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## Father, Son Charged In Multimillion-Dollar Bond Fraud Of Sioux Tribe

MAY 11, 2016 • CHRISTOPHER ROBBINS

A father and son, with five associates, allegedly conned Native Americans in one of the poorest regions of the U.S. by stealing bond sale proceeds to fund their "extravagant" expenses and criminal defense costs, authorities said.

Jason Galanis of Los Angeles, once dubbed the "Porn's New King"; his father, John Galanis of Oceanside, Calif.; Hugh Dunkerley of Paris and Huntington Beach, Calif.; Gary Hirst of Lake Mary, Fla.; Bevan Cooney of Incline Village, Nev.; Devon Archer of Brooklyn, N.Y.; and Michelle Morton of Colonia, N.J., were criminally charged in seven U.S. District Courts on Wednesday in connection with the scheme.

They are accused of lying to a tribal entity in South Dakota, convinced it to issue \$60 million in municipal bonds and then walked off with millions in proceeds.

In a parallel action, the U.S. Securities and Exchange Commission filed a civil action against all seven defendants, noting that Jason Galanis was charged with accounting fraud for misreporting revenue at the publisher of *Penthouse* Magazine in 2005 and last year was charged with stock fraud by the agency.

Galanis and his father allegedly induced an Oglala Sioux tribal entity near South Dakota—the Wakpamni Lake Community Corporation, or WLCC—to issue \$60 million in municipal bonds. Galanis lied to the tribe, saying the bond proceeds would be placed into an annuity to benefit the WLCC and generate enough income to pay interest and to repay the proceeds to bondholders, according to the SEC complaint.

The younger Galanis then bought two investment advisory firms in Alexandria, Va.—Hughes Capital Management, which managed about \$900 million for institutional investors, and Atlantic Asset Management, another institutional advisor with "still larger" pension assets—and placed Morton in charge of both firms, according to the SEC.

The advisor firm purchases were financed through other entities controlled by Jason Galanis in partnership with the other defendants, allegedly with Morton's understanding that the Oglala Sioux bonds would be purchased with client funds, according to the SEC.

In August 2014, allegedly at the direction of Jason Galanis, Morton hired Hirst as CIO and authorized him to purchase \$27 million of the tribal bonds on behalf of nine Hughes clients. In April 2015, again allegedly at the direction of Galanis, a \$16.2 million purchase of tribal bonds was conducted using an Atlantic Asset Management client's funds, according to the SEC.

The bond purchases were made while material facts about the tribal bonds were withheld from advisory clients and substantial conflicts of interest were not disclosed, according to the criminal complaint.

More than \$1 million of the bond funds were used to provide financial support to Morton and the two firms, \$4.4 million was sent to Cooney, \$1.3 million was sent to Hirst, \$2.3 million was sent by Dunkerley to an entity controlled by John Galanis, \$700,000 was sent to Archer, \$500,000 was sent to Jason Galanis's criminal defense attorneys, \$200,000 to Jason Galanis's family members and Galanis allegedly spent unspecified amounts at restaurants and "luxury" retailers, including Valentino, Yves Saint Laurent, Barneys, Prada and Gucci, according to the SEC.

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