

# Devon Archer Sentenced To A Year And A Day In Prison For The Fraudulent Issuance And Sale Of More Than \$60 Million Of Tribal Bonds

Monday, February 28, 2022

**For Immediate Release**

U.S. Attorney's Office, Southern District of New York

Damian Williams, the United States Attorney for the Southern District of New York, announced that DEVON ARCHER was sentenced today by the Honorable Ronnie Abrams to a year and a day in prison for defrauding a Native American tribal entity and various investment advisory clients of tens of millions of dollars in connection with the issuance of bonds by the tribal entity and the subsequent sale of those bonds through fraudulent and deceptive means.

As established by the evidence at trial:

From March 2014 through April 2016, ARCHER, Bevan Cooney, John Galanis, Jason Galanis, Gary Hirst, Michelle Morton, Hugh Dunkerley, and others engaged in a fraudulent scheme that involved (a) causing the Wakpamni Lake Community Corporation ("WLCC"), a Native American tribal entity, to issue a series of bonds (the "Tribal Bonds") through lies and misrepresentations; (b) deceptively causing clients of asset management firms controlled by Hirst, Morton, and others to purchase the Tribal Bonds, which the clients were then unable to redeem or sell because the bonds were illiquid and lacked a ready secondary market; and (c) misappropriating the proceeds resulting from those bond sales.

The WLCC was convinced to issue the Tribal Bonds through false and fraudulent representations by John Galanis. Simultaneously, Jason Galanis, with the backing of ARCHER and others, worked to acquire Hughes Capital Management ("Hughes"), a registered investment adviser. Morton and Hirst were installed as Hughes' Chief Executive Officer and Chief Investment Officer, respectively. Within weeks of taking control of Hughes, Morton and Hirst placed the entire \$28 million first series of Tribal Bonds with Hughes clients but failed to disclose material facts about the Tribal Bonds, including the fact that the Tribal Bonds fell outside of the investment parameters set forth in the investment advisory contracts of certain Hughes clients. In addition, Hughes' clients were not told about substantial conflicts of interest with respect to the issuance and placement of the Tribal Bonds before the Tribal Bonds were purchased on these clients' behalf.

The defendants and their co-conspirators then misappropriated the proceeds of first Tribal Bond issuance. Specifically, although the Tribal Bonds were supposed to be invested in an annuity, Dunkerley, at the direction of Jason Galanis, transferred significant amounts of the bond proceeds to support the defendants' business and personal interests. John Galanis, for example, secretly received \$2.35 million in proceeds of the first bond issuance, which he spent on a variety of personal expenses and luxury items, including cars, jewelry, and hotel expenses. Similarly, Jason Galanis used a portion of the proceeds of the first Tribal Bond issuance to finance the purchase of a \$10 million luxury apartment in Tribeca, which, with ARCHER's consent, he purchased in ARCHER's name.

In addition, after John Galanis induced the WLCC to issue a second round of Tribal Bonds, ARCHER and others used \$20 million of bond proceeds from the first issuance to buy the entirety of the second issuance. As a result of the use of recycled proceeds to purchase additional issuances of Tribal Bonds, the face amount of Tribal Bonds outstanding increased and the amount of interest payable by the WLCC increased, but the actual bond proceeds available for investment on behalf of the WLCC did not increase. In order to deposit the bonds at a bank, ARCHER misrepresented the source of the money used to purchase the bonds, falsely claiming that he had obtained it through real estate sales. The bonds purchased by ARCHER and others were then used to meet net capital requirements at two broker dealers in which ARCHER and others had interests. In addition, millions of dollars in bond proceeds from the first and second issuances were used finance the acquisition of companies which the defendants and their co-conspirators acquired as part of a strategy to build a financial services conglomerate, which ARCHER expected to control.

In the spring of 2015, John Galanis induced the WLCC to issue an additional \$16 million worth of Tribal Bonds. Simultaneously, Jason Galanis, and others purchased a second investment adviser, Atlantic Asset Management ("Atlantic"), and installed Morton as the Chief Executive Officer. Within days of obtaining control of Atlantic, Morton placed the entirety of the \$16 million Tribal Bond issuance with an Atlantic client, without the client's consent and without disclosing the fact that the Tribal Bonds were outside the client's investment parameters and that numerous conflicts of interest existed. The proceeds of the \$16 million issuance were again not

invested in an annuity as promised, but instead were diverted to, among other things, finance the defendants' acquisition of another company in furtherance of their plan to build a financial services conglomerate, and make payments to one of the broker dealers in which ARCHER and others had interests.

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In addition to the prison term, ARCHER, 47, was sentenced to a year of supervised release. ARCHER was also ordered to forfeit \$15,700,513 and to make restitution in the amount of \$43,427,436.

Jason Galanis, who pled guilty to conspiracy to commit securities fraud, securities fraud, and investment adviser fraud, was sentenced to a term of 173 months in prison on August 11, 2017. Gary Hirst, who pled guilty to securities fraud, conspiracy to commit securities fraud, investment adviser fraud, and conspiracy to commit investment adviser fraud, was sentenced to 84 months in prison on September 7, 2018. John Galanis, who was convicted after trial of securities fraud and conspiracy to commit securities fraud, was sentenced to 120 months in prison on March 8, 2019. Bevan Cooney, who was convicted after trial of securities fraud and conspiracy to commit securities fraud, was sentenced to 30 months in prison on July 31, 2019. Michelle Morton, who pled guilty to conspiracy to commit securities fraud and investment adviser fraud, was sentenced to 15 months in prison on November 18, 2020. Hugh Dunkerley, who pled guilty to conspiracy to commit securities fraud, two counts of securities fraud, bankruptcy fraud and falsification of records with the intent to obstruct a government investigation, is also awaiting sentencing.

Mr. Williams praised the work of the U.S. Postal Inspection Service and the Federal Bureau of Investigation, and thanked the Securities and Exchange Commission.

This case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys Rebecca Mermelstein and Negar Tekeei are in charge of the prosecution.

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