

## Confirmed, Undisclosed SEC Investigation

### SEC Probe Now Confirmed at AmTrust Financial Services

*Company Likely Was Sitting on it for a Good While*

*SEC Probes Also Found at Maiden Holdings and National General Holdings*

Disclosure Insight® reports provide commentary and analysis on public company interactions with investors and with the SEC. They are heavily reliant on our expertise in using the Freedom of Information Act.

UPDATE, 08-May-2017, 1333 hrs EDT: We added information from our library about an undisclosed SEC probe at National General Holdings Corp (NGHC) as of Dec-2016. The rest of the report remains unchanged.

“An AmTrust spokeswoman declined to comment on whether the company knows of any SEC probe, saying the company didn't speak for the agency.”

- Wall Street Journal, [Secret Recordings Play Role in SEC Probe of Insurer AmTrust](#), 11-Apr-2017

**Quick Take:** Fresh data from the SEC points to an SEC investigation of AmTrust Financial as early as 29-Mar-2017, before the Wall Street Journal warned of the same on 11-Apr-2017. We think an SEC probe likely started even earlier, and could involve Maiden Holdings. It's time for AmTrust Financial management to 'fess up and come clean with investors about SEC and other law enforcement exposure(s). Absent full transparency here, experience tells us the current stock price could easily become an aspirational upside target by year-end.

**Facts of Interest or Concern:** AmTrust Financial Services Inc. is added to our Watch List of companies with undisclosed SEC probes.

- Our first FOIA response indicating an SEC probe was 29-Mar-2017. This was then confirmed in an SEC response dated 17-Apr-2017. This is our first time researching AmTrust Financial Services.
- Since at least 2013, the shorts and the longs have

been involved in a protracted and at times animated battle, some of it fought in highly visible articles appearing on Seeking Alpha.

- On 08-Feb-2014, Barron's ran an article critical of AmTrust's accounting titled, [An Insurer's Feat: Turning Losses Into Gains](#)
- On 01-Apr-2016, AmTrust Financial dismissed its long-time auditor, BDO, to replace them with KPMG.
- In May-2016, the Southern Investigative Reporting Foundation warned of potential monkeyshines involving the CEO's ownership interest in AmFirst Financial's shares. See, [Barry Zyskind's High Stakes Three Card Monte Game](#)
- UPDATE, 08-May-2017, 1333 hrs EDT: AmTrust has a reinsurance deal with **National General Holdings dings, Ltd (NGHC)**. On 02-Dec-2016, the SEC confirmed ongoing enforcement proceedings at NGHC, which we wrote was undisclosed at the time.
- AmTrust has a reinsurance deal with **Maiden Holdings, Ltd (MHLD)**. On 13-Dec-2016, [the SEC confirmed ongoing enforcement proceedings at MHLD](#), which we wrote was undisclosed at the time.
- In Feb-2017, AmTrust disclosed internal controls problems and said it would delay filing its 2016 10-K.
- On 04-Apr-2017, AmTrust Financial filed its 10-K for 2016 and restated 2014 and 2015. This also made the company current with all listing requirements. The shares were up sharply on the news.

**Analyst Observations:** Take your pick: Most anything from the array of negative reports (Barron's in 2014 and elsewhere since); the auditor dismissal in Apr-2016; the delayed filings & subsequent restatement in 2017; and/or, the SEC probe at Maiden Holdings – any one of them could easily trigger the SEC to investigate AmTrust.

In response to the WSJ story, the company issued a press release (next page) which was amazingly silent on the SEC. Unless management answers questions as to what the SEC is investigating, when it started, and where it stands today, we are left to conclude this is a troubled company led by a management that cannot be trusted.

#### **Supplemental Data:**

#### AmTrust Responds to Wall Street Journal Article

NEW YORK, April 11, 2017 -- The Wall Street Journal today published an article suggesting there was an alleged FBI investigation in 2014 -- three years ago -- with respect to AmTrust's accounting practices initiated by complaints made by short sellers. AmTrust is not aware of any such investigation, nor for that matter, has it ever been contacted by the FBI with respect to such an investigation. Further, AmTrust is not aware of any special examination by the New York Department of Financial Services, other than examinations conducted in connection with AmTrust's 2014 Tower transaction, which the Department approved.

AmTrust has no direct knowledge of any of the individuals, named or unnamed, referenced in the article and is certainly not aware that they have any credibility with respect to their understanding of AmTrust or its regulators. Immediately following AmTrust's filing of its 2016 Form 10-K, and the unqualified audit opinion issued by KPMG, the Wall Street Journal contacted AmTrust concerning a possible article in which it seemed that AmTrust would be a part. We have been as responsive as possible to the Wall Street Journal during this period. Many of the questions from the Wall Street Journal related to the disproved short seller themes about AmTrust that have been used unsuccessfully by shorts and their confederates for the past several

years. There is nothing in today's Wall Street Journal article in terms of the company's operations or financial results that is different from these old, recycled short seller themes.

In light of its observance of the Passover holiday over the next two days, AmTrust will have no further comment at this time.



*At least once in the past, the SEC had cited the "law enforcement exemption" of the Freedom of Information Act (FOIA) as basis to deny the public's access to the detailed records we sought on this company. As a matter of law, the SEC is acknowledging some sort of investigative activity with this response. We filed an appeal with the SEC Office of the General Counsel to challenge that response.*

*In response to our latest appeal, the date of which is shown in the table below, the SEC stated, "We have confirmed with staff that releasing the withheld information could reasonably be expected to interfere with on-going enforcement proceedings."*

*While the SEC as a matter of course tells the public that an ongoing investigation should not be construed as a finding of any wrong-doing, the public interest is understandably high in tracking these investigations and their outcome. In this case, our research shows these SEC proceedings are undisclosed by AmTrust Financial Services Inc.*

**Independent Investment Research Focused on Public Company Interactions With the SEC.**

**Notes:** Our **Disclosure Insight**® reports, like those coming from other financial news and data providers, provide the investing public with commentary and analysis on public company interactions between investors and/or with the SEC and other agencies. They are journalistically based in large part on our expertise with federal filings using the Freedom of Information Act.

**“Disclosure Games”**® is a trademarked term we use to highlight those public companies engaging in disclosure practices that in our opinion may be misleading, confusing, evasive, or otherwise lacking the transparency needed for investors to make well-informed investment decisions regarding a potentially material exposure.

If we alert you to existence of an undisclosed SEC probe, that means we filed a Freedom of Information Act (FOIA) request with the SEC on the company in question and have a response, in black-and-white, on government letterhead that supports our statement. The only thing we know at this time is that the probe(s) somehow pertains to the conduct, transactions, and/or disclosures of the companies referenced.

New SEC investigative activity could theoretically begin or end after the date covered by the latest information in this report which would not be reflected here. The SEC did not disclose the details on investigations referenced herein. All we know is that they somehow pertain to the conduct, transactions, and/or disclosures of the companies referenced above. Companies with undisclosed SEC investigations are maintained on our Watch List of companies with undisclosed SEC probes.

The SEC reminds us that its assertion of the law enforcement exemption should not be construed as an indication by the Commission or its staff that any violations of law have occurred with respect to any person, entity, or security.

**To learn more about our research process, including how to best use this information in your own decision-making, [click here](#).**

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