

Friends and relatives,

For most people who will receive this letter, 1997 was a pretty good year. Wages are up, interest rates are down, equities are performing well, and if you're really lucky your company went public. In an effort to avoid complacency, I still need to reflect on the past year in general:

It began when 14 Tupac Amaru guerrillas took 250 hostages at the Japanese ambassador's residence in Lima, Peru. Most were released immediately but 72 were held until a decisive armed assault by government forces freed them in April.

At the Roslin Institute near Edinburgh, Ireland a six year old lamb, Dolly, was the first mammal to be successfully cloned.

The Ohio River rose 20 *feet* in 24 hours and an 800 mile stretch through Indiana, Ohio, and Kentucky was flooded.

England handed over its crown jewel, Hong Kong, to China. The jury is still out but if China's ineffective, overbearing, and corrupt bureaucracy doesn't ruin this English success story, Hong Kong may just change China where the Tiananmen Square demonstrations failed.

A service module collided with the Russian Mir space station causing a partial station pressure loss and almost led to an evacuation.

America successfully landed a small pathfinder robot on Mars to send back the first good technical information on the planet in 20 years.

Two pioneers of the 20th Century, Jacques Cousteau and Carl Sagan, died. They left us with a real appreciation for our planet and environment.

The Hubble Space Telescope returned the most stunning pictures of the cosmos ever. Remember when it was launched in 1990 with a spherical aberration in the primary mirror? The short sighted critics condemned this scientific instrument as a waste of money. I believe that if you don't fail the first time, you probably weren't trying something very hard. It's the American way.

El Nino flared in the Pacific. It could be a wild winter.

California and the Silicon Valley led the world in economic growth with unemployment rates of 3%.

Diana, Princess of Wales, was killed in a Paris automobile accident and the world paused.

Islamic extremist continued their campaign of terror in Algeria where the "Armed Islamic Group" has killed 60,000 civilians since 1992.

The fuel cell, a kind of battery that uses hydrogen and oxygen to produce electricity and water (as a byproduct) has shown some real progress. This thing will be in cars by the turn of the century and will change our planet.

Its official, Alan Greenspan gave a short ominous warning: if your middle aged or younger, save for your retirement now because Medicare and Social Security will probably be exhausted and not available to you.

The Asian equity markets crashed. Japan and South Korea's debt problems were acknowledged and the IMF funded a \$42B bailout.

Saddam Hussein faced the United States while President Clinton was powerless, action less, and without allies. The analogy of a "deer caught in the headlights" comes to mind. I was embarrassed by the lack of decisiveness and action with which Mr. Clinton handled this crisis and the sharp contrast between the current administration and statesmanship exhibited by former President George Bush in 1991.

The Congressional Budget Office projected a budget surplus of \$32B in 2002 and \$86B in 2007. What bothers me about this projection is the assumption that current rates of economic growth will continue for the next 10 years. And, what outright scares me is the statement that, even given these optimistic assumptions, “there will be severe budgetary problems beyond the year 2007” caused primarily by out of control Medicare and Social Security growth. These two entitlement programs constitute 32% of the federal budget and they’re growing.

Clinton was sworn in for a second term with everything looking good. He had public support, respect from Congress, and a relatively calm international environment. He had the opportunity to work on some real changes: to simplify an overly obtrusive and complex tax code, to get Medicare and Social Security solvent *before* the baby boomers retire, and to bring American schools up to international standards. Instead, Mr. Clinton and Mr. Gore have concentrated on meaningless, though popular, issues like sick leave and emergency numbers. Even after fending off allegations of accepting indirect campaign contributions from foreign governments and renting out the Lincoln Bedroom at the White House these two have promoted 27 fund raisers in the seven weeks prior to this writing alone. Gentlemen, there is work to be done! The current administration has lost so much credibility that it could not even get the fast track authority afforded to the past five presidents or maintain any of the Gulf War allegiances to keep the Middle East safe from the Iraqi threat. Just six years ago these countries put their sons under our Commander and Chief in a time of war. The same leaders today will not even pay lip service to the current administration. We are number one in the world and, consequently, a primary target, we must have leadership *before* we’re in trouble on social & economic and domestic & international fronts.

Most people feel that things are pretty good right now and I don’t disagree. However, I will not ignore the approaching storm. We have the ability and are in the best position to manage our near term problems now, before they are upon us and appear insurmountable. I do not want to be among the generation that let the U.S. fall from its position as a world leader and trend down toward a second world nation. Remember, we’re only 200 years old. There have been dynasty’s that were larger, wealthier in real terms, and lasted five times as long, only to exist solely in history books today.

As for myself; during a recent trip to Hong Kong I got engaged to my girlfriend, Monica Crowder. She works at Hewlett-Packard and lives with me now. I’m still designing semiconductors and residing at the same address. As for the Fiji/Tonga - December 1999 trip, we may be renting a large sailing vessel (65’-75’) to travel around the South Pacific for the Millennium New Year’s eve. Again, if you’re interested, you’re invited.

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“The ultimate measure of a person is not where they stand in moments of comfort and convenience, but where they stand in times of challenge and controversy” Martin Luther King, Jr.

There is not one person who will receive this letter that does not have the potential to effect enormous change. Merry Christmas and a successful New Year.

Mark A. Cottrell

<u>Year</u>	<u>Total US Population</u>	<u>Labor Force</u>	<u>Retired Over 65</u>	<u>Children & Students</u>
1995	263m	132m	31m	100m
2005	286m	147m	37m	102m
2010	298m	156m	60m	82m