

## IN THE NEWS

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### Security News

According to Verizon analysis of 90 network breaches last year, 285 million records were compromised, 91% were linked to organized crime, and only a third were publically disclosed [1]. Elsewhere, Chinese cyber spies breached a \$300 billion Pentagon fighter jet program [2]. The joint strike fighter project, the most costly in the Pentagon's history, was repeatedly breached [3]. The Pentagon break-in included the unauthorized transfer of trillions of bytes (terabytes) of data [4]. Officials, downplayed the severity indicating critical data on the F-35 Joint Strike Fighter was not compromised [5]. Nevertheless, the Secretary of Defense may initiate a new separate military command to deal with the growing cyber threat [6]. Expectedly, China has denied involvement in stealing F-35 design information [7].

In other news, the NSA Chief, Lt. Gen. Keith Alexander, emphasized his agency does not run cyber security for the Government [8]. The General underlined the challenges in addressing cyber security are too big for the NSA alone [9]. Furthermore, the official in charge of President Obama's 60-day cyber security review, Melissa Hathaway, suggested the white House needed to take control [10]. If the recommendations are followed, the DHS would lose control of cyber security [11].

On the patch front, Mozilla released an update that fixes 9 security flaws, including one listed as critical [12]. Corrective measures, including patches, will remain an important defense. Case in point, there was considerable media coverage of the Conficker worm and when the expected adverse consequences did not materialize, people started to downplay the malicious software threat [13]. However, the worm has now started to attack PCs [14]. Another corrective approach came from the HHS that released guidance on securing electronic health records that includes reliance on encryption [15].

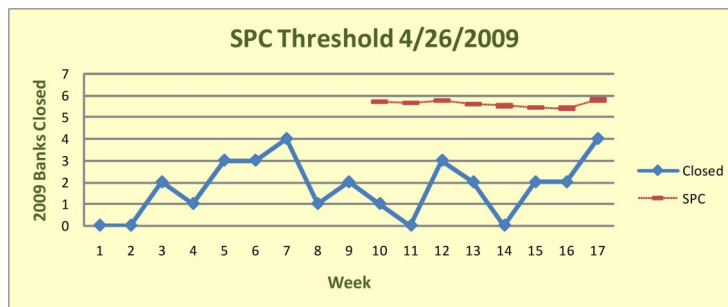
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### Economy

In the months before it was shuttered, approximately \$170 million in deposits were withdrawn from the New Frontier Bank in Colorado [1]. In Georgia the American Southern Bank, became the 26<sup>th</sup> bank shuttered this year [2]. Furthermore, the Michigan Heritage Bank was the 27<sup>th</sup> closed by regulators [3]. In California, the First Bank of Beverly Hills was the 28<sup>th</sup> shuttered by regulators [4]. Lastly, the First Bank of Idaho, FSB, was the 29<sup>th</sup> this year [5]. At 29 banks, this year has surpassed the number shuttered for 2007



and 2008 combined.

Domestically, newspapers have been suffering with many filing for bankruptcy. However, in China, a new English speaking newspaper, the Global Times, was launched [5].

1. Moffeit, Miles, Denver Post, *Run fueled bank's failure*, April 19, 2009.
2. FDIC, *Bank of North Georgia, Alpharetta, Georgia, Assumes All of The Deposits of American Southern Bank*,

(Continued on page 2)

#### Special points of interest:

- A bank run caused the New Frontier Bank in Colorado failure
- China's cyber spies breach \$300 billion Pentagon jet fighter program
- Regulators shutter 26<sup>th</sup>, 27<sup>th</sup>, 28<sup>th</sup>, and 29<sup>th</sup> banks this year
- Swine flu hits Mexico, Texas, California, Kansas, and possibly New York

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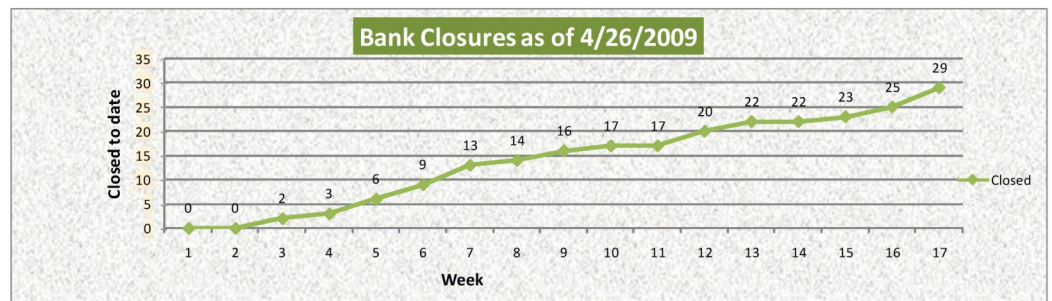
There is speculation that cybercriminal have found an exploit with older Nokia phones allowing fraudulent bank transfers [16]. Phones are not the only security concern. One report suggests the average cost for a lost laptop, including data loss, is \$49,246 [17]

1. Lais, Sami, FCW, Verizon: Organized crime behind data breaches, April 16, 2009.
2. CBS, Cyber Spies Steal Fighter Jet Data, April 21, 2009.
3. Gorman, Siobhan, et. al., Wall street Journal, Computer Spies Breach Fighter-Jet Project, April 20, 2009.
4. Mark, Roy, eWeek, Hackers Swipe Terabytes of Sensitive Pentagon Data, April 21, 2009.
5. Tuson, Scott, and Hedgpeth, Dana, Washington Post, Officials Say Hackers Didn't Steal Critical Data About New Fighter Jet, April 22, 2009.
6. NBC News, Gates may recommend new 'Cyber Command', April 21, 2009.
7. Moore, Malcolm, Telegraph (UK), China denies claims it hacked into Pentagon computers, April 21, 2009.
8. McCullagh, Declan, Cnet News, NSA chief downplays cybersecurity power grab reports, April 21, 2009.
9. Hulme, George, Information Week, NSA Does Not Want To Lead U.S. Cybersecurity Efforts. This Is Good News, April 21, 2009.
10. Markoff, John, New York Times, Call for White House Control of Security, April 22, 2009.
11. VOA, China Denies Hacking US Fighter-Jet Files, April 23, 2009.
12. McCullagh, Cnet News, White House may relieve DHS of cybersecurity role, April 22, 2009.
13. McMillian, Robert, IDG News Services, Conficker Hype a 'Problem,' Says FBI Cyber-Chief, April 24, 2009.
14. Finkle, Jim, Reuters, Conficker virus begins to attack PCs: experts, April 24, 2009.
15. Leyden, John, Register (UK), Mozilla update quashes nine bugs, April 22, 2009.
16. Lipowicz, Alice, FCW, HHS releases guidance on securing electronic health data, April 20, 2009.
17. AFP, Lost laptops cost companies dearly: study, April 24, 2009.
18. Kirk, Jeremy, IDG News service, Nokia: We Don't Know Why Criminals Want Our Old Phones, April 21, 2009.

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Statistics are no substitute for  
judgment—Henry Clay

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## Economy

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3. FDIC, Level One Bank, Farmington Hills, Michigan, Assumes All of the Deposits of Michigan Heritage Bank, Farmington Hills, April 24, 2009.
4. FDIC, FDIC Approves the Payout of the Insured Deposits of First Bank of Beverly Hills, Calabasas, California, April 24, 2009.
5. FDIC, U.S. Bank, Minneapolis, Minnesota, Assumes All of the Deposits of First Bank of Idaho, Fsb, Ketchum, Idaho, April 24, 2009.
6. AP, China launches new English-language newspaper, April 20, 2009.

## Swine Flu

In 1918, the Spanish Flu pandemic infected 20 to 40 percent of the world's population culminating in the death of 50 million people [1]. When Gerald Ford was president, back in 1976, there was concern over the possibility of Swine Flu causing massive loss of life. In response, then President Ford embarked on a massive immunization plan [2]. As it later turned out, the threat never materialized and the \$135 million emergency program was considered a false alarm [3]. Interestingly, the CDC is checking to see if those vaccinated in 1976 might have a resistance to the current virus [4].

The new form of the Swine Flu has surfaced in Mexico with over 1,000 people infected and at least 68 deaths reported [5]. This is a death rate of approximately 6% indicating the severity of the virus. What's more, the first 8 U.S. cases of the new influenza reported where in Texas and California, with no deaths [6]. By Saturday, cases were confirmed in Kansas, and suspected in New York City [7]. In response, the Government of Mexico shut down

schools, museums, libraries and state-run theaters in its capital, Mexico City [8]. The new flu is considered a respiratory outbreak and some countries are worried about a possible epidemic [9]. For example, some Asian countries have started screening passengers and pork products coming from Mexico [10]. However, with the porous border separating the U.S. and Mexico, such controls will not be effective. Meanwhile, the World Health Organization is meeting to discuss the potential pandemic [11]. Fortunately, there have been preparations for a flu pandemic and current antiviral medicines appear to combat the virus [12].

1. Reuters, *Some facts about past flu pandemics*, April 24, 2009.
2. AP/Pittsburgh Post-Gazette, *Ford Paves Way For Swine Flu*, August 13, 1976.
3. New York Times, *Swine Flu False Alarm?*, June 8, 1976.
4. Lauerman, John and Gale, Jason, Bloomberg,

*Swine Flu Emergency Caused By New Variant of Old Bug*, April 26, 2009.

5. Stein, Rob, and Brown, David, Washington Post, *Swine Flu Found in Mexican Outbreak*, April 25, 2009.
6. Iliff, Laurence, Dallas Morning News, *Mexico City taking cover as deadly swine flu outbreak hits*, April 25, 2009.
7. Maugh, Thoman H., Los Angeles Times, *11 more suspected swine flu cases in U.S.*, April 26, 2009.
8. AP, *Mexico shuts down public institutions after 60 flu deaths*, April 25, 2009.
9. Murdock, Purnell, VOA, *Mexico Swine Flu Deaths Spark Concerns of Global Epidemic*, April 25, 2009.
10. Times of India, *Asia takes precautions after swine flu outbreak*, April 25, 2009.
11. BBC News, *Mexico flu 'a potential pandemic'*, April 25, 2009.
12. Nebel, Stephanie, Reuters, *WHO ready with antivirals to combat swine flu*, April 24, 2009.

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*Fraud is the ready minister of  
injustice—Edmund Burke*

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## Leftovers

Long after a conflict, leftover problems remain. For example, last week in Berlin, an unexploded bomb from World War II Was dug up [1]. What's more, in small French towns along the old Western Front, munitions from WW I, including poison gas, are still found [2].

So what are the consequences of the various pieces of malicious software (malware) that are infecting systems today? Once these programs are placed in a backup, they could

be problematic at some future time. Case in point, the common business-oriented language (COBOL) is still in use after 50 years [3]. Those who believe that if it's not broke, don't fix it will likely keep many system in place longer than originally anticipated. Newer systems may have older computers performing some embedded tasks. As greater network access continues to flourish, these embedded systems may present future challenges. For example, an older technology router may serve its

primary function and remain vulnerable to exploitation.

1. AP, *Unexploded WWII bomb found at German museum site*, April 24, 2009.
2. Beardsley, Eleanor, NPR, *WWI Munitions Still Live Beneath Western Front*, November 11, 2007.
3. Colvey, Scott, Guardian (UK), *Cobol hits 50 and keeps counting*, April 9, 2009.

## World News

At a UN conference designed to fight racism, Iranian president Mahmoud Ahmadinejad, called Israel the “most cruel and repressive racist regime” [1].

Meanwhile, Japan has suffered its first trade deficit since 1980 [2]. Contributing to the deficit, shipment of Japanese cars to the U.S. remained week [3]. Meanwhile, the second largest bank in Japan, Mizuho Financial Group, reported a larger than expected loss for the 3 months ending in March [4].

In Pakistan, Taliban militants are extending their control of the Swat Valley to a neighboring district [5]. In one expansion, the Taliban were just 60 miles from the capital of Pakistan [6]. Secretary of State, Hillary Clinton, harshly criticized Pakistan's government saying it has abdicated to the Taliban [7]. However, Pakistan's Prime Minister Syed Yusuf Raza Gilani said the military could stop the Tali-

ban and that the country's nuclear weapons were safe [8].

The other nuclear hot spot, North Korea, is now considered fully nuclear capable [9]. What's more, North Korea announced it restarted its weapons-grade plutonium factory [10]. This as the North arrested 2 America reporters [11].

1. Jordans, Frank, AP/ABC News, *Iran Leader Sparks Walkout at UN Over Israel*, April 20, 2009.
2. Monahan, Andrew, Dow Jones Newswires, *Japan Suffers Trade Deficit In FY08; 1st Since '80*, April 22, 2009.
3. Yamaguchi, Mari, AP, *Japan's exports dive 46 percent in March*, April 22, 2009.
4. Flynn, Finbarr and Tani-guchi, Takako, Bloomberg, *Mizuho Loss Exceeds Estimates as Loan Defaults Swell*, April 23, 2009.
5. Toosi, Nahal, AP, *Taliban tighten their grip on Pakistan's northwest*, April 22, 2009.
6. AP, *Taliban extend hold, advance near Pakistan capital*, April 23, 2009.
7. Robinson, Dan, VOA, *US Secretary of State Has Harsh Criticism for Pakistan*, April 22, 2009.
8. CNN, *Taliban: We'll withdraw from district near capital*, April 24, 2009.
9. Parry, Richard Lloyd, The Australian, *N Korea is armed for nuclear war*, April 25, 2009.
10. Kim, Kwang-Tae, AP, *NKorea says it has restarted nuclear facilities*, April 25, 2009.
11. Veale, Jennifer, Time, *Arrested Reporters: N. Korea's Trump Card?*, April 24, 2009.

## Crime

In Tennessee, a man was charged with embezzling almost \$11 million from investors [1]. In Panama, a Utah man was arrested for operating a \$18 million Ponzi scheme [2]. A New York lawyer who killed himself in Maryland may have been operating a \$20 million Ponzi scheme [3]. In New York, an investment firm owner was indicted in a \$413 million Ponzi scheme [4]. Elsewhere in New York, a hedge fund manager was charged with operating a \$150 million fraudulent scheme [5]. In Massachusetts, a Holyoke man was charged with operating a \$3 million Ponzi scheme [6]. In Pennsylvania, an investment

firm owner was charged with operating a \$23 million Ponzi scheme [7]. In Florida, a Turnpike manger and 2 others were charged in a \$4 million fraud [8].

1. FBI, *Mail and Wire Fraud Charges Filed Against Franklin Financial Adviser Gordon B. Grig*, April 22, 2009.
2. Winslow, Ben, Desert News, *Ponzi scheme suspect arrested in Panama*, April 24, 2009.
3. Denver Post, *Man in murder-suicide may have run Ponzi scheme*, April 23, 2009.
4. AP, *NY adviser indicted in \$413 million Ponzi scheme*, April 24, 2009.
5. Bray, Chad, Dow Jones Newswires, *Fund Manager Nicholson Indicted On Fraud Charges*, April 23, 2009.
6. AP/Boston Herald, *Holyoke man charged with running Ponzi scheme*, April 22, 2009.
7. Bergstrom, Bill, AP, *Pa. investment adviser and firm sued, funds frozen*, April 20, 2009.
8. Mariano, Willoughby, Orlando Sentinel, *Turnpike manager, 2 others face charges in \$4 million fraud case*, April 24, 2009.

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*It is an affront to treat  
falsehood with  
complaisance—Thomas Paine*

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