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U.S.

Hunter Biden's Name Was Used as Selling Point in Fraudulent Bond Scheme

Joe Biden's son, now under fire for work abroad, was invoked—without his knowledge, his lawyer says—in bid to drum up business



Then-Vice President Joe Biden and his son Hunter attending a basketball game in Washington in 2010. PHOTO: JONATHAN ERNST/REUTERS

By Dave Michaels and Theo Francis

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WASHINGTON— Hunter Biden's work in Ukraine and China has attracted criticism from President Trump and other Republicans. In an unrelated fraud case from last year, his name was invoked as a selling point in transactions that turned out to be fraudulent, although Mr. Biden's lawyer said his client knew nothing about it.

The case involved a \$60 million securities fraud based on bonds issued by an economic-development company affiliated with a Native American tribe in South Dakota, according to prosecutors' statements in a federal trial in Manhattan last year.

The proceeds were supposed to be used to build a distribution center and other projects, but were instead diverted for the personal use of Jason Galanis, prosecutors said, describing him as the scheme's ringleader. Mr. Galanis and others also sought to use the bonds to advance a strategy that involved buying up financial firms to merge them into a larger one called Burnham Financial Group, in a deal called a "roll up," according to prosecutors.

Mr. Galanis pleaded guilty to securities fraud, conspiracy to commit securities fraud and investment-adviser fraud in the case and was sentenced in 2017 to more than 14 years in prison. His incarceration could be reduced after he argued to an appeals court that he got poor legal advice at the time he accepted his sentence, according to court documents.

One of Mr. Galanis's alleged co-conspirators in the affair, which unfolded from 2014 and 2016, was Devon Archer, a longtime business partner of Mr. Biden, according to prosecutors. A consultant's report aimed at potential investors listed Mr. Archer as chairman of the combined financial firm and Mr. Biden as its vice chairman, according to trial testimony. At the time Mr. Biden's father, Joe Biden, was vice president.

After trustees for a group of mutual funds affiliated with Burnham expressed concern about the involvement in their business of Mr. Galanis, who had earlier been disciplined by securities regulators, Mr. Archer mentioned Hunter Biden's role, an attorney working for the trustees testified during the trial. The attorney said Mr. Archer told his clients that Hunter Biden had joined a Burnham entity earlier in 2015 and wasn't being paid a salary while he worked to drum up business for that firm.

Hunter Biden "was part of this deal," Matthew L. Schwartz, Mr. Archer's attorney, said during a 2018 trial.

A federal jury in Manhattan convicted Mr. Archer and two others of fraud in June 2018. The judge hearing the case later overturned the verdict against Mr. Archer, saying she wasn't convinced of his guilt. Federal prosecutors appealed the judge's decision to the U.S. Court of Appeals for the Second Circuit. Oral arguments in that case are scheduled for next month.

"Mr. Archer maintained his innocence throughout the painful process of the government's prosecution of him," Mr. Schwartz said Wednesday in a statement. "Mr. Archer looks forward to clearing his good name once and for all."

Federal prosecutors never alleged that Hunter Biden was aware of the scheme.

George Mesires, an attorney for Hunter Biden, said his client wasn't involved in any misconduct.

“The defendants...invoked and used Hunter’s name—without his knowledge—to lend their business venture more credibility,” Mr. Mesires said. “As soon as Hunter learned of the illegal conduct, and that his name was being used in this unauthorized and inappropriate manner, Hunter took immediate steps to ensure that his business interests would not be associated with the Burnham Group or with any of the defendants.”

Messrs. Archer and Biden have been involved in businesses together since at least 2009, having originally met at Yale University, Mr. Archer’s lawyer said during the 2018 trial. They also served together on the board of a Ukrainian gas producer, Burisma Holdings Ltd.

Hunter Biden’s seat on the Ukrainian company’s board, for which he was paid \$50,000 a month, has become a liability for his father’s presidential campaign because the former vice president led U.S. anticorruption efforts in Ukraine at the same time, an arrangement President Trump has called corrupt. Both Hunter Biden and his father deny any wrongdoing.

A spokesman for the campaign of Joe Biden declined to comment.

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Court records don’t indicate whether Mr. Galanis and Hunter Biden knew one another. A person familiar with Mr. Biden’s business dealings said he didn’t recall meeting Mr. Galanis and that Mr. Biden wasn’t involved with the work that the firm he co-owned with Mr. Archer, Rosemont Seneca Partners, did to research the Burnham deal.

Hunter Biden and Mr. Archer are no longer business partners, the person familiar with Mr. Biden’s affairs said.

Hunter Biden also had an office at the New York headquarters of an asset-management company that was supposed to be part of the Burnham roll-up, according to court testimony, though the person said he barely used it. That firm wound up as a separate entity due to the mutual fund trustees' concerns about Mr. Galanis, according to trial testimony.

The Daily Caller earlier reported the use of Hunter Biden's name as a selling point in the scheme.

Mr. Galanis had earlier received a five-year suspension from serving as an officer or director of a public company as part of a 2007 civil settlement in a case brought by the Securities and Exchange Commission for his role in an accounting fraud at the publisher of Penthouse magazine.

In the fraud related to the South Dakota tribe, Mr. Galanis and his associates were seeking to buy up different stock-trading, asset-management and insurance firms and create a diversified financial company that could be sold for a profit, prosecutors said at the trial. Mr. Galanis's father encouraged a corporation operated by a branch of the Oglala Sioux to issue bonds, they said.

Mr. Galanis and his associates engineered the sale of the bonds to two local pension funds, both of which later objected because the sales violated their investment rules.

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Mr. Galanis wrote another defendant in October 2014 suggesting that being associated with Messrs. Biden and Archer would provide business opportunities going forward. “Hunter and Devon will change your access forever,” he wrote, according to trial testimony.

The chief executive of the tribal corporation that issued the bonds, Raycen Raines, told prosecutors that Messrs. Archer and Biden’s names were “thrown around” during discussions about the deal, including by Mr. Galanis, and were also mentioned by an attorney who represented the tribal corporation, trial documents show.

“So when [the lawyer] told you that Mr. Archer and Hunter Biden were involved in the deal, it lent some credibility; isn’t that right?” Mr. Schwartz, Mr. Archer’s attorney, asked Mr. Raines during the trial.

“Yes,” replied Mr. Raines.

Mr. Raines didn’t return messages seeking comment.

Mr. Archer lost about \$820,000 on the deal, according to an expert witness hired by his defense attorneys.

For the Wakpamni Lake Community of the Oglala Sioux tribe, the fraud represented a major setback to its hopes for economic development, Geneva Lone Hill, president of the Wakpamni Lake Community Corporation, said in an interview.

Write to Dave Michaels at dave.michaels@wsj.com and Theo Francis at theo.francis@wsj.com

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