



August 29, 2017

DAVID L. BAHNSEN, CFP®, CIMA®
MANAGING DIRECTOR, PARTNER
CHIEF INVESTMENT OFFICER

HIGHTOWER
THE BAHNSEN GROUP

—
520 NEWPORT CENTER DRIVE
SUITE 550
NEWPORT BEACH, CA 92660

(949) 877-5010

DBAHNSEN@HIGHTOWERADVISORS.COM

WWW.THEBAHNSENGROUP.COM

President Donald J. Trump
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

My name is David Bahnsen, a lifetime Republican, engaged citizen, and grateful American. The purpose of this letter is to plead with your administration to consider a pardon of Mr. Michael Milken. Your administration's recent pardon of Sheriff Joe Arpaio has provoked a resurgence of thought around Presidential pardons, and for the reasons I shall enumerate, I respectfully ask the administration to consider using its Constitutional pardon privileges in the case of Mr. Milken.

The prosecution of Michael Milken and the era in which it took place evoke strong opinions from all sides. My request is not rooted in an interest in re-litigating the merits of that case. The reality is that there never was much of a case, and the nation was only spared a toxic, complex, and uncertain trial because Mr. Milken sacrificially chose to spare his innocent brother the horror of an arrest when the prosecution leveraged such a threat against him. The era in which Milken flourished (the 1980's) did, indeed, feature significant incidents of white-collar crime, often crime that was easy to define, with perpetrators who were painfully transparent about their guilt. Michael Milken's case is not so simple. The reason a pardon is so desperately needed is to rid the public consciousness of the false assumptions and understandings that surround his case. Indeed, only a pardon will allow this case to be a testimony to what is right about America, as opposed to what is wrong.

What do I mean by this case revealing wrong in America? It was the ambitious prosecutorial pursuit of Michael Milken that led to some of the most egregious prosecutorial abuses in American history. From the nonsensical actions against



DAVID L. BAHNSEN, CFP®, CIMA®
MANAGING DIRECTOR, PARTNER
CHIEF INVESTMENT OFFICER

HIGHTOWER
THE BAHNSEN GROUP

520 NEWPORT CENTER DRIVE
SUITE 550
NEWPORT BEACH, CA 92660

(949) 877-5010

DBAHNSEN@HIGHTOWERADVISORS.COM

WWW.THEBAHNSENGROUP.COM

Princeton/Newport Partners (thrown out on appeal), to the abusive arrests of Robert Freeman, Richard Wigton, and Timothy Tabor, this was a period in which innocent people's lives and careers and reputations were ruined, all in the pursuit of a man whose alleged crime is, to this day, a total mystery.

It is true that I do not believe Michael Milken committed a crime, and that if he did, it was never specified, alleged, proven, or established. It is further true that the proportionality of the accusation relative to the sentence was so abusive as to defy common sense and faith in our legal system. But Mr. President, it is also true that the consequences of that prosecution persist with us to this day, and desperately need to be purged from American consciousness.

Indeed, the prosecution of Michael Milken led to the collapse of Drexel Burnham, an early precedent for "corporate prosecutions" in which innocent people pay the price for guilty people, if there even were guilty people. In the aftermath of the Arthur Anderson tragedy of the early 2000's, your actions could state that such headline-seeking, human-damaging corporate prosecutions, devoid of due process and appropriate specificity, will never again put innocent administrative assistants and technology support staff on the unemployment rolls.

Michael Milken was targeted, arrested, prosecuted, and eventually imprisoned, because our society went through a period of class envy run amok. It was not the first time that economic resentments spilled into the public policy sphere, and we hold out no such hope that it will be totally extinguished in the future either. However, the shockingly high income Michael Milken generated in the 1980's, high enough then to ensure public sympathy for his prosecution, now looks much less relevant in the aftermath of two decades of hedge fund compensation that has trumped several times over what Mr. Milken ever generated. Regardless, in our country, prosecutions should follow law-breaking, not mere commercial success. While Mr. Milken's mid-1980's income may have made him an easy target for prosecutors with political ambitions, it should not have been a basis for his public fall from grace. There was never an allegation that Michael Milken's heavy income was ill-gotten, indicative of a crime. His earnings were used to poison the well. A pardon will help detoxify it.

But this brings me to my final point, one that you no doubt have a personal understanding of, and that a company no less relevant to the present American capital structure than Tesla is involved with: The generational verdict on the Milken-esque innovation of high yield bonds is categorically different than it was at the time of his



DAVID L. BAHNSEN, CFP®, CIMA®
MANAGING DIRECTOR, PARTNER
CHIEF INVESTMENT OFFICER

HIGHTOWER
THE BAHNSEN GROUP

520 NEWPORT CENTER DRIVE
SUITE 550
NEWPORT BEACH, CA 92660

(949) 877-5010

DBAHNSEN@HIGHTOWERADVISORS.COM

WWW.THEBAHNSENGROUP.COM

prosecution. In short, Mr. President, when it comes to the oft-aligned instruments that Mr. Milken pioneered, history has vindicated him; it is time for a Presidential pardon to do the same. Yes, many investors lost money on the junk bond craze of the late 1980's when the risk that accompanied their high rewards won out for a brief period. But the high yield bond market has proven itself through multiple market cycles to be a highly effective way of pricing risk and reward, and has proven to be a gift that keeps on giving for many credit investors seeking income and growth. Along the way, the investor's pursuit of these returns, in addition to most often paying off, has helped to fund thousands of companies that could not obtain financing elsewhere. We look at Tesla today as a quintessential modern company, combining social and environmental goals with an intense corporate culture. As Tesla has managed the equity side of their balance sheet to its fullest for the last several years, high yield bond debt has become the strategy of choice for the company with their latest branch of growth and expansion. Would Tesla have access to such robust capital markets innovation apart from the work of Michael Milken over thirty years ago? We think not.

Michael Milken is a symbol, in a lot of ways, but he also is a real person. A presidential pardon grants the man, the father, the philanthropist, and the loyal brother deserved grace. But it also makes a larger, more symbolic statement. It will serve as a mea culpa for an ugly period of prosecutorial over-reach. It will accompany the vindication that history has provided Mr. Milken's innovations in the capital markets with a vindication from the highest office in the land.

Ours is a nation of justice and enterprise. The interest of both will be zealously served by a granting of a pardon to Mr. Michael Milken.

Respectfully,

David L. Bahnsen, CFP®, CIMA®
Managing Partner
Chief Investment Officer
The Bahnsen Group, HighTower
www.thebahnsengroup.com