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Morgan Stanley Interaction

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In winter 2014 (Nov/Dec) a Morgan Stanley Wealth Management ("WM") Financial Advisor contacted the ISG Municipal Trading Desk ("ISG Desk")

representing Rosemont Seneca, a holder of a recently issued privately placed taxable municipal bond.

- The holder was eager to sell the bond. Price conversations started at par, however they quickly dropped to the \$80 context and the seller seemed to

have flexibility to go even lower. Ultimately ISG declined to purchase the bond.

o It is extremely odd to have this significant movement in price talks for any bond; it is even more odd for a recently issued bond.

- On May 7, 2015, an internal pricing group for the WM business contacted the ISG Desk requesting assistance with pricing this security, which was being held in a WM account.

- The May 7th inquiry resulted in the ISG Desk performing a detailed review and analysis of the bonds and the entities involved, which generated the below information.

Reasons for Desk **Escalation**

Bond structure is complex, opaque and offers no clear economic purpose

Structure and cash flow of bond appear to have unnecessary complexity, a high number of unnecessary transactions and obscure flows

Odd that one entity will receive both the bonds and the bond proceeds - essentially paying themselves, net of significant fees; and after the issuance was willing to sell at a significant loss.

All key parties in the transaction are related

The bonds have never posted a trade

Due diligence on parties revealed suspicious findings

The Wakapamni Bonds and Transaction Structure (please see Appendix A for a flow chart and Appendix B for additional details on each entity and the individuals mentioned)

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Issued in September 2014 by Wakapamni Community Corporation, a tribal entity of the Oglala Sioux Tribe (a Sovereign Tribal Nation).

- 7 year maturity, 6.020 coupon, CUSIP 931130AC2 (Bloomberg screenshot attached as Appendix B)
- Private (unregistered) bonds; \$20 million outstanding; the ISG Desk believes all \$20 million were sold to one initial purchaser.
- The bonds are backed by an Annuity Insurance Policy issued by Wealth Assurance Holdings Ltd (renamed Valor Group Ltd. aka Valor Life); the Annuity Insurance Policy is backed by unspecified Private Equity Investments
- Burnham Securities Inc. acted as Placement Agent
 - o Burnham Securities Inc is a subsidiary of Burnham Financial Group, which is a subsidiary of Burnham Capital LP
 - o Burnham Capital LP was Advisor and Structurer of the transaction (note that it is not uncommon to have two related entities acting as Placement Agent and Advisor/Structurer on a transaction).
- Rosemont Seneca was the initial investor in the bonds (purchased from Placement Agent Burnham Securities Inc).
 - o The ISG Desk believes Rosemont Seneca transferred the bonds to Devon Archer's personal account (which may be an MS WM account)
 - o The ISG Desk believes Devon Archer transferred the bonds to VL Assurance Bermuda Ltd, who has an MS WM account
- VL Assurance Bermuda Ltd is a subsidiary of Wealth Assurance (the entity that issued the Annuity Policy backing the bonds)
 - o Both the bond proceeds and the bonds ended up in the hands of Wealth Assurance
- The ISG Desk believes the bond proceeds were transferred from Wealth Assurance to Private Equity Management LLC; funds are managed by Francisco Jose Martin

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APPENDIX A - FLOW CHART

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APPENDIX B - Entity and Individual Background

- 1) Wakpamni Community Corporation
 - a. Issuer of the bonds.
 - b. A tribal entity of the Oglala Sioux Tribe (a Sovereign Tribal Nation)
- 2) Burnham Securities Inc.
 - a. Placement Agent

b. Subsidiary of Burnham Financial Group, which is a subsidiary of Burnham Municipal Capital LP (Advisor and Structurer of the bonds)

c. Devon Archer is a Board Member of Burnham Financial Group

3) Rosemont Seneca Partners LLC

a. Initial investor in the bonds

b. Devon Archer is a General Partner of Rosemont Realty and is the Co-Founder and Senior Managing Director at Rosemont Capital LLC

4) Devon Archer

a. Devon is the common thread between all parties in the transaction

b. The desk believes the bonds were transferred from Rosemont to Devon at some point in time

c. The desk believes Devon is an account holder at MSWM

d. Board Member of Burnham Financial Group

e. General Partner of Rosemont Realty and is the Co-Founder and Senior Managing Director at Rosemont Capital LLC

f. Board Member of Ukrainian gas firm Burisma Holdings Ltd (an entity not involved with the Wakpamni bonds) (with Hunter Biden, below)

g. Served as Advisor to Senator John Kerry during his 2004 Presidential Campaign and co-chaired the National Finance Committee

5) VL Assurance Bermuda Ltd

a. The desk believes the bonds are currently held in a VL Assurance account at MSWM

b. Subsidiary of Wealth Assurance (the entity that issued to Annuity Policy that backs the bonds)

6) Wealth Assurance Holdings Ltd (renamed Valor Group Ltd. aka Valor Life)

a. Issued the Annuity Policy that backs the bonds and therefore received the proceeds of the bond issuance

b. Parent of VL Assurance Bermuda Ltd (the desk believes to be the current holder of the bonds)

c. Incorporated and authorized to do business only in the British Virgin Islands

7) Private Equity Management LLC

a. Portfolio manager of the bond proceeds

b. Supervised by Francisco Jose Martin

8) Francisco Jose Martin

a. Supervisor of the portfolio management of the bond proceeds

b. Former UBS employee who was discharged for violating firm policies regarding communications with the public and outside activities

c. No longer holds FINRA licenses (CRD 3269853)

- d. May have been, or currently is, and employee or founder of SDS Ventures LLC
- e. Author at Seeking Alpha
- f. Former CEO of BeautyTicket.com, the online retail destination for premium beauty brands up to 85% off

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- 9) Hunter **Biden** (unrelated 3rd party)
 - a. Not involved in the Wakpamni transaction but the ISG Desk noted the following connections to Devon Archer:
 - i. Hunter is a partner at Rosemont Seneca Partners LLC
 - ii. Hunter is also on the Board of Ukrainian gas firm Burisma Holdings Ltd (an entity not involved with the Wakpamni bonds)
 - b. Has been publicly scrutinized for potentially being involved with hedge fund lawsuits involving fraud
- APPENDIX C - Bond Bloomberg Description