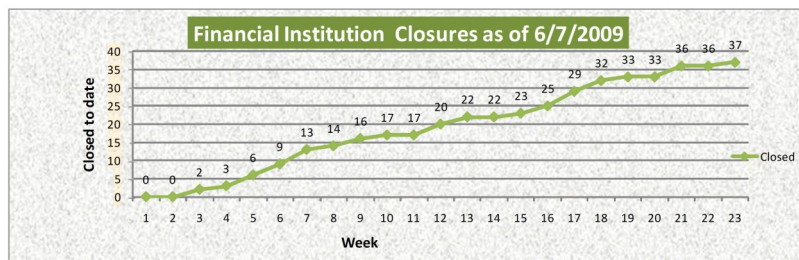


IN THE NEWS

Economic News

Once it was the iconic auto industry giant; now General Motors (GM) has filed for bankruptcy [1]. On the same day, Cisco replaced GM on the Dow Jones Industrial Average index [2]. Furthermore, GM's Hummer brand will be sold to China's Tengzhong Heavy Industrial Machinery Co. Ltd [3]. To reduce costs, GM plans to close thousands of dealerships and offered payments between \$100K and \$1 million to those selected dealerships not to fight the closure [4]. Elsewhere, Penske will purchase the Saturn brand from GM [5]. And, GM is trying to sell its Saab automobile unit [6]. In summary the new GM will be short Hummer, Pontiac, Saturn, and several thousand dealerships when it emerges from bankruptcy. While much has been said about the U.S. automotive market, Honda and Toyota sales slid over 40% from a year earlier [7].

Unemployment hit 9.4%, a rate not seen since August, 1983 [8]. Washington was considered the exception to the financial maelstrom. However, home prices in March fell 18% from last year [9]. Meanwhile, on May 26, oil prices hit a 6-month high of \$63.45 a barrel [10]. Then on May 27, the price passed \$65, the highest price during 2009 [11]. On June 4, oil further increased to \$68.81 a



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IT security

President Obama announced the creation of a Cyber Czar, a special assistant to the President, to oversee better computer security [1]. Complementing the new White House Czar, the pentagon plans a new command to wage cyberwarfare [2]. Meanwhile China has developed a secure operating system (OS) called Kylin and has installed this on its Government and military computers [3]. The new OS was developed by the University of Science and Technology for National Defense and appears to have FreeBSD5.3 at its core [4]. Importantly, China has also

developed a secure micro-processor that when coupled with the new OS makes the Chinese machines difficult to penetrate [5].

Years ago researchers developed a multi-ring secure operating system called Multics [6]. Later, Intel produced the 80286, a microprocessor that implemented protection levels (read rings) like Multics [7]. Since then, application software development has focused more on technology features often at the expense of security. What the 80286 illustrates is cyberattacks against the new Chinese computers will necessi-

tate more sophisticated attacks, perhaps drilling down to a low hardware level.

Aviva USA, one of the largest insurance companies in the world blamed malicious software (malware) for a recent data breach [8]. Meanwhile, approximately 40,000 web sites have been hacked into via an SQL injection attack that installs a Trojan horse [9]. In New Hampshire, one man made \$112,000 by using a bank account hacking scheme [10]. What's more, there are reports ATM malware is spreading that records the magnetic stripe

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Special points of interest:

- North Korea Detonates a Nuke
- GM files for bankruptcy
- The FDIC shuts the 37th bank this year
- Oil briefly rose above \$70 per barrel

Economic News

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barrel [12]. Finally, on June 5, oil broke through the \$70 per barrel price before closing at \$68.44 [13].

The FDIC appears to be trying to force a shakeup at Citigroup's senior management

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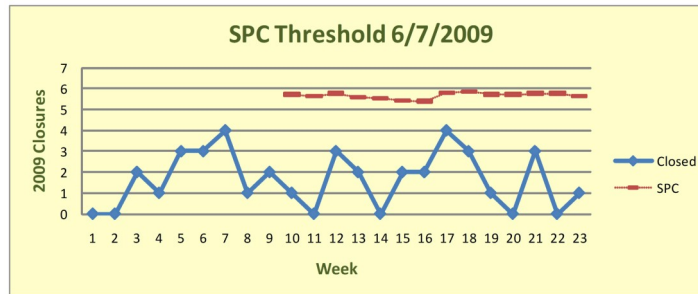
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[14]. Elsewhere, the FDIC shuttered the Illinois based Lincolnwood bank bringing the total to 37 for the year [15]. One the mortgage front, President Obama signed mortgage fraud bills that will add 160 more FBI agents and 200 more Justice Department prosecutors [16].

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Even a mistake may turn out to be the one thing necessary to a worthwhile achievement

—Henry Ford

IT Security

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information on the back of a card as well as the PIN [11].

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North Korea

North Korea detonated its second nuclear device registering about 4.52 on the Richter scale [1]. Officials in Russia estimated the blast to be approximately 20 kilotons, comparable to the devices used on Japan [2]. There is some concern that the North will export weapons of mass destruction around the world [3]. Expectedly, President Obama condemned the test [4]. Moreover, Defense Secretary Robert Gates asserted the U.S. would not stand idly as North Korea builds its nuclear weapon program [5].

Concurrently, North Korea also launched three short range missiles [6]. The combination of missile advancement and nuclear weapons testing moved North Korea marginally closer to integrating a nuclear warhead and delivery vehicle [7]. What's more, the north said it was no longer bound by an armistice that ended the Korean War and this prompted Russia to plan measures to protect its people should a nuclear war flare up on the Korean peninsula [8]. Of particular concern is North Korea's weapons trade with Iran (another country on the road to developing a nuclear weapon capability) [9].

Meanwhile, North Korea put two U.S. reporters working for

Current TV on trial for illegally entering the country [10]. Former Vice President Al Gore, chairman of the San Francisco based Current TV may travel to North Korea to mediate [11]. At this time, North Korea remains silent on the reporter's trial [12].

Once again, Japan is threatening to shoot down the anticipated North Korean launch of a long range missile if it gets too close [13]. Finally, South Korea has developed a response plan that includes air strikes and missile attacks should the North target its warships in contested waters [14].

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China has the bomb...
Sometime in the future - 25,
50, 75 years hence - what
will the situation be like
then? By that time the
Chinese will have the
capability of delivery too—
Curtis Lemay

IT Security

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World News

In China, Treasury Secretary Geithner promised the U.S. will control its deficits and avoided discussing China's currency manipulation [1]. Elsewhere, China expressed concern over North Korea setting off a nuclear explosion [2]. To compound the problem, the North now appears to be preparing a long range ballistic missile test [3].

Pakistan remains a hot news topic. The terrorist attacks against innocent civilians appear to be turning Pakistanis against the Taliban [4]. In positive news, India has indicated that if Pakistan continues to press the terrorist, they would support improved relations [5].

China is set to export electric cars to the U.S. starting next year [6]. In a further sign that China is emerging as the economic leader, Nissan now exports more to China than to the U.S. [7]. And yet, China

launched an anti-dumping trade probe of U.S. steel [8]. Meanwhile, Mattel was fined \$2.3 million by the U.S. Consumer Product Safety Commission for selling toxic lead based toys imported from China [9]. The China National Petroleum Corporation signed a \$4.7 billion deal with Iran to develop the Islamic's state South Pars gas field [10].

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Those who do not industrialize become hewers of wood and haulers of water—Alexander Hamilton

In Utah, a man was indicted for operating a \$50 million Ponzi scheme [1]. In Seattle, five people were charged in an \$18 million mortgage fraud scheme [2]. In California, three people were charged with operating a \$17.5 mortgage fraud scheme [3]. In New York, 13 people were charged in a \$10 million mortgage fraud scheme [4]. Elsewhere in New York 9 people were charged in a \$92 million mortgage fraud scheme [5]. In Virginia, a man was indicted for operating a \$17 million Ponzi scheme [6]. In North Carolina, a man was indicted for operating a \$7 million investment fraud [7]. The former head of Countrywide mort-

gage, Angelo Mozilo, was charged in a \$139 million mortgage fraud scheme by the SEC [8].

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Crime