



TFA

Monthly Newsletter

June 2016

IN THE NEWS

Another Tribe Swindled

by Kristi Jackson

News broke this past month about yet another group of corrupt and deceptive financial industry representatives taking advantage of a Tribe. This time, the Oglala Sioux Tribe and an entity on its Pine Ridge Reservation were swindled and left holding the bag – owing nearly \$60 million for bonds sold to investors – who, incidentally, are also going to be left out to dry.

The situation involves the Wakpamni Lake Community Corporation, an economic development entity related to the Oglala Sioux Tribe. Apparently, after several meetings back in 2014, the Corporation agreed to issue bonds that, as they were told by the “bankers,” would provide funds that would be invested in annuities (a type of investment) that would generate a return greater than the interest expense on these bonds. The remaining profits would then be available for the Corporation for economic development purposes.

What happened? According to the SEC charges that were filed, the con

men did not use the proceeds to invest in annuities for the benefit of the Corporation, but instead they used a huge portion of the funds for their personal benefit. Per an SEC press release, “among their alleged misuses of the misappropriated funds were luxury purchases at such retailers as Valentino, Yves Saint Laurent, Barneys, Prada, and Gucci.” The SEC charges also provide details of funds being transferred into personal accounts to pay vehicle expenses, personal legal bills, the IRS, luxury residence costs and individual payments to relatives of the conmen involved in the scheme. One email cited by the SEC, written by the key mastermind, said the bonds were part of a scheme in which the “primary objective is to get (the con men) a source of discretionary liquidity.” Outrageous.

While the Corporation thought it was going to receive funds for an investment, it received only just enough at first to cover the required interest on the debt it owed. As the fraud unraveled, and funds were literally stolen

(continued on Page 2)

National Indian Gaming Commission Selects First Vice Chair in Years

05/04/16 – [Indianz.com](#)

Cloverdale Rancheria Affirms Plans for Casino on New Homeland, but Size and Timeline Unclear

05/06/16 – [PressDemocrat.com](#)

Alabama-Coushatta Tribe Opens Naskila Entertainment near Livingston Texas

05/18/16 – [WorldCasinoDirectory.com](#)

Tribes Blast New Department of Labor Rule Affecting Overtime Pay

05/19/16 – [Indianz.com](#)

San Manuel Tribe Buys Arrowhead Springs Hotel

05/20/16 – [PE.com](#)

Opening of Wa She Shu Casino Marks Landmark Tribal Gaming Partnership

05/26/16 – [PRNewswire.com](#)

(continued from page 1)

from the proceeds accounts, even the interest payments could not be met. The investors in the bonds will wind up with nearly nothing since the Corporation technically owes a sum larger than they can ever hope to repay.

The facts related to the types of businesses the Corporation was to invest in are less than clear; however, from the SEC's findings it is obvious that the fraud was blatant, that the people involved were crooks, and the Corporation did not receive what it was promised. Among the many wrongs in this sordid example of greed – and misguided trust by a Tribal entity – are many lessons to be highlighted:

1. **Thoroughly diligence the financial institution** with which you are preparing to do business. Doing a background "broker check" on the FINRA website of the firm will reveal prior charges, fines and records. In this case, the key individuals had previously been charged with stock and accounting fraud. Would the Corporation have agreed to issue the bonds had they known about this unscrupulous past?
2. **Understand the amount of debt, why you need it, and how you can pay it back** – before you borrow it. The Corporation was only going to receive a small portion of the proceeds to invest in its associated Tribal businesses – the rest was going to pay interest. Be careful not just

about with whom you are dealing, but also with where the proceeds will be invested, the realistic return on that investment and the repayment terms. Don't lose sight of the fact the proposed investment will need to repay not only the interest costs but also the principal amount of the loan in a reasonable timeframe. In this case, diligence would have revealed that the company issuing the annuity was incorporated in the British Virgin Islands only four days before being selected to be the annuity provider for the bonds.

3. **Beware of a deal sounding "too good to be true"**. Tribes need to understand the basic mechanics of the deals they sign. Another way to think about this, if the money was

being borrowed by the Corporation to invest in an annuity that paid more than the cost of borrowing, why wouldn't the investor just put their money into the annuity directly instead of lending it to the Corporation? Reputable legal counsel and financial advisors can help uncover the always-critical fine print.

TFA Tribal Board of Advisors member, Brian Patterson, weighs in on this disturbing situation with a word of advice. "This is a tragedy for the Oglala Sioux community and people" said Patterson, "they can least afford this type of outcome. Don't find yourself a victim – prepare, research and surround your community with trustworthy players that will serve to protect your interests and help you prosper."



TFA CAPITAL PARTNERS

TFA

400 Continental Boulevard
Suite 320
El Segundo, CA 90245
tfacp.com

KRISTI JACKSON

CHAIRMAN
310.341.2335
kjackson@tfacp.com

JEFF HEIMANN

MANAGING DIRECTOR
310.341.2518
jheimann@tfacp.com

DAVID HOWARD

CEO
310.341.2795
dhoward@tfacp.com

WILLIAM CRADER

MANAGING DIRECTOR
310.341.2336
wcrader@tfacp.com

TRIBAL BOARD OF ADVISORS

BRIAN PATTERSON
TOM RODGERS
VALERIE SPICER
JOHN TAHSUDA
DANIEL TUCKER

FOLLOW TFA ON:

