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Seven Accused of Selling Fake Bonds.

Federal prosecutors charged a former campaign adviser to Secretary of State John Kerry and a second man once dubbed by the media “porn’s new king” along with five others in an alleged scheme involving a Native American Tribal bond offering.

Devon Archer, an adviser to Mr. Kerry’s presidential campaign in 2004, and Jason Galanis, a former investor in the adult-entertainment business, allegedly duped clients into investing more than \$43 million in sham bonds issued in 2014 and 2015 by an affiliate of the Oglala Sioux Nation in South Dakota.

Messrs Archer, Galanis and the five other defendants, including Mr. Galanis’s father, then allegedly diverted tens of millions of the bond investments to accounts they controlled and used them to purchase luxury goods and support an initial public offering for a technology company, authorities said.

Lawyers for Mr. Archer and for Mr. Galanis and his father didn’t immediately respond to requests for comment.

All seven defendants were arrested Wednesday, and the Manhattan U.S. attorney’s office charged them with securities fraud. The Securities and Exchange Commission filed related civil charges.

Along with Jason Galanis, 45 years old, those arrested were his father, John Galanis; Devon Archer; Bevan Cooney; Hugh Dunkerley; Gary Hirst and Michelle Morton.

Susan Brune, a lawyer representing Mr. Dunkerley, said her client “looks forward to addressing the charges.” A lawyer representing Mr. Cooney denied the allegations.

A lawyer for Mr. Hirst didn’t immediately respond to a request for comment. And a lawyer for Ms. Morton, couldn’t be immediately identified.

The younger Galanis was charged in Manhattan federal court in September for activities related to an alleged pump-and-dump scheme. He was accused by prosecutors of secretly taking control of reinsurance firm Gerova Financial Group Ltd. and then dumping its stock, reaping nearly \$20 million in illegal profits. Mr. Galanis’ father is also charged in that case. They have pleaded not guilty in the Gerova case.

Mr. Archer was the college roommate of the secretary of state’s stepson, H.J. Heinz Co. ketchup heir Christopher Heinz, and has business ties to Vice President Joe Biden’s son, Hunter.

Mr. Archer, 39, and Hunter Biden, 44, have worked for Rosemont Seneca Partners, a U.S. investment company. It is affiliated with Rosemont Capital, a private-equity firm Mr. Archer co-founded with Mr. Heinz.

Messrs. Archer and Biden also recently joined the board of directors of Burisma Holdings Ltd, a Ukrainian gas producer controlled by a former top security and energy official for deposed President

Viktor Yanukovych, as previously reported by The Wall Street Journal.

That move has attracted attention, given the Obama administration's recent support for pro-Western demonstrators who toppled Mr. Yanukovych's Kremlin-backed government in February.

Rosemont Seneca, now a part of New York-based Burnham Asset Management, according to Rosemont's website, declined to comment. Burnham didn't respond immediately to a request for comment.

Jason Galanis has previously run afoul of the SEC. To settle another SEC case, he agreed to a five-year ban from serving as an officer or director of a publicly traded company in 2007. The agency alleged he had filed false accounting information for Penthouse International Inc., an adult magazine publisher in which Jason Galanis owned a significant stake, that SEC complaint said.

Jason and John Galanis were also accused on Wednesday of diverting funds to pay for legal costs in their ongoing pump-and-dump case. Seven individuals have been charged in the alleged Gerova fraud, including Mr. Hirst, who was Gerova's chairman and chief investment officer. In the separate Gerova case, six of that case's seven defendants are scheduled to go to trial in September and have pleaded not guilty.

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