## **Contents**

Preface	vii
Acknowledgments	xiii
Chapter 1 What Is This Book All About?	1
Introduction	1
Changes in Financing Strategies of Nonprofits	3
A Critical Contract Design Feature	5
Creating Values "on Paper"	7
How does it Work? An Example: A Swap Contract	
from the NY MTA Portfolio	8
Paying Enormous Termination (Fees) Penalties	12
Are Nonprofit Officials Equipped to Deal with Swaps?	16
An Illustrative Case: The Midway Airport Swap	21
The Impetus for the Exponential Growth of Derivatives and Swaps	24
The Orbit of ISDA: The Inside Shop	31
Look Who is Guarding the Henhouse!	35
The Means of Persuasion that Big Banks had Adopted	36
(a) Persuasion: Promising Mirage Benefits	36
(b) Persuasion: Providing Near-Term Quick Cash	39
(c) Persuasion: Buying Swaps as Seen by a Grand Jury	41

xvi Contents

(d) Pers	suasion: Using Economic Dependence: The Glaring	
Exa	mple of the City of Atlanta	45
Why was it	difficult to Meet with the Actors?	46
(a) Con	cern for Pending Litigation	47
(b) Nov	velty and Complexity of Interest Rate Swaps	49
(c) Lac	k of Knowledge	50
(d) Dec	eption and Incomplete Disclosure of Facts and Risks	51
(e) Key	Decision Makers are in Jail	55
(f) Staf	f Turnover	57
Chapter 2	Carol Loomis Described Four Derivatives' Sins:	
	Lies, Leverage, Ignorance, and Arrogance	59
(a) Lies and	I Ignorance — Michael Lissack and Dade County,	
Florida	(A Case of Big Banks' Deceitful Sales Tactics)	60
(b) Arrogan	ice, Lies, and Leverage — Procter & Gamble	
versus F	Bankers Trust of New York (Another Case of	
Big Ban	eks' Deceitful Sales Tactics)	65
CASES IN	WEALTH TRANSFER FROM LOCAL	
	WEALTH TRANSFER FROM LOCAL MENT AGENCIES TO BIG BANKS	73
		,
Chapter 3	The Saga of Jefferson County, Alabama,	
	& JPMorgan Chase	75
The Visible	Shocks	75
It All Starte	d with the Sewer	78
New Contra	acts and Deception	82
Sharing the	Loot	87
The Afterma	ath	94
Chapter 4	Big Banks Took Nearly \$900 million from Detroit	
-	for Terminating Swaps & Gave back Nothing	99
Yet, That W	as Not All!	108
The Rea	al Human and Social Cost of Swaps	113
The Un	ited Nations Coming to Detroit	115

	Contents	xvii
Lessons Lessons	Learned Not Learned	119 120
Chapter 5	The City of Brotherly Love Drowned in the Eastern Swap Sinkhole	123
The Illusion Covering up Evidence of In Summary		127 130 131 138
Chapter 6	The Heart of America and Windy City Handed Its Compass to the Banking Cartel	141
The Big Picture Falling for the Weekly Auction Rate Obsession with Swaps		141 143 150
Chapter 7	Tales of Two Small Cities	153
<ul><li>(a) The City of Gainesville, Florida: Pays for Swaps and Raises Electricity Rates</li><li>(b) The City of Oakland: Got Stuck with Goldman Sachs and is Getting Nothing</li></ul>		153
		156
GOVERNM	WEALTH TRANSFER FROM STATE IENT ENTITIES TO BIG BANKS: FOUR SINS OF DERIVATIVES DESCRIBED	
BY LOOM	IS WERE AT PLAY HERE	161
Chapter 8	The State of Illinois and Other Swap Gorillas	163
Chapter 9	The State of New Jersey: The Pandora's Box of Interest Rate Swaps Cost Nearly \$1.5 Billion	171
Changing the Accelerating More to the	Losses	171 173 175

xviii Contents

Chapter 10	The Empire State Doctored Interest Rate	
	Swap Gains Artfully	179
Beating Own Drums		179
The Shrinkin	g Present Value	181
Mark-to-	Market Discussion	181
	he State of New York Swap Contracts	183
The Irony		184
	WEALTH TRANSFER FROM PUBLIC TO BIG BANKS	185
Chapter 11	Jack Wagner's Mission to Rescue Pennsylvania from the \$17.4 Billion Derivatives Mess	187
Chapter 12	The School District of Philadelphia Dismissed Staff to Save Money to Pay for Swaps	195
Chapter 13	Two Other Special Cases in Pennsylvania Schools	201
(a) Erie City School District		201
(b) State College Area School District		205
Chapter 14	Chicago Public Schools Dismissed Staff and Borrowed at High Interest Rates to Pay	
	for Interest-Rate Swaps	209
The Infeasibi	lity of Attaining Synthetic Fixed Rates	217
Chapter 15	Denver Public Schools: Paid High Price	
	for the Advice of Unwitting Experts	227

Contents xix

AND UNIVE BIG BANKS	VEALTH TRANSFER FROM COLLEGES ERSITIES TO BIG BANKS: PAYING S HUGE SUMS OF MONEY FOR ED INTEREST-RATE-EXCHANGE	
CONTRACT		233
Chapter 16	The Flagship of the Tar Heel State Kept Dipping into the Same Losing Swap Well	235
Getting Deep	er into the Swap Mania	243
Chapter 17	The MSU Spartans Kept On Swapping Their Money for Nothing	247
Obsession wi	th Swap Contracts	251
Chapter 18	Interest-Rate Swaps Cost Harvard More Than \$1.47 Billion	253
Chapter 19	The University of Texas System: A Large State-Run Hedge-Fund-Like in Austin	261
Obsession wi	th Swaps and Other Derivatives	269
	VEALTH TRANSFER FROM HEALTH-CARE TIONS TO BIG BANKS	271
Chapter 20	Indiana University Health: A Case of Derivatives Abuse from the Midwest	273
Obsessed wit	Obsessed with Swaps	
Chapter 21	The University of California Health System: A Case of Derivatives Abuse from the West	281
Chapter 22	Johns Hopkins Health System Corporation:  A Case of Derivatives Abuse from the East	291

xx Contents

Chapter 23	The University of Florida Shands Hospital: A Case of Derivatives Abuse from the South	297
Losses and Co Obsession with	ollateral: Idle Cash th Swaps	300 300
Chapter 24	The Sisters of Charity of Leavenworth Health System	303
Chapter 25	Dignity Health Holds A Bigger Bag of IOUs to the Banking Cartel	311
Chapter 26	Texas Methodist Hospitals Did Not Escape Big Banks' Vise	319
AUTHORIT	VEALTH TRANSFER FROM TRANSIT IES TO BIG BANKS: INCREASING FARES B BANKS FOR SWAP CONTRACTS	325
Chapter 27	With Swaps, Riding the Gravy Train Is Expensive	327
Chapter 28	The New York Metropolitan Transportation Authority Fell into the Eastern Swap Sinkhole	331
Transparency	Questioned	338
Chapter 29	The Bay Area Toll Authority (BATA) Fell into the Western Swap Sinkhole	339
Chapter 30	The Massachusetts Bay Transportation Authority Joined the Eastern Swap Sinkhole	347
Interpretation		351
Chapter 31	A Couple of Other Port Authorities	353
Banks \$2	Authority of New York and New Jersey Paid Big 42 Million to Exit Swaps ania Turnpike Authority Confounds the Financing	353 354

Contents xxi

CONSPIRE	R SCANDAL: BIG BANKS' COLLUDED & D TO SIPHON MORE MONEY FROM THE RVICE SECTOR & EVERYONE ELSE	357
		331
Chapter 32	The London Connection: London Average Interest Rate (LIBOR)	361
Chapter 33	The Discovery of Cheating	367
<ul><li>(b) Cheating</li><li>(c) Evidence</li></ul>	LIBOR Manipulation Chats and Why Manipulating LIBOR Matters from the Files of the Financial Services Authority	367 372
	the FBI (USA) and Conspiracy at UBS AG: The Rain Man	380
& Compa		386
2 (2)	Man's Long Reach to RBS (from the FBI Files)	389
(f) Deutsche	Bank's High Cost of Denial	391
UNCONSCI OF MODER	ONABILITY: DANCING WITH THE "SNAKES" IN TIMES	395
Chapter 34	Are Interest Rate Swaps with Nonprofit Entities Unconscionable Contracts?	397
Criterion 1: P	Presumed Equality of Values	408
	gnoring Transaction Cost	409
Chapter 35	Epilogue	427
Appendix 1	<b>Basic Concepts of Dancing with the Swaps</b>	439
Appendix 2	Relative Magnitude of Over-the-Counter Financial Derivatives	443
Appendix 3	The 2017 Report of the Bank for International Settlements on Global OTC Derivatives	445
Appendix 4	OTC Financial Derivatives in the Top Four US Banks	447

Appendix 5	Three Reasons to Use Financial Derivatives	449
Appendix 6	An Example of a Swap Sales Presentation Having an Odd Ending	451
Appendix 7	More Fell for Dancing with the Swaps: Another Sample	457
Appendix 8	The Formula for the Swap Contract between Procter & Gamble and Bankers Trust of New York	461
Appendix 9	The State of Illinois Hedge-Fund-Like Portfolio of Financial Derivatives in the <i>Illinois Teachers Retirement System</i>	463
Appendix 10	The State of Texas Exhibit: Partial Listing of the Hedge-Fund-Like Portfolio of Swaps	465
Appendix 11	The Commonwealth of Massachusetts Partial Listing of Swap Portfolio	467
Appendix 12	LIBOR Cheating Chats: Deutsche Bank and Other Banks (as Reported)	469
Appendix 13	A Sample of Regulatory Penalties (In Connection with Manipulating LIBOR)	479
References an	d Sources	481
Index		511