

G.M.'S POTENTIAL BANKRUPTCY

General Motors is struggling to restructure without government intervention, but the Treasury Department is pressuring G.M. to file for bankruptcy by June 1. Week-long talks in Detroit and Washington continue between President Obama's automotive task force and G.M.'s management and advisors. They are debating over a "surgical" bankruptcy. G.M. has recently received \$13.4 billion in federal aid and are currently in critical times to prevent long-term adverse affects.

G.M.'s goal is to exchange approximately \$28 billion in debt into equity if approved by bondholders. If G.M. files for bankruptcy, one possibility is to create a new company that would buy the desirable assets of G.M. Treasury Department officials hope this will take two weeks along with about \$6 billion of financing from the government. Everything else would be left to be liquidated over a period of time. The less desirable assets could require up to \$70 billion in financing due to having to resolve health care obligations. President Obama campaigned to support labor and expressed concerns about G.M.'s pension plan.

G.M.'s new chief executive as of March 31, Fritz Henderson, seems to be leaning towards filing for a bankruptcy unless the June 1 deadline is met with both the bondholders and labor. Henderson differs from the ways of former chief executive Rick Wagoner in that he is deploying staff to meet with government advisors in preparation of a *(continued on next page)*



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Penny Wars (Relay For Life)
Tutoring, Mock Interview & Resume Critique 5:00-6:30PM, E&Y
- * Tuesday 4/14:
Penny Wars (Relay For Life)
Leader Appreciation Lunch 12:30-1:30, KMC 365
Tutoring, Mock Interview & Resume Critique 5:00-6:30PM, E&Y
- * Wednesday 4/15:
Relay for Life Banner-Making 12:30-1:45, KMC 350
Committee Chair Elections 6:30-9:00, LC-21
- * Thursday 4/16:
Financial Seminar Series 5&6 12:30-1:45, KMC 390
Bowling for Life 5:45, Gould Plaza
- * Friday 4/17:
Bloomberg Workshop Tour 12:45, Gould Plaza
- * Saturday 4/18:
Relay for Life 6:00pm-6:00am Coles

THAILAND'S NEW STATE OF EMERGENCY

It was only a couple of hours after the Thai Prime Minister declared a state of emergency for the country, that 30,000 protesters gathered on Bangkok streets, blocking intersections and seizing military vehicles. When Mr. Abhisit Vejjajiva's car was seen leaving the Interior Ministry shortly after his announcement, protesters hurled flower pots and wooden stakes at the vehicle, eventually injuring his arm.

This comes only a few days after last Wednesday's protests, when 100,000 people flocked the streets in demonstrations and protests against the Prime Minister and what they believe is his elite government. This past Saturday, a day before declaring a state of emergency, demonstrators barged into the place where Asia's largest summit was supposed to be held, forcing the authorities to evacuate the attendees by helicopters.

Mr. Abhisit, a 44-year-old Oxford graduate in economics, gained power in December last year after a coup against the



former PM Thaksin Shinawatra, who has been convicted of election fraud by

Thai courts.

These protests, thought to be carried out mainly by Thaksin sympathizers, highlight the urban-rural divide in Thailand. A large part of the Thai population believes that it has missed out on Thailand's modernization and industrialization, as the gap between the rich and poor widened. Mr. Thaksin, a 59-year-old former police officer who slowly became a dictator in Thailand, called for a revolution as *(continued on next page)*

G.M.'S POTENTIAL BANKRUPTCY

(continued from previous page) bankruptcy. "If we need to resort to bankruptcy, we have to do it quickly," Mr. Henderson said in an interview with the Canadian Broadcasting Corporation.

John Paul MacDuffie, a professor at the University of Pennsylvania Wharton School of Business, believes an out-of-court restructuring is unlikely, since the Obama administration rejected G.M.'s proposed revitalization plan last month which was made without the necessary concessions from bondholders and the union. These agreements are still yet to be made. "The simplest way to frame it is that they took the loans, there were conditions on the loans, they didn't prove their case for financial viability, and they didn't meet the deadline, either," Professor MacDuffie said.

Treasury has hired the Boston Consulting Group to help with G.M.'s business plan that must prove how it will save billions of dollars through agreements with bondholders and unions as well as decision of which branches to close and maintain. The government has guaranteed G.M.'s vehicle warranties. To appease consumers, G.M. has offered their consumers to make nine months of payments of \$500 each to owners who lose their jobs.

THAILAND'S STATE OF EMERGENCY

(continued from previous page) these protests began. He threatened to come back to Bangkok and begin a new government.

The December coup came after much turmoil in the country. In November 2008, thousands of royalists, against Mr. Thaksin, besieged Bangkok airports for a week forcing the prime minister and his government of the time to collapse. Although Thaksin promised a package of socialist reforms in his first election of 2001, he increasingly passed executive decrees outside of parliament consent.

What the current government and many people had not realized, however, is that Mr. Thaksin's influence still exists in the country, as he finances the main protester group's D-Station satellite television channel.

The Thai stock market had been closed for the New Year, the Songkran, from April 13th to the 15th. This comes at a very crucial time with the global recession. Analysts expect the country's GDP to drop by 4%. Almost a million Thai workers could lose their jobs. At the same time, the health of Thailand's 81-year-old monarch, Bhumibol Adulyadej, has been said to deteriorate. Many Thai cannot imagine their lives before the monarch who has helped much of the economic and democratic reforms.

The state of emergency announcement bans the gathering of more than 5000 people at a time. The recent protests come as a bold step against the government. It has also been said that the police and military have done little to keep the situation under control, drawing skepticism about Mr. Abhisit's authority over the country in general.

For now and for a while, Thailand's manufacturing and tourism industries are expected to be on hold. The northern areas that have been generally calm in these situations are now suspected of becoming involved.

APPLE'S FUTURE PROSPECTS HURT BY ABSENCE OF STEVE JOBS?

Apple's fate seems to be linked to that of its renowned CEO--Steve Jobs. Apple has continuously reassured investors about the status of Mr. Jobs, publicly defending that he is still an integral decision maker for the company despite his ongoing medical leave.

The success of Apple has been accredited in large part to the leadership of Mr. Jobs. He is the public face of the company, unveiling new products at the annual Macworld conference. Behind the scenes, he has a hand in every single product from the idea stage to development to marketing. Or that's what investors think anyway.

Apple is notoriously secretive about its operations, and its upcoming products. This atmosphere of secrecy has not helped in the situation around the health of Mr. Jobs. A flurry of rumors about his decreased influence and participation has led to a huge dip in Apple's stock price.

In 2004, Mr. Jobs was treated for pancreatic cancer. Ever since then, Apple has tried to downplay the condition of Mr. Jobs' health. Tim Cook, Apple's Chief Operating Officer, handles daily business operations, and Jobs, still formally the CEO, works from home.

Whatever they're doing, it's working. Apple has remained strong despite the tough economic climate, and has actually increased revenue.

Since the commencement of the medical leave, Apple has released a new iPhone operating system, and a new generation iPod shuffle. Reuters reports that a "new touchscreen device" is in the works.

This touchscreen device will probably be a netbook, which is a smaller, more portable version of a laptop. But rumors about this new product speculate that it might enter the gaming world, and will eventually rival current gaming consoles. It might even be a product to rival Amazon's e-reader, the Kindle.

While this device is creating exciting buzz in the tech world, it is a fact that Apple has not revealed something of iPhone proportions for a while. This lack of groundbreaking new products might be linked to Steve Jobs' decreased role in Apple's operations. While people eagerly await whatever gadgets Apple will reveal next, it could be that Steve Jobs' absence might have considerably slowed Apple's growth.

"They're the best company in consumer electronics with or without him," Jane Snorek, a tech research analyst at First American funds has said, "but with him you just have more confidence that that'll continue for much longer." The company, Steve Jobs or not, still has a lot to offer the world. But with Jobs on their side, nothing can stand in Apple's way.



EBAY PLANNING TO SPIN OFF SKYPE

EBay just announced that it plans to spin off Skype, its Internet calling business, in an IPO slated for early 2010. EBay has been looking to sell off the unit since the beginning of 2009, but it has not been able to find a bidder willing to pay a price that is close to what the company has been asking for. Some interested include Niklas Zennstrom and Janus Friis, Skype's founders, who led a group of private equity firms in making a few offers.

Many believe that Skype has the fundamentals to be a strong standalone company, with a lot of growth potential. These people also believe that Skype was not a good fit alongside eBay's auction services as well as its PayPal counterpart.

Google and Yahoo were among those who were interested in buying Skype back in 2005, but eBay outbid them by offering a price of \$2.6 billion, which was later boosted to \$3.1 billion with performance incentives.

The road is not all bright and sunny; there has been an intellectual property dispute between eBay and the Skype founders. The peer-to-peer technology used in Skype is licensed to eBay in a new product called Joltid. This dispute may not be resolved until the end of 2009, which could be the reason why no one has been willing to buy Skype.

Analysts on Wall Street have been pleasantly surprised by the efforts to spin the business off, instead of selling the unit outright, even though the markets currently are not very receptive to initial public offerings. There have been no IPOs of venture-backed companies in the last 2 consecutive quarters, the first time this has ever happened.

Last year, Skype made over \$500 million in revenues, servicing over 400 million users. The company expects revenues to top \$1 billion by 2011.



AMERICA'S TECH SECTOR SUFFERS

With the Obama administration tightening the American work force in response to the economic downturn, the U.S. technology sector is suffering because of the U.S.' strict immigration policies. How so? Google has a story to tell.

This past week at Google's Silicon Valley headquarters, a dozen of engineers gathered around a conference table to discuss how to build an easy-to-use mapping software for mobile phone users, so that travelers can easily get directions to businesses, restaurants and landmarks. Everyone is present at the table, except for the key engineer, Sanjay G. Mavinkure.

"His plane doesn't arrive until 9:30," said the project's manager. Sanjay Mavinkure has a work visa in the US, but his wife, Samvita Padukone does not. Because of this, he moved to Canada and works at Google sales office in Toronto so he could live alongside his wife. Immigrants like Mr. Mavinkure, who has helped lay the foundation for Facebook while a student at Harvard, are the life and blood of companies like Google. Half of Google's engineers were born overseas, and it's just not efficient to not be able to keep them in America because of lawmakers' decisions. Just like this time, Google's talented engineers must be flown into the States for project conferences because policies would not allow them and their families to stay here.

Technology executives have commented that the increasingly restrictive visa and immigration rules have imperiled their ability to hire more of the world's best engineers. As a result, the US will struggle to compete in this industry if it cannot easily hire more foreign-born engineers. Mr. Mavinkure's case is a perfect example of how immigration policies can chase away a potential entrepreneur who aspires to create wealth and jobs in the US.

Chairman of Intel, Craig R. Barrett, believes that "we are watching the decline and fall of the United States as an economic power – as we speak." This is partly due to our slouching education system that is not to par with foreign countries, and is also a problem that cannot be easily fixed. He comments that the temporary solution is to allow companies to hire more foreign engineers, while trying to fix America's education system. After all, kids don't turn smart with a snap of the fingers. This will take time.

Unfortunately, this debate has only sharpened as the economic recession deepens. Advocates for American-born workers are criticizing companies that lay off employees, while retaining foreign engineers on visas. Yet the tradeoff here is the skill and expertise that are central to America's long-term growth. So is this tightening of immigration policy really for better or for worse?

CHINA UNVEILS \$10 BILLION AID TO ASEAN

Continued with its efforts to play a more important role in world economic affairs, China announced Sunday its plan to roll out a \$10 billion infrastructure fund and extend \$15 billion in credits and loans to help its Southeast Asian neighbors weather the global financial crisis.

The general aid package was originally to have been announced by Chinese Prime Minister Wen Jiabao at the Association of Southeast Asian Nations (ASEAN) summit in Thailand this weekend. But anti-government protestors forced the cancellation of the summit in Pattaya due to domestic unrest.

ASEAN was originally set up in 1967 to battle the influence from communist China but has since transformed into the region's economic alliance.

The \$10 billion investment fund aims to bolster cooperation between the 10 members of ASEAN and China on infrastructure development, energy, information and communications projects, while the \$15 billion in credits and loans will be offered within the next five years, according to the state media's interview with Chinese Foreign Minister Yang Jiechi. Terms of the funding were not disclosed to the public.

Furthermore, Beijing also planned to make available 270 million yuan, or \$39.51 million, in special aid to some of the less developed ASEAN members such as Cambodia, Laos and Myanmar to help them ride out the global economic slowdown, and will inject \$5 million into the China-ASEAN cooperation fund, according to Yang.

In addition, other planned aids include 300,000 tons of rice donation to an emergency East Asia rice reserve to ensure food security; 2,000 government scholarships and 200 master's scholarships to students in the developing region over the next five years and \$900,000 donation to the cooperation fund of ASEAN Plus-3, which includes China, Japan and South Korea.

Despite the fact that China is not part of ASEAN, Beijing is leveraging the global financial catastrophe as a unique opportunity for the rising world power to boost its economic and diplomatic clout in the region, extending its influence as the region struggles to pull out of the global economic downward spiral.

The sheer size of the Chinese economy and its critical role as the largest consumer and exporter in the region, make its presence at the ASEAN summit necessary and inevitable. China has emerged in an increasing important role over the last few years in South East Asia's export-dependent economies, both as a market for goods and a place to invest in.

In spite of Thailand's political turmoil, Premier Wen Jiabao was to attend the ASEAN summit and to announce the proposals that call for "the establishment of the China-ASEAN free trade zone," according to the state media. If the agreement went through, it will create the world's largest free trade area that covers about two billion people.

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Newsletter Committee:

- Kriti Agarwal
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WEATHER

Day	Weather	High/Low
Monday	Showers	54°/40°
Tuesday	Showers	52°/42°
Wednesday	Showers	51°/40°
Thursday	Sunny	59°/41°
Friday	Sunny	68°/47°

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Questions? Comments?

E-mail
bap.herald@gmail.com

IN BRIEF WITH BAP

Microsoft and Yahoo at It Again!

Yahoo's CEO, Carol Bartz, and Microsoft's CEO, Steve Ballmer, met last week to re-discuss a deal of search and advertising partnerships, especially within the technology sector. This comes after previous failed talks and a rejected tender offer that Microsoft bid to Yahoo. Silicon Valley companies are seeing the effects of the recession and many are moving away from acquisitions to small partnerships like these.

Pirates and Captain Richard Phillips

Maersk Alabama, the ship that was hijacked by pirates near Somalia, pulled into Kenya's Mombasa port this past Saturday, while the pirates and the ship's captain Richard Phillips fled by a lifeboat. The pirates had climbed up the ship using ropes and hooks, attacked the shipmen before one officer overpowered a pirate. Negotiations with the pirates' elder representatives broke down again amid fire shots recently. Captain Phillips had just been rescued.

Goldman Will Raise \$5 Billion to Repay TARP

In light of the firm's profitable first quarter, Goldman Sachs said Monday it will raise \$5 billion through a stock offering to help repaying the \$10 billion TARP funding received in October from the government. Goldman reported \$1.8 billion in profit for the first quarter, up 13 percent from a year ago. The banking giant's robust performance in the first quarter beat the street's expectation and recovered from its first quarterly loss since listing in the last quarter.

SEC to Curb Short-selling

In an effort to shore up investor confidence in the markets, the Securities and Exchange Commission proposed five new restrictions against short-selling, which its abusive practice by financial institutions is blamed for causing extreme market volatility. The SEC reintroduced a modified version of a Depression-era rule that prohibits investor from shorting a stock when its price is already declining. The restriction is also known as the uptick rule.

VOCABULARY

Volatility Skew - The difference in implied volatility (IV) between out-of-the-money, at-the-money and in-the-money options. Volatility skew, which is affected by sentiment and the supply/demand relationship, provides information on whether fund managers prefer to write calls or puts

Legacy Hedge - A hedge position held by a company that's held for an extended period of time. Commodity companies, such as gold and oil producers, will often have legacy hedges on its reserves, which give the companies a more stable stream of revenue as the hedge provides price guarantees

Redlining - The unethical practice whereby financial institutions make it extremely difficult for residents of poor inner-city neighborhoods to borrow money, gain approval for a mortgage, take out insurance or gain access to other financial services because of high default rates. In this case, the rejection does not take the individual's qualifications and creditworthiness into account

ECONOMIC INDICATORS

Consumer sentiment, a measure of people's attitudes toward employment, and their confidence about their personal financial situation and ability to spend, rose slightly. The overall measure of consumer sentiment is hovering just under 60 out of 100, which in comparison to the past, is extremely low.

Housing starts, which records how many residential units began construction in a given month, shot up 22.2 percent in the past few months. This might not be reason for celebration though, because any number of housing starts looks good in comparison to the horrible numbers from January.

SUDOKU

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