



# THE EAGLE

LOCAL 1103

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## Fantasy Finance Causes Crisis

*Part II of an in-depth special series examining the financial and unemployment crisis.*

Les Leopold author of “The Looting of America” describes the Derivative Market by comparing it to a Fantasy Baseball league. Currently, there are thousands of fantasy leagues in which participants build make-believe teams by drafting real players into their virtual game. Now the fantasy team manager really doesn’t own a Derek Jeter nor does Jeter have any idea that he is actually part of any particular fantasy league. Or in fact, that he is a player in thousands of fantasy leagues. Yet, Jeter and other major league player’s statistics are the derivative factors that determine the value of any one of the many fantasy teams. In other words, the on field performances of the real players (such as batting averages) are applied to the fantasy teams. If a fantasy manager happens to draft a dream team, he will likely clean up on side bets based on the real player’s records. Fantasy finance is exactly like fantasy baseball in that it derives its value from the performance of other financial indicators based on something you don’t own.

Yet, can you invest in a stock and not own anything? Well, actually, you do own something in the Derivative Market; you own the risk. Remember banks hate risk, but love the high fees they get from making as many loans as they can. So when the banks felt that home buying market would slow down because many of the qualified borrowers were already homeowners, they came up with a scheme to make very dicey loans to risky borrowers who normally would not qualify. They did this at sub-prime mortgage rates in a variety of specialized packages that suddenly created a host of newly qualified buyers. Now with the ability to charge and collect more high-end fees, the only problem was how to get rid of the risk that these borrowers presented if they defaulted on the loans. Enter the Collateralized Debt Obligation (CDO), a security that bundled sub-prime loans into multilevel risk investments designed for players who had




*Executive Board attends OSHA training.*

mega-millions to invest.


The concept of the CDO was the first of a two-part process that brought us into the fantasy finance game. The packaging was the beauty of this sub-prime security. Picture a large upside down 3-layer wedding cake. In our upside down cake, the top level is the biggest section; the next layer medium sized and the bottom layer the smallest. The cake layers were made out of the sub-prime risky loans that the banks gave to less than stellar buyers. Now with the CDO cake baked, its time to sell slices of our investment, but to make it sound more exotic and interesting to buyers the banks referred to the securities by the French word for slice: tranche.


The top and largest layer, called the senior tranche, was the so-called safest level of this hazardous investment. It was presented as safe to investors because the top trenches were promised a return rate before the lower trenches. So, consequently, as the sub-prime borrowers begin to repay their loans,

*continued on page 3*

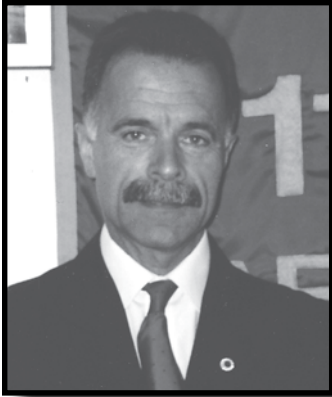
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# In My View . . .



With New York, like other states, still reeling from a devastating national recession, the Governor and Legislators are proposing budget plans that rely overwhelmingly on cuts to essential public services. This, they imply, will hurt the economy less. Nothing could be further from economic reality. This approach of cutting

essential services in public education, transportation, and healthcare to families that are already struggling, will further devastate our economy. All of this is happening while Wall Street is enjoying an estimated 61 billion dollar profit that is triple the record they set in 2006.

The reason I feel that Wall Street should be a key player in our recovery is because it wasn't you the working men and women of New York that caused the "Financial Meltdown" but it was you who bailed out these bums and now they should have a huge stake in the recovery. Wall Street could not have recovered if it were not for Main Street and now it is time for them to do what they should be obligated to do.

Under a balanced approach State Budget Revenues should be raised in ways that would not hurt our economy and should be used to reduce the extent of the spending cuts. The following two examples would do just that.

Examples are:

Lower the transfer tax rebate on stock transfers from 100 % to 80 %. This would produce 3.2 billion dollars. In effect this change would impose a tax of only 1 penny per share of stock that sells for more the twenty dollars or a quarter of one penny for shares selling for less than five dollars on every stock trade made.

Increase the tax on million dollar bonuses and above. In the 1970's this tax used to be 16% but since then these power brokers have lobbied it down to around 8% ( when was the last time your taxes went down 8% )


Everyday there are those who wake up and work hard to figure out how to make us loose while they rake in millions. They want no middle class. They want us weak and hate for us to speak. This is why you must make a decision to fight for what is rightfully yours. When the Union asks for your participation in any kind of activity, do your part. Step up because if you don't the 'haves' will win by making us the "have-nots."

On April 19th I along with many other CWA Local Officers attended a very important "Labor Agenda First" meeting at CWA Local 1180's headquarters in N.Y.C. All of the other Unions that are members of the New York City Central Labor Council were also in attendance. CWA National President,

Larry Cohen, and District One Vice President Chris Shelton were the featured guest speakers along with the President of Local 1180 Arthur Cheliot. The message they delivered was that labor must put the agenda of "WORKERS" first and we should do all we can to get a seat at the table to insure that we do not get cheated out of what is rightfully ours. On April 29th I was honored to attend a "Rally and March on Wall Street" with AFL-CIO President, Richard Trumka and nearly 10,000 Union Brothers and Sisters demonstrating our anger to those Brokers, Bankers, and Bums that created this mess in the first place. It was an outstanding display of Solidarity as we descended into the Belly of the Beast. So remember the next time you are called upon to get involved in any kind of "Mobilization" step up and do your part, we all must agree we can only get there if we all work together. Sources for portions of this article were "The Fiscal Policy Institute" and "New Yorkers for Fiscal Fairness"

In Solidarity,

**Joe Barca, Jr.  
President**



## THE EAGLE

**Proud To Be 1103**  
**Official Publication of the**  
**Communications Workers of America Local 1103**

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the senior tranches would be the first to receive interest payments for their investment. Since, the senior top tranches were considered the safest part of the CDO; they subsequently had the lowest interest rate. The middle tranches called the mezzanine had fewer slices and greater risk associated with them. This is because the mezzanine investors would only get paid if there was anything left after the senior top tranches received their share. At the bottom layer we have the Equity Tranches, which has the least number of investors and the highest interest rate. This is because they take the greatest risk. The equity bottom tranche holders only get paid if there is anything left from the sub-prime borrowers payments after both the senior (top layer) and mezzanine (middle layer) tranches are satisfied. Those in the equity tranches are betting that the vast majority of the sub-prime borrowers are not going to default on their mortgages and therefore are accepting the greatest risk for the largest profits. Typically the successful rate of return in an equity bottom tranche was anywhere from 20% - 40%.

Once all the tranches were sold, the bank had successfully removed any risk of losing money from the sub-prime borrowers who may have defaulted on the loans. This is because the total dollars that were invested in the tranches equaled the amount of the sub-prime loans. For example if the Bank had given out 500 million in sub-prime loans it would create a CDO that investors would buy for 500 million dollars. The bank would now have all the money back from the loans with the added benefit of gaining the fees from the sub-prime borrowers as well as the CDO investors. The real beauty of the CDO was if the sub-prime borrowers paid back their loans on time everyone in the CDO would make a tidy profit. And if they didn't, the Bank wouldn't have to pay the interest to some or all of the tranches. As a consolation prize, the bank would also be entitled to take the defaulted loan amount from the 500 million that the investors used to purchase the CDO. The banks just couldn't lose.

So what would you do, if not enough people wanted to buy the bottom most risky equity tranches. No problem, just take those risky loans from the bottom of several CDOs and form an entirely new CDO out of them. In doing so, most of those bad investments from the bottom equity tranches, the ones that nobody wanted, have now ended up as safe senior

tranche investments in the top layer of a new cake. This was called squaring the CDO, which was bad enough, but banks routinely squared and even cubed CDOs over and over again creating what latter became known as toxic waste investments.

For the banks there were still two small problems. It took a long time to set up a CDO and since there were only so many sub-prime loans, there was a limit to the number of CDOs that could be built. So aided with an army of financial engineers, the banks solved the problem by creating what was later known as the financial weapons of mass destruction. At this point, we have now entered phase 2 of the fantasy finance game.

The Banks figured out that you could speed up the creation of a CDO simply by not putting anything into the cake. So, to build more with less, a Synthetic CDO (S-CDO) or Credit Default Swap (CDS) was engineered. To avoid the delay of building a legitimate CDO with real loans, these layers were filled with nothing more than risk. Remember the original CDO's contained the sub-prime mortgage loans; the new synthetics only contained invested dollars that were equal to the sub-prime loans currently residing in the original CDO. Effectively the S-CDO became nothing more than a bet on the performance of the original security. The Banks simply doubled down their bets on a single loan. Yet, it didn't stop there; a single real CDO might have dozens of synthetics that were placing bets on its performance.

The S-CDO's were an instant success; they were popping up all over the dark corners of the stock market being traded at lightning speed. Some were based on bets that the sub-prime borrowers would pay back the loans, other bet the borrowers would fail. Like the fantasy baseball league, the S-CDO was nothing more than a derivative of the positive or negative performance of something you did not own. Therefore there was no end to the amount of S-CDO's that could be built against the real loans. A large part of Wall St was now betting on the performance of the housing market and not the next best iPhone.

For every "real" investment there were an untold numbers of synthetics riding on its back. Wall St. was being operated like a casino with trillions of dollars based on nothing more than these wagers. Worst yet, those bets were so intertwined and extrapolated that if the real original sub-prime mortgages failed in great numbers a domino effect would ensue. As Les Leopold describes it in his book "if the major league went on strike, thousands of fantasy baseball leagues would be destroyed". The difference here is the destruction of the fantasy leagues would have no effect on the real major leagues. In Part III, we will find out that was not the case in this fantasy finance game.

*See part III of Billion Bailout Society next month.*

**Joe Mayhew  
Business Agent**



*LPATers phone bank on behalf of Richard Brodsky in election bid for NYS Attorney General*

## CWA Local 1103 Pays Tribute to Workers Killed On the Job

The toll of workplace injuries, illnesses and deaths remains enormous. Each year, thousands of workers are killed and millions more are injured or diseased because of their jobs. The unions of the AFL-CIO remember these workers on April 28, Workers Memorial Day. The first Workers Memorial Day was observed in 1989. April 28 was chosen because it is the anniversary of the Occupational Safety and Health Administration.

Here in New York, CWA Local 1103 joined with other unions across the country to observe Workers Memorial Day and remember those men and women who have suffered or died on the job because of dangerous working conditions and/or exposure to toxic substances. The Local 1103 Executive Board joined other Unions in our area hand-billing train stations in Westchester and Putnam Counties letting commuters know of the dangers worker's face everyday on the job and the need for progressive legislation to protect workers from injury or death.

At the Workers Memorial Day Tribute held on May 6th, the Westchester/Putnam

Central Labor Body held an afternoon vigil to honor workers who lost their lives at work in the past year. The event was held at Kensico Dam Plaza in Valhalla where the Central Labor Body hopes to build a monument in memory of those who have died at their workplace. New York State Department of Labor Commissioner Colleen Gardner spoke about the tragedy of workplace fatalities and the lasting impact on the community and family. She also spoke about her role and how it is the safety of the worker that is most important, not the

business interest. At the conclusion of the vigil, the names of our fallen Brothers and Sisters who had succumbed to workplace tragedies in 2009 were read out loud as a bell rang following each of the four names. We had hoped to not have to read any names next

year, but within 5 days of the event another worker in Westchester was killed on the job. A tree cutter working near power lines was killed by electrocution, reminding us all again that the jobs we do can be very dangerous. Worker safety is never guaranteed; however, we can and should do what is necessary to minimize legitimate risks.



Last year, CWA Local 1103 Vice President Kevin Sheil first wrote about the Protecting America's Workers Act (PAWA) in May's Eagle. Continuing that theme and his belief that the local's leadership have a responsibility to educate our Members, it is important that you learn and completely understand that too many workers are still dying, getting injured or becoming ill by working in unsafe and unhealthy conditions. The Protecting America's Workers Act will provide additional tools to ensure that OSHA can fulfill its duty to enforce safe and healthy workplaces for all American workers.

The Protecting America's Workers Act will strengthen and modernize the Occupational Safety and Health Act.

*Specifically, the Protecting America's Workers Act:*

**Protects More Workers**

Expands OSHA coverage to include state and local public employees and federal government workers.

Expands coverage to millions of other workers inadequately covered such as airline and railroad employees, and Department of Energy contractors.

**Strengthens Health and Safety Penalties**

Raises civil penalties and indexes those penalties to inflation.

Establishes mandatory minimum penalties for violations involving worker deaths.

Allows felony prosecutions against employers who commit willful violations that result in death or serious bodily injury, and extends such penalties to responsible corporate officers.

Requires OSHA to investigate all cases of death and serious injuries (i.e. incidents that result in the hospitalization of 2 or more employees).

**Improves Whistleblower Protections**

Codifies regulations that give workers the right to refuse to do hazardous work.

Clarifies that employees cannot be discriminated against for reporting injuries, illnesses or unsafe conditions, and brings the procedures for investigating and adjudicating discrimination complaints into line with other safety and health and whistleblower laws.

**Allows Workers and Their Families to Hold Dangerous Employers Accountable**

Provides workers and employee representatives the right to contest OSHA's failure to issue citations, classification of its citations, and proposed penalties.

Gives injured workers, their families and families of workers who died in work-related incidents the right to meet with investigators, receive copies of citations, and to have an opportunity to make a statement before any settlement negotiations.

Clarifies that the time spent by an employee accompanying an OSHA inspector during an investigation is considered time worked, for which a worker must be compensated.

Prohibits OSHA from designating a citation as an "unclassified citation" where an employer can avoid the potential consequences of a "willful" violation, the most serious violation.

Allows any worker or their representative to object to a modification or withdrawal of a citation, and entitles them to a hearing before the Occupational Safety and Health Review Commission.

**John Gentile  
Business Agent**

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ALAN RITTER, CPA

To the Board of Directors  
 Communication Workers of America Local 1103  
 345 Westchester Avenue  
 Port Chester, New York 10573

Gentlemen:

We have audited the accompanying balance sheet of The Communication Workers of America, Local 1103 as of September 30, 2009, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Communication Workers of America Local 1103.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Based on our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Communication Workers of America Local 1103, at September 30, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Respectfully submitted,



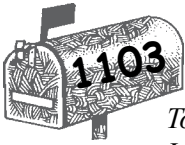
Alan Ritter, CPA  
 May 12, 2010

*We include in this issue of The Eagle, the statement of revenue and expenses. This is an audited report. Testing procedures were applied by our accountant to income and expenses to verify their accuracy. Bank records were requested and cross checks were conducted. The following report accurately portrays Local 1103's statement of revenue and expenses for the fiscal year beginning October 1, 2008 ending September 30, 2009. A word about depreciation expense. It is the last item in the expense column and totals \$13,417.00. This is not a cash expense, and it is not money spent by the local. Depreciation expense represents a devaluation of our assets already purchased and paid for, such as the union hall and its fixtures, office furniture and equipment. This item is required in an audit report.*

Douglas Sheahan  
 Secretary/Treasurer

COMMUNICATION WORKERS OF AMERICA  
 LOCAL 1103  
 STATEMENT OF REVENUES AND EXPENSES  
 FOR THE YEAR ENDED

	Sept 30, 2009
<b>Schedule I - Revenue</b>	
Dues	1,407,214
Rental Income	10,430
Interest Income	35,362
Reimbursements by National Union	111,155
Golf Outing	30,708
Other Income	7,492
<b>Total Revenue</b>	<b><u>\$1,602,361</u></b>
	Sept 30, 2009
<b>Schedule II - Expenses</b>	
Salaries - Officers	346,870
Expenses - Officers	24,862
Salaries - Business Agents	236,802
Expenses - Business Agents	43,287
Salaries - Members	264,720
Expenses - Members	26,681
Office Salaries	52,741
Office and Printing Expenses	78,632
Telephone	20,687
Legal Fees	139,074
Accounting Fees	23,600
Insurances	21,734
Rent & Realty Tax Expenses	12,004
Building Improvements & Expenses	5,680
Postage	8,516
Equipment Maintenance	7,847
Public Relations	5,471
Affiliated Dues	14,761
Contributions	20,858
Scholarships	10,000
Service Gift Awards	12,500
Meeting Expenses	29,440
Auto Expenses	9,612
Hotel and Travel Expenses	21,472
Retirement Awards	0
Annual Picnic	9,930
Annual Golf Outing	15,792
Strike Expenses	0
Payroll Taxes	89,498
Members Pride	16,952
Union Dues Refunds	0
Employee Benefits	46,547
Subscriptions	10,745
Members Relief Fund	0
Decrease in Investments	0
Miscellaneous	1,606
<b>Total Operating Expenses</b>	<b><u>1,628,921</u></b>
Depreciation	13,417
<b>Total Expenses</b>	<b><u>1,642,338</u></b>
<b>Excess (Decrease) of Revenue over Expenses</b>	<b><u>(39,977)</u></b>



## LETTERS TO THE LOCAL

To CWA Local 1103,

*I am very thankful! Thank you for the gift card, the food basket and updates my family has received. I appreciate knowing that I am part of a strong union who cares for its members. Much appreciated.*

*Marc A. Flood*

\* \* \*

*Dear Joseph:*

*Thanks for your help. We're off to a very strong start politically and financially. Renewing our state will not be easy. I'm glad we'll be working together and I'm grateful for the generous support. You guys are the best. Thanks for all the help.*

*Sincerely,*

*Richard L. Brodsky*

## Retiree's Corner

Dear Fellow Retirees,

In July Secretary Phyllis Cole-Hollis and I will be traveling to Washington, D.C. to attend the 2010 Annual Meeting of the CWA Retired Members Council scheduled to be held on Saturday, July 24.

In addition to carrying out the official business of the Council, as delegates, we will hear presentations on topics such as the upcoming midterm elections, the National Health Care Act and the Union Privilege program. Further, there will be workshops on Sunday morning. Of course there will be ample opportunity to meet and forge good relationships with other retirees around the country.

The 72nd National CWA Convention and Legislative-Political Conference will follow the RMC Annual Meeting.

Special Note: retirees have priority seating at the Convention.

Our District 1 President Patrick Welsh, along with the other members of the RMC Council's Executive Board, will be a Convention delegate with

a voice and vote on the convention floor.

I have once again been invited to sing the National Anthem at the CWA Convention's opening ceremonies. As always, I do so with great pride and excitement. I will be representing not only our great Local 1103, but all CWA retirees nationwide.

I remind all retirees to keep abreast of issues that affect them. Check out our chapter website at <http://www.cwalocal1103rms.org/> for helpful links to such sites as the National CWA, Local 1103 and RMC Council websites.

If you have yet to pay your dues please send your check made out to "CWA Local 1103 RMC" to:

**CWA Local 1103 RMC  
345 Westchester Avenue  
Port Chester, NY 10573**

**In Solidarity,  
Jeanette Spoor  
President CWA Local 1103 RMC**



COMMUNICATIONS WORKERS OF AMERICA - LOCAL 1103

(AFFILIATED WITH A.F.L.-C.I.O.-C.L.C.)

345 WESTCHESTER AVENUE • PORT CHESTER, NY 10573



# Team Cleary



*Thank you for your donation*

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*Kevin Cleary Supplemental Needs Trust  
mail to :*

*Jim Hatch  
1 Yale dr  
Highland Mills, Ny 10930*

*www.TeamClearyonline.org*

PERIODICAL



## Sponsor Sheet

# Team Cleary



*The 5th annual golf outing for Kevin Cleary & his family.*

*The outing will be at The Links at Union Vale on August 2nd.*

*Hole sponsor*       \$200       Other \$ \_\_\_\_\_

*Dinner Table sponsor*       \$500

*Sponsor Name* \_\_\_\_\_

*Sponsor Address* \_\_\_\_\_

*Sponsor Message* \_\_\_\_\_

*For hole sign or* \_\_\_\_\_

*Dinner table sign* \_\_\_\_\_