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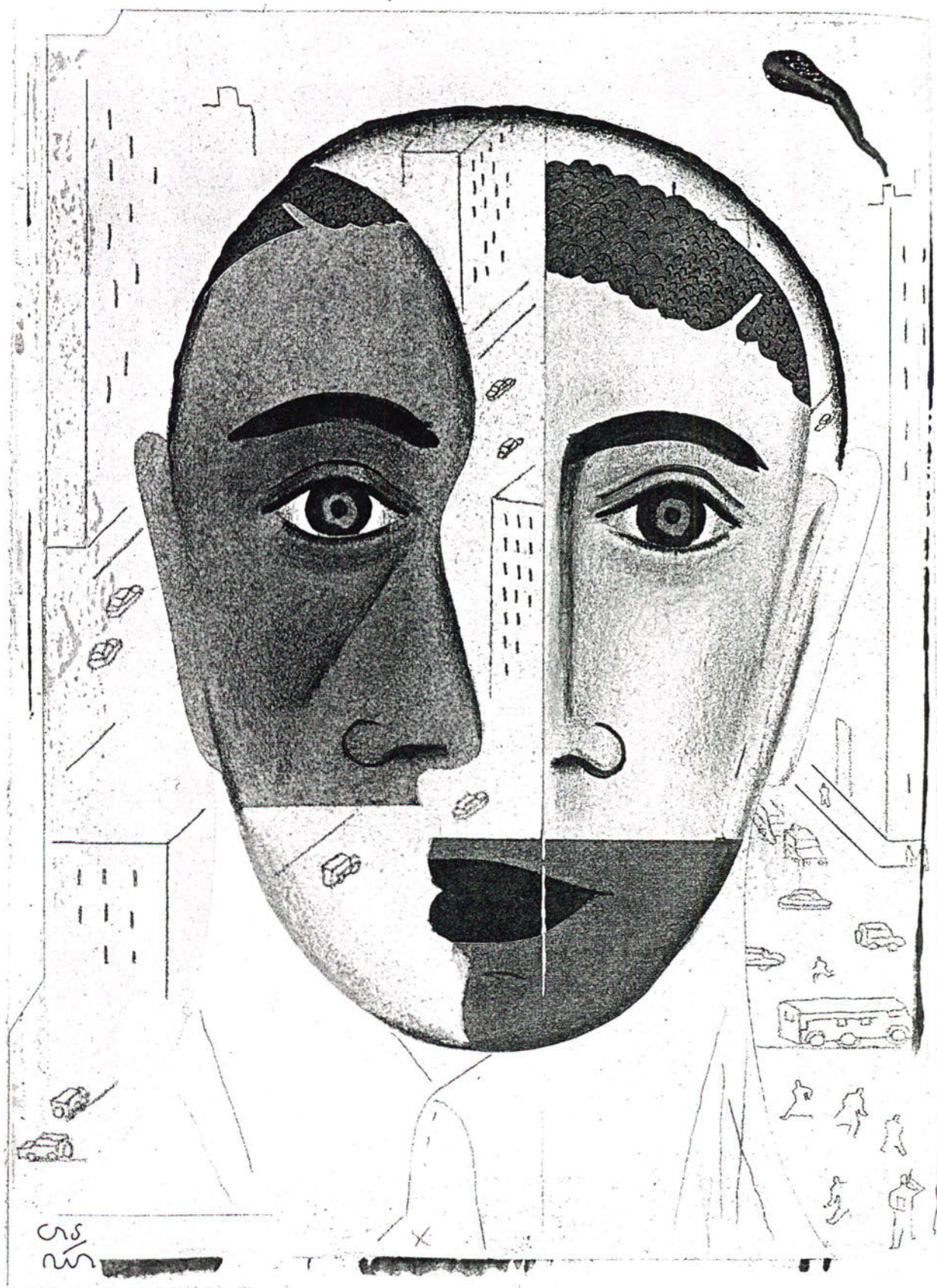
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BUSINESS AND RACE: ONLY



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HALFWAY THERE

The father of affirmative action is pleased with today's diversity in the workplace but says business still has a long way to go.

THE
CAPITALIST CENTURY

BY ARTHUR A. FLETCHER

Arthur A. Fletcher, 75, may just be the father of affirmative action. A World War II veteran (he served under Patton) and former professional football player (for the Los Angeles Rams and the Baltimore Colts), he joined the Republican Party in the 1940s. Later, as Assistant Secretary of Labor under President Richard Nixon, he helped craft rules that made the original affirmative-action legislation more enforceable.

Before Fletcher came along, affirmative action was a relatively feeble notion because laws outlined in the Civil Rights Act of 1964—which, among other provisions, barred discrimination in the workplace—did not force employers to keep track of the number of minorities and women they hired. Fletcher gave the program teeth by aligning affirmative action with procurement laws governing hiring policies in the public sector. Fletcher's ideas, spelled out in a document called the Revised Philadelphia Plan, are still the basis for affirmative-action enforcement. Fletcher remains a passionate advocate for affirmative action, speaking regularly to business audiences and advising managers and executives on diversity. He spoke recently with FORTUNE writer Eryn Brown.

I'm proud to be able to say I set the stage for today's workplace and work force diversity efforts. Affirmative action changed the American workplace for the better, forever. And despite the efforts by opportunists like [anti-affirmative-action leader] Ward Connerly to undermine the rules and spirit of affirmative action, it should remain in place indefinitely.

Over the past 30 years, affirmative action has made pursuing economic equity a rational, reasonable, and achievable goal for all American taxpayers. Yet as we move into a new millennium, the sad truth is we are only halfway home, with a very long way to go. How long? At least another 50 years, if not a full century.

A lot of people—including too many corporate executives—still believe many professions are too difficult and complex for anyone but white men. But there's not a single industry in which you will not find women, African Americans, Asians, or Hispanics performing at almost every level, including management. The change is real. It is permanent.

And I consider myself blessed to have lived to see it happen.

I know I'm closer to the end of the journey, but I hardly think my work is done. I still lecture corporate executives all across the nation, as often as 30 or 40 times a year, explaining my vision of equal opportunity. I'm the keeper of the flame. I have to be. Affirmative action's opponents have been at war with us for 30 years. But despite a few defeats regarding set-aside programs, the courts have largely remained on our side. We've seen people use isolated cases where affirmative action may not be working to get anti-affirmative-action referendums on the ballots. Then they lie to voters to sway public opinion. But laws aren't made from anecdotes. I won't be concerned about the Supreme Court, the U.S. Congress, or the state legislatures ending affirmative action until someone comes up with a study proving white males have really been discriminated against in the workplace.

But legislation alone is not enough to keep affirmative action alive. In fact, I don't need any more public policy. I need corporate America to do what it alleges it can do—make it work. For years business leaders screamed for less government: "Get out of our way. Let us show you how to get things done." So Congress redirected money from Washington to cities, to states, and to the private sector. Okay, corporate America, the ball's in your court, the reins are in your hands.

One thing's for sure: Companies that ignore diversity will struggle to flourish in the global marketplace during the 21st century. According to Department of Labor statistics, the pool of talent that will supply the next generation of employees, managers, and executives will soon be dominated by women and ethnic minorities. They will be hard to ignore.

Look at what's already happening as a result of the growing Hispanic population in the U.S. Back when NAFTA passed in 1993, American companies started rewriting their strategic plans to take advantage of new business opportunities in Mexico. As they did this, they began asking some new questions regarding Latinos in the U.S.: How many are there? Where do they live? What is their education level? What is their income level? What radio stations do they listen to? What TV do they watch? And the like.

THE CAPITALIST CENTURY

Soon the book on Hispanics was rewritten. Now many companies have specific initiatives not only to reach Hispanics as consumers but as potential employees. Why? Certainly not because of any lofty social agenda. Hell, no. It's because of need.

Smart corporate executives are saying, "If these people have skills and can keep me productive, I want them." It's as simple as that.

I would say that somewhere between now and 2015, Hispanics (and anyone who can speak Spanish, whether they're Hispanic or not) will become invaluable human capital. I see them moving quickly in the workplace, in fast and giant leaps. All because of concrete business needs.

The benefits should extend to all minorities, but companies can't simply wait for minorities to flood the workplace. If corporations don't invest in educating today's underprivileged minorities, then those citizens won't be prepared to be tomorrow's productive workers and future leaders. In the past, a blue-collar worker could make a middle-class living without higher education. All he had to do was pass a high school-equivalency test. But technology has changed everything. Today if you can't write, calculate, communicate, think, reason, and use sound judgment, you're in a world of trouble.

The public education system isn't getting the job done right now. Not at any level. So more and more businesses—especially technology businesses—will have to do it themselves. Some have already started to impact the education process by creating on-site training centers, for instance, that utilize current employees and managers as teachers. That should be a growing trend.

But there should be another movement in the area of education: You always hear people asking what America can do to improve math and science scores in our schools. I think businesses should concentrate on literacy. For most people in the work force, being educated means proving that you can continue to learn. It's a self-development thing. But you can't take advantage of programs like distance learning or onsite training if you don't know how to read.

Now, this might sound like a stretch, but I truly believe we as a nation will struggle to remain a superpower if we don't do everything we can to provide all people with the resources to build their skills and become productive participants in the economy. Back in 1989, I wrote a letter to then-President George Bush, putting him on notice that if we dropped programs like affirmative action, America would lose opportunities to develop willing and able workers. To me, that's a national security issue.

Make no mistake about it: In a world that is as treacherous, unpredictable, and dangerous as the competitive global market is turning out to be, maintaining anything less than su-

perpower status will be unacceptable. For America, this won't be possible without prized human capital. So the country will need to create workplaces where individuals—male, female, brown, black, you name it—can perform at their best. In other words, we need workplaces without harassment, without gender bashing, and without racism.

Management will have to lead the way. Executives do not have the luxury of staying out of the battle. If they are going to create workplaces that are conducive to top performance from all their employees, then they have to make their attitudes known. They have to make their presence felt on diversity.

Yes, I think there's hope. I see a growing number of young whites who are not shocked when they meet a person like me, a black person, with skills. They're not caught off guard when they walk into a courtroom and see a black judge. Or have a black boss. Well, some of them may still faint at the sight of a black person in the corner office. But compared with the way it was in the '50s, when I finished school, the progress is really overwhelming.

Let me say this: I worry that African Americans are falling behind other minority groups. I worry, as the disparities between ethnic groups become more apparent, that one group will turn against another. That will hurt us all. It will diminish America's strength, security, stability, and prosperity, and our promising future. Some folks believe that when the economy is good, racial animosities disappear. Well, the economy is at an all-time high, and it promises to remain there for a while. But ask anyone to give you the top ten items on the national public policy agenda, and race will be up there. It shouldn't even be in the top 20.

Believe it or not, American business can play a role in the national agenda to improve race relations. How? By supporting sensible, economically driven government programs like the Community Reinvestment Act, which prods banks to make loans in low-income neighborhoods. Look, every minority individual will not reach the executive suite or even thrive in a corporate environment. But the CRA provides entrepreneurial-minded residents in poor areas an opportunity to join the mainstream economy by being upfront, out-front, participants in the economic revival of their own neighborhoods.

In my view, it will be at least another decade before we're taking full advantage of programs like the CRA, or truly embracing more minorities in the corporate world. And that'll happen only if we treat diversity like a two-minute drill, as we'd call it in football. That's if we work day and night.

It's amazing, but when you consider how fast—and how much—America's economy is changing, we're still practically a developing country. Clearly, we've got a long, long way to go. **F**

The Magic Touch!

Earvin Johnson has worked his wizardry on his urban movie theater chain. But will his mastery continue as he seeks to become the country's leading entertainment entrepreneur?

EARVIN "MAGIC" JOHNSON PERSONIFIES celebrity. He wears it with style and a casual ease, the way a lucky few can wear a finely tailored suit. Testament to this is that in Los Angeles, City of Angels and home to countless stars, Johnson is the star other celebrities flock to with cameras in hand.

In 13 unparalleled years in the National Basketball Association, Johnson rewrote the record books and dazzled fans with his no-look passes and gorgeous perimeter jump shots. He also led the Los Angeles Lakers to five championships. Today, Johnson is eight years removed from the day he announced to a stunned world that his basketball career was over after he had contracted HIV.

Many thought that was the end. Instead, for Johnson, that was just the beginning. "People thought I was going to go away," he says. "But I never planned on going anywhere."

Rather, he took his game to a different arena, one where the obstacles are higher and the challenges greater. His new career began with a relatively modest partnership with Loews Cineplex Entertainment, formerly Sony Retail Entertainment. Together, they built movie theaters in urban neighborhoods across the country. Subsequent partnerships with Starbucks and T.G.I. Friday's, while still in their infancy, have only solidified Johnson's presence in corporate America and added credence to his goal to be taken seriously as an urban entrepreneur.

Johnson says his strategy was simple: craft a niche out of themes he knew well. "All of my businesses deal with people, customer service and entertainment because that's what I'm good at," he says. "Everything flows together from that, and all the companies help each other."

Consider it the "Magic Johnson" brand. He wants

By **Eric L. Smith**



to become as synonymous with business in the new millennium as he was with basketball in the '80s. And he's well on his way. So far, most projects (a short-lived late night talk show aside) have responded favorably to his magic touch.

But his metamorphosis hasn't been without adjustments. Some of the questions that arose when he first made the transition to business hover to this day. Can an ex-jock really become a corporate power player? Is he extending himself too far, too fast? Is Johnson really running the business himself?

Johnson responds, "Everyone looks at me and still sees basketball. But I run all

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my companies. People who don't know me may not believe that. But if they come in here and want to do some business, they'll find that out fast enough."

For his part, Johnson is content to let those who would underestimate him continue doing so while he locks up his next megadeal and makes a fast break for the bank.

THE MAGIC HOUR

Sitting in his Beverly Hills office surrounded by pictures of family and a few odd mementos from his NBA days, Johnson looks much like a man who, since shedding the role of NBA ambassador and embracing that of entrepreneur, can do no wrong. Under the umbrella of Johnson

Children's Venture, which will create, produce and distribute a new brand of children's educational multimedia products. Magic Johnson Management Group manages television and film stars, and counts among its performers Vivica Fox, Beverly Johnson and comedian Steve Harvey. Magic Johnson Productions promotes tours, concerts and boxing events, and then there's Magic Johnson Music, a budding record label. In his spare time, Johnson hooked up with Janet Jackson and Jheryl Busby last year to purchase a controlling interest in Los Angeles-based Founders National Bank (No. 16 on the BE BANKS list with \$100 million in assets).

In all, JDC properties were responsible for \$25.4 million in gross sales in 1998.

overextension, he views as an opportunity at cross-promotion. "I can promote my Friday's and Starbucks in the movie theaters and do the same thing in those venues promoting the theaters. We have 1.8 million [people who go] through our theater doors every year in Los Angeles. The goal is to get a lot of that same audience to go to your eateries. Then, on the music side of it, it works because we can play our artists in those same theaters or restaurants. There's great synergy, and it all works together."

Industry analysts agree. Debbie A. Smith, vice president of public affairs and emerging markets with the Washington, D.C.-based International Franchise Association, believes Johnson has tapped



Development Corp. (JDC), Johnson has built five separate companies—Magic Johnson Theatres, created with partner Loews Cineplex Entertainment; JDC Las Vegas, the parent company of Johnson's Westland Plaza, a 235,000-square-foot retail mall in West Las Vegas; Johnson/MacFarlane, a partnership with the California Public Employees Retirement System (CalPERS) that allowed Johnson to purchase several retail complexes in Los Angeles; and lastly, Starbucks and T.G.I. Friday's, two of the newest partnerships under JDC.

Want more? OK. There's Magic Johnson Entertainment (MJE). Formed in 1997, this entity develops and produces television and cable TV programs, the latest of which was *Passing Glory*, a critically acclaimed Turner Network Television film. Johnson was its executive producer. In March, MJE partnered with Blackboard Entertainment to form New

Johnson says his top-flight management team has made his transition from sports star to entrepreneur possible

But with Johnson's current success comes a new question. Is the 39-year-old entrepreneur in danger of extending his business too far, too fast?

"People say I'm growing too fast. I say everything is working together. We're growing, but not so fast that it's not manageable," Johnson says. "And as long as I have knowledgeable people working with me, I'm not worried about branching out."

As an example, Johnson points to his separate deals with T.G.I. Friday's and Starbucks. What some might see as an

into a winning strategy.

"He's created a great venue for family entertainment, and the entities work hand in hand. You get to go out to a movie and then share a cup of coffee or a meal with your family," says Smith.

Smith adds that Johnson will face competition from other eateries just like any other franchiser, "but Magic being who he is, his name alone will help attract customers. He's a proven businessman making good business decisions. As long as he continues to understand the indus-

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tries that he's in, and the evolving nature of those industries, he'll do well."

GOING CORPORATE

He's come a long way since his first major business deal, when he partnered with **BLACK ENTERPRISE** Publisher Earl G. Graves Sr. to purchase a Forestville, Maryland, Pepsi-Cola distributorship in 1990.

Graves says that when he first considered working with Pepsi, it was suggested he take on a partner to expand the deal.



(Above) Johnson and Lombard at grand opening of Starbucks at Ladera Center in Los Angeles, with Senior Vice President Arthur Rubinfeld and CEO Howard Schultz. (Right) Johnson at grand opening of Magic Johnson Theatres in Houston

There was talk about partnering with an athlete, so Graves contacted the respective commissioners of the NBA, the National Football League and Major League Baseball. NBA Commissioner David Stern recommended Johnson, whom he knew was interested in finding a business venture and, as it turned out, was already on board as a Pepsi pitchman. Graves ran it by Pepsi executives, who liked the idea. Then he contacted Johnson.

"The deal was done with myself, a lawyer, Magic, [agent/advisor] Michael Ovitz and Craig Weatherup [then president and CEO of Pepsi-Cola Co.]. Five people in a room over at the 21 Club. Magic said to me, 'I've checked you out and I know you've checked me out. So let's do some business.' We got up, shook hands and we were in business."

With Graves as chairman and CEO and Johnson designated executive vice president, the distributorship was Johnson's first experience dealing with business executives as a corporate player. "The experience was great because it was my first time playing on a major league level," he says. "I

got exposed to the meetings with bankers, dealing with customers, working with a client base. You work all the way from dealing with mom-and-pop grocery stores to talking with the Marriott Hotel chains," he explains. "We didn't get every account, but we got a lot of them. I learned just how important relationships are."

Graves says Johnson's enthusiasm for business was apparent, and any concerns he had about Johnson's lack of business experience evaporated quickly. "If I had any reservations early, they were overcome by the nature of his personality. It was clear that he really wanted to be a businessman and be someone that others would take seriously," says Graves. "So it wasn't a matter of 'Show me where to sign and I'll do it.' He wanted to understand what it was all about."

But as in any business marriage, Graves says there were occasional problems. At the time, Johnson was still traveling across the country as a member of the Lakers—severely limiting the time he could put into the business.

"Basketball distracted him. Part of the

frustration for him was that he couldn't focus on the business as much as he wanted to. He wanted to be involved as more than an investor, but it's impossible to be hands-on when you're 3,000 miles away," Graves says. "Now, when he came to town, we could literally stop traffic in terms of how responsive people were to him. If he had had the time, it would have been a home run. But you can't play basketball and have all the different things that pulled on him and be as good as he is now."

Because of the constraint on Johnson's time, Graves and Johnson mutually agreed



to dissolve the partnership in 1992. Johnson went on to form JDC. Today one of his closest advisors is Kenneth Lombard, president of JDC, who oversees the daily operations of JDC and Magic Johnson Theatres. Lombard was formerly executive vice president of the Economic Resources Corp., where his duties included raising venture capital for ERC's capital fund. Today he acts as Johnson's point guard, assisting him in landing the next big deal.

Together, the pair say some due diligence and a little homework were what first attracted them to the idea of opening movie theaters. "Approximately 32%-35% of the movie audience is minority, but we have [no theaters] in our neighborhoods," says Johnson. "We have to drive 30-40 minutes to get to a theater. So it seemed like a natural," he says. Johnson researched the local Los Angeles neighborhoods and found that the Crenshaw district had a per-household income of nearly \$50,000. "So you're sitting there with almost 2 million people in a four-to-five-mile radius. The math was easy," Johnson says.

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The next step was finding a willing, knowledgeable partner with deep pockets. So they contacted Lawrence J. Ruisi, president and CEO of Loews Cineplex Entertainment. "Larry was convinced this was an opportunity for them. But he also realized they needed a strategic partner who knew the community and understood the operating style would be different from your approach in suburban America," Lombard says. "It affects everything from the different types of food that you offer to how to incorporate security elements in an environment that is safe yet not offensive."

Ruisi says that in Johnson he saw a potential partner eager to tap into the minority community—an area that Loews was very interested in. "We knew it was an untapped market. But it was one that needed to be approached in a different manner," Ruisi says. "We wanted the community to accept and welcome the theater that we were bringing to the market. Combining our expertise in how to run and operate a theater and Earvin's ability to get community support was how it got started."

Johnson's willingness to lay his own money on the table, approximately \$2.5 million, also facilitated the deal. "He's a full partner in this business," says Ruisi. "So he was coming to the table with capital and taking the same risk as we were."

The way the partnership is structured, both sides must mutually agree on when and where new theater complexes will be developed. Loews and JDC handle the day-to-day operations. However, JDC, which comes in as a tenant once a location is selected, scouts potential sites and deals with local government officials to generate the support to get the theaters built.

"When you sit down and talk to him, what Earvin displays is the ability to listen and learn," adds Ruisi. "He didn't walk into this with notions that he knew everything there was to know about running a movie theater. He realized we had a level of expertise. He wanted to learn, and that's the reason we've been successful."

Successful indeed. Together, Loews and Johnson have built theaters in Los Angeles, Atlanta and Houston. Construction is under way in Cleveland (a



*The collaboration
between Johnson
and Lombard
has yielded
impressive results
for JDC*

theater is slated to open this fall) and Harlem (where one will open next spring). In 1998 total gross revenue for the three theaters was approximately \$20 million, of which JDC got 50% of the profits.

Moviegoers have flocked to Johnson's theaters. But there's been the occasional bump along the way. For instance, Johnson took criticism last year when he flatly refused to allow the urban-themed film *Belly* to be screened in his theaters. Citing concerns about potential gang violence, Johnson took a pass on the film. In response, the movie's African American director, Hype Williams, stopped just short of accusing Johnson of selling out and not supporting black filmmakers.

But for the most part the theaters have been a rousing success. The inaugural theater in Los Angeles is consistently a top-five theater in the Loews circuit and is currently the third highest grossing theater in the city.

THE MAGIC BRAND

With the theaters in place, the next step was finding other businesses that would complement the theme. Johnson and Lombard didn't have to look far.

"We built theaters and we waited for quality sit-down casual restaurants to come behind us," says Lombard. "But what we found was an industry that was very much like the theater industry. Either through the franchise holders or the companies in charge, eateries weren't willing to commit. We had customers coming in saying they loved the theaters, but they had to go all the way across town if they wanted to get something to eat."

Lombard says he met with Starbucks Chairman and CEO Howard Schultz, and the pair talked about their common interests in doing business in the inner city. After some preliminary discussions, a meeting with Johnson was set up. Johnson recalls flying out to meet Schultz on only a few hours' sleep. "I laid my plan out to him," says Johnson. "I told him Starbucks could boom in the urban community and said minorities are driving 40 minutes right now to get to a Starbucks. So you know if you put one right here they're going to come. He was like, 'How do you know that?' And I told him because my theaters are in the same situation."

Schultz says that, like millions, he watched Johnson play ball and had admired him from a distance. But he had no idea what their initial meeting would be like. "Earvin came in with an astute understanding of our company and the opportunity that could come about with an alliance. We agreed we could add value to one another," he says. "There's a level of integrity that Magic has that transcends sports. Ken and Earvin have exceeded our expectations with their level of commitment."

The first Starbucks opened last April in the Ladera Center a few miles from the Los Angeles International Airport. JDC has committed to opening an additional

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seven stores with Starbucks nationwide in 1999. Johnson followed that up by partnering with T.G.I. Friday's. Each put in \$750,000 to debut their first collaboration in Atlanta this summer. In the interim, other Magic/T.G.I. Friday's sites are being scouted for future development.

Perhaps Johnson's most ambitious business venture is real estate. First there's JDC Las Vegas. A 50-50 partnership created in 1994 with Raul Walters Properties, it was responsible for creating Westland Plaza, touted as the first development project in West Las Vegas in the past 30 years. The 235,000-square-foot mall counts among its tenants Pizza Hut, Mail Boxes Etc. and Norwest Bank.

Johnson followed up that venture by partnering with CalPERS and MacFarlane Partners in 1996 to identify and purchase retail properties in urban areas in California. Johnson/MacFarlane committed \$1.5 million to join with CalPERS to purchase retail mall complexes in Los Angeles, among them the Ladera Center and Margarita Plaza. The partnership has also acquired the development rights to Santa Barbara Plaza in Los Angeles, and is targeting Home Depot, Old Navy and Bed, Bath & Beyond as tenants.

"If you look at how we've expanded, it's been on a very controlled growth pattern," says Lombard. "We're looking at specific locations with specific economic criteria. We're teamed with partners, but we're involved in every decision with respect to the operation of these entities," he says. "It's a lot of work, but right now we are in an excellent position to manage the growth of each of these businesses."

Ken Smikle, president of Target Market News, a Chicago-based marketing research firm that monitors consumer trends in the African American community and publishes a trade paper of the same name, says Johnson's success could ultimately lead to corporate America looking for more African American partners to help it break into the urban market.

"He's opened the door for creating partnerships with major retailers interested in black consumers," says Smikle. "Many are interested, but they don't understand [the market] and frankly are a little frightened by it. So there's a possibility that because of his success, corporations will look for a

Magic to help them do their deals in the urban community."

With so many concerns to operate simultaneously, another stigma Johnson deals with is the perception that he doesn't actually run his own businesses. Some believe him to be only a figurehead, with others like Lombard actually making the decisions behind the scenes. He says differently. "You don't build what I have if you're not a hands-on businessman. I have to have some knowledge and I have to know my figures. I don't need Ken or anyone else to talk for me because when I go out to talk to Loews or Starbucks, Ken can't tell them anything because they want to hear it from me," he says. "I go in and I make my own deals because I can do that."

Lombard agrees. "I think initially anyone would probably walk into a business meeting with preconceived notions about what Earvin's capabilities are. But all you have to do is sit in a meeting with him and you walk away clear that he is a very astute businessman," he says. "He has a vision about what would work in the inner city and how to make it work."

So to a generation prepared to remember him solely as one of the best to ever lay hands on a basketball, Johnson says not so fast. He'd like to revise the ending to that script. "I want to be remembered for my business, because it helped my community and my people," he says. "I used to [play basketball]. Now I do this. And I want to be one of the best." □

Magic Johnson Enterprises Division Organizational Chart

Johnson Development Corp.

— Magic Johnson Theatres

— JDC Las Vegas

— Johnson/MacFarlane

— Starbucks

— T.G.I. Friday's

Magic Johnson Entertainment

— Television Division

— Feature Film Division

Magic Johnson Management Group

— Entertainment Division

Magic Johnson Productions

— Prize Fights

— Concert Promotions

Magic Records

The background of the page is a complex, abstract graphic design. It features a dark, textured area at the top with various geometric elements: concentric circles, intersecting lines, and clusters of small white dots. A large, faint binary code '1011110110101111101111' is visible at the top, and another similar sequence '10110101011010110111' is at the bottom. The main title 'dot com fever' is rendered in a bold, stylized font. 'dot' is in white, while 'com' and 'fever' are in black with a white outline. The words are stacked vertically. To the right of 'com', the text 'BLACK-ORIENTED' is written in a clean, white, sans-serif font.

dot com fever

BLACK-ORIENTED

WEBSITES ARE FINALLY ATTRACTING CAPITAL. HERE'S HOW TO GET YOUR SHARE.

IF YOU HAVEN'T CAUGHT THE BUG BY NOW, CHANCES ARE YOU know someone who has. Dotcom fever has affected everyone from the CEOs of some of the largest companies in the world to awestruck teenagers hoping to become the next Jeff Bezos, founder of Amazon.com. For some, the lure of equity and a six-figure salary is enough. However, the more acutely affected tend to leave secure corporate positions to launch their own Internet businesses rather than just work for a dotcom company. And who can blame them?

Every week we are regaled with tales of newly minted 20-something millionaires. The U.S. economy, stock markets and job markets have all been turbocharged by the information technology sector—specifically those companies with a presence on the Internet. It takes a strong will (or a blind eye and a deaf ear) to witness what has been called the greatest period of wealth creation in our nation's history and not be tempted to try your luck. If the headlines are to be believed, all it takes is an idea and some start-up capital, and you're well on your way

to an early retirement. But for many, especially African Americans, securing that capital is the hardest part.

Fortunately for would-be Internet moguls, the private-equity markets are more pliable than ever before, especially in the technology area. Information technology companies received over 60% of the \$12 billion in venture capital investments in 1998. The total amount of venture investments ballooned to \$21 billion in 1999, with Internet companies such as Webvan Group, Datek Online and VIA Networks again get-

ting the biggest shares. Clearly there is plenty of capital out there, a fact demonstrated by Redwood City, California-based CoSine Communications, which staked a claim to \$94.5 million in venture capital (see below).

GETTING YOUR PIECE OF THE PIE

The key is knowing how to get capital, and African Americans heretofore have not been prominently placed in the technology start-up or venture capital arenas.

"We're virtually invisible when it comes to capital formation in information technology," says management consultant Tama Smith of the Los Angeles-based management consulting firm Tama Smith & Associates Inc., which coaches technology start-ups through the business-planning process and often introduces them to venture capitalists and investor angels. "But

BY TARIQ K. MUHAMMAD

there's an opportunity to play a more significant role by generating unique business ideas and pulling together a team that can execute them." Of course, having a good idea is only part of the solution. Access is a critical part of the venture capital equation. "The way you get to a venture capitalist is almost as important as how good your idea is," she says.

Most venture capitalists won't even look at a business plan unless

capitalists who invest in technology start-ups are not people of color. "[We] black professionals tend not to network extensively outside of our own predominantly black networks, and it has hindered us in a high-tech industry that is based on relationships," says Fritz Jordan, former CEO of Venture Capital Online (www.vcapital.com), which invests in seed- to early-stage Internet companies, both business-to-business and business-to-consumer.

and professional service providers who can offer insight, expertise and access to capital markets.

SHAKING THE MONEY TREE

Before embarking on your money quest, there are a few things to consider to prepare yourself for the road ahead:

■ **Founders of successful venture capital-backed companies usually don't end up with a controlling interest in the company.** "If you are more concerned with maintaining total control of the business and passing it on to your children than growing it and making it successful, then the venture capital community is probably not your best bet," says Derrick Collins, a partner at Polestar Capital Partners (www.polestarvc.com), a Chicago-based private-equity firm that targets minority-owned technology companies.

■ **Venture capitalists will usually focus on a liquidity event—typically a sale of the company or an IPO—to generate a return 20 times their initial investment.** And don't expect them to wait 10 years to cash out. "We have a duty to our investors to give them a healthy return on their investment within a very specific time frame, usually within five years," adds Collins.

■ **Size matters.** Venture capitalists are concerned with the size of the market and the speed with which your firm can capture a significant market share. "Companies that target billion-dollar markets [such as the automotive industry] are the most attractive because they give us the best chance for the highest return on our investment," says Charles Sheffield of New York-based Carthage Venture Partners (www.carthage.net), an African American-owned private-equity firm that targets minority-owned technology companies.

Carthage, formed in 1996, is



TERRILL MCCARTHY

“After you’ve raised a few rounds it becomes easy to do, because you have a network of people and companies to draw on.”

—Dean Hamilton, CoSine Communications

someone they trust has screened it. They rely heavily on the recommendations of others in the industry to separate the wheat from the chaff. And, to date, a major problem has been that the majority of venture

But the good news is that the capital channels are beginning to open up, if you know how to tap them. There is a growing community of tech-focused African American venture capitalists, investor angels

comprised of Sheffield and fellow partners Anthony Gee and Steve Sallion, and associate Erik Miller. Its interest in companies that target businesses rather than consumers is indicative of a rising trend. "The business-to-business market is only just developing, and it's over 10 times the size of the business-to-consumer market," explains Sheffield. Although the firm's last two investments were in the business-oriented companies

invest between \$500,000 and \$5 million in a chosen start-up.

Your next step? Developing a compelling dotcom business plan. For a discussion of key features to include, see "Crafting Your Dotcom Business Plan" at www.blackenterprise.com.

ROUND ONE: TOUCHED BY AN ANGEL

Kim Folsom started out using her own money. "I financed the start-up of my first company with my own

June 1998, Folsom's latest venture is a San Diego-based company that helps organizations such as Prudential Securities, the American Marketing Association, the National Black MBA Association Inc. and African American Women on Tour extend the reach of their conferences and seminars via the Web.

In her first round of funding, typically called the seed stage or "angel round," Folsom raised \$1.2 million from several angel investors, individuals who finance emerging entrepreneurial ventures. If at all feasible, you want to raise capital from investors who bring more than just money to the table. Look for industry experience and connections.

The angel round typically goes up to about \$1 million and usually doesn't include money from professional venture capitalists. Since the venture capital market has expanded so dramatically, many venture capitalists no longer participate in seed-stage opportunities. "A venture capitalist who might have invested \$100,000 in a company several years ago now invests a minimum of several million because of the high volume of deals that are being done," explains Karen Kerr of Arch Venture Partners (www.archventure.com), a Chicago-based venture capital firm that focuses on seed- and early-stage technology companies. "A company that's just starting can't take that kind of investment because it will dilute the ownership structure too dramatically. Instead they turn to high net worth individuals or investor angels."

Therefore, "you need to have access to people who can invest in the deal," says Folsom, who advises developing relationships with attorneys, accountants, bankers and other service providers who can introduce you to potential investors. You'll also want to create an advisory board of individuals with industry experience or connections



DAVIS BARBER

"I financed the start-up of my first company with my own funds and bank loans. Believe me, raising venture capital is a better way."

—Kim Folsom, SeminarSource.com

B2EMarkets.com and jumpcut.com, it does not rule out investment in consumer-oriented companies. As a rule of thumb, Carthage seeks to

funds and bank loans. Believe me, raising venture capital is a better way," says Folsom, the CEO of SeminarSource.com. Launched in

to help with the strategic direction of the company as well as to provide introductions to sources of capital.

Before you accept any funds, it's important to engage the services of an attorney familiar with venture capital deals. "Your attorney will represent the company in the process of getting itself organized and funded and negotiate on the company's behalf from the term-sheet stage through final documentation," explains Craig Venable, an attorney with the Silicon Valley-

Your company's valuation is based on several factors, including the experience of the management team and the state of the development of the business. "Typically a start-up with a good business model and a proven management team but no revenues, proprietary technology or customers can expect to be valued by Arch Venture at between \$2 million and \$5 million," says Kerr, who admits that setting valuations is more art than science.

"If you want to get a more favor-

able valuation, try to get a strategic corporate partner," says E. David Ellington, president and CEO of Net-Noir (www.netnoir.com), a San Francisco-based African American

ROUND TWO: BEYOND START-UP

Almost as soon as you've secured your first round of financing, it's time to begin thinking about the next round and what milestones your company needs to meet to secure it. For Kim Folsom and SeminarSource that meant adding features and functions to the Website, signing key customers, filling out the management team and launching the product.

"As you're forecasting your milestones, you also need to forecast your capital requirements for the next round and start spreading your story to people," she says. To keep SeminarSource.com on track for success, Folsom raised \$2.5 million in the second round from a mix of angels and professional venture capital funds from SynCom, a Silver Spring, Maryland-based minority-targeted private-equity firm. SynCom recently expanded its focus from communications properties to include technology start-ups such as Seminar Source, NetNoir and B2EMarkets.com. Folsom expects to raise \$10 million to \$15 million in a subsequent round and looks to have purely venture capital investment.

"When it was time for our second round, I knew we needed to get professional venture capitalists involved if I wanted to compete with the Lucent and Ciscos of the world, because of the additional credibility and resources they bring," explains Dean Hamilton, CEO of CoSine Communications, which offers Inter-



"The business-to-business market is only just developing, and it's over 10 times the size of the business-to-consumer market."

—Charles Sheffield, Carthage Venture Partners

based law firm Cooley Godward L.L.P. The term sheet reflects the valuation of your company and delineates the parameters of the investment.

able valuation, try to get a strategic corporate partner," says E. David Ellington, president and CEO of Net-Noir (www.netnoir.com), a San Francisco-based African American

net service providers (ISPs) the ability to offer value-added services such as virtual private networks to their business customers.

For Hamilton, that meant using the \$3 million in angel funding that he secured in November 1997 to set up the company and begin proving the market for his product. By August 1998 it was time to engage the professional venture capital community. "It took us nearly three months to close our second round despite the fact that CoSine had grown to 60 employees, proven its technology and had established customer contacts with companies like Qwest Communications to validate the market for the product," says Hamilton, who gave venture capitalists the opportunity to inspect the technology with their own technical teams. In December of 1998, CoSine closed on a second round with \$11 million in financing.

"Once we raised the second round, things started to change very rapidly for us," says Hamilton, who raised \$22.5 million in a third round from some of the top venture capital firms in the world.

The collective weight, expertise, connections and guidance of these professional firms has propelled CoSine to rarefied air. To date, CoSine has raised \$94.5 million, including \$60 million in a successive round in August 1999. "After you've raised a few rounds it becomes easy to do, because you have a network of people and companies to draw on," says Hamilton. "It took three months to raise our second round of \$11 million—and only one week to raise our last \$60 million."

Certainly raising venture capital is not easy. But for those who build their networks and learn the rules of the game, it can be a very productive experience. Expect to see more African American-owned companies having success in this arena. And if you play your cards right, one of them could be yours. **BE**

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Plugging into savvy consumer shopping habits can add up to substantial savings over the long run

BUYING POWER

IT'S BEEN MORE THAN 20 YEARS SINCE DEBBIE SLATER was caught in the clutches of the welfare system, but the OB-GYN nurse practitioner will forever cling to the memories of those challenging times.

"I was in nursing school and my husband left me flat. He didn't pay any child support, took all of the furniture and that was [that]," she recalls.

Money was extremely tight, so Slater clipped coupons and practiced strict budgeting. "I couldn't afford to go beyond my budget because the monthly payments that I received from public assistance were my only income," Slater says. "So I allotted a certain amount for all of my expenses every month and put the money in separate envelopes. Soon I realized that I could stay within my monthly budget and still get some of the things I wanted by buying in bulk and putting lots of

items on layaway. Now, there is a lot more money to budget, and more envelopes, but I still practice the same strategies to this day."

To call Slater an accomplished professional would be

party favors. Slater's strict penny-pinching strategies and supreme bargain-hunting skills have also enabled her to sock away enough money to acquire four houses, several furs, a car and a hefty investment portfolio. "It's all because I've learned the value of delayed gratification and smart shopping," she boasts. "There is no way I could

is to help you become a high-powered consumer as we focus on principle No. 3 of BLACK ENTERPRISE's Declaration of Financial Empowerment (DOFE): To be a disciplined and knowledgeable consumer. Here are some guidelines:

BEFORE YOU BUY

■ **Establish the difference between your needs and wants.** "A need is never realized while standing in a store," insists Mary Hunt, author of *Mary Hunt's Debt-Proof Living: The Complete Guide to Living Financially Free* (Broadman & Holman Publishers, \$14.99). Hunt, a reformed spender, says you should "plan your purchases rather than shop. Instead of wandering into a mall or store to see what they have, only purchase the items

Principle No. 3: To be a disciplined and knowledgeable consumer.

an understatement. In addition to her medical work, the world-traveled 46-year-old reigns as the queen of several entrepreneurial ventures. From the Website www.clipperkeeper.com, she sells equipment cases for barbers. She also sells lingerie and makes and sells

have these things without being a savvy consumer."

How do spending habits affect your ability to become wealthy? In this article, we'll show you how to assess the way you purchase before you buy, while you shop and after you make your purchases. Our goal

BY MONIQUE R. BROWN

you need from your prepared list." For the most part, any item that will directly impact your basic survival (health, food and shelter) is probably something you need and should take priority over anything you want. But even these items aren't absolutes. Determine whether you can maintain quality by choosing a less-expensive brand. Or, decide if you can wait until the item is on sale or fits in your budget.

The same test should be applied to items on your "want" list. The widespread use of cell phones is a perfect example, says Nancy Youman, co-author

makes sense within your particular lifestyle and income.

■ **Investigate alternative products and services as well as manufacturers.** "Make a list of the things you plan to use the item for and let that guide you in your choice of which model will suit you. Then plan to spend only as much money as you need to get the utility that you're looking for," suggests Youman. She recommends consumers refer to resource books, professional organizations, friends, family, consumer magazines and the Internet for price and product comparisons as well as

peruse top fashion magazines and visit department stores that have a reputation for offering high-quality goods. Then ask the salesperson to help you select a variety of fine suits and try them on. Closely examine the fit, buttons, finish, labels and price tags of the ones you like. That way you'll be able to identify a good substitute or you'll know when you're really getting a good deal on a particular label.

Now that you know the type of product you're looking for and have narrowed down your selection of retailers, here's some advice for making your purchase:

ple, if you're purchasing a car, you should know how much the car should be selling for in the marketplace (see "Don't Get Taken For a Ride," Verve, June 1999). The same thing is true for a house. If you know what other houses in the neighborhood recently sold for, then you know if the seller is being reasonable."

■ **Shop off-season and get price quotes from at least three different retailers.** "Shopping around [and purchasing at the right time] can save you huge amounts of money," says Youman. For example, you'll save on things like window air conditioners, fans, lawn furniture, grills, lawn mowers, pool equipment and camping gear in late August or early September. Winter necessities, including Christmas decorations, can typically be had for 40% to 60% off from January through March. And when you're shopping for bargains, focus on the final price, not the percent it's discounted. Says Slater, "A lot of times stores raise their prices and then offer big discounts. But if you track the prices of the items you want to buy, you'll know when they're trying to pull the wool over your eyes."

■ **Avoid impulse purchases.** The International Mass Retail Association reports that half of all sales are impulse purchases, but you should only purchase items that you've planned to buy. If you come across an item that you want, put it on next week's list. Also, get a good night's sleep before you make a decision about a big-ticket item, advises Hunt. She says, "You'll probably change your mind in 24 hours. That's why salesmen want you to act sooner rather than later."

■ **Don't believe the hype.** Go to an independent source to assess any information you've received

Expose yourself to quality high-end items even if you can't afford them. That way you'll be able to identify a good substitute or spot a deal.

of *The Consumer Bible: 1001 Ways to Shop Smart* (Workman Publishing Inc., \$15.95). "People automatically buy huge amounts of cell phone time. But if you're not going to use that time, get a plan that offers fewer free minutes at a cheaper price."

■ **Closely examine your motives for making a purchase.** "We [African Americans] often buy things to make us appear popular when we really should select products that are more affordable. Our need to maintain a particular public image has damaged us economically," states Linda Weatherspoon Haithcox, national manager of economic development at the NAACP's headquarters in Baltimore. You should never purchase a product to bolster poor self-esteem or because you want to compete with someone else: Your purchases should be based on your own preferences and what

a list of manufacturers. Also see if the stores you plan to do business with have any complaints lodged against them at the Better Business Bureau or a local consumer agency. *Cheapskate Monthly* (800-550-3502, \$18 annually), for example, is a newsletter published by Hunt and a great resource for tips on getting out of debt and improving spending and saving habits. It also has a listing of shopping alternatives.

■ **Familiarize yourself with quality products.** "I go to very upscale stores to look but I never buy, especially on the first visit," notes Slater. "I then go to Burlington Coat Factory or some of the other, less-expensive outlets to see if I can save money on the items I want. Most times, I find it cheaper." It's important to expose yourself to quality items, even if higher-end products or services aren't in your budget. If you're shopping for a suit, for example,

WHILE YOU SHOP

■ **Take your children along.**

"After a child gets [to be] a certain age, we relinquish our commitment to shop with our children," cautions Haithcox. That means we're sending our kids out into the world without teaching them how to properly evaluate their purchases. Once you become a more savvy consumer, pass this information along to your children. According to Haithcox, "We should encourage our kids to make purchases based on their needs, which products offer the best quality within the constraints of their budget, as well as which companies invest in their communities."

■ **Use your research to assess your purchases.** "Remember the results of your independent research. You should know which brands offer high quality and at what price," advises Youman. "It's important to have a lot of information. For exam-

from a company's representative or advertisement. Remember, sale offerings are a marketing tactic to get you into the store. The store hopes that you'll purchase additional items. Don't let a good deal draw you into making an unplanned purchase—particularly if it has a hefty price. And if you find that a product you planned to purchase was misrepresented in an advertisement, or the retailer advertised a lower-priced item only to convince customers to buy a higher-priced one when they arrive (a scam called bait-and-switch), report the offender to your local Better Business Bureau.

■ **Examine brand loyalty carefully.** "African Americans are very brand loyal—almost to a fault," comments Haithcox. What have the manufacturers of the products you financially support done for you lately? Check resources such as the Internet and the NAACP's Consumer Choice Guides (see "Flex Your Financial Muscles," July 1999) to find out. Adds Slater, "I'm not in agreement with being brand loyal. We're making companies rich that don't have any allegiance to the African American community—especially in the area of clothing."

■ **Make sure you read and understand any contract you're required to sign.** According to Youman, your contract should include any verbal promises made by the seller, substitutions and any amendments that were agreed upon. You should also ensure you understand the seller's refund or return policy and get the specifics in writing. Avoid store payment plans that charge interest or finance charges for purchases on layaway. And "if you have questions that aren't answered, don't

TRACK YOUR DAILY SPENDING

The chart below illustrates how you can track your daily spending. Feel free to change the column headings to track your expenditures on a monthly or annual basis. In addition, modify the chart by adding categories that reflect your spending habits.

Week# / Month / Year

	mon	tue	wed	thu	fri	sat	sun	tl
FOOD								
Groceries								
Breakfast								
Lunch								
Dinner								
Snacks								
Guest								
Totals								
SHELTER								
Housing								
Phone								
Water/Grbg								
Gas & Elec.								
Cable								
Newspaper								
Hsehd lms								
Insurance								
Hsekeeper								
Totals								
SELF CARE								
Clothing								
Shoes								
Accessories								
Haircare								
Toiletries								
Manicure								
Massage								
Medical								
Clnrs/Lndry								
Life/Disab								
Totals								
RECOVERY/SELF IMPROVEMENT								
Spiritual								
Therapy								
Finl Cnslg								
Totals								

	mon	tue	wed	thu	fri	sat	sun	tl
DEPENDENT CARE								
Clothes								
Childcare								
Pets								
Totals								
TRANSPORTATION								
Car Payment								
Gas								
Maintenance								
Parking/Tolls								
Bus/Bart								
Insurance								
Totals								
ENTERTAINMENT								
Movies								
Video Rental								
Concerts/Thtr								
Dating								
Totals								
INVESTMENTS								
Savgs (Cushn)								
Vacation								
Retirement								
Totals								
MONTHLY ALLOCATIONS								
Taxes								
Car Reg								
Totals								
MISCELLANEOUS								
Totals								

159 |

SOURCE: *The Basic Money Management Workbook: A 12-Month Program For Financial Peace Of Mind* by Glinda F. Bridgforth, Bridgforth Financial Management Group

hesitate to look elsewhere," advises Sheila Adkins, public affairs manager for the Council of Better Business Bureaus Inc. in Arlington, Virginia.

■ **Don't buy extended warranties.** "Most people never use the extended warranty, so it's money that you're paying out for nothing," insists Youman. This is especially true for long-lived, easily maintained appliances like dishwashers and refrigerators. If you're still thinking about buying an extended warranty as added protection against costly repairs, assess the expense based on the "10 Percent Rule" outlined in *Beat the System!* edited by Jeff Brendenberg (Rodale Press, \$27.95). It stipulates that an

and other benefits. "There is a certain protection that comes with shopping with a credit card. If the item turns out to be faulty, broken or inoperable, you can dispute the charge with your credit card company and possibly get it off your account. That's much more protection than a cash sale." How have you used your credit card in the past? Your response should dictate how often you use your credit card in the future.

■ **Speak up about the price.** According to Youman, "Pricing is probably a little more flexible than people realize, and you lose nothing by [trying to negotiate]." According to *Beat the System!*, most negotiable items fall into one of three categories: major

(particularly employment or modeling agencies), credit repair ploys (see "Cleaning Up Your Credit," July 1998) and easy-does-it loan or credit card offers. According to the Better Business Bureau's Adkins, "If it sounds too good to be true, it may be a scam."

AFTER YOUR BUY

"If the retailer or manufacturer hasn't taken any more money from you than you intended to give them, then you're a winner," Hunt declares. And if you're happy with your purchase, you're in great shape. So, share your good news with the manufacturer, retailer and your friends and family. Just be sure to save any manuals, sales receipts and written warranties that accompany your product or service.

But what if your shopping experience was less than ideal? Here are some solutions:

■ **Communicate any problems to the seller or manufacturer.** Check the warranty to see who you should contact if you have questions. If your paperwork doesn't specify, call the toll-free number listed on the product or start with the retailer. Youman advises that you "express your concerns in a calm, friendly tone and tell them what you would like them to do to resolve the matter." If your phone calls don't get results, follow up with a brief typewritten letter. It should include the date and place of purchase, the name of the retailer, product information (serial or model number, warranty terms), a description of the problem, how you've tried to resolve the issue, who you've spoken to in the past and how you want the company to respond. (Do you want a refund, repair or exchange?) Don't forget to include copies of all relevant documents, such as

the warranty, receipts and contract. Also, consider sending your letter certified so you know who signed for it.

■ **Record your efforts to resolve the problem.** Write down the dates and times of your phone calls, as well as the name of the contact person. Keep copies of any letters that you write to the company and save the letters it sends to you.

■ **File a formal complaint.** If you feel you've given the company ample time to respond and you still aren't satisfied with the results, file a complaint with the Better Business Bureau (www.bbb.org) or regulatory agency. You can also consult the National Consumers League (www.nclnet.org) or your local consumer agency for guidance.

To avoid this sometimes lengthy process, Slater says it's best to buy from "retailers that don't have any qualms about taking their merchandise back. Plus, if you do your homework at the onset, you'll have a lot [fewer] returns." For Slater, being happy with her purchases and reaping the enormous benefits of her savvy shopping habits don't compare to the joy she feels when she notices her married son practicing these same strategies. "For Keith's birthday, I gave him some money in a card," she remembers. "Shortly after he opened the gift, he dashed out the front door. He didn't know it, but I heard him whisper to his wife: 'This is great. Now I can get my coat off of layaway.'" ■

You can get your copy of the BLACK ENTERPRISE Declaration of Financial Empowerment and the BLACK ENTERPRISE Wealth Building Kit by calling toll-free number 877-WEALTHY, or logging on to www.blackenterprise.com

"Pricing is a little more flexible than people realize, and you lose nothing by [trying to negotiate]." —Nancy Youman

extended warranty should never cost more than 10% of the product's purchase price.

■ **Be honest about your credit card use.** "A lot of times we use plastic because we're not sure we have the cash to pay for the item, and that's not a good strategy. A \$300 suit is seen as \$15 a month. That's why running up debt with a credit card is simple to do but difficult to get out of," Hunt explains. "The closer we can get to cash, the closer we'll be to becoming savvy consumers." On the other hand, if you pay your balances on time and in full every month, aren't paying an annual fee and you're able stay within the confines of your budget, using your credit card actually gives you access to an interest-free loan

appliances, vehicles and consumer electronics equipment. You can also bargain on the extras—such as delivery and installation charges—to reduce a final price. For the most part, there is less pricing flexibility in department stores, discount stores and catalog showrooms. But the more expensive and widely available a product is, the more room you have to negotiate. You should feel good if you need the manager's approval for a deal you've struck. It's probably a good one.

■ **Distinguish bargains from bogus offerings.** Beware of lotteries, multilevel marketing and pyramid schemes, companies that require money before you receive the product or service



Ask Annie

Getting Visas for Techies And Shifting out of Idle

DEAR ANNIE: I am very confused when I read FORTUNE and other U.S. publications that always talk about how information technology workers are getting rich, driving Porsches, and living in big mansions, etc. Here in Indonesia, IT workers make very low pay, almost like restaurant cooks. I am living in a 16- by 16-foot room I share with someone, and to get to work I must use the most scary bus in the world. I am 28 years old and have good skills (can implement Oracle ERP and am certified in Microsoft systems engineering, with six years' experience). How can I come to the U.S.? My friends say I need an H1B visa. To get that I have to apply to a U.S. company that will sponsor me, but so far I have had no luck. Can you help me?

SMART AND POOR

DEAR S&P: Believe me, there are plenty of companies here who would love to have you, although I'm not sure all of them would pay you enough to buy a Porsche. The Bureau of Labor Statistics expects the number of high-tech jobs in the U.S. to rise to 2.7 million by 2008, nearly doubling from fewer than 1.4 million in 1998. Yet the supply of techies isn't keeping pace. Bringing in more skilled workers from abroad would seem to offer one way to fill the gap, but U.S. immigration policy has become a political minefield. Two years ago furious lobbying by big companies in Silicon Valley and elsewhere inspired Congress to raise the annual limit on H1B visas from 65,000 to 115,000 for 1999 and 2000. Last year the entire 115,000-visa allotment was used up by early June, and this year shows signs of following that trend. To make matters worse, the government now plans to issue only 107,500 H1B visas in 2001, returning to the original base of 65,000 the following year.

No wonder you are having so much trouble finding an H1B sponsor, but don't despair. You may yet be able to come to the U.S. on a different type of visa, called a J-1, that would allow you to work here for 18 months. This is only half the three years' duration of an H1B, but according to Michael Gaedeke, who is executive director of Los Angeles career-development firm Sar-

tori & Associates, "many J-1 visa holders, once they have established themselves at U.S. companies, end up staying on an H1B visa"—and eventually achieving permanent-resident status. J-1 visas are issued from U.S. embassies abroad, so the application process is generally much quicker and smoother than the bureaucratic travails involved in getting an H1B. Sartori runs a service that helps young professionals like you get a foot in the door with American employers, so check out the firm's Website, www.sartori-associates.com. Another site you should visit: www.cdsintl.org. CDS is just one of many nonprofit groups that are authorized to issue you a J-1 application in your own country. (The form you need is called an IAP-66.) Good luck. Do forgive us if we ever implied that every American techie lives in a mansion—but here's hoping you can get off that scary bus.

DEAR ANNIE: I am an information technology contractor, placed by an agency that retains me as a salaried employee. My current position has taken a turn for the worse, since my project no longer exists and I spend my days literally doing nothing. (The rest of my group is also doing nothing, and our boss seems to think this is normal.) I have a few months left on this contract, but I will go insane if I stay here. I want to ask my agency to place me somewhere else. Is this considered bad form?

MENTAL JELL-O

It may be hard to find an H1B visa sponsor, but don't despair. You might qualify for a shorter-term visa.

DEAR M.J.: As a rule, any job that makes you feel you will go insane is a job that you should quit as soon as possible. It's hard to see how requesting a more challenging assignment could make you look bad—and maybe if your agency gets enough complaints like yours, someone there will make an effort to encourage clients to stop underutilizing skilled people. There is such a dire shortage of people like you right now that letting you sit idle is scandalous.

DEAR ANNIE: My direct supervisor expects me to make all kinds of false excuses and promises to cover his own lack of performance. What should I do?

PORTLAND

DEAR PORTLAND: Are you kidding? Get a new boss. **F**

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ONLINE. POINT YOUR WEB BROWSER TO www.askannie.com.

a startup, bereft

Living Without a Leader

BY DEVIN LEONARD • Fred Wilson was impressed. A partner in New York's respected venture capital firm Flatiron Partners, he had just heard a pitch last fall for Urban Box Office, a startup planning to launch a series of music, art, and e-commerce Websites targeted at different segments of the millions who love rap music or hip-hop culture. "This is a better way to build an Internet media company," Wilson recalls saying, referring to the fact that UBO isn't betting everything on one site.

Moreover, Wilson was captivated by George Jackson, UBO's CEO. A charismatic former chief of Motown Records, Jackson had an inspirational quality. But Wilson says he worried about the health of the 42-year-old CEO, who weighed 325 pounds. Jackson's breathing was labored, and he perspired constantly.

Wilson's firm ultimately decided to buy in, leading a group that invested \$16 million on Jan. 20. The investors insisted, as is standard, that UBO take out \$5 million in "key man" insurance to protect against the deaths of Jackson or the company's president.

Three weeks later, on Feb. 10—before anyone had purchased in-

surance—Jackson died after suffering a massive stroke. UBO's investors and partners and its 200 employees were devastated. Jackson's co-founders, former music industry executives Adam Kidron and Frank Cooper, vowed to carry on. Jackson's death would have been the end of UBO if it had occurred six months earlier, they acknowledge. But now, they insist, UBO has come so far that it's only a temporary—if emotionally wrenching—setback.

Jackson's death shows how precarious startups can be. The chief of a fledgling company is often as valuable as his or her business plan. "In the real estate business, it's about location, location, location," says venture capitalist Jim Breyer of Accel Partners in Palo Alto. "In the venture capital business, it's about team, team, team." In this case, the key team member was Jackson. Always there, it seemed, to soothe frayed nerves, Jackson had a way of making people see things as he did. In part, that was because his own story was compelling.

Raised by a single mother, Jackson grew up in Harlem and attended Harvard College. He eventually worked his way up through the movie business, producing the seminal rap movie *Krush Groove* and the hit film *New Jack City*, which also spawned a smash hip-hop soundtrack. From 1997 until the parent company was acquired in 1998, Jackson was CEO of Motown Records.

Along with longtime friends Kidron and Cooper, Jackson decided then to create an Internet business that would serve the millions of hip-hop devotees of all races, whom they believed had been largely ignored on the Web. The threesome raised \$5.5 million in a first round of financing and set to work. UBO had landed its second round of financing when Jackson passed away.

As traumatic as it has been, Jackson's death has been "galvanizing," says Flatiron's Wilson. "Now you've got 200 people who are probably working 20% or 30% more each day to make sure this thing happens."

They have plenty to do. On March 1, UBO launched IndiePlanet, a Website that will enable independent filmmakers, fashion designers, and other artists to exhibit and sell their work online. UBO hopes to launch as many as nine more sites this year, including LatinFlava, an online magazine, and OtherVisions, a site with live broadcasts and provocative animated shows. The company will sell advertising and market everything from designer clothes to custom car parts.

Kidron is running UBO for now. He says that's essentially what he did when Jackson was alive: "If you want to use a sailing metaphor, I'd chart the course, Frank would make sure the ship gets from port to port, and George would make sure it was an entertaining ride." Still, Kidron says he finds himself dialing Jackson's number, forgetting he can no longer be reached.

The staff has yet to come to terms with the death. They have created a Web tribute and reach decisions by agreeing, "That's what George would have wanted."

Maybe that's enough for now. But as much as the staffers venerate Jackson, their ultimate task, ironically, is to show that they can get along without him.

Co-founders Kidron (left) and Cooper flank LatinFlava CEO Ney Primetel.



JONATHAN WORTH

Now, for all you Net potatoes, here's NBCi

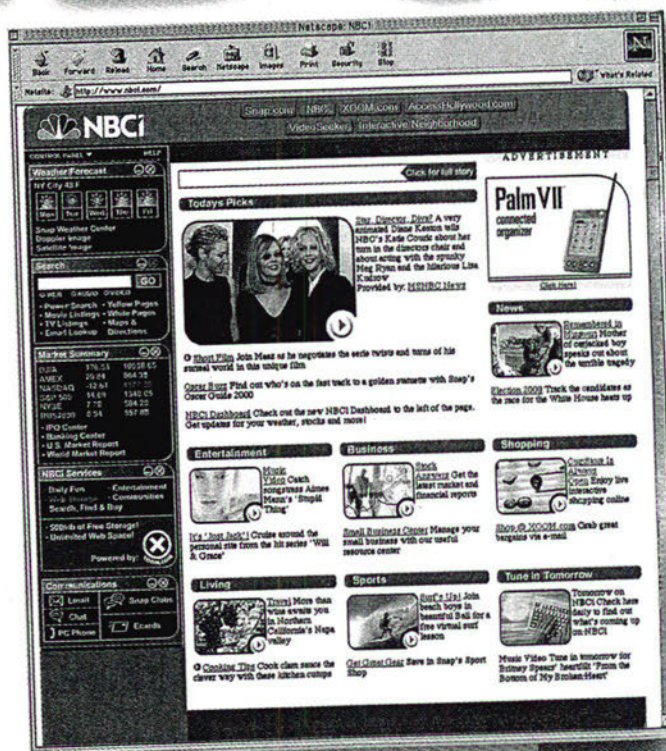
NBC wants a broadband portal. GE wants a Net stock. NBCi is trying to be both. So where does that leave investors?
By Daniel Roth

We've got to get more wampum," Jack Welch declared. It was early March 1999, and Welch was addressing a crowd of business executives at New York City's 92nd Street Y. They had come to hear about Welch's management legacy, but at the end the questions turned to the market. Welch complained that he couldn't do deals with "real money" when everyone else was using highflying stock. "That means we have to have seven more dot-coms," he said, "so that we can trade our paper with someone else's paper. And we're doing that."

Across the continent the wheels were in motion. Executives at GE's NBC division were talking with Chris Kitze, the founder of Xoom.com, a publicly traded Internet direct-marketing company in San Francisco. How would Kitze, NBC asked, like to merge his Xoom with some of NBC's Internet properties, like Snap.com and AccessHollywood.com? Kitze thought it over, then agreed. Eight months later the new entity, NBC Internet, went public. Suddenly Welch had his wampum. Now all he needed was a business to back it up.

The result is NBCi.com, a portal that as of Feb. 28 offers jerky streaming video of MSNBC and Bloomberg news; animated shorts; and something called the NBCi dashboard, a column of boxes that can be dragged around the screen, each with a different feature such as local weather, sports scores, or search. Picture MyYahoo as easily configurable as a jigsaw puzzle. It's frenetic and a bit confusing. But it's just a first step.

NBC and GE plan to turn NBCi into the No. 1 site on the Web. How? By concentrating on broadband surfers, the 3% of Internet



users who connect with cable modems or digital subscriber lines. Today broadband means fast but often glitch-filled video and audio. As technology improves, so should the reliability of sending streaming data, until eventually broadband becomes as stable as, well, what you see on your TV. And NBC has 50 years' experience making programs for that box. The thinking goes: If NBC can push its 155 million weekly viewers to check out NBCi and apply its entertainment skills to persuade them to stay, then when

NBC CEO Robert Wright, chairman of the new company, hopes NBCi.com can overtake Yahoo.

broadband becomes dominant on the Web, so will NBCi.

"The Internet is moving from Internet 1.0 to Internet 2.0," says NBCi CEO Kitze. "It's as powerful as the change from DOS to Windows. So Yahoo is the king of DOS. Well, I got news for you: WordPerfect was the king under DOS as well. Broadband is really about high-speed usage and high-speed access. NBC clearly knows a lot about that."

Call it a clicks-and-clickers strategy: NBCi is trying, to some extent, to blend its operations with the network's. Over the next four years NBCi will spend \$100 million annually hawking itself on NBC, MSNBC, and CNBC. NBC is promising good placement for NBCi ads, sticking them into shows popular with young Webheads, like *Late Night With Conan O'Brien*. NBCi will be selling ads too—not in typical Internet banners, but in broadband spots that resemble 30-second TV commercials. (NBC and NBCi hope this will enable them to sell packages to advertisers.) For people already accustomed to shopping through their television, ValueVision, a home-shopping network 40% owned by NBC and GE Equity, will promote NBCi to its viewers. A dedicated window on NBCi.com's shopping section is devoted to Webcasts of ValueVision, where surfers can buy everything from \$16 Al Roker "Sunny & Muggy" coffee mugs to \$15,000 Piaget 18-carat diamond-dial watches. NBCi keeps 2% of the sales. And all of this, of course, will carry

the NBC brand. Says NBC CEO Robert Wright: "Most Internet brands are pretty thin. We're getting out there with a brand that's already established."

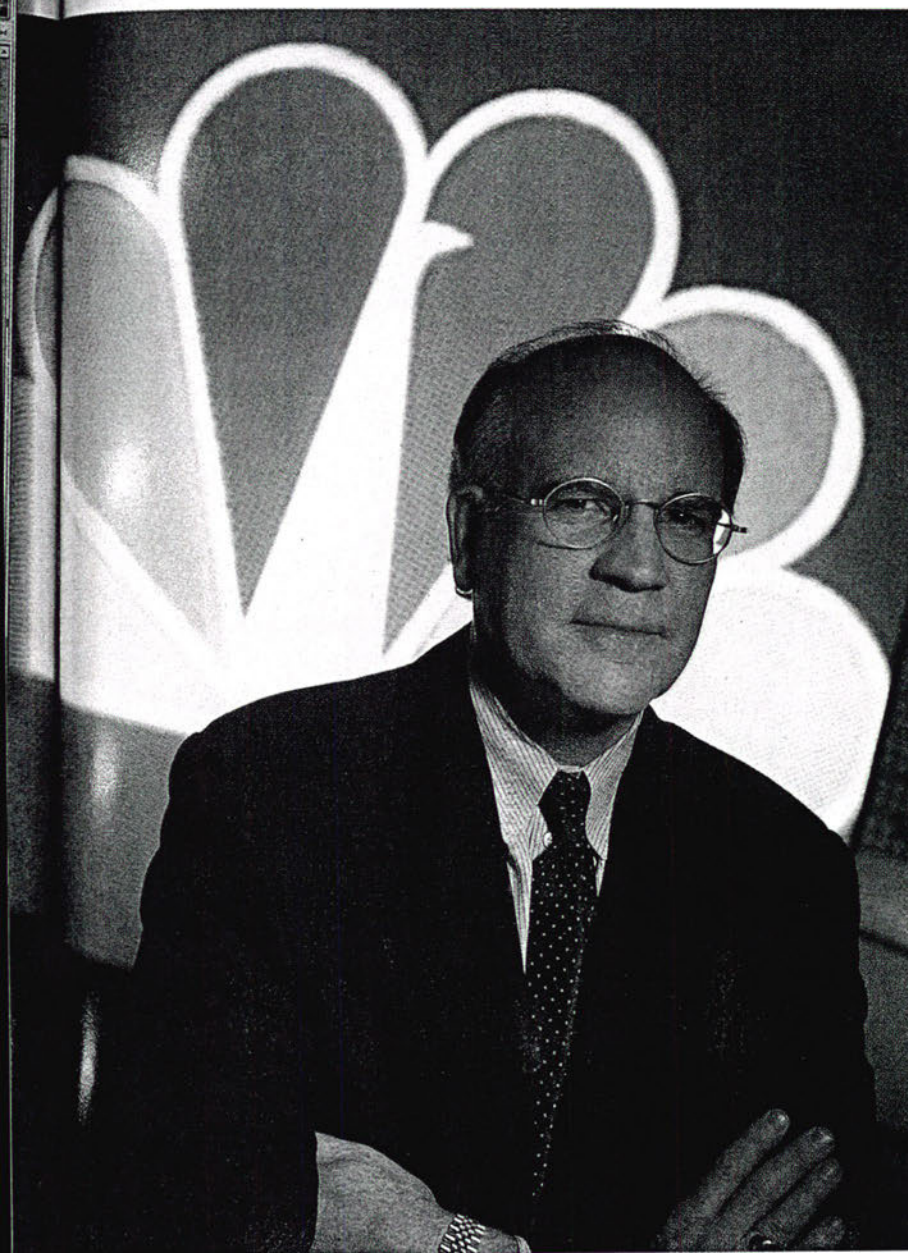
To make sure NBCi works, Welch has packed the board with big names. Besides Welch and Wright (who is chairman), there are NBC West Coast President Scott Sassa and Clear Channel Communications CEO L. Lowry Mays—decidedly old-media guys. To get Wall Street's attention, though, NBCi needed a new-media CEO, and Kitze got the nod. "Chris had done a good job with Wall Street and with doing what you need to do to be a player with an Internet stock," says Tom Rogers, former head of NBC's multimedia division and now CEO of publishing company Primedia. "We didn't want this entity to smell or feel as if it were a unit of a traditional company, with the limitations of style and speed that might impose." Flip through the company's SEC filings, however, and you quickly realize who's in control. Even though GE nominates only six of the 13 directors and owns 44% of the stock—the minority stake keeps NBCi's losses off GE's income statement—GE has the sole right to fire the CEO. If Kitze can't pull it off, GE can pull him. But is this really the formula for wooing investors?

So far, the answer is a resounding no. Since NBCi went public in late November, the company has lost 33% of its value; at a recent \$50.69, its market capitalization stood at \$2.6 billion. Yahoo, by comparison, has risen 46% since NBCi went public, and Lycos is down 6%. While Yahoo trades at 47 times 2000 revenues, NBCi trades at 15. Analysts who cover NBCi are convinced that it just hasn't told its story well and rate the stock a "buy" or "strong buy." But regular investors remain leery.

The problem, it appears, is that to be valued as an Internet stock, you have to be an Internet company. And no one is buying the notion that NBCi is anything more than a pawn of NBC—a slow-footed old-media giant more interested in building a currency than in building a business. Certainly history doesn't help NBC's case. The Time Warner (parent of FORTUNE's publisher) attempt at building a portal, called Pathfinder, turned into an Internet turkey. And Disney has found that all its media know-how hasn't been enough to make its Go Network a credible Yahoo competitor.

Investors aren't convinced that NBC can do much better with its Internet play, especially not with the collection of sites that make up NBCi. Besides Snap.com and Xoom.com, there's videoclip library VideoSeeker; NBC's local-content sites, called Interactive Neighborhood; and TV tie-in site NBC.com. (There's also a nonoperating 10% stake in CNBC.com.) It's more a collection of URLs than of e-cogs and i-gears. "This is definitely one of these mythical synergy plays," says David Card, a senior analyst at technology research firm Jupiter Communications in New York. Together, those properties pulled in 16.7 million viewers in January. While that made NBCi the seventh-most-visited property on the Web, it still drew 60% fewer surfers than AOL or Yahoo, and between 50% and 25% fewer than second-tier portals like Lycos, Excite@Home, and Go.

And all those competitors have their own broadband strategies in the works, though few are ready



CHRIS SANDERS—CORBIS OUTLINE

to talk about them. An executive at Excite, which has 1.2 million broadband subscribers through its @Home cable service, laughed when asked about NBCi's declaration of intent to be the first broadband portal. "We've been doing this since 1996," says Richard Gingras, Excite@Home general manager of broadband services. "NBCi? Where was NBCi then?"

In 1996, NBCi wasn't even a thought in Chris Kitze's head. Kitze, a tall 40-year-old with a boyish face and a taste for two-toned Top-Siders, calls himself an "entrepreneur by DNA." He spent the late 1980s and early 1990s starting and selling two CD-ROM companies, getting out of both before the market for CD-ROMs tanked. In April 1995, in the infancy of the Internet, he started Point Communications, a company that reviewed Websites and served as a directory. Within six months it was

snapped up by Lycos for 8% of Lycos' stock, worth \$20 million at its IPO. Kitze joined the company as vice president of marketing and immediately started suggesting companies to acquire. He was shot down almost every time. After Lycos went public, he says he even tried to persuade CEO Bob Davis to sell out to Yahoo. No luck. So in June 1996, Kitze quit and moved to Lake Tahoe. It was, he decided, time to retire: "I got fed up with bringing so many deals to the doormat and nothing happening."

It was a short retirement. Within weeks, Kitze was selling his Lycos shares to buy software and clip art that people could use to decorate their Websites for the first incarnation of Xoom. When Xoom launched in September 1996, it had little success hawking Microsoft Office-like software for

Looks like a dot-com: CEO Kitze (left) and COO Sanctis in their office-in-progress.



\$29.95 a month. "We discovered very quickly that on the Web, the right price is free," Kitz says. So he rented an e-mail list from Naveen Jain, founder of InfoSpace and an early investor in Xoom, and spammed everyone on it. He invited readers to download free clip art from Xoom.com; if they liked what they saw and didn't want to spend their time downloading, they could buy a diskful of clip art instead. In late 1997, Kitz started giving out free home pages to the Xoomers if they agreed to receive e-mailed sales pitches from Xoom. By the end of 1997 the company had \$841,000 in revenues, more than one-third from e-commerce (this while most Internet sites were dependent on advertising dollars). Freed from Lycos, Kitz spent millions in cash, debt, and stock buying companies, running up a \$14.4 million deficit by the end of 1998. But he had also attracted 5.4 million members. By last March, Xoom was the 13th-most-visited Web property.

NBC, meanwhile, was trying to find something to do with the 12th-most-visited property, Snap.com, a portal started in 1997 by CNET. NBC bought its way into Snap in June 1998, spending \$38 million (\$6 million in cash and \$32 million in guaranteed debt) for 60% of the company. But despite spending \$42 million on advertising over the next year (on NBC, of course), Snap pulled in only \$19 million in revenues. At the same time, Jack Welch had started declaring his need for "wampum." Tom Rogers, who was guiding NBC's Web strategy at the time, dug up some Internet properties he could sell. Because MSNBC.com was part-owned by Microsoft, Rogers couldn't touch it. So he decided to use Snap and the others as bait. "We were trying to create, on a cash-free basis, a company of scale that could be an Internet currency," he says. He talked to Lycos, theglobe.com, and others but settled on Xoom because of Kitz's knowledge of direct marketing, and because, Rogers says, he felt Xoom was a company over which NBC could have "sufficient direction and control." Last year NBCi had pro forma revenues of \$74 million and a loss of \$160 million. Analysts think it will do \$173 million in revenues this year and lose another \$525 million, including depreciation and amortization costs. Catherine Skelly, an analyst at Gruntal & Co., thinks NBCi will turn a profit by 2004.

Kitze may have combined the balance sheets, but can he combine NBC's competing agendas? Can NBCi be both wampum for GE and a company that will out-Yahoo Yahoo? So far Kitz has worked quickly to build NBCi, spending its wampum freely. Since the merger four months ago, he has bought three tiny technology companies and acquired business-to-business site Allbusiness.com for \$225 million in stock—a price that values Allbusiness.com at an astonishing 56 times 2000 revenues. Kitz insists that the latter is a key part of NBCi's next move, a business-to-business portal.

But he has also had to do plenty of deals with "the family." That's the term Marty Yudkovitz, who took Rogers' place at NBC, calls the different branches of GE. "Any one individual in the family has a good game going," he says. "But when the family locks arms, we become a compelling, attractive partner for people." In February, NBC, NBCi, and family member ValueVision cut a deal with health site SelfCare, trading cash and ad time for equity. In January, NBCi and ValueVision took minority stakes in electronics hawker

Roxy.com. And in December, NBC, NBCi, GE Equity, and ValueVision bought 19.9% of DSL provider Telocity.

All those deals touch on NBCi's business, some more than others. So being wampum can have its good points: With GE, for instance, Kitz gets quick access to executives in GE's \$2 billion Internet portfolio and friends with fat wallets who can help make small deals bigger. When NBCi.com hit the Net, it announced alliances with 23 content providers. Many were already partners with or partly owned by GE—A&E Networks and the History Channel, for example, are joint ventures of NBC, and GE Capital and NBC were early investors in music site Launch.com.

Telocity is a good example of how NBCi can benefit from its GE connections. Last summer, when NBC and Xoom were in negotiations, Edmond Sanctis, now NBCi's COO, heard about the company, which provided plug-and-play DSL service. He talked with executives at the Cupertino, Calif., company, found out they were raising money, then flew to New York, PowerPoint presentation prepared. He met with NBC's Yudkovitz and some GE executives and pitched the company. Yudkovitz brought in ValueVision. Within months Telocity had a deal in place with NBC, NBCi, ValueVision, and GE (and GE's satellite business). Sanctis figures that without NBC and GE in the deal, NBCi could have wrangled some sort of limited agreement with Telocity. Now and for the next 15 years, whenever someone flips on the Internet through Telocity, up pops NBCi.

But the other side to being part of a family is that sometimes you're asked to give back. And there's every indication that Kitz will have to do plenty of Web pulling for GE and NBC. Steven Spinner, senior vice president of business develop-

NBC Web boss Yudkovitz: "When the family locks arms, we become a compelling partner."

ment at NBCi, says he already gets five to ten calls a week from people at GE Capital wanting to know what he thinks about this or that Internet company. And when NBCi gets involved in a deal with its GE partners, it gets their backing at a price.

A case in point is NBC's recent deal with Polo Ralph Lauren. Polo wanted to start an e-commerce operation and, after hearing about NBC's Web plans, approached NBC about going into business. Executives at the network agreed and called in NBCi and ValueVision for help. As the final deal stands, Polo gets 50% of Polo.com, and NBC family members get the other half. NBCi gets 10% of Polo.com in exchange for ad space on its Website, valued at \$40 million, and it makes Polo.com an anchor tenant in the NBCi.com shopping section. That's prime shopping space. Typically NBCi would take a cut of sales from whoever parked there. But with Polo.com it won't see a cent until the company turns a profit. And even then NBCi will have to wait for Polo to take its 10% to 15% royalty on sales first.

Expect more deals like Polo.com: NBC's Yudkovitz thinks he has hit on a perfect formula. "There's no reason why you can't start adding business after business after business," he says.

Despite that kind of talk, Kitz insists that NBCi won't get pulled in all directions, and that it will be run as an independent public company. He'll entertain investment ideas from GE and NBC, but only as long as they hew to his broadband portal goal. "We're nobody's wampum," he declares. GE might not agree. **F**



BRAD GUICE

Who's *afraid* of this kid?

The recording industry, that's who. Shawn Fanning, 19, started a tiny online music service that has giant corporations crying foul.

By Amy Kover

Early this year officials at Indiana University began noticing a curious thing: A rapidly rising percentage of the university's Internet bandwidth was being consumed by students using a new Web service that most of the officials had never heard of. In January some 20% of Indiana's bandwidth was being eaten up. By February demand had grown so huge that the figure was 60%; the university's servers were routinely clogged. Indiana was forced to install a filter to block the service. Several other universities, faced with the same situation, followed suit.

The culprit: students trading online music using a service called Napster. It's just the latest craze in the music world—and if you think the record industry is happy about it, think again. Its main trade organization, the Recording Industry Association of America (RIAA), has filed suit against the six-month-old San Mateo, Calif., dot-com, charging that Napster's primary function is to enable and encourage copyright violations.

Nonsense, counters Napster, we're just providing software. Founded by the fresh-faced 19-year-old Shawn Fanning, Napster is ground zero for online music aficionados who listen to music using the MP3 format. Napster has created a flourishing community in which visitors can chat even as they send each other copies of the latest Ani DiFranco song.

What Napster has invented is an architecture that makes downloading your favorite tunes incredibly simple and

swift. The wrinkle: The music isn't actually traded through its site. Instead, Napster's software, which is free to anyone who wants to download it, allows you to zap a song from your computer via the Internet to another user's hard drive in under a minute. That's great news for anyone who has ever wrestled with a clunky MP3 Website only to have her computer conk out before hearing a single note.

No wonder teens are smitten. Since launching last September, Napster has been the buzz of college dorms and high school locker rooms around the country. Napster claims its user base grows between 5% and 25% daily (daily!). As of early March some five million people had downloaded the software. And why

Online hero or menace to society? Music lover and software inventor Shawn Fanning.



ERIC O'CONNELL

wouldn't teens flip for Napster? Mixing music and hanging out in a chat room sounds like a teen's dream. As one 15-year-old user, Sarah Gunther, puts it: "I love Napster. I'm never buying a CD again."

That's the kind of talk that gives RIAA execs agita. They fear Napster's burgeoning popularity will cut into CD sales. Moreover, the owners of the copyright on the downloaded music (typically held jointly by the record company's publishing subsidiary and the songwriter) don't get compensated. So the trade organization sued in December, charging that Napster "has created and is operating a haven for music piracy on an unprecedented scale."

Though that seems to be exactly what Napster is doing, two intellectual property lawyers say the law favors Napster. For one thing, Napster doesn't actually control any of the music—it never even passes through the Website. "Napster is saying, 'We just put software out there,'" says John Lynch of Howrey Simon Arnold & White. "So the plaintiff has to prove Napster is inducing illegal activity. And inducing is not what they're really doing."

What's more, the RIAA will have to prove that Napster is used almost exclusively for illegal activity, argues Mark Lemley, a law professor at University of California at Berkeley. That will be difficult because Napster provides access to new, uncopyrighted artists as well. The company says it plans to allow other items, such as photos, to be sent using its software too.

Napster argues that it is essentially powerless to prevent users from trading copyrighted music and that it shouldn't be held responsible for their misconduct. RIAA general counsel Cary Sherman dismisses that argument. "If you have knowledge that what you are doing is causing infringement," he says, "you're liable."

If the case proceeds and the courts side with Napster, that will leave Napster's users as the only copyright offenders. Suing every one of them would be futile. So far the RIAA hasn't attempted to do that. It has, however, tried to scare off individuals who have created Websites that allow you to download MP3 files. In those instances the RIAA has sent threatening letters or, in the case of college students, warned their universities.

The RIAA's aggressive posture isn't new—it has resisted new technology for decades. It squawked about cassette tapes years ago and later helped kill digital audio tape, each time on the grounds that recording artists would be deprived of copyright fees. More recently the battleground has shifted to MP3s. Besides its Napster case, the RIAA has filed two copyright suits (one of which it has already lost) against MP3-related companies, including one against MP3.com, the Website that started this whole craze. The industry, meanwhile, is shifting gears: Various record labels are preparing to sell their own song catalogs via MP3 later this year.

If the RIAA sees Napster as pirates' helpers, Napster thinks the recording industry should rethink its business model—and work with the upstart company. That seems like a no-brainer to Napster CEO Eileen Richardson, who, at age 38, plays the role of company elder. Exuding a cocky air of show-biz fabulousness, she says record companies could allow Napster to sell T-shirts and

concert tickets on their behalf. Napster could also serve as a great image maker for their new musicians, she argues. "I don't want to say we're the MTV of the Internet," Richardson lets out slyly, "but—ooops—there, I just did! And look what MTV did for the image of stars like Madonna."

Don't count on a record-company alliance with Napster anytime soon. The RIAA's Sherman argues that asking it to work with Napster is "basically saying: 'Abandon all of your rights and make money in another way.' It tells artists that they're only good enough to sell advertising or maybe a T-shirt."

There's hypocrisy on both sides. Each time record companies see a new threat to their profits, they spout noble rhetoric about protecting the rights of artists. And for Napster to pretend it has nothing to do with copyright infringements is a little like a store that sells drug paraphernalia while claiming it's shocked—shocked!—that people use that equipment to take illegal drugs.

There's also lots of hubris on both sides. The industry's refusal to engage Napster seriously suggests a business that's a bit too comfortable doing things the same old way. But for Napster to suggest an alternative business model to the industry is preposterous. This is a company that has yet to produce any revenue—much less a profit—or even nail down a business model.

Right now it's toying with both advertising and e-commerce possibilities. Napster is paying its employees—and its legal fees—with money from its angel investors. It's also flirting with an impressive list of venture capitalists (including FORTUNE's own columnist Stewart Alsop, who writes about the company in "Alsop

on Infotech" in this issue).

That said, Napster clearly has good prospects, given its giant fan base. Unlike most attention-starved tech startups, it won't have to sink millions into advertising. As Richardson notes: "We have all the publicity we need."

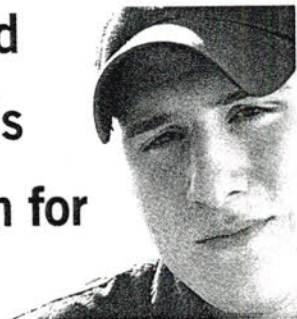
Not all is rosy, though. As its popularity grows, Nap-

ster is facing its own crew of copycats, such as imesh.com. Several different computer junkies have figured out and copied Napster's service. The knockoffs "aren't our greatest joy," admits marketing vice president Elizabeth Brooks. "But we are a free-ware company, so we get the whole free music vibe." She adds: "We are so far ahead of any of the imitations that it doesn't really matter."

All the strife only seems to fuel Napster's appeal. Students have cried censorship when universities have tried to free up bandwidth by blocking access to Napster. That has made it the perfect rallying point for students, who have always loved to get involved in (and outraged over) controversial issues. It doesn't hurt that many of Napster's employees are college age. As CEO Richardson points out: "We've got this great underground feel. People love the fact that they can say, 'Pssst. Have you heard about Napster?'" So in the end, the harder the RIAA pushes Napster, the more users the startup probably attracts.

That's something the company embraces. A few of Napster's employees use a screensaver that shows a picture of the late revolutionary Ché Guevara. The screen reads, NAPSTER: LA REVOLUCIÓN. That's overstating it, perhaps, but the RIAA should take heed: This is one guerrilla force it will have to contend with. **E**

Fanning, the record industry charges, is "operating a haven for music piracy."



ERIC O'CONNELL

Alsop

ON INFOTECH



BY STEWART ALSOP

Bye-Bye, Music Business

Combine one storage device and one nifty piece of freeware, and what do you get? Free music—and the end of the recording industry as we know it.

I'M FEELING GRUMPY. SO EVEN THOUGH I WAS GOING TO try to be polite about the subject of this column, screw it: The music business as we know it today is hosed. I'm a funny guy to be saying this, given that I've invested a few million dollars of my firm's capital in fledgling companies in the music industry. But that's being a venture capitalist: We see opportunity when the status quo is challenged. If I were a music-biz exec, on the other hand, I'd be singing the blues. (And sending VCs my résumé.)

Since December, I've led three investments in this space. But only last weekend did I realize just what an earthquake has struck. That's when I did two things: First, I bought a mind-blowing product called the Compressor Personal Jukebox. Second, I started to look at investing in yet another music-related company, Napster. Put these two together, and you can see just how close the music business is to a total revolution.

I bought the Compressor Personal Jukebox from a mail-order catalog. I recently paid Hammacher Schlemmer \$750 (toys are deductible in my business!) for this groundbreaking product, made by a Korean firm called Hytek Manufacturing. It seems very basic: a 4.6-gigabyte hard disk in a small portable box, with USB port and headphone jack. Run a cable from your PC into the USB port, pop an audio CD into your PC's CD-ROM drive, and the Compressor's software copies the music onto its hard drive. You can store up to 80 hours of music. That's around 100 CDs, which is about all the CDs that my wife, Charlotte, and I own. The Compressor's rechargeable battery lasts for ten hours, and its software is far easier to use than the software Sony supplies with its product, the Music Clip.

Let me be clear: You can copy an entire CD collection onto a single device that fits in a jacket pocket and weighs less than a pound, so you can wander around all day with headphones listening to that collection. Two companies make these devices (check out www.musiccompressor.com and www.pjbox.com), and both got the basic design from Compaq! Yet neither Compaq nor any of the major consumer-electronics companies has introduced a product based on this design; instead, only these no-name Korean firms have delivered. (Combine this with the inconvenience of Sony's Music Clip and

Music Stick Walkman, and it's clear the leading consumer-products companies still don't understand how the industry is changing.)

Shortly after I found the Jukebox, I was introduced to Napster as a possible company for my firm to invest in (other VCs are also looking at it). Here's my basic take: Now you don't ever need to buy another CD. Just collect music free with Napster, copy it onto the Personal Jukebox, and listen to any music you want whenever and wherever you want. And for now, all that's free.

Napster lets you find and copy to your hard disk virtually any song, copyrighted or not. When you register at www.napster.com, you download a program that finds the music on your hard disk and pub-

lishes information about that music in a directory on the Napster Website. It does that for every Napster user; there are now millions. When you start Napster up, it tells you what music is available from other people connected live to the Net at that time, and lets you go get the stuff you want from their hard drives. Some people worry that this might create a security problem. I'm not that concerned—over the past two weeks, I've downloaded more than 100 songs from artists like the Beatles, Bob Dylan, Eric Clap-

ton, Fleetwood Mac, Santana—even Richard Wagner's "Ride of the Valkyries." It helps that I have a DSL line into my house, so song files of three to five megabytes download in a few minutes. Copying songs over a modem would get tedious. IT people at major universities are trying to filter Napster out, because students copying files from one hard disk to another are bringing the campus networks to their knees.

Now, I'm an old guy—all of 48—but it was easy for me to figure out how to get songs from Napster into my Personal Jukebox. And that's when it became clear that the future of music has changed forever. Napster turns what was once a relatively expensive product into a completely free service. That may not last—the Recording Industry Association of America has already sued Napster. But Pandora's box is open.

I may still buy regular old audio CDs, especially cool compilations. I may still go to concerts and events. My kids may still buy merchandise by their favorite artists. But even if I have to pay for a service like Napster's, I know that this, combined with devices like the Personal Jukebox, is the future of music. In fact, any fool who looks at the facts can tell that this business will be completely restructured over the next few years. Maybe that's why I'm grumpy, because I feel like a fool for taking so long to get that.

EDITOR'S NOTE: In this column, Stewart Alsop, our trusted columnist/venture capitalist, looks at how the music business may change utterly. Part of the story is about Napster, a controversial music business startup. Readers should be aware that, as Alsop makes perfectly clear in the column, his venture firm, New Enterprise Associates, is one of several firms considering an investment in Napster. For FORTUNE's take on Napster, please check out Amy Kover's feature story in this issue.

STEWART ALSOP is a partner with New Enterprise Associates, a venture capital firm. Except as noted, neither he nor his partnership has a financial interest in the companies mentioned. Write to him at alsop_infotech@fortunemail.com. His column may be bookmarked online at www.fortune.com/technology/alsop/.



The Gates Millennium Scholars

Funded by a Grant from the
Bill and Melinda Gates Foundation

About GMS
GMS News
The Nomination Process
Nomination Materials
Our Partners
Home

administered by the **united negro college fund**

1-877-690-GMSP (4677)

Nomination Materials

On January 10, 2000, nomination materials were mailed to nominators in the field, including teachers, principals, professors, deans, program directors, the Gates Millennium Scholars' partners/collaborators and individuals from educational organizations and community agencies around the country.

Gates Millennium Scholars must be nominated. Teachers, principals, professors, deans, program directors, the Gates Millennium Scholars' partners/collaborators and individuals from educational organizations and community agencies are invited to nominate eligible students for consideration. Only individuals acting in their personal capacities can serve as nominators. Nominators must complete the nomination form and provide a nomination letter on personal stationery (Do not use institution/organization stationery).

Complete nomination packets must be submitted on or before the **postmark deadline of March 15, 2000**. It should contain:

- Nominee Form with Nomination Letter;
- Nominee Personal Information Form;
- Nominee Personal Statement (Essay);
- Official High School, College, and/or Graduate School Transcript(s)
- Recommendation Form with Recommendation Letter; and
- Information containing tribal enrollment, if any, or descendency (for American Indians/Alaska Natives).

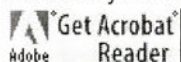
Omission of any of the required documents as well as nominations made by other than individuals (institutions/organizations) will render the nomination incomplete. Please type or print clearly using blue or black ink.

Nomination packages are also available for download in Adobe's PDF format. In order for us to provide better service, we ask that you fill out a short user survey before downloading the nomination package.

If you are a Student, [CLICK HERE](#).

If you are a Potential Nominator, [CLICK HERE](#).

If you wish to download the PDF file, but do not have Acrobat Reader installed on your system, you can download this free software from Adobe Systems Incorporated.



**Gates
Millennium
Scholars**

NOMINATION
GUIDELINES AND FORMS

“Leaders for America’s Future”

SPECIAL NOTE TO NOMINATORS

Please help us find future leaders for America and help them succeed by nominating them to be Gates Millennium Scholars. Because we are looking for nominees of high academic achievement and leadership potential, our nomination process is rigorous. Nominees may need your encouragement and assistance in obtaining and providing the information requested. Please help them in securing the information and fulfilling all the requirements of the nomination process. By doing so, you are helping build a stronger and better America.



Gates Millennium Scholars

Guidelines

The growing diversity of our society reminds us that all of the nation's citizens must have access to opportunity for higher education if America is to sustain and advance itself as a global, competitive democracy in the new millennium. The future of our nation's economy, democracy, and quality of life is dependent upon the preparation of a diverse cadre of leaders who will help build a stronger society. These potential leaders, especially those from groups that have traditionally and historically been denied or discouraged, must receive the support needed to travel the pathway to the opportunity of attending and completing a college education.

THE GATES MILLENNIUM SCHOLARS

The Gates Millennium Scholars initiative, funded by a grant from the Bill & Melinda Gates Foundation and administered by the United Negro College Fund and partners, is aimed at expanding access and opportunity to higher education to those citizens who will help reflect the diverse society in which we live. The Foundation seeks to increase the number of African-Americans, American Indians/Alaska Natives, Asian Pacific Americans*, and Hispanic Americans enrolling in and completing undergraduate and graduate degree programs. The goal is to promote academic excellence and to provide an opportunity for thousands of outstanding students to reach their fullest potential. Bill and Melinda Gates Foundation has established this initiative to encourage and support students in completing college and in continuing on to earn masters and doctorate degrees in disciplines where ethnic and racial groups are currently underrepresented. The Gates Millennium Scholars awards will enable 20,000 young Americans to attend undergraduate and graduate institutions of their choice and be prepared to assume important roles as leaders in their professions and in their communities.

* The term "Asian Pacific American" encompasses the following groups: Filipino, Chinese, Korean, South Asians, Japanese, Vietnamese, Cambodian, Laotian, Hmong, Thai, and Pacific Islander Americans.

INAUGURAL PROGRAM YEAR

The inaugural year of the Gates Millennium Scholars is unique in that the initiative will operate on a pilot basis. After the first year, the initiative will be reviewed in its entirety and, in subsequent years, will incorporate changes as determined on the basis of the review.

In the inaugural year, nominations are open to all eligible high school seniors applying to college; currently enrolled undergraduate students who will be sophomores, juniors or seniors in academic year 2000-2001; as well as individuals applying to or already enrolled in graduate school in mathematics, science, engineering, education, or library science for the academic year 2000-2001.

ELIGIBILITY

In the inaugural year, individuals are eligible to be nominated as Gates Millennium Scholars if they:

- ◆ are African-American, American Indian/Alaska Native, Asian Pacific American or Hispanic citizens/permanent residents of the United States;
- ◆ have attained a cumulative GPA of 3.3 on a 4.0 scale;
- ◆ have applied to, have been accepted into or are enrolled full-time in an accredited college or university for the academic year 2000-2001 at the time of the award; or have applied to, have been accepted into or are enrolled in a graduate degree program in mathematics, science (including life sciences, physical sciences and computer science), engineering, education or library science for the academic year 2000-2001 at the time the nomination is complete;
- ◆ have significant financial need as defined by the Federal needs analysis formula;
- ◆ have demonstrated leadership ability through participation in community service, extracurricular activities or other activities.

NOMINATION PROCESS

Nominators must complete the nomination form and provide a nomination letter on personal stationery (Do not use institution/organization stationery). They must also assist the nominee in completing the Nominee Personal Information Form.

High School Seniors. The basic scholarship is unrestricted in terms of major or area of study; however, nominators should consider the nominee's academic performance in mathematics and

science courses. Nominators should also consider the nominee's commitment to academic study, involvement in community service, career goal, and potential for leadership.

Undergraduate Students. The basic scholarship is unrestricted in terms of major or area of study for undergraduate students; however, nominators should consider the nominee's academic performance in mathematics, science, and education courses.

Nominators should also consider the nominee's overall academic performance; involvement in community service; participation in leadership activities; and career goals. For nominees who have applied to or are currently enrolled in two-year colleges, the nominee must be a full-time student with an academic major who has declared intent to pursue a four-year degree.

Graduate Students. Nominees who are graduate students must have been accepted into or be enrolled in a degree program in engineering, mathematics, science, education or library science. Nominators should consider the students' overall academic performance; academic performance in engineering, mathematics, science, education or library science; involvement in community service; participation in leadership activities; and career goals.

NOMINATION MATERIALS

Nomination materials must include a completed nomination form, Nominee Personal Information Form, and an official high school, college, and/or graduate school transcript. Nominators should include the required personal statement (essay) from the nominee.

GATES MILLENNIUM SCHOLARS AWARDS

During the inaugural year of the initiative, individuals selected as Gates Millennium Scholars will receive funds for the cost of tuition, fees, books, and living expenses for the 2000-2001 academic year in an amount to be calculated by the Gates Millennium Scholars based on financial need.

The Gates Millennium Scholars anticipates offering scholarships in succeeding years so that eligible students may receive support during their entire course of academic study, but the exact design and procedure for future awards will be determined after review of this inaugural year's experience.

NOTIFICATION OF AWARDS

Scholars will be notified of their awards on or before May 1, 2000 and asked to submit copies of their admission and financial aid package awards, so that the amount of their grant may be calculated.

Gates Millennium Scholars must be nominated. Teachers, principals, professors, deans, program directors, the Gates Millennium Scholars' partners/collaborators and individuals from educational organizations and community agencies are invited to nominate eligible students for consideration. Only individuals acting in their personal capacities can serve as nominators. Nominators must complete the nomination form and provide a nomination letter on personal stationery (Do not use institution/organization stationery). The nominator is expected to do the following:

- ◆ Review the eligibility criteria before nominating any student(s).
- ◆ Review the description of the Nomination Process.
- ◆ For nominees applying to or currently enrolled in two-year colleges, assuring that the nominee expects to be a full-time student with an academic major and a declared intent to pursue a four-year degree.
- ◆ Assist the nominee in responding to the information requested in the Nominee Personal Information Form. Ask the nominee to provide the personal data requested, his/her academic transcript, a written personal statement (essay), and a recommendation letter from an individual familiar with his/her abilities. If any questions arise, call 877-690-GMSP and ask for assistance.
- ◆ For nominees already enrolled in undergraduate school, assure that a copy of the nominee's 1999-2000 college/university financial aid award letter is included in the nomination submission.
- ◆ For American Indian/Alaska Native nominees, assure that the nominee provides tribal enrollment information or proof of descendency.
- ◆ Inform nominee that all scholars will, during their affiliation as scholars, be invited to participate in a leadership program being developed.
- ◆ Be sure that nomination materials are postmarked on or before March 15, 2000.
- ◆ Remind the nominee to apply for all available financial assistance for which he/she is eligible.

NOMINATION PACKET

A complete nomination packet must be submitted on or before the postmark deadline of **March 15, 2000**. It should contain:

- ◆ Nomination Form with Nomination Letter;
- ◆ Nominee Personal Information Form;
- ◆ Nominee Personal Statement (Essay);
- ◆ Official Transcript(s);
- ◆ Recommendation Form with Recommendation Letter; and
- ◆ Information concerning tribal enrollment, if any, or descendency (for American Indians/Alaska Natives).

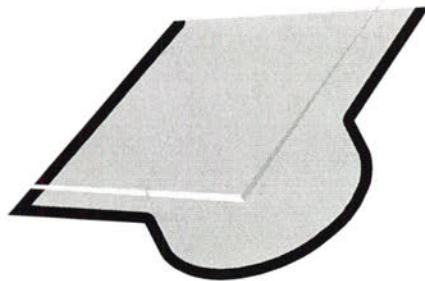
Omission of any of the required documents as well as nominations made by other than individuals (institutions/organizations) will render the nomination incomplete. Please type or print clearly using blue or black ink.

DEADLINE

COMPLETE NOMINATION PACKETS
MUST BE POSTMARKED ON OR BEFORE
MARCH 15, 2000 AND SENT TO:



Gates Millennium Scholars
P.O. Box 10500
Fairfax, Virginia 22031
Toll-Free Phone: 1-877-690-GMSP (4677)



Nomination Forms - Undergraduate

GATES MILLENNIUM SCHOLARS

Nomination Form

2000-2001 Award Year

This form must be completed, signed, and returned with the nomination package in order for the nomination to be complete. The postmark deadline for all nomination materials is March 15, 2000.

NOMINATOR – PLEASE COMPLETE THE FOLLOWING SECTIONS.

NOMINEE

(Please print.)

Nominee _____
Last Name First Name MI

ELIGIBILITY DATA

1. Is the nominee African-American, Asian Pacific American, Hispanic American, or American Indian/Alaska Native? ☐ Yes ☐ No
2. Is the nominee a United States citizen or permanent resident? ☐ Yes ☐ No

NOMINATION LETTER

Please provide a Nomination Letter in addition to this form. Consider the student's academic performance in mathematics, science or education courses, commitment to academic study, commitment and involvement in community service, and potential for leadership. In your letter, please indicate your relationship to the nominee. You are welcome to include any other relevant comments that will be helpful in evaluating the nominee for the scholarship.

- Please attach your nomination letter to this form.
- Provide this form and the nomination letter in a sealed envelope, with your signature across the back flap.

PERSONAL DATA - NOMINATOR

Name _____

Occupation _____

Employer _____

Address _____

Signature _____ Date: _____

Nominee Personal Information Form - Undergraduate

2000-2001 Award Year

STUDENT PROFILE

All of the biographical information requested on the Nominee Personal Information Form must be completed. Provide the current address only if it is different from the nominee's permanent address.

Nominee: _____
Last First MI

SSN: _____ Ethnicity: (Please make a selection)

☐ African-American ☐ Asian Pacific American*

U.S. Citizen or Permanent Resident? ☐ Yes ☐ No ☐ Hispanic American ☐ American Indian/Alaska Native**

Date of Birth: _____ Gender: ☐ M ☐ F

Permanent Address: _____
Number Street Apt. #

City State Zip Code Telephone

Current Address: _____
Number Street Apt. #

City State Zip Code Telephone

E-Mail Address (if available): _____

By June 2000, the nominee will have completed:

- ☐ High School
- ☐ 1st Year of College
- ☐ 2nd Year of College
- ☐ 3rd Year of College

Expected date of college degree completion: _____

Area of Study: _____

* The term "Asian Pacific American" encompasses the following groups: Filipino, Chinese, Korean, South Asians, Japanese, Vietnamese, Cambodian, Laotian, Hmong, Thai, and Pacific Islander Americans.

** Please attach tribal enrollment information or proof of descendancy.

ACADEMIC PROFILE

High school and college information, class rank and cumulative grade point average on a 4.0 scale must be provided. Information on the colleges and universities to which the nominee has applied must also be provided.

Education: List all high schools and colleges/universities attended starting with the most current. (Include transcript)

Name of Institution	Location	Attendance	Degree/Date	Cumulative GPA	Class Rank/Size
	(City/State)	(Month/Yr.)	(Month/Yr.)	(Based on 4.0 Scale)	(e.g. 9/450)

ACT or SAT Scores:

Test taken: _____ Date taken : _____ Score: Verbal: ____ Math: ____ Total: ____

Colleges/Universities to which the nominee has applied: (Only respond if the nominee is in the process of applying to undergraduate school.)

Check if Accepted

First choice: _____ Location: _____

Second choice: _____ Location: _____

Third choice: _____ Location: _____

NOMINEE'S COMMUNITY SERVICE, EXTRA-CURRICULAR ACTIVITIES, LEADERSHIP, HONORS, AND EMPLOYMENT

Community Service: List the volunteer activities in which the nominee has participated. List only activities for which the nominee was not paid. Fill out one activity per line and check the box that indicates the approximate number of hours the nominee was involved in the activity.

Extra-Curricular Activities. List all organizations or activities in which the nominee was involved, and provide the year(s) in which the nominee participated in the activity.

Leadership. List in this section of the Nominee Personal Information Form any leadership positions for which the nominee was elected, appointed or employed. Also choose from the table of Leadership Codes to describe positions.

Honors. List any honors received and the year(s) in which the honor was received.

Employment. List any jobs held and indicate whether the nominee was employed during the summer or during the school year. Also check the box corresponding with the approximate number of hours per week the nominee worked during the summer and/or school year.

Community Service:: List all volunteer activities in which the nominee participated without pay during high school or college (For example: mentoring/tutoring, work in social service organizations, church activities).

Organization or Event	Year(s)	Total Hours of Volunteer Work					
		0-25	26-50	51-75	76-100	101-150	151+

Extra-Curricular Activities: List all organizations or activities in which the nominee has participated (For example: student government, athletics, drama club).

Organization or Activity Name(s)	Year(s)

Leadership: List leadership positions to which the nominee was elected, appointed or employed.

Organization, Club, or Activity	Year(s)	Leadership Code*									
		A	B	C	D	E	F	G	H	I	J

*Leadership Codes

A=President

B=Vice President

C=Secretary

D=Treasurer

E=Editor or Asst. Editor

F=Group Leader

G=Representative

H=Chairperson

I=Captain or Co-Captain

J=Other Position

Honors: List all honors and awards the nominee has received (For example: academic, sports, community service, clubs).

Name of Honor(s)	Year(s)

Employment: List jobs the nominee has held for which the nominee was paid during high school or college.

Employer	Period of Employment. Check one or both.	Approximate hours per week. Check one for each Period of Employment.				
		1-10	11-20	21-30	31-40	41+
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					

ESSAY

On a separate sheet (s), the nominee must provide a personal statement (essay) with no more than 500 words. This statement must include a description of the nominee's personal/family background, career aspirations, involvement in extracurricular activities and community service, and leadership positions held. The essay must be attached to this Nominee Personal Information Form, typed using a minimum font of 12 points, and double-spaced. The nominee's name and date must appear at the top of the sheet.

OFFICIAL TRANSCRIPT

An official high school and/or college transcript is required and must be attached.

NOMINATION AND RECOMMENDATION FORMS

The nomination and recommendation forms must be completed, placed in a sealed envelope with the signature of the nominator and recommender across the back flap, and included in the nomination packet that must be postmarked no later than March 15, 2000.

DISCLOSURE

I hereby certify that the information provided in this nomination packet is to the best of my knowledge, true and correct. I have not knowingly withheld any facts or circumstances that could otherwise jeopardize consideration of this nomination.

SIGNATURE OF NOMINATOR: _____ DATE: _____

COMPLETE NOMINATION PACKETS
MUST BE POSTMARKED ON OR BEFORE
MARCH 15, 2000 AND
SENT TO:



Gates Millennium Scholars
P.O. Box 10500
Fairfax, Virginia 22031
Toll-Free Phone: 1-877-690-GMSP (4677)

GATES MILLENNIUM SCHOLARS

Recommendation Form

2000-2001 Award Year

This form must be completed, signed, and returned with the nomination packet in order for the nomination to be complete. The postmark deadline for all nomination materials is March 15, 2000.

NOMINEE

(Please print.)

Nominee _____
Last Name First Name MI

RECOMMENDER SECTION

The person named above is a nominee for the Gates Millennium Scholars. Each nominee is required to provide supporting statements from an individual who is familiar with his or her abilities.

- The postmark deadline for all nomination materials is March 15, 2000.
- Please attach your letter of recommendation to this form.
- Provide this form and a letter of recommendation to the nominator in a sealed envelope, with your signature across the back flap.
- The nominator will submit the sealed materials with his or her complete nomination packet. You should provide your sealed materials to the nominee well before the March 15, 2000 postmark deadline.

How long have you known the nominee? _____

In what capacity? _____

On a separate sheet, please provide your assessment of the nominee for the Gates Millennium Scholars. Include any relevant comments that will be helpful in evaluating him or her for the scholarship.

PERSONAL DATA - RECOMMENDER

Name: _____ Date: _____

Signature: _____

Occupation: _____

Employer: _____

Address: _____

Daytime phone: _____

Application Form - Graduate

GATES MILLENNIUM SCHOLARS

Nomination Form

2000-2001 Award Year

This form must be completed, signed, and returned with the nomination package in order for the nomination to be complete. The postmark deadline for all nomination materials is March 15, 2000.

NOMINATOR – PLEASE COMPLETE THE FOLLOWING SECTIONS.

NOMINEE

(Please print.)

Nominee _____
Last Name First Name MI

ELIGIBILITY DATA

1. Is the nominee African-American, Asian Pacific American, Hispanic American, or American Indian/Alaska Native? ☐ Yes ☐ No
2. Is the nominee a United States citizen or permanent resident? ☐ Yes ☐ No
3. If the nominee is a graduate student, is he or she enrolled in a degree program in engineering, mathematics, science, education, or library science? ☐ Yes ☐ No

NOMINATION LETTER

Please provide a Nomination Letter in addition to this form. Consider the student's academic performance in mathematics, science or education courses, commitment to academic study, commitment and involvement in community service, and potential for leadership. In your letter, please indicate your relationship to the nominee. You are welcome to include any other relevant comments that will be helpful in evaluating the nominee for the scholarship.

- Please attach your nomination letter to this form.
- Provide this form and the nomination letter in a sealed envelope, with your signature across the back flap.

PERSONAL DATA - NOMINATOR

Name _____

Occupation _____

Employer _____

Address _____

Signature _____ Date: _____



2000-2001 Award Year

All of the biographical information requested on the Nominee Personal Information Form must be completed. Provide the current address only if it is different from the nominee's permanent address.

** Please attach tribal enrollment information or proof of descendency.

ACADEMIC PROFILE

High school, college, and graduate school information, class rank and cumulative grade point average on a 4.0 scale must be provided. Information on the colleges and universities to which the nominee has applied must also be provided.

Education: List all high schools and colleges/universities, and graduate school nominee attended starting with the most current. (Include transcript)

Name of Institution	Location	Attendance	Degree/Date	Cumulative GPA	Class Rank/Size
	(City/State)	(Month/Yr.)	(Month/Yr.)	(Based on 4.0 Scale)	(e.g. 9/450)

GRE Scores:

Test taken: _____ Date taken : _____ Score: Verbal: ____ Math: ____ Total: ____

Colleges/Universities to which the nominee has applied: (Only respond if the nominee is in the process of applying to graduate school.)

Check if Accepted

First choice: _____ Location: _____

Second choice: _____ Location: _____

Third choice: _____ Location: _____

NOMINEE'S COMMUNITY SERVICE, EXTRA-CURRICULAR ACTIVITIES, LEADERSHIP, HONORS, AND EMPLOYMENT

Community Service: List the volunteer activities in which the nominee has participated. List only activities for which the nominee was not paid. Fill out one activity per line and check the box that indicates the approximate number of hours the nominee was involved in the activity.

Extra-Curricular Activities. List all organizations or activities in which the nominee was involved, and provide the year(s) in which the nominee participated in the activity.

Leadership. List in this section of the Nominee Personal Information Form any leadership positions for which the nominee was elected, appointed or employed. Also choose from the table of Leadership Codes to describe positions.

Honors. List any honors received and the year(s) in which the honor was received.

Employment. List any jobs held and indicate whether the nominee was employed during the summer or during the school year. Also check the box corresponding with the approximate number of hours per week the nominee worked during the summer and/or school year.

Community Service:: List all volunteer activities in which the nominee participated without pay during high school, college, or graduate school (For example: mentoring/tutoring, work in social service organizations, church activities).

Organization or Event	Year(s)	Total Hours of Volunteer Work					
		0-25	26-50	51-75	76-100	101-150	151+

Extra-Curricular Activities: List all organizations or activities in which the nominee has participated (For example: student government, athletics, drama club).

Organization or Activity Name(s)	Year(s)

Leadership: List leadership positions to which the nominee was elected, appointed or employed.

Organization, Club, or Activity	Year(s)	Leadership Code*									
		A	B	C	D	E	F	G	H	I	J

*Leadership Codes

A=President

B=Vice President

C=Secretary

D=Treasurer

E=Editor or Asst. Editor

F=Group Leader

G=Representative

H=Chairperson

I=Captain or Co-Captain

J=Other Position

Honors: List all honors and awards the nominee has received (For example: academic, sports, community service, clubs).

Name of Honor(s)	Year(s)

Employment: List jobs the nominee has held for which the nominee was paid during high school, college or graduate school.

Employer	Period of Employment. Check one or both.	Approximate hours per week. Check one for each Period of Employment.				
		1-10	11-20	21-30	31-40	41+
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					
	Summer					
	School Yr.					

ESSAY

On a separate sheet (s), the nominee must provide a personal statement (essay) with no more than 500 words. This statement must include a description of the nominee's personal/family background, career aspirations, involvement in extracurricular activities and community service, and leadership positions held. The essay must be attached to this Nominee Personal Information Form, typed using a minimum font of 12 points, and double-spaced. The nominee's name and date must appear at the top of the sheet.

OFFICIAL TRANSCRIPT

An official copy of the nominee's college transcript must be provided. For nominees enrolled in graduate school, an official graduate school transcript, in addition to the undergraduate transcript, is required.

NOMINATION AND RECOMMENDATION FORMS

The nomination and recommendation forms must be completed, placed in a sealed envelope with the signature of the nominator and recommender across the back flap, and included in the nomination packet that must be postmarked no later than March 15, 2000.

DISCLOSURE

I hereby certify that the information provided in this nomination packet is to the best of my knowledge, true and correct. I have not knowingly withheld any facts or circumstances that could otherwise jeopardize consideration of this nomination.

SIGNATURE OF NOMINATOR: _____ DATE: _____

COMPLETE NOMINATION PACKETS
MUST BE POSTMARKED ON OR BEFORE
MARCH 15, 2000 AND
SENT TO:



Gates Millennium Scholars
P.O. Box 10500
Fairfax, Virginia 22031
Toll-Free Phone: 1-877-690-GMSP (4677)

GATES MILLENNIUM SCHOLARS

Recommendation Form

2000-2001 Award Year

This form must be completed, signed, and returned with the nomination packet in order for the nomination to be complete. The postmark deadline for all nomination materials is March 15, 2000.

NOMINEE

(Please print.)

Nominee _____
Last Name First Name MI

RECOMMENDER SECTION

The person named above is a nominee for the Gates Millennium Scholars. Each nominee is required to provide supporting statements from an individual who is familiar with his or her abilities.

- The postmark deadline for all nomination materials is March 15, 2000.
- Please attach your letter of recommendation to this form.
- Provide this form and a letter of recommendation to the nominator in a sealed envelope, with your signature across the back flap.
- The nominator will submit the sealed materials with his or her complete nomination packet. You should provide your sealed materials to the nominee well before the March 15, 2000 postmark deadline.

How long have you known the nominee? _____

In what capacity? _____

On a separate sheet, please provide your assessment of the nominee for the Gates Millennium Scholars. Include any relevant comments that will be helpful in evaluating him or her for the scholarship.

PERSONAL DATA - RECOMMENDER

Name: _____ Date: _____

Signature: _____

Occupation: _____

Employer: _____

Address: _____

Daytime phone: _____

Notes

Notes



**Gates
Millennium
Scholars**

8260 Willow Oaks Corporate Drive
Fairfax, VA 22031

Play Reel.com MOVIE TRIVIA CHALLENGE Today's Question:

In its long run, how many Oscars has the James Bond series won?

Answer Here →

[BACK TO FRONT
PAGE](#)

Thursday, February 24, 2000

The Digital Divide

The haves and the have nots in the Information Age
By MARILYN VENTRESS

Is technology the next frontier for equal rights and equal opportunity?

According to a report commissioned by the U.S. Department of Commerce, there is a "Digital Divide" between whites, blacks and other minority groups when it comes to developing computer literacy and accessing the Internet.

This breakdown has been labeled "The Digital Divide," a term coined to describe the disparity of personal computer availability and Internet accessibility between whites and minorities in the United States.

How can this gap -- chasm, really -- be bridged without government assistance?

Just as African-American inventors, scientist and architects helped create the foundation of American industry, black programmers, technological entrepreneurs and Internet service providers are contributing to bringing people together at the outset of this technological revolution.

With the proliferation of black-oriented Web sites such as EverythingBlack.com, BlackPlanet and Melanet, African Americans are creating a neighborhood for knowledge transfer. Internet service providers like Successnet and NetNoir have expanded their respective reaches with e-commerce. Even Magic Johnson is launching a portal.

Pluggedin.org, in East Palo Alto and 78hundred.com in South Central are among some of the community technology centers springing up around California.

In Pasadena, the Pasadena Church Technology Access Center is offering access to technology and computers with hands-on experience in installing software and trouble-shooting networks. Volunteers provide training to young people and adults.

Center founder Mike Lattimore says the so-called "Digital Divide" is very real.

"Many of our children are innocently being cultivated to become benefactors to the largest growing industry our nation -- the prison industry. These neighborhood technology centers will save some of these youth by empowering them with the necessary skills to get and create jobs in technology,"

Lattimore said.

"Because of new technologies, like tele-presencing, these centers can support virtual seminars where instructors from anywhere on the planet can teach classes, hold seminars and workshops, or mentor individuals via e-mail and electronic voice mail," he said.

In short, the Information Age has provided opportunities for every man, woman and child to play on a level playing field. But minorities, mostly because of a lack of funding, need training and access. This is where technology centers like Lattimore's play a vital role.

The centers, and others like it, are supported in part by consortiums like the Community Technology Center Network, which has a network of over 300 community technology centers nationwide.

For more information on the Pasadena Church Technology Access Center, or to help set up other community centers, contact Lattimore or Debra Landry at (626) 795-4216, or by e-mail at pascrs@Earthlink.net.

Feedback to editorial@pasadenaweekly.com



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PeoplePC Secures Contract to Connect Ford Employees Worldwide

Partners with Key Industry Leaders to Deliver Turn-Key Technology Solution

SAN FRANCISCO, Calif. - Feb. 3, 2000 - PeoplePC, Inc., a company that empowers people to reap the rewards of personal computing and the Internet, today announced an innovative partnership with Ford Motor Company. The partnership connects Ford employees worldwide in their homes through the PeoplePC membership service. This global initiative will greatly expand PeoplePC's user base, bringing the collective buying power of hundreds of thousands of members to its online buying community.

PeoplePC's virtual business model and turnkey solution is unparalleled in the industry. Ford employees will receive a Hewlett-Packard PC and printer in addition to unlimited Internet access through MCI WorldCom's UUNET for only a \$5 co-payment per month in the United States.

"PeoplePC shares our vision of a world where technology is available and accessible to all and everyone has a voice in the digital dialogue," said Carly Fiorina, president and chief executive officer, Hewlett-Packard Company. "PeoplePC and HP are helping companies communicate and collaborate even more efficiently with the workforce and the world."

"The role of PeoplePC is to provide the means for connecting Ford employees to the Internet at home. We will offer the tools, the services and the buying clout necessary for everyone involved to fully realize their value as consumers in the information age," said Nick Grouf, founder, chairman and CEO of PeoplePC. "We are very excited to have been selected to work with Ford to drive this effort. With our partners, we will deliver Ford employees the new digital economy while also expanding PeoplePC membership and our own buying power. This is an innovative deal for Ford employees and current PeoplePC members."

PeoplePC's partnerships with leading corporations provide PeoplePC with unique capabilities to scale to meet the needs of Ford and other companies' employee connectivity programs. PeoplePC brings together the leaders in their particular field with the ability to deliver a complete end-to-end solution, including, HP (PC manufacturing), Ingram Micro (PC logistics and distribution), SYKES International (customer support), and Microsoft (operating system and productivity software). Additionally, PeoplePC has deep relationships with the largest portfolio of companies on the Internet through Softbank and has partnerships with dozens of leading online and brick-and-mortar retailers that provide deals and discounts to PeoplePC members.

Specifically, PeoplePC will provide Ford employees a first-rate HP Pavilion PC and HP DeskJet printer; unlimited Internet access through MCI WorldCom's UUNET, a global leader in Internet communications solutions; a rich, customized portal experience; phone and in-home technical support domestically; and a host of unique offers, deals and discounts through PeoplePC's Buyer's Club which includes over seventy partners.

As Ford employees join the PeoplePC community, they become part of the broader PeoplePC Buyer's Club, significantly increasing the installed base of PeoplePC members. This expansion of users will fuel PeoplePC's ability

to deliver all PeoplePC members deals and discounts from well-known consumer online and brick-and-mortar retailers through the collective buying power of PeoplePC's membership.

About PeoplePC

The mission of PeoplePC is to enable as many people as possible to enjoy the greatest benefits of the networked economy. We offer a simple and affordable way to get a computer and get online and we take care of our members with world class customer service. By bringing large numbers of members together, PeoplePC creates a more efficient way to link buyers and sellers. Sellers reduce their customer acquisition and retention costs, and pass much of these savings on to their buyers - the members of PeoplePC. Working with its partners - some of the world's most trusted brands - PeoplePC's business model fulfills the potential that the Internet has long represented but rarely delivered upon. For more information, visit <http://www.peoplepc.com>.

###

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PeoplePC Management Bios

Nick Grouf, Founder, Chairman and CEO

Prior to founding PeoplePC, Nick Grouf served as a Venture Partner/Entrepreneur-in-Residence at Softbank Technology Ventures, a venture capital firm based in San Jose, California. Softbank is the largest shareholder of Yahoo!, E*Trade, Ziff Davis, Comdex, Concentric Networks, US Web/CKS, and Buy.com, among other portfolio companies.

Before joining Softbank, Grouf was the founder, president and CEO of Firefly Network, Inc, which was acquired by Microsoft in April 1998. Firefly was the leading provider of personalization technologies for the Internet, and pioneered the P3P privacy standard, which has been universally adopted by the governments of the United States, European Union and the Major Pacific Rim countries. The company's web site, Firefly.com, was an extremely influential Internet community with nearly three million members.

Grouf spent his early career with McKinsey & Co. in their New York office where he focused on Media and Technology companies, as well as Goldman Sachs where he worked in the Mergers and Acquisitions Group. A native New Yorker, Grouf holds an MBA from Harvard and a BA degree from Yale, where he won the Norman Holmes Pearson Prize for Best Thesis.

Max E. Metral, Founder, Chief Technology Officer

Prior to founding PeoplePC, Max Metral was a founder and Chief Technology Officer for Firefly Network, Inc. When Firefly was acquired by Microsoft in 1998, Metral helped to transition the company to its new owners and was the architect for Microsoft's integration of Firefly technologies. At Firefly, Max architected the Open Profiling Standard, which has evolved into P3P and protects users' privacy online. In addition, Max architected the Microsoft Passport, a system which allows users to have a single username and password across many sites.

Before founding Firefly, Metral served as a programmer at General Magic Inc., where he designed a Web browser for personal digital assistants and prototyped a Yellow Pages service in Telescript.

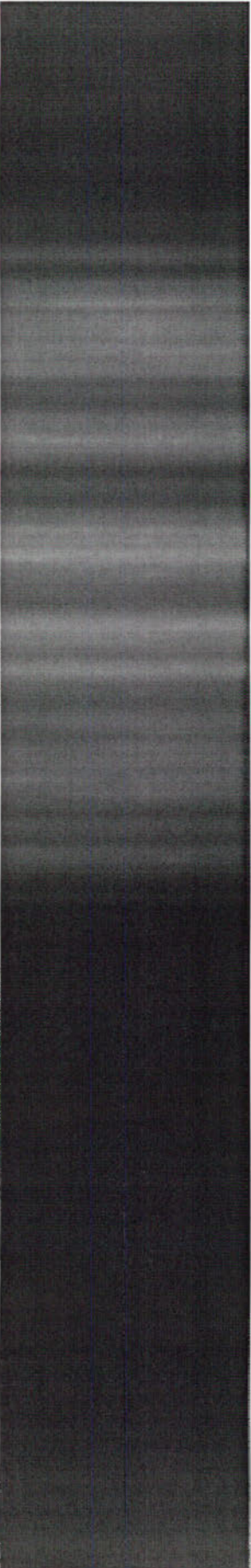
Metral holds a Bachelors degree in Computer Science and a Masters degree in Media Arts and Sciences from the Massachusetts Institute for Technology (MIT). As a student at MIT, Metral designed a personal recommendation system called HOMR and a mail agent for the e-mail handler Eudora. The HOMR music recommendation system was featured at the 1995 Interactive Media Festival and won second prize at Prix Ars Electronica 95, the largest international conference on electronic art.

Metral is a co-author of Tricks of the Internet Gurus, a book covering Internet services and protocols, which was released in 1994 by SAMS Publishing.

David Waxman, Founder, Vice President of Brand Marketing

Before founding PeoplePC, David Waxman was a Founder and Creative Director for Firefly Network, Inc. In that role, he designed and maintained the user experience of one of the most successful and innovative Internet sites of its day. In addition to the web site, his role included developing the Firefly brand, advertising for the company, developing the company's customer support organization, and consulting for Firefly's software clients such as Barnes and Noble Online, Merrill Lynch, and Ziff Davis.

Prior to Firefly, Waxman completed a Masters degree at the MIT Media Lab,



designing electronic musical instrument interfaces and online musical games. From 1990 to 1993, he was a researcher at France's Institute de Recherche et Coordination Acoustique Musique, a part of the Pompidou Center devoted to the study and performance of Electronic Music. He has designed interfaces, instruments, and games for Yamaha R&D Centre, London, the Pompidou Center, the Yerba Buena Arts Center, and numerous others. Waxman also holds a Bachelors degree in Music Composition from the University of California at Berkeley.

Daniel Kohler

Executive Vice President of Operations, Logistics and Systems

Daniel Kohler brings over 20 years experience in operations and distribution to PeoplePC. In his role as Executive Vice President of Operations, Logistics and Systems, he is responsible for the development and management of the operating processes, systems, operating structure, distribution, logistics and customer care centers. He will strategically coordinate with PeoplePC's partners to ensure excellent customer service and successful execution of operating objectives.

Prior to joining PeoplePC, Kohler served as the Senior Vice President of Operations and Administration at Ty Inc., a multi-billion dollar toy manufacturer and distributor. He was responsible for developing, implementing and managing all operations and administration functions. Kohler managed the operating systems that supported the exponential marketing and sales growth associated with the Beanie Baby and Plush Toy.

Prior to Ty Inc., Kohler served as the Vice President of Catalog Operations at Office Max, where he oversaw operations channels, including customer service centers, national call centers and the distribution network. He worked at Reliable Corporation as the Direct Marketer and Retailer of Office Products and Supplies, including developing and expanding operations division before Reliable was acquired by Boise Cascade. He also spent over 10 years at Keebler Company holding numerous positions from Distribution Manager to Regional Director.

Kohler earned his bachelor's degree from the University of Pittsburgh, an MBA from Keller Graduate School and attended Oxford University for strategic management instruction.

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Bradley A. Feld, Board of Directors

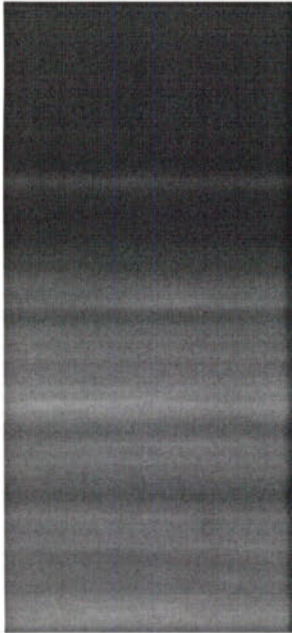
Bradley A. Feld is a managing director of SOFTBANK Technology Ventures. He serves on the board of directors of numerous SOFTBANK portfolio companies and other Internet-related firms, and is co-chairman of the board of Interliant, Inc. (NASDAQ: INIT) and MessageMedia, Inc. (NASDAQ: MSG). Before joining SOFTBANK in 1996, Mr. Feld was founder or co-founder of several successful startups, including Sage Networks, Email Publishing, ThinkFish, and Feld Technologies, all of which were acquired or went public. He also served as Chief Technology Officer at AmeriData Technologies, at the time a \$1.5 billion NYSE-traded firm. Mr. Feld holds SB and SM degrees from the Sloan School of Management at MIT.

Michael J. Price, Board of Directors

Michael Price founded, developed and transformed the Global Telecommunications and Technology practice of Lazard Freres & Co. Since becoming a General Partner at Lazard in 1990, he has made the telecommunications and technology practice a leading revenue generator for Lazard and for Wall Street.

Among the transactions for which Price advised are: the MCI/WorldCom merger, the AT&T/McCaw merger, the SBC/Pacific Telesis merger and the spin-off of US West into separate telephone and cable companies.

He was a founding investor in Firefly, Inc. and Avida Systems, leaders in personalization software and ADSL solutions. Price is currently sitting on



the boards of Amdocs, one of the world's leading telecommunications billing and customer care companies and PeoplePC, Inc.

John Sculley, Board of Directors

John Sculley is a partner with his brothers Arthur and David in Sculley Brothers LLC, a venture capital firm which focuses on business-to-business and business-to-consumer Internet companies. Sculley Brothers' business-to-business investments include Intralinks, Veon.com, SoftNetworks.com, Live Person, Elinex, Techex, Catex, SmarterThanNew.com and NFO Worldwide.

Their business-to-consumer investments include PeoplePC, Buy.com, More.com, Zapa.com and Talk City.

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MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Narrowing the "Digital Divide": Creating
 Opportunities for All Americans in the
 Information Age

Information tools, such as the personal computer and the Internet, are increasingly important to economic success and full participation in all aspects of American society. People with computers and Internet access can use these tools to find a job, acquire new skills, start a small business, get lower prices for goods and services, and become more informed citizens.

Currently, not all Americans are enjoying the benefits of the Information Age tools. In July 1999, the National Telecommunications and Information Administration issued a report, *Falling Through the Net: Defining the Digital Divide*, which found a growing gap between those with access to these tools and those without. Black and Hispanic households are only two-fifths as likely to have Internet access as white households. Households with incomes of \$75,000 and higher, in urban areas, are more than twenty times as likely to have access to the Internet as households at the lowest income levels, and more than nine times as likely to have a computer at home. As information technology plays an ever-increasing role in Americans' economic and social lives, we cannot afford to leave anyone behind.

Fortunately, competition and advances in technology are driving down the cost of computers and Internet access, which will make these new Information Age tools affordable for more Americans. I believe that we should set a national goal of making computers and Internet access available for every American. Furthermore, we should explore ways of using technology to expand the economic opportunities for those Americans who have not yet enjoyed the benefits of our prosperity.

Accordingly, I am directing executive departments and agencies ("agencies") to take the following specific actions to help Americans benefit from advances in information technology:

1. The Secretary of Commerce shall work with the private sector and others to develop a national strategy for making computers and the Internet accessible to all Americans, with the goal of significantly narrowing the "digital divide."

2

2. The Secretary of Commerce shall continue to measure the level of connectivity of Americans to telecommunications and information tools, and report periodically on the relationship of income, education, race, gender, geography, and age to Americans' access to these tools.

3. The Secretaries of Education, Housing and Urban Development, Health and Human Services, Labor, and Commerce shall:
 - (a) expand our growing network of Community Technology Centers to provide access to technology for low-income Americans; and
 - (b) encourage the development of information technology applications that would help enable low-income Americans to start and manage their own small businesses.
4. The Secretaries of Education, Labor, and Commerce shall work with the private sector to upgrade the information technology skills of America's workforce, particularly workers living in disadvantaged urban and rural communities.
5. The Secretary of Commerce, the Secretary of Education, and the Secretary of Housing and Urban Development shall highlight and disseminate the lessons learned from their grant programs and educational technology initiatives, with an emphasis on underserved citizens, to increase the number of communities across the Nation that could reap the benefits of information technologies for their residents.
6. Items 1-5 of this memorandum and my July 1, 1997, and November 30, 1998, memoranda shall be conducted subject to the availability of appropriations and consistent with agencies' priorities and my budget, and to the extent permitted by law.
7. The Vice President shall continue his leadership in coordinating the United States Government's electronic commerce strategy. Further, I direct that the heads of executive departments and agencies report to the Vice President and to me on their progress in meeting the terms of this memorandum, through the Electronic Commerce Working Group (ECWG) in its annual report. To the extent that substantial new policy issues emerge, the analysis and action on those policies will be coordinated in a manner consistent with the responsibilities of the ECWG, the National Economic Council, and the Domestic Policy Council, as appropriate.

THE CLINTON-GORE ADMINISTRATION: WORKING TO BRIDGE THE DIGITAL DIVIDE

December 9, 1999

Today, President Clinton will announce that he intends to lead a New Markets trip in the Spring of 2000 to focus national attention on the digital divide -- the growing division in the United States between information "haves" and "have-nots." This issue has also been a top priority for Vice President Gore, who has worked to bridge the digital divide by ensuring that all of our children have access to educational technology. To support this effort, President Clinton today will issue a Directive to members of his Cabinet to take specific actions to close the digital divide, such as expanding Community Technology Centers in low-income urban and rural neighborhoods, continuing to measure the extent of the digital divide, and helping low-income workers gain the skills they need to compete for high-paying information technology jobs. He will also announce several commitments from the private sector and non-profit organizations that will help address this challenge, including: a commitment of the Congress of National Black Churches to make this issue a top civil rights priority; the creation of the Digital Divide Network, a comprehensive clearinghouse of state and local efforts to bridge the digital divide; and the establishment of the Digital Opportunity Partnership, an alliance between the private sector and the Leadership Conference on Civil Rights that will help bring civil rights organizations into the 21st century.

In Pledging to Close the Digital Divide, the President Will Be Joined Today By: Duane Ackerman, Chairman and CEO, BellSouth Corporation; Michael Armstrong, Chairman and CEO, AT&T; Zoe Baird, President, Markle Foundation; Richard Brown, Chairman and CEO, EDS; Stephen Case, Chairman and CEO, America Online; Darien Dash, CEO, DME Interactive Holdings; Tessie Guillermo, Exec. Dir., Asian and Pacific Islander American Health Forum; Wade Henderson, Exec. Dir., Leadership Conference on Civil Rights; Roberta Katz, CEO, Technology Network; Susan Masten, President, National Congress of American Indians; Jorge Schement, Board Member, Benton Foundation; and Irma Zardoya, Superintendent, District 10, New York Public Schools.

Today's announcement comes as Secretary of Commerce William Daley convenes a summit on the digital divide with these and other prominent high-tech CEOs and leaders in the civil rights, educational, and non-profit communities.

I. FROM DIGITAL DIVIDE TO DIGITAL OPPORTUNITY

President Clinton will make several announcements that will help bridge the digital divide and create digital opportunity for more Americans.

1. **A New Markets trip to disadvantaged urban and rural communities to focus national attention on the digital divide:** The President will lead a New Markets trip next spring designed to mobilize a significant private and public effort to close the digital divide. This trip, which will include leading high-tech CEOs, will highlight communities that are using information technology to enhance our children's education, expand access to life-long learning, and create economic growth and high-tech, high-wage jobs. Previous New Markets trips -- to communities such as Appalachia, the Mississippi Delta, Newark, and Chicago -- have served as a catalyst for new public-private partnerships to expand opportunity in those regions of the country that have not yet reaped the benefits of America's economic expansion.
2. **A directive to members of the Cabinet to take specific actions to address the digital divide:** President Clinton is directing members of his Cabinet (Secretaries of Commerce, Education, Health and Human Services, Housing and Urban Development, and Labor) to take specific steps to close the digital divide,

including:

- Continuing to measure the nature and extent of the digital divide by examining the importance of income, education, race, gender, geography and age to Americans' access to Information Age tools;
- Expanding the network of Community Technology Centers to provide access to technology for those American who can't afford it;
- Promoting applications of the Internet that will empower low-income families, such as the ability to start their own business; and
- Upgrading the IT skills of workers in low-income communities.

3. **Digital Divide Network:** Companies from across the computing, telecommunications, software, and Internet industries – as well as the Urban League and several of the nation's largest private foundations – are coming together to launch the Digital Divide Network. The network is an Internet-based clearinghouse for information on public and private efforts to bring technology to underserved communities. For the first time, America will have a one-stop shop for tracking our progress and for learning exactly what has worked and what has not.

4. **Digital Opportunity Partnership** The Leadership Conference on Civil Rights is working with many nonprofit organizations and private-sector companies to launch a new Digital Opportunity Partnership. This initiative will empower the entire civil and human rights communities through an expanded Web site (civilrights.org), leadership forums, and even "freedom riders" who will bring high-technology to the doorstep of nonprofit organizations.

5. **Congress of National Black Churches:** The Congress of National Black Churches, representing 65,000 churches and 20 million members, is sending a letter to the President acknowledging the importance of the digital divide as a key civil rights issue for the 21st century, and committing to work with the President and with industry to help close the digital divide.

II. THE IMPORTANCE OF BRIDGING THE DIGITAL DIVIDE

Access to computers and the Internet and the ability to effectively use this technology are becoming increasingly important for full participation in America's economic, political and social life. People are using the Internet to find lower prices for goods and services, work from home or start their own business, acquire new skills using distance learning, make better informed decisions about their healthcare needs, and get more involved in the education of their children by communicating more frequently with teachers.

Access to computers and the Internet has exploded during the Clinton-Gore Administration. Unfortunately, there is strong evidence of a "digital divide" -- a gap between those individuals and communities that have access to these Information Age tools and those who don't. In some instances, this divide is actually widening. A July 1999 report from the Department of Commerce, based on December 1998 Census Department data, revealed that:

- **Better educated Americans more likely to be connected.** Between 1997 and 1998, the technology divide between those at the highest and lowest education levels increased 25%. In 1998, those with a college degree are more than *eight times* likely to have a computer at home and nearly *sixteen times* as likely to have home Internet access as those with an elementary school education.

- **The gap between high- and low-income Americans is increasing.** In the last year, the divide between those at the highest and lowest income levels grew 29%. Households with incomes of \$75,000 or higher are more than *twenty times* more likely to have access to the Internet than those at the lowest income levels, and more than *nine times* as likely to have a computer at home.
- **Whites more likely to be connected than African-Americans or Hispanics.** The digital divide is also persistent and growing along racial and ethnic lines. Whites are more likely to have access to the Internet from home than African-Americans or Hispanics have from *any* location. African-American and Hispanic households are roughly *two-fifths* as likely to have home Internet access as white households. The gaps between white and Hispanic households, and between white and African-American households, are now more than six percentage points larger than they were in 1994. However, for incomes of \$75,000 and higher, the divide between whites and African-Americans has narrowed considerably in the last year.
- **Rural areas less likely to be connected than urban users.** Regardless of income level, those living in rural areas are lagging behind in computer ownership and Internet access. At some income levels, those in urban areas are 50% more likely to have Internet access than those earning the same income in rural areas. Low income households in rural areas are the least connected, with connectivity rates in the singles digits for both computers and Internet access.

III. A STRONG RECORD WORKING TO CLOSE THE DIGITAL DIVIDE

President Clinton and Vice President Gore have worked hard to close the digital divide, and to help create opportunity for more Americans in the Information Age. They have worked to:

- **Ensure that every child is technologically literate:** The President and Vice President have set a goal of connecting every classroom and library to the Internet by the year 2000 -- a goal that we are on track to meet. They also have fought for investments in technology training for teachers, modern computers in the classroom, and high-quality education software. Technology in the classroom can make it easier for parents and teachers to communicate, prepare our children for the high-tech workplace of the 21st century, and help improve student performance in all academic subjects. Major Administration initiatives in educational technology include the Technology Literacy Challenge Fund, and the "e-rate." The "e-rate" is helping to connect our children to the future by providing discounted Internet access to libraries and 1 million classrooms, with the deepest discounts going to the poorest schools and libraries that need it most.
- **Expand the network of Community Technology Centers:** The final budget deal included a tripling of support for Community Technology Centers, which provide access to technology for those who can not afford it.
- **Encourage the development of applications of information technology for low-income Americans:** Administration grant programs have supported innovative pilot projects -- such as the use of telemedicine for prenatal care, telementoring for at-risk youth, a national computer network for local food banks, and distance learning for people who have lost their jobs.
- **Expand access to technology for people with disabilities:** President Clinton and Vice President Gore have been strong supporters of efforts to make technology more accessible for people with disabilities. Recent actions by the Federal Communications Commission will help ensure that telecommunications equipment, such as cellular phones, is designed to be accessible for people with disabilities.



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By Frank Swoboda

Washington Post Staff Writer

Saturday, February 5, 2000; Page E01

When Ford Motor Co. has a better idea, others often have been quick to follow.

Just 24 hours after the nation's second-largest automaker said it was offering computers, printers and Internet access to every one of its 350,000 employees worldwide, Delta Air Lines Inc. announced a similar program for its 72,000 employees.

Coordinated by the same company that's handling Ford's program--San Francisco-based PeoplePC Inc.--the Delta program differs significantly in that it is primarily designed to help the airline's employees communicate with the company.

Ford announced on Thursday that it will offer each of its employees a package of computer, printer and Internet access for as little as \$5 a month--an idea that grew out of discussions with the United Auto Workers union during last year's contract talks. A spokesman for the Air Line Pilots Association, Delta's only major union, said no such discussions preceded the Delta announcement.

Delta's new Wired Workforce program will allow the airline's 30,000 pilots and flight attendants to stay in touch with the company from anywhere in the world through DeltaNet, Delta's internal computer system. It would also allow other employees to telecommute from their homes where possible.

Delta would not reveal how much the new program would cost the company.

Employees who simply want a good price on a computer, color printer and Internet access are welcome to do that too, as long as they're willing to pay \$12 a month for three years, according to Delta officials. Who will provide the equipment is still under negotiation, Delta Chairman Leo F. Mullin said.

"As a company, we already interface with many of our customers and shareholders online; this new program will give Delta employees that same ability to connect to company information--including home access to DeltaNet--whenever they find it convenient or desirable," Mullin said in a statement.

During a question-and-answer session with Delta employees in a

hangar at Atlanta's Hartsfield International Airport, Mullin said the offer would be made available to employees and their spouses, but children of employees living away from home would not be eligible for the program.

And what if an employee wanted to pay the \$432 cost of the computer upfront, an employee asked? "I think we could work that out," Mullin replied.

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Ford Offers Home PC To Every Employee

\$5-a-Month Plan Reflects Firm's Focus on Internet

By Warren Brown and Frank Swoboda
 Washington Post Staff Writers
 Friday, February 4, 2000; Page A01

Ford Motor Co. said yesterday that it will provide every one of its 350,000 employees worldwide with home computers, color printers and unlimited access to the Internet for as little as \$5 a month.

Leapfrogging across the "digital divide" that some fear separates wealthy computer users from people unable to afford them, Ford is the first major company to offer every employee, from the loading dock to the boardroom, the tools to participate in the Information Age.

"It is clear that individuals and companies that want to be successful in the 21st century will need to be leaders in using the Internet and related technology. That is what this program is all about," Chairman Bill Ford said.

Ford, the nation's second-biggest company in terms of revenue, is betting the estimated \$300 million cost of the program will be quickly offset by gains in making all its employees computer literate.

"We're committed to serving consumers better by understanding how they think and act," said Jacques Nasser, Ford's president and chief executive. "Having a computer and Internet access in the home will accelerate development of these skills, provide information across our businesses, and offer opportunities to streamline our processes."

Ford said it may offset some of its costs by selling advertisements to run on the Internet service its employees will use. But even with that, the ambitious program appears unique in corporate America. Even Microsoft Corp. has nothing similar. And Hewlett-Packard Co., which is supplying the hardware under contract with Ford, provides computers only to employees who need them for work.

The program results from a contract settlement negotiated last year between the automaker and the United Auto Workers union. But Nasser said the computer program would cover all employees, even those not represented by the UAW. "We're not leaving out anyone," Nasser said.

Edward Hay, president of UAW Local 919 at the Ford pickup-truck plant in Norfolk, called the computer plan a "really good thing. The way the modern world is going, it's all going to be about computers and we've got to get up to speed."

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Many members of the local put off buying computers at Christmas in anticipation of a Ford computer program. But Hay said no one on the local predicted the deal would be this good. UAW officials said they have talked to both General Motors Corp. and DaimlerChrysler AG about similar deals, but officials at those companies said they now have no plans to follow Ford. The three U.S. automakers, however, have in the past tended to match each others' benefits programs.

There are no strings attached to the computer deal for individual employees and no requirement that the PCs be used for work. Both Ford and UAW officials said there will be no monitoring of how employees use their computers or Internet access.

Company sources said the price tag could be as much as \$300 million over three years, but Ford officials declined to confirm that. Ford last year netted \$7.2 billion. It has another \$28 billion in the bank.

In the United States, Ford workers will pay \$5 a month for the basic package put together by San Francisco-based PeoplePC Inc. Hewlett-Packard Corp. will supply the computers and printers, and Fairfax-based UUNet Technologies Inc., a subsidiary of MCI WorldCom Inc., will provide the Internet access.

After three years--and a total payment of \$180 per employee--the hardware will be the worker's property, though Ford officials said it isn't clear yet if employees will have to continue to pay for Internet access.

Elsewhere in the world, the monthly fee will be adjusted for household incomes and living standards.

The \$5 fee is largely symbolic. It harkens back to 1914, when Henry Ford, the company's founder, introduced the then-revolutionary industrial wage of \$5 a day. Chairman Bill Ford, Henry's grandson, said the \$5-a-month computer offer is equally revolutionary.

The base computer will have a 500-megahertz Intel Celeron chip, 64 megabytes of RAM, a 4.3-gigabyte hard disk, CD-ROM drive, 15-inch monitor, speakers and a modem. The printer will be a color inkjet.

Hardware will start going out to Ford employees in April. All Ford employees who want to participate in the program should receive the necessary equipment within 12 months, according to the company and UAW officials.

Hewlett-Packard sold 7.6 million personal computers worldwide last year, 4 million in the United States. If 300,000 Ford employees take advantage of the program, as Hewlett-Packard projects, the deal would represent nearly 4 percent of the company's worldwide computer sales. Weis said yesterday that it was one of the biggest single computer sales contracts for the company.

Over the past year, Ford has moved aggressively to establish itself as the e-business leader, at least in the automotive industry. Under Nasser's prompting, the company has entered into deals with Oracle Corp. to use the Internet to speed up transactions and cut costs in

dealing with suppliers. The company has also struck deals with Microsoft Corp., CarPoint and Yahoo Inc. to help customers shop for cars and trucks and other Ford-provided automotive services.

Ford announced another agreement Wednesday, this one with UPS Logistics Group, to drastically reduce the delivery times of components to Ford factories and products to consumers.

Organized labor is also getting into the low-price computer business with the creation last fall of Workingfamily.com, which has already signed up more than a dozen unions representing approximately half the 13 million members of the AFL-CIO. But the lowest price the unions have come up with so far is \$8 a week.

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Yellow Pages

WHITE HOUSE STAFFING MEMORANDUM

Date: 12.7.99 ACTION / CONCURRENCE / COMMENT DUE BY: 12.8.99; 3 PMSubject: EXECUTIVE MEMO: DIGITAL DIVIDE

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	LOCKHART	☐	☒
PODESTA	☒	☐	MARSHALL	☒	☐
ECHAVESTE	☒	☐	MOORE	☐	☐
RICCHETTI	☒	☐	NASH	☐	☐
LEW	☐	☐	NOLAN	☒	☐
BAILY	☐	☐	REED	☒	☐
BERGER	☐	☐	SOSNIK	☒	☐
BLUMENTHAL	☐	☐	SPERLING	☒	☐
BURSON	☒	☐	STEIN	☐	☐
CAHILL	☐	☐	STREETT	☐	☐
EDMONDS	☐	☐	TRAMONTANO	☒	☐
FRAMPTON	☐	☐	UCELLI	☒	☐
IBARRA	☐	☐	VERVEER	☐	☐
JOHNSON, B.	☒	☐	<u>CLERKS</u>	☒	☐
JOHNSON, J.	☒	☐		☐	☐
LANE	☐	☐		☐	☐
LEWIS	☒	☐		☐	☐

REMARKS:

COMMENTS TO STAFF SECRETARY

RESPONSE:

Office of the Staff Secretary
Ext. 62702

adrian
Factor in
speech
see
next page

DRAFT

December 7, 1999 (4:07PM)

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: NARROWING THE DIGITAL DIVIDE, CREATING OPPORTUNITIES FOR ALL AMERICANS IN THE INFORMATION AGE

Information tools, such as the personal computer and the Internet, are increasingly important to economic success and full participation in all aspects of American society. People with computers and Internet access can use these tools to find a job, acquire new skills, start a small business, get lower prices for goods and services, and become more informed citizens.

Currently, not all Americans are enjoying the benefits of the Information Age tools. In July 1999, the National Telecommunications and Information Administration issued a report, *Falling Through the Net: Defining the Digital Divide*, which found a growing gap between those with access to these tools and those without. Black and Hispanic households are two-fifths as likely to have Internet access as white households. Furthermore, households with incomes of \$75,000 and higher, in urban areas, are more than *twenty times* as likely to have access to the Internet than those at the lowest income levels, and more than *nine times* as likely to have a computer at home. As information technology plays an ever-increasing role in Americans' economic and social lives, we cannot afford to leave anyone behind.

Fortunately, competition and advances in technology are driving down the cost of computers and Internet access, which will make these new Information Age tools affordable for more Americans. I believe that we should set a national goal of making computers and Internet access available for every American. Furthermore, we should explore ways of using technology to expand the economic opportunities for those Americans who have not yet enjoyed the benefits of our prosperity.

Accordingly, I am directing executive departments and agencies ("agencies") to take the following specific actions to assist Americans to benefit from advances in information technology:

1. The Secretary of Commerce shall work with the private sector and others to develop a national strategy for making access to computers and the Internet available for all Americans, with the goal of significantly narrowing the "digital divide".
2. The Secretary of Commerce shall continue to measure the level of connectivity of Americans to telecommunications and information tools, and report periodically on the relationship of income, education, race, gender, geography, and age to Americans' access to these tools.

3. The Secretaries of Education, Housing and Urban Development, Health and Human Services, and Labor shall:
 - (a) expand our growing network of Community Technology Centers to provide access to technology for those Americans that can't afford it; and
 - (b) encourage the development of information technology applications that would help empower low-income Americans start and manage their own small businesses.
4. The Secretaries of Education and Labor shall work with the private sector to upgrade the information technology skills of America's workforce, particularly workers living in disadvantaged urban and rural communities.
5. The Secretary of Commerce, the Secretary of Education, and the Secretary of Housing and Urban Development shall highlight and disseminate the lessons learned from their grant programs and educational technology initiatives, with an emphasis on underserved citizens, to increase the number of communities across the nation that could reap the benefits of information technologies for their residents.
6. Items 1-5 of this memorandum and my July 1, 1997 and November 30, 1998 memoranda shall be conducted subject to the availability of appropriations and consistent with agencies' priorities and my budget, and to the extent permitted by law.
7. The Vice President shall continue his leadership in coordinating the United States Government's electronic commerce strategy. Further, I direct that the heads of executive departments and agencies report to the Vice President and to me on their progress in meeting the terms of this memorandum, through the Electronic Commerce Working Group in its annual report.



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UTNE

Closing The Technology Gap

Excerpts from an Utne Reader article by Minna Morse

July-August 1999, No. 94

Grassroots Geek

Seven years ago, Glenn Stein was traveling across the United States, giving lectures on Operation Moses, the 1991 airlift of Ethiopian Jews to Israel he had helped coordinate. At each stop he sold baskets handwoven by Ethiopian Jewish refugees in Addis Ababa as a way to help them support themselves.

Today, Stein has found a new way to help people support themselves, this time closer to home. Stein runs Byte Back, a computer training program for low-income adults in Washington, D.C. In the past two years, the organization has helped more than a thousand D.C. residents become more employable in an increasingly wired world.

Stein, who works a 30-hour week as a freelance programmer, donates more than 40 hours of his "spare time" each week to running the project.

Byte Back has had more than its share of measurable successes. In its first year, the program put four men and one woman through an advanced, intensive internship training program. Within one month of graduation, all five -- one of whom had formerly been homeless and one who had recently been released from prison -- had jobs in the computer industry making an average of more than \$30,000 a year.

Craig Walker, a 35-year-old former intern who now works for Stein, was by his own account "wandering aimlessly, holding odd jobs" when he happened upon the Byte Back

"In 1995 there was a lot of talk about cutting affirmative action," recalls Stein. "I started wondering to myself, 'Why am I so concerned with trying to avoid the creation of a black underclass in Israel, but doing nothing to help address the problems of a black underclass here in the United States?'"

Washington is a long way from Phoenix, where Stein grew up dreaming of becoming a rabbi. After graduation, Stein--equal parts idealist and pragmatist--went into commercial real estate. "I figured I'd make \$2 million in two years, then retire and spend my time doing social action." He did well, but not quite as well as he'd envisioned. So he quit.

Taking an 80 percent pay cut, he went to work for the Reform movement's progressive political action arm, the Religious Action Center, in Washington, D.C. Ultimately--after stints working as the RAC's associate director and at other jobs in the Jewish community -- Stein was offered the opportunity to work in Ethiopia as field director for the American Association for Ethiopian Jewry, overseeing relief efforts for Jewish refugees prior to the historic airlifts.

Two years later, Stein was on the move again, launching his own computer programming firm, which gave him the flexibility and focus to embark on an entirely new approach to social change. Beginning in 1997 with one training site, the program today operates with a half-million-dollar budget and offers 41 courses each semester at six sites across the city. Its five paid employees and dozens of volunteer instructors teach everything from basic computer skills to office applications and network administration.

More than 80 percent of the students are African American. And a fifth of them, it just so happens, are from Washington's large Ethiopian immigrant community.

training site at the Gospel Rescue Mission in downtown D.C. "I'd never used a computer before. Figured if I touched it it might break." But he dived in, and within a week he'd learned all the basic applications. "This guy kept showing up," he says, pointing to Stein - who, at the moment, is at a nearby terminal helping debug the code of another intern at the headquarters' training site - "so I asked him what I could do to learn this stuff faster. He gave me two days to prepare for the entrance exams for the internship program, I passed, and the rest... well, here I am."

Walker now manages Byte Back's internship program, which has grown from 11 interns in the program's first year to 33 today, "This is, by far, the most successful aspect of the program," he says.

Staring intently at the computer screen, Stein discovers the one thing that has gone wrong with the student-intern's code. "This needed to be an equal sign," he tells Petros, who has been anxiously standing by. "But otherwise it looks good." The classroom breaks into applause. Petros, a cab driver and Eritrean immigrant, looks relieved. He's been working hard, he says, but it's worth it. Pretty soon, thanks to Stein and Byte Back, **he'll be able to say goodbye to hacking as a cabbie -- to become a new, and better paid, kind of hacker.** (*emphasis added*)

For more information call

202-529-3395

or write Byte Back at

*815 Monroe Street NE
Washington, DC 20017*



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