

The following is a PDF repeat version of Handala's response to a comment.

Nice comment, & yes, 9% is the prudent working assumption one should make. The spurious FJC loan summary, mentioned during the PNB meeting, was composed before 22 March, when Fed prime was 4.5%. It's now 5.5%, making the loan 8.5%. And as you say, & as I predicted the other month, there'll be more rises before Pacifica has to meet from its general account the quarterly interest payment due on c. 31Dec19, the first of six from that account. I'll make six points.

1) Interest is being earned by FJC's investors from day one of their loan. According to the spurious summary, Pacifica has to hold in a restricted, dedicated account a sum equivalent to the first 18 months of interest, six quarterly payments, the last due c. 30Sep19. That's why the 7 June PNB private session (after the Nakapon sale, which was being used in part as collateral for the FJC loan) acknowledged the new reality by agreeing to "reduce the amount of reserved interest needed for the first 18 months to \$379,556". Why that amount? $\$3.265\text{m} \times 7.75\%$ (the rate on 7 June) $\times 1.5$ (years) = \$379 556.25. Voilà.

https://pacifica.org/documents/pnb_exec_180607.pdf

These hundreds of thousands of \$\$\$ isn't money Pacifica had lying around: *it came out of the FJC loan itself*. It seems little appreciated that this means the directors – probably at the insistence of FJC – accepted that the listeners were incapable of reliably feeding them each month c. \$21k (@ the 7.75%), again & again, 36 times. Instead, Pacifica borrowed from FJC a sum to pay the first six quarterly payments: ignoring compound interest (&

interest rate rises), that's c. \$21k x 18 = \$378 000 . . . violà. In other words, Pacificans never get to see 11.6%, almost 1/8th, of the principal: it goes straight back to the secret holders of the donor-advised funds lodged at FJC. ('Secret': that's one reason why I would never call FJC a provider of a "Jewish loan" – Chris' since corrected inaccurate headline.)

2) It's also little appreciated that Pacifica cashflow has been harmed since severing the tie with ESRT & the Nakapon sale, with new expenses, some having to be paid month after month: fees to Pacifica's lawyers/advisors re ESRT settlement; WBAI transmitter costs at 4 Times Sq (rent, plus installments on the new equipment); renting rooms at Nakapon for Pacifica's Mary Celeste, the National Office; 2018 election cost; the forthcoming 2019 election cost; pension management fees; pension audit fees; pension legal fees; likely pension penalties; other legal fees, not least re IRS & DOL investigations; wages, etc. for Larry Dankner, the new iCFO; more comprehensive bookkeeping & accountancy services performed by NETA compared with those done sporadically by Pacifica workers (can anyone believe this extra work reduces total costs?); FY2017 & FY2018 general audit fees; wages, etc. for the soon-to-be-announced KPFT GM; jobs created for station & national programme directors; starting c. 1Oct19, paying FJC interest at a rate of c. \$25k per month (@ 9%, as you gave as illustration); . . . ; . . . One could go on.

The three-year FJC interest charge, at an average 8%, will be c. \$800k – just to stand still, leaving untouched the principal of \$3.265m. *Pacifica needs to generate, for the second half of the life of the loan, a net income of c. \$300k a year just to pay this one charge* – & Sunday's KPFK LSB reported that the current fund-drive is running at a

shortfall of "\$100k" (treasurer Ken Aaron, 49:10). This on top of the historic data, with the last time Pacifica generating a net annual income being FY2006: the last 10 audited years are losses, totaling \$12 659 328. Wishful thinking meets cold concrete. A very sad unicorn. Very unfair.

<https://kpftx.org/archives/pnb/kpfk/181216/kpfk181216a.mp3>

3) The principal was reduced from \$3.7m to the current \$3.265m when the Berkeley Nakapon building was sold, as that \$435k sum was secured against it, & so handed over from the proceeds. Another specific sum in the loan, when it was \$3.7m, was using as collateral the KPFK transmitter tower on Mount Wilson, valued at c. \$1m; the value-to-loan ratio, according to PNB chair Nancy (yes, she is as wooden as a chair), is 3:1, so \$333k (see the spurious summary). The Forest Service wouldn't give the necessary permissions, so that money couldn't be released to Pacifica. Which poses the question, why hasn't the principal been reduced by this \$333k? Why is interest still being paid on this withheld amount? No public meeting audio has mentioned this puzzling fact.

4) Directors differ on what they tell the PacificaPlebs about what's collateralised. Director Medusa, aka Grace Aaron, keeps saying, including at November's KPFK LSB, that it's buildings & land. Note, she never says 'solely . . .'. Perhaps this is because chair Nancy's spurious summary says "[i]n addition [to the real property: buildings & land], the Collateral includes accounts receivable, tangible goods, equipment, rental income, sales proceeds, contracts, intellectual property, furniture, cash and proceeds of insurance or sales – in short, virtually every real, tangible and intellectual property right in which Pacifica has an interest". Why does Medusa spread

misinformation? Why does Medusa talk this way about what's collateralised, the same way she focuses on the loan "defaulting" when FJC apply a different test, "potentially impaired"? Why?

5) The strategy used by the core of the Medusa faction, & so followed by their less talkative supporter-directors, is the Malcolm strategy: by all means necessary, here doing whatever it takes to stay in control. Hence director Carole 'I co-founded the Sojourner Truth Organization' Travis raring at the bit, pouncing as soon as a new item is tossed on the floor: dripping red in tooth and claw. Pacifica's very own rottweiler. And given the nature of the Pacifica polity, moribund in extremis, sub-atomic in its organisation of solidarity, sitting happy with a majority, the strategy of least effort is to practise the politics of arrogance, ignoring all others, be they fellow directors or the great unwashed. The members & listeners don't need to know anything. The less, the better. Info can be interpreted the wrong way. The wrong questions asked. Even new options identified, & heaven forbid, advocated. That's why the secrecy culture exists, & why it's defended so ferociously. It's not paranoid, it's worse than that, as shown last night: it's paranoid paranoia, denoted in DSM-5 as PacificaP². But even though the members & listeners are treated as ciphers, they have their uses, albeit episodic: enough members voting, so satisfying the 10% quorum; enough listeners coughing up a minimum \$8m net a year, so making bearable Pacifica's insolvency (the last audited balance sheet, at 30Sep16, gave net current liabilities of \$6.7m, a factor of x11.5, so \$11.50 of creditors chasing every \$1 Pacifica had available that day to pay these short-term liabilities).

6) And don't get me started on the Marty & Dorothy Silverman Foundation (MDSF), which FJC sell their dodgy

loans to – never forget they never wait for a loan to default, or go to court: they sell it when, as their auditor puts it, the loan is "potentially impaired". As the JLens Investor Network report on FJC put it, based on an interview with FJC's boss, Lorin Silverman,

"[t]he Agency Loan Fund has a 100% repayment rate, but not because organizations don't occasionally default on their loans. When a loan is in danger of default, [Lorin]'s family foundation will purchase the loan to provide a first[-]loss fail[-]safe to the fund's other investors [...] The [family] foundation continues to pursue repayment and has a strict policy to not forgive loans [no: the MDSF 990s indicate otherwise, with its loans write-offs]. The unappealing task of chasing nonprofits for repayment is one of the reasons there isn't more capital available to the nonprofit sector; banks do not want the resulting unfavorable media attention. However, the family foundation believes that repayment is critical to ensure capital is available for future [FJC] loans and to uphold the confidence of the [FJC's ALF] fund's investors."

http://docs.wixstatic.com/ugd/3aa597_1ffbb137d5ef4a7280ea79e16af4c057.pdf

Finally, there was a landmark exchange at Sunday's KPFK LSB (Indigo draws attention to other matters in his report posted by Chris). It was between delegate Polina Vasiliev & director Medusa (17:49). Polina, who to her great credit had asked a question about FJC at the last PNB Audit Cttee (3 December), asked Medusa about the FJC loan. Polina became the first to say in a recorded Pacifica meeting that FJC doesn't wait for a borrower to default, instead selling on "potentially impaired" loans to MDSF. Medusa wouldn't have been surprised by this line of questioning as she's marked Polina's card, & Medusa knows the facts. Nevertheless, Medusa found herself in a

corner, snakes frantically swaying, obviously facing someone who knew facts . . . so she admitted that FJC can indeed sell on their Pacifica loan to whomever they want. Bit different from a PNB interaction, yes? But the Rottweilers are obviously scenting blood: Cruella Carole is already on the case.

<https://kpftx.org/archives/pnb/kpfk/181216/kpfk181216a.mp3>