

IN THE NEWS

VOLUME 2 ISSUE 19

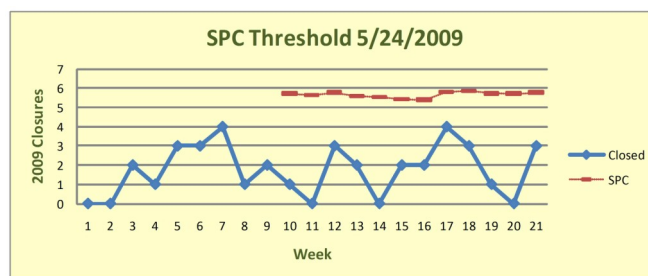
MAY 24, 2009

Economic News

By one estimate, Medicare will run out of money in 2017 and Social Security in 2037 [1]. In a sign that the housing market remains soft, when compared to the same quarter the year before, the median house price fell 14% [2]. What's more, the number of home foreclosures increased in April to 342,000 homes; approximately one in every 374 [3]. In a troubling sign for the economy, oil passed \$60 per barrel last week; the highest since last November [4]. Within the domestic auto industry, there is a report that GM may import Chinese built cars into the U.S. after the restructuring is completed [5]. GM also announced it plans to close 1,100 dealerships [6]. This comes after Chrysler announced plans to close 789 dealerships [7]. On the newspaper front, the Tucson Citizen will no longer be available in print [8]. Sounding resilient, the New York times believes it can keep operating into 2011 [9]. Elsewhere, the Ann Arbor News plans to issue its final print copy on July 23 [10].

Banking remained newsworthy. For example, the Bank of America sold a \$7.3 billion stake in the China Construction Bank [11].

Florida's BankUnited became the 34th federally insured institution closed and is expected to cost the FDIC insurance fund \$4.9 billion [12]. In Illinois, the Strategic Capital Bank was the 35th FDIC insured institution closed this year [13]. Elsewhere in Illinois, the Citizens National Bank became number 36



(Continued on page 2)

IT security

A site online for 13 years provided flight simulation over the Internet was destroyed by hackers who corrupted both servers and backup programs [1]. Elsewhere, hackers are trying to exploit a Microsoft PowerPoint security hole on systems without the latest patch [2]. Microsoft released the PowerPoint patch on May 12 as part of the package to fix 14 remote code executing vulnerabilities [3]. Keeping patches up to date has become a critical necessity. Case in point, over 1,500 sites have been compromised by an attack called "Gumblar" that checks

connecting PCs for unpatched security holes and if found, infects them [4]. Meanwhile, the Microsoft Internet Information Services 6 product appears to have a new vulnerability that could put server information at risk [5].

At the DHS, a platform designed for sharing sensitive but unclassified data was hacked into [6]. What's more, the DHS IG reported two data centers were at risk [7]. Meanwhile, a computer virus infection at the U.S. Marshals forced the Department of Justice to temporarily disconnect their Internet

service [8].

Security breaches are costly. Case in point, the Heartland Payment Systems breach has cost the company \$12.6 million so far (not including damage to the company's image) [9].

Hackers pose a risk to other parts of the critical infrastructure. For example, the North American Electric Reliability Corp. (NERC) is seeking help in addressing cybersecurity risk to the power grid [10]. What's more, the U.S. is trying to get tools to duplicate the attacks used by Russia against Georgia [11].

(Continued on page 2)

Inside this issue:

Pakistan	3
Neanderthal	3
World News	4
Crime	4

Special points of interest:

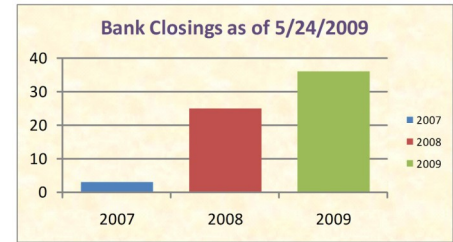
- EPA finds suspect materials in sheetrock made in China
- Virus shuts down U.S. Marshals computers
- 34th, 35th, and 36th Federally insured institutions shuttered

Economic News

(Continued from page 1)

closed [14].

1. Knowlton, Brian, New York Times, *Insolvency Is Seen Closer for Social Security and Medicare*, May 12, 2009.
2. Hagerty, James R., Wall Street Journal, *U.S. Median House Price Declines 14%*, May 13, 2009.
3. Christie, Les, CNN Money, *Foreclosures: 'April was a shocker'*, May 13, 2009.
4. Clifford, Catherine, CNN, *Oil ends above \$60 - 1st time since November*, May 20, 2009.
5. Krisher, Tom, AP, *Chinese imports could bring GM political troubles*, May 13, 2009.
6. Merx, Katie and Ramsey, Mike, Bloomberg, *GM Starts Notifying 1,100 U.S. Dealers to Be Closed*, May 15, 2009.
7. DePass, Dee, Star Tribune, *Chrysler closing 18 dealers in state*, May 14, 2009.
8. Rotstein, Arthur, AP, *Final edition of Tucson Citizen hits the streets*, May 16, 2009.
9. Carr, David, New York Times, *The Times and the Future*, May 17, 2009.
10. AP, *Ann Arbor News to publish final edition July 23*, May 15, 2009.
11. AP, *BofA sells \$7.3B stake in China Construction*

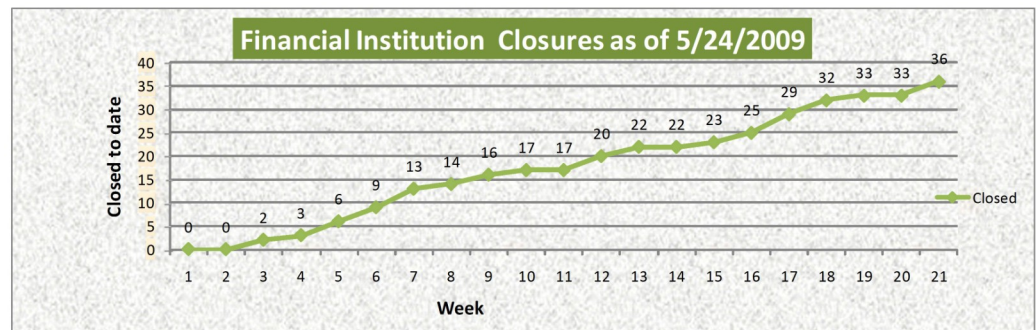


Bank, May 14, 2009.

12. Gordon, Marcy, AP, *Florida's BankUnited fails, will cost FDIC \$4.9B*, May 22, 2009.
13. Yerk, Becky, Chicago Tribune, *Federal regulators close Strategic Capital Bank*, May 22, 2009.
14. Abbott, Charles, Reuters, *U.S. regulators close Citizens National Bank*, May 22, 2009.

We don't have a trillion-dollar debt because we haven't taxed enough; we have a trillion-dollar debt because we spend too much—

Ronald Reagan



IT Security

(Continued from page 1)

1. Emery, Daniel, BBC News, *Hackers 'destroy' flight sim site*, May 14, 2009.
2. Finkle, Jim, Reuters, *Microsoft says hackers seek to attack PowerPoint users*, May 12, 2009.
3. Leffail, Jabulani, GCN, *Microsoft releases critical patch for PowerPoint*, May 13, 2009.
4. Larkin, Eric, PC World, *New Wave of "Gumblar" Hacked Sites Installs Google*
5. McMillian, Robert, IDG News Service, *IIS 6 Attack Could Let Hackers Snoop on Servers*, May 18, 2009.
6. Bain, Ben, FCW, *Information-sharing platform hacked*, May 13, 2009.
7. Lipowicz, Alice, FCW, *IG: DHS data centers at risk*, May 13, 2009.
8. KUSA/AP, *Virus shuts down U.S. Marshals' computers*, May 21, 2009.
9. Kaplan, Dan, SC Magazine, *\$12.6 million spent so far to respond to Heartland breach*, May 8, 2009.
10. Moscaritolo, Angela, SC Magazine, *NERC president: Emergency cybersecurity help needed*, May 8, 2009.
11. Fulghum, David A., Aviation Week & Space Technology, *Cyber Stroke*, May 18, 2009.

Pakistan

Pakistan is continuing to aggressively attack Taliban terrorists in the mountainous regions bordering Afghanistan. So far, over 1,000 suspected terrorists were killed [1]. Not surprisingly, the U.S. has indicated approval of heavy attacks against the Taliban [2]. Next door in Afghanistan, it is expected the U.S. surge will force more Taliban to flee into Pakistan [3]. Some of the Taliban positions Pakistan has taken include cave complexes with electricity and ventilation [4]. Clearly, Pakistan is making gains against the Taliban strongholds in the Swat Valley [5].

Meanwhile, Pakistan is rapidly expanding its nuclear arsenal currently estimated at 80 to

100 weapons [6]. Satellite photos show Pakistan is expanding two sites used to manufacture nuclear bomb material [7]. What's more, the U.S. has no idea where the weapons are located [8].

1. Shahzad, Asif, AP, *Pakistan: Offensive kills 1,000+ alleged militants*, May 17, 2009.
2. AFP, *US hails 'mood change' against Taliban in Pakistan*, May 19, 2009.
3. Weaver, Matthew, Guardian (UK), *US troop surge in Afghanistan 'could push Taliban into Pakistan'*, May 22, 2009.
4. Brummitt, Chris, AP, *Pakistani military shows off captured Taliban base*, May

22, 2009.

5. Hussain, Zahid, Wall Street Journal, *Pakistan Advances on Taliban Strongholds in Swat*, May 23, 2009.
6. Shanker, Thom, and Sanger, David, E., New York Times, *Pakistan rapidly adding nuclear arms, U.S. says*, May 18, 2009.
7. AFP, *Photos show Pakistan 'expanding nuclear sites'*, May 19, 2009.
8. Blood, Michael R., AP, *Panetta: Location of all Pakistan nukes not known*, May 18, 2009.

Neanderthal

Radiocarbon dating has placed the age of a Venus figurine found in southern Germany at 35,000 years [1]. During this time, modern man shared the same region with Neanderthals. Shortly thereafter, the Neanderthals became extinct. What is interesting about Neanderthals is they had a brain size approximately 20% larger than modern man [2]. Since their fossil remains were discovered, the Neanderthal was considered inferior to modern man. However, more archeological finds call into question the intelligence of these early humans. For example, the first flute, dating back to 45,000 years unearthed in Slovenia in 1995 was Neanderthal [3]. What's more, medical flowers were discovered in Neanderthal caves [4]. And, the Neanderthals were the first known humans to bury their dead along with red flowers [5]. Were the Neanderthals really

modern man's inferior? Modern humans entered Europe about 40,000 years ago and within 10,000 years, the Neanderthals vanished [6]. Some suggest there were killed off by modern man [7]. In one archeology dig, researchers discovered evidence that a modern human may have eaten a Neanderthal child and made a necklace out of its teeth [8].

So why discuss Neanderthals? It's not difficult to imagine an intellectually advanced human believing peace was possible, only to become extinct. In a world expanding with nuclear weapons, the belief these devices won't be used needs to be measured against the metric of human history. If we guess wrong, we could go the way of the Neanderthals.

1. Kahn, Michael, Reuters, *Sexy "Venus" may be oldest figurine yet discovered*, May 14, 2009.
2. Ballbirnie, Cameron, BBC

News, *The icy truth behind Neanderthals*, February 10, 2005

3. Whitehouse, David, BBC News, *The bone age flute*, September 23, 1999.
4. Rensberger, Boyce, New York Times, *Medical plants discovered in Neanderthal cave*, December 1, 1975.
5. Baker, Russell, New York Times, *Best Time to Be Alive; No Time Like the Past*, April 18, 1999.
6. Rincon, Paul, BBC News, *Neanderthal DNA secrets unlocked*, November 15, 2006.
7. McKie, Robin, Guardian (UK), *How Neanderthals met a grisly fate: devoured by humans*, May 17, 2009.
8. Viegas, Jennifer, Discovery, *necklace out of its teeth*, May 21, 2009.

*The atomic bomb certainly is
the most powerful of all
weapons, but it is
conclusively powerful and
effective only in the hands of
the nation which controls the
sky—Lyndon B Johnson*

Japan continues to suffer losses due to the economic slowdown. For example, Panasonic reported a \$4 billion annual loss [1]. Moreover, Japan's economy suffered a 4% quarterly contraction whereas the U.S. only fell by 1.6% [2].

While the rest of the world suffers an economic downturn, China is still going strong. Last week, China provided Brazil a \$10 billion loan in exchange for a guarantee of long term oil [3]. What's more, China is now Brazil's largest trading partner and the two countries discussed replacing the dollar with the *renminbi* and the *real* in trade transactions [4]. Some Chinese officials expect the Yuan (China's currency) to completely replace the dollar by 2020 [5]. Meanwhile, China wants "rich nations" (read other countries) to cut emissions by 40% [6].

The safety of Chinese products is still in the news. In a follow-up to complaints that people were getting sick in homes built using sheetrock

made in China, the EPA conducted tests [7]. The EPA found sulfur, strontium and other contaminants in the sheetrock [8]. 36,000 homes were constructed using the Chinese made sheetrock [9]. Product safety issues are not limited to sheetrock. Today, HP laptops are manufactured in China. HP recently announced a battery recall for 70,000 laptop batteries that could catch fire [10].

Elsewhere, U.S. officials confirmed Iran successfully tested a missile with a 1,200 mile range [11].

1. Hosaka, Tomoko A., AP, *Panasonic slumps to \$4 billion yearly loss*, May 15, 2009.
2. Schoenberger, Chana R., *Forbes*, *Steep Fall in Japan's GDP Sounds Alarms*, May 20, 2009.
3. Oster, Shai, Wall Street Journal, *China Wields Credit Clout Again to Lock In Brazilian Oil*, May 19, 2009.
4. Wheatley, Jonathan, and Hille, Kathrin, Financial
5. Times, *China deals bolster Brazil trade ties*, May 20, 2009.
6. Chiang, Langi, and Rabinovitch, Simon, Reuters, *Yuan may be reserve currency by 2020-China official*, May 20, 2009.
7. Miles, Tom, Reuters, *China tells rich nations to cut emissions by 40 percent*, May 21, 2009.
8. Burdeau, Cain, AP, *EPA finds suspect materials in foreign drywall*, May 19, 2009.
9. Shah, Nirvi, Miami Herald, *EPA: China's drywall has high levels of chemicals*, May 20, 2009.
10. Kim, Eun Kyung, Gannett, *Bill Nelson's office estimates 36,000 homes contain Chinese drywall*, May 19, 2009.
11. Hachman, Mark, PC Magazine, *HP Recalls Notebook Batteries After Overheating*, May 15, 2009.
12. Hess, Pamela, and Jelinek, Pauline, AP, *US officials confirm Iranian missile launch*, May 20, 2009.

If you wish to avoid foreign collision, you had better abandon the ocean—Henry Clay

Crime

In Georgia, a man was charged with a \$7 million fraud scheme [1]. In California, a hedge fund manager was taken into custody for allegedly bilking customers out of \$44.3 million [2]. Elsewhere in California, a car dealer owner was indicted on a \$2.5 million bank fraud [3]. In Tennessee, three were arrested for an alleged multimillion dollar mortgage fraud scheme [4]. In Florida, a man was charged with operating a \$44 million Ponzi scheme [5]. In New York, 2 executives were charged with fraud re-

sulting in a \$21.6 million loss [6]. Elsewhere in New York, 17 brokers were charged with bilking \$6.2 million from investors [7].

1. Atlanta Business Chronicle, *Bremen man indicted for \$7M in fraud*, May 13, 2009.
2. New York Times/Bloomberg, *Hedge Fund Manager Accused of Fraud*, May 15, 2009.
3. Gokhman, Roman, Contra Costa Times, *Tracy auto dealer indicted on bank fraud charges*, May 19, 2009.
4. The Murfreesboro Post, *Three RuCo residents arrested in Shelbyville fraud scheme*, May 20, 2009.
5. Loney, Jim, Reuters, *Florida man accused in \$44 million forex fraud*, May 21, 2009.
6. Bray, Chad, Wall Street Journal, *Two FTC Capital Executives Are Charged With Fraud*, May 20, 2009.
7. AP, *NY brokers accused of \$6.2 million fraud*, May 20, 2009.