

## IN THE NEWS

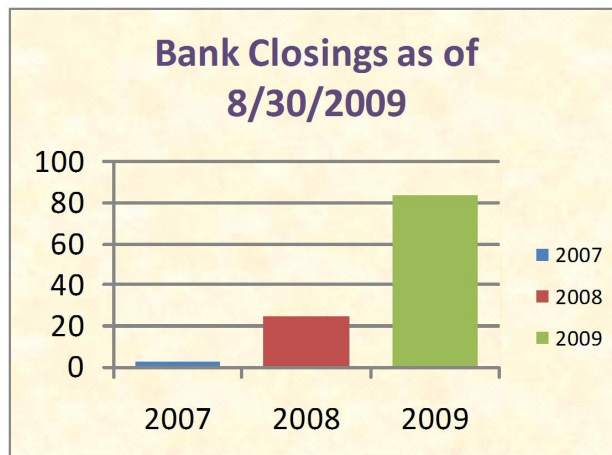
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AUGUST 30, 2009

### Economic News

Illustrating the struggling economy, Readers Digest plans to file for Chapter 11 bankruptcy [1]. Furthermore, there were 576,000 new jobless claims for the week ending August 15 [2]. What's more, mortgage delinquencies broke another record with 4.3% in foreclosure [3]. Overall, 9.24% of mortgages are now delinquent [4]. Meanwhile, on August 21, oil futures hit a new high for 2009 [5]. On Wall Street, a man was arrested for allegedly stealing Goldman Sachs software used to enable the buying and selling of shares in milliseconds [6]. Elsewhere, of the 700,000 cars sold, the cash for clunkers was a boom for imported automakers that had 4 of the 5 top selling models [7]. Of these, Toyota received the lions share with 19.4% of all cars sold [8].

The FDIC has increase the troubled bank list to 416 banks with combined assets of \$299.8 billion [9]. This places the number of troubled banks at a 15 year high [10]. For example, there were 305 banks on the list at the end of March, 111 fewer than the June number [11]. Elsewhere, regulators continued closing financial institutions. For example, on August 21, the 78<sup>th</sup> closure was the ebank of Atlanta [12]. In Georgia, the First Coweta bank became number 79 [13]. In Alabama, the Capital South bank became number 80 shuttered [14]. The 81<sup>st</sup> financial institution closed was the Guaranty Bank of Austin, Texas [15]. Interestingly, the Guaranty bank was purchased by a non-U.S. company [16]. One week later, on August 28, there were more bank closures starting with the Bradford Bank in Baltimore [17]. The 83<sup>rd</sup> financial institution shuttered was the Mainstreet Bank in Minnesota [18]. Finally, the 84<sup>th</sup> closure was the Affinity Bank of Ventura, California [19].



1. Emery, Chelsea, Reuters, *Reader's Digest plans prearranged bankruptcy*, August 17, 2009.
2. Pepitone, Julianne, CNN Money, *Jobless claims in surprise rise*, August 20, 2009.
3. Hoak, Amy, Market Watch, *Mortgage delinquencies break another record*,

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#### Special points of interest:

- Fed Chairman Bernanke an identity theft victim
- FDIC list of troubled banks exceed 400
- 84<sup>th</sup> Bank Shuttered

### IT security

Identity theft can hit anyone. Case in point, Fed chairman Bernanke was swindled in 2008 by an identity theft ring [1]. Elsewhere, three people were indicted by a federal grand jury for the largest identity theft case in-

volving 130 million credit and debit cards [2]. What's more, U.S. businesses are under attack from Eastern European cyber criminals with \$ millions in reported losses [3]. Cisco is downplay-

ing a recently discovered security vulnerability discovered with its wireless access points [4]. Finally, it seems that for hackers, the Christmas shopping season is their favorite time of the year [5].

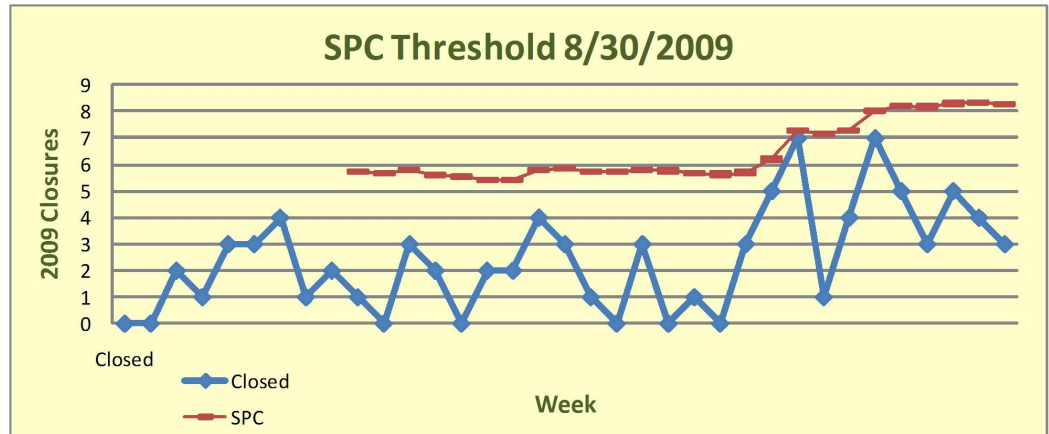
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(Continued on page 2)

## Economic News

(Continued from page 1)

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4. Christie, Les, CNN Money, *9% of all home loans are delinquent*, August 20, 2009.
9. BBC News, *US problem banks at 15-year high*, August 27, 2009.
10. Baskin, Brian, Wall Street Journal, *Nymex Crude Hits 2009 High On Rising Equities*, August 21,
- as '09 Toll Reaches 80, August 21, 2009.
15. Barr, Colin, Fortune, *Texas bank hit by California dreaming*, August 21, 2009.
16. Rieker, Matthias, Wall




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*Progress always involves risk;  
you can't steal second base  
and keep your foot on first  
base—Frederick Wilcox*

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5. Berenson, Alex, New York Times, *Arrest Over Software Illustrates Wall St. Secret*, August 24, 2009.
6. Keane, Angela Greiling, Bloomberg, *'Cash for Clunkers' Yielded Almost 700,000 Sales*, August 26, 2009.
7. Valdes-Dapena, Peter, CNN Money, *Grand total: 690,000 Clunkers clunked*, August 26, 2009.
8. Vekshin, Alison, Bloomberg, *FDIC Problem Bank List Surges, Putting Fund at Risk*, August 27, 2009.
11. Paletta, Camian, and Enrich, David, Wall Street Journal, *Banks on Sick List Top 400*, August 26, 2009.
12. Rooney, Ben, CNN Money, *Bank failure tally climbs to 78*, August 21, 2009.
13. Pimentel, Benjamin, Market Watch, *First Coweta of Georgia becomes 79th bank fail*, August 21, 2009.
14. Vekshin, Alison, Bloomberg, *First Coweta, Capital South Banks Closed* 2009.
- street Journal, *Foreign Firms Show Interest in Failed U.S. Banks*, August 24, 2009.
17. Letzing, John, Market Watch, *Maryland bank is 82nd U.S. failure of 2009*, August 28, 2009.
18. Doering, Christopher, Reuters, *U.S. bank regulators closed Mainstreet Bank*, August 28, 2009.
19. Reckard, E. Scott, Los Angeles Times, *Affinity Bank of Ventura is shut down*, August 29, 2009.

## IT Security

(Continued from page 1)

- week, *Bernanke Victimized by Identity Fraud Ring*, August 25, 2009.
2. Krebs, Brian, Washington Post, *Alleged Hackers Indicted in Largest Identity Theft Case Ever Prosecuted*, August 17, 2009.
3. Krebs, Brian, Washington Post, *Eastern European Cyber Criminals Target U.S. businesses*, August 24, 2009.
4. Gohring, Nancy, IDG News Service, *Cisco Downplays WLAN Vulnerability*, August 25, 2009.
5. McMillan, Robert, IDG News Service, *Hackers Like Christmas Best of All*, August 25, 2009.

## The Wildcard

The re-elected Iranian leadership continues to take actions that further raise tension toward Israel. Case in point, Iran's nominated defense minister is a terror suspect, wanted in conjunction with the 1994 attack on an Jewish community center located in Argentina [1]. Moreover, Iran summoned Argentina's top diplomat to protest his country's claim the new nominated defense minister was involved with the terrorist attacks [2].

If Israel does decide to attack Iran, it may be under additional time constraints. For example, Russia is reconsidering its decision not to sell surface to air missiles to Iran [3]. Meanwhile, Iran secured

the support of over 100 non-aligned nations in banning attacks on its nuclear facilities [4].

Iran is also trying to get weapons from other sources. For example, a ship carrying North Korean weapons bound for Iran were seized by the United Arab Emirates [5]. The North Korean weapons included rocket launchers, detonators, munitions, and rocket propelled grenades [6].

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2. Sheikholeslami, Ali, Bloomberg, *Iran Protests Argentine Stance on Ahmadinejad's Defense Nominee*,

August 24, 2009.

3. Barry, Ellen, New York Times, *Israel Says Russia May Reconsider Plans to Sell Missiles to Iran*, August 19, 2009.
4. Jahn, George, AP, *Iran gets support for ban on nuke plant attacks*, August 26, 2009.
5. Varner, Bill, Bloomberg, *UAE Seizes North Korean Weapons Shipment to Iran*, August 28, 2009.
6. Charbonneau, Louis, Reuters, *UAE seized N.Korea arms shipment bound for Iran*, August 28, 2009.

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*We cannot allow them to have a hundred nuclear weapons. We cannot allow a country to, in effect, become the bomb-seller of the world because they're in a snit, and because they can't grow a crop—Bill Clinton*

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## Sunspots

There are numerous articles describing global warming. In contrast, this article looks at the potential impact of reduced sunspots on reducing global warming. During periods of sunspot activity, increases in ultraviolet (UV) and X-ray frequencies heat up the atmosphere [1]. One theory posits that sunspots and the UV radiation can contribute to global warming (or the lack thereof) [2]. The sun has long been considered a constant but the effect of sunspots is gaining ground [3]. Indeed, some are blaming climate change on the 11-year sunspot cycle [4]. What's

more, since July 4, there has been no sunspot activity. The picture shown is from



**SOHO No-Sunspots - Image 8-29-2009**  
NASA's SOHO spacecraft,

once again showing no sunspots.

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3. Spotts, Peter, Science Christian Monitor, *Same sun. Different views*, July 17, 2003.
4. Haight, Joanna, Planet Earth, *Solar power*, September 3, 2007.

## World News

To understand how successful China is in protecting its industry, consider the following example. In July 2008, the World Trade Organization ruled that China was unfairly using tariffs on foreign auto parts; yet China's relaxation of these tariffs will not start until September 1, 2009 [1]. How many auto parts manufactures in the U.S. went out of business during the time of these unfair trade practices? Nevertheless, the importance of China cannot be ignored. For example, fresh from bankruptcy, GM will control all overseas sales from its facilities in China [2].

While the U.S. banking industry is still trying to recover from the economic downturn, Chinese banks are doing quite well. For example, the ICBC bank reported a \$9.7 billion profit, up 3% from the year before [3]. Similarly, the Bank of China reported a profit increase from the first to second quarter of 21.5% [4]. What's more, during June, China has reduced its holding of the U.S. securities by \$25 billion (3.1%) [5]. The most valuable gas and oil producer in the world, China's PetroChina, plans to increase its

refining capacity by two-thirds by 2017 [6]. Meanwhile, China is trying to move away from its current practice of getting 65% organs from executed death row inmates [7].

There was a time when the U.S. dominated computer technology. However, the Japanese company Fujitsu has started work on a 10-petaflop supercomputer, 10 times more powerful than anything available today [8]. However, Japan has experienced an economic downturn. Case in point, Toyota announced it plans to close its first auto assembly plant in 72 years, the only unionized plant in the U.S. located in California [9].

The U.S. cannot control the world's pollution alone. For example, in India, a number of children in the Punjabi cities of Bathinda and Faridkot are suffering uranium poisoning due to coal burning pollution [10].

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2. Szczepanski, Marcin, and Higgins, Tim, Detroit Free Press, *GM power has shifted*

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4. Oliver, Chris, Market Watch, *Bank of China profit up in second quarter, lending surges*, August 27, 2009.
5. BBC News, *China reduces holdings in US debt*, August 18, 2009.
6. Wee, Sui-Lee, Reuters, *PetroChina in drive to pump up refining*, August 28, 2009.
7. Wong, Gillian, AP, *China moves to cut use of executed inmates' organs*, August 26, 2009.
8. Niccolai, James, IDG News service, *Fujitsu aims for 10-petaflop supercomputer*, August 25, 2009.
9. Bunkley, Nick, New York Times, *Decision to Close Plant Casts Toyota in Unfamiliar Role*, August 28, 2009.
10. Chamberlain, Gethin, The Guardian (UK), *India's generation of children crippled by uranium waste*, August 30, 2009.

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*A moment's insight is  
sometimes worth a life's  
experience—Oliver Wendell  
Holmes*

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## Crime

New criminal activity since the last newsletter includes financial fraud. For example, in New York, a man was indicted for allegedly embezzling \$4.7 million in escrow accounts [1]. Elsewhere in New York, a man was charged in an alleged \$74 million bank fraud [2]. In California, a man was charged with operating a \$6 million Ponzi scheme that targeted

mobile home parks [3]. Finally, in Texas, a Plano company is accused of operating a \$3.1 million wealth management Ponzi scheme [4].

1. North Country Gazette (NY), *Title Insurance Prez Embezzled Client Funds*, August 19, 2009.
2. Hays, Tom, AP, *NY prosecutors accuse investment banker of fraud*, August

25, 2009.

3. Olivarez-Giles, Nathan, Los Angeles Times, *\$6-million Ponzi scheme targeted mobile home parks, SEC says*, August 28, 2009.
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