Silicon Valley/Bay Area community by tapping the talent and wealth of entrepreneurial companies and their employees. EF takes "an innovative approach to philanthropy" by applying venture capital principles to scale-up successful community programs. EF works with govWorks and other Silicon Valley companies to help sponsor local service projects where employees have the opportunity to "give back."