

IN THE NEWS

DECEMBER 20, 2009

Economic News

The national debt continues to rise and Congress is falling behind. Case in point, the U.S. Treasury Department calculated the National Debt \$100 billion higher than the statutory Debt Limit approved by Congress [1]. In other news, for the week ending December 5, there were 474,000 initial unemployment claims filed [2]. The following week (ending December 12), analysts were surprised when initial first time claims for unemployment increased by 7,000 to a total of 480,000 [3]. Economists had expected the rate to fall by 9,000 [4]. Meanwhile, foreclosure filings are expected to reach a record 3.9 million notices this year, up from last year's record 3.2 million [5]. What's more, international trade for October saw the deficit fell from \$35.7 billion to only \$32.9 billion [6].

With few weeks remaining in the year, regulators shuttered three banks on December 11. The first was the Republic Federal Bank in Florida [7]. Next was the Valley Capital Bank in Arizona [8]. The third, at number 133, was the SolutionsBank in Kansas [9]. Elsewhere, President Obama called on banks to relax credit and start lending money to small businesses [10]. However, the FDIC is urging financial institutions to reduce credit risk. For example, the Central Pacific Financial was told to reduce its credit risk [11]. Indicating more woes to come, the FDIC plans to nearly double its FY10 bank closing budget from \$1.3 billion to \$2.5 billion [12]. What's more, the Government agreed to relax tax laws, benefiting some bank mergers such as Citigroup and Wachovia; thereby masking the cost of the bank meltdown [13]. Regulators were again busy on December 18, closing seven more financial institutions. Starting at number 134, the RockBridge Commercial bank in Georgia was closed [14]. Next was the Peoples First Bank of Florida [15]. The next three shuttered were the Citizens State Bank in Michigan; New South Federal Savings Bank in Alabama; and Independent Bankers' Bank in Illinois [16]. The 139th financial institution closed was the Imperial Capital Bank in California [17]. Finally, the 140th closed for the year was the First Federal Bank in California [18].

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2. Yousuf, Hibah, CNN Money, *Unemployment claims jump unexpectedly*, December 10, 2009.
3. Homan, Timothy R., Bloomberg, *Initial Jobless Claims in U.S. Unexpectedly Increase*, December 16, 2009.

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IT security

One of our most effective remote weapons, the Predator drone, may have been hacked into by insurgents in Iraq [1]. Indications are the hacking was successful because the Predator used an unprotected (unencrypted) feed [2]. What's more, back in 1994, commanders discussed Predator hacking vulnerabilities [3]. Reports indicate the vulnerability has since been fixed [4].

Microsoft released a patch to correct six security vulnerabilities [5]. Microsoft is not alone in security fixes. For example, by January 8, Adobe will fix a security hole in its Illustrator product [6].

It seems that the Transportation Security Administration (TSA) publically posted a sensitive manual on screening procedures on its web site [7]. As a consequence, five TSA employees were

placed on administrative leave [8].

Banks continue to be targets for cyber criminals. For example, cybercriminals are bypassing bank firewalls and draining money directly from corporate accounts [9]. What's more, twitter was unavailable following a DNS hack [10].

Meanwhile, American and Russian officials are in talks to

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Special points of interest:

- National Debt exceeded statutory Debt Limit
- Iraq insurgents hacked Predator communication link
- 140th bank closed

Economic News

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5. Levy, Dan. Bloomberg, *U.S. Foreclosures to Reach 3.9 Million in Second Record Year*, December 10, 2009.
6. Robb, Greg, Market Watch, *Trade gap narrows sharply in October*, December 10, 2009.
7. Keating, Gina, Reuters, *U.S. regulators close Republic Federal bank*, December 11, 2009.
8. Rooney, Ben, CNN Money, *U.S. Bank failure tally reaches 133*, December 11, 2009.
9. KMBC, *SolutionsBank Of Overland Park Shut Down*, December 11, 2009.
10. Raum, Tom, AP, *Obama implores top bankers to increase lending*, December 14, 2009.
11. Pacific Business News, *FDIC tells Central Pacific to reduce credit risk*, December 11, 2009.
12. Vekshin, Alison, Bloomberg, *FDIC Boosts 2010 Budget, Staff as Bank Failures Rise*, December 15, 2009.
13. Appelbaum, Binyamin, Washington Post, *U.S. gave up billions in tax money in deal for Citigroup's bailout repayment*, December 16, 2009.
14. Witkowski, Wallace, Market Watch, *Georgia's RockBridge Commercial 134th bank failure*, December 18, 2009.
15. Hawley, Erin, WMBB, *Hancock Bank Assumes All Deposits of Peoples First Community Bank*, December 18, 2009.
16. Gordon, Marcy, AP, *Regulators shut banks in 4 states*, December 18, 2009.
17. FDIC, *PR-238-2009*, December 18, 2009.
18. Keating, Gina, and Bansai, Paritosh, Reuters, *OneWest buys First Federal as 7 US banks fail*, December 18, 2009.

No country without an atom bomb could properly consider itself independent—Charles De Gaulle

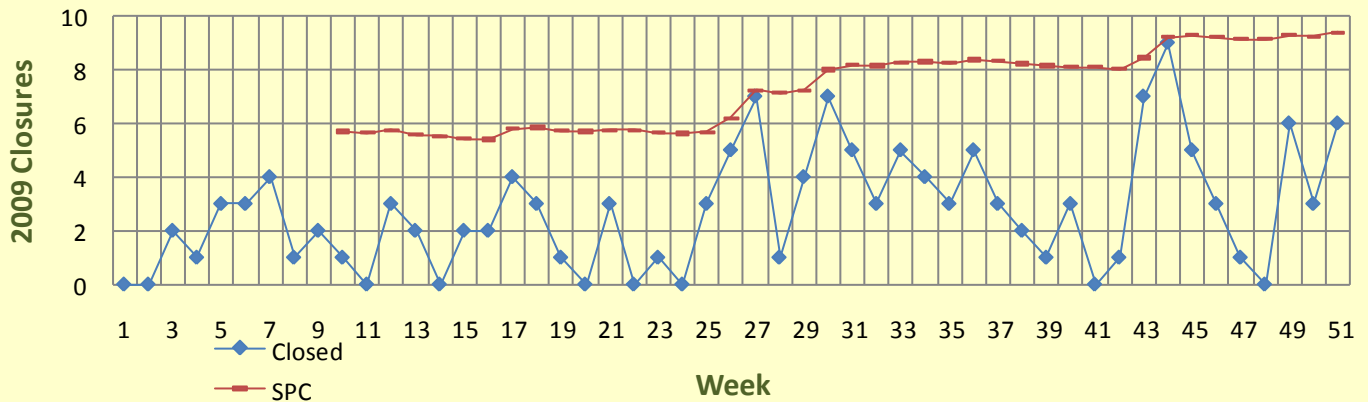
IT Security

(Continued from page 1)

strengthen Internet security and limit military use of cyberspace [11]. However, without China's participation it is unclear how productive this effort will be.

1. AP/Washington Times, *Insurgents intercepted drone spy videos*, December 17, 2009.
2. BBC, *Iraq insurgents 'hack into video feeds from US drones'*, December 17, 2009.
3. CBS News, *Commanders Discussed Drone Hacking in 2004*, December 18, 2009.
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5. Leffall, Jabulani, GCN, *Fix for Explorer vulnerability to arrive with Microsoft's Patch Tuesday*, December 4, 2009.
6. McMillian, Robert, IDG News service, *After Code Is Released, Adobe Illustrator Fix Due Jan 8*, December 7, 2009.
7. Ros, Brian, and Hosford, Matt, ABC News, *Massive TSA Security Breach As Agency Gives Away Its Secrets*, December 8, 2009.
8. Sullivan, Eileen, AP, *TSA puts 5 employees on leave over online posting*, December 9, 2009.
9. Menn, Joseph, Financial Times, *Bank firewalls cracked by cyberhackers*, December 11, 2009.
10. Lemon, Summer, IDG News Service, *Hackers Take Twitter Offline*, December 18, 2009.
11. Markoff, John, and Kramer, Andrew E., New York Times, *In Shift, U.S. Talks to Russia on Internet Security*, December 12, 2009.

SPC Threshold 12/20/2009



Energy

The catalytic converter is made with trace amounts of precious (platinum, palladium and rhodium); consequently, thieves are cutting converters from vehicles and selling the scrap metal [1]. What's more, converters restrict exhaust flow thereby increasing the amount of fuel burnt. In Germany, scientists have perfected diesel combustion so a catalytic converter is not needed to meet new European standards [2].

Two senators introduced a bill to double nuclear power [3]. Within the military, the US Navy has a number of nuclear powered ships, such as the USS Carl Vinson [4]. While the U.S. decides how to reduce carbon dioxide,

India is moving ahead with nuclear reactors made in Russia [5]. Similarly, while the West debates the viability of nuclear power, during the next decade, China plans to build three times the number of nuclear power plants as the rest of the world combined [6].

Meanwhile, efforts continue between the U.S. and Russia (without China) on reducing nuclear warheads below 1,700 [7]. So as countries such as Iran, North Korea, China, Pakistan, and India are increasing their nuclear stockpiles, the U.S. and Russia are reducing theirs.

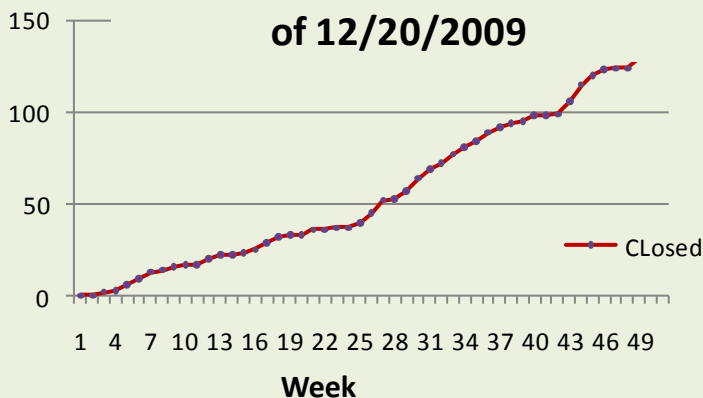
1. Saulny, Susan, New York Times, *Thieves Leave Cars, but Take Catalytic Convert-*

ers, March 29, 2008.

2. UPI, *Low emissions diesel truck engine created*, December 8, 2009.
3. Rascoe, Ayesha, Reuters, *U.S. Senators unveil bill to double nuclear power*, November 16, 2009.
4. CNN Money, *Northrop Grumman Redelivers USS Carl Vinson on Budget and on Schedule After Successful Maintenance and Modernization Work*, December 7, 2009.
5. Lamont, James and Stevenson, Alexandra, Financial Times, *Russia to supply India with nuclear reactors*, December 7, 2009.
6. Bradsher, Keith, New York Times, *China's Rapid Reactor Expansion Raises Concerns*, December 15, 2009.
7. BBC News, *Russia blames US for 'slowdown' in nuclear treaty talks*, December 17, 2009.

All the waste in a year from a nuclear power plant can be stored under a desk—Ronald Reagan

Financial Institution Closures as of 12/20/2009



World News

China continues to manipulate its currency giving it an unfair trade advantage. Case in point, the Chinese trade deficit is at record levels while the dollar gains strength against China's Yuan [1]. What's more, the deficit with China increased to \$22.7 billion [2]. Stated differently, 69% of the U.S. trade deficit is with China. Meanwhile, China's Vice Foreign Minister He Yafei is upset with the U.S. climate negotiator who said China shouldn't expect any American climate aid money [3].

In 2003 when the U.S. entered Iraq, critics accused the U.S. of going in for the oil [4]. However, the winners of the oil auction are Russians, Europeans and Chinese [5]. To make matters worse, oil rose sharply following a report that Iranian forces entered Iraq and surrounded an oil well with tanks [6].

To date, Iran has successfully followed the North Korea model to defy the world and get everything wanted. For

example, in yet another defiant act, Iran launched another 1,200 mile range missile capable of reaching Israel [7]. This followed threats of additional UN sanctions [8]. A secret Iranian document recently published depicts the republic's effort at developing a nuclear device trigger for which there is no commercial application [9].

Meanwhile, a North Korean plane with 25 tons of weapons was seized in Thailand [10]. While North Korea moved weapons, President Obama sent a personal note to the North Korean leader [11].

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Webb, Reuters, *No boon for U.S. firms in Iraqi oil deal auction*, December, December 13, 2009.

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7. UPI, *Iranian missile test*, December 16, 2009.
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9. Philp, Catherine, Times Online (UK), *Secret document exposes Iran's nuclear trigger*, December 14, 2009.
10. Weerawong, Apichart, AP, *5 charged after NKorean weapons seized in Thailand*, December 13, 2009.
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*Diamonds are nothing more
than chunks of coal that
stuck to their jobs—Malcolm
S. Forbes*

Crime

In New York, the president of a mortgage brokerage firm was arrested in a \$23 million fraud scheme [1]. In Minnesota, two people were charged in a \$2.5 million mortgage fraud scheme [2]. Approximately 30 people in three states were arrested in separate Medicare fraud schemes totaling \$61 million [3]. Billionaire Raj Rajaratnam and Danielle Chiesi were indicted for insider trading netting \$20.8 million [4]. In Massachusetts, a man was charged with stealing \$4.3 million from investors [5]. In Kentucky, a bank employee at BB&T was charged with em-

bezzling \$1.5 million from elderly customer's accounts [6]. In New York, two attorneys were charged in a \$3.9 million mortgage fraud scheme [7].

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December 15, 2009.

4. Glovin, David, Bloomberg, *Rajaratnam, Chiesi Indicted for Conspiracy, Fraud*, December 15, 2009.
5. ABC News/AP, Mass. *Man Charged With Stealing From Investors*, December 16, 2009.
6. West Kentucky Star/AP, *Bank Employee Charged with Embezzling \$1.5 Million*, December 16, 2009.
7. North Country Gazette, *NY Attorneys Face Mortgage Fraud Charges*, December 17, 2009.