

CAPTIVEAIRE

March 15, 2005

Dear Business Leader:

North Carolina is at a cross-road. We have two options; we can continue to raise taxes and grow the State Government, or we can adopt supply-school economist Arthur Laffer's philosophy that lower tax rates can offer increased revenue, thereby creating the economically strongest state in America.

North Carolina politicians increase spending every year which leads to higher taxes and larger deficits. Governor Easley's budget calls for \$1.5 Billion in new spending and raises taxes on our citizens. The spending surge of the past ten years has made our state economically weak and less competitive.

Consider the following:

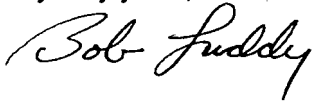
- In spite of record increases in spending on secondary education, 38% of our high school students fail to graduate.
- North Carolina's tax rates are some of the highest in the southeast and in the country. Our marginal income tax rate is 8.25% vs. 5.75% for Virginia. Tennessee and Florida have no personal income tax.
- Our sales tax continues to set new records averaging 7%; our sales tax 15 years ago was only 3%.
- Our treasury was depleted by over \$500 Million in incentives provided to companies including Merck, RJ Reynolds and Dell.

We create an economically strong North Carolina State by:

- Lowering the marginal Corporate and Personal tax rate every year for the next ten years.
- Providing greater parental choice in education and thus, a more competitive market for educational services. This will provide a superior educational system at a lower cost.
- Establishing a commission of Business Leadership to reduce the size and reach of the State Government. This will allow state government to down-size to its original Constitutional purpose.

Please join the coalition of committed business persons, elected officials and civic leaders who will make North Carolina's economic strength a reality for the benefit of all. You can start by writing our legislative leaders and Governor Easley, requesting accountability in our State spending and taxation which will lead to greater economic growth for North Carolina.

Very truly yours,



Robert L. Luddy
President

P.S. Visit www.fncf.net for further information regarding how to reduce our budget by over \$1 Billion.

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