

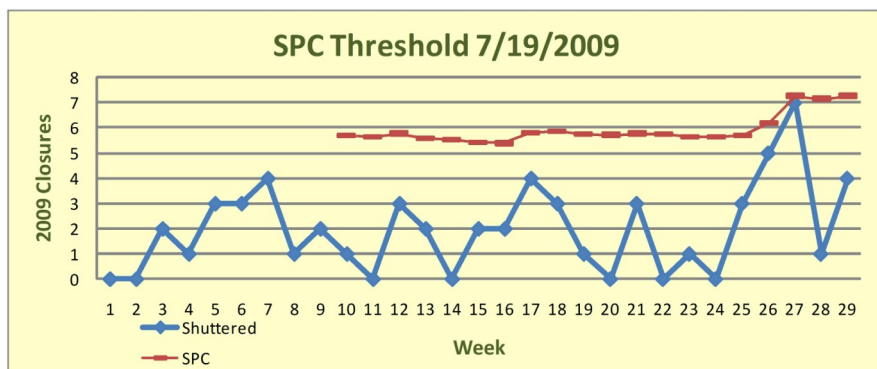
IN THE NEWS

VOLUME 2 ISSUE 23

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Economic News

In 2007, Carl Icahn offered to buy out the Lear Corporation for \$37.25 per share; investors refused claiming the company was worth double that amount, will receive nothing as the company filed for bankruptcy [1]. Continuing unemployment claims increased 159,000 to 6.88 million, the highest since 1967 [2]. The week ending July 10 saw oil futures drop below \$60 per barrel [3]. During June, the budget gap set a new record of \$94.32 billion [4]. This resulted in an accumulated budget deficit



exceeding \$1 trillion for the first nine months of the fiscal year; another record breaker [5]. It is possible that Bank of America and Visa have discovered how the Federal deficit can be quickly paid off. Case in point, a New Hampshire man purchasing a pack of cigarettes was charged \$23 quadrillion, more than enough to cover current

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IT security

Web sites of major agencies of the South Korean government were paralyzed due to a cyber attack [1]. Specifically, North Korea's Cyber warfare lab 110 is likely behind the attacks [24]. The suspected North Korean attack is suspected to have 30,000 to 60,000 zombie machines used in the attack [3]. The North Korean cyber attack targeted banks, businesses, and U.S. government agencies [4]. In response, South Korea announced it would stand up a cyber command to defend against the North's cyber attacks [5]. It seems that in addition to

denial of service attacks, the North Korean attackers extracted lists of files from the infected computers [6].

Microsoft warned of a serious security hole that could allow hackers to remotely control the impacted machine [7]. Furthermore, Microsoft's Patch Tuesday fixed 6 security holes including 3 critical items [4].

We continue to see technology used in addressing who, where, and when. Red light and speed cameras are already in use at many locations. Now one town in California is considering recording license tags for every

car entering and leaving the town [8]. Elsewhere, India announced plans to issue 1.2 billion biometric ID cards for its people [9].

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Special points of interest:

- China purchased more cars for the first 6-months than did the U.S.
- India to issue all 1.2 billion citizens biometric ID cards
- Regulators shutter five more banks

Economic News

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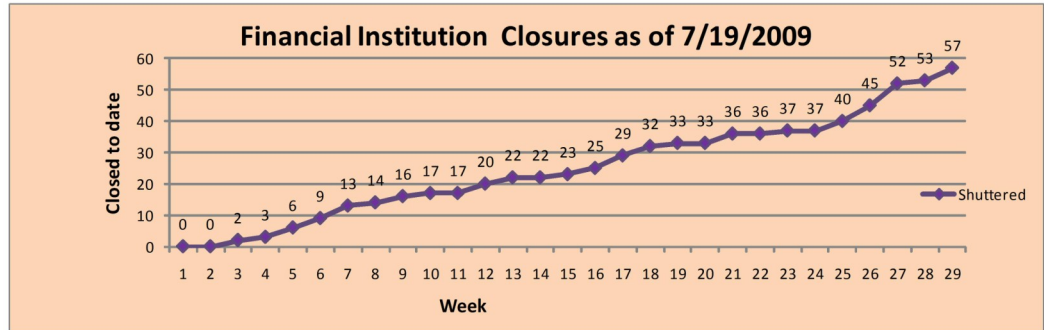
and future deficits [6].

On July 10, the Bank of Wyoming became the 53rd financial institution shuttered by regulators [7]. A week later (July 17) four banks were shut-

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tered. In Georgia, the First Piedmont Bank became the 54th financial institution closed this year [8]. In South Dakota, BankFirst became the 55th shuttered [9]. In California the first of 2 banks closed was the Vineyard Bank [10]. Finally, the 57th closed was the Temecula bank [11].

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A computer does not substitute for judgment any more than a pencil substitutes for literacy. But writing without a pencil is no particular advantage.—Robert McNamara

(Continued from page 1)

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IT Security

Ignoring China

The man who while Secretary of Defense, helped build up the U.S. nuclear arsenal, Robert McNamara passed away [1]. In a direction reversal, now the U.S. and Russia have agreed to reduce the number of nuclear warheads each has to between 1,500 and 1,675 by the end of this year [2]. One report suggests the U.S. and Russia combined have 90% of the world's nuclear weapons [3]. But does this pass the red face test and why was China ignored? Furthermore, suggestions the agreement with Russia would encourage them to impose tougher sanctions against Iran fell through [4]. What's more, Iran is rejecting engagement with the West regarding their nuclear program [5].

China, a nuclear power since 1964, is in the process of modernizing its arsenal [6]. When China successfully tested a nuclear bomb in 1964, it was accepted that Peking had to be accommodated [7]. Then in 1967, China detonated its first Hydrogen Bomb [8]. By 1986, China had conducted 32 nuclear weapons tests [9]. By 1993, estimates were that China had approximately 434 nuclear warheads but the actual number was difficult to calculate [10]. Of course, in 2005, Chinese Major General Zhu Chenghu insinuated the U.S. must be prepared to lose hundreds of cities in a nuclear exchange [11]. This implies that Chinese arsenal has hundreds of deliverable nuclear warheads that can reach the U.S. Yet estimates persist that China only has about 200

warheads [12]. Is it believable that after 45 years, the biggest military threat to the U.S. has only 200 nuclear warheads? China has had 45 years to build its nuclear weapons arsenal. What's more, ten years ago, China declared it had invented its own Neutron Bomb [13]. Since starting its nuclear weapons program in 1955, China has successfully detonated 40 devices including a neutron bomb [14]. Conversely, one estimate in 1996 placed the number of Chinese nuclear weapons at 2,350 [15]. Moreover, the agreement with Russia will not prevent other nations from expanding nuclear weapon programs. For example, one top Chinese advisor is predicting North Korea will start a nuclear war with the south [16].

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One cannot fashion a credible deterrent out of an incredible action.—Robert McNamara

World News

Last week marked the passing of Walter Cronkite, former anchor of the CBS evening news [1]. Considered a trusted news reporter for reporting the full story, Cronkite will be missed. All too often, we learn of only one side of the story. Case in point, China is considered a success story. However, there were at least 140 were killed and 800 injured during protests in the far western Xinjiang province [2].

For those worried the planet may cool down, sunspots have returned [3]. What's more, the G-8 nations agreed to hold global warming to 2 degrees Celsius; however, China and India are not obligated [4]. Meanwhile, China (6.1 million auto sales) passed the U.S. (4.8 million cars sold) for the first 6 months as the biggest auto market [5]. What's

more, China's steel and coal outputs reached a record for June [6]. While the U.S. continues through a protracted recession, China's economic growth rose during the second quarter by 7.9% over last year for the same period [7]. In another sign of China's growth, it now has more Internet users than the entire population of the U.S. [8].

Construction within the U.S. is being hurt by the continuing recession. Now, many home builders are facing litigation for using toxic Chinese drywall in new home construction [9].

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*In seeking truth you have to
get both sides of a story—
Walter Cronkite*

Crime

According to the FBI, the number of suspicious mortgage fraud reports has increased 36% from last year [1]. Elsewhere, the SEC accused Provident Royalties, a Dallas company in bankruptcy, of operating a \$485 million Ponzi scheme [2]. Six people affiliated with Sky Capital were charged with a \$140 million investment fraud scheme [3]. In New York, 13 additional people were indicted in a \$100 million mortgage fraud [4]. In Chicago, a man was indicted for scamming 300 people in a \$12 million Ponzi scheme [5]. In New Orleans, a woman was

charged in a \$2 million wire fraud against three hotels [6]. In California, a man was convicted of spying for China [7].

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