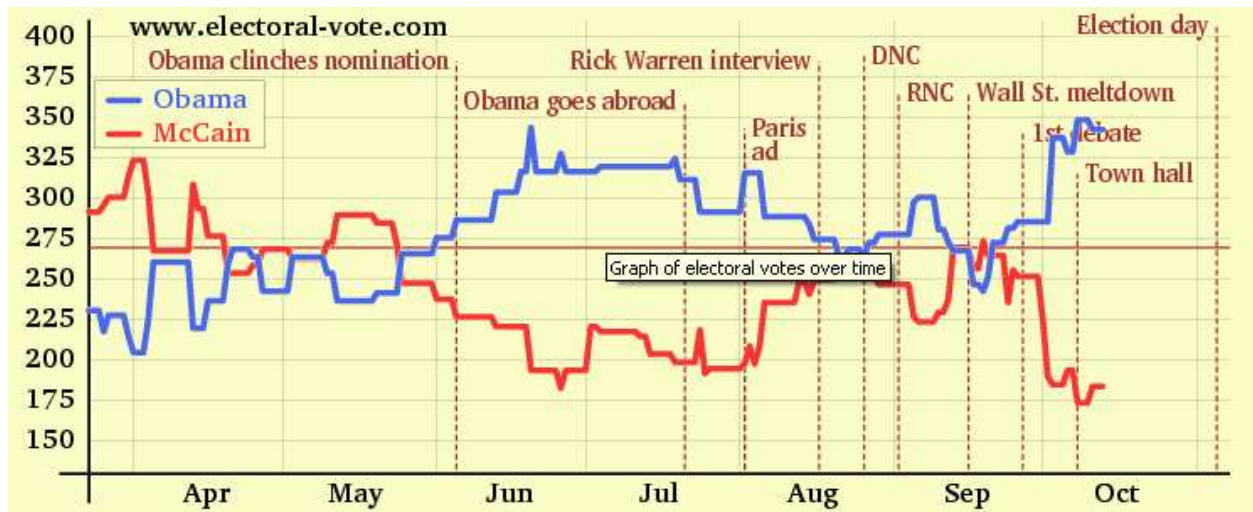


I have been preaching at the campaign for months on this matter, going back to July when you felt damn good about McCain's prospects. I predicted a market implosion prior to the elections, and it happened. I explained **why** it was going to happen, and I was right. The electoral map shift is unmistakable and cannot be argued with:



You have two choices:

1. Keep at the politics of personal destruction and try to claim that John McCain is a “maverick”, trotting out his 2006 bill that he sponsored on Fannie and Freddie (which, by the way, didn’t go to the heart of the matter, nor has anything else John McCain done – never mind his association until recently with Phil Gramm! If you think people don’t remember that “mental recession” comment **NOW**, you’re nuts.) John McCain will lose in a landslide.
2. Take bold, decisive action to address the actual problems on Wall Street and Main Street, with the following change in direction:
 - a. **All Fraudsters, whether on Wall Street or Main Street, who contributed to the economic crisis will go to prison, starting with McCain’s first day in office.**
 - b. **All Congressmen and women who have received any sort of benefit from any financial institution, such as “cut rate” mortgages and the “shadow drafters” of the Fannie and Freddie/Housing bill will be investigated by the Justice Department and when appropriate prosecuted.** This rot reaches into Congress and must be excised from the system.
 - c. **All financial reporting will become 100% transparent the day after my inauguration.** No exceptions to “mark to market” allowed anywhere. Period.
 - d. **All financial firms rendered insolvent by [c] this will be forcibly recapitalized by the Federal Government** (via “debt to equity” cramdowns, aka “The Genesis Plan”) with the current options

and stock holdings of the executives will be rendered worthless by this process. **Nobody is going to make one dime among those who caused this mess, and we will not let the system fail. We will, however, preserve the function of both debt and equity in the capital structure, which is for those investors to absorb losses before the taxpayer does in each and every instance.**

- e. **OTC Derivatives will be banned by executive order on inauguration day.** All derivatives and other financial instruments must be traded on a regulated exchange without exception. “Dark Pools” and other means of obscuring price and open interest will be outlawed. If you want to trade it, do it on a regulated and transparent exchange. Period.
- f. **A Congressional Investigation** will be immediately launched in parallel with an investigation by the **Department of Justice** to determine the culpability of **The Federal Reserve and other regulators** in willful blindness and/or complicity in the creation of this bubble. **All persons responsible for will be removed from office and if appropriate prosecuted.**
- g. Glass-Steagall will be reinstated in full by a Bill John McCain will send to The House on his first day in office to prevent banks from creating this sort of mess in the future. The regulators who put this in place after The Depression were right, **and McCain and others, who supported Phil Gramm, were wrong.** Excessive leverage in all its forms is the root cause of this mess and it will be driven from the system immediately **with an executive order reducing leverage in all institutions in the United States to no more than 12:1 along with imposing nightly margin computation and maintenance.** Yes, this involves John McCain admitting an error. He has no choice.
- h. Authorization for the TARP/EESA **will be repealed via a bill sent to Congress on McCain’s first day in office, and McCain will direct Treasury to stop all implementation of same immediately.** We are going to need that money for our citizens and to fund essential social programs; we cannot afford to spend it bailing out Wall Street and especially foreign banks. The functions that have value in the EESA are covered under [d] above.
- i. The Administration will monitor the economic condition and sponsor bills if and when necessary for infrastructure repair and improvement, such as with our nation’s bridges and roads, so as to provide employment opportunity if it becomes necessary over the next two to three years.
- j. On Tax Policy John McCain will send “The Fair Tax” to Congress and insist on its passage. Until and unless Congress passes The Fair Tax and eliminates the 16th Amendment’s authorization by Statute, sending a repeal of the 16th to The States for ratification, The Federal Budget will have The Department of Education eliminated from funding and all non-military budget line items will be reduced by 10% per year. Any House spending bill that does not conform strictly to these limits will be vetoed. **We must eliminate “K” Street and lobbying in general from our budgetary process and the only way to fix the tax system is to throw it out and tie**

government revenues inextricably to economic activity so that government becomes reliant on stable economic growth, not Ponzi Schemes and mal-investment. There is no reason for individuals and corporations to file tax returns or grant special breaks to one firm or person over another. The Fair Tax accomplishes these goals and in fact is the only tax policy that does and will.

That's it folks.

You do this and John McCain immediately reverses his disastrous poll deterioration and likely wins in November.

You don't do it and Barack Obama is President-Elect of the United States in less than a month. Guaranteed.

I've tried to warn you over the previous months that this was going to be the outcome of playing politics instead of addressing the underlying economic **ROT** in Wall Street and the corruption both on Wall Street and in Congress.

This is the last chance John McCain gets.

Faxed to you and posted publically on my blog at <http://market-ticker.denninger.net>; the public needs to hear that (1) there are solutions and (2) we have a candidate who has been supplied them for months but has decided to march off the cliff along with Barack Obama instead of addressing the causes of this disaster, should John McCain decide not to change course.

Sincerely,

Karl Deminger

A handwritten signature in black ink, appearing to read 'Karl Deminger', written over the printed name.