

IN THE NEWS

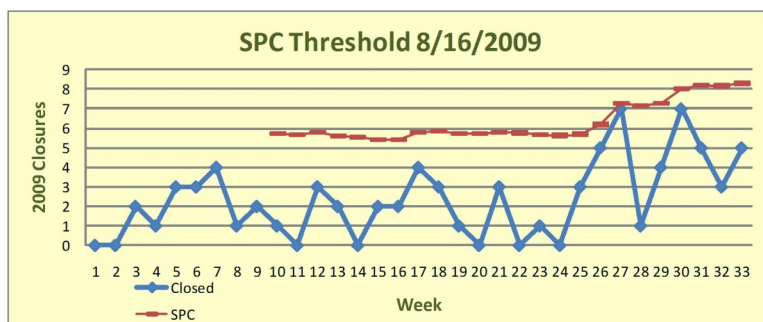
VOLUME 2 ISSUE 25

AUGUST 16, 2009

Economic News

At a time when spending has reached record levels percentagewise, the tax base has fallen to the lowest level since 1932 [1]. Meanwhile, the number of July jobs cut was 371,000 [2]. In Japan, Toyota reported a third quarterly loss; this time for \$819 million [3]. What's more, in the Government's cash for clunkers program, the Toyota Corolla overtook the Ford Focus as the top seller [4]. While the number of first time claims for unemployment fell to 550,000, the total number getting unemployment benefits rose 69,000 to 6.3 million [5]. The Government announced that the unemployment rate was 9.4% which much higher than last year's 6% [6]. After reporting more losses, Fannie Mae requires another \$10.7 billion to remain solvent [7]. In a telling sign of things to come, Treasury Secretary Geithner asked Congress to raise the debt limit beyond the current \$12.1 trillion [8]. Not surprisingly, the U.S. budget deficit rose to \$1.27 trillion with 2 more months remaining in the fiscal year [9]. During July, 126,000 consumers filed for bankruptcy, up 34% from the year before [10]. What's more, the U.S. Trade deficit for June rose to \$27 billion with the China deficit at \$18.43 billion [11].

Regulators were again shuttering banks. On August 7, two Florida banks, First State Bank and Community National Bank were closed [12]. In Oregon, the 72nd financial institution, Community First Bank, was shuttered [13]. It is unusual for information on failed banks to leak out before the FDIC



makes the announcement. However, one exception was news the second largest bank in Alabama, Colonial BancGroup Inc., would be purchased by BB&T [14]. With \$25 billion in assets, this failure was the largest this year [15].

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Special points of interest:

- U.S. budget deficit reaches \$1.27 trillion
- Number of financial institutions closed reaches 77 for the year

IT security

A hacker attack shut down the popular Twitter service [1]. Illustrating a new vulnerability, security researchers demonstrated a keystroke logging application that could be installed in Apple's keyboard firmware

[2]. Finally, an Australian hacker who targeted financial accounts, was charged with infecting 3,000 computers [3].

1. AP, Twitter outage clamps tweets, cause 'unknown', August 6, 2009.

2. Moren, Dan, Macworld, Apple keyboard firmware vulnerability demonstrated, august 5, 2009.
3. AP, Australian charged with infecting 3,000 computers, August 13, 2009.

Economic News

(Continued from page 1)

On August 14, the 73rd financial institution shuttered, the Dwelling House Savings and Loan Association, was located in Pennsylvania [16]. The Colonial Bank became the 74th closed [17]. Finally, three other banks were closed: Community Bank of Nevada; Union Bank; and the Community Bank of Arizona [18].

1. Ohlemacher, Stephen, AP, *Federal tax revenues plummeting*, August 3, 2009.
2. Johnson, Steven C., Reuters, *Pace of job losses slows, planned layoffs rise*, August 5, 2009.
3. Kageyama, Yuri, AP, *Toyota reports \$819 million quarterly loss*, August 4, 2009.
4. Crawley, John, CNN Money, *US 'clunker' sales top 180,000 US DOT*, August 5, 2009.
5. Lepro, Sara, AP, *Stocks open higher after jobless claims report*, August 6, 2009.
6. Blackstone, Brian, Wall

Street Journal, *Job Losses Slow as Rate Drops*, August 7, 2009.

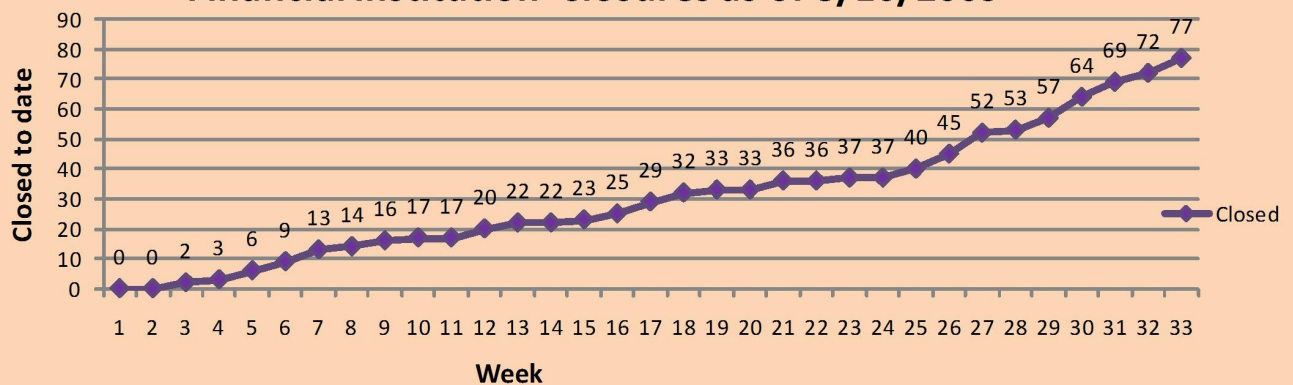
7. Eavis, Peter, Wall Street Journal, *No Second Act for Fannie and Freddie*, August 7, 2009.
8. Boles, Corey, and Crittenden, Michael R., Wall Street Journal, *Geithner Asks Congress to Increase Federal Debt Limit*, August 8, 2009.
9. Petrino, Tom, Los Angeles Times, *U.S. budget deficit of '09 hits \$1.27 trillion, and climbing*, August 12, 2009.
10. Sandler, Linda, and Harris, Andrew M., Bloomberg, , August 10, 2009.
11. Palmer, Doug, Reuters, *U.S. trade gap widens on oil prices*, August 12, 2009.
12. Vekshin, Alison, Bloomberg, *Regulators Shut 2 Florida Banks, Pushing 2009 U.S. Toll to 71*, August 7, 2009.
13. Younglai, Rachelle, Reuters, *U.S. regulators*

close 3 banks, total now 72, August 7, 2009.

14. Mildenberg, David, Bloomberg, *BB&T Said to Be Taking Colonial in Year's Biggest Bank Failure*, August 14, 2009.
15. Fitzpatrick, Dan, Wall street Journal, *BB&T to Buy Colonial Branches, Deposits In FDIC-Backed Deal*, August 14, 2009.
16. Crittenden, Michael R., Dow Jones, *OTS Closes Pittsburgh's Dwelling House; 73rd Bank To Shut Down*, August 14, 2009.
17. Gallagher, Dan, Market Watch, *Colonial Bank of Alabama closes - 74th this year*, August 14, 2009.
18. Isidore, Chris, and Pepitone, Julianne, CNN Money, *BB&T buys Colonial bank; 4 other banks fail*, August 14, 2009.

When everything seems to be
going against you, remember
that the airplane takes off
against the wind, not with
it—Henry Ford

Financial Institution Closures as of 8/16/2009



The Iranian Bomb

The State Department has changed the date it believes Iran will have a nuclear bomb to 2013 [1]. The new estimate would push the Iranian bomb into either the administrations' second term or that of the next administration. Yet, back in February, it was announced that Iran possessed enough enriched Uranium to build a bomb [2]. What's more, in 2006, it was suggested that Iran was only months away from building an atom bomb [3]. If that were not enough, in July, 2009, reports suggested Iran was still 6 months away from building an atom bomb [4]. Just last year that Iran announced they had 5,000 Uranium enriching centrifuges up and running [5].

Looking back at history, in February, 1940; \$6,000 was made available to start research that culminated in the U.S. developing atom bombs [6]. The decision to build the first atomic bomb did not occur until December, 1942 [7]. What's more, the U.S. used separate Uranium and Plutonium devices and each worked on the first try. The U.S. did not know if the

bombs could be built and the only tools available were based on 1940's technology. Yet, in 1945, the U.S. won the first nuclear war in the history of man. The question here is will it really take Iran until 2013 to construct their nuclear bomb? Meanwhile, Israel remains the wildcard. Case in point, there are open discussions that a military strike could delay the Iranian nuclear weapons program [8]. Perhaps this realization is why Iran, after repeatedly shunning the UN, is now seeking UN protection of its



Trinity Test—July 16, 1945

nuclear enrichment sites [9].

1. Pincus, Walter, Washington Post, *Iran Years From Fuel For Bomb, Report Says*, August 7, 2009.
2. Dickey, Christopher, Newsweek, *How Close Is*

Iran to a Bomb?, February 28, 2009.

3. CNN, *Israel: Iran 'months' from making nukes*, May 21, 2009.
4. Jahn, George, AP, *Diplomats: Iran has means to test bomb in 6 months*, July 17, 2009.
5. Keinon, Herb, and Katz, Yaakov, Jerusalem Post, *Iran centrifuge claim worries J'lem*, November 26, 2008.
6. Encyclopedia Britannica, www.britannica.com/EBchecked/topic/362098/Manhattan-Project
7. The Manhattan Project, Department of Energy, www.cfo.doe.gov/me70/manhattan/final_approval_build.htm
8. Lewis, Ori, Reuters/New York Times, *Israeli Paper Says Strike on Iran Could Delay Bomb*, August 12, 2009.
9. Worth, Robert F., New York Times, *Iran Seeks Ban on Striking Atomic Sites*, August 13, 2009.

My troops may fail to take a position, but are never driven from one—General Thomas "Stonewall" Jackson



Mock-up of Little Boy and Fat Man—The First U.S. Atomic Bombs

World News

The world recession is having impacts on most nations. Case in point, China's exports are 23% below the level from last year [1]. However, China is the place to manufacture for companies worried about environmental laws. For example, in the Changqing industrial park in Shaanxi province, 300 children are being treated for lead poisoning [2]. The cost to Chinese industry for creating pollution is almost nothing [3]. Meanwhile, China claims its carbon emissions will fall by 2050 [4]. What's more, while the U.S. is estimated to produce 20% of the World's carbon dioxide (CO₂), China now produces over 25% and is increasing [5]. Not to miss out on industrial growth, India wants a new global change

agreement that does not include trade barriers for countries that refuse carbon emission limits [6]. Interestingly, as of last year, India was the third biggest emitter of CO₂, behind China and the U.S. [7].

Elsewhere, China lost a ruling to the World Trade Organization and must free up its stranglehold on books, movies, and music distributions [8].

1. Adam, Shamim, Bloomberg, *China's Exports Decline for Ninth Month on Weak Global Demand*, August 11, 2009.
2. Graham-Harrison, Emma, Reuters, *Lead poisoning hits 300 children near China factory*, August 10, 2009.
3. Wai-yin Kwok, Vivian, Forbes, *China: Where Poisoning People Is Almost Free*,

August 7, 2009.

4. Klamann, Edmund, Reuters, *China says its carbon emissions to fall by 2050-FT*, August 14, 2009.
5. Shapley, San, San Francisco Chronicle, *China Alone Increased Worldwide CO₂ Pollution 2% Last Year*, July 29, 2009.
6. Max, Arthur, AP, *India against US trade barrier for climate policy*, August 14, 2009.
7. Times of India, *India third biggest CO₂ emitter in world; NTPC tops list*, August 31, 2008.
8. New York Times, *China and the W.T.O.*, August 13, 2009.

God help the patient—Lord
Mansfield

In New York, three people were charged in a \$2 million kickback scheme [1]. In Miami, a man was arrested for operating a \$4 million Ponzi scheme [2]. In Missouri, an ex-CEO was charged with operating a \$2.5 million Ponzi scheme [3]. In Denver, 4 people were arrested for their part in an \$80 million bank fraud [4].

On the corporate front, global conglomerate GE agreed to pay \$50 million to settle an alleged SEC fraud charge [5]. Elsewhere, former AIG CEO and others agreed to pay \$115 million to settle fraud charges [6].

Crime

1. North County Gazette (NY), *Four Charged In Dick's Sporting Goods Fraud*, August 6, 2009.
2. Danner, Patrick, Miami Herald, *North Miami Beach man charged in Ponzi scheme*, August 13, 2009.
3. St. Louis Business Journal, *Ex-CEO of Duncan Group indicted for Ponzi*, August 14, 2009.
4. McGaw, Renee, Denver Business Journal, *Arrests made in bank fraud probe*, August 14, 2009.
5. Goldfarb, Zachary A., Washington Post, *GE to Pay \$50 Million to Settle SEC Fraud Charges*, August 5, 2009.
6. AP, *Pension funds, others to share \$115M in AIG case*, August 14, 2009.

