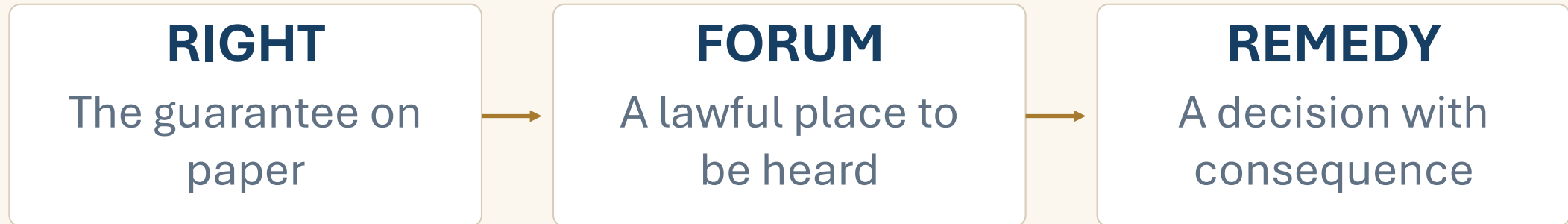


The simple problem

A constitutional right has practical meaning only if a lawful process can decide whether it was violated.

Rights do not enforce themselves.



Constitutional Fidelity Project (CFP) makes that chain visible: from principle → process → proof → public accountability.

Public Record and Outreach

The project has moved from allegation to organized public evidence.

Advocacy – Travis Spencer
www.realestatemindset.org
www.realestatemindset.substack.com

- Organized Crime
- Abolish Property Tax
- Home Buying
- Litigation Support
- Open Records Request
- YouTube – Real Estate Mindset

Evidence Library & Court Filings - Vexler
www.mockingbirdproperties.com/dcad
Letters Article and Discussions
Quick Overview
Sign the Petition

A FIELD MANUAL FOR LOCAL POWER

The Local Advocacy Playbook

A STREET FIGHTER'S CREED

How a small team — three or four committed people — can change the lives of one hundred thousand of their neighbors.

DEVELOPED BY TRAVIS SPENCER & MITCH VEXLER

READER WARNING
Don't pay any advocacy group that is raising money non-stop — they won't deliver what you want or need. *Your own advocacy will teach you what you are capable of.*

- Accomplished:
- SCOTUS Petition – Filed
 - [Motion to Expedite Hearing SCOTUS](#) (link)
 - [Petition for Writ of Certiorari SCOTUS](#) (link)
 - [Why Vexler filed to SCOTUS \(video\)](#) (link)
 - [Why an Expedited Hearing is Necessary](#) (link)
 - Federal Court Petition – filed - USC 42 sec. 1983, 1985, 1986
 - Bond Credibility Chain – Work In Progress – Presentation 2
 - [Pattern and Practice to Defraud V1](#) (link)
 - [Pattern and Practice to Defraud V2](#) (link)
 - [ConstitutionalFidelityProject.org](#) – Now Live
 - Video Interviews
 - [Fraud Fighter Summit Presentation video](#) (link)
 - [Prohibition of Adjudication](#) (document link)
 - [The New American Crisis - Lawlessness Foretelling An Act of War](#) (document link)
 - [Summary of SCOTUS Video](#) (link)
 - [Daniela Cambone video Interview](#) (link)
 - [Travis Spencer video Interview – Supreme Court Filing](#) (link)
 - [Warren Armour video Interview – update summary](#) (link)
 - STORM Summit – Vegas September 10th-13th
<https://unauthorized.one/events-list/storm-summit/> (link)

Message discipline

The public does not need every exhibit first. It needs the map, then a way to verify the record.

\$5,100,000,000,000.00	4.50%	\$229,500,000,000.00	365	\$628,767,123.29
------------------------	-------	----------------------	-----	------------------

PRESENTATION 2 · DAY TWO

THE BOND CREDIBILITY CHAIN

School-District Bonds · Sinking Funds · PSF Guarantees · Debt Lineage ·
Dynamic Contagion

DAY TWO begins where Terminal Failure ends.

If the upstream inputs cannot be independently reconciled,
what happens to the debt built on them?

INPUT INTEGRITY → DEBT MATH → GUARANTEE → LINEAGE → OVERSIGHT → CREDIBILITY

Proof question:

Show us how every dollar got there.

SCOTUS SUMMARY

The SCOTUS Case in One Sentence

The Petition and Brief of the Respondent in favor of Writ of Certiorari clearly state this as a structural due-process case — not a property-value appeal.

Without Due Process the Constitutional laws are being subverted which may end in financial Dynamic Contagion

This case is about a forum, not a valuation.

Summary of Argument, proposed for Amicus Curiae

WHAT SCOTUS IS ASKED TO REVIEW

Whether Texas can make an administrative process exclusive when that body cannot decide the prospective federal claim or grant effective relief.

WHAT SCOTUS IS NOT ASKED TO DECIDE

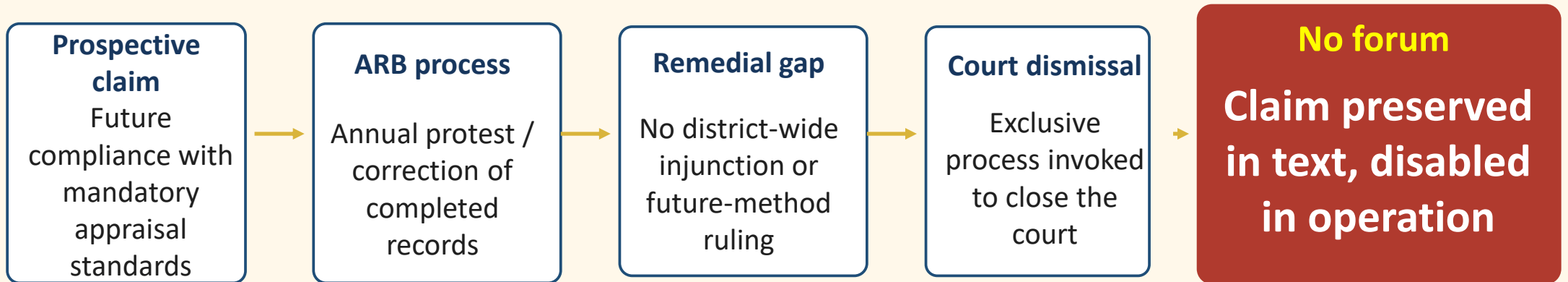
No property value, refund, fraud finding, securities issue, or factual dispute outside the record.

THE AMICUS ROLE

Supply constitutional, tax, administrative-law, and civil-rights context for meaningful adjudication.

The Procedural Dead End

The alleged due-process problem is the mismatch between the claim and the tribunal.



WHY IT MATTERS

Procedure may organize the path to adjudication. **It cannot become a mechanism that extinguishes adjudication altogether.**

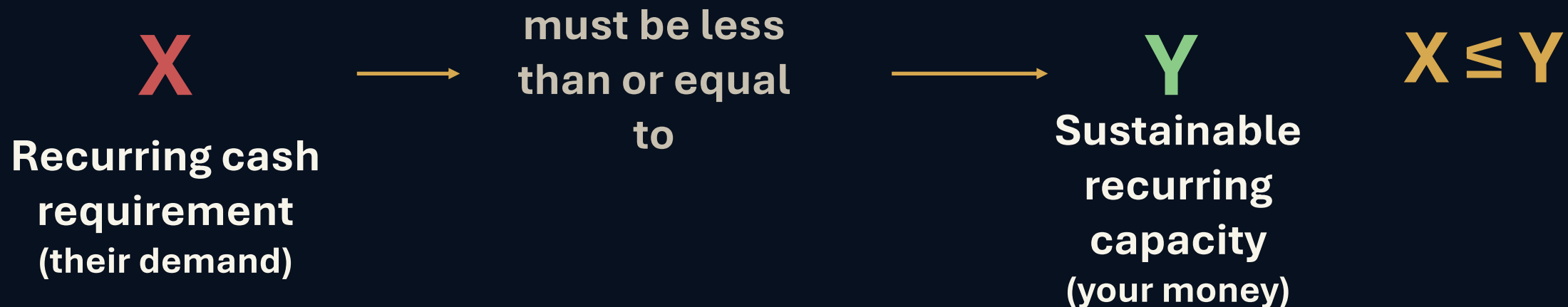
THE AMICUS POINT

The adequacy of a remedy turns on what the tribunal can decide and do — not merely on whether it operates in the same regulatory field.

DEBT EXTINCTION

Start with X and Y

Set aside allegations first; the arithmetic still has to work.



If X is greater than sustainable Y, something has to change: revenue, spending, support, interest, principal, time, restructuring, or default.

The X/Y Crossover

Borrowing can postpone the adjustment, but it does not erase the gap.

Supportable Zone

$$X \leq Y$$

Can, in principle, be amortized from sustainable recurring capacity.

Failure Zone

$$X > Y$$

Cannot remain self-liquidating without restructuring, support, or loss allocation.

Crossover

The model asks: where is the crossing point, and how long can the system avoid acknowledging it?

1	BOND CREDIBILITY CHAIN			
2				
3	Master Navigation — Full Confidence · Valuation Reversion · Dynamic Contagion · Debt Repair			
4	<i>Select a major destination or use the complete worksheet index below. Every model tab includes a—NAV—return link.</i>			
5				
6	QUICK DESTINATIONS			
7	Dashboard	Model Map	Godley ISD Pilot	Full Confidence
8	Asset-Side Valuation Reversion	Fraud-Free Mean Reversion	Dynamic Contagion	Debt Burn Rate
9	Debt Repair & Fiscal Lock	Zero Interest Reset	Sources & Notes	
10				
11	COMPLETE WORKSHEET INDEX — ALL 36 MODEL TABS			
12				
13	ORIENTATION & EXECUTIVE		CONTAGION & LOSS	
14	00 START HERE		Cascade Assumptions	
15	Dashboard		Cascade Engine	
16	Model Map		Dynamic Contagion	
17			Asset-Side Valuation Reversion	
18	FACTS & CALIBRATION		Fraud-Free Mean Reversion	
19	Market Inputs		Dynamic Contagion Table	
20	Real-World Calibration		Scenario Haircuts	
21	School District Module		Loss Engine	
22	Godley ISD Pilot		Sensitivity	
23				
24	SOLVENCY & SUSTAINABILITY		POLICY & BURN RATE	
25	Full Confidence		Tax Replacement Feasibility	
26	Crossover & External Support		Debt Burn Rate	
27	Debt Sustainability Crossover			
28	Sustainability Visuals		DEBT REPAIR / RESET	
29	Residential Distress Validation		Debt Repair & Fiscal Lock	
30	ARG & Residual Income		Zero Interest Reset	
31				
32	INSTITUTIONAL EVIDENCE		SOURCES	
33	Financing Observability		Sources & Notes	
34	Replication Evidence			
35	Institutional Evidence Ledger			
36	Institutional Response			
37	Intent & Elements			
38				
39	REPRICING & VALUATION			
40	Inflation & Repricing			
41	Derivatives & Leverage			
42	FC Options & Leverage			
43	Triangulated Valuation			

MISSING LINK 6 — WHO ABSORBS THE LOSS?

If local support fails and markets reprice, the absorption path must be visible.

$$\text{ASFG} = \frac{\text{Available Support Funds}}{\text{Funding Gap}}$$

ABSORPTION SUPPORT FUNDING GAP RATIO

$$\text{SAR} = \frac{\text{System Absorption Capacity}}{\text{Systemic Loss Exposure}}$$

SYSTEM ABSORPTION RATIO



If local support fails and markets reprice,
who absorbs the gap—households, reserves, guarantors,
the state, or the broader system?

CREDIBILITY
CHAIN

FCC

DRR +
HEP

RDSI

FOI + CARI
+ M_INST

DCM

ASFG + SAR



A bond is not fully credible until the *absorption path is visible*.



DYNAMIC CONTAGION

When one weak link is replicated, price discovery moves from local to systemic.

Contagion Pressure = Default Signal × Liquidity Shock × Credibility Loss × Forced Selling

Market Price Shock
 $MPS = 1 - (\text{Current Price} / \text{Prior Price})$
Measures repricing after credibility stress

Contagion Multiplier
 $CM = \text{Exposed Similar Debt} / \text{Isolated Default Exposure}$
Shows whether the risk can remain local

Liquidity Stress
 $LS = \text{Sell Pressure} / \text{Market Absorption Capacity}$
Tests whether buyers can absorb forced exits

A single default is local; replicated credibility failure becomes market-wide.



DERIVATIVES AND LEVERAGE

Small yield moves can become large losses when notional exposure is large.

Duration Shock

$\Delta \text{Value} \approx -\text{Duration} \times \Delta \text{Yield} \times \text{Market Value}$
Rate sensitivity converts yield moves into price moves

Leverage Exposure

$\text{LE} = \text{Notional Exposure} / \text{Capital Absorption}$
Notional claims can exceed actual loss-absorbing capacity

DV01 tells how much value moves when yield changes by one basis point.

Leverage converts a small yield shock into a forced-sale or collateral problem.

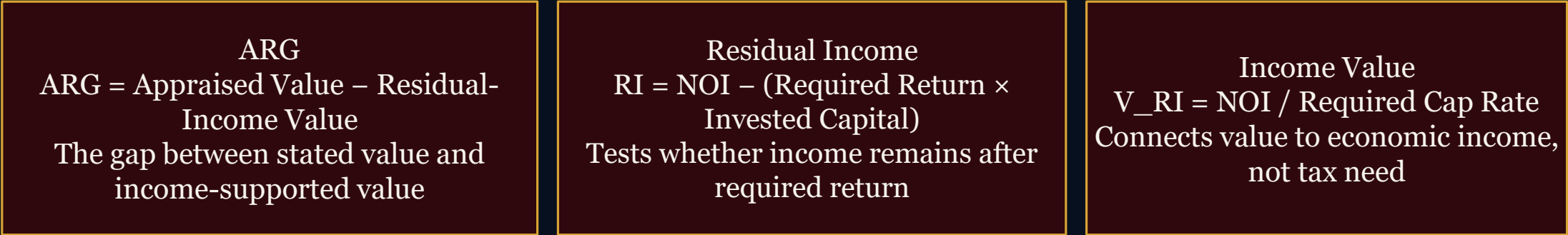
Bond credibility must include off-balance-sheet sensitivity, not only stated principal.

CREDIBILITY
CHAIN



ARG AND RESIDUAL INCOME

Value must reconcile to income after required returns—not merely to assessed value.



If assessed value rises while residual income weakens, the tax base is being asked to support debt from value that may not economically exist.

Residual income is the bridge between property value, household capacity, and bond credibility.



RESIDENTIAL DISTRESS

The household is the final taxpayer—not the district-wide aggregate.

Residential Burden Ratio

$RBR = (\text{Property Tax} + \text{Housing Debt} + \text{Insurance} + \text{Utilities}) / \text{Household Income}$

Measures household absorption strain

Distress Signal

$RDS = f(\text{Delinquencies, Protest Volume, Capped Values, Displacement})$

Shows stress before default appears

Tax Bill

↑

**Income Capacity
Flat or Falling**

**Residential Stress
Appears First**

When households cannot absorb the tax path, the bond support base weakens before the bond defaults.



DEBT BURN RATE

The stock of debt becomes a clock.

Interest Burn
Daily Interest = Outstanding Debt × Rate / 365
What the debt costs per day before principal

Normalized P&I
Daily P&I = Annual Debt Service / 365
Adds amortization to the burn clock

Gap Burn
Daily Gap = Required Daily Support – Sustainable Daily Capacity
Shows how fast the gap accumulates

National illustration:
\$5.1T at 5% ≈ \$698.6M/day interest burn

20-year / 5% illustration:
≈ \$1.107B/day normalized P&I burn

The burn rate shows what delay costs every day while reconciliation is unresolved.



11	GIVEN THE FOLLOWING — LIVE LINKED / READ-ONLY			
12	Current Total Public Debt lens	40.047 \$T	LINKED / BROAD FEDERAL STOCK	Fraud-Free Mean Reversion!B32
13	Historical-interest-equivalent offset	- \$T	LINKED / VERIFIED ONLY	Fraud-Free Mean Reversion!D32
14	Additional recovery adjustment	- %	LINKED / VERIFIED ONLY	Fraud-Free Mean Reversion!E32
15	Clean Principal Candidate (P_c)	40.047 \$T	LINKED / CALCULATED	Fraud-Free Mean Reversion!F32
16	Sustainable recurring capacity (Y)	2.591 \$T / year	MODELED CAPACITY PROXY	Fraud-Free Mean Reversion!G32
17	Baseline federal repair rate	5.25% % / year	LIVE LINK	00 START HERE!N2
18	Economic shrinkage reserve	20.0% %	LIVE LINK	00 START HERE!F2
19	Observed federal fiscal X / Y	1.401x x	OBSERVED FISCAL CROSSOVER	Fraud-Free Mean Reversion!B15
20	Principal-extinction break-stop	PENDING state	PENDING GENEALOGY	Fraud-Free Mean Reversion!B12
21	Fiscal-lock status	LOCKED state	LINKED DURABILITY TEST	Debt Repair & Fiscal Lock!B72
22	10Y zero-interest supportable comparator	25.906 \$T	LINKED / 0% RESET SCENARIO	Fraud-Free Mean Reversion!L37

NET RESULT — CAPACITY-IMPLIED VALUE

Supportable Principal P_s	20.121 \$T	annuity PV from Y, rate, term
Capacity-Implied Valuation V^*	20.121 \$T	MIN(clean principal, supportable principal)
Required Reversion Gap	19.926 \$T	clean principal – valuation proxy
Required Reversion %	49.8% %	gap ÷ clean principal
Principal Preserved %	50.2% %	valuation proxy ÷ clean principal
Annual P&I on Clean Principal (X)	5.156 \$T / year	annual amortization requirement before reversion
Pre-Reversion X / Y	1.99x x	above 1.00x = scenario does not fit Y
Annual P&I after Reversion	2.591 \$T / year	annual amortization after capacity cap
Post-Reversion X / Y	1.00x x	≈1.00x when capacity binds
0% Same-Term Supportable Principal	25.906 \$T	same Y / term at zero future interest
Principal Capacity Unlocked at 0%	5.785 \$T	principal capacity difference from interest burden
Scenario State	REVERSION REQUIRED — state	mechanical state, not legal conclusion

Derivatives & Leverage Transmission Layer						
This layer does not treat notional derivatives as expected losses. It translates derivative scale, leverage, margin, hedging, liquidity, and observability into a stress-cash-demand and contagion-amplification factor.						
Market Scale / Reference Point	Value	Units	Source	Date / Period	Use in Model	Source URL
Global OTC derivatives notional	\$846.0	\$T	BIS	End-June 2025	Context only	https://www.bis.org/publ/otc_hy2512.htm
OTC derivatives gross market value	\$21.8	\$T	BIS	End-June 2025	Replacement-value context	https://www.bis.org/publ/otc_hy2512.htm
OTC FX derivatives notional	\$155.0	\$T	BIS	End-June 2025	Explains ≈\$145T reflection	https://www.bis.org/publ/otc_hy2512.htm
OTC interest-rate derivatives notional	\$665.8	\$T	BIS	End-June 2025	Rate-risk scale	https://www.bis.org/publ/otc_hy2512.htm
Exchange-traded interest-rate derivatives open interest	\$129.7	\$T	BIS Data Portal	2026 Q1	Rate-derivatives scale	https://data.bis.org/topics/XTD_DER/tables-and-dashboards/BIS%2CXTD_D2%2C1.0
CME U.S. Treasury futures/options open interest	36.328	Million contracts	CME Group	2026-02-19	Direct listed Treasury derivatives signal	https://www.cmegroup.com/media-room/press-releases/2026/2/24/cme_group_u_s_treasuryopenir
U.S. debt securities base	\$65.2	\$T	Federal Reserve Z.1	2025 YE	Base denominator	dhhighof363million.html Market Inputs!B10

Derivatives & Leverage Transmission Layer		
This layer does not treat notional derivatives as expected losses. It translates deriv		
Market Scale / Reference Point	Value	Units
Global OTC derivatives notional	\$846.0	\$T
OTC derivatives gross market value	\$21.8	\$T
OTC FX derivatives notional	\$155.0	\$T
OTC interest-rate derivatives notional	\$665.8	\$T
Exchange-traded interest-rate derivatives open interest	\$129.7	\$T
CME U.S. Treasury futures/options open interest	36.328	Million contracts
U.S. debt securities base	\$65.2	\$T

Scenario Haircuts — Conditional Market-Value Loss Assumptions

Illustrative user-editable haircut matrix. The default systemic column is constructed to produce an approximately 30% weighted decline across the 2025 YE U.S.

Category	Exposure (\$T)	 No event	Orderly	Localized	Muni contagion	Cross-market	Systemic
Open market paper	\$1.37	-	0.2%	1.0%	5.0%	15.0%	25.0%
Treasury securities	\$30.07	-	-	0.5%	2.0%	8.0%	25.0%
Agency/GSE-backed	\$12.53	-	0.5%	1.5%	5.0%	12.0%	30.0%
Municipal securities	\$4.40	-	8.0%	15.0%	30.0%	40.0%	45.0%
Corporate & foreign bonds	\$16.78	-	0.5%	2.0%	8.0%	18.0%	38.0%
Weighted conditional loss %		-	0.8%	2.1%	6.1%	13.7%	30.7%
Conditional loss (\$T)		-	\$0.50	\$1.35	\$3.96	\$8.90	\$19.98

Dynamic Contagion Feedback Loop

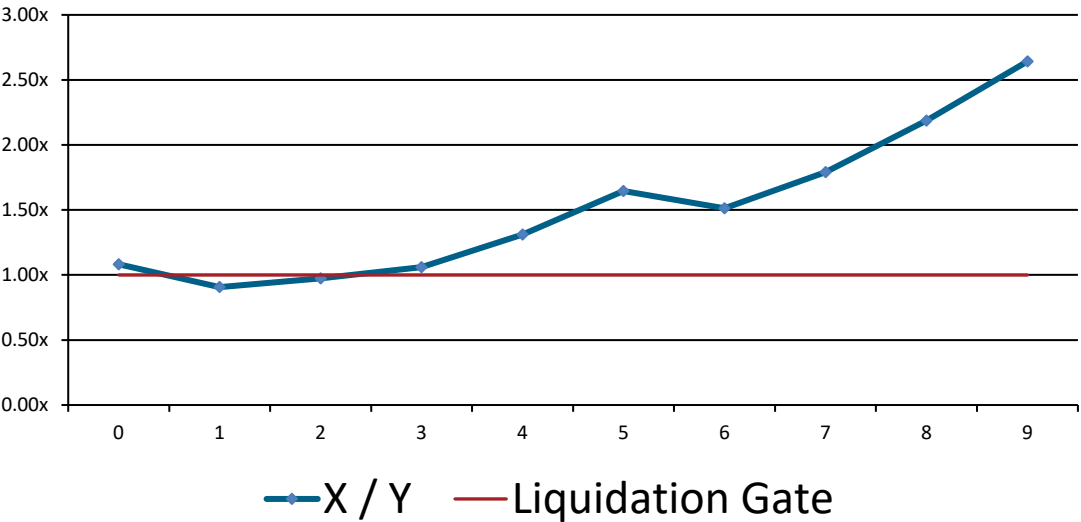
Conclusion first: the rest of the presentation explains how credibility loss can become forced liquidation and repricing.

CREDIBILITY SHOCK → RATE / PRICE SHOCK → DV01 / VEGA → MARGIN → COLLATERAL → X / Y → FORCED SALES → REPRICING ↺

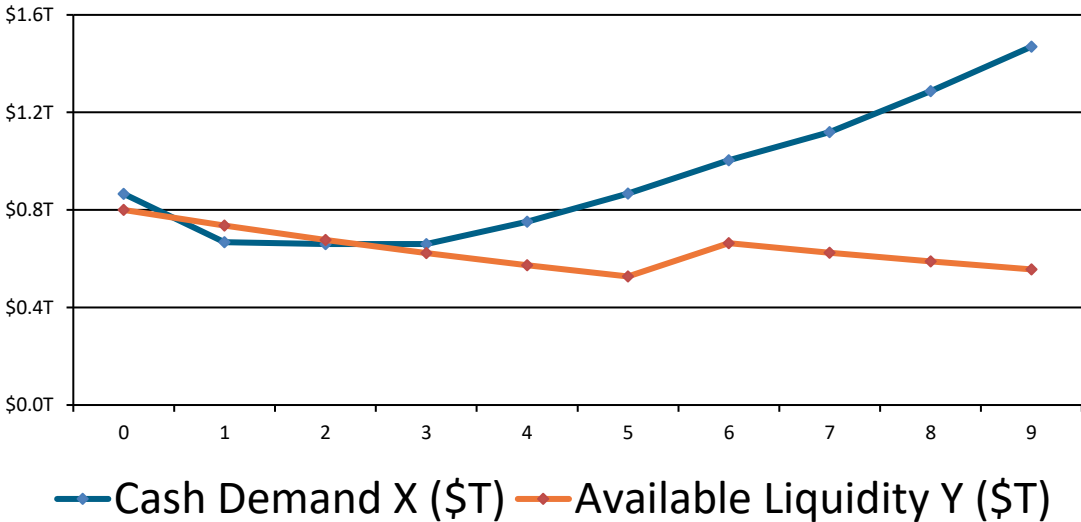
X = variation margin + initial margin + haircut / collateral calls • Y = eligible private liquidity + usable policy liquidity

If X / Y > 1.0x, forced liquidation begins; liquidation creates the next-round price shock.

X / Y Liquidity Pressure



Cash Demand X vs Available Liquidity Y



Peak X/Y	Cumulative Price Decline	Residual Notional After Compression	Intervention Latency
2.64x	20.7%	\$12.669T	3.00x

ress through margin, collateral, and liquidity — not notional alone. • When X exceeds Y, forced sales become self-reinforcing. • Liquidity intervention can buy time, but it does not automatically restore

BOND CREDIBILITY MAP

From three original bond formulas to the missing protections added back

What the original formulas asked — and what they left out.

THE ORIGINAL FORMULAS



THE MISSING PROTECTIONS ADDED BACK



The old formulas asked: “Can the payment be made?”

The Bond Credibility Map asks: “Is the bond still credible after source of support, sustainability, distress, hidden replication, market repricing, and system absorption are tested?”

BOND CREDIBILITY CHAIN – THE END OF THE HUNT

WE LOOK EVERYWHERE FOR MONEY THAT ISN'T THERE.
THE DEBT KEEPS GROWING – THE RIGHTS KEEP DISAPPEARING.

LOOKING UNDER THE COUCH
FOR MONEY THAT ISN'T THERE

WHERE DID
THE MONEY GO?

MONEY ILLUSION:

- FAKE INPUTS
- INFLATED VALUES
- RECYCLED ASSUMPTIONS
- FALSE CONFIDENCE



NON-ADJUDICATION
THE COURT CLOSES THE DOOR
ON OUR CONSTITUTIONAL RIGHTS

NO MONEY
FOR YOU!

- ✗ ACCESS TO COURTS
- ✗ DUE PROCESS
- ✗ EQUAL PROTECTION
- ✗ JURY OF OUR PEERS
- ✗ REMEDY

FARMING FOR MONEY
MORE DEBT. MORE PROMISES.
SAME EMPTY HARVEST.

BORROW TODAY.
PAY TOMORROW.
REPEAT FOREVER.

DEBT
REFUND. EXTEND.
REFINANCE. REPEAT.



THE SYSTEM IS DESIGNED TO KEEP PARENTS CURRENT,
NOT TO EXTINGUISH PRINCIPAL.
MOVING THE OBLIGATION IS NOT THE SAME AS ELIMINATING THE OBLIGATION.



FAKE INPUTS

Bad data.
Wrong values.
Broken start.



INFECTION RATE

Errors spread
exponentially.



DEBT MEASUREMENT GAP

The real posture
is masked.



BOND GENEALOGY

More debt
replaces
old debt.



NOTICE / NON-ADJUDICATION

Rights denied.
No remedy.
No recourse.



EXPOSURE CLOCK

Every day
compounds
the problem.



DEFAULT PROBABILITY

Risk rises.
Confidence
falls.



CREDIBILITY COMPOUNDS CONTAGION

From local
to national.
From today
to tomorrow.



DYNAMIC CONTAGION

SOVEREIGN DEBT.
ERODING RIGHTS.
DIMINISHING
FUTURE.



THE ANSWER IS NOT MORE MONEY. THE ANSWER IS CREDIBILITY.

TRUTHFUL INPUTS. ACCURATE MEASUREMENT. PRINCIPAL EXTINGUISHION. CONSTITUTIONAL ADJUDICATION.
ONLY THEN CAN THE DEBT BE STOPPED AND THE RIGHTS BE RESTORED.

THE BOND CREDIBILITY MAP

Ratios First. Follow the Crossover, the Burn Rate, the Repair Path, and the Reset — Then See Why It Ends in Dynamic Contagion.

THREE TRUTHS TO GUIDE THE MAP



Payment current
≠ locally self-supporting



Moving the obligation
is not the same as
extinguishing it



Time does not stop
the compounding clock

1

RATIOS FIRST



Start with
auditable ratios,
not conclusions.

2

X / Y CROSSOVER

$$X > Y_L$$

1.00x crossover

When required recurring
support exceeds sustainable
local recurring capacity, the
local base is no longer
self-supporting.

BREAK-STOP 1

3

FULL RECURRING COVERAGE

$$FCC = LSSR + ESDR$$

Coverage may still appear
current because outside
support fills the gap.

4

DAILY BURN RATE



$$\text{Daily Burn} = \frac{\text{annual debt demand}}{365}$$

Translate abstract annual debt
into cash demand per day.

5

DEBT REPAIR



supportable
principal

Two-Hand Rule

Solve backward from
sustainable cash and prohibit
the right hand from recreating
the debt.

6

ZERO-INTEREST RESET



PRINCIPAL-ONLY	
10 YR	✓
15 YR	✓
20 YR	✓

10 / 15 / 20-year
principal-only payoff

Stress test how much principal
can be forced to zero if interest
is stripped away.

7

PRINCIPAL EXTINCTION TEST

$$DRR > 1.00x$$

BREAK-STOP 2

If debt is being created or
replaced faster than principal
is truly extinguished, the
chain is not repairing.

8

DYNAMIC CONTAGION



DISTRICTS

MARKETS

SOVEREIGN
BALANCE SHEETS

Loss of credibility leads to repricing,
migration of burden, rising default
probability, and broader
market stress.

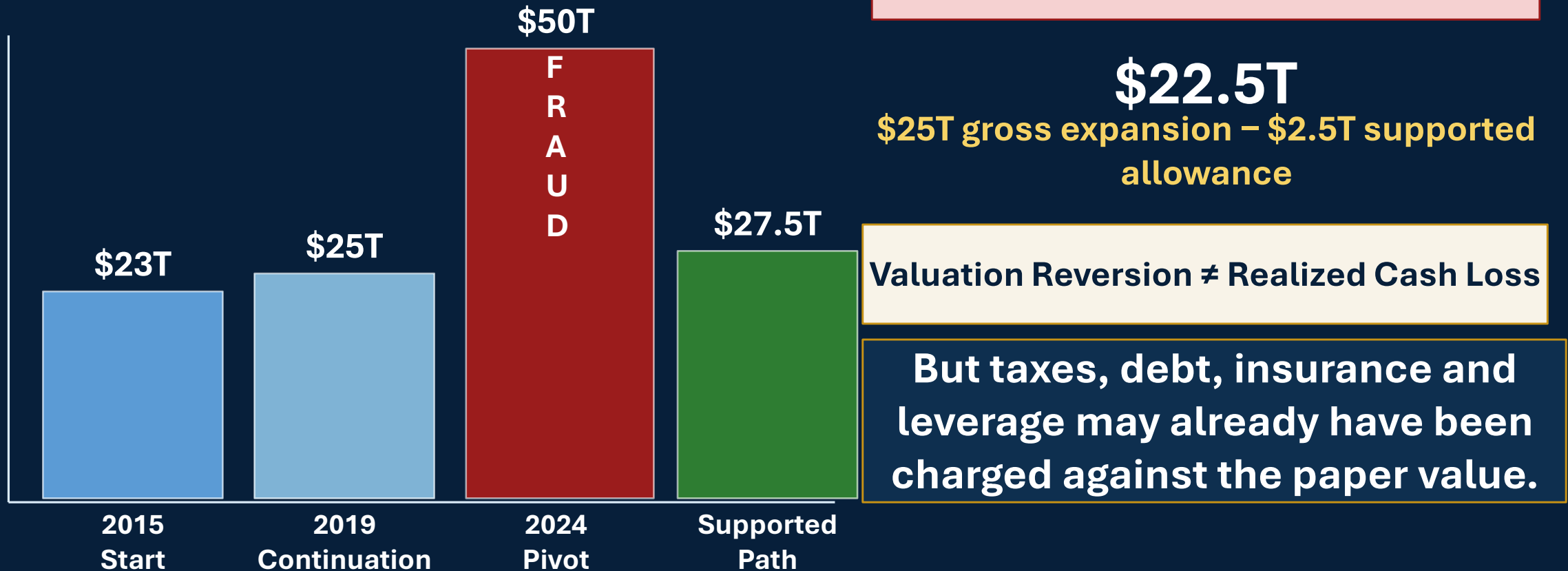


MEASURE HONESTLY → **TEST** LOCAL SUPPORT → **EXPOSE** THE BURN RATE → **REPAIR** PRINCIPAL →
RESET THE CLOCK → **STOP** CONTAGION.

FOLLOW THE MAP.
BREAK THE CHAIN.
RESTORE CREDIBILITY.

Paper Value Is Not Real Wealth

Asset-side reversion identifies the unsupported value before the liability-side repair begins.



Guardrail: a valuation gap is a model result under entered assumptions; fraud attribution requires evidence.

GODLEY VS BROAD FEDERAL PROXY

Different starting conditions; same modeled endpoint: post-reversion X/Y = 1.00x

COMPARE

10-Year Reset	Godley ISD	Broad Federal Proxy
Before / Clean Principal	\$222.810mm	\$40.047T
Sustainable Y / yr	\$9.122mm	\$2.591T
Before X/Y	2.44x	1.55x
Required Principal Reversion %	59.1%	35.3%
Principal Reversion Amount	\$131.594mm	\$14.141T
Future Interest Terminated	\$28.351mm	\$8.052T
Total Cleansing Requirement	\$159.945mm	\$22.193T
Ending Principal	\$91.216mm	\$25.906T
After Principal-Only / yr	\$9.122mm	\$2.591T
Post-Reversion X/Y	1.00x	1.00x

Godley has lower annual capacity relative to principal, so more must revert to reach 1.00x.

Federal is a proxy result until Sustainable Y is independently calibrated.

The percentages differ because the debt-to-capacity starting points differ — not because either percentage is a moral judgment.

REVERSION FLOW — FROM CONTAGION TO RESTORATION

COMPANION

Companion slide to the detailed “Reversion to the Mean — But for the Fraud” tab

Preserve only the supportable principal after the fraud, the compounding structure, and debt recreation are stripped away.

1. DYNAMIC CONTAGION
Confidence breaks



2. PRICE DISCOVERY
Separate real principal



3. CLEAN-BASE REVERSION
Rebuild but-for baseline



4. PRINCIPAL PRESERVATION
Keep supportable balance

Mechanics

Before × Required Reversion % = Reversion Amount | Before – Reversion Amount = Ending Principal Remaining

Example: Godley \$222.810 × 59.1% = \$131.594 → \$91.216 principal remaining

5. ZERO-INTEREST RESET
Drive principal to zero



6. FISCAL LOCK
No new debt creation



7. STOP DEBT RECREATION
Break the debt machine



8. ENDING PRINCIPAL
Only sustainable balance remains



9. CREDIBILITY RESTORED
Truthful inputs. Rights preserved.

Interpretive guardrails

- “Fraud-free mean” is the counterfactual baseline after verified distortions are removed; it is not a simple historical average.
- Gross derivative notional is not principal. Only verified net exposure, close-out cost, collateral claim, or settlement amount belongs in the resolution ledger.
- The Broad Federal result remains a proxy result until Sustainable Y is independently calibrated from verified recurring resources available for principal extinction.
- Objective: terminate the fraud, preserve as much legitimate principal as sustainable capacity can extinguish, and prevent new debt from recreating the liability.

INDEPENDENT INVESTIGATION

THE CREDIBILITY CHAIN

School-District Bonds · Sinking Funds · PSF Guarantees · Debt Lineage · Contagion

Who verified the inputs before the public was obligated to repay the debt?

THE CENTRAL QUESTION

Given the overwhelming evidence of property tax fraud by CAD overvaluation and over taxation, **as the property tax is fraudulent so must be the bonds.**

Sections:
Title Page

- I. How the Bond is Supposed to Work – Mechanics
- II. Formula Illusion - Integrity
- III. The Guarantee Architecture - Permanent School Fund Guarantee
- IV. Debt Lineage
- V. Institutionalized Systemic Moral Hazard
- VI. What Must Happen Next – Investigation - Credibility
- VII. Dynamic Contagion
- VIII. Derivatives & Leverage
- IX. Appendix

How to Read This Presentation

Credibility begins with claim discipline.

DOCUMENTED

Official records,
audits, statutes,
disclosures,
financial
statements.

ANALYTICAL

Mathematical
consequences,
stress tests,
systemic-risk
questions.

DEVELOPING

Leads, witness
reports, missing-
record concerns, facts
awaiting primary
documents.

Missing records $\neq$ proof of destruction. A refinancing $\neq$ proof of fraud.

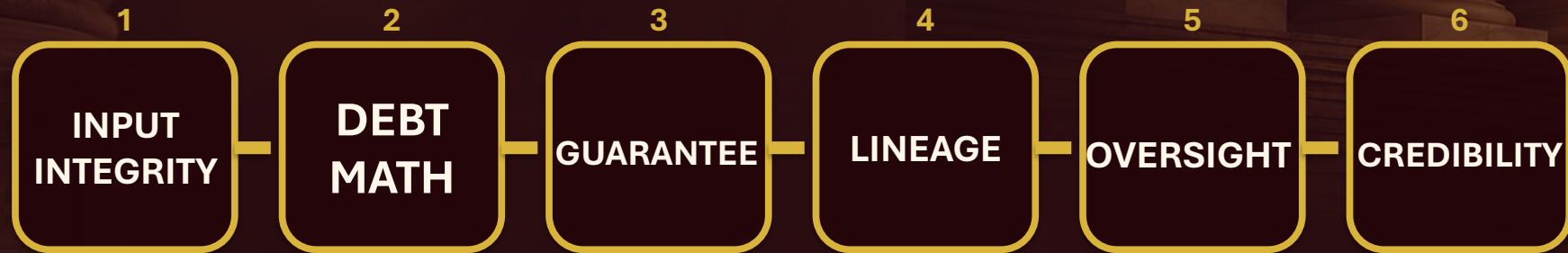
The method is: preserve $\rightarrow$ reconstruct $\rightarrow$ reconcile $\rightarrow$ then conclude.

The issue is that but for subpoena power the records are “un-available”

FOUNDATION

One Story — Six Layers

Each layer depends on the integrity of the layer before it. Applicable across the U.S.



A perfect calculation cannot rescue a false input.

A guarantee cannot make the input true.

And a current balance cannot be trusted if its history cannot be reconstructed.

SECTION I

HOW THE BOND IS SUPPOSED TO WORK

***Start with the mathematics before asking where
the mathematics failed.***

Bond Basics

Principal must eventually reach zero.

Debt Service = Principal Repayment + Interest

Illustrative amortizing-
payment formula:

$$A = P \cdot r / [1 - (1+r)^{-n}]$$

- P = principal borrowed
- r = periodic interest rate
- n = payment periods
- A = payment that retires interest and principal

MOM & POP: Interest is the rent on the money. Principal is the money that must actually disappear via retirement of the debt.

Analytical framework; municipal structures may use serial/term maturities.

The Sinking Fund / Principal-Retirement Mechanism

A future maturity requires money to be accumulated or principal to be paid down.

$$D = F \cdot i / [(1+i)^n - 1]$$

- F = amount that must be available at maturity
- i = return earned by the reserve
- n = years / periods
- D = periodic deposit

PAY
TODAY'S
INTEREST

+

PREPARE FOR
TOMORROW'S
PRINCIPAL

The mechanism can be direct serial principal, a term-bond sinking fund, or another scheduled retirement structure.

The essential question is the same: does principal actually go down?

The problem is...what if the sinking fund doesn't sink!

Analytical framework

I • BOND MECHANICS

9

\$100 Million Example — First 20 Years

Simple interest-only/balloon illustration.

ORIGINAL PRINCIPAL

\$100M

4% annual interest × 20 years

\$80M

interest paid

IF PRINCIPAL WAS NOT RETIRED

\$100M

could still be due at maturity

**INTEREST PAID ≠ PRINCIPAL
RETIRED**

**PRINCIPAL + Interest +
Compound Cumulative + new
cost of interest**

\$180M

Total cash cost + new debt

**INTEREST PAID ≠ PRINCIPAL
RETIRED – it is added
making it a compound
cumulative cost of the
underlying**

Interest Greater Than Principal Is a Warning — Not Proof

Long maturities can legitimately produce total interest above original principal.

30-YEAR AMORTIZING EXAMPLE

\$100M

6% · 30 years

\$217.9M total payments

≈ \$117.9M interest

THE STRUCTURAL DANGER

- principal is repeatedly extended rather than retired
- new borrowing is layered onto old debt
- refinancing costs rise
- the revenue base weakens
- household income cannot keep pace = bankruptcy of the bonds or the households, whichever comes first.
- defeasance negotiated outside of public view - increasing costs

Analytical example

The Missing Household Variable

Government debt capacity and household affordability are not the same test.

Household Burden = Annual Property-Tax Debt Burden / Median Household Income

If debt-related burden grows

6% / year

while median income grows

2% / year

Relative burden roughly
doubles in

≈ 18 YEARS

The tax base can “support”
debt while the median
household is becoming less
able to carry it.

SECTION II

WHEN THE FORMULA BECOMES AN ILLUSION

A calculation can be correct while the assumptions underneath it are wrong.

The Formula Calculates the Payment — Not the Truth

A model is only as reliable as the verified inputs it receives.

Correct Formula + False Input = False Confidence

TAX ROLL

PROPERTY
VALUES

ENROLLMENT

EXPENSES

RESERVES

DEBT HISTORY

RATINGS

HOUSEHOLD
CAPACITY

**FALSE
INPUTS**

The question is not merely “Does the formula compute?” It is “Who verified every material input before the bond was sold?”

The PSF Charter-Reserve Formula — What It Is and What It Is Not

The formula calculates a reserve contribution tied to guarantee-generated interest savings.

$$R = (P \times S \times 0.20) / (1 + PV)^T$$

- R = amount due to Charter District Reserve Fund
- P = outstanding principal
- S = interest-rate savings attributable to the PSF guarantee
- PV = present-value discount factor
- T = years from bond closing

Sources: S4, S5

IT DOES NOT DIRECTLY MODEL

- default probability
- falling enrollment
- property-value contraction
- expense fraud
- false tax rolls
- household affordability
- defeasance probability
- cost of bonds + rollovers
- cumulative interest

It answers a narrow contribution question.

Treating it as proof that the underlying debt is safe would answer the wrong question.

The Risk Inputs That Must Be Stress-Tested

*These factors can move together — **which is when systems break.***

ENROLLMENT

Shrinking
students /
excess facilities

PROPERTY VALUES

Downward
pressure on
taxable base

EXPENSE INTEGRITY

Fraud, waste,
procurement
failures

TAX ROLL

Certification /
reconciliation
risk

RATINGS

Underlying rating
may change

REFINANCING

Future rate and
liquidity risk

RESERVES

Cash / I&S /
sinking fund
sufficiency

HOUSEHOLDS

Income may not
grow with tax
burden

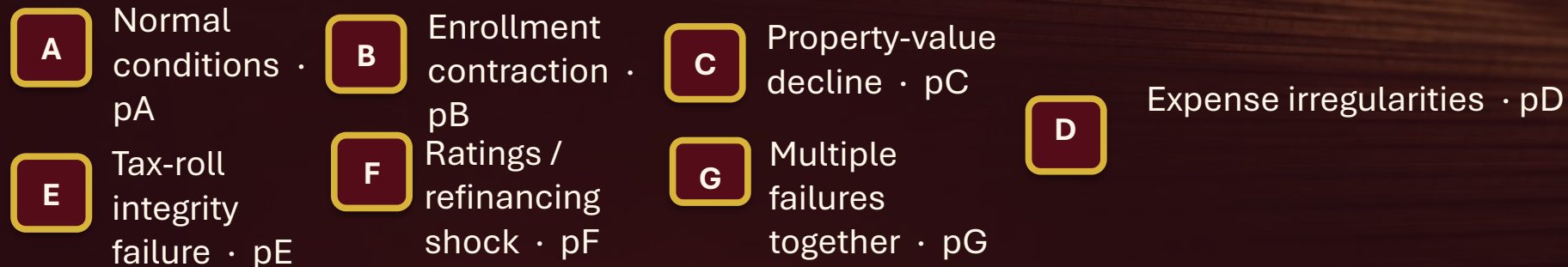
**Stress testing should examine
combinations, not isolated variables.**

A Better Solvency Question

*Use stressed, verified revenue — and calibrated probability —
not optimistic nominal capacity.*

Stress Coverage = Stressed Verified Revenue Available for Debt Service /
(Principal + Interest + Required Reserves)

Scenario Stack



For each scenario j : $\text{Expected Loss}_j = p_j \times \text{Exposure} \times (1 - \text{Recovery}_j)$ |
Joint tail risk must model correlation; do not simply add p_j .

The Data Integrity Gate

Before new money, refunding, rating, or guarantee: prove the inputs.

TAX
ROLL

TAXABLE
VALUE

EXPECTED
COLLECTIONS

DEBT
CAPACITY

RATING

BOND /
GUARANTEE

GATE RULE

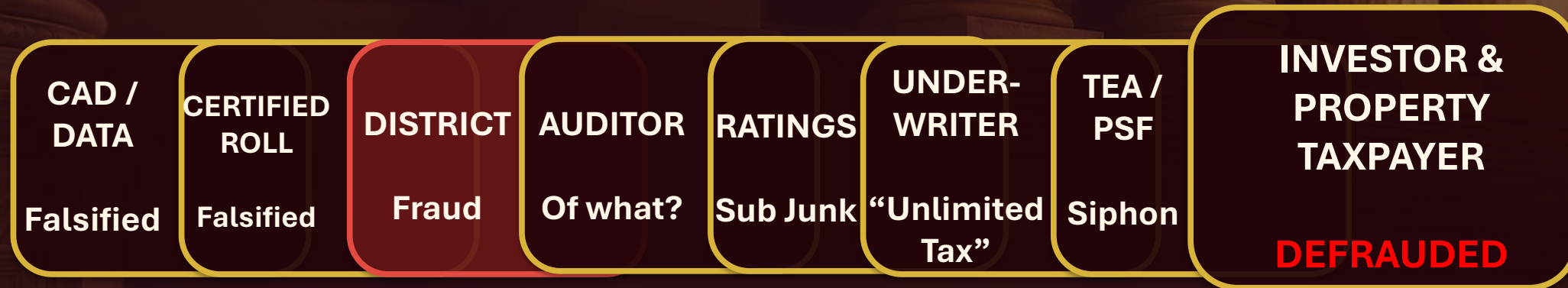
If a material upstream input cannot be independently reconciled, the downstream transaction should not be treated as validated merely because every later calculation is internally correct.

If one input is wrong / falsified, it breaks the chain and the individual output and total output is wrong.

Their calculations are inter-dependent.

The Weakest Link Is the System

A series system does not average away one failed component.



If one link supplies materially false information and every later link relies on it without independent validation, the failure propagates.

“Did any entity independently verify the assumptions it relied on?”

Pattern & Practice Already Identifies the Architecture

The bond issue is not separate from appraisal, certification, review, and enforcement.

RECURRING FAILURE MODES

- Unsupported outcomes
- Manual "workarounds"
- Incomplete procedures
- Weak records
- Certification gaps

THE OVERSIGHT QUESTION

- Constrained review
- Opaque bond structures
- Conflicts / vendor influence
- Enforcement before adjudication
- Watcher-chain gaps

The Causal Chain: Appraisal → Tax → Debt → Rights

Separate the lawful sequence from the project's allegation of an inverted, budget-driven sequence.

LAWFUL SEQUENCE

1	CAD appraises market value	Chief appraiser produces the appraisal roll; state PVS independently tests market-value validity.
2	Taxing unit calculates rate	School district receives certified/estimated value, then calculates tax rates and debt-service requirements.
3	Tax levy follows value × rate	Budget and debt service are funded through the adopted tax structure.
4	Bond credit uses those inputs	Tax base, I&S capacity, rating, guarantee, and disclosure depend on the integrity of the roll.

PROJECT ALLEGATION / TEST

1	Revenue target is fixed first	Required debt service + old debt + new debt create a revenue target.
2	Value becomes a balancing	If values are influenced to meet the target, the appraisal ceases to be independent market value.
3	Tax becomes downstream of false value	A materially false value contaminates the levy and every capacity metric built on it.
4	Debt inherits the defect	If bond issuance/refunding relies on the contaminated tax base, the defect propagates into the debt story.

If the project can prove the right-hand sequence, the issue is no longer “tax math.” It becomes input integrity → securities disclosure → institutional notice → adjudication / remedy.

The Budget-Backsolve / Infection Test

Turn the spreadsheet into a falsifiable test with explicit assumptions and a reproducible pass/fail rule.

Required Levy = Budgeted Debt Service ÷ Collection Rate |
Implied Tax Base = Required Levy ÷ Adopted Tax Rate
allegedly WITHIN MASS APPRAISAL STANDARDS, USPAP AND LAW

MARKET-VALUE GATE

Can the CAD's observed distribution of values be supported by market evidence, mass-appraisal standards, and applicable USPAP requirements independent of the revenue target?

FAILED

INFECTION FLAG

For CAD i, flag a failure only if the model shows the required levy cannot be reached within defined valuation constraints and tolerances without systematic distortion.

FAILURE

SYSTEMIC CLAIM

The project's stated result — no compliant CAD under the defined condition — should be shown as a reproducible spreadsheet result, with inputs, tolerances, formulas, and exceptions available for challenge.

ISSUE:

NO COMPLIANT CAD

SEE THE INFECTION RATE SPREADSHEET

Guaranteed Debt: Principal + Interest Over the Remaining Life

TEA's Aug. 31, 2025 disclosure provides both pieces.

\$230.76B projected principal + interest

\$143.94B PRINCIPAL

\$86.82B INTEREST

TEA's disclosure does provide principal + projected remaining interest for the PSF-guaranteed program. It does not, by itself, reconstruct every Texas school-district bond issue, every refunding generation, every non-guaranteed obligation, or the complete lineage from original authorization to today's balance. That scope distinction is why the genealogy audit matters.

Make the \$250B / \$606B Comparison Apples-to-Apples

A larger estimate is persuasive only if every difference in scope is visible and reproducible.

Defined Economic Exposure = Σ Current Principal + Σ Remaining Contractual Interest + Σ Traceable Refunding / Replacement Principal + Σ Refunding / Capital Interest Effects + Σ Other Debt-Recreation Effects - Σ Retired or Defeased Amounts

1 UNIVERSE

Which districts, issuers, charters, guaranteed and non-guaranteed bonds?

2 AS-OF DATE

Are both numbers measured at the same date?

3 PRINCIPAL

Original principal, current principal, and principal actually retired.

4 INTEREST

Paid, accrued, scheduled future interest, and any capitalized interest — separately.

5 REFUNDINGS

Identify which old issue each new issue refunds and prevent double counting.

6 REPRODUCIBILITY

Attach CUSIPs, source document, equation, and row-level audit trail for every total.

Where is the bond genealogy?

Every Guaranteed Bond Has Two Credit Stories

The enhancement can improve market access while the underlying issuer still has its own risk profile.

UNDERLYING DISTRICT

- tax base and collections
- enrollment
- expenses and reserves
- debt schedule
- management
- underlying credit rating

PSF-WRAPPED BOND

Aaa / AAA / AAA

Moody's / S&P / Fitch ratings for PSF-guaranteed bonds, per TEA disclosure.

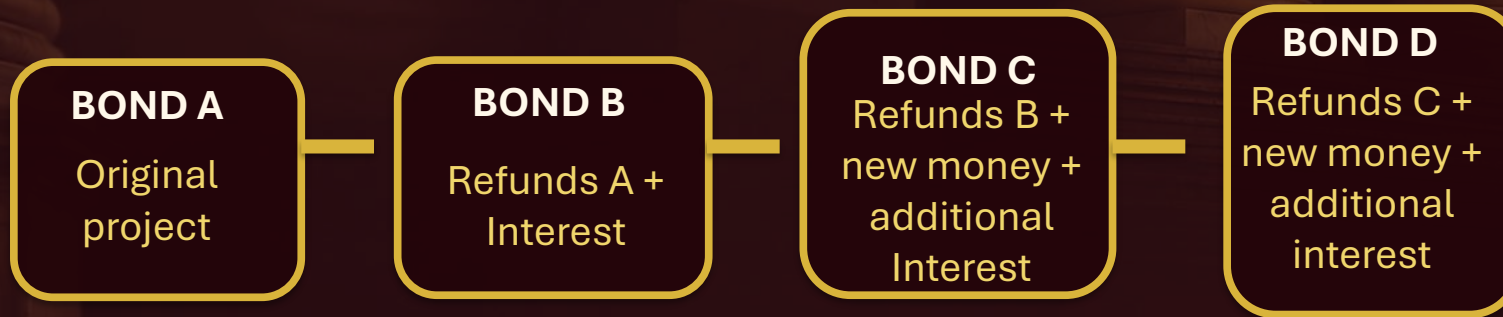
Investigative question: does the enhancement reduce the market signal that would otherwise force scrutiny of the underlying issuer?

*Nice Story! Just answer the question: **WHERE IS THE MONEY***

GOING TO COME FROM TO PAY OFF THE BONDS?

Bond Genealogy — The Core Reconstruction

Re-funding (roll-up) can make debt history progressively harder to see.



By Bond D, the current balance may contain multiple generations of principal, financing costs, new money, defeasance mechanics, and different voter authorizations.

THE QUESTION: What is today's debt actually made of?

What Must Be Traceable — Dollar by Dollar

A current balance is not enough.

Original voter
authorization

Original bond issue / CUSIPs

Purpose and project list

Sources & uses of
proceeds

Original amortization / debt
schedule

Principal actually
retired

Refunding / defeasance
#1...n

Escrow and paying-agent
records

New money added at
each generation

Current outstanding
principal

Current debt-service
schedule

Taxpayer burden /
pledged tax base

“Show us how every dollar got there.”

Chain of Debt Custody

Treat public debt like evidence: authenticate every transfer and transformation.

What entered?

What principal
was paid?

What was
refunded (roll-
up)?

What new
money was
added?

What costs
were added?

What asset /
purpose
remained?

Who held the
record?

Can each step
be reconciled?

**Original Principal – Principal Retired + New Borrowing +
Traceable Financing Effects = Traceable Current Debt**

A Repeatable Audit Test

Classify every bond chain by reconstructability — not rhetoric..."for the children"

GREEN

**Fully
reconstructable**

All key source records
present;
mathematical
reconciliation closes.

YELLOW

**Incomplete /
unexplained**

Missing documents or
reconciliation
differences require
follow-up.

RED

**Material lineage
failure**

Current debt cannot be
reconciled to original
authorization /
transactions.

Scale the test district-by-district before making a systemic conclusion. If the bond issues were transparent and tracked, this would happen automatically.

The Institutional Moral Hazard

Narrow mandates can leave the whole transaction unreconciled.

ISSUER

We issued it.

AUDITOR

We audited the statements.

RATING

We rated the credit.

UNDERWRITER

We sold the securities.

COUNSEL

We opined on legality.

TEA / PSF

We approved / guaranteed.

EMMA

We publish submissions.

INVESTOR

We relied on the market.

**WHO RECONCILED THE FIRST DOLLAR
BORROWED TO THE DOLLAR OWED
TODAY?**

The Credibility Cascade

A credit problem can become a liquidity problem when investors stop trusting the category.

ISSUER DOUBT

CATEGORY DOUBT

FUND REDEMPTIONS

FORCED SELLING

DEALER CAPACITY

LIQUIDITY LOSS

DISORDERLY PRICE DISCOVERY

DYNAMIC CONTAGION

MARKET
MECHANISM

Price = Credit + Liquidity
+ Confidence + Available
Buyers

When the buyer disappears, price
discovery can become price
destruction until a new clearing
price is found.

2020 Proved Two Opposite Market Regimes

Initial flight to safety can turn into a dash for cash.

REGIME 1 · FLIGHT TO SAFETY

Risky assets sold



Treasuries bought

Treasury prices typically rise /
yields fall.

REGIME 2 · DASH FOR CASH

Even Treasuries sold

Federal Reserve: Treasury prices
fell and yields rose during March
2020 stress.

**The Fed also created a Municipal
Liquidity Facility of up to \$500B.**

***\$500 Billion + all the bond guarantee programs, against \$5.1 Trillion
of fraudulent school district bonds won't work. The math is
completely disconnected.***

Source: S11

Sovereign Credibility Contagion — A Higher Bar

To move from a municipal credit event to a sovereign-credibility event, evidence would need to establish:

- a widespread and material integrity failure in public debt
- material notice to responsible institutions
- identifiable legal authority or duty to act
- continued issuance / circulation despite the known problem
- market participants then questioning institutional assurances themselves

The magnitude and direction of Treasury repricing cannot responsibly be predicted in advance.

If a credibility break reaches the market before institutions resolve the underlying record, policy response may be forced to chase repricing rather than prevent it. The risk is nonlinear: confidence can disappear faster than the debt can be reconstructed.

Non-Adjudication Changes the Risk Curve

Delay is not neutral when disputed inputs remain economically operative.

FEDERAL-RIGHTS THEORY

- 1 CASE RECORD / NOTICE** Project position: fraud allegations reached the courts and responsible institutions.
- 2 NO MERITS RESOLUTION** The project characterizes the fraud issue as not adjudicated on the merits despite its asserted evidentiary posture.
- 3 OPERATING INPUTS CONTINUE** Valuations, tax rolls, issuance, guarantees, and re-fundings may continue to rely on disputed upstream inputs.
- 4 EXPOSURE GROWS** Interest accrues; old debt may be refunded; new debt may be layered onto the same tax base.
- 5 MARKET LEARNS THE GAP** If investors conclude the gatekeepers had notice but the system did not resolve it, credibility itself becomes a risk factor.

Whether state action (SCOTX) or non-adjudication deprived federally protected rights under color of state law requires a precise theory of right, cause of action, jurisdiction, immunity, causation, and remedy. SCOTUS review does not itself supply that analysis. SCOTUS supplies Reversal and Remand.

MARKET CONSEQUENCE
If resolution is deferred while exposure grows, the eventual unwind becomes larger. If confidence breaks first, repricing can outrun the institutional response.

The Interest Clock — Exposure Grows While Institutions Wait

The clock as a sensitivity and could lead to a prophecy.... **HOW ARE THE BONDS GOING TO BE PAID OFF?**

$$D(t) = D_0(1+r)^t + \text{New Borrowing} - \text{Principal Retired} \quad | \quad \text{Daily accrual} \approx D_0[(1+r)^{(1/365)} - 1]$$

IF $D_0 = \$5.1$ TRILLION, ILLUSTRATIVE EFFECTIVE-ANNUAL-RATE SENSITIVITY

3%
\$413M /
day

4%
\$548M /
day

5%
\$682M /
day

6%
\$814M /
day

7%
\$945M /
day

$D(t)$ = Debt Balance at Time t

D_0 = Starting Debt Balance

r = Annual Interest Rate

t = Time in Years

New Borrowing = Additional Debt Issued

Principal Retired = Principal Actually Repaid

Daily Accrual = Approx. Interest Added Per Day

Illustrative only. Actual coupons, payment dates, amortization, re-fundings, capitalized interest, defeasance, and principal retirements must be modeled issue-by-issue. The point is that delay increases the amount that eventually must be reconciled.

\$4.5 Trillion U.S. Municipal Market — Face Amount Outstanding, Not Future Interest

School-district bonds are allegedly part of this market. The \$5.1T school-debt estimate must be reconciled to this universe, as must be the off-balance sheet financing, 313 agreements, energy contracts, EDC exposure to avoid either double counting or under counting.

\$4.5T

U.S. municipal bonds
outstanding
as of 1Q 2026

WHY SCALE CHANGES THE QUESTION

- issuer problem → local repricing
- repeatable defect → category repricing
- category repricing → fund flows and liquidity stress
- institutional failure → broader credibility premium

The U.S. Bond Market Is $\approx$ \$66 Trillion

A municipal credibility event does not have to consume the entire market to become systemic. Scale matters because confidence, liquidity, collateral, and funding channels connect debt categories.

$\approx$ \$66T

Approx. total U.S. debt securities outstanding

Municipal securities $\approx$ \$4.5T

$\approx$ 7% of the total market

MAJOR COMPONENTS

- Treasury securities $\approx$ \$30.6T
- Agency / GSE-backed $\approx$ \$12.6T
- Corporate & foreign bonds $\approx$ \$17.1T
- Municipal securities $\approx$ \$4.5T
- Open-market paper $\approx$ \$1.4T

Systemic implication:

A credibility break can begin in one category and migrate through liquidity, collateral, funding, and confidence.

Federal Oversight Is Powerful — but Structurally Limited

The right question is “who had what authority, and what did they do after notice?”

TOWER AMENDMENT

Limits the SEC/MSRB from directly requiring municipal issuers to file pre-sale documents with them.

RULE 15c2-12 + ANTIFRAUD

Disclosure duties operate heavily through underwriters and continuing-disclosure undertakings. Federal antifraud authority remains.

**Investigation frame: authority → notice → duty →
action / inaction → consequence.**

Contagion Thresholds

Measure the scope before naming the crisis.

LEVEL 1 **ISSUER EVENT**

One district fails or cannot reconcile debt.

Reprice the issuer.

LEVEL 2 **CATEGORY EVENT**

Same defect repeats across many districts / states.

Reprice the asset class.

LEVEL 3 **INSTITUTIONAL EVENT**

Evidence shows material notice plus institutional failure to act.

**REPRICE
INSTITUTIONAL
CREDIBILITY**

Credibility Is an Unpriced Input — Until It Is Lost

Once credibility fails, the discount rate itself becomes

Bond Price = f(Cash Flow, Default Risk, Liquidity, Rates, Recovery,
Credibility)

CREDIBILITY

is embedded in whether investors trust the tax base, the audited numbers, the rating, the legal opinion, the guarantee, and the regulator.

**When trust is removed, markets must
rediscover the price of the obligation.**

The Investigation Protocol

Preserve first. Reconstruct second. Conclude last.

1 PRESERVE

Native records, versions,
logs, closing transcripts,
workpapers

2 RECONSTRUCT

Bond genealogy from
original authorization to
current balance

3 RECONCILE

Principal, interest,
refundings, reserves,
sources & uses

4 VERIFY

Tax roll, enrollment,
expenses, ratings,
household burden

5 COMPARE

Districts, states, issuers,
guarantee status,
repeatability

6 ATTRIBUTE

Duty, notice, actor, state of
mind, injury, remedy

The strongest demand is not “accept every allegation.” It is “preserve the evidence and put it before an institution capable of deciding it.” If adjudication and investigation remain blocked while disputed exposure compounds, the window for an orderly correction narrows. Once markets begin repricing institutional credibility, the remedy becomes materially harder and more expensive.

Sources: S2, S13

Bond Genealogy Protocol — Required Fields

One record per issue / refunding generation.

Issuer / issue date	CUSIPs	Voter authorization
Original purpose	Original principal	Coupon / yields
Maturity schedule	I&S / sinking mechanism	Principal retired
Refunding source issue	Refunded principal	New money added
Escrow / defeasance	Transaction costs	PSF guarantee status
Underlying rating	Tax-base assumption	Current outstanding balance

OUTPUT: one mathematically reconciled chain — or a documented gap that can be investigated.

Agency Lanes — A Coordinated Inquiry

Different institutions have different powers.

DOJ / FBI

records preservation; obstruction /
fraud predicates where evidence and
jurisdiction support them

SEC

municipal disclosure; material
misstatements; underwriter / market
conduct; continuing disclosure

TEA / PSF

guarantee files; application
review; financial status;
intercept mechanics; capacity

STATE AG / AUDIT

state-law records, public
finance, procurement, local-
government duties

LEGISLATURE

retention, transparency,
independent gatekeeper,
statutory reform

COURTS

compulsory process,
adjudication, remedies when
jurisdiction exists

The question is not “Who is guilty?” at the outset. It is “Which records and authorities can falsify or confirm each proposition?”

Sources: S2, S10, S13

The Policy Question After the Evidence Is Measured

Autonomous access to taxpayer-backed debt should depend on independently verified inputs.

SHOULD A SCHOOL DISTRICT BE ABLE TO ISSUE OR REFUND LONG-TERM TAXPAYER-BACKED DEBT WHEN NO INDEPENDENT ENTITY HAS RECONCILED THE MATERIAL INPUTS AND THE DEBT LINEAGE?

- OPTION 1** Independent pre-issuance data-integrity gate
- OPTION 2** Machine-readable debt lineage and standardized schedules
- OPTION 3** No refunding (rollup) without complete prior-generation reconciliation & public transparency
- OPTION 4** Freeze / heightened review for RED-classified chains
- OPTION 5** If independence cannot be achieved, reconsider autonomous issuance authority

SECTION VII - DYNAMIC CONTAGION

The Trigger Is Not the Model

The model identifies the transmission architecture before the market discovers it through disorderly price destruction.

We do not claim to know the event that will initiate the next financial crisis.

The concern is that vulnerabilities that appear independent in normal markets can become interdependent under stress because they share banks, funding markets, collateral, liquidity, counterparties, and ultimately the same need for cash.

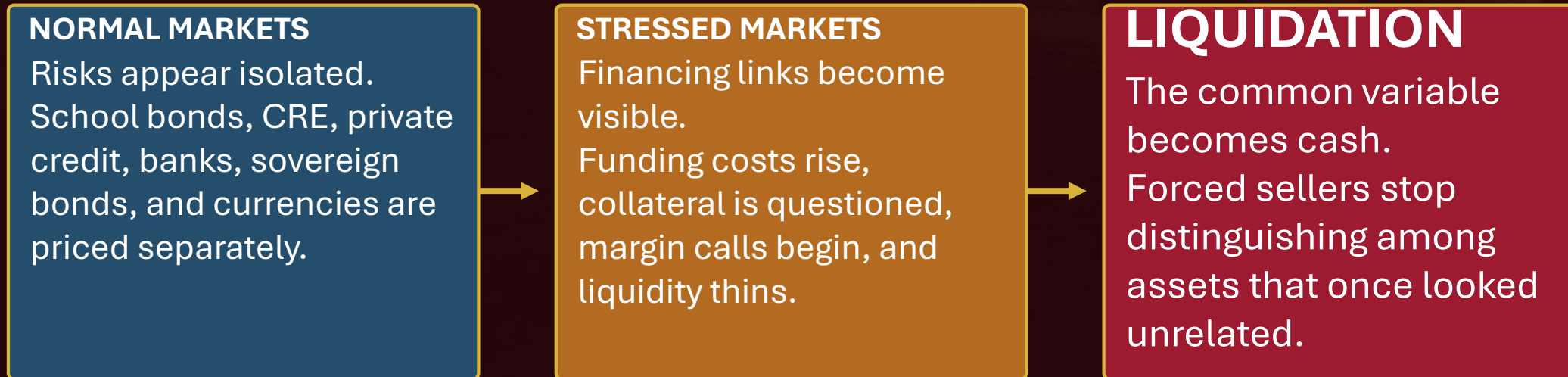
At the same time, unresolved debt continues to refinance, accumulate carrying costs, migrate through new structures, and depend upon economic capacity that may not support the obligations already incurred.

When institutions do not visibly adjudicate, investigate, reconcile, or restructure the issues within their respective authority, time is not neutral. The exposure remains in the system.

Purpose: define the risk, expose the links, and create a controlled path to resolution before the market forces one.

Independent → Interdependent → Correlated

Financial stress changes the relationship between risks.



Dynamic Contagion begins when market behavior, not asset fundamentals alone, creates correlation.

The Funding-Cost Gap

When required capital costs exceed sustainable cash yield, refinancing becomes a dependency
— not a cure.

Sustainable Cash Yield < Required Cost of Capital

DEPENDENCY

future revenue growth
refinancing
lower future rates
new capital or support

DELAY EFFECT

carrying costs continue
principal may not extinguish
exposure can migrate
complexity increases

CONTAGION EFFECT

funding stress spreads
collateral calls rise
liquidity exits
correlation jumps

Illustration, not proof: a 5% pro-forma yield cannot carry a materially higher cost of capital unless another assumption closes the gap.

THE FOUR CLOCKS

The market clock can move faster than the institutional clock.

1

AFFORDABILITY CLOCK

Household and recurring economic capacity become binding.

2

RESERVE / REFINANCING CLOCK

Cash, maturities, debt service, or market access become binding.

3

GENEALOGY CLOCK

Debt lineage and unresolved residual must be reconstructed.

4

INSTITUTIONAL RESPONSE CLOCK

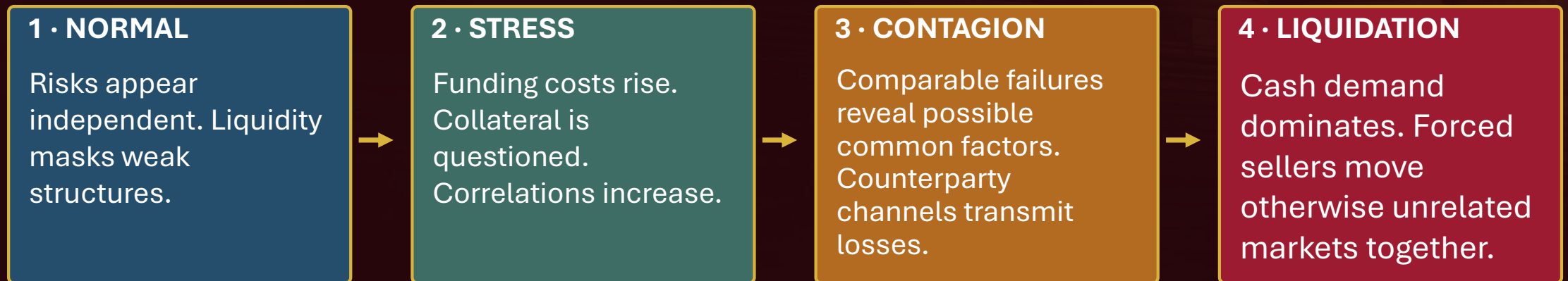
Verified action must arrive before the economic runway expires.

If institutional response arrives after economic failure, no current mitigation is credited.

Dynamic Time-to-Stress · Institutional Response Reliability

Dynamic Contagion Regimes

The probability of systemic stress changes as the evidence changes.



A fixed probability is the wrong mental model. The system reprices as common-factor evidence accumulates.

Excel reference: Common-Factor Discovery × Hidden Exposure × Funding-Cost Stress × Institutional Resolution Deficit × Liquidity Stress × Stress-Correlation Regime.

Supporting quantitative exhibit: Bond Credibility Chain U.S. Debt Loss Model — Dynamic Contagion workbook.

Controlled Resolution or Market-Led Resolution

Someone ultimately resolves obligations that cannot be supported by economic capacity.

CONTROLLED RESOLUTION

- Preserve records
- Reconstruct bond genealogy
- Reconcile exposure
- Verify repayment capacity
- Segregate valid from impaired obligations
- Restructure deliberately
- Adjudicate through law



MARKET-LED RESOLUTION

- Default
- Downgrade
- Margin call
- Forced selling
- Liquidity loss
- Contagion
- Emergency intervention
- Price destruction

The policy question is whether institutions resolve the problem deliberately or the market resolves it involuntarily.

The Scale Map: Which Number Tells What?

\$844.6T	Global OTC notional	reference amount; not loss
\$22.8T	OTC gross market value	replacement value
≈\$3.4T	OTC gross credit exposure	counterparty exposure after bilateral netting, before collateral
\$669.5T	OTC interest-rate derivatives	global rate-risk universe
\$129.7T	Exchange-traded IR derivatives OI	global listed rate exposure; not all Treasury
\$30.6T	Marketable U.S. Treasuries	cash Treasury securities outstanding
≈\$4.5T	U.S. municipal securities	cash municipal universe
Unknown	Municipal-specific derivatives	observability gap

The argument gets stronger when the measures are separated: notional shows network scale; gross market value shows replacement value; credit exposure shows counterparty risk; cash demand shows contagion pressure.

BIS: Treasury Leverage Is Already Large and Repo-Financed

BIS Q2 2025 hedge-fund Treasury exposures:

\$2.379T

long U.S. Treasury exposure

cash +
futures/forwards/options

\$1.748T

**short U.S. Treasury
exposure**

borrowed bonds +
futures/forwards/options

\$1.060T

**cash-futures basis
trade**

short futures matched
to cash Treasuries

\$631B

**swap-trade upper
bound**

cash Treasuries +
pay-fixed swaps

Why it matters

These trades exploit small price differences. They require leverage — primarily repo borrowing — to make small spreads meaningful. In calm markets they add liquidity; in stress they can require rapid deleveraging.

Observed stress signal

BIS reports the inferred swap trade contracted 11% during April 2025 turbulence as Treasury yields spiked and bond prices fell. That is the deleveraging sensitivity we are modeling.

The relevant question is not “how much notional exists?” It is “how much cash must the leveraged system find when volatility changes?”

Source: BIS Quarterly Review, Dec. 2025, Sushko & Todorov, “Sizing up hedge funds’ relative value trades in US Treasuries and interest rate swaps.”

The Additive Problem: Leverage Synchronizes Risk

Different assets can become one problem when they share the same cash demand.

1 · CASH BOND STRESS

municipal repricing
Treasury repricing
spread widening
ratings pressure

2 · DERIVATIVE TRANSMISSION

futures / options / swaps
DV01 and delta changes
gamma and vega change
margin and collateral calls

3 · DYNAMIC CONTAGION

repo funding stress
forced asset sales
liquidity withdrawal
correlations rise

Bottom line for the Bond Credibility Chain

The bond is the asset. The derivative can become the transmission multiplier.
Repo is the funding bridge. Margin is the accelerant. Volatility closes the loop.

This is why the Excel model now treats derivatives and leverage as a direct input into

Dynamic Contagion.

THE GENEALOGY RESIDUAL RULE

Missing lineage increases uncertainty before it increases probability.

GR_t = Genealogy Residual

B_{t-1} = Beginning Debt Balance

N_t = New Debt Issued

R_t = Refunding Debt Issued

P_t = Cash Principal Retired

DEF_t = Debt Defeased

B_t = Ending Debt Balance

$$GR_t = B_{t-1} + N_t + R_t - P_t - DEF_t - B_t$$

$GR_t = 0 \rightarrow$ debt genealogy reconciles. $GR_t \neq 0 \rightarrow$ unexplained debt movement requires reconciliation.

Genealogy Residual $\neq$ proof of fraud.

It means unreconciled debt requiring documentary resolution.

Legal defeasance $\neq$ automatic economic extinguishment.

**The proof question is not whether a CUSIP disappeared.
The proof question is whether the debt itself was extinguished,
refinanced, transferred, or made less visible.**

Debt lineage · Defeasance · Reconciliation

THE MOST VALUABLE ASSET
IN THE BOND MARKET IS
CREDIBILITY.

SHOW US HOW EVERY
DOLLAR GOT THERE.

*Then the mathematics, the records, and the law
can decide the rest.*

BOND CREDIBILITY MAP

From three original bond formulas to the missing protections added back

What the original formulas asked — and what they left out.

THE ORIGINAL FORMULAS



THE MISSING PROTECTIONS ADDED BACK



The old formulas asked: “Can the payment be made?”

The Bond Credibility Map asks: “Is the bond still credible after source of support, sustainability, distress, hidden replication, market repricing, and system absorption are tested?”

BOND CREDIBILITY CHAIN – THE END OF THE HUNT

WE LOOK EVERYWHERE FOR MONEY THAT ISN'T THERE.
THE DEBT KEEPS GROWING – THE RIGHTS KEEP DISAPPEARING.

LOOKING UNDER THE COUCH
FOR MONEY THAT ISN'T THERE

WHERE DID
THE MONEY GO?

MONEY ILLUSION:

- FAKE INPUTS
- INFLATED VALUES
- RECYCLED ASSUMPTIONS
- FALSE CONFIDENCE



NON-ADJUDICATION
THE COURT CLOSES THE DOOR
ON OUR CONSTITUTIONAL RIGHTS

NO MONEY
FOR YOU!

- ✗ ACCESS TO COURTS
- ✗ DUE PROCESS
- ✗ EQUAL PROTECTION
- ✗ JURY OF OUR PEERS
- ✗ REMEDY

FARMING FOR MONEY
MORE DEBT. MORE PROMISES.
SAME EMPTY HARVEST.

BORROW TODAY.
PAY TOMORROW.
REPEAT FOREVER.

DEBT
REFUND. EXTEND.
REFINANCE. REPEAT.



THE SYSTEM IS DESIGNED TO KEEP PARENTS CURRENT,
NOT TO EXTINGUISH PRINCIPAL.
MOVING THE OBLIGATION IS NOT THE SAME AS ELIMINATING THE OBLIGATION.



FAKE INPUTS

Bad data.
Wrong values.
Broken start.



INFECTION RATE

Errors spread
exponentially.



DEBT MEASUREMENT GAP

The real posture
is masked.



BOND GENEALOGY

More debt
replaces
old debt.



NOTICE / NON-ADJUDICATION

Rights denied.
No remedy.
No recourse.



EXPOSURE CLOCK

Every day
compounds
the problem.



DEFAULT PROBABILITY

Risk rises.
Confidence
falls.



CREDIBILITY COMPOUNDS CONTAGION

From local
to national.
From today
to tomorrow.



DYNAMIC CONTAGION

SOVEREIGN DEBT.
ERODING RIGHTS.
DIMINISHING
FUTURE.



THE ANSWER IS NOT MORE MONEY. THE ANSWER IS CREDIBILITY.

TRUTHFUL INPUTS. ACCURATE MEASUREMENT. PRINCIPAL EXTINGUISHMENT. CONSTITUTIONAL ADJUDICATION.
ONLY THEN CAN THE DEBT BE STOPPED AND THE RIGHTS BE RESTORED.

THE BOND CREDIBILITY MAP

Ratios First. Follow the Crossover, the Burn Rate, the Repair Path, and the Reset — Then See Why It Ends in Dynamic Contagion.

THREE TRUTHS TO GUIDE THE MAP



Payment current
≠ locally self-supporting



Moving the obligation
is not the same as
extinguishing it



Time does not stop
the compounding clock

1

RATIOS FIRST



Start with
auditable ratios,
not conclusions.

2

X / Y CROSSOVER

$$X > Y_L$$

1.00x crossover

When required recurring
support exceeds sustainable
local recurring capacity, the
local base is no longer
self-supporting.

BREAK-STOP 1

3

FULL RECURRING COVERAGE

$$FCC = LSSR + ESDR$$

Coverage may still appear
current because outside
support fills the gap.

4

DAILY BURN RATE



$$\text{Daily Burn} = \frac{\text{annual debt demand}}{365}$$

Translate abstract annual debt
into cash demand per day.

5

DEBT REPAIR



supportable
principal

Two-Hand Rule

Solve backward from
sustainable cash and prohibit
the right hand from recreating
the debt.

6

ZERO-INTEREST RESET



10 / 15 / 20-year
principal-only payoff

Stress test how much principal
can be forced to zero if interest
is stripped away.

7

PRINCIPAL EXTINCTION TEST

$$DRR > 1.00x$$

BREAK-STOP 2

If debt is being created or
replaced faster than principal
is truly extinguished, the
chain is not repairing.

8

DYNAMIC CONTAGION



DISTRICTS MARKETS SOVEREIGN
BALANCE SHEETS

Loss of credibility leads to repricing,
migration of burden, rising default
probability, and broader
market stress.

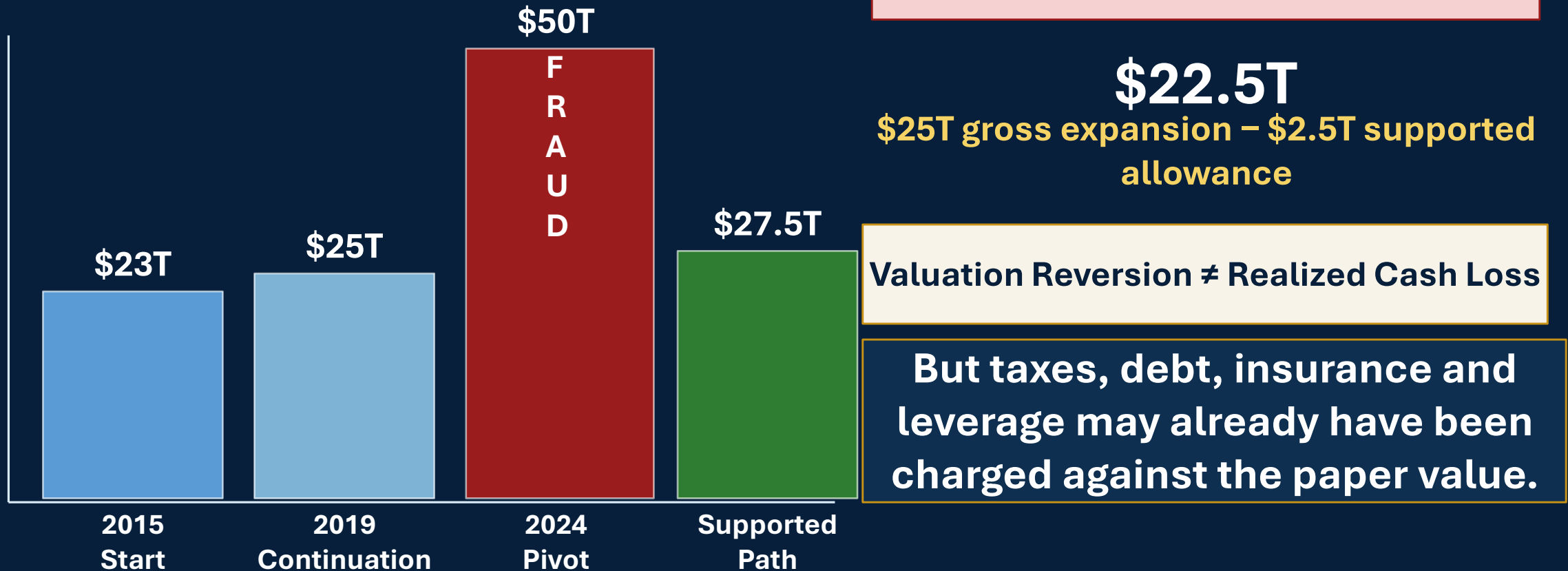


MEASURE HONESTLY → **TEST** LOCAL SUPPORT → **EXPOSE** THE BURN RATE → **REPAIR** PRINCIPAL →
RESET THE CLOCK → **STOP** CONTAGION.

FOLLOW THE MAP.
BREAK THE CHAIN.
RESTORE CREDIBILITY.

Paper Value Is Not Real Wealth

Asset-side reversion identifies the unsupported value before the liability-side repair begins.

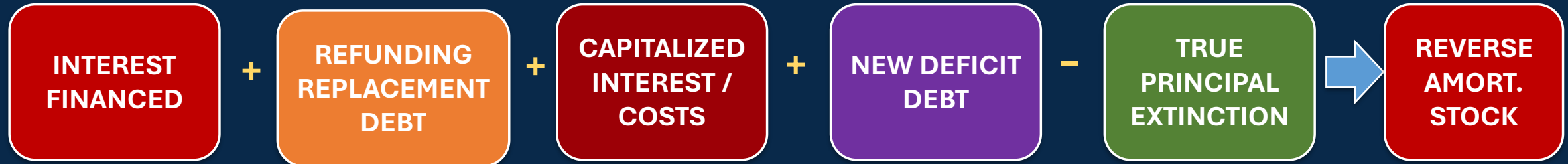


Guardrail: a valuation gap is a model result under entered assumptions; fraud attribution requires evidence.

SYSTEM-LEVEL REVERSE AMORTIZATION

Payments can stay current while the debt stock moves away from zero

THE PROBLEM WAS NOT THAT THE SYSTEM STOPPED MAKING PAYMENTS. THE PROBLEM WAS THAT IT STOPPED EXTINGUISHING PRINCIPAL.



$$\text{RA} = \text{Interest Financed} + \text{Refunding/Replacement Debt} + \text{Capitalized Interest} + \text{New Deficit Debt} - \text{True Cash Principal Extinction}$$

Payment-current status can mask a growing net obligation.

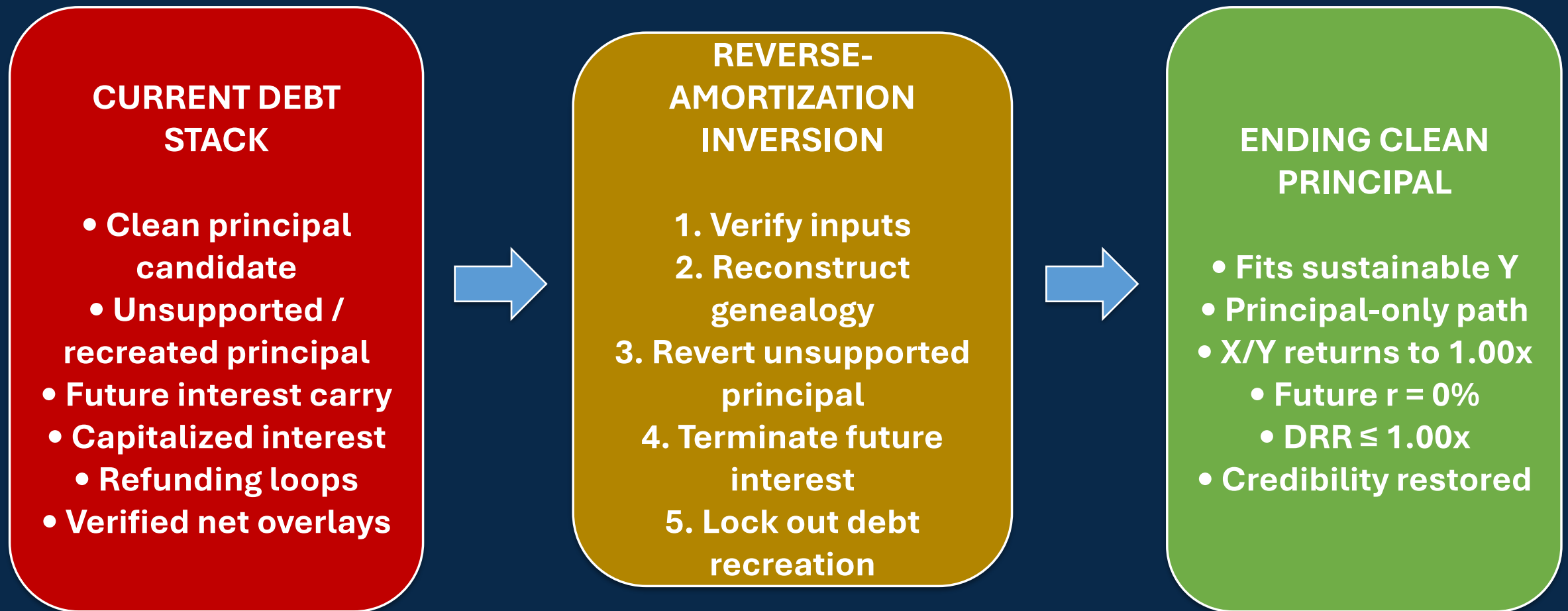
If compounding grows faster than capacity, future purchasing power is consumed.

The repair must invert the process, not merely keep payments current.

Guardrail: individual bonds may amortize; this slide describes the system-wide debt stock and debt-recreation mechanism.

THE INVERSION: CLEAN THE BOOKS

Run the debt-creation mechanism backward until only supportable principal remains



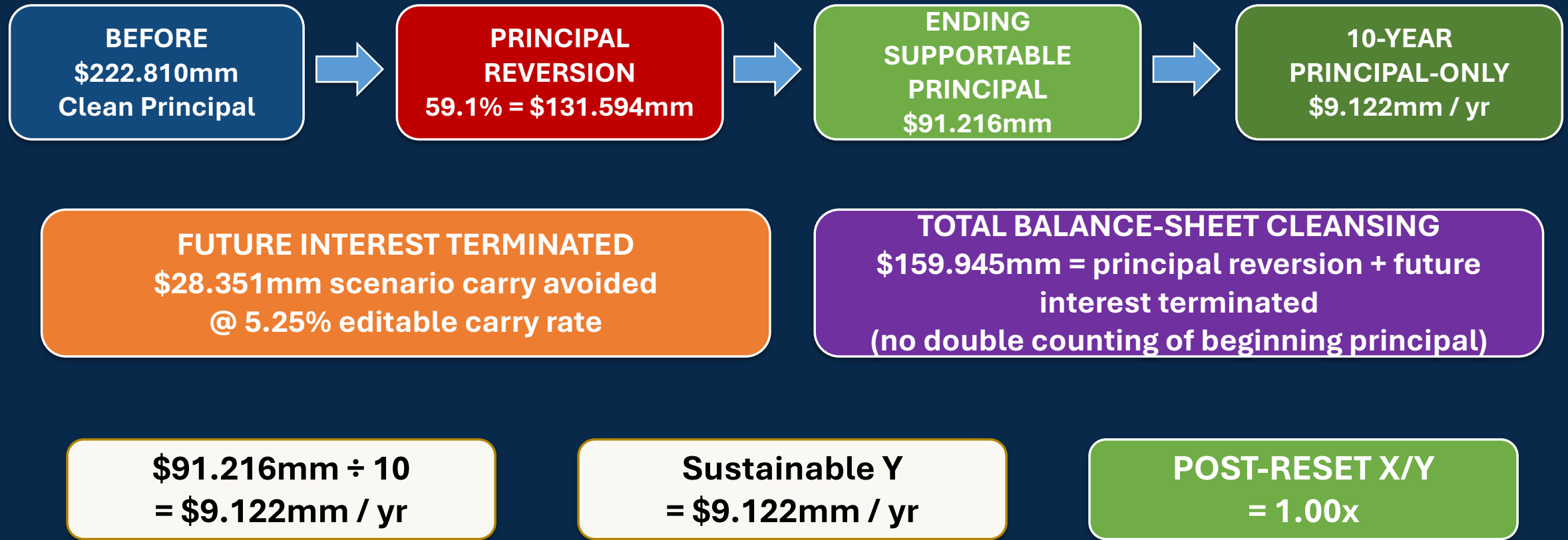
The goal is maximum preservation of legitimate principal — not preservation of the entire debt superstructure.

The inversion is a balance-sheet cleansing model: remove unsupported claims, stop future carry, then extinguish the surviving principal.

GODLEY 10-YEAR RESET: WHAT 59.1% MEANS

GODLEY

The percentage solves for the amount that must come out so the remaining principal fits capacity



Translation: 59.1% is not arbitrary. It is the amount that must be removed/restructured so the surviving principal can actually amortize to zero over ten years.

Interest termination is prospective carry avoided; historical interest requires a verified offset rule before any separate recovery treatment.

GODLEY VS BROAD FEDERAL PROXY

Different starting conditions; same modeled endpoint: post-reversion X/Y = 1.00x

COMPARE

10-Year Reset	Godley ISD	Broad Federal Proxy
Before / Clean Principal	\$222.810mm	\$40.047T
Sustainable Y / yr	\$9.122mm	\$2.591T
Before X/Y	2.44x	1.55x
Required Principal Reversion %	59.1%	35.3%
Principal Reversion Amount	\$131.594mm	\$14.141T
Future Interest Terminated	\$28.351mm	\$8.052T
Total Cleansing Requirement	\$159.945mm	\$22.193T
Ending Principal	\$91.216mm	\$25.906T
After Principal-Only / yr	\$9.122mm	\$2.591T
Post-Reversion X/Y	1.00x	1.00x

Godley has lower annual capacity relative to principal, so more must revert to reach 1.00x.

Federal is a proxy result until Sustainable Y is independently calibrated.

The percentages differ because the debt-to-capacity starting points differ — not because either percentage is a moral judgment.

THE STORY IN FOUR STEPS

**The constitutional, evidentiary, and financial record
now resolves to one action path.**

1 • RESTORE THE FORUM

Crucial / SCOTUS: constitutional claims
must be capable of adjudication.

2 • VERIFY THE SYSTEM

Terminal Failure: test inputs, certifications,
oversight, remedies and affordability.

3 • RECONCILE THE DEBT

Bond Credibility: trace principal, interest,
reserves, re-fundings, guarantees and
genealogy.

4 • RESOLVE BEFORE THE MARKET DOES

Preserve → reconstruct → reconcile →
adjudicate → segregate valid from impaired
obligations → restructure deliberately.

Forum → Verification → Reconciliation → Resolution

REVERSION TO THE MEAN — BUT FOR THE FRAUD

Before × Required Reversion % = Reversion Amount | Before – Reversion Amount = Ending Principal Remaining

End-State Logic: Dynamic Contagion → Price Discovery → Fraud-Free / Clean-Base Reversion → Maximum Principal Preservation

GODLEY ISD — \$mm

Verified local recurring capacity

Before (Current Debt / Clean Principal)	\$222.810
Required Reversion %	59.1%
Required Reversion Amount	\$131.594
Ending Principal Remaining After Reversion	\$91.216
10-Year X / Y	2.44x

$$\begin{aligned} \$222.810 \times 59.1\% &= \$131.594 \\ \$222.810 - \$131.594 &= \$91.216 \end{aligned}$$

Interpretation: over a 10-year zero-interest path, 59.1% of the clean principal would require reversion / removal / restructuring, leaving \$91.216mm as the supportable balance.

BROAD FEDERAL — \$T

Capacity proxy (not yet independently verified)

Before (Current Debt / Clean Principal)	\$40.047
Required Reversion %	35.3%
Required Reversion Amount	\$14.141
Ending Principal Remaining After Reversion	\$25.906
10-Year X / Y	1.55x

$$\begin{aligned} \$40.047 \times 35.3\% &= \$14.141 \\ \$40.047 - \$14.141 &= \$25.906 \end{aligned}$$

Proxy only: the 35.3% figure is based on a modeled federal debt-service-capacity proxy ($Y = \$2.591T/yr$), not yet on independently verified recurring resources available for principal extinction.

Reading convention: 59.1% means 0.591 as a decimal multiplier (not 0.59%). The Required Reversion Amount is the portion to be removed / restructured.

Guardrail: gross derivative notional is not principal; only verified net economic exposure or close-out cost belongs in a resolution ledger.

Objective: terminate the fraud, preserve as much legitimate principal as sustainable capacity can truly extinguish, and prevent new debt from recreating the liability.

REVERSION FLOW — FROM CONTAGION TO RESTORATION

COMPANION

Companion slide to the detailed “Reversion to the Mean — But for the Fraud” tab

Preserve only the supportable principal after the fraud, the compounding structure, and debt recreation are stripped away.

1. DYNAMIC CONTAGION
Confidence breaks



2. PRICE DISCOVERY
Separate real principal



3. CLEAN-BASE REVERSION
Rebuild but-for baseline



4. PRINCIPAL PRESERVATION
Keep supportable balance

Mechanics

Before × Required Reversion % = Reversion Amount | Before – Reversion Amount = Ending Principal Remaining

Example: Godley \$222.810 × 59.1% = \$131.594 → \$91.216 principal remaining

5. ZERO-INTEREST RESET
Drive principal to zero



6. FISCAL LOCK
No new debt creation



7. STOP DEBT RECREATION
Break the debt machine



8. ENDING PRINCIPAL
Only sustainable balance remains



9. CREDIBILITY RESTORED
Truthful inputs. Rights preserved.

Interpretive guardrails

- “Fraud-free mean” is the counterfactual baseline after verified distortions are removed; it is not a simple historical average.
- Gross derivative notional is not principal. Only verified net exposure, close-out cost, collateral claim, or settlement amount belongs in the resolution ledger.
- The Broad Federal result remains a proxy result until Sustainable Y is independently calibrated from verified recurring resources available for principal extinction.
- Objective: terminate the fraud, preserve as much legitimate principal as sustainable capacity can extinguish, and prevent new debt from recreating the liability.