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Collection/Record Group: Clinton Presidential Records
Subgroup/Office of Origin: National Economic Council
Series/Staff Member: John Caplan
Subseries:

OA/ID Number: 20824
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Folder Title:
DIGITAL DIVIDE NEW MARKETS TRIP NORTH CAROLINA 4/26/2000 [2]

Stack:	Row:	Section:	Shelf:	Position:
S	18	3	1	3

Clinton Presidential Records Digital Records Marker

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This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: _____

+ \$2m
requests

42000 draft Statement Regarding the AT&T Strategic Partnership

AT&T has formed a major strategic partnership with the New Market's Equity Fund. It has committed to making deal flow referrals of at least \$30 million dollars during the first year of the Fund's operations plus similar future commitments; \$ 2 million dollars of capital for the Fund; and, has agreed to serve on the Fund's advisory board.

Working with AT&T, as one of its strategic partners, the Fund will make investments in qualified firms that meet its due diligence requirements and target internal rate of return (IRR) of 30% (+5%). This deal flow commitment from AT&T alone will assist the Fund in achieving approximately 50% of its first year technology budget for companies of this type in the digital technology area. Arrowhead and ATLATL Enterprises are an example of the types of firms that AT&T will refer to the Fund for direct or indirect equity funding.

technology
based
firms;
located
in UNCL.
over-

to do what?

New Markets Tour
April 9-11, 2000
MCI WorldCom School Demo, Raleigh, NC

MCI

ABOUT MMDS

- Multichannel Multipoint Distribution Service (MMDS) delivers wireless broadband services to “fixed” customer locations (so-called “fixed wireless”)
- MCI WorldCom has already invested about \$1.5 billion in MMDS properties over the past year
- MMDS has wide geographic reach – up to 35 mile radius in most markets; relatively immune to weather effects and line-of-site issues have been alleviated
- MMDS frequencies and relatively inexpensive infrastructure make deployment fast and cost-effective (about \$2,000 per square mile); Retail offerings are equal or less to landline broadband services
- Technologically and economically suited to serve rural and hard-to-serve areas; offers another broadband “pipe” into the home that can also serve as transition technology while building out DSL networks
- Scalable bandwidth to serve customer-specific needs (especially advantageous to small businesses who are not reached by DSL) – up to 10 Mbps

ABOUT THE MCI WORLDCOM COMMITMENT

- MCI WorldCom will roll out MMDS trials in the following areas:
 - Raleigh, North Carolina
 - Hattiesburg, Mississippi
 - Houma, Louisiana
 - Dothan, Alabama
- MCI WorldCom will deliver broadband services 5 to 7 schools, libraries and/or community technology centers (depending on need) in each trial area beginning with the August 2000/2001 school year, and continuing for 10 years, representing a commitment of \$2 million

North Carolina Rural Broadband Event - Draft April 20, 2000

Message points

- High-speed (broadband) Internet access is critical to the economic prosperity and quality of life in rural America. Broadband can bring economic development, distance learning, and telemedicine to the most isolated rural community.
- Today, broadband services are either not available in rural communities or are much more expensive than in urban areas.
- The President will highlight public and private commitments that will help accelerate the deployment of broadband networks to isolated rural communities.
- President is travelling to North Carolina because the state has made this one of their top issues for rural economic development, as part of the Rural Prosperity Task Force.

Sequence of events

- President does a tour of Remote Data Systems - a small, 11-person company that produces equipment used for environmental monitoring. Company has sales of just over \$1 million. RDS is 3 miles outside of Whitesville.
 - Currently, the company only has a "narrowband" connection to the Internet because broadband is too expensive. If they had a broadband connection -- their engineers would take Web-based courses over the Internet as opposed to driving 2 hours to NC state, they would sell not only the environmental monitoring equipment but analyze the data for their customers, etc.
- President sees brief (5 -10 minute) demo of high-speed wireless technology, using Qualcomm equipment. Demo could be downloading a 3-D model of a part that RDS needs -- could have that side-by-side with a PC with a narrowband connection.
- President has roundtable with:
 - Governor Hunt
 - Erskine Bowles (moderator)
 - NC small businesses
 - CEOs and senior execs doing deliverables
 - Members of Congress
- President does speech in Whitesville.

Potential Deliverables

1. Rural Utility Service (part of U.S. Department of Agriculture) will expand its \$670 million telecommunications loan program so that companies can use it to deploy broadband services. Currently, it is limited to companies that agree to provide basic voice service. Change will be made through regulation later this summer.
2. NSF will commit \$10 million of its FY2001 funding for research into broadband technologies -- with an emphasis on the needs of rural America.
3. NTIA and RUS will release a report on broadband in rural America. Report was requested by 10 rural Senate Democrats last year.
4. Qualcomm will commit to providing wireless broadband in 8 rural communities (100 PCs in schools, libraries, community technology centers in each community)
5. MCI/Worldcom will commit to rolling out its broadband wireless service in 3 communities in the South.
6. Red Hat (a North Carolina-based Linux software company) will provide free training to 100 rural small businesses in the use of its software.
7. Skybridge -- provider of broadband 2-way satellite service -- is willing to provide 500 free connections to rural areas for one year worth \$2 million -- but service will not be deployed until 2003.
8. Other possibilities as well.

Potential areas of controversy

- Everyone agrees that broadband is a good thing - but different views on how to do it, and complicated interest group politics.
- Governor Hunt's Task Force has called for tax on NC phone bills to help pay for high-speed access in poorest rural counties. NC local telephone companies (GTE, Bell South, Sprint) are arguing both that there is no problem -- or that the fund that Governor Hunt is proposing isn't big enough.



David Close <davec@schwartz-pr.com>
03/28/2000 12:44:53 PM

RED HAT

Record Type: Record

To: Jackson T. Dunn/WHO/EOP
cc: melissa@redhat.com, bryans@darkstar.schwartz-pr.com
Subject: Re: Red Hat and Digital Divide

Jay, here is what Red Hat, Inc. can do to help the program to bridge the Digital Divide in North Carolina:

1. Donate copies of Red Hat Linux, which is the operating system of choice for web servers. Today about half of the Internet is running on Linux. This donation will help poor rural communities and school systems to get online. Red Hat Linux also includes many applications, including office software, a word processor and many other productivity tools. This product has been named Product of the Year by InfoWorld for four years running, so it's the good stuff.

I can't say how much software Red Hat will donate, but they've told me "as much as it takes." I suggested 500 copies to start, which they said is fine. Please note that this is SERVER software -- not desktop software -- so each copy powers a system that serves many people, not just one. 500 copies of server software is alot.

Open source software is inexpensive, so this has a value of about \$40,000.

2. Training. The most important part of this is not the value of the software, but the value of the training. Red Hat, Inc. is known to run the best and most comprehensive open source and Linux training in the business. To have the title of RHCE (Red Hat Certified Engineer) is an impressive calling card in the open source software world.

To help bridge the Digital Divide in North Carolina, Red Hat will open up one or two slots in each training class to qualified people from the target groups to audit the course. Courses are:

Introduction to Red Hat Linux 1
Introduction to Red Hat Linux 2
Red Hat Certified Engineer Training.

Each course is 4-5 days and runs weekly. Each is priced between \$2,000 - \$2,500, so two attendees per week times 50 weeks gives this a value of about \$225,000 -- a nice contribution from a small company. What's more important, though, is the opportunity this training will provide for people to become very qualified in what is now the fastest-growing area of the

software industry.

Jay -- I don't know the mechanism through which we'll identify the communities and people who get training and software, but this will be fairly easy to work out.

Finally - Bob Young, co-founder and chairman of the board of Red Hat, Inc. will be the exec to participate. He's famous in the software world.

At 05:32 PM 3/27/00 -0500, you wrote:

>David -- when you have a moment, could you please call me about the
>President's upcoming trip - 202-456-7702. Thank you.



Thomas A. Kalil

03/28/2000 05:10:40 PM



MCI-
\$2M over 10 yrs.

Record Type: Record

To: Natasha F. Bilimoria/OPD/EOP@EOP, Gigi E. Georges/OPD/EOP@EOP, Jackson T. Dunn/WHO/EOP@EOP

cc:

Subject: New Markets Tour

----- Forwarded by Thomas A. Kalil/OPD/EOP on 03/28/2000 05:08 PM -----



Maura Colleton <Maura.Colleton@wcom.com>

03/28/2000 04:07:43 PM

Please respond to Maura.Colleton@wcom.com

Record Type: Record

**DETERMINED TO BE AN
ADMINISTRATIVE MARKING**

To: Thomas A. Kalil/OPD/EOP

INITIALS: JM DATE: 5/26/23

cc:

Subject: New Markets Tour

2019-0203-F

Privileged and Confidential

wireless
modem

Tom:

Here are the areas we're considering for trial rollouts of MMDS (we currently have trials running in Boston, Baton Rouge and Memphis) Raleigh, of course, we're already doing, and we are prepared to announce 3 more from the list below. We would commit to having trial service up and running within 90 days (we can't say it's commercial until we're authorized to do so by the FCC - filing window opens July 3) in addition to reaffirming our promise to accelerate deployment of MMDS in rural and under-served areas in the states of the Southeast, the Southwest, the Pacific Northwest and the Great Plains within in a year after the close of the merger, plus our pledge that we will roll out MMDS in a total of 100 markets by the end of 2001.



Here's the list - again, we can pick 3 from these:

Dothan, AL
Columbus, GA
Gulf Coast Area, MS
Jeffersonville, GA



Lafayette, LA
Pensacola, FL
Hattiesburg, MS
Houma, LA
Huntsville, AL
Tallahassee, FL
Tuscaloosa, AL
Gasden, AL

Let me know.

Thanks,
Maura.





Thomas A. Kalil

03/30/2000 09:08:28 AM



NSF

Record Type: Record

To: Gigi E. Georges/OPD/EOP@EOP, Natasha F. Bilimoria/OPD/EOP@EOP

cc:

Subject: RE: Wireless broadband

Language for NSF deliverable

----- Forwarded by Thomas A. Kalil/OPD/EOP on 03/30/2000 09:08 AM -----



"Bajcsy, Ruzena" <rbajcsy@nsf.gov>

03/30/2000 07:41:00 AM

Record Type: Record

To: Thomas A. Kalil/OPD/EOP, "Bajcsy, Ruzena" <rbajcsy@nsf.gov>, "Strawn, George " <gstrawn@nsf.gov>

cc:

Subject: RE: Wireless broadband

This is fine with me,
Ruzena.

-----Original Message-----

From: Thomas_A._Kalil@opd.eop.gov [mailto:Thomas_A._Kalil@opd.eop.gov]

Sent: Wednesday, March 29, 2000 4:28 PM

To: rbajcsy@nsf.gov; gstrawn@nsf.gov

Subject: Wireless broadband

This is what we were planning on including in the
WH paper for the President's digital divide tour.
Let me know if you have any comments.

Next-generation broadband technologies for rural America:

The National Science Foundation will increase its research investment in broadband technologies by \$10 million, with a particular focus on the needs of rural America. Improvements in the state-of-the-art of broadband technology (e.g. greater capacity, longer range, increased two-way capability) will result in faster deployment of high-speed Internet access

in rural communities.

Rural communities face unique challenges in gaining access to broadband services, because of longer distances and lower population densities.

Since NSF supports university-based research, this initiative will also increase the supply of undergraduate and graduate students in technical fields with insights into the challenges of providing broadband telecommunications to rural areas.



Betsy.Kim@sba.gov
03/30/2000 02:13:26 PM

SBA
NC

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Irma L. Martinez/WHO/EOP, Michele.Kreiss@sba.gov, kris.swedin@sba.gov, James.Ballentine@sba.gov

Subject: RE: possible deliverable for Raleigh/Chapel Hill

p.s. announcement could be made at K-F Business School in Chapel Hill (they have an auditorium that seats 400-500). could have a roundtable event featuring CEOs of participating corporations, reps from non-profit orgs and reps from Keenan-Flagler B School talking about digital divide and what different sectors (corporate, non-profit & educational) are doing/can do to bridge divide.

> -----Original Message-----

> From: Kim, Elizabeth O.

> Sent: Thursday, March 30, 2000 1:13 PM

> To: 'gigi_georges@opd.eop.gov'; 'thomas_kalil@opd.eop.gov'; Natasha

> Bilimoria (E-mail); 'kpgoldbas@hotmail.com'

> Cc: Irma Martinez (E-mail); Kreiss, Michele L.; Swedin, Mary K.;

> Ballentine, James C.

> Subject: possible deliverable for Raleigh/Chapel Hill

> Importance: High

>

> << File: #2L01!.DOC >> have a great potential announcement for

> Raleigh/Chapel Hill Research Triangle area. Keenan-Flagler Business

> School, recipient of SBA 7(j) grant is involved in a project that is in

> infancy stage at this point, but with possible Presidential visit could

> maybe get commitments firmed up. They are discussing development of a new

> Technology Learning Center that will provide the following:

>

> 1. State of the art computer lab school for underprivileged youth

> 2. Non-profit organization center to help bring non-profits into the

> digital age

> 3. Incubator for minority- and women-owned e-commerce focused businesses

>

> Corporate participants include Red Hat, IBM, Cisco and possibly Microsoft

> and Bank of America (see attached proposal on Bank of

> America/Keenan-Flagler Community Development Fund that we submitted for 2nd

> NM tour back in Nov).

>

>



- att1.htm

Message Sent To:

Betsy.Kim@sba.gov
Gigi E. Georges/OPD/EOP
Thomas A. Kalil/OPD/EOP
Natasha F. Bilimoria/OPD/EOP
kpgoldbas@hotmail.com

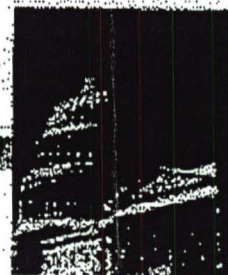
Sent By: WHEAT ASSOC INC;

2023715458;

Apr-11-00 3:15PM;

Page 1

1300 PENNSYLVANIA AVENUE, N.W.
INTERNATIONAL TRADE CTR., SUITE 600
WASHINGTON, DC 20004

**CAPITOL VENTURES ASSOC., LLC**

TO: Ms. Kendra Golbas
NEC
c/o Corinthia

FAX: 619-8000

FROM: Millicent Y. Hodge, Esq.

DATE: 4/11/00

RE: New Markets Equity Fund

PAGES: 4

Comment:

Kendra,

Please find attached information regarding the North Carolina project of Arrowhead Space & Telecommunications, Inc. Arrowhead is one of the high-tech firm that we discussed that was recommended by AT&T.

Please do not hesitate to call me at 202-484-8454 if you need additional information. Thanks!

Millicent



New Markets Equity Fund

North Carolina Announcement

Announcement:

An historic partnership between AT&T; the New Markets Equity Fund ("NMEF"), a minority-owned and operated, private equity fund focused on making equity investments in firms located in poor and working class communities across urban and rural America; and Arrowhead Space and Telecommunications, Inc., a highly successful Native American female-owned high technology company ("Arrowhead"). The three partners will work together to find ways to help Arrowhead (a) grow and diversify through the use of equity; (b) create good jobs in underserved markets; and (c) to help bridge the digital divide.

Bank of America may also announce its intention to make a significant investment in the NMEF.

North Carolina Project

In October 1999, Arrowhead established ATLATL, Inc., a for-profit business with its headquarters in Lumberton, North Carolina, ("ATLATL"). ATLATL will provide state-of-the-art technology support services in telecommunications, the Internet, and electronic commerce to corporate and government entities. ATLATL will also provide computer recycling and disposal services.

The word "ATLATL" is literally defined as "Indian Throwing Stick." The atlatl was used by American Indians from the 1600s as a means to launch a spear further and with greater impact, thus making it easier for a hunter to feed his/her family. According to Arrowhead, ATLATL will be a modern day launcher that will offer the residents of Roberson County an opportunity for training, meaningful employment and the means to earn a living to feed their families.

In March 2000, Arrowhead responded to a RFP issued by the Navy/U.S. Marine Corp to replace 350,000 existing computers over the next 3 to 5 years. A decision will be made on the proposal in June of this year. Regardless of the outcome of the initial March proposal, Arrowhead, through ATLATL will solicit the Navy/U.S. Marine Corp to dispose, refurbish and salvage the old computers that are to be replaced under the initial RFP. Arrowhead and ATLATL believe that they are strategically positioned, as an 8(a) company and a mentee of AT&T, to be the recipients of such business.

ATLATL will employ between 50 and 100 people who will disassemble and salvage the most valuable and environmentally sensitive computer parts. In addition, it will salvage parts that can be recycled into a growing number of alternative so-called 'green' uses

(e.g. plastic casings that can be made into weather resistant building materials.) An additional benefit of the ATLATL operation is that a limited number of the computers will be upgraded and distributed to schools, libraries and community centers in Robeson and surrounding counties.

According to Arrowhead, this initiative is not only a viable cost-effective solution for the Federal Government and private sector companies who are stockpiling old computers in warehouses, but will also provide employment opportunities and promote private sector investment in a distressed community. In addition, this effort will support the "Welfare to Work Initiative."

As a result, ATLATL will help this relatively poor section of rural North Carolina bridge the digital divide in two important ways. First, many of the ATLATL job opportunities will require the training of employees in basic computer and electronic skills. As the skill base of the workforce grows, civic leaders anticipate that it will help attract more sophisticated employers in search of new labor pools, including employers involved in the digital economy. The second benefit will reinforce the first as more and more young people and others gain regular and routine access to computers and the Internet through the distribution of surplus computers to tribal and other schools, and community groups.

Robeson County

Lumberton, the county seat for Robeson, is located on Interstate I-95, 100 miles south of the Raleigh-Durham-Research Triangle and 130 miles from Charlotte. Two rail lines also service the county. The Native American founder and CEO of Arrowhead Space and Telecommunication, Inc., Ms. Mary Ann Elliot, grew up in the county and created the business plan for ATLATL as a way to bring a serious business into this extremely poor rural community. The county is approximately one-third African-American, one-third Native American from the Lumbee and Tuscarora tribes, seven percent Hispanic, a small fraction Asian-American and the remaining are considered white Anglo-Saxon. Unemployment in the county is consistently among the highest in the state and minimum wage agriculture is the largest employer. The SBA has designated the entire county a HUBZone (Historically Underutilized Business Zone.) Therefore, qualified businesses located in the county would be given special preferences in federal contracts.

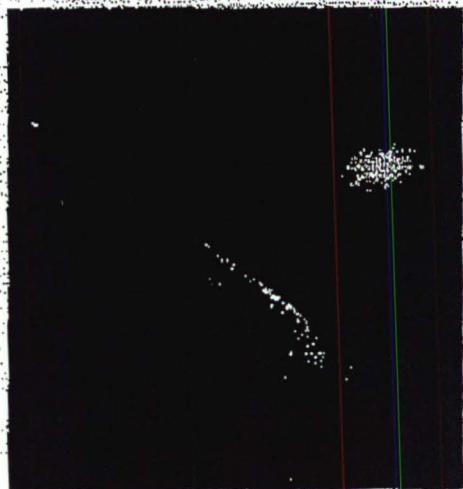
The Governor of North Carolina has designated parts of Robeson County as Economic Development Zones, where more than 20 percent of the population is below the poverty level. As a result of this designation, the area receives additional State incentives for worker training and job creation.

The Robeson County Community College has agreed to provide customized technical training, including the use of computers, through its vocational training program to the ATLATL employees recruited from the local community. The University of North Carolina at Pembroke has expressed interest in expanding their current teaching and nursing programs to include assistance in the establishment of a head start program for

ATLATL employee's pre-school children and health awareness training for the employees. The Lumberton City Manager, the Lumberton Chamber of Commerce and the Minority Development Center have committed their business development resources to ATLATL.

General Background on Arrowhead

Arrowhead is a Virginia-based, technology company owned and operated by a Native American woman who is a member of the Tuscarora Tribe. The company was admitted to SBA's 8(a) program in 1995 and has 4 years remaining in the program.



Arrowhead is widely known for its technical publications, growth record and other honors. In addition to being a protégé of AT&T under the Department of Defense's Mentor - Protégé program, the company has been included in the Washington Technology Fast 50 for the past three years, and in the 1998 INC 500, an independent compilation of America's fastest growing private companies. The Virginia Chamber of Commerce recently recognized it as the top technology firm for 1998.

1300 PENNSYLVANIA AVENUE, N.W.
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TEL: (202) 434-8454 FAX: (202) 434-9122



CAPITOL VENTURES ASSOC., LLC

TO: Ms. Kendra Golbas
NEC
c/o Corinthia

FAX: 619-8000

FROM: Millicent Y. Hodge, Esq.

DATE: 4/3/00

RE: New Markets Equity Fund

PAGES: 13

Comment:

Kendra,

Please find attached detailed information regarding Arrowhead Space & Telecommunications, Inc. Arrowhead is one of the high-tech firm that we discussed that was recommended by AT&T.

Please do not hesitate to call me at 202-484-8454 if you need additional information. Thanks!

Millicent

Handwritten: ~~Wilmington~~
Wilmington,
NC

7

Arrowhead Space and Technology Corporate Capabilities

Arrowhead is a Native American, woman-owned, small disadvantaged business, specializing in professional engineering services for telecommunications and information technology applications. The Company currently has 83 employees and is based in Northern, Virginia and is expanding operations to rural North Carolina. The Company has been in operation for approximately 9 years and is currently listed as part of the governmental 8a program with four years remaining.

The Company is currently pursuing initiatives to form a subsidiary to refurbish, salvage and dispose of computer equipment. The Company plans to locate the newly formed company in Lumberton, North Carolina where the ethnic make-up of the community is 33% Native America (Tuscarora Tribe), 33% African American and approximately 7% Hispanic with the remaining made up of a mix of other ethnic backgrounds. The Company chose Lumberton North Carolina for its new location to help growth the surrounding community that has been plagued with high unemployment, high poverty and poor healthcare. Refurbished computers will be donated to surrounding area schools and organizations to help bridge the digital divide existing in the surrounding community. AST has received significant response from the US Marine Corps as well as major corporations such as Lockheed Martin, IBM and AT&T expressing a desire to dispose of unneeded computers through AST. The Company views this future venture as an opportunity to build the economic viability of a community and engaging in what could be a very profitable venture.

The New Markets Equity Fund ("NMEF") developed this relationship through its strategic relationship with Winston Smith, Director of Supplier Diversity at AT&T. NMEF views this potential investment as an opportunity to partner with a high growth company that continues to positively impact the economic viability of surrounding communities while efficiently managing its operations.

Below is a brief discussion regarding Arrowhead Space and Technology (the "Company" or "AST") capabilities in telecommunications, and information professional services.

Telecommunications

Arrowhead's corporate telecommunications capabilities include extensive experience in the program management, engineering design, integration, installation and testing of commercial satellite Very Small Aperture Terminals (VSAT), in transportable or fixed-site configurations. The Company has installed terminals throughout the world for both the US Government and commercial clients. AST engineers have performed site surveys, installed, tested, operated and maintained the communications network in support of the peacekeepers in Bosnia.

As part of its telecommunications services, the Company produces realistic assessments and recommendations concerning project feasibility to provide its clients with investment confidence. AST's independent verification and validation studies, for example, analyze

technical feasibility, cost effectiveness, life cycle maintenance or replenishment costs, market capacity versus expected penetration and potential regulatory impediments.

For example, AST played a major role in the Department of Defense's transition from military satellite systems to commercial satellite communication service providers. As part of its service, the Company provided:

- Life cycle cost analysis on each of the U.S. owned and controlled proposed Mobile Satellite Service (MSS) systems and Inmarsat
- An analytical research report on commercial and military satellite systems for a Department of Defense client
- Quick reaction support for SPAWAR (PMW-176) to analyze the worldwide down-link coverage for Cable News Network (CNN) broadcasts
- Recommended strategies for leveraging commercial SATCOM systems to satisfy Navy requirements;
- An independent verification and validation of a proposed LEO system design for a major international venture capital firm.

Telecommunications Bandwidth Services

Along with the above telecommunications services, AST designs diverse and redundant international wide area networks (WANs) that satisfy demanding technical criteria for the correct blend of equipment, software and transport media to fulfill each client's availability requirements for voice, data, fax and video communications. The Company also procures and installs ground segment equipment to support client requirements. AST is also a licensed reseller of terrestrial and satellite bandwidth services. By leasing bulk transmission capacity, AST is able to provide partial transponders and occasional-use transmission services.

Spectrum Management

"Spectrum" refers to the electromagnetic spectrum in which all radio-based equipment must operate using assigned frequencies. "Spectrum Management" encompasses a wide range of activities associated with the allotment, allocation, and assignment of radio frequencies for various telecommunications services. AST maintains a small, but highly expert core of professional staff and consultants who stand ready to assist clients with advice and assistance to resolve spectrum issues/challenges. The Company offers:

- spectrum planning and research services
- spectrum certification services; spectrum requirements and usage analyses
- operational assessments (cost and mission impacts)
- customized spectrum database development
- mitigation strategies for harmful frequency interference problems, etc.

AST has the capability to provide a wide range of spectrum services and technical solutions to spectrum related issues. The Company's engineers have developed automated tools and software programs such as spectrum utilization databases and satellite bandwidth databases to help carry out its work in this area. AST's engineers have the background, experience and contacts to

develop strategies, assessments and analyses in support of high level meetings in which bilateral satellite issues and international frequency sharing issues are negotiated.

The Company's past telecommunications clients include but are not limited:

- the Joint Spectrum Center (JSC)
- the U.S. Army Spectrum Management Office
- the Pentagon.

Most recently, Arrowhead has undertaken a thorough study of broadband satellite communication systems. These systems will use the frequency bands in the gigahertz range, such as Ku-, and the newly available spectrum bands, such as Ka-, Q- and V-bands. By conducting this comprehensive look at planned broadband systems, Arrowhead has developed a an understanding that will allow it to advise of the potential opportunities and challenges which will be presented by operation in these higher bands.

Information Services

Arrowhead employs the latest methods, standards, and tools to assist clients in analyzing their needs and initiating cost-effective strategies. AST life cycle services include systems integration, design, development, testing, operations, and maintenance, business process reengineering, and Internet-based interactive multimedia training. With a broad combination of capabilities, Arrowhead has devised distance learning programs for remote locations available to students, on demand.

Arrowhead is the training systems developer for the Joint Ammunition Management Standard System program. The training system, which is integrated into logistics applications, will provide the user with on-demand training, including introductory (familiarization) training, sustainment training and context sensitive help via a variety of multimedia applications. This effort includes the development of the system architecture, integration into a modified Commercial-Off-the-Shelf software package, and wide area network application, combined with the use of web technologies and formal classroom training.

When the Bureau of Indian Affairs (BIA) in Albuquerque NM, had a requirement to modernize their Radio Frequency Management program, they contracted Arrowhead to design and implement an Oracle database custom tailored to meet BIA needs. In the development of the database, Arrowhead created systems diagrams and digital maps of the locality of each BIA radio system. After system installation, Arrowhead provided training and Internet interface to allow BIA personnel to access the database from anywhere in the country. Arrowhead remains under contract to provide maintenance support.

Professional Services

Arrowhead maintains an outstanding capability to provide program support services that include engineering technical studies, corporate strategic planning, administrative staffing, program

management, management consulting, program development strategies, and corporate and field support services.

The Company's program support services division currently supports the Federal Highway Administration (FHWA) with Arrowhead employees in three facilities, providing administrative support ranging from receptionists to executive secretarial to database support for various offices. AST provides rapid responses to both long and short term project and program needs. In the Federal Railroad Administration (FRA), AST provided an administrative assistant to the Acting Director of the Office of Minority Rights. This employee coordinated file organization and management support during the of FRA's recent major office renovation.

On the commercial side, Arrowhead has provided AT&T with personnel for short-term needs on a variety of projects since 1994. These projects include:

- managing, writing, and editing proposals
- providing graphics support for technical deliverables
- engineering technical solutions
- and writing and coordinating AT&T issued requests for proposal (RFP) and
- evaluating the subsequent proposals.

Arrowhead's staff has provided a broad spectrum of program office support that includes working with development contractors and the program office to assure organization of program management, logistics management, project monitoring and reporting, data collection, budgeting, accounting, performance auditing, and administrative/technical support for conferences and training programs. AST is provides program planning, budgeting and execution; creation of requirement documentation to include system and operational requirements and budget reviews; establishment of program baseline, and monitoring progress during performance of the work.

Previous Announcements Involving Arrowhead Space and Technology

Arrowhead is "Top Technology Company" in Virginia & Number Two in Overall Growth!!!
Falls Church, VA, February 11, 1999:

- **FEBRUARY 1999:** Arrowhead Space & Telecommunications, Inc. is pleased to announce their selection among the Top Five of Virginia's Fantastic Fifty small private corporations for the second year in a row. More than 350 nominations were received for the 1999 award, which is granted annually by the Virginia Chamber of Commerce in a ceremony in Richmond, Virginia. The nominated companies are ranked based on growth. To be eligible, a company must have positive revenue growth and positive net income for their most recent year. Arrowhead documented growth of over 1278% for 1998.
- Deloitte and Touche named the corporation in their annual survey of Virginia's Technology Fast 500
- Washington Technology recognized Arrowhead in their annual survey of the 50 fastest growing technology companies in the region for the past three years.
- Inc. Magazine listed Arrowhead among the 500 fastest-growing private companies in America.

- Mary Ann Elliott, Arrowhead's President and CEO, was recently honored by Defense Daily as one of the 40 most influential players in global defense and national security.
- In recognition of her energetic support of the small business community, the Small Business Administration selected Ms. Elliott as the Minority Small Business Advocate of the Year.

Mary Ann Elliott

Page 1 of 3

Mary Ann Elliott



President & CEO of Arrowhead Space & Telecommunications, Inc.

Mary Ann Elliott, President and Chief Executive Officer of Arrowhead Space and Telecommunications, Inc., Fairfax, Virginia is a recognized expert in wireless, mobile satellite services and international private satellite networks. A frequent lecturer and author on the subject of satellite services, Ms. Elliott founded her own small business in January 1991. Arrowhead, named to reflect her Native American heritage, provides engineering, management, and marketing research for industry, government, and financial institutions.

Ms. Elliott began her career in telecommunications in 1975 following the death of her husband. At the time she had little formal education and few job skills. What she did have was a willingness to study, unbridled enthusiasm, tremendous energy and an aptitude for sales and marketing.

From her entry-level job with Motorola, as their first female in the traditional wireless terrestrial market, she moved into the new technology field of satellite navigation and communication. Prior to starting her own business, she held management positions with COMSAT International, Contel's American Satellite Division, Talon Technology and Navidyne. Her professional background includes the first global mobile satellite network, Inmarsat, and both international and domestic fixed satellite services.

She is active in the Armed Forces Communications and Electronics Associations (AFCEA), a board member of the United States Coast Guard Foundation, serves on the Small Business advisory board's for AT&T and NASA, and is the Past Chairman of the Board of Directors for the Washington Space Business Roundtable, a group devoted to commercial Space development for the benefit of all mankind. She was recently honored by Defense Daily who named her among the "40 most influential players in global defense, aerospace, and national security."

Under her leadership, Arrowhead has grown from first year revenues of \$70 thousand and a staff of one to revenues of \$6 million and a staff of more than 80, with headquarters in the Northern Virginia area and field offices in three countries.

Mary Ann's heritage includes the Tuscarora and Lumbee Indian tribes of Robeson County, North Carolina. She has three children and four grandchildren and currently resides outside of Washington, DC in the Northern Virginia area.

Mary Ann Elliott

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PERSONAL AWARDS

Forbes Magazine, Top 500 Companies in the nation, 1998 and 1999
 Fast 50 Award, Washington Technology, 1996, 1997, 1998 and 1999
 Small Business Administration, Minority Advocate of the Year, 1998
 National Minority Business Council, Small Business of the Year Finalists, 1999
 Top 40 of the worlds most influential players in global defense, aerospace and national security, Defense Daily, 1998
 Inc. Magazine, Top 500 Companies in the nation, 1998
 Virginia Fast Fifty, Top Technology Company in the State, 1999, Number 3, 1998
 Fast 50 Award, Northern Virginia Technology Council October 1997
 Lifetime Achievement Award, Women in Aerospace, September 1997
 Master Entrepreneur / Small Business of the Year, Staples Office Supply August 1997
 Blue Chip Enterprise Award, US Chamber of Commerce, June 1997

BOARD OF DIRECTORS & ADVISORY COUNCILS

United States Coast Guard Foundation - Board of Directors
 Mobile Satellite Users Association - Advisory Council
 University of North Carolina at Pembroke - Native American Endowment Program
 Georgetown University's Communications Culture, and Technology Program, - Advisory Board
 Washington Space Business Round Table - Past Chairman of the Board and current board member
 AT&T, Supplier Advisory Development Council, Board Member
 NASA, Minority Business Advisory Council, Board Member

SAMPLE LISTING OF PUBLICATIONS & SPEECHES

Washington Regional Small Business Council, Keynote Speaker Annual meeting, 11/99
 Lockheed Martin, Native American Awareness Month, Keynote Speaker, 11/99
 Western DOD Small Business Annual Meeting, *Contributions of the Native American Business Community and Small Business Concerns*, 11/99
 Virginia Purchasing Managers Annual Meeting, Keynote Speaker, *Launch Into the New Millennium*, 11/99
 National Contract Managers Association, World Congress, Native American Issues and Business Startup panels, 1998
Broadband in the 21st Century, by Mary Ann Elliott and Betsy Kulick, August 1999
Via Satellite Magazine, Military Use of Space into the New Millenium, June 1999.
 AFCEA West, Small Business Symposium, Chairman of Mentor Protégé, SBIR, and Creative Financing panels, January 1998
Naval and Army Space Commands, Internet in the Sky / The Future of Broad-Band Satellite Systems, December 1997 and January 1998
Leaders Magazine, "The Social Implications of the Telecommunication Revolution," July 1997
 AFCEA TechNet, *Frequency Reallocation Issues for DoD*, June 1997

Mary Ann Elliott

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Leaders Magazine, "Creative Government / Business Partnerships," July 1996
Joint Chiefs of Staff, Integration of Commercial Satellite Services and Military Payloads,
June 1995

Inmarsat in the 21st Century, by Mary Ann Elliott and Betsy Kulick, June 1995

AFFILIATIONS

Woman & Minorities in Defense - Task Force member

Women in Aerospace

Women in Technology and Women Business Owners Subcommittee

MD/DC Minority Economic Development Council - Member

AFCEA, Small Business Sub-Committee

Washington Chapter of AFCEA - Corporate Member

Society of Satellite Professionals International - Corporate Member

National Space Society - Member

Navy League - Member

Serves on numerous additional community fund-raising and membership committees for a variety of charitable organizations.

Arrowhead Space and Telecommunications

Page 1 of 3

THE CORPORATION IN-DEPTH

Arrowhead provides quality services to government, industry, and research institutions in three distinct areas:

- Telecommunications
- Program Support Services
- Information Technology and Training

These services are provided through a streamlined organization with headquarters located in Northern Virginia. The headquarters facility has a Top Secret facility clearance and many of our personnel have security clearances at the Top Secret level and beyond.

The company's proven management organization emphasizes partnerships with our clients to ensure delivery of quality products and services, on time, and at very competitive costs. Our total commitment to our clients includes not only providing quality resources to support our contractual obligations, but also closely monitoring each contract and making full use of our DELTEK automated financial system. Arrowhead has a solid financial reputation that includes access to a substantial line of credit.



We are widely known for our technical publications, growth record and other honors. In addition to being a protégé of AT&T under the Department of Defense's Mentor - Protégé program, the Company has been included in the *Washington Technology* Fast 50 for the past three years, and in the 1998 *INC* 500, an independent compilation of America's fastest growing private companies. The Virginia Chamber of Commerce recently recognized us as the top technology firm for 1998.

Arrowhead's ability to deliver sound technical solutions and professional services under a wide variety of challenging conditions is one reason Arrowhead enjoys an excellent relationship with its customers.

Arrowhead is approved by the Small Business Administration for work in the following Standard Industrial Classifications (SIC) codes:

Arrowhead Space and Telecommunications

Page 2 of 3

4899 Communication Services

1731 Electrical Work

4812 Radiotelephone Communications

4813 Telephone Communications

4899 Communication Services

7372 Prepackaged Computer Software

7373 Computer Integrated Systems

7379 Computer Related Services

8299 Schools & Educational Services

8741 Management Services

8742 Management Consulting

8744 Facilities Support Management

8711 Engineering Services

8748 Business Consulting Services

Among our major government customers are the Department of Transportation (DOT), Defense Information Systems Agency (DISA), U. S. Space Command, MPO, and the Bureau of Indian Affairs. Our major commercial customers are AT&T and EDS. We have formed alliances with a number of other firms to complement our capabilities including J. J. Keller & Associates, RSIS, and Unisys.

Arrowhead's Past Experience includes the development of the computer based training component of the DoD Joint Services Ammunition Management Support System (JAMSS), bandwidth sales and services for a government organization, FHWA administrative support, and Y2K testing for DISA Megacenter software. We established the Call Home communications support for U.S. troops on site in Bosnia under subcontract to AT&T.

Arrowhead has a variety of contract vehicles available for our clients to use. In addition to our 8 (a) status, we participate on several large IDIQ contracts including ITOP II, GSA Seat Management, DEIS II, ITS (DOC Bureau of Census), Army SATOPs BOA, and a BOA with U.S. Air Force SPACECOM. Our GSA Schedule 70 for Information Technology Services was awarded in May 1998.

We qualify for the Native American Indian Incentive Program under FAR Part 26 (Other Socioeconomic Programs). This program provides a 5% incentive to prime contractors that use Indian organizations and Indian-owned enterprises as subcontractors. Arrowhead's continued success is the result of our:

- *Record of Successful Programs*
- *Innovative Products and Services*
- *Consistent Quality Performance and*
- *Total Commitment to the Customer*

For further information contact Dan Elliott, Program Manager, at (703) 241-2801 or

04/03/2000 17:44 HUD-PD&R → 94565334

NO.092 012

Sent By: WHEAT ASSOC INC;

2023715458;

Apr-3-00 4:17PM;

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Arrowhead Space and Telecommunications

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elliotttd@arrowheadsat.com.

<http://www.arrowheadsat.com/pages/idd.htm>

4/3/00

03/29/2000

12:02

HUD-PD&R → 94565334
2023715458

NU. 000

By: WHEAT ASSOC INC;

2023715458;

Mar-29-00 12:04PM;

Page 1/2

1300 PENNSYLVANIA AVENUE, N.W.
INTERNATIONAL TRADE CTR., SUITE 600
WASHINGTON, DC 20004

CAPITOL VENTURES ASSOC., LLC

To: Ms. Kendra Golbas
NEC
c/o Corinthia

FAX: 619-8000

FROM: Millicent Y. Hodge, Esq.

DATE: 3/29/00

RE: New Markets Equity Fund

PAGES: 2

Comment:

Kendra,

Attached is a one-pager on the fund and the deliverables ready for announcement during the upcoming New Markets Tour. We are meeting with AT&T tomorrow to finalize our concept for a joint announcement. We will provide additional details asap. Please do not hesitate to call me at 202-484-8454 if you need additional information. Thanks!

Jesse Jackson's Office
Dalia Hayles
555-5270

Info from
Millicent.
We still have not
yet spoken
today re: NE

3/29

CONFIDENTIAL

NEW MARKETS EQUITY FUND

PROPOSED POTUS ANNOUNCEMENT
DIGITAL DIVIDE TOUR - APRIL 9TH - 11TH

I. Announcement/Deliverables:

- A. First APIC Applicant;
- B. Private Equity Fund focused on New Markets Investments;
- C. One of the Largest Minority-owned and Management Funds in the Country -- \$200m in private capital and \$500m with APIC leverage with a joint partnership between Native Americans and African-Americans;
- D. Investments by Major Banks into Fund Focused on Investments to Correct the "Digital Divide" in urban and rural areas. (The other focus of the Fund is Transportation); and
- E. Announcement of Joint New Markets investment with AT&T.

II. Proposed Location of Announcement/Visual:

- A. Existing Tour Site or Site of Technology/Telecommunications Firm in urban or rural area targeted for investment by the Fund.

III. Proposed Date

- A. New Markets Tour - 4/9-4/11

IV. Proposed Participants:

- A. POTUS
- B. CEOs of Banks and Corporations - Potential Fund Investors (e.g. Bank of America, Bank One, Citibank, BankBoston, AT&T, etc.) and Fund Team
- C. Rev. Jackson, Sr.
- D. Secretary Slater (due to Transportation focus)
- E. Secretary Cuomo (due to APIC focus)
- F. Secretary Daley and/or FCC Chairman Bill Kennard (due to Telecommunications Focus)
- G. Advisory Board Members (e.g. Isiah Thomas, Mel Farr, Sr., Alan Wheat, Urban League, Rainbow/Push)

Commerce

NEW MARKETS INITIATIVE

- The New Markets program is a sweeping new public/private partnership designed to boost business opportunities in underserved rural and inner city communities. The New Markets initiative will prompt approximately \$22 billion in new investment in urban and rural areas through tax credits, loan guarantee incentives, a network of private venture capital companies, technical assistance and mentoring programs.
- Announced by the President in 1999 during the State of the Union Address and the Wall Street Project of Rainbow/Push.
- Announcement of agreement to pass New Markets legislation by the President and Speaker Hastert with Rev. Jackson in Chicago and again in the 2000 State of the Union Address.
- New Markets Tour scheduled on the Digital Divide for April 9-11 – Possible announcement of New Markets Equity Fund.

- The New Markets Equity Fund will be a minority-owned and managed for-profit, private equity fund with a national focus that will provide both (a) capital to high growth businesses located primarily in urban and rural areas; and (b) significant returns to its investors. The Fund will also seek to increase the level of minority ownership in the telecommunications industry (all sectors, including media, technology and Internet) and the transportation industry in New Market communities. Opportunistic investments in other industries that have the potential to generate high rates of returns will also be considered.

- The Fund will be structured into an America's Private Investment Company ("APIC"), a key component of the President's New Markets Initiative, which is modeled after the Overseas Private Investment Corporation. Once licensed by HUD, the private capital contributed to the APIC Fund may be supplemented up to \$300 million for investments to create or relocate large-scale businesses in low- and moderate-income communities.¹ This will create a total fund of \$0.5 billion, making it one of the

¹ Federal funds have been appropriated for the APIC Program; however, the program requires additional legislation to be fully enacted. The necessary authorizing legislation has been introduced and is expected to pass this Spring in accordance with an agreement between President William J. Clinton and House Speaker J. Dennis Hastert (R-Ill.). (See State of the Union Address). However, the Fund is not contingent on the passage of the New Markets legislation. The private capital raised may be structured into an SBIC, providing up to \$600 million in leverage, resulting in an \$800 million fund. The SBIC Program has been in existence for 40 years and has provided over \$20 billion in capital to small businesses. This summary is subject to the final terms of the Private Placement Memorandum.

largest minority-owned and operated funds in the country.

V. Summary of Fund attached

NEW MARKETS EQUITY FUND

The New Markets Equity Fund (the "Fund") will be a minority-owned and managed for-profit, private equity fund with a national focus that will provide both (a) financing to high growth businesses located primarily in urban and rural areas; and (b) significant returns to its investors. The Fund will also seek to increase the level of minority ownership in the telecommunications industry (all sectors, including media, technology and Internet) and the transportation industry in New Market communities. Opportunistic investments in other industries that have the potential to generate high rates of returns will also be considered.

The Fund will be structured into an America's Private Investment Company ("APIC"), a key component of the President's New Markets Initiative, which is modeled after the Overseas Private Investment Corporation. Once licensed by HUD, the private capital contributed to the APIC Fund may be supplemented up to \$300 million for investments to create or relocate large-scale businesses in low- and moderate-income communities.¹ This will create a total fund of \$0.5 billion, making it one of the largest minority-owned and operated funds in the country.

I. APIC Fund Size:

A. Private Capital	-	\$200 million
B. APIC Leverage	-	\$300 million
C. Total Fund	-	\$500 million

II. Targeted Industries and New Markets Benefits

A. Industry-Focus

1. New Markets Telecommunications
2. New Markets Transportation
3. APIC License Requirements

(a) \$25 million - required at time of licensing

¹ Federal funds have been appropriated for the APIC Program; however, the program requires additional legislation to be fully enacted. The necessary authorizing legislation has been introduced and is expected to pass this Spring in accordance with an agreement between President William J. Clinton and House Speaker J. Dennis Hastert (R-Ill.). (See State of the Union Address). However, the Fund is not contingent on the passage of the New Markets legislation. The private capital raised may be structured into an SBIC, providing up to \$600 million in leverage, resulting in an \$800 million fund. The SBIC Program has been in existence for 40 years and has provided over \$20 billion in capital to small businesses. This summary is subject to the final terms of the Private Placement Memorandum.

(b) Balance may be binding commitments from qualified investors

B. Additional New Markets Initiative Benefits²

1. New Markets Tax Credit - Investor may claim 6% per year for 5 years.
2. APIC Debenture - A 5-year deferment of interest may be available.
3. CRA Credit – APIC investments will be qualified investments for banks, etc.

III. Public Purpose:	New Markets Investments & CRA Credit for Banks
IV. Geographical Focus:	National - Inner Cities and Rural Areas
V. Investment Type Preference: companies at other stages	Later and expansion stages, with opportunistic investments in
VI. Industry Preference:	Telecommunications (all sectors, including media, technology, Internet, Environment and e-commerce); Transportation (primarily automotive e-commerce and vendor/suppliers), with opportunistic investments in other industries
VII. Average Investment Size:	Later Stage Companies: \$3 million - \$10 million Expansion Companies: \$10 million - \$50 million
VIII. Investment Policy:	Equity and Subordinated Debt with Warrants
IX. Target Annualized IRR:	30% ($\pm$ 5%)
X. Target Fund Announcement:	U.S. Presidential Announcement; April 9-11; New Markets Tour
XI. Fund Manager:	Achieved 50%+ rate of return on equity (risk adjusted) at prior fund

² Passage of legislation required.



York, Georgia³ and Washington, D.C.



³Inactive status.

NEW MARKETS EQUITY FUND, L.P.

MANAGEMENT AND FUND TEAM

A. General Partners - New Market Capital Group, Inc.

1. Alan D. Wheat, Chairman, NMEF Advisory Board
Former Congressman
2. Millicent Y. Hodge, CEO, NMEF
Former Director, New Markets Initiative
3. Grady B. Hedgespeth, President, NMEF
In charge of day-to-day operations
Former President, BankBoston Development Company

B. Limited Partners / Investors

1. Banks
2. Corporations
3. High Net Worth Individuals

C. Management Operating Company – Full-time Professional Management Team

1. President, Investment Manager – Grady Hedgespeth
2. Senior Vice President and Chief Financial Officer - Identified
3. Vice President, Business Development - Identified
4. Secretary / Bookkeeper

The following additional professional staff may be retained after a sufficient amount of capital has been raised and/or after the APIC license is obtained:

5. Portfolio Managers and Consultants with industry expertise (2-3 persons) – to manage portfolio investments on an on-going basis and consult on new industry technologies
6. Associates (1-2 persons) – with private equity and industry expertise

D. Legal Advisor and Financial Auditors

1. **Legal Advisor:** William Kirk, Partner, Thelen, Reid & Priest, LLP; and
President, National Association of Investment Companies
2. **Financial Auditors:** Macon Ware, Partner, Deloitte & Touche, LLP

E. Professional Fundraiser:

1. TBD

Independent Consultant (Commission Only)

F. Fund Promoter:

1. Promoter: Capitol Ventures Associates, LLC

2. Role of Promoter

- a. Raise Capital
- b. Structure Fund
- c. Retain Management Team
- d. Recruit Advisory Board
- e. Organize Fund Announcement
- f. Retain Legal Counsel
- g. Retain Independent Accounting Firm
- h. Invest 1% of Fund Capital
- i. Incur reimbursable expenses (Retainers, travel, legal, etc.)

G. Location of Fund:

1300 Pennsylvania Avenue, Suite 600
The International Trade Center
Washington, District of Columbia 20004
(202) 484-8454
(202) 484-9127 (fax)

Management of the Partnership

Principals and professional Management Team

The Principals of the New Markets Equity Fund combine a unique expertise in identifying and structuring deals; investment and portfolio management; mergers and acquisitions, and government relations in the New Markets arena. The Principals will work closely together to identify, analyze, structure, negotiate, monitor and exit investments. All significant decisions concerning investments will be made collectively by the Principals and a full-time, professional management team.

Grady B. Hedgespeth (44), General Partner and President

Mr. Hedgespeth will lead a full-time, professional management team that will be responsible for the day-to-day management and operations of the Partnership. The management team will be responsible for identifying, reviewing, analyzing, structuring, and overseeing portfolio investments. Additional members of the team with solid credentials and years of experience in private equity earned at leading financial institutions have been identified.

Mr. Hedgespeth has extensive experience in portfolio management, equity investments and providing technical assistance to New Market businesses. As President of the BankBoston Development Company ("BBDC") from 1996 to 2000, he directed the investment of \$178 million in equity and mezzanine commitments in urban, minority and women-owned businesses that benefit low- and moderate-income communities, leveraging more than \$1 billion in total enterprise financing. Mr. Hedgespeth led the BBDC through design, regulatory approval, start-up, rapid growth, CRA compliance, and national recognition to become one of the premiere bank-owned, private equity funds. Under his leadership, the BBDC became the first urban investment bank in America to be chartered by a commercial bank.

Investment Highlights: Under Mr. Hedgespeth's management, the fund has exceeded all original projections for dollars committed, profitability and return-on-equity while promoting wealth creation, business ownership, and community stabilization. He achieved a three-year cumulative profitability of \$9.1 million (4/97-12/99), 360% above the bank's goal. He exceeded profitability targets each year, and maintained a risk adjusted rate of return in excess of 50% across the total portfolio. He also obtained approval for BBDC's charter from the U.S. Office of the Comptroller of the Currency in record time, receiving the charter in just twelve days.

Prior to joining the BBDC, Mr. Hedgespeth was the Regional President from 1993-1996 of BayBank Boston, N.A.. Prior to his stint with BayBank, he served as Secretary of the Massachusetts Executive Office of Economic Affairs, the Commonwealth's principal economic policy-making department, where he administered a \$200 million budget and 2,000 employees. He achieved a 40% budget reduction by streamlining operations and by doubling the State's exports over a five-year period. Mr. Hedgespeth holds a Masters with a concentration in business and government from Harvard University Kennedy School and a Bachelor of Arts in economics with honors from the University of Virginia.

Millicent Y. Hodge (37), General Partner and Chief Executive Officer

Ms. Hodge will serve as the principal executive of the Partnership and will be responsible for corporate strategy. She will also serve as a deal source.

Prior to organizing the New Markets Equity Fund, Ms. Hodge served as the Director of President Clinton's New Markets Initiative. The New Markets program is a sweeping new public/private partnership designed to boost business opportunities in underserved rural and inner city communities. The New Markets initiative will prompt approximately \$15 billion in new investment in urban and rural areas through tax

credits, loan guarantee incentives, a network of private venture capital companies, technical assistance and mentoring programs. During her government tenure, Ms. Hodge served on various White House task forces and working groups, including the White House Office for One America Task Force, the White House Working Group on the Mississippi Delta and the White House New Markets Working Group. She has lectured on venture capital matters at the Federal Reserve Bank of New York, the U.S. Security Exchange Commission, the White House and other such venues.

Prior to her Presidential Appointment as Director of New Markets, Ms. Hodge served as a senior advisor to the Associate Deputy Administrator of the Office of Government Contracting and Minority Enterprise Development. In that capacity, she assisted with the management of a 400-member staff. In 1996, Ms. Hodge was the Deputy Director of the Office of Public Liaison of the Clinton/Gore Presidential Campaign. From 1992-1996, she worked as the Assistant Associate General Counsel for the 1996 U.S. Olympic Games. From 1987-1992, she worked in New York City as the Associate Commissioner for Governmental Affairs for one of the city's largest departments and as a law associate for the law firm of Paul, Weiss, Rifkind, Wharton & Garrison.

A native of Pine Bluff, Arkansas, Ms. Hodge holds a juris doctorate from Harvard Law School and a Bachelor of Arts in economics from Howard University. She is admitted to practice law in New York, Georgia⁴ and Washington, D.C.

Alan D. Wheat (47), General Partner and the Chairman of the Advisory Board

Mr. Wheat is responsible for managing the governmental relations of the Partnership, including the public/private partnerships with the APIC and SBIC Programs. He will also serve as a deal source. For twelve years, Congressman Alan Wheat served in the U.S. House of Representatives. He was a member of the prestigious House Rules Committee and a Chief Deputy Whip. In 1994, he was elected as the Democratic Party Nominee for the United States Senate for the State of Missouri. In 1996, at the request of the U.S. President, Mr. Wheat became the Deputy Campaign Manager for the re-election campaign of President Clinton and Vice President Gore.

⁴Inactive status.

Proposal of QUALCOMM to Help Close the Digital Divide

New Investments In Internet Access Technology:

High Data Rate Technology for Internet Access: (Eight HDR deployments over two years) QUALCOMM recently demonstrated a new wireless Internet technology that can deliver data at peak speeds of 2.4 Mbps (Megabits per second). This data rate is sufficient to provide the user an Internet experience that is comparable to DSL and cable modems. The HDR device uses only 1.25 Mhz of spectrum within the current PCS spectrum allocation. QUALCOMM's HDR modem is a small, portable unit that contains its own antenna and may be used to provide Internet connectivity for PCs and many other devices. Over the next 2 years, QUALCOMM will deploy HDR in a minimum of eight rural/underserved communities. Each of these deployments will serve a minimum of 10 square miles and provide broadband wireless access for a minimum of 100 PCs.

New Investments In Education:

UCSD: (\$15M spread equally over 5 years). All of this investment would be targeted to support research and development in the high-tech and telecommunications sector, with a specific focus on wireless communications. In collaboration with Chancellor Dynes and Dean Conn we will appropriately invest the dollars for chairs, professorships, fellowships, scholarships, etc. mainly in the Jacobs School of Engineering.

SDSU: \$6M spread over 3 years. About half of this investment will go to the Entrepreneurial Management Center (EMC) of the School of Business and the other half to the School of Education to support improving the math and science instructional skills of K-12 teachers.

San Diego Unified School District: \$3M over 3 years. These funds will support improvements in math and science education.

Cal State San Marcos: \$1M over 2 years. Although new, San Marcos is increasingly playing an important role in our region. They are still building their infrastructure, so we will invest in their library and media center (associated communications equipment) and professorships and fellowships with a focus on math and science education.

Therefore, QUALCOMM's total investment in programs to help close the digital divide would be spread as follows:

FY01: \$6.5M
FY02: \$6.5M
FY03: \$6.0M
FY04: \$3.0M
FY05: \$3.0M
Total: \$25.0M

NC?

announced
as part of \$25M



2000 K Street, NW
Suite 375
Washington, DC 20006
Tel (202) 263-0016
Fax (202) 263-0010

Facsimile Transmittal

To: *Tom Kalil*

From: Jonas Neihardt – Vice President, Government Affairs

Fax Number:

Date Sent:

Number of Pages Sent: *2*

Message:

*New Qualcomm
Digital Divide Proposal
\$25 Million*

Background from
the Website



Jackson T. Dunn
04/05/2000 08:30:58 PM

Record Type: Record

To: Thomas A. Kalil/OPD/EOP@EOP, Natasha F. Bilimoria/OPD/EOP@EOP, Gigi E. Georges/OPD/EOP@EOP

cc:
Subject: Possible North Carolina Sites

Rural North Carolina

On April 26th, the President will travel to eastern North Carolina to discuss the digital divide and rural broadband.

Possible locations include:

House Autrey Mills
Newton Grove, North Carolina

House Autrey Mills is a small business (48 employees) that produces corn-meal breaders mixers. It has no local internet access and currently uses AOL as their internet service provide, which means they have to dial up Raleigh, Fayetteville or Wilmington -- all long distance calls -- each time they need to be online.

Their customers primarily consist of grocery stores and restaurants throughout the southeast, the northeast and mid-Atlantic. Most of these companies do purchasing on line, and as their customers need House Autrey Mills to be on line, their IT costs are rising. Although House Autrey Mills is a successful company, but in the near future, they will need broadband wireless in order to stay competitive with other companies in urban areas.

Baker Limestone, Inc & Farms.com
Siler City, North Carolina

Baker Limestone is a small farm supply dealer located near Siler City. The business was built primarily on selling agricultural lime, fertilizer, seed and feed to farmers. Faced with increasing local competition, Baker's owner Buddy Lemmons and his wife Joanne decided to diversify into e-commerce market. He realized that farmers, with less dollars to pay employees, were having to do more of the work themselves and finding less time to shop for the supplies they needed. He has set up a website and now sells agricultural chemicals all over the United States. Buddy joined with other farmers in North Carolina and began Farms.com. Using the internet has allowed farmers to have products delivered to them without having to travel great distances to shop. It has allowed Baker Limestone to expand its customer base beyond the 40,000 people living in their county. In 1998, Baker Limestone had \$1 million in sales; in 1999, Baker Limestone had \$5 million in sales.

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Upcoming Markets

Mar. 30

- [PVA Cattle Auction](#)

Apr. 4

- [CRi Pig Auction](#)

Apr. 11

- [CRi Pig Auction](#)

Apr. 14

- [PVA Cattle Auction](#)

Apr. 18

- [CRi Pig Auction](#)

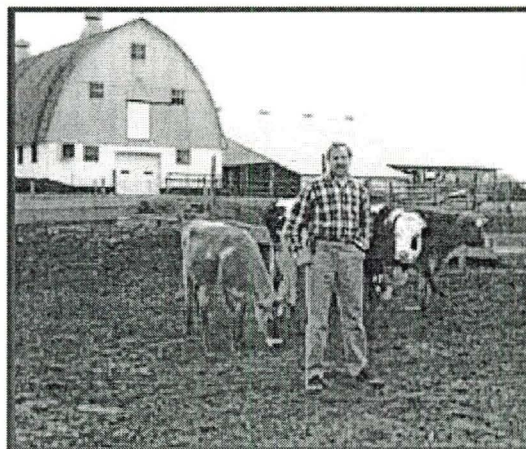
Apr. 25

- [CRi Pig Auction](#)

"A Complete Marketplace For All Participants In Agriculture, Where Crop Producers And Livestock Farmers Can Come Together And Do Business Without Having To Step A Foot Off Their Farms."

Farms.com was started in 1995 by cattle farmer Ben Zaitz.

Zaitz grew up on a dairy farm and was dissatisfied as hard times hit the dairy business. He had a vision of creating, "a complete marketplace for all participants in agriculture, where crop producers and livestock farmers could come together and do business without having to step a foot off their farms."



CEO & Founder, Benjamin Zaitz

Some of Zaitz's dairy business buddies poked gentle fun when he developed his first Web site called COW (Cattle Offerings Worldwide), which displayed classified ads for cattle. Not a lot of farmers were hooked up to the Internet four years ago. Now its estimated that up to 60% of family farms are online.

COW has since become Farms.com, which provides an arena for real-time farm auctions and trading. Close to 100,000 farmers and people in agribusiness use this site every month. Millions of dollars in cattle, agricultural chemicals, pigs, feed & grain commodities, poultry and egg products, and animal healthcare products are traded every month.

Forrester Research of Cambridge, Mass, a leading Internet analyst, in its report Resizing Online Business Trade, predicts that B2B (Business to Business) e-commerce will hit a total of \$1.3 trillion by 2003, accounting for 9.4% of total U.S. business sales. Varda Lief, a senior analyst at Forrester specializing in e-commerce, says B2B transactions will far surpass business-to-consumer deals and dwarf giants like eBay and Amazon.com in revenue and sales.

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The E-Trade Stampede

The Big Bucks on the Internet these days are coming from B2B (business-to-business) deals--buying and selling commodities like paper, plastics, chemicals, even cows

BY JANICE MALONEY

Like his daddy before him, Ben Zaitz knew he was going to grow up to be a cowman. And until four years ago, he was--moving 2,000 to 3,000 head of cattle a year between his farm in North Carolina and his farm in Minnesota. But in 1995, Zaitz, then 40, got dissatisfied. His customers were disappearing as hard times hammered the dairy business, especially in the Southeast. And his "profit margins were going to nothing," he says. "I just couldn't see much future in what I was doing." But Zaitz could see a future on the Internet, to which he'd been introduced a few months earlier. He had a vision of creating "a complete marketplace for all participants in agriculture," he says, "where crop producers and livestock farmers could come together and do business without having to step a foot off their farms."

Zaitz traded in his farm boots for a laptop and developed COW, the Cattle Offerings Worldwide website. In its first incarnation, COW was basically online classified ads for cattle. "There were not very many farmers on the Internet back then," says Zaitz. "In fact, it was mildly embarrassing. I'd be at cattle sales, conferences and dairy shows, and people would come up to me and say, 'Hey, Ben, how's that Internet thing going?' and they'd slap me on the back with a smirk."

Eventually the farmers caught up with Zaitz's vision, helped along by new technology. In just the few years since Zaitz bought his first modem, analysts estimate that close to 35% of the nation's 3 million farmers have gone online. COW has evolved into <http://Farms.com>, one of the first e-business sites to support real-time farm auctions. Farmers who visit the site can buy and sell entire lots of cattle via digital video feeds and still images. They can also get chemicals, grain and feed commodities online. On average, says Zaitz, <http://Farms.com> has more than 40,000 unique visitors a month. During the past year, the site has held in excess of \$2 million worth of auctions of livestock and

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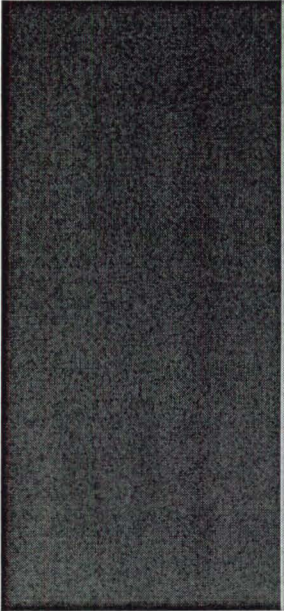
of \$2 million worth of auctions of livestock and commodities. Zaitz, who has invested more than \$1 million of his own money in his venture, expects revenues to increase tenfold this year.

Zaitz's story is not unique. From farming to food to microprocessors; from solid-waste control to plastics to such traditional Rust Belt goods as steel, virtually every American industry is represented online by at least one entrepreneur who has set up shop to cement business-to-business commerce. Meanwhile, large corporations are using the Internet to build bridges between themselves and their strategic partners. Each member of the online biz-to-biz (B2B) brigade is hoping to use the Net's instantaneous global reach to build digital marketplaces where buyers and sellers who may never have met in the off-line world can gather daily to move huge and growing amounts of the nation's basic goods.

Experts who follow this emerging business-to-business electronic-commerce market call it frictionless, because no faxes, phone calls or paper trails snake back and forth to clog the communications channel between buyer and seller. That is just one aspect of these new wholesale channels that has analysts salivating. B2B companies "are going to reshape the entire economy," says Charles Finnie of Volpe Brown Whelan & Co., an investment-banking firm based in San Francisco. "It's not unlikely that Mr. Greenspan will be sitting in front of Congress in the next couple of years saying one of the main reasons inflation is dead is the B2B Internet companies."

Forrester Research of Cambridge, Mass., a leading Internet analyst, agrees. Its report, *Resizing Online Business Trade*, predicts that B2B e-commerce will hit a total of \$1.3 trillion by 2003, accounting for 9.4% of total U.S. business sales. Varda Lief (see the box, following), a senior analyst at Forrester specializing in e-commerce, says business-to-business transactions will far surpass business-to-consumer deals and dwarf giants like eBay and <http://Amazon.com> in revenue and sales. "Business-to-business is the stuff that makes everything run," says Lief.

If B2B is so basic, how come most of us are about as familiar with it as we are with life on Mars? Steve Jurvetson, a partner in Silicon Valley venture-capital firm Draper Fisher Jurvetson who has invested in FastParts, an electronics trading exchange, and Sonnet Financial, an online foreign exchange, calls B2B "the iceberg waiting to emerge." "Most people," Jurvetson says, "understand the business-to-consumer market because they are consumers themselves. It's kind of like the Beardstown Ladies' investment protocol: use a product, come to understand it and then invest in it. With business-to-business, though, unless you are entrenched in that industry and really understand that market segment, you are not going to appreciate how it's revolutionizing that



business."

But sometimes numbers alone can paint a pretty clear picture. Take <http://Chemdex.com>, a vertical e-market based in Palo Alto, Calif., developed for the pharmaceutical and biotech industry in 1997. Chemdex is reducing sales and distribution costs industrywide by 20%--more than \$4 billion of the total \$20 billion global life-sciences research-products market, according to Volpe Brown analyst Finnie. "In effect," he says, "Chemdex is turning around to the chemical producers, and it is saying, 'Congratulations! This is your lucky day. You just won the lottery. Here's a check for \$4 billion.' These guys have not seen their costs structure improved like this ever. It's a tectonic shift." [MORE>>](#)

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TALK TO
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Self-Help Home Lending Program for Eastern North Carolina

March 22, 2000

In response to the displacement of over 15,000 families in eastern North Carolina due to recent flooding, Self-Help is seeking to deliver \$100-115 million of homeownership funding to families in eastern North Carolina. This effort would jumpstart homeownership for over 1,700 families and facilitate construction of new housing units. The program would use Self-Help's Community Advantage secondary market program to expand underwriting and credit availability in the impacted areas. A proposed special component of this program would target specific barriers that prevent many flood victims from moving quickly into new homes.

Overall Program

- Self-Help will package \$50 million in bank funds (\$10 million loans committed to Self-Help from BB&T, CCB, First Union, and Wachovia; \$5 million loan committed from Centura and First Citizens) and \$50 million in Federal Home Loan Bank of Atlanta funds to create a \$100 million homeownership fund. The Bank loans have been committed through incentives from Bank Enterprise Award Program which is administered by the CDFI Fund, U.S. Department of the Treasury.
- An additional \$15 million fund has been requested from the state to meet the special needs of direct flood victims, helping jumpstart new home purchases in anticipation of subsequent buyout and other assistance by FEMA and the State of North Carolina.
- Self-Help will use internal equity, and state assistance to create an equity reserve to absorb the risk on the loans.
- Centura Bank, Bank of America, Self-Help Credit Union, and potential other lenders will provide the direct home loans to families in the affected counties. Self-Help will use the homeownership fund to purchase these loans.
- Lenders would use flexible, individualized underwriting to meet the needs of affected families. The loan guidelines will allow the following, subject to guidelines by the various originating lenders:
 - Because families may have stretched their savings to deal with immediate flood effects and income may have been interrupted, maximum loan-to-value may be as high as 100% of the new home purchase price.
 - Minimum borrower contribution may be as low as \$500.
 - Loans are limited to families at or below 115% of area median income.
 - Families may have experienced credit blemishes that can be tied to the flooding; conventional loan products that use automated underwriting have difficulty making such determinations. Lenders would have the ability to forgive blemishes that they determine are due to the flooding.

DRAFT

- For the \$15 million special fund, any existing loan on a flooded and abandoned house will not be counted against the borrower in the purchase of a new home.

\$15 Million Special Flood Victim Fund

A special component of this program will target flood victims who face significant barriers in credit issues and a timing dilemma that prevents them from moving expeditiously into new homeownership situations.

Credit problems for flood victims and others in flood-impacted areas:

- Lack of downpayment: Equity trapped in an abandoned home, or needed for repairs to homes still occupied, can dissipate a homeowner's cash reserves, leaving no downpayment funds available for the purchase of a new home.
- Credit blemishes: Disruption in work income and emergency cash needs have created credit report problems for large numbers of potential home purchasers in the flood-impacted areas.
- Existing, unresolved mortgages: A home mortgage on a now uninhabitable dwelling is still a debt of the homeowner, causing disqualification for a new home loan because the borrower's loan application will show too much debt for the available family income.

Solving the "timing" problem

County, state, and federal disaster programs cannot provide homeownership assistance to all flood victims all at once. Without intervention, displaced families cannot qualify for new home loans for a period of months or even years.

A builder needs to pre-sell housing units before beginning construction. A potential home buyer cannot sign a binding purchase contract without a mortgage loan commitment. A home mortgage lender cannot commit a loan without a down payment, good credit, and acceptable debt-income ratios on the part of the borrower. The potential homeowner/borrower cannot resolve equity, credit report, and outstanding debt issues until the FEMA buyout and state assistance are actually completed.

Hence, a catch-22 situation arises. Many potential homeowner/borrowers need to actually receive government buyout assistance before they can buy a new house. But builders cannot start construction until a pool of qualified borrowers exist to purchase the homes. The result is unavoidable delays in development of new housing.

The special program will solve this dilemma by not counting the existing loan on an abandoned home in the consideration of a prospective borrower's eligibility. This will allow these families to obtain a mortgage commitment prior to the completion of the buyout and state assistance, thus jumpstarting construction in the region.

DRAFT

Self-Help Home Lending Program for Eastern North Carolina

Overall Lending Program Goals

Jumpstart homeownership loan for 1,725 eastern NC families.
Facilitate construction of new housing units.
Free up existing homes to increase the supply of homes available to flood victims.
Special lending assistance to flood victims.
Enable displaced residents to remain in their home communities.

Sources of Funds for the Program

BB&T	\$ 10 million
Centura	\$ 5 million
CCB	\$ 10 million
First Citizens	\$ 5 million
Wachovia	\$ 10 million
FHLB/ Fannie Mae	\$ 50 million
State of North Carolina	<u>\$ 15 million</u>
Total	\$115 million

Uses of Funds for the Program

100% LTV home loans	\$100 million
in flood impacted counties	
Special flood victim home loans	<u>\$ 15 million</u>
Total	\$115 million

Participating Lenders- Lending capacity is greater than available resources

Bank of America	\$100 million capacity
Centura	\$ 25 million per year capacity
Self-Help Credit Union	\$ 10 million per year capacity
First South	still under discussion
SECU	<u>still under discussion, \$\$ amount uncertain</u>
Total	\$135 million lending capacity exists to access \$115 million of available funds on first-come basis

Supporting Organizations and Agencies

North Carolina Bankers Association
North Carolina Credit Union League
North Carolina Realtors Association
North Carolina Homebuilders Association
Congressional Black Caucus Foundation
U. S. Treasury/ Bank Enterprise Award Program
North Carolina Department of Commerce

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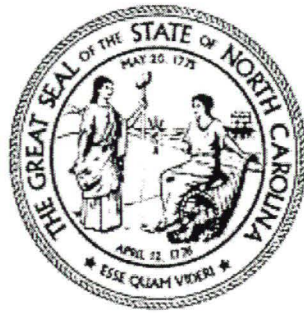
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NORTH CAROLINA

RURAL PROSPERITY TASK FORCE



REPORT

February 21, 2000

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Billy Ray Hall
N.C. Rural Economic
Development Center

Martin Lancaster
N.C. Community College
System

LETTER FROM THE CHAIRMAN

Dear Friends,

The Rural Prosperity Task Force offers to the citizens of North Carolina a plan of action to move our state forward at the beginning of the 21st Century.

We're a state with a proud history, but we can't continue to advance with our larger cities rushing ahead and many of our smaller towns and rural counties stagnating or even declining. We cannot nor should we try to reverse global economic trends – and we surely can't prevent the weather from pummeling us from time to time – but we surely have the smarts and the strength to address the conditions that threaten to leave too many people and communities behind.

Our task force began its work with a realization that rural North Carolina had reached a pivotal point of uncommon challenges. Several pressures were coming together at once:

- Even while the state's economy was humming, tens of thousands of rural manufacturing workers were being laid off;
- Our tobacco economy was facing a crisis;
- Commodity prices were hitting 30-year lows;
- Much of rural North Carolina lacked the infrastructure to assure its ability to connect to the emerging, growing economy.

But our task force also began with an understanding that North Carolina has strong assets we can use to fight for our rural people and places – among them, our universities and community colleges, our Department of Commerce and regional economic development partnerships, the new Golden L.E.A.F. Foundation, our Rural Economic Development Center and a vast array of nonprofit and community-based organizations, our business leaders and leaders at the top of our state government – all committed to the task.

To all those ready and willing to get to work on an action plan, the Rural Prosperity Task Force suggests six big ideas. These are ideas to be carried out not only by government but also by business, foundations, grassroots organizations and most importantly, the people in our rural communities. We believe that this plan of action provides Governor Hunt and the General Assembly a strong set of ideas to move us forward, beginning this year.

1. We must provide high-speed, reliable Internet access to rural businesses and homes, so that all our people can participate in the emerging information economy of the 21st century.
2. We can create a Rural Redevelopment Authority to finance rural economic development projects, invest in business development and stimulate community capacity-building.
3. We must strengthen rural schools, community colleges and universities. In particular, we can upgrade training for rural workers and provide incentives to produce the teachers that rural schools need.
4. We can create an Agricultural Advancement Consortium to ensure that North

Carolina farmers keep more of the farm dollar and that we export more products abroad.

5. We must build modern water and sewer systems, widen critical highways and enlarge the supply of adequate, affordable housing.
6. We must boost rural leadership and give our rural communities greater civic capital to work on the difficult challenges they face.

I have been honored to chair the Task Force, and I am delighted that we have been able to elicit the creativity that has gone into the plan of action. But I'm not finished, and we're not finished as a state. I pledge to work hard for the enactment and implementation of these six big ideas. I ask all of you to join in the effort. This is an exciting moment, a time for action. Let's get started.



Erskine
Bowles

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GUIDING PRINCIPLES

When Gov. Hunt announced the N.C. Rural Prosperity Task Force in July 1999, he noted a growing trend in our state: *"We're on the verge of becoming two North Carolinas,"* he said. *"One is urban and thriving; the other is rural and struggling."* Our challenge has been to find ways to bring economic prosperity to the parts of our state that are getting left behind -- places where, in many cases, poverty is persistent, young people are leaving, plants are closing, farms are struggling and hopes are fading.

The Task Force worked under a tight time frame, but we knew that we had a tremendous resource to call on for help: our friends and neighbors have already been living with these problems for years and thinking about many of the solutions. Our job, according to our chair, Erskine Bowles, was to find those ideas and turn them into specific, "doable" recommendations that, when implemented, can restore hope for this generation and the next. As we developed our recommendations, a few guiding principles emerged:

1. Rural North Carolina is facing significant – and irreversible – long-term challenges.

The international economy has led to record plant closings and permanent layoffs this year, many in our textiles and apparel industry, with more looming in the near future. More than 60% of those layoffs are occurring in rural North Carolina. The globalization of agriculture has also led to a steady decrease in the number of farmers and a steady increase in the size of farms. The devastation of the tobacco market and the bottoming out of the commodity market leave those remaining in farming – and those who depend on them – more vulnerable than ever. Add in the worst natural disaster in our state's history, and you have a series of forces at work that leave our rural communities weakened, but not defeated.

2. One size doesn't – and shouldn't – fit all.

North Carolina's diversity is its strength – and its challenge. Rural North Carolinians living near urban centers face a different set of challenges than those in more remote locations. Communities in the mountains face a different geographical challenge than those surrounded by wetlands. Our solutions, therefore, all focus on capacity building – giving folks tools they can adapt to their communities' particular needs, to nurture their own businesses, to determine their development priorities. The proposals are equally important for the female business owner in Maxton, the minority farmer in Enfield or the white factory worker in Burnsville. For example, our information technology proposal focuses on not only making the technology available to rural homes and businesses affordable access to the Internet, but also providing the people in these regions the education they need to exploit these new tools.

3. Education – at every stage of life -- is the key to the success of rural North Carolina.

Our economy – and the skills necessary to survive in it – are changing faster than they ever have. School students in rural areas need equal educational

opportunity – no matter where they live. Our constitution guarantees it; our conscience should demand it. Young adults need to be able to acquire the skills to take on the new jobs and start the new companies that keep communities strong. Older workers must have affordable, convenient access to the training they need for the changing economy – so they can retrain and upgrade their skills. Our educational proposals require significant investments, but they will also bring the biggest returns. We need all of our educational assets – public schools, community colleges, regional universities and research universities – committed to this effort if we are to be successful.

4. Taking a regional approach to economic development is hard. And it works.

North Carolina communities have traditionally viewed as their biggest rival their neighbors in the next town. But in terms of economic development, these days Murphy's biggest competitors may be in Madrid, and Ocracoke's may be in Osaka. Holding on to the local plant or recruiting a new one will require larger pools of highly skilled workers, regional transportation systems and telecommunications networks. By bringing together communities for projects that are in everyone's self-interest, our state's Economic Development Partnerships, region-based collaborative efforts such as Handmade in America and others who work across county lines offer rural communities opportunities to compete in the new economy.

5. Rural North Carolina matters – to our entire state.

Rural North Carolina is really 3.9 million people, and if taken by itself, would be our 27th most populous state. Our state's leaders grow up there. People across the state drive through, vacation, and retire there. Much of the food we eat is grown there. Many of the products we use are made there. And if we neglect it, we all eventually will pay for it. If our rural citizens thrive, our state thrives; if they suffer, they will either eventually move out or need a handout. Task Force member Tom Lambeth put it this way: *"If there is a hole in one end of the boat, you can't sit at the other end and think it won't affect you."* Ben Franklin put it another way: *"We must all hang together, or assuredly we shall all hang separately."*

Using these principles as our guide, our task force looked through every idea that had been presented to us and evaluated the ideas based on several criteria:

- Does it have the potential to make a critical difference in the short and long term for rural North Carolina?
- What are the benefits?
- Who would be held accountable for making it happen?
- What is the time schedule under which it must be done?
- How much does it cost?
- How could we pay for it?

The result is a set of focused recommendations we care about strongly, and are committed to making a reality. These recommendations do not address everything we believe needs to be done to prepare rural North Carolina for our next century: we have included at the back of this report a series of promising proposals we hope that other groups will consider for rural North Carolina. Our recommendations, we

believe, are critical *first* steps – actions we can take – the Governor, the General Assembly, the Utilities Commission, local government officials, economic developers, farmers and others of us in the private sector -- to make a real and immediate difference for rural North Carolina.

As House Speaker Jim Black said as the task force was announced: "*We rise and fall – not as rural and urban – but as one state.*" We urge all of you to join us in our effort to rise together in the new millennium.

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- VIII. Other Statements*

I. INFORMATION TECHNOLOGY

The availability and affordability of high speed information technology, and the ability to use it, will make it possible for rural North Carolina to compete with the rest of the country and the world in the next century.

Goal: Provide, at affordable rates, high-speed (128K residential; 256K business) reliable Internet access to the homes and businesses of rural North Carolina.

1. Pursue regulatory and statutory changes to promote affordable and reliable broadband connectivity statewide by:
 - a. Amending the Umstead Act and related statutes, permitting the Office of Information Technology Services (ITS) of the Department of Commerce to allow Internet service providers to share the state government's statewide high-speed communications network, and
 - b. Petitioning the Federal Communications Commission and State Utilities Commission to mandate that local telephone companies provide space in their end offices and wire centers at reasonable costs for state government and other telecommunications carriers to install equipment that connects to local phone companies' equipment.
- *Cost and payfor: Physical and administrative infrastructure already in place for access to highway; cost of renting space in local telephone companies for equipment approximately \$2400 per month for 104 sites borne by suppliers and users of services. No state budget impact; existing infrastructure and administration already in place.*
1. Start a state Rural Broadband Access Fund to encourage private sector investment in providing high-speed information services in rural areas where it is not affordable. We would not favor one technology over another; our goal would be to use the private sector to ensure affordable access for users

throughout our state. If private sector sources are unable to provide services, the state would provide them as a last resort. This would ensure access for people in all rural counties in need.

- Cost and payfor: Preliminary estimate is \$5 million per year for three years to help subsidize upfront private investment. To pay for, preliminary estimate of 8 cent per month surcharge for each phone in the state; full market study underway.

Goal: Ensure that people across rural North Carolina have the skills and knowledge necessary to take advantage of high-speed information technology.

3. Issue an Executive Order bringing together organizations that provide information technology training. These organizations will determine how to work together collaboratively to most effectively and efficiently deliver information technology training services to students, government agencies, workers and businesses in rural North Carolina.

- Cost: Most activities are already within the scope of listed agencies; additional funding could come from Rural Broadband Access Fund.
- Timeline: Services available to all rural communities within 18 months of funding.
- Responsible: N.C. Department of Commerce – Office of Information Technology Services.

II. RURAL REDEVELOPMENT AUTHORITY

Rural North Carolina communities must work together to identify priorities for regional economic development. Communities, businesses, the state's economic development partnerships and other economic development organizations need a place they can go to help finance critical economic development projects and expansion efforts.

Goal: Start an organization called the Rural Redevelopment Authority that would have the money and mandate to finance rural economic development projects and invest in rural business development.

1. Create a Rural Redevelopment Bank, capitalized with \$200 million public investment, which would:
 - a. Create the Rural Investment Fund, a revolving loan fund of \$50 million to finance loans and grants for economic development projects such as shell buildings, proposed by the state's Economic Development Partnerships or other organizations.
 - b. Create a Long-Term Development Fund, capitalized with \$150 million, which would be invested in stocks and bonds, with projected earnings of \$12 million - \$15 million a year used to subsidize revenue bonds, tax revenue bonds issued by the Rural Redevelopment Bank, or invest directly in economic

development projects including sites, industrial parks, specific water and sewer improvements, site specific road improvements, low interest loans for buildings and facilities, low interest loans to lower the cost of private business investment and other economic development assistance. Economic Development Partnerships should be the primary, though not exclusive, means through which groups apply for funding. Partnerships could submit projects for consideration by this fund or provide technical assistance to communities in preparing proposals. If communities develop such proposals on their own, the Bank should seek comment from the Partnerships and other appropriate entities.

- Cost and payfor: One-time capitalization of \$200 million, paid for with four yearly installments of Golden L.E.A.F. Foundation funding, other private funding or a state bond issue.
- 1. Create a private, for-profit Small Business Investment Corporation (SBIC), called the Rural Economic Opportunity Fund, which would invest in small growth businesses in rural North Carolina, including those engaged in new agriculture product research, development, and processing and other businesses.
 - Cost: One time investment of \$15 million from the state's unexpended reserves, matched with \$30 million from private sector sources. These investments would leverage up to an additional \$90 million from the US Small Business Administration (SBA) once the SBIC is licensed by the SBA.
 - Timeline: Rural Redevelopment Authority startup within 90 days of first funding; full capitalization over four years; SBIC upon approval of charter by US Small Business Administration.
 - Responsible: North Carolina Department of Commerce.

III. EDUCATION, TRAINING AND RETRAINING

The ultimate key to increasing economic development in rural North Carolina is people: better educated, better trained, more flexible workers ready for careers in high technology and other jobs of the next century.

Goal: *Improve the education, training and retraining of rural students and workers to prepare for the jobs of the next century.*

1. Extend House Bill 275's effective date by two years to provide incentives to rural community colleges to train workers for jobs that are strategically important to regional economic development goals, which would:
 - a. Retrain laid-off workers quickly;
 - b. Focus training efforts on regional employment priorities;
 - c. Create new focused industrial training centers; and

d. Expand literacy efforts.

- Cost and payfor: \$17 million annually total; \$16 million to come from H.B. 275 revenues, diverting 20% of Unemployment Insurance (UI) contributions into a Training and Reemployment Financing Initiative, and; \$1 million from reallocation of Worker Training Trust Fund revenues. Allocation of funds as follows:
 - a) \$4 million annually in a grant fund to provide job and entrepreneurship training for workers affected by plant closings and mass layoffs in Tier One and Two counties;
 - b) \$10 million annually for increased FTE funding for courses deemed strategically important to regional economic development goals;
 - c) \$1 million annually to create and maintain new rural focused industrial training centers;
 - d) \$2 million annually for rural literacy program expansion in community colleges, literacy centers, businesses and industries.
- Timeline: Startup within 90 days of initial funding.
- Responsible: N.C. Community College System.

Goal: Strengthen rural public schools, community colleges and universities in their ability to provide equal opportunities for education for their students

1. Fully fund the state's school equity formula, to improve the ability of rural schools to educate their children.
 - Cost: \$33 million a year in General Fund revenues.
 - Timeline: Immediate upon approval of funding.
 - Responsible: N.C. Department of Public Instruction.
1. Boost rural teacher training, recruitment and retention efforts by fully funding expansion of NC TEACH, a joint university-community college program designed to increase the supply of well-qualified teachers in public schools by attracting mid-career professionals in other fields to teaching, and the North Carolina Model Teacher Consortium, designed to provide financial support to encourage rural classroom teaching assistants and other school personnel to pursue teacher licenses and teach in their home communities, and by funding a community college effort to provide part of the certification training for rural teachers in training.
 - Cost and payfor: \$11 million in General Fund revenues, including \$2 million for NC TEACH;
 - \$2 million for NC Model Teacher Consortium; approximately \$7 million for funding community college initiative to enable rural teachers to get their training at rural community colleges.

- Timeline: Within 90 days of approval of funding.
 - Responsible: UNC System; N.C. Community College System.
1. Increase rural community college equity by putting additional state resources into rural community college budgets. These expanded financial resources will enable community colleges to compensate for lower local funding levels and to provide additional services, such as technical assistance for strategic planning initiatives, to rural communities.
- Cost and payfor: \$25 million a year in General Fund revenues.
 - Timeline: Immediate upon securing funding.
 - Responsible: N.C. Community College System.

IV. AGRICULTURE

North Carolina's farmers produce food, fiber, jobs and tax revenue. As people change what they consume and agriculture faces new challenges from the world commodity market, we need to make sure North Carolina farmers have the tools they need to compete in the 21st century.

Goal: *Ensure that North Carolina farmers, agribusiness leaders, researchers and other interested parties are working together to shape the future of agriculture in our state.*

1. Create the Agricultural Advancement Consortium, which would bring together a coalition of experts and interested parties, including farm organizations, universities, the North Carolina Department of Agriculture, N. C. Cooperative Extension, State Ports and others to research trends and identify and promote opportunities to improve the state's economic development through farming and agriculture interests.
- Cost and payfor: \$250,000 annually for the first two years to pay for staff, research, meeting costs, and other operating expenses, and \$500,000 for years three through five, to be funded through Golden L.E.A.F. Foundation or other private sources.
 - Timeline: Startup within 90 days of funding.
 - Responsible: Consortium would be independent, but directed and staffed through Rural Economic Development Center.

Goal: *Develop profitable new markets and reinvigorate existing markets for North Carolina agricultural and biotechnology products.*

1. Expand state funding available to promote North Carolina agricultural and biotechnology products. These funds could be leveraged to encourage

agricultural suppliers to begin or expand existing efforts, and could include hosting international trade shows, creating new markets for existing products, and providing potential markets with scientifically-based research to address concerns about tobacco, pork, beef and various transgenic crops and products.

- Cost and payfor: \$6 million annually; part of funding from reallocating existing NCDA funds; part through product checkoff funds, through the Golden L.E.A.F. foundation or other sources.
 - Timeline: 3-6 months after funding.
 - Responsible: N.C. Department of Agriculture.
1. *Expand marketing of North Carolina horticultural products, enabling full utilization of farmland and farm structures as tobacco quotas fall, and replacement of some of the lost income.*
 - Cost and payfor: \$1 million annually to enhance existing checkoff funds; funding to come through the Golden L.E.A.F. foundation or other sources.
 - Timeline: 6 months after funding.
 - Responsible: N.C. Department of Agriculture.

4. *Increase e-marketing and e-commerce involving North Carolina agricultural products, boosting the presence of North Carolina products and services on the Internet. The effort would enable farmers, groups of farmers, dealers, gins, packers, warehouses and other agricultural businesses to engage in business to consumer and business to business marketing efforts using the Internet.*

- Cost and payfor: \$1 million annually; apply for funding through the Golden L.E.A.F. foundation or other sources.
 - Timeline: One year initial project, with continuing updates.
 - Responsible: N.C. Department of Agriculture.
1. *Lobby the World Trade Organization and others to continue work to ensure equitable access to world markets, particularly U.S. access to China's tobacco market.*
 - Cost and payfor: No cost.
 - Timeline: Begin efforts immediately.
 - Responsible: Task Force members.

Goal: Help North Carolina farmers to retain a greater amount of the total cost of agricultural products by expanding the number of facilities we have to improve and process products.

1. *Encourage the Rural Redevelopment Authority to actively seek out and fund*

proposals supporting on-farm and community-based agricultural enterprises, including independent animal-processing facilities and other value-added processing facilities, including biopharmaceuticals.

- Cost and payfor: Funding would vary year to year based on proposals presented to Rural Redevelopment Authority.
 - Timeline: Upon establishment of Rural Redevelopment Authority.
 - Responsible: N.C. Department of Commerce, N.C. Department of Agriculture; Rural Advancement Foundation International.
1. *Provide additional funding for research into value-adding genetic changes of crops, including tobacco, to produce industrial enzymes, pharmaceutical proteins, vaccines, new forest products and other products.*
 - Cost and payfor: \$3 million annually for five years; funding to come through General Fund.
 - Timeline: Research should begin within 90 days of approval of funding.
 - Responsible: N.C. Biotechnology Center; UNC System.

Goal: Determine new products North Carolina farmers could profitably produce to allow small farmers to remain in agriculture.

1. *Boost efforts to identify new high-value farm products such as herbs, fruits, vegetables and other specialty items, educate farmers in production techniques and marketing strategies and help in development of markets.*
 - Cost and payfor: \$1 million annually for five years; funding to come through General Fund.
 - Timeline: One year to launch program.
 - Responsible: N.C. Biotechnology Center; UNC System.
1. *Identify and encourage production of plants shown to promote good health, prevent disease or provide other medicinal assistance, known as nutraceuticals. These products typically represent niche markets, but can be highly profitable in small quantities.*
 - Cost and payfor: \$2 million annually; funding to come through General Fund.
 - Timeline: Research should begin within 90 days of approval of funding.
 - Responsible: UNC System research universities; NC Department of Commerce.

V. INFRASTRUCTURE IMPROVEMENTS

For years, North Carolina has under-invested in the basic infrastructure our rural communities need to succeed. There is no substitute for certain kinds of hard infrastructure: water and sewer, housing, roads and rail. If we build it, existing businesses can stay and grow, and new businesses can come and prosper.

Goal: *Provide rural North Carolina with the water and sewer, affordable housing, roads and rail it needs to compete for and sustain economic development opportunities.*

1. The state should authorize an additional \$1 billion in water and sewer bonds, to enable communities that are currently unable to serve the needs of their citizens a chance to grow. For rural communities unable to afford matching funds to build additional capacity, the state should waive local matching fund requirements.
 - Cost and payfor: To service bond debt, approximately \$7.5 million first year in General Fund revenues; \$65 million year two; \$100 million year three through five, then declining.
 - Timeline: Three year phase-in.
 - Responsible: N.C. Rural Economic Development Center.
1. The state should increase the Housing Trust Fund by 67%, boosting the amount of funding available to leverage for affordable housing in the state from \$9 million to \$15 million beginning next year. The Housing Trust Fund is only used for direct aid to families and helps provide downpayment assistance for first-time homebuyers, repair needs of the elderly and disabled and rental housing loans for the elderly and those with special needs. The increased amount should be specifically targeted to housing needs in Tier One, Two and Three counties.
 - Cost: \$6 million in addition to the FY 1999-2000 appropriation from the General Fund.
 - Timeline: Begin within 90 days of approval of funding.
 - Responsible: N.C. Housing Finance Agency.
1. The state should give priority to completion of improvements to projects along three critical rural highways: Highway 70, Highway 17 and Highway 19E. Some funding for these projects is already in place, but early completion of these corridors will dramatically improve economic development in the areas served by those roads.
 - Cost and payfor: If recommendation #4 is implemented, additional funding per year for six years needed to build each of these projects would be: Highway 70's Goldsboro Bypass: \$30.1 million per year; US 17 in Bertie County: \$2.6 million per year; Highway 19E in Mitchell, Yancey and Avery counties: \$7.6 million per year. If recommendation #4 is not adopted, DOT should seek to ensure completion in 6-10 years. We recommend exploring four funding sources:

1) Reallocation of existing highway funds;

2) Constructing one rural toll road on a trial basis;

3) Searching for additional federal funds;

4) Looking to new revenue sources, including gas tax and vehicle registration surcharges.

- Timeline: All funding would be provided for these projects within 6-10 years.

- Responsible: NCDOT.

1. NCDOT should require construction time of highways be speeded up to save money and help economic development corridors become a reality sooner. Currently highway projects can take as long as 11 years to build. The Task Force recommends a six-year building requirement.

- Cost: Should be no net cost; possible savings due to increased speed of construction.

- Timeline: Recommend NCDOT board continue discussions of this change and implement immediately.

- Responsible: NCDOT.

1. Create a small task force to work with Governor's Office and USDOT staff in Washington to secure new and additional funding for rural road priority projects.

- Cost: \$125,000 per year for three years.

- Timeline: Within 90 days of securing of funding.

- Responsible: N.C. Governor's Office and others.

1. The NCDOT should collaborate with the N.C. Railroad and the state's railroads in maximizing the assets of the railroad to enhance rural economic development. NCDOT should immediately begin negotiations with Norfolk Southern for use of its line from Salisbury to Asheville for passenger service, as a means of boosting tourism and economic development in the Advantage West region. The NCDOT should work with the economic development community to aggressively market its Rail Industrial Access Program as a means of spurring economic development.

- Cost: None; NCDOT has already purchased equipment for this service and funds have been appropriated for improvements of this route; NCDOT's Rail Industrial Access Program is established and may have the potential to expanded.

- Timeline: Immediate.

- Responsible: NCDOT.

VI. BUILDING COMMUNITY CAPACITY

Many rural communities have good ideas about what needs to be done to strengthen their communities, but struggle to launch and sustain projects that will produce real returns – financial, social, civic, educational and environmental – for all their citizens, whether they are black, white, Native American, Latino or Asian, young or old, wealthy or poor.

Goal: Create an initiative designed to boost leadership in rural communities, improve their ability to design and carry out community development projects and find funding to help with implementation.

Launch the Sustainable Communities Initiative targeted to distressed communities that will have three major components:

1. Create the Civic Enterprise Planning and Support Program (CEPSP), a one-stop center for communities working on multi-dimensional community development problems incubated in the Rural Economic Development Center. Communities could come to the center for advice and technical assistance from a variety of existing organizations in undertaking projects.
 - Cost: \$3 million per year recurring, to include: planning grants and technical assistance, costs to assemble the advisory board and staff costs to administer program; apply for funding through the Golden L.E.A.F. foundation and other program-related investments from other sources.
 - Timeline: Within six months of funding.
 - Responsible: N.C. Rural Economic Development Center.
1. Create the Civic Ventures Fund (CVF) to provide a dedicated source of grant money available on a competitive basis to help implement community projects developed locally or regionally that address multiple, integrated issues, result in sustainable enterprises and communities, and can demonstrate a clear return on investment, including civic, economic, social, environmental and educational returns. Both the CEPSP and CVF would initially be in the Rural Economic Development Center, then could be relocated to the Rural Redevelopment Authority.
 - Cost: \$6.65 million per year recurring, to cover grants and all administrative costs; apply for funding through the Golden L.E.A.F. foundation or other sources, including program-related investments.
 - Timeline: Within six months of funding.
 - Responsible: N.C. Rural Economic Development Center.
1. Boost leadership training through a Leadership Opportunities Fund, providing needs-based scholarships to existing and future rural civic leaders who wish to participate in a wide variety of leadership development programs to enhance their skills in implementing collaborative community development initiatives.
 - Cost and payfor: \$350,000 per year recurring for scholarship funds and annual administrative costs; apply for funding through Golden L.E.A.F foundation and seek other program-related investments.

- Timeline: Program design complete within six months of securing funding.
- Responsible: N.C. Rural Economic Development Center.

VII. SUPPORT FOR FLOOD-IMPACTED COUNTIES

The Task Force voted to endorse the report of the New East Working Group, chaired by Tom Lambeth, and to forward those recommendations to the Governor, President Pro-Tem and Speaker of the House for their consideration. The report contains five guiding principles the Task Force believes the Governor and General Assembly should consider in their efforts to help with the long-term rebuilding of Eastern North Carolina:

- Communities should play an active role in development and implementation of solutions.
- Farmers, people seeking affordable housing, small business leaders and local governments need specific forms of short term help to enable them to prepare for long-term recovery.
- Efforts of outside private businesses, philanthropy, government and other groups should be coordinated on a statewide level to ensure maximum impact.
- Eastern communities will need a long-term funding source they can draw on for long-term economic development efforts.
- We must not be content with restoring the East to its former condition. In order for rural North Carolina to become all it needs to be, we must make substantial improvements.

VIII. OTHER STATEMENTS

In addition to the principal recommendations of the group, the Task Force endorsed two additional statements:

1. Electric Power

"The NC Rural Prosperity Task Force recognizes the importance of the issue of an adequate, reliable and competitively-priced supply of electric power to rural North Carolina, and the impact it can have on our rural communities. We encourage all parties examining the issue of the future of the electric industry in our state to work quickly to make recommendations concerning this issue, keeping in mind the

importance of the availability of an adequate, reliable and competitively-priced supply of electric power for our rural communities as these communities work toward increasing their economic development activities."

2. Changes to William S. Lee Act

"Recognizing that our Task Force has received feedback from rural communities across the state urging changes to the William S. Lee Act, and that five of the seven Economic Development Partnerships have recommended changes to that act, we support the efforts of the North Carolina Department of Commerce to seek additional changes to that Act in the upcoming session of the General Assembly, as an important means of boosting rural economic development."

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INFORMATION TECHNOLOGY SUMMARY

The availability and affordability of high speed information technology, and the ability to use it, will make it possible for rural North Carolina to compete with the rest of the country and the world in the next century.

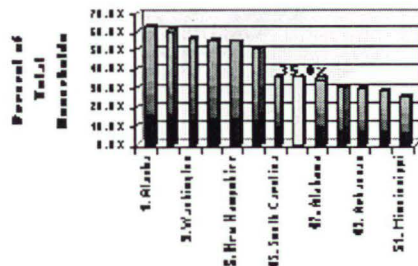
Goal: *Provide, at affordable rates, high-speed (128K residential; 256K business) reliable Internet access to the homes and businesses of rural North Carolina.*

1. Pursue regulatory and statutory changes to promote affordable and reliable broadband connectivity statewide by:
 - a. Amending the Umstead Act and related statutes, permitting the Office of Information Technology Services (ITS) of the Department of Commerce to allow Internet service providers to share the state government's statewide high-speed communications network, and
 - b. Petitioning the Federal Communications Commission and State Utilities Commission to mandate that local telephone companies provide space in their end offices and wire centers at reasonable costs for state government and other telecommunications carriers to install equipment that connects to local phone companies' equipment.
2. Start a state Rural Broadband Access Fund to encourage private sector investment in providing high-speed information services in rural areas where it is not affordable. We would not favor one technology over another; our goal would be to use the private sector to ensure affordable access for users throughout our state. If private sector sources are unable to provide services, the state would provide them as a last resort. This would ensure access for people in all rural counties in need.

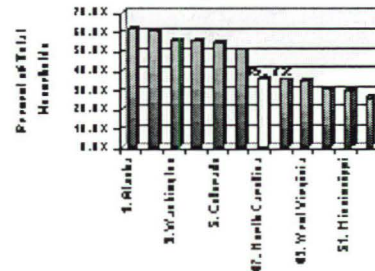
Goal: *Ensure that people across rural North Carolina have the skills and knowledge necessary to take advantage of high-speed information technology.*

3. Issue an Executive Order bringing together organizations that provide information technology training. These organizations will determine how to work together ~~collaboratively~~ to most effectively and efficiently deliver information technology training services to students, government agencies, workers and businesses in rural North Carolina.

In contrast to the strength of our highway system, North Carolina lags dramatically behind in information technology: we rank 46th in the percentage of our people who have a personal computer in their home (see Figure 1); and 47th in the percentage of people who have Internet access in their home (see Figure 2). And at every income level, our rural population lags behind its urban counterparts.

Percent of Households with Computers Ranked by States: 1998

SOURCE: "Falling Through The Net," U.S. Department of Commerce Figure 1

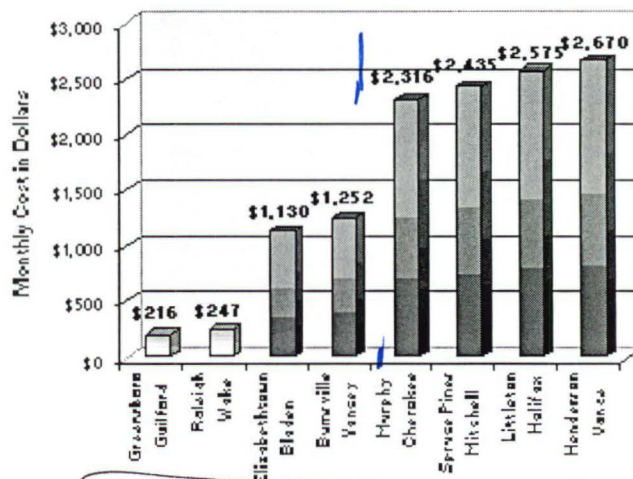
Percent of Households with Internet Access Ranked by States: 1998

SOURCE: "Falling Through the Net," U.S. Department of Commerce Figure 2

"Believe me, when it comes to getting T-1, T-2 or heaven help us T-3 lines, you best have a big wallet and lots of patience."

-- Dave Inscoe, Mitchell County Economic Development Commission

The "digital divide" is most significant among our rural citizens. Despite the fact that high speed telecommunications infrastructure is available throughout our state, monthly prices for access are typically much higher in rural areas than in urban areas. To look at one example, the monthly cost of a dedicated T-1 line, required for some kinds of high-speed connectivity, can vary dramatically – from less than \$250 a month in urban centers to more than \$2500 a month in rural areas. A wealthy urban household is 20 times more likely to have Internet access than a poor rural household.

Comparative Monthly Cost of a Dedicated T-1 Line, 1998

SOURCE: NC Dept. of Commerce - Information Technology Services Figure 3

The auto parts manufacturer in Henderson can't compete for business with a plant in Houston if it faces that kind of basic cost disadvantage. No other rural company can either, unless we find a way to lower the cost of this critical business tool.

We propose that North Carolina take steps that will make it possible for every rural citizen and every rural business to have access to high speed, affordable information technology. This effort would require the cooperation of private industry and regulatory changes, but would enable people in the rural parts of our state to compete on a level playing field with people across the world. We think the private sector will embrace these ideas as a new way of serving its rural customers. If they will not, the State should serve as a provider of last resort.

Fortunately, North Carolina has a key tool that can help make high speed Internet access possible and affordable for our rural citizens: the North Carolina Information Highway, which has vast amounts of underutilized capacity. We should use it.

Goal: Provide, at affordable rates, high-speed (128K residential; 256K business), reliable Internet access to all of the homes and businesses in rural North Carolina.

Recommendation #1a: Amend the Umstead Act and related statutes, permitting the Office of Information Technology Services (ITS) of the Department of Commerce to allow providers of Internet services to share the state government's statewide high-speed communications network.

The state has already in place a high-speed infrastructure, the North Carolina Information Highway (officially the North Carolina Integrated Information Network). This network has enormous capacity. The physical infrastructure, administrative organization and existing contracts with suppliers are already in place. By allowing the private sector to utilize the resources of the State's existing Information Highway, we propose to extend to business, non-government non-profit agencies and other rural people the services currently offered to local and state government entities. In rural communities where the private sector feels it is unable to extend affordable, reliable Internet access, the State will serve as a provider of last resort.

If exemptions are enacted to the Umstead Act, ITS can immediately offer high-speed transport services to anyone who wants to participate in providing Internet services to rural residents, whether they are Incumbent Local Exchange Carriers (ILECs), Competitive Local Exchange Carrier (CLECs) or Internet Service Providers (ISPs).

Recommendation #1b: Petition the Federal Communications Commission and the State Utilities Commission to mandate that local telephone companies provide space in their end offices and wire centers at reasonable costs for state government and other telecommunications carriers to install equipment that connects to local phone companies' equipment.

Currently local and long distance telephone companies own and operate equipment that is a critical component of the infrastructure needed to extend information technology services to rural communities. By allowing the physical co-location of information technology equipment with their existing equipment, telephone companies can be partners in providing advanced connectivity services to rural communities. We propose using an open approach so that all providers may participate in offering Internet services regardless of the technology they employ.

- Cost and payfor: Physical and administrative infrastructure already in place for

NCH
→ is this the
States offer for
rural communities

access to highway; cost of renting space in local telephone companies for equipment approximately \$2400 per month for 104 sites borne by suppliers and users of services. No state budget impact: existing infrastructure and administration already in place.

- Timeline: Services available to all rural communities within 18 months of funding.
- Responsible: N.C. Department of Commerce – Office of Information Technology Services.

Recommendation #2: Initiate a state Rural Broadband Access Fund (RBAF) to encourage private sector investment for providing broadband Internet access services in unserved rural areas.

"The development of a small information technology community in Cherokee County could be key in attracting other computer-related companies. Even though the virtual nature of their products allows them to collaborate even across great distances, IT companies do find synergies when they locate near other companies with related services."

-- "Technology Assessment for Cherokee County," Research Triangle Institute, 1999

The first priority for using these funds should be to help ensure that information travels quickly from local telephone offices to rural homes and businesses. In many cases, there are not enough users in rural areas for private industry to invest in the kind of equipment needed, and they may need outside financial incentives. The fund could help provide those incentives. As additional funds become available, the RBAF may be used to support e-commerce education and training programs, worker retraining, and other value-added services. The RBAF should apply for a limited time period. We recommend a three year sunset provision.

- Cost and payfor: Preliminary estimate is \$5 million per year for three years to help subsidize upfront private investment. To pay for, preliminary estimate of 8 cent per month surcharge for each phone in the state; full market study underway.
- Timeline: Services available to all rural communities within 18 months of funding.
- Responsible: N.C. Department of Commerce – Office of Information Technology Services.

The net impact of these efforts would be to generate reliable Internet connectivity in rural areas at roughly the same monthly cost as is available in urban areas.

EDUCATING PEOPLE IN HOW TO USE INFORMATION TECHNOLOGY

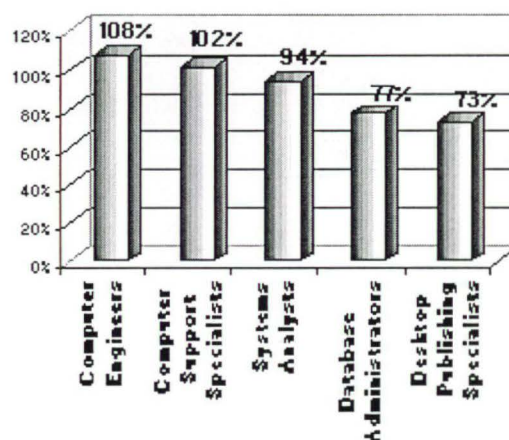
"The ability of rural North Carolina to use information technology in the next century will make the difference between its remaining part of the first world or becoming like a third world country."

-- David Dodson, President, MDC, Inc., Task Force member

Good roads don't work if people don't know how to drive on them. Similarly, high speed Internet access won't help our rural counties unless people have the tools to be able to use it. We must mount a statewide effort to train people to use this technology, using some of the same assets that have made North Carolina strong.

How important is this training? The three fastest growing occupations in the United States projected by 2004 are these: computer scientists, computer engineers, and systems analysts. The number of people working in each of these occupations will more than double, and every one of the jobs will be a high wage job. The number of people working as database administrators and desktop publishing specialists will also be growing dramatically.

**Projected Percent Growth of Computer-Related Occupations:
1998-2004**



SOURCE: Dept. of Labor, Bureau of Labor Statistics Figure 4

Equally important, those without a working knowledge of these new tools may be unable to perform any but the most menial jobs. The more manufacturers mechanize, the fewer workers they need, and the more important it is for their workers to understand how to operate computer-based machines.

Goal: Ensure that people across rural North Carolina have the skills and knowledge necessary to take advantage of high-speed information technology.

Recommendation #3: Governor Hunt should issue an executive order bringing together organizations that provide information technology training. These organizations will determine how to work together collaboratively to most effectively and efficiently deliver information technology training services to students, government agencies, workers and businesses in rural North

Carolina.

At the turn of the last century, North Carolina's Agricultural Extension Service equipped farmers in every county with the skills and research findings they needed to outgrow the world. Today, we should consider redeploying our Cooperative Extension Service agents to provide teaching and training about information technology to farmers and small businesses.

Our statewide community college system has expressed interest in using its network of Small Business Centers to develop training and awareness programs for displaced workers and small businesses, so that these workers have the skills they need to compete in the 21st century.

The Institute of Government has proposed new efforts to train government workers in how to provide better and more cost-effective services to citizens. This is a logical extension of the services the Institute currently offers.

In addition to these resources, new companies such as Concurrent Technologies Corporation in Laurinburg have expressed interest in providing training to small businesses. Organizations such as this, that have both the experience and facilities to provide assistance to businesses on how to conduct e-commerce, should explore ways to coordinate their activities with those of the Cooperative Extension Service and community colleges.

Cisco Academies have expressed an interest in building on their existing network of schools providing training to public school students in using information technology, so that our students graduate with the skills they need to start businesses and work in information technology careers.

- Cost and payfor: Most activities are already within the scope of listed agencies; additional funding could come from the Rural Broadband Access Fund.
- Timeline: Services available to all rural communities within 18 months of approval.
- Responsible: N.C. Department of Commerce – Office of Information Technology Services.

Conclusions

Rural North Carolina needs to buy the technology and increase the number of knowledge workers to compete and thrive in the new century. Without these resources, rural North Carolinians will be forced to watch the new economy from the side of the road.

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