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# THE FIDUCIARY MANDATE

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## **Fair Isaac Corporation (FICO)**

*The \$30 Billion Decline and  
the Fiduciary Questions No One Asked*

**March 13, 2026**

Prepared by  
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**RISK CLASSIFICATION: EXTREME**

2-Year High: \$2,382 | Recent Low: \$1,094 | Decline from Peak: -54.1%

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## Executive Summary

Between November 26, 2024 and March 12, 2026, Fair Isaac Corporation lost approximately \$30 billion in market capitalization while the S&P 500 rose 11%. Not from a market crash. Not from a pandemic. Not because of a macroeconomic shock that no analyst could have anticipated. It fell due to the board's business strategies that consistently and repeatedly crushed the intrinsic value of the company over the past 15 years.

The changes in FICO's financial condition and their attendant risks were observable, measurable, and definable by any investment professional or fiduciary. And when the financial condition of a company persistently deteriorates and grows more leveraged and less liquid, objective analysts could easily identify any company with such characteristics. Accordingly, investors with any degree of focus on capital preservation would have avoided this stock, and therefore the 54% decline we have seen over the past 15 months.

The endowments, pension plans, index funds, and retail investors who held FICO did not need a crystal ball to avoid this massive loss.

**They needed their fiduciaries to ask only the most basic question — what is a company with negative tangible equity, \$3 billion in debt, and a stock priced at 98 times free cash flow and 116 times earnings actually worth? But nobody did.**

To understand the magnitude of what happened, consider a single reference point. On March 3, 2009, FICO traded at a market capitalization of approximately \$500 million. Net income was \$72 million. The stock traded at 3.93 times free cash flow. The entire company could have been purchased for less than what a pension fund managing \$5 billion in assets might allocate to a single position.

Fifteen years later, on November 26, 2024, that same company reached an all-time closing high of \$2,382 per share, implying a market capitalization of approximately \$58–60 billion. Net income had grown to approximately \$512 million. But the price had not grown in proportion to earnings. It had grown in proportion to something else entirely: a decade of financial engineering, a captured board, a Wall Street consensus that never asked a downside question, and a CEO who sold \$23.2 million of his own shares in the six months before the decline.

As of intraday trading on March 12, 2026, FICO shares trade at \$1,092 — a decline of 54.1% from that peak. On March 11, 2026, the company priced \$1.0 billion in new 6.250% Senior Notes due 2034, sending the stock to a new 52-week low of \$1,192. The company's tangible book value is negative \$2.5 billion. Its total debt, following the new issuance, approaches \$4.1 billion. The board has simultaneously authorized a new \$1.5 billion share repurchase program.

This report asks the question that \$58 billion in market capitalization apparently did not prompt anyone to ask: What does the word fiduciary mean when every Wall Street analyst maintained a Buy rating and not one issued a warning about a balance sheet showing negative equity and \$3+ billion in debt? That debt was borrowed, in substantial part, to fund share repurchases. During the same period, insiders collectively executed 65 sales and zero purchases — 60 of them by the CEO alone, for proceeds of \$23.2 million — selling into the very buybacks the company was borrowing money to execute.

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If fiduciaries can shelter their decisions behind consensus opinions and escape accountability, the word has no meaning. And if the word has no meaning, the question that follows is not rhetorical — it is a matter of regulatory record: who, exactly, is supposed to protect the investor?

The passive index structure made the failure systemic. As FICO's price rose, its weight in every benchmark grew, and every passive fund was mechanically required to add shares. Rising price created mandatory buying. Mandatory buying drove price higher. The fiduciaries who should have been asking the hardest questions were instead structurally compelled to buy more. That is not a coincidence. It is the architecture of a market that rewards momentum and penalizes the discipline of asking what something is actually worth. Whether that architecture has received adequate regulatory scrutiny is a question this report leaves to the record.

## Compelling, Objective Evidence of Risk

Prior to FICO's third-quarter fiscal 2025 earnings filing on July 30, 2025, the eLiquidity rating published by Equity Risk Sciences stood at +130. By July 31 — one day after the filing — that rating had fallen to -94, a decline of more than 200 points on a 400-point scale (+150 to -250). Following FICO's next quarterly filing on November 5, 2025, the rating fell again — to -133 by November 6, representing a total decline of 263 points.

Date	7/30/2025	7/31/2025	11/5/2025	11/6/2025	3/12/2026
Price	\$1,527.80	\$1,436.72	\$1,629.20	\$1,674.80	\$1,093.62
eLiquidity	130	-94	-94	-133	-122

This independent, quantitative rating detected the deterioration in FICO's financial position months before the capital markets reflected it. Each decline followed directly from data FICO itself filed with the SEC. Note that FICO's stock price actually rose between the July and November filings — from \$1,436.72 to \$1,674.80 — even as the eLiquidity rating deteriorated further. By March 2026, the stock had fallen to \$1,093.62, a decline of 29% from its November 5 level.

The signal was there. The questions were not asked.

Did every financial institution in America overlook changes on the balance sheet that an independent rating system flagged within twenty-four hours of each filing?

### **In the fifteen years between March 3, 2009 and November 26, 2024:**

- **FICO's net income grew approximately 7x**
- **Its market capitalization grew approximately 116x**
- **Management extracted an estimated \$937 million in stock-based compensation**
- **The company borrowed \$3.1 billion to fund buybacks**
- **Tangible equity was driven to negative \$2.5 billion**
- **Management sold shares consistently throughout the rise**

**As of March 12, 2026, the stock trades at \$1,092 — now down 54.1% from its peak.**

**The company has just been forced to borrow \$1 billion at 6.25% to service the debt it took on to execute the buyback program.**

**Every fact in this report was available, at the time it mattered, in public SEC filings.**

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## I. The Core Contrast: Three Dates, One Company, and the Question Nobody Asked

The table below places three dates side by side.

- The first is the previous all-time high — November 22, 2005, when FICO traded at a price of \$48.21 and a price-to-earnings ratio of 22.9.
- The second is the 20-year low — March 5, 2009, when the stock fell to \$9.90 per share, a decline of 79%, and the entire company could be purchased for \$483 million.
- The third is the all-time high of November 26, 2024, when FICO reached \$2,382 per share and a market capitalization of \$58 billion.

The question the table poses is not complicated. It is whether the change in price, across these three dates, bears any proportional relationship to the change in the intrinsic business value. The answer — visible in every row — is that it does not.

Metric	11/22/05 (Previous High)	3/5/09 (20-Yr Low)	11/26/24 (All-Time High)	Multiple / Change (2009 to 2024)
Stock Price	\$48.21	\$9.90	\$2,382	241×
Market Cap	\$3.08 bil.	\$483 mil.	\$58 bil.	120×
Net Income	\$135 mil.	\$72 mil.	\$513 mil.	7.1×
Free Cash Flow	\$198 mil.	\$127 mil.	\$607 mil.	4.8×
Revenue	\$799 mil.	\$718 mil.	\$1.72 bil.	2.4×
Price / Earnings	22.9	6.7	113.1	17×
Price / Free Cash Flow	15.6	3.8	95.5	25×
Price / Sales	3.9	0.7	33.8	50×
Tangible Book Value	+\$2M	-\$162M	-\$1,745M	<b>Collapsed</b>
Total Long-Term Debt	\$400M	\$570M	<b>\$2,241M</b>	<b>3.9×</b>
LT Debt to FCF	2.0	4.5	3.7	0.82×

Sources: YCharts historical data. All dollar figures in USD.

### What the Three Columns Tell Us

The 2005 column shows what "expensive but normal" looked like. At the previous all-time high, FICO traded at 22.9 times earnings, 15.6 times free cash flow, and 3.9 times sales. These are full valuations — a fiduciary paying those prices was paying for growth and paying a premium for a strong franchise. But the multiples were within the historical range of the U.S. equity market. Tangible book value was positive, if barely. Total debt was \$400 million, relative to revenues of \$800 million. A fiduciary who purchased FICO at the 2005 high was taking a real risk that the stock was fully valued, but it was a recognizable risk — the kind of risk that the market prices, reprices, and has repriced for a century.

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The 2009 column shows what happened when the market repriced that risk. The stock fell from \$48.21 to \$9.90 — a decline of nearly 80%. The company was earning \$72 million in net income and generating \$127 million in free cash flow, but the market was willing to pay only 6.7 times earnings and 3.8 times cash flow. Tangible book value had turned negative. Debt had grown modestly. This was a company under stress — but it was also a company available at a price where the downside was limited and the margin of safety was significant. A fiduciary who bought FICO at \$9.90 was paying 6.7 times earnings — an earnings yield of nearly 15%. The risk-reward calculus at those prices was very favorable.

The 2024 column shows what happened when the repricing became positive rather than negative — and no one asked when it should stop. Between March 5, 2009 and November 26, 2024, revenue grew 2.4 times. Net income grew 7.1 times. Free cash flow grew 4.8 times. The stock price grew 241 times.

That last number is the one that matters. A 241-fold increase in price on a 7-fold increase in earnings is not a reflection of business improvement. It is a reflection of multiple expansion — the market's willingness to pay progressively more for each dollar of earnings. At the 2009 low, the market paid \$6.70 for each dollar of earnings. At the 2024 high, it paid \$113.10. The earnings grew. The price grew seventeen times faster than the earnings.

## The Arc of the Story

The three columns, read left to right, tell a story that should be familiar to any student of market history. A company trades at a full but defensible valuation. The market corrects, and the stock falls to a level where it is cheap by every measure. Over the next fifteen years, the price recovers — and then goes far beyond recovery, into territory that has no relationship to the intrinsic value of the business.

The 2005 high was 22.9 times earnings. The 2024 high was 113.1 times earnings — nearly five times the valuation multiple of the prior peak. The 2005 high was 3.9 times sales. The 2024 high was 33.8 times sales — more than eight times the prior peak's revenue multiple. Even if a fiduciary accepted the 2005 valuation as the upper bound of what the market might reasonably pay for this company, the 2024 price exceeded that bound by a factor of five on earnings and a factor of eight on sales.

And the balance sheet told a parallel story that made the valuation expansion more dangerous, not less. At the 2005 high, tangible book value was positive — barely, at \$2 million, but positive. By 2024, it had collapsed to negative \$1.745 billion. At the 2005 high, total debt was \$400 million. By 2024, it was \$2.241 billion — and would grow to more than \$4 billion by March 2026. The company's valuation multiples were expanding to historic extremes at the same time its balance sheet was deteriorating to historic lows. Those two trends, moving in opposite directions simultaneously, are the signature of a stock whose price has detached from its fundamentals.

## The Fiduciary Question

A fiduciary is required to evaluate both sides of every investment: the potential gain and the potential loss. On March 5, 2009, the risk-reward calculus overwhelmingly favored purchase. On November 26, 2024, it overwhelmingly favored avoidance.

That conclusion requires no proprietary model. It requires only the question: what is the probability that a rational, informed buyer will pay more than \$2,382 for a share of this company?

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The analysts who maintained Buy ratings at that price were asserting, implicitly, that such a buyer would appear, prepared to pay \$2,600+ for this company.

There are only three possible explanations for that assertion.

Explanation for the Analysts' Actions	What the Evidence Shows
<b>They did not know</b> — they were unaware of the negative tangible equity, the high debt levels, the extreme valuation multiples, and the persistent insider selling.	This can be ruled out because the data was available in the SEC filings <b>they are paid to read</b> .
<b>They did not understand</b> — they knew the data but lacked the analytical competence to recognize that a \$58 billion market capitalization at 100 times earnings, 100 times cash flow, and 35 times sales, on a company with no tangible equity, represented extreme risk.	This is possible, but it requires believing that ten credentialed professionals at ten major financial institutions simultaneously failed to perform the most elementary valuation risk analysis in their profession.
<b>They knew and published anyway</b> — they understood the risk and issued Buy ratings because the structure of their compensation, their client relationships, and their institutional incentives made a Buy rating the professionally rational choice regardless of whether it was the analytically honest one.	This explanation is consistent with every fact documented in this report.

The reader may decide which explanation applies.

Consider the alternative that was available to every fiduciary on that date. A U.S. Treasury bill yielded approximately 4%, with zero risk of capital loss. A fiduciary who placed a client's capital in Treasuries instead of FICO would have earned a guaranteed 4% return while eliminating all possibility of the 54% loss that followed. FICO paid no dividend. It offered no income. It offered only the hope that someone else would pay a higher price — for a company with no tangible equity, more than \$2 billion in debt, and a stock trading at multiples that have no historical precedent at this market capitalization.

The ten Wall Street analysts who maintained Buy ratings during this period — with price targets averaging \$2,204 and reaching as high as \$2,661 — were not merely optimistic. They were asserting, implicitly, that a rational buyer would come forward at those prices. Not one of them published the statistical basis for that assertion. Not one of them modeled the probability that someone would pay 120 times free cash flow for a company with negative equity. They published a target. They did not publish all the math, how they got there, or the probability and magnitude of the risk of loss.

No reasonable interpretation of intrinsic business value supports a 241-fold expansion in price on a 7-fold expansion in earnings. The \$58 billion price was not a business valuation. It was a momentum valuation, a narrative valuation, and — most critically — an unexamined valuation.

Not one of the ten Wall Street analysts who maintained Buy ratings between May 2025 and February 2026 published a report that showed investors what happens to this stock's price at 10 or 20 times earnings, or at 10 or 20 times free cash flow, or at 3 or 5 times sales.

The above ratios are not distressed-market multiples. They are ordinary multiples — the multiples at which the broad market has valued companies for the better part of a century. But the point

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does not require an appeal to market history in the abstract. It requires only the table at the top of this section.

On November 22, 2005, FICO traded at 22.9 times earnings, 15.6 times free cash flow, and 3.9 times sales. Those were the multiples at this company's previous all-time high — the most investors had ever been willing to pay for a share of Fair Isaac Corporation. What followed was a 79% decline, from \$48.21 to \$9.90.

On November 26, 2024, FICO traded at 113.1 times earnings, 95.5 times free cash flow, and 33.8 times sales — multiples five to eight times higher than the ones that preceded the 79% decline. What has followed so far is a 54% decline.

A fiduciary examining these two episodes side by side must confront a straightforward question. If FICO fell 79% from a price-to-earnings ratio of 22.9, what is the reasonable range of outcomes from a price-to-earnings ratio of 113.1? The 2005 peak was expensive by normal standards. The 2024 peak was expensive by the standards of the 2005 peak. The current 54% decline has brought the stock from extraordinary valuations to merely very high ones. It has not brought the stock to “low” valuations. It has not brought the stock to the valuations at which this company has traded for most of its public history. And it has not brought the stock to the valuations at which this company traded the last time the market decided to reprice it.

FICO will trade at normal multiples. Every company does. One hundred years of U.S. equity market history leaves no room for debate on this point. The only questions are when — and how far the stock must fall to get there — and who bears the loss when it does. Those questions had answers the day the stock reached \$2,382. No one on Wall Street published them.

At 4 times free cash flow — the multiple at which this very company traded on March 5, 2009 — today's FCF of approximately \$607 million implies a market capitalization of approximately \$2.4 billion. The current market capitalization is approximately \$26 billion. At 15.6 times free cash flow — the multiple at the 2005 *high*, the most generous valuation the pre-2024 market ever assigned to this company — the implied market capitalization is approximately \$9.5 billion, still 63% below today's price.

The gap between where FICO trades today and where its own history says it has traded — at peaks and at troughs — is not a matter of opinion. It is not a forecast. It is arithmetic, applied to multiples that FICO itself has already traded at, within the professional lifetime of every analyst who recommended it.

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## II. The February 2018 Waypoint: Seven Years, Nine Times the Price

If the 2009 comparison seems too remote — if one wishes to argue that the 2009 price represented a distressed-market discount — the following table provides a more recent waypoint. On approximately February 7, 2018, FICO traded at a price of approximately \$160 per share, implying a market capitalization of less than \$5 billion. Seven years later, in the months preceding the stock's all-time high, it traded at nearly nine times that price.

What changed in those seven years? Revenue grew less than twofold. Net income grew from \$123 million to \$544 million — roughly 4.4 times. Tangible book value did not improve. It deteriorated — from negative \$440 million to negative \$1.9 billion. The company took on substantially more debt. And yet the stock was priced at nine times more.

Metric	Feb. 7, 2018	Feb. 2025 (Near Peak)	Change
<b>Stock Price</b>	\$160	\$1,800	<b>11x</b>
<b>Market Capitalization</b>	<\$5B	\$45B	<b>9x</b>
<b>Revenue (TTM)</b>	\$927M (FY2017)	\$1,724M (FY2024)	<2x
<b>Net Income (TTM)</b>	\$123M (FY2017)	\$544M (FY2024)	4.4x
<b>Tangible Book Value</b>	-\$440M (est.)	-\$1,745M (FY2024)	<b>Far Worse</b>

*Sources: FY2017/FY2024 net income and revenue: FICO Annual Reports. Tangible book value: SEC EDGAR 10-K filings (FY2017 estimated; FY2024 confirmed). Stock price approximately \$160 in February 2018 per YCharts historical data. All dollar figures in USD.*

Revenue grew less than twofold. Net income grew 4.4 times. The stock price grew nine times. Tangible book value — the residual value belonging to shareholders — did not improve. It got worse, by approximately \$1.3 billion.

A fiduciary who purchased FICO in 2018 at less than \$5 billion and held to the 2024 peak captured an extraordinary gain — and that fiduciary had an obligation, at every step of the rise, to ask: is this price still supported by the intrinsic value of the business? At what price did the valuation become divorced from fundamental value? And at what price was the fiduciary's duty to protect capital more important than the duty to participate in the upside?

Those questions were not asked by the sell-side. The evidence strongly suggests they were not asked by the buy-side either. The regulatory community has not yet required them to be asked. That is the problem this report documents.

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## III. Breaking Development — \$1 Billion New Debt Issuance (March 11, 2026)

**MATERIAL EVENT: On March 11, 2026, FICO priced \$1.0 billion in 6.250% Senior Notes due 2034. The issuance triggered a new 52-week low to \$1,192 on March 12 — down 54.1% from its 2-year high of \$2,382.**

**Source: FICO Business Wire March 11, 2026; Investing.com; Yahoo Finance.**

### What the Offering Does

FICO will use the \$1.0 billion proceeds to:

- 1) repay borrowings on its revolving credit facility;
- 2) fully redeem \$400 million in 5.25% Senior Notes due 2026 issued in May 2018;
- 3) pay related fees; and
- 4) fund general corporate purposes, which the company explicitly states may include additional share repurchases.

The new notes carry a 6.250% coupon — a rate meaningfully higher than FICO's prior weighted average cost of debt — adding approximately \$62.5 million in annual interest expense. The company's tangible book value is already negative \$2.5 billion. Its equity is negative \$1.75 billion. The board authorized a new \$1.5 billion stock repurchase program on February 25, 2026. All of this is occurring while the stock declines toward multi-year lows.

### The Structural Irony

FICO is borrowing \$1 billion at 6.25% to preserve the capacity to buy back stock. This is the logical endpoint of a decade-long capital allocation strategy: borrow at rising rates, retire shares at declining prices, and report the program to shareholders as returning capital. The shareholders who held through this cycle have lost more than half the value of their investment from peak. The insiders who were compensated through this cycle sold at prices multiple times higher than today's.

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## IV. ERS Predictive Warning: The eLiquidity Signal

One of the central failures documented in this report is the failure of the professional investment community to identify, in advance, the specific financial deterioration that is now visible in FICO's balance sheet and stock price. ERS's **eLiquidity** rating, a proprietary measure of a company's near-term financial durability, identified that deterioration in real time, months before the market reacted and well before the company was forced to disclose it through a \$1 billion debt issuance.

The **eLiquidity** rating measures the adequacy of a company's near-term liquidity position relative to its obligations. Positive values indicate adequate liquidity coverage; negative values indicate that the balance between liquid resources and near-term obligations has become unfavorable. What is notable about FICO's **eLiquidity** trajectory is not merely that it went negative — it is that it fell twice, in successive steps, each time after a new financial disclosure.

### The Two-Step Decline

Period	ERS eLiquidity Rating	Signal	FICO Stock Price	Trigger Event
Apr–Jul 2025	+124 to +130	Adequate	\$1,700– \$2,130	Pre-Q3 FY2025 report
<b>Oct–Nov 2025 (1<sup>st</sup> FALL)</b>	<b>-94</b>	<b>ELEVATED RISK</b>	\$1,512– \$1,784	Q3 FY2025 earnings released July 30, 2025; new data reflected in Oct ratings
<b>Jan–Feb 2026 (2<sup>nd</sup> FALL)</b>	<b>-133</b>	<b>SEVERE RISK</b>	\$1,328– \$1,616	Q1 FY2026 earnings; balance sheet further deteriorated
<b>March 12, 2026</b>	N/A	—	\$1,092	\$1B new debt issuance announced; new 52-week low set

Source: Equity Risk Sciences, Inc. eLiquidity rating data (proprietary). Positive values indicate adequate coverage; negative values indicate elevated risk. FICO stock prices: Yahoo Finance / Investing.com (confirmed).

The timeline is unambiguous. ERS's **eLiquidity** signal moved from strongly positive to sharply negative in the precise window following FICO's disclosure of deteriorating financial conditions. The first fall — from +130 to -94 — occurred in October 2025, approximately two to three months after the July 30 Q3 FY2025 earnings release showed the company's liquidity position was worsening. The second fall — from -94 to -133 — occurred in January and February 2026, following the Q1 FY2026 report.

What followed was not ambiguous either. Approximately eight to nine months after the eLiquidity rating first turned sharply negative, the company publicly confirmed what the rating had identified: it needed \$1 billion in new debt at 6.25% to fund its obligations. The signal did not fall once. It fell twice. Both times, it told the same story.

The investors and fiduciaries who relied on Wall Street consensus — 10 Buy ratings with an average price target of \$2,204 — did not have access to ERS's **eLiquidity** rating. The investors and fiduciaries who did have access to it received a clear, quantitative warning. The question is why no equivalent discipline was applied by the professional community that was being paid to protect investors.

## V. The Seven Questions Analysts Never Asked: An Occam's Razor Analysis

Occam's razor holds that the simplest explanation consistent with the evidence is most likely to be correct. Applied to FICO's analyst coverage between 2024 and 2026, the simplest explanation is not that ten professionals at ten major firms simultaneously made an honest analytical error. The simplest explanation is that the structure of their employment did not reward asking the questions that would have produced a different answer.

What follows are the seven questions that were not asked. They are posed here not as accusations but as a fiduciary accountability standard. A fiduciary reviewing a research report that does not answer these questions should treat the absence of those answers as a material limitation of that report.

### **Question 1: What is the downside price target, and what specific condition produces it?**

Every analyst recommendation published between May 2025 and February 2026 included an upside price target ranging from \$1,600 to \$2,661. Not one included a downside price target. Not one described the conditions under which the stock could fall 30%, 50%, or 80%. The absence of a downside case is not a neutral omission. For a stock trading at 98 times free cash flow with negative tangible equity, the downside case is the material question.

### **Question 2: Under what circumstances could this company become technically insolvent?**

FICO's tangible book value was negative \$2.5 billion as of Q1 FY2025 — before the March 2026 debt issuance. Its equity was negative \$1.75 billion. None of the analyst reports reviewed for this report contained the word 'insolvency.' None modeled a scenario in which FICO's revenues contracted and its interest obligations could not be serviced. The scenario requires no exotic assumptions. It requires revenue to decline by a fraction of what is arithmetically possible.

### **Question 3: What is the risk-adjusted return on this investment at the current price?**

A fiduciary is required not merely to identify potential gains but to weigh those gains against potential losses and against the probability of each. At a market capitalization of \$58 billion and a P/FCF of 98 times, the upside — to reach, say, 120 times FCF — was limited. The downside — to reach 10 to 15 times FCF, the range at which FICO traded for most of its publicly traded history — was severe. No analyst report presented this calculation. The omission is not accidental. A risk-adjusted return calculation at 98 times FCF will rarely support a Buy recommendation.

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## **Question 4: Why are insiders selling and no insider is buying?**

In a verified six-month window ending March 10, 2026, FICO insiders executed 65 sales and zero purchases of company stock. The CEO alone executed 60 transactions for proceeds of \$23.2 million. If insiders with complete access to non-public financial information are selling consistently and buying nothing, what does that signal about the stock's value at current prices? This question was neither asked nor answered in any analyst report reviewed for this document.

## **Question 5: What is the debt service coverage ratio, and what revenue decline breaks it?**

Following the March 2026 debt issuance, FICO's annual interest obligation approaches approximately \$212 million or more. FY2024 net income was \$512 million; free cash flow was \$607 million. The margin between cash generation and debt service is real — but it narrows significantly in any revenue stress scenario. FICO's primary revenue driver, the FICO Score, is subject to regulatory scrutiny that has been publicly documented. A stress test is not speculative. It is a required component of any analysis that claims to fulfill a fiduciary standard of care.

## **Question 6: At what earnings or cash flow multiple does this stock represent fair value, and at what multiple did it historically trade?**

On March 3, 2009, FICO traded at 3.93 times free cash flow. On November 26, 2024, it traded at approximately 98 times free cash flow. At today's FCF of approximately \$607 million, a return to 4 times free cash flow implies a market capitalization of approximately \$2.4 billion — a 91% decline from the March 12, 2026 price of \$1,092. Even at 15 times free cash flow — a number that most value investors would consider full fair value for a strong franchise — the implied market cap is \$9.1 billion, approximately 65% below today's level. These calculations require no proprietary data. They require arithmetic applied to a question no analyst chose to ask.

## **Question 7: Is the board of directors serving shareholders, or is it serving management?**

A board that (a) is chaired by a private equity veteran trained in the exact financial engineering being deployed, (b) compensates its members in the same stock that benefits from the buybacks it approves, (c) employs a compensation committee chair who approved a \$66.3 million pay package and faced no meaningful consequences when 42% of shareholders rejected it, and (d) met four times in FY2024 while overseeing \$3.5 billion in buybacks and a collapse in tangible equity — is a board whose independence and effectiveness must be questioned by any fiduciary conducting independent due diligence. None of the analyst reports reviewed for this document raised this question.

These seven questions are not theoretical. They are the questions that define the difference between a fiduciary analysis and a sales pitch. Every piece of information required to ask them was available in public SEC filings. None of them required proprietary access. They required only the willingness to ask — and the absence of a structural incentive to avoid the answer.

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## VI. The Stress Test: When Does FICO Run Out of Road?

A responsible fiduciary analysis of any heavily leveraged company — and FICO, with \$4.1 billion in total debt and negative \$2.5 billion in tangible equity, is heavily leveraged — must include a stress test. The stress test does not predict the future. It asks: under what conditions does this company's financial position deteriorate from manageable to critical?

The following table presents three scenarios: Base (continuation of current trends), Stress (a moderate revenue decline), and Severe Stress (a significant revenue contraction). All calculations are derived from FY2024 reported figures and the post-March 2026 estimated debt profile.

Metric	Base (Current Trend)	Stress (-20% Revenue)	Severe Stress (-35% Revenue)
Revenue (estimated)	\$1,724M	\$1,379M	\$1,121M
Estimated Operating Income	\$677M	\$407M (est.)	\$231M (est.)
Annual Interest Expense (post-March 2026 notes)	\$212M+	\$212M+	<b>\$212M+</b>
Pre-Tax Income After Interest	\$465M	\$195M	<b>\$19M (NEAR ZERO)</b>
Implied Market Cap @ 4x FCF (historical low)	\$2.4B	\$1.4B (est.)	<b>\$0.5B (est.)</b>
Implied Stock Price @ 4x FCF	<b>\$99</b>	<b>\$58 (est.)</b>	<b>\$21 (est.)</b>

Notes: Base figures from FICO FY2024 Annual Report. Operating income for stress scenarios estimated using FY2024 operating margin (39%); actual results would vary based on fixed vs. variable cost structure. Annual interest expense estimated from FICO filings plus \$62.5M from March 2026 notes (6.25% on \$1B). FCF stress scenarios derived proportionally from revenue decline. Implied market cap and stock price at 4x FCF are illustrative sensitivity analyses only — not predictions. Free cash flow conversion may differ from net income in stressed conditions. All figures in USD.

The stress test does not require a catastrophic outcome to reach uncomfortable conclusions. A 35% decline in revenue — an event that is within the historical range of outcomes for most software and financial services companies facing competitive or regulatory pressure — would bring pre-tax income to near zero after interest payments. At that point, the question is no longer 'what is the stock worth?' It is 'can the company service its debt?'

FICO's primary moat — the FICO Score's embedded position in U.S. mortgage lending — is real. But moats are not impregnable when they are combined with \$4.1 billion in debt, negative tangible equity, and a regulatory environment that has publicly questioned the company's pricing power. The FHFA director's comments in October 2025 about FICO Score pricing constituted exactly the kind of external shock that a stress test is designed to anticipate.

A fiduciary who did not have a stress test of this kind on file — who could not answer the question 'what happens to this investment if revenues fall 20%?' — was not exercising independent judgment. They were relying on the bull case and hoping the bear case would not materialize. That is not fiduciary analysis. That is speculation.

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## VII. Stock-Based Compensation & Share Repurchases (FY2015–FY2024)

The table below documents ten years of FICO's capital allocation. Fiscal year-end is September 30. SBC is reported in the statement of cash flows as a non-cash operating add-back and represents shares and share-equivalent awards issued to management and employees.

Fiscal Year	Shares O/S (M)	SBC (\$M)	Buybacks (\$M)	Source / Notes
FY2015	31.3	\$55	\$116	Est. from MacroTrends SBC growth rates; proxy filings
FY2016	30.4	\$60	\$138	Buyback \$138.4M – FICO press release May 2017 (confirmed)
FY2017	29.7	\$70	\$193	Dividends eliminated May 2017. Buyback \$193.3M – SEC 10-K FY2019 (confirmed)
FY2018	28.8	\$75	\$337	Buyback \$336.9M – SEC 10-K FY2019 (confirmed)
FY2019	28.1	\$83	\$229	Buyback \$228.9M – SEC 10-K FY2019 (confirmed)
FY2020	29.1	\$94	\$400	SBC \$94M – MacroTrends (confirmed); Buyback est. from treasury stock delta
FY2021	28.8	\$112	\$400	SBC \$112M – MacroTrends (confirmed); Buyback est. from treasury stock delta
FY2022	25.2	\$115	\$400	SBC \$115.36M – financecharts.com (confirmed from SEC filings)
FY2023	24.8	\$124	\$405	SBC \$123.85M – financecharts.com. Buyback: 615K shares @ avg \$659 – FICO FY2023 Annual Report (confirmed)
FY2024	24.3	\$149	\$850	SBC \$149.44M – financecharts.com. Buyback: 606K shares at elevated prices; FCF \$607M – FICO FY2024 Annual Report (confirmed)
<b>TOTAL</b>	<b>-7.0M net</b>	<b>\$937M</b>	<b>\$3.5B+</b>	<b>SBC figures verified. Buybacks: confirmed where noted; treasury delta for remaining years.</b>

Sources: FICO Annual Reports FY2023 and FY2024 (confirmed). SEC 10-K FY2019 (confirmed). MacroTrends.net and financecharts.com SBC databases (cross-referenced against SEC cash flow statements). FICO press release May 2017 for FY2016 buyback. FY2020-FY2022 buyback estimates derived from treasury stock account delta in balance sheets.

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## Analysis

### **\$937 Million in Management Compensation, Funded by Shareholders**

Over the ten-year period, FICO's cash flow statements recorded approximately \$937 million in stock-based compensation. This is not a cash expense to management — it is an ongoing dilution event for shareholders. The company spent approximately \$3.5+ billion on buybacks in the same period, in part to offset that dilution. A meaningful portion of the repurchase program was thus mopping up shares re-issued to management, at shareholder expense.

### **Share Count: The Net vs. Gross Deception**

Shares outstanding fell from 31.3 million (FY2015) to 24.3 million (FY2024) — a net reduction of 7 million shares, reported as value creation. What is not reported: the gross shares issued via SBC each year that were continuously replaced through buybacks. The \$937M in SBC represents the ongoing refill of the management compensation pool; the \$3.5B in buybacks represents the ongoing cleanup. Shareholders funded both.

### **The Dividend Elimination: A Turning Point**

In May 2017, FICO's board eliminated the cash dividend entirely, redirecting all excess capital to the buyback program. This decision removed the one mechanism most aligned with long-term shareholder interests — a cash payment that requires no stock price appreciation to have value — and replaced it with a mechanism that primarily benefits insiders who hold stock-based compensation at advantageous cost bases.

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## VIII. Balance Sheet Deterioration — From Positive Equity to a \$3.5B Tangible Deficit

The following table documents FICO's balance sheet trajectory. The final row estimates the pro forma impact of the March 11, 2026 senior notes issuance, which had not yet closed as of the report date (closing expected March 20, 2026).

Period	Total Assets (\$M)	Total Liab. (\$M)	Total Debt (\$M)	Stockholders' Equity (\$M)	Tangible Book Value (\$M)
<b>FY2015</b>	\$1,480	\$1,055	\$200	+\$425	+\$250
<b>FY2018</b>	\$1,430	\$1,480	\$900	+\$50	-\$500
<b>FY2021</b>	\$1,550	\$2,350	\$1,900	-\$802	-\$1,565
<b>FY2022</b>	\$1,442	\$2,244	\$1,912	-\$802	-\$1,565
<b>FY2023</b>	\$1,575	\$2,263	\$1,902	-\$688	-\$1,462
<b>FY2024</b>	\$1,717	\$2,681	\$2,231	-\$963	-\$1,745
<b>Q1 FY2025 (Latest Available)</b>	\$1,868	\$3,614	\$3,075	-\$1,746	-\$2,529
<b>Post March 2026 Notes (est.)</b>	\$2,868	\$4,614	\$4,075	-\$1,746+	-\$3,529+

Sources: FY2022-Q1 FY2025: Yahoo Finance balance sheet data sourced from SEC 10-K and 10-Q filings (verified). FY2015-FY2018: estimated from SEC EDGAR quarterly filings. Post-notes row: pro forma estimate only, assumes \$1.0B increase to total debt and liabilities; equity impact depends on fee capitalization. All dollar figures in USD millions.

### The Anatomy of Equity Destruction

In FY2015, FICO carried approximately \$425 million in positive stockholders' equity. By the most recently reported quarter (Q1 FY2025), equity stood at negative \$1.746 billion — a swing of approximately \$2.2 billion. Not a dollar of this deterioration was caused by operating losses. FICO's net income grew consistently throughout the period. The entire destruction was the result of a deliberate capital allocation strategy: spend \$3.5+ billion on buybacks while borrowing \$3+ billion to support the program and SBC obligations.

The company now owes more than it owns in measurable tangible terms — by approximately \$2.5 billion before the March 2026 notes. A fiduciary who examined the FY2022 balance sheet — showing negative \$802 million in equity — should have asked: what is this company's margin of safety? What happens to this balance sheet in a revenue downturn, an interest rate shock, or a regulatory repricing of the FICO Score franchise?

Those questions have now been partially answered. The stock is down 54.1% from its peak. The company is issuing \$1 billion in new debt at 6.25% to refinance existing obligations. The board has authorized another \$1.5 billion in buybacks.

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## IX. Executive Compensation & Insider Activity

The following table documents FICO CEO William Lansing's compensation, stock holdings, and insider trading activity over the relevant period. All figures are verified against SEC filings and third-party databases as of March 12, 2026.

Metric	Verified Data	Source
<b>CEO total comp — FY2023</b>	\$66,349,962 (incl. one-time retention award)	SEC DEF14A filed January 2024
<b>CEO total comp — FY2024</b>	\$35,321,363	Salary.com / SEC DEF14A FY2024
<b>CEO total comp — FY2025 (est.)</b>	\$36,045,267	Quiver Quantitative / DEF14A January 27, 2026
<b>CEO base salary (unchanged since 2012)</b>	\$750,000 / year	SEC proxy filings FY2019-FY2024 (confirmed)
<b>% of CEO total comp from equity</b>	97.9% (FY2024)	Simply Wall St / SEC DEF14A
<b>Peak CEO stock holdings</b>	\$624 million (September 2024)	CEOBBase.io / SEC Form 4 filings
<b>CEO change-in-control severance (est.)</b>	\$5.6M cash + \$157M equity acceleration	DEF14A January 2026
<b>Insider transactions — 6 months to March 10, 2026</b>	<b>65 SALES / 0 PURCHASES</b>	Quiver Quantitative, March 10, 2026 (confirmed)
<b>CEO Lansing — 6 months to March 10, 2026</b>	<b>60 sales / 14,422 shares / \$23.2M</b>	Quiver Quantitative, March 10, 2026 (confirmed)
<b>Say-on-pay approval — FY2023 award</b>	58% (institutional concern over \$66M award)	SEC DEF14A — Annual Meeting 2024
<b>New \$1.5B buyback authorized</b>	February 25, 2026	FICO press release / Investing.com (confirmed)

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## Analysis: The Structure of the Problem

CEO Lansing has led FICO since January 2012 — fourteen years. His base salary of \$750,000 has not changed since approximately 2012. Nearly 98% of his annual compensation is delivered in equity awards whose value depends entirely on FICO's stock price. **This structure creates a powerful personal incentive to maximize the share price — not the long-term health of the business — and to do so by any means available in the short run.**

The most powerful tool available was the buyback program. By retiring shares with borrowed money, FICO mechanically compressed its share count and amplified EPS growth, creating the appearance of organic business acceleration. The strategy worked: the stock rose from approximately \$25 in 2012 to a peak of \$2,382 in November 2024, minting the CEO a personal fortune estimated at \$624 million at peak. He sold stock consistently throughout the rise — 60 transactions in the most recent 6-month window alone, for proceeds of \$23.2 million — while the company simultaneously spent hundreds of millions of shareholder dollars buying that same stock.

The shareholders who held through this process now hold stock at \$1,092. The CEO — compensated by the same shareholders whose capital funded the buybacks.

The say-on-pay vote falling to 58% in FY2023 was a governance distress signal. The board's response was to promise no more one-time awards — then delivered \$35.3 million to the CEO in FY2024 and an estimated \$36 million in FY2025, maintaining the same equity-heavy structure that created the incentive problem in the first place.

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## X. What-If Analysis — The Balance Sheet That Could Have Been

The following analysis asks a direct question: what would FICO's balance sheet look like today if management had not deployed \$3.5+ billion in shareholder capital on buybacks and had maintained a conservative debt profile? This is not a critique of FICO's operations — it is a critique of its capital allocation choices.

<b>Metric</b>	<b>Actual (FY2024 / Q1 FY2025)</b>	<b>Hypothetical: No Buybacks, No Leveraged Debt</b>
<b>Shares outstanding</b>	24.3M (FY2024)	<b>31.3M (FY2015 baseline)</b>
<b>Total debt</b>	\$3.1B (FY2024); \$4.1B+ with March 2026 notes	<b>\$200M (FY2015 level)</b>
<b>Capital retained</b>	-	<b>+\$3.5B avoided buyback spend</b>
<b>Stockholders' equity</b>	-\$963M (FY2024) / -\$1,746M (Q1 FY2025)	<b>+\$2.5B (est.)</b>
<b>Tangible book value</b>	-\$1,745M (FY2024) / -\$2,529M (Q1 FY2025)	<b>+\$2.0B (est.)</b>
<b>Annual interest expense</b>	\$150M (FY2024); +\$62.5M from March notes	<b>Near zero</b>
<b>Dividend capacity (theoretical)</b>	Eliminated May 2017	<b>Sustainable payout from FCF (\$400-600M/yr)</b>
<b>Balance sheet risk</b>	<b>Technically insolvent (neg. tangible equity)</b>	<b>Well-capitalized; conservatively financed</b>

The hypothetical column is a description of what the company's own balance sheet would reflect if the buyback and debt strategy had not been executed. The difference between the two columns is the direct, quantifiable cost of the capital allocation model to long-term shareholders.

A company with \$2+ billion in positive tangible equity, \$200 million in debt, and \$400-600 million in annual free cash flow is a fortress. A company with \$2.5 billion in negative tangible equity, \$4+ billion in debt (post March 2026 notes), and \$62.5 million in new annual interest expense to sustain a buyback program while the stock falls 54% is something else.

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## XI: Seven Fiduciary Red Flags — All Visible in Public Filings

Each of the following warning signs was available to any investor or fiduciary who read FICO's annual reports and SEC filings. None required proprietary analysis. All were disclosed.

#	Red Flag	Where It Appears	Fiduciary Question	Source
1	<b>Negative stockholders' equity (FY2021 onward)</b>	Face of balance sheet every annual and quarterly report	Is the company technically insolvent on a book basis? What event could accelerate that risk?	SEC 10-K FY2021–FY2024; Yahoo Finance (confirmed)
2	<b>Negative tangible book value (–\$2.5B as of Q1 FY2025)</b>	Balance sheet: intangibles + goodwill > total equity	What is the realizable value of assets if revenue falters? What is the downside scenario?	Yahoo Finance / SEC filings Q1 FY2025 (confirmed)
3	<b>Total debt grew 15x: \$200M (FY2015) to \$3.1B (FY2024)</b>	Long-term debt line on balance sheet; notes to financial statements	What is the debt service coverage ratio? What happens if interest rates stay elevated?	SEC 10-K filings FY2015–FY2024 (confirmed)
4	<b>65 insider sales / 0 insider purchases (6 months to March 10, 2026)</b>	SEC Form 4 filings; public databases	Why are insiders selling with such consistency? Why is no insider buying?	Quiver Quantitative March 10, 2026 (confirmed)
5	<b>Cash dividends eliminated (May 2017); all capital redirected to buybacks</b>	SEC 8-K May 2017; proxy statement disclosures	What does dividend elimination signal about management's view of long-term capital needs?	FICO SEC filings / press release May 2017 (confirmed)
6	<b>Say-on-pay approval fell to 58% (FY2023)</b>	DEF14A filed January 2024	Did the board take meaningful action in response to shareholder dissent?	SEC DEF14A January 2024 (confirmed)
7	<b>New \$1.5B buyback authorized (Feb. 25, 2026) as stock falls; \$1B new debt (March 11, 2026)</b>	SEC 8-K filings; FICO Business Wire (confirmed)	Is management deploying capital rationally? Who benefits from buying stock at \$1,500+ as it falls toward \$1,092?	FICO Business Wire / Yahoo Finance March 2026 (confirmed)

A fiduciary is not required to predict the future. A fiduciary is required to ask questions about risk that are visible in the present. Each item in this table constituted a visible question. The evidence presented here suggests the questions were not asked — or if asked, were not answered to the shareholders' benefit.

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## XII. Board Capture — The Evidence That the Board Served Management, Not Shareholders

**THE CENTRAL QUESTION:** Management extracted nearly \$1 billion in stock compensation, engineered \$3.5B in buybacks using borrowed money, drove tangible equity to negative \$2.5B, sold their own shares at prices 2-3x higher than today — and was re-hired, not fired. The board that approved every step of this had an average tenure of 9.5 years, met four times in FY2024, and was led by a private equity investor trained in the exact financial engineering being deployed. The evidence below is not circumstantial. It is in the public record.

### A. The Board: Who They Are and Where They Come From

The following table documents the current FICO board, their professional backgrounds, tenure, and governance roles. All data is verified from the FICO 2025 Proxy Statement (DEF14A filed January 27, 2025, for the March 5, 2025 Annual Meeting), SEC EDGAR, and company sources.

Director	Tenure (Years)	Professional Background	Governance Role at FICO
<b>Braden R. Kelly (Chairman)</b>	12	Partner, Health Evolution Partners (PE); former Partner / MD, General Atlantic LLC (global PE); former M&A banker, Morgan Stanley & Co. Investment Banking Division	Chair, Governance / Nominating / Executive Committee (GNEC); sets board composition and director nominations. Member, LDCC (compensation). Chairman since February 2016.
<b>William J. Lansing (CEO — not independent)</b>	19	Chief Executive Officer of FICO since January 2012. Sits on the same board that sets his compensation.	CEO. Not independent. Has served on the board for 19 years. His personal wealth is almost entirely in FICO equity.
<b>Joanna Rees</b>	10	Managing Partner / Executive Chairman, West Global (venture studio). Former Managing Director, Soda Rock Partners (VC/investment).	Chair, Leadership Development and Compensation Committee (LDCC) — the committee that designs and approves all executive pay. Member, Governance / Nominating Committee. Oversees CEO compensation.
<b>Marc F. McMorris</b>	9	Co-CEO and Co-Founder, Carrick Capital Partners (PE/growth equity). Extensive SaaS and financial technology investment background. Designated 'audit committee financial expert.'	Audit Committee. Named audit committee financial expert under SEC guidelines. Reviewed financials showing negative \$800M+ equity for multiple consecutive years.

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Director	Tenure (Years)	Professional Background	Governance Role at FICO
David A. Rey	14	Former EVP and Chief Client Relationship Officer, UnitedHealth Group.	Member, Governance / Nominating and Executive Committee. Longest-tenured independent director — has served through the entirety of the buyback acceleration and equity collapse.
Fabiola R. Arredondo	5	Managing Partner, Siempre Holdings LLC (investment / advisory).	Committee member. Joined board 2019-2020; approved later-stage buyback authorizations.
Eva Manolis	6	Former VP, Amazon.com, Inc.	Committee member.
H. Tayloe Stansbury	1	CEO, Kaleidescape, Inc. Added to board August 2023. Introduced in SEC 8-K by CEO Lansing: 'We are excited to welcome Tayloe to the Board.'	Committee member. Appointed during the year in which the CEO received \$66.3M in total compensation.

Sources: FICO DEF14A filed January 27, 2025 (SEC EDGAR); FICO DEF14A filed January 2024; SEC 8-K filed August 24, 2023 (Stansbury appointment); FICO corporate governance page [fico.gcs-web.com](http://fico.gcs-web.com); salary.com director compensation data (confirmed against proxy).

## B. The Governance Metrics

Governance Metric	Verified Data
Average board tenure	9.5 years (per FICO 2025 Proxy Statement — confirmed)
Board meetings in FY2024	4 (per FICO 2025 Proxy Statement — confirmed)
CEO tenure on board	19 years (per FICO 2025 Proxy Statement — confirmed)
Chairman background	Private equity / investment banking (General Atlantic, Morgan Stanley M&A)
Compensation Committee Chair tenure	10 years (Joanna Rees, per 2025 Proxy Statement)
Director stock ownership guideline	7x annual base retainer in FICO stock (per corporate governance guidelines — confirmed)
Non-employee director equity (FY2023)	\$265,605 in FICO stock per director (Braden Kelly: \$365,605 total — salary.com / SEC proxy)
Who nominates directors	GNEC chaired by Braden Kelly; CEO Lansing personally introduced at least one director (Stansbury, SEC 8-K Aug. 2023)
Institutional ownership	85-87% (as of early 2025), primarily passive index: Vanguard 11%, BlackRock 10%, State Street 4%
Say-on-pay (FY2023 award) vote	58% — below the 70% threshold that typically triggers mandatory engagement under proxy advisory firm guidelines
Board response to 58% vote	Promised to avoid one-time awards; maintained equity-heavy pay structure; CEO received \$35.3M in FY2024 and est. \$36M in FY2025

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Governance Metric	Verified Data
<b>Buyback authorizations by this board</b>	Multiple; most recently \$1.5B on February 25, 2026 — after stock had already fallen substantially from peak

Sources: FICO 2025 Proxy Statement; FICO Corporate Governance Guidelines ([fico.gcs-web.com](http://fico.gcs-web.com)); Quiver Quantitative institutional ownership data (2025); [salary.com](http://salary.com) director compensation.

## C. The Five Structural Proof Points

### 1. The Chairman Is a Private Equity Veteran — Trained in the Exact Engineering Being Deployed

Braden Kelly's career arc is Morgan Stanley M&A banking → General Atlantic (global PE, technology growth investing) → Health Evolution Partners (PE). He joined FICO's board in February 2013 — precisely when the buyback acceleration began in earnest — and became Chairman in February 2016, the year before dividends were eliminated.

Private equity investors are professionally trained in a specific discipline: use leverage to reduce share count, amplify per-share metrics, and drive stock price appreciation. This is not sinister — it is their professional toolkit. The question a fiduciary should ask is: was the FICO board under Chairman Kelly operating as a steward of long-term shareholder capital, or was it operating as a financial engineer optimizing share price for the benefit of insiders who could sell?

Kelly chairs the GNEC — the Governance, Nominating and Executive Committee. This means he controls who gets nominated to the board. The board composition reflects his judgment about who belongs there. It includes another PE investor (McMorris, Carrick Capital Partners) and a venture capitalist who chairs the compensation committee (Rees, West Global). It does not appear to include a single director with a primary background in corporate credit risk, capital structure preservation, or fiduciary liability.

### 2. The Compensation Committee Chair Approved the CEO's \$66 Million Award

Joanna Rees has chaired the Leadership Development and Compensation Committee (LDCC) for approximately 10 years. The LDCC is the body that designs, recommends, and approves the CEO's compensation. It was this committee that recommended the FY2023 total compensation package of \$66,349,962 — verified in the SEC DEF14A filed January 2024.

Shareholders expressed displeasure in the most direct mechanism available to them: the say-on-pay vote. In FY2023, only 58% of voting shareholders approved the executive compensation — a vote that proxy advisory firms (ISS, Glass Lewis) typically flag at below 70%, triggering mandatory engagement requirements. The board's formal response, documented in the 2025 proxy, was to engage with 33 institutional investors (representing 63% of shares) and commit to avoiding one-time awards in the future.

The CEO received \$35.3 million in FY2024 and an estimated \$36 million in FY2025 — at the same time the stock was falling from its all-time high toward \$1,092. The equity-heavy pay structure that created the incentive to prioritize short-term share price over long-term balance sheet health was left entirely intact.

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## **3. The Director Appointed by the CEO Himself**

In August 2023 — the year the CEO's compensation peaked at \$66.3 million — FICO added H. Tayloe Stansbury to the board. The SEC 8-K filing announcing the appointment includes the following statement from CEO Lansing: 'We are excited to welcome Tayloe to the Board as a trusted advisor to FICO.' The appointment is announced through the CEO's voice, not the chairman's.

Directors are legally supposed to represent shareholders. When the CEO is publicly welcoming a new 'trusted advisor' to his own oversight body, it raises a question about whose interests that director will serve when the next executive compensation decision comes before the board.

## **4. Directors Are Paid in FICO Stock — The Same Stock Being Inflated by the Buybacks They Approve**

FICO's corporate governance guidelines state that directors should hold a minimum equity stake of 7x their annual base retainer in FICO stock, to be achieved within five years of joining the board. Non-employee directors receive their compensation in a mix of cash and restricted FICO stock. Chairman Kelly received approximately \$365,605 in total FY2023 compensation, of which approximately \$265,605 was in stock — a figure confirmed by salary.com against the SEC proxy.

This creates a direct financial alignment: every time the board approves a buyback authorization, they are approving a program that mechanically supports the price of the stock that constitutes the majority of their own compensation. When the board voted to authorize \$1.5 billion in new buybacks on February 25, 2026, they were voting to support the price of the stock they personally hold — with the shareholders' money.

This is not illegal. It is disclosed. But the disclosure does not make the incentive structure less real. A board that is paid primarily in the company's stock has a financial stake in actions that support that stock price — regardless of whether those actions serve the long-term interests of the shareholders whose capital is being deployed.

## **5. The Institutional Shareholders Who Could Have Stopped This Did Not**

Approximately 85-87% of FICO's shares are held by institutional investors, with Vanguard (11%), BlackRock (10%), and State Street (4%) representing the three largest positions. These are among the most powerful institutional investors in the world. Combined, they likely hold 25%+ of FICO's shares.

These institutions are primarily passive index fund managers. Their obligation is to track their benchmark — not to engage meaningfully with individual company governance. In practice, passive managers have historically voted with management on most routine matters, including director elections and say-on-pay resolutions. The 58% say-on-pay approval in FY2023 is notable precisely because it indicates that even some of these institutions voted against management — and still the program continued unchanged.

The mechanism that should have disciplined this board — an engaged institutional shareholder base demanding accountability — was largely absent. Wall Street firms benefit from the debt issuances (earning underwriting fees), from the buyback trading volume (earning commissions), and from the stock price appreciation that preceded the decline (earning management fees on assets under management that included FICO). Their incentives were aligned with the program continuing, not with it stopping.

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**THE DOCUMENTED CHAIN: A PE-trained Chairman controls board nominations. A venture capitalist chairs the compensation committee. The CEO sits on his own board for 19 years. Directors are paid in stock that benefits from the buybacks they approve. The CEO publicly welcomes a new 'trusted advisor' to the board. The board meets 4 times per year. Institutional shareholders are primarily passive. The say-on-pay vote falls to 58% — and nothing changes. Management takes \$100M+ in compensation over four years. The stock falls 54.1% from its high. A new \$1.5B buyback is authorized. A new \$1B in debt is issued. This is not a governance failure. It is governance functioning exactly as designed — for the benefit of the people inside it.**

## **D. The Fiduciary Questions This Board Should Have Asked — and Apparently Did Not**

- At what point does the company's negative equity represent a risk to its ability to operate, refinance debt, or respond to a regulatory challenge to its core business?
- If insiders are selling consistently and no insider is buying, what does that signal about the intrinsic value of the stock at current prices?
- Does it serve shareholders to borrow at 6.25% to fund buybacks when the stock has already fallen 54.1% from its high — and when tangible equity is negative \$2.5 billion?
- Would the distribution of \$3.5 billion in cash dividends over ten years — rather than buybacks — have better served the diversified shareholder whose cost basis reflects the price paid, not the management's grant price?
- Is the company's capital structure appropriate for a business whose primary asset is a regulatory relationship (the FICO Score) that is increasingly subject to government scrutiny?

None of these questions required a financial model. All of them required a board willing to ask them — and a governance structure that rewarded asking them. The evidence suggests neither condition was met.

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## XIII. The Wall Street Consensus — Ten Buy Ratings, Ten Wrong Answers

A fiduciary who turned to Wall Street's sell-side research for guidance on FICO between May 2025 and February 2026 would have encountered a unified message: Buy. Every rated analyst covering the stock during this period maintained a Buy or Strong Buy recommendation. Not one issued a Hold. Not one issued a Sell. Not one downgraded.

The following table documents every analyst who maintained or initiated a Buy or Strong Buy rating on FICO during the twelve months preceding March 12, 2026 — at the price target representing their highest conviction. It records what they recommended, what the stock traded at when they said it, and what has happened since.

Analyst	Firm	Rating	Price Target	Date	Price When Rated	Loss Since Rating
Kyle Peterson	Needham	Strong Buy	\$2,575	5/12/25	\$2,130	-48%
Surinder Thind	Jefferies	Strong Buy	\$2,500	5/14/25	\$2,125	-48%
Jason Haas	Wells Fargo	Buy	\$2,500	1/14/26	\$1,616	-32%
Manav Patnaik	Barclays	Buy	\$2,400	10/2/25	\$1,784	-38%
Owen Lau	Oppenheimer	Buy	\$2,300	7/8/25	\$1,703	-36%
Patrick O'Shaughnessy	Raymond James	Buy	\$2,230	4/30/25	\$1,989	-45%
Ryan Griffin	BMO Capital	Buy	\$2,200	11/6/25	\$1,674	-34%
Jeffrey Meuler	Baird	Buy	\$1,960	11/6/25	\$1,674	-34%
George Tong	Goldman Sachs	Strong Buy	\$1,770	2/3/26	\$1,328	-17%
John Mazzoni	Seaport Global	Strong Buy	\$1,600	10/1/25	\$1,512	-27%

Current price: \$1,098.23 (March 12, 2026). Loss calculated from price at date of rating to current price. Sources: StockAnalysis.com; Bloomberg; firm research summaries (confirmed).

### What ERS Ratings Showed at the Same Dates

When these recommendations were issued, ERS's proprietary risk metrics told a different story. The table below documents the ERS ratings in effect on each analyst's rating date.

Analyst	Firm	Date	LI	eLiq.	eStr.	eDur.	4-Rating Average
Kyle Peterson	Needham	5/12/25	64	124	-122	-29	9
Surinder Thind	Jefferies	5/14/25	64	124	-122	-29	9
Jason Haas	Wells Fargo	1/14/26	-15	-133	-112	-70	-83
Manav Patnaik	Barclays	10/2/25	24	-94	-122	-47	-60
Owen Lau	Oppenheimer	7/8/25	26	130	-121	-30	1
Patrick O'Shaughnessy	Raymond James	4/30/25	64	124	-122	-29	9
Ryan Griffin	BMO Capital	11/6/25	24	-94	-122	-47	-60
Jeffrey Meuler	Baird	11/6/25	24	-94	-122	-47	-60

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Analyst	Firm	Date	LI	eLiq.	eStr.	eDur.	4-Rating Average
George Tong	Goldman Sachs	2/3/26	-15	-133	-112	-70	-83
John Mazzoni	Seaport Global	10/1/25	24	-94	-122	-47	-60

ERS ratings: LI = Loss Indicator; eLiquidity, eStrength, eDurability = proprietary risk dimensions. Negative values indicate elevated risk. Source: Equity Risk Sciences, Inc.

## Analysis

### The Uniform Signal That No One Heard

Across all ten analyst recommendations, FICO's eStrength score — which measures balance sheet durability — never rose above -112. The eDurability score — which measures the sustainability of the business's financial position — was negative in every period. For the five analysts who rated the stock from October 2025 onward, the Composite 4D score had deteriorated to -60 or worse, indicating broad-based risk across all four measured dimensions. By the time Goldman Sachs and Wells Fargo maintained their recommendations in early 2026, every ERS metric was negative.

These are not proprietary signals available only to institutional subscribers. They are the outputs of a systematic, quantitative framework applied to the same public financial data that every analyst on this list had access to. The difference is not in the data. The difference is in the question being asked. ERS's framework asks: what is the probability and magnitude of loss? The sell-side consensus asked: what is the upside to the next price target?

### The Structural Conflict

It is not the purpose of this report to allege that any individual analyst acted in bad faith. It is the purpose of this report to document a structural fact: every firm on this list earns revenue from the companies it covers — through investment banking relationships, trading commissions, capital markets activity, or asset management. The mechanism that produces sell-side research is not designed to protect the investor who reads it. It is designed to generate activity that benefits the firm that publishes it.

The result is visible in the table above. Ten analysts. Ten Buy or Strong Buy ratings. An average price target of \$2,204 — more than double the current price of \$1,098. An average loss of -36% from the price at the time of their recommendation. Not one of them told investors to sell. Not one of them told investors to hold. The consensus was unanimous — and unanimously wrong.

### The Fiduciary Implication

A registered investment advisor who recommended or held FICO during this period on the basis of sell-side consensus — "every analyst says Buy" — was not exercising independent judgment. The fiduciary standard requires more than agreement with the majority. It requires an independent assessment of risk. The balance sheet showed negative equity. The insider activity showed 65 sales and zero purchases. The ERS risk metrics showed deterioration across every measured dimension. The sell-side said Buy. A fiduciary's obligation was to ask why — and whether the people saying Buy had the same interests as the clients whose money was at risk.

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## XIV. The Counterargument — Bull Case and Rebuttal

Intellectual honesty requires presenting the strongest argument for FICO's capital allocation strategy. The following are the most credible arguments made by FICO's management and supporters. Each is followed by a substantive rebuttal.

### **Bull Argument 1: The FICO Score Is a True Monopoly — Debt Is Rational**

**Bull case:** FICO Score is embedded in about 90% of U.S. mortgage lending decisions and is the industry standard across virtually all consumer credit. This franchise is nearly impossible to displace. Given FICO's return on invested capital of 15-20%+, borrowing at 5-6% to retire shares is mathematically rational value creation. The leverage is not reckless — it is optimized.

**Rebuttal:** The durability of a franchise does not protect against a structural repricing of its stock. A business can be excellent and its stock can still be overvalued. At \$2,382 — a peak market capitalization of \$58-60 billion on approximately \$500 million in free cash flow — FICO traded at more than 100x free cash flow. That valuation required not just franchise durability but perpetual compound growth at high rates. The FHFA director's comments in October 2025 about FICO Score pricing, and the subsequent market reaction, illustrate how quickly a regulatory repricing can compress that multiple. The franchise is real. The valuation was not conservative.

### **Bull Argument 2: Buybacks Created Real Per-Share Value**

**Bull case:** By reducing share count from 31.3 million to 24.3 million — a 22% reduction — the company mechanically increased the value of each remaining share. EPS grew 21% year-over-year in FY2024 on 13% revenue growth. That delta is real, quantifiable value delivered to shareholders.

**Rebuttal:** EPS accretion through share count reduction is not the same as enterprise value creation. It is a mathematical redistribution of the same earnings pie into fewer slices. The shareholders who sold were paid; the shareholders who held received higher EPS in a company with \$4+ billion in debt and negative tangible equity. Whether that trade was beneficial depends entirely on whether the stock was bought at the right price — and the evidence is now clear that the company spent the majority of its buyback capital at prices far above today's \$1,092.

### **Bull Argument 3: Insider Selling Is Normal Diversification**

**Bull case:** The CEO holds almost his entire net worth in FICO stock. Selling is prudent diversification, not a negative signal. Rule 10b5-1 trading plans are pre-established, compliant, and routine for executives of large public companies. Reading significance into every sale is a misunderstanding of how executive compensation works.

**Rebuttal:** The pattern is not one sale or two. In a verified 6-month window ending March 10, 2026, there were 65 insider sales and zero insider purchases — from any insider, at any price. If insiders believe the stock represents compelling value at current prices, the mechanism to demonstrate that belief is to buy shares in the open market. No FICO insider did so. The corporation was the buyer. The insiders were the sellers.

## XV. Conclusions and Fiduciary Implications

### What the Evidence Shows

This report has documented, entirely from public SEC filings and verified databases, the following facts about Fair Isaac Corporation's decade-long capital allocation and governance:

- Approximately \$937 million was paid to management in stock-based compensation over ten years, while the company deployed \$3.5+ billion on buybacks — much of which repurchased the same diluted shares.
- Total debt grew from approximately \$200 million to \$3.1 billion — and is on track to exceed \$4 billion following the March 2026 notes issuance.
- Tangible book value declined from a positive position to negative \$2.5 billion — technical insolvency on a tangible asset basis.
- The CEO received more than \$100 million in total compensation over four fiscal years (FY2022–FY2025 estimated), while personally executing 60 stock sales in the most recent 6-month window alone for proceeds of \$23.2 million.
- In a verified 6-month window, insiders executed 65 sales and zero purchases of FICO stock.
- The board that approved every step of this program has average tenure of 9.5 years, met four times in FY2024, is chaired by a private equity veteran, has a compensation committee chaired by a venture capitalist, and is composed primarily of financial professionals whose own compensation is denominated in the same stock benefiting from the buyback program.
- Shareholders expressed governance concern through a 58% say-on-pay vote. Nothing changed.
- As of March 12, 2026, the stock trades at \$1,092 — down 54.1% from its all-time high — and the company is simultaneously issuing \$1 billion in new debt and maintaining a \$1.5 billion buyback authorization.

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## What This Means for Fiduciaries

A fiduciary reviewing FICO at any point between FY2021 and today would have had access to every fact in this report. The negative equity was on the face of the balance sheet. The insider selling was in the Form 4 filings. The say-on-pay vote was in the proxy. The debt accumulation was in the long-term liabilities section.

The fiduciary's obligation is not to avoid companies with complex capital structures. It is to ask: does the current price reflect the full risk embedded in this company's capital allocation decisions? And: if the same management team that engineered this structure continues to be retained and compensated at this level, what is the probability that the next decade looks like the last one?

The question of board capture is not academic. It is material. If the board's financial interests are aligned with management rather than shareholders — through stock compensation, through PE investment instincts, through governance structures that concentrate power in a handful of long-tenured insiders — then the mechanism designed to protect shareholders from management excess is compromised. The fiduciary who relies on that mechanism without examining whether it is functioning is not exercising independent judgment. The fiduciary is trusting the structure. The structure, in this case, has delivered the outcome documented in this report.

**BOTTOMLINE FOR FIDUCIARIES: Every warning sign in this report was available on the public record. A balance sheet showing negative equity is not a footnote — it is on the face of the filing. A company where 65 insiders sell and zero buy is not ambiguous. A board led by a PE veteran, compensated in the stock it oversees, meeting four times a year, approving \$3.5B in buybacks while equity collapses — is not a governance mystery. The question is not whether the evidence was available. The question is whether any fiduciary looked.**

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## XVI. Final Observations

The arithmetic of this decade is worth stating plainly.

Over ten years, FICO issued approximately \$937 million in stock-based compensation. To sustain the share price against which those awards would be valued — and to offset the dilution they created — the company deployed \$3.5 billion in share repurchases. To fund those repurchases, it borrowed: total debt grew from approximately \$200 million in FY2015 to more than \$3 billion by Q1 FY2025.

On March 11, 2026, the company issued \$1 billion in new senior notes — in part to refinance the debt that was taken on to fund the buybacks that were executed to offset the dilution created by the compensation program. The March 2026 notes offering is, in a meaningful and documentable sense, the downstream consequence of a decade of self-referential capital allocation: compensation funded by equity, equity supported by buybacks, buybacks funded by debt, and debt now refinanced by more debt.

Management told shareholders the company did not need tangible assets. So they took the tangible assets — and gave them to themselves. At \$500 million in market capitalization, FICO was a rounding error in most index funds. At \$58 billion, it was a meaningful position in every benchmark.

The mechanics of passive investing require buying more of a stock as it rises in price — because its weight in the index grows. This means that the endowments, pension funds, and retail investors who owned FICO through index funds were not making a judgment that it was worth \$58 billion. They were making no judgment at all. They were buying because the machine told them to buy. And the machine had no mechanism to ask whether what it was buying was worth the price.

That is the deeper governance failure this report documents. Not just that analysts lied, or that the board served management, or that insiders sold while shareholders held. All of that is true and documented. The deeper failure is that the system — the index-driven, consensus-anchored, fiduciary-by-proxy system that manages most of the retirement wealth in America — has no built-in obligation to ask whether the price it is paying reflects the value it is receiving. It assumes someone else has asked. In the case of FICO at \$58 billion, nobody had.

This is not the first time this has happened. It is not the tenth time. It is the exposed architecture of a system that permits — and in its current structure, incentivizes — the repeated transfer of risk from the people who create it to the people who cannot see it. The names change. The balance sheets change. The arithmetic does not.

What could make a company with no tangible equity worth \$58 billion? The question answers itself. Nothing this company could do — no product, no patent, no market position, however dominant — justifies that price at those multiples on that balance sheet. The market eventually agreed. It always does. The investors who bore the cost of that agreement were not the insiders who sold, or the analysts who promoted, or the board members who approved. They were the pension beneficiaries, the endowment recipients, and the retail investors whose fiduciaries either could not or would not ask the question before the market answered it for them.

This report is now part of the public record. The facts are documented. The arithmetic is verified. The questions that were not asked between 2015 and 2026 are now asked — in writing, with

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sources, in a document that names the companies, the analysts, the board members, and the numbers. The next time a company with no tangible equity, \$4 billion in debt, and a \$58 billion market capitalization collapses — and the pension funds and endowments and retail accounts that held it ask how this was allowed to happen — the answer will no longer be that nobody raised the question. Someone did. The question now is who read it, and what did they do about it.

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**“Management told investors the company didn’t need cash or tangible assets -  
so they took them.”**

**— Raymond Michael Mullaney, Founder**

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