

Overview of Wakpamni Series 2014 Bonds

Potentially Suspicious Structure & Transactions

May 8, 2015



Internal Use Only, Draft, Highly Confidential

The Bonds

931130AC Muni		92) Report	93) Alert	Page 1/11	Description: Municipal
WAKPAMNI LAKE SD CMNTY CORP SPL LIMITED REVENUE			94) Notes	97) Settings	
TXBL-TOWN CENTER DEV			CUSIP 931130AC2		
91) SEE DES NOTES		Ticker WKPGEN	Cpn 6.020	Maturity 10/01/2021	Dated 09/12/2014
21) Municipal Bond		22) Series	23) Issuer Description		
Pages	Municipal Bond Information			Trading Information	
1) Bond Info	Issue Type	REVENUE BONDS		1st Settle Dt	09/12/2014
2) Addtl Info	Ult Borrower	Wakpamni Lake Communit...		Next Settle Dt	05/13/2015
3) Involved Parties	Maturity Type	NON-CALLABLE		Int Accrual Dt	09/12/2014
4) Adj Cpn Info	Ext Redemption	NONE		1st Coupon Dt	10/01/2015
5) Credit Enhance	Coupon	6.020	FIXED		
6) Credit Ratings	Prc/Yld @ Iss	N.A./N.A.			
7) Call Sched & ERP	Coupon Freq	ANNUAL			
8) Put Schedule	Tax Provision	FED TAXABLE			
9) Sink & Est Sink	Credit Enhancement				
10) Refunding Info	Bond Ratings				
11) DES Notes					
Quick Links					
31) TDH MSRB Trade					
32) CACS Material Evt					
33) CF Filings					
34) CN Sec News					
35) HDS Holders					
66) Send Bond					

Pricing

Bonds had been valued at \$111, despite never having traded. Morgan Stanley's Credit Trader valued these securities significantly less, and were offered the securities in the \$80s

Bonds 'valued' at \$111.66



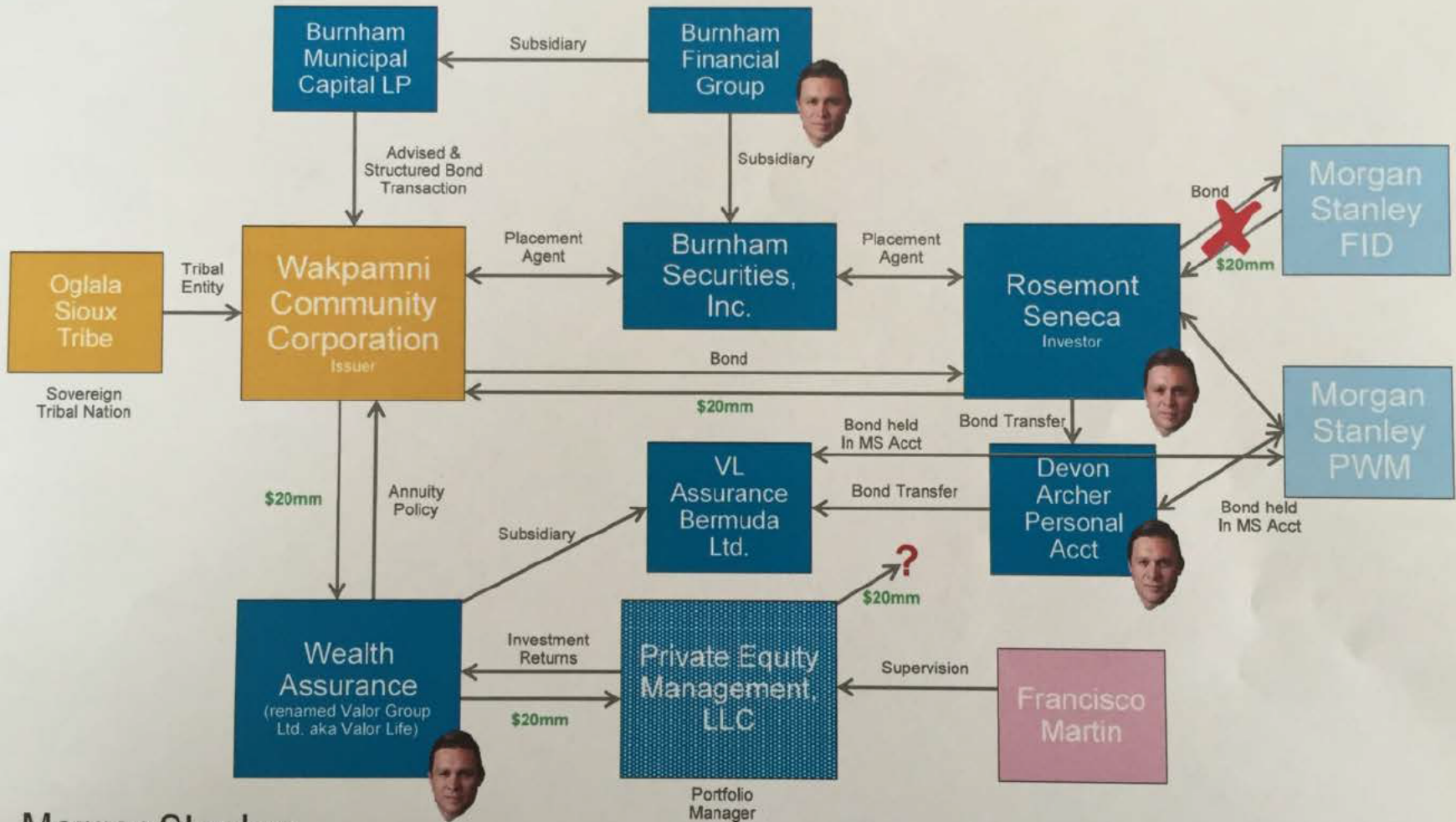
Bonds have never traded



Suspicious & Interactions

- No clear illegal activity is being accused, but authors of this presentation determined activity was suspicious enough to warrant escalation of review by appropriate internal Compliance representatives
- In winter of 2014, Morgan Stanley's municipal credit trading desk was approached by a Morgan Stanley financial advisor, representing a holder of a recently issued private placement taxable municipal bond
- MS FID was contacted on May 7 by an internal retail pricing group requesting assistance in providing an indicative price for this security
- Bonds were secured by an Annuity Insurance policy, which was backed by unspecified 'private equity' investments
- Bonds were issued by Native American tribal conduit issuer with dubious value to the issuer, who may receive limited surplus investment returns in 7 years to construct a town center
- Bond structure was complex, opaque, and a structure that offered no clear economics, or purpose
- Holder was eager to sell, and while price conversations were initially framed in a par context, they quickly dropped to \$80 context, despite being new issue, and seller seemed to have price flexibility below that. Morgan Stanley ultimately declined to bid in December 2014
- Structure of bond, and cash flow appear to have unnecessary complexity, high quantity of transactions, and obscure flows
- Assets may be held offshore in Bermuda accounts, and Annuity issuer is incorporated and authorized to do business only in the British Virgin Islands
- Seems odd that one entity received both the bonds and bond proceeds – essentially paying themselves, net of significant fees, and after issuance were willing to sell the bond at a significant loss
- All key parties involved in transaction are related
- Bonds have never posted a trade
- Due diligence on involved parties reveals less than clean records

Transaction Structure



Morgan Stanley

Internal Use Only, Draft, Highly Confidential

Robert Hunter Biden

- Partner at Rosemont Seneca Partners, LLC
- Sits on the board of Ukrainian gas firm Burisma Holdings Ltd. with Devon Archer
- The Navy Reserve discharged Vice President Joe Biden's son Hunter this year after he tested positive for cocaine, U.S. officials confirmed
- NYTimes: Biden's Son Caught Up in Hedge Fund Trouble, August 25, 2008
 - A son and a brother of Senator Joseph R. Biden Jr. of Delaware are accused in two lawsuits of defrauding a former business partner and an investor of millions of dollars in a hedge fund deal that went sour, The Washington Post reported, citing court records



DealB% WITH FOUNDER ANDREW ROSS SORBIN

MERGERS & ACQUISITIONS | INVESTMENT BANKING | PRIVATE EQUITY | HEDGE FUNDS | IPO/O

Biden's Son Caught Up in Hedge Fund Troubles

By DEALBOOK AUGUST 25, 2008 9:34 AM



A son and a brother of Senator Joseph R. Biden Jr. of Delaware are accused in two lawsuits of defrauding a former business partner and an investor of millions of dollars in a hedge fund deal that went sour, The Washington Post reported, citing court records.

The Democratic vice presidential candidate's son Hunter, 38, and brother James, 59, meanwhile say it was they who were defrauded by their former partner, whom they have accused of misrepresenting his experience in the hedge fund industry, The Post said.

Devon Archer

- Served as an advisor to Senator John Kerry during his 2004 Presidential Campaign and co-chaired the National Finance Committee
- Sits on the board of Ukrainian gas firm Burisma Holdings Ltd. with Hunter Biden
- Board Member of Burnham Financial
- Board Member of Wealth Assurance
- Devon Archer is the General Partner of Rosemont Realty. Mr. Archer is also the Co-Founder and Senior Managing Director of Rosemont Capital, LLC
- Co-Founder of RSTP
- Account Holder at Moran Stanley PWM



