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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	**19 Civ. ( )**
v.	:	
	:	**COMPLAINT AND**
JASON SUGARMAN,	:	**JURY DEMAND**
Defendant.	:	

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against Defendant Jason Sugarman ("Sugarman"), alleges as follows:

SUMMARY OF THE ALLEGATIONS

1. Over a three-year period beginning in late 2013, Sugarman and his business partner, Jason Galanis ("Galanis"), working with others, stole $43 million from unwitting pension funds to finance the acquisition of a global financial conglomerate of European and Bermuda insurers, and investment advisers based in Virginia and Connecticut. Along the way, and through a series of fraudulent transactions made complex enough to cover their tracks, Sugarman, Galanis and their confederates also victimized a Native American tribal corporation and surreptitiously siphoned millions of dollars in cash from the entities that they acquired.

2. In its wake, the scheme left the investment advisers defunct, the European insurer in administrative receivership, the Bermuda insurance holding company delisted from the Bermuda Stock Exchange, the Native American tribal corporation nominally indebted for $60 million, and the pension funds with a $43 million investment in worthless securities. Sugarman, however, benefitted immensely from the scheme; indeed, to a large extent, he was the biggest winner from the fraud, ending up with voting control over corporate assets that were acquired with bond proceeds, and from which he ultimately siphoned almost $9 million in cash for his direct and personal benefit.

3. Sugarman carried out the scheme with eight other individuals who have already been charged by the Commission: Galanis, Devon Archer ("Archer"), Bevan Cooney ("Cooney"), Hugh Dunkerley ("Dunkerley"), John Galanis, Gary Hirst ("Hirst"), Francisco Martin ("Martin") and Michelle Morton ("Morton") (together, the "Previously Charged Defendants"). See SEC v. Archer, et al., 16 Civ. 3505 (WHP) (S.D.N.Y.).[1]

4. Galanis and his father, John Galanis, kicked off the centerpiece of the scheme in March 2014, when they convinced a Native American tribal corporation, the Wakpamni Lake Community Corporation ("WLCC" or "Tribal Corporation"), to become the issuer of limited recourse bonds that the father-son duo had already structured (the "Tribal Bonds" or "Bond"). The proceeds from the Bond sales were supposed to be used by the Tribal Corporation to

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[1] The United States Attorney's Office for the Southern District of New York filed parallel charges against all of the Previously Charged Defendants, except Martin. See United States v. Archer, et al., 16 Cr. 371 (RA) (S.D.N.Y.) (the "Criminal Action"). All of the Previously Charged Defendants who were named in the Criminal Action either pled guilty to criminal charges, or were convicted of those charges after trial. Archer was granted a new trial, an order that is currently on appeal to the Second Circuit. Morton has renewed an earlier unsuccessful motion to withdraw her guilty plea.

purchase an annuity as an investment that could generate sufficient income to pay interest to bondholders.

5. However, from the outset, Galanis and Sugarman – who were referred to by other scheme participants as the "two Jasons" and "50/50 business partners" – intended to use the proceeds from the issuance of the Tribal Bonds for their own purposes and benefit. In April 2014, when an initial issuance of $20 million in bonds seemed imminent, Galanis emailed Sugarman: "We would have discretion over the bond. Let's discuss how it can be allocated."

6. Having secured WLCC as the issuer, the next step was to identify unwitting investors to buy the Tribal Bonds. To accomplish that, Sugarman and Galanis devised a plan to obtain control over investors' funds by acquiring investment advisers who would use their investment authority to purchase the Bonds for their clients. Sugarman provided financing, through companies that he controlled, to purchase two investment advisers with authority over client funds. Once the adviser firms were acquired, Morton, whom Sugarman and Galanis installed at the helm of the advisers, did what Sugarman and Galanis intended, and used client funds to purchase the Tribal Bonds in client accounts.

7. First, in August 2014, Sugarman financed the purchase of Hughes Capital Management, LLC ("Hughes") – which managed approximately $900 million for various pension funds – and Morton assumed the role of CEO. Second, in April 2015, Sugarman and Galanis financed Hughes' acquisition of another investment adviser with still more pension fund clients' funds under management, Atlantic Asset Management LLC ("AAM"), and they put Morton in charge of the larger enterprise. Sugarman and Galanis exercised undisclosed control over both Hughes and AAM.

8. On August 20, 2014, Galanis, Morton and Hirst, acting with Sugarman's knowledge and consent, directed Hughes' clients' purchases of the first $27 million tranche of bonds. That same day, Galanis sent Sugarman a spreadsheet describing a proposed allocation of the Tribal Bonds proceeds. The proposed allocation did not include a purchase of an annuity, as contemplated by the Bond's issuing documents, but, instead, showed the distribution of most of the net proceeds for the benefit of Sugarman, Galanis and entities that they controlled. In the weeks following Hughes' clients' purchases of the Bonds, Galanis, Sugarman and the other Previously Charged Defendants executed their plan to misappropriate all of the proceeds and none of the proceeds was invested in any annuity.

9. In April 2015, Sugarman, Galanis and the other Previously Charged Defendants replicated the scheme. Galanis, acting with the knowledge and consent of Sugarman, instructed Morton to direct the purchase of $16.2 million in Tribal Bonds with an AAM's client's funds. Once those funds were directed to Sugarman's and the Previously Charged Defendants' control, they misappropriated the proceeds for their benefit. Again, none of the proceeds was ever invested in a legitimate annuity.

10. Sugarman, Galanis, and the Previously Charged Defendants divvied up the misappropriated proceeds, either using them to acquire entities, to shore up the operations of their existing companies, to pay back debts, to compensate scheme participants, to buy real estate, or to make other investments for their individual benefit.

VIOLATIONS

11. By virtue of the conduct alleged herein, Sugarman directly or indirectly, singly or in concert, violated Sections 17(a)(l) and (3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77q(a)(l) and (3)], or, in the alternative, Section 15(b) of the Securities Act [15 U.S.C.

§ 77o(b)], by aiding and abetting Galanis's violations of Sections 17(a)(l) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(1) an (3)]; and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)], and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a) and (c)], or, in the alternative, Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)] by aiding and abetting Galanis's violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a) and (c)].

JURISDICTION AND VENUE

12. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Sections 21(d)(l) and 21(d)(5) of the Exchange Act [15 U.S.C. §§ 78u(d)(1) and 78u(d)(5)], seeking a final judgment: (a) restraining and permanently enjoining Sugarman from engaging in the acts, practices and courses of business alleged against him herein; (b) ordering Sugarman to disgorge all ill-gotten gains and to pay prejudgment interest on those amounts; (c) prohibiting Sugarman from acting as an officer or director of a public company pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)]; and (d) imposing civil money penalties on Sugarman pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

13. This Court has jurisdiction over this action, and venue lies in this District, pursuant to Section 22(a) of the Securities Act [15. U.S.C. § 77v(a)] and Sections 21(d) and 27 of the Exchange Act [15. U.S .C. §§ 78u(e) and 78aa]. Sugarman, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, or of a facility of a national securities exchange, in connection with the transactions, acts, practices, or courses of business alleged herein, certain of which occurred in this District.

For example, Burnham Securities Inc. ("Burnham Securities"), the placement agent for the sale of the Tribal Bonds, on whose investment committee and Board Sugarman sat, was located in New York, New York, and Sugarman attended meetings throughout the relevant period in this District. In addition, one of the Tribal Bonds at issue was held in, and transferred between, brokerage accounts at a brokerage firm in New York, New York.

DEFENDANT

14. **Jason Sugarman**, age 47, resides in Los Angeles, California. During the relevant period, he served as an officer and director of Valor Group Ltd. ("VGL"), a Bermuda-based insurance conglomerate, and was a Director and an indirect owner of then-SEC-registered broker-dealer and investment adviser Burnham Securities.

OTHER RELEVANT INDIVIDUAL AND ENTITIES

15. **Galanis**, age 48, resides at Terminal Island Federal Correctional Institution in San Pedro, California. In January 2017, Galanis pled guilty to criminal charges in connection with the Tribal Bonds scheme and is currently serving a sentence of 173 months (60 months of which are to be served consecutively to a sentence he received in connection with another, unrelated fraud).[2] Throughout the Tribal Bonds scheme, Galanis used a company he controlled, Thorsdale Fiduciary and Guaranty Company Ltd. ("Thorsdale"), as a vehicle to distribute misappropriated assets.

16. **Burnham Securities**, a now-defunct SEC-registered broker-dealer based in New York, New York, served as the placement agent for the Tribal Bonds. At all relevant times,

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[2] Jason Galanis appealed that sentence, and on January 10, 2019, the Second Circuit remanded his case back to the District Court presiding over his sentencing for the earlier fraud (United States v. Galanis, 15 Cr. 643 (PKC) (S.D.N.Y.) ("Gerova"), for consideration of his motion to vacate his Gerova sentence on the basis of ineffective assistance of counsel pursuant to Fed. R. Crim. P. 33.

Sugarman indirectly owned an interest in Burnham Securities and was a member of its and its holding company's Board of Directors.

17. **VGL** (f/k/a Wealth Assurance Holdings Ltd. ("WAH")) is a life insurance holding company headquartered in Bermuda. It was incorporated in the British Virgin Islands in 2013 as WAH, and changed its name to VGL in December 2014. From December 2013 through November 2016, its Class B common shares were listed on the Bermuda Stock Exchange. Through **COR International**, a Delaware company that he controls, Sugarman holds significant ownership interests in WAH, and its successor, VGL. More specifically, when the conduct described herein took place, Sugarman owned all of VGL's Class A voting shares and most of its Class B economic shares. In addition, Sugarman was the Chairman and CEO of WAH, and, subsequently, a director and officer of VGL. Sugarman and Galanis arranged for VGL to purchase three foreign insurance companies relevant to the Tribal Bonds scheme:

1. **Wealth-Assurance AG ("Wealth-Assurance")** is a Liechtenstein insurance company acquired by VGL (then WAH) in 2013. Sugarman appointed Dunkerley as President, Managing Director and member of the Board of Directors. Wealth-Assurance then provided financing for the purchase of Hughes by **GMT Duncan LLC** ("GMT"). Wealth-Assurance's subsidiary, **BFG Investments**, was an indirect owner of Hughes and AAM by virtue of an ownership interest it acquired in GMT.

2. **Valorlife Lebensversicherungs AG ("Valorlife")** is a Liechtenstein-based insurer. In November 2014, Sugarman and Galanis arranged for Wealth-Assurance to purchase Valorlife with $11 million in Tribal Bond proceeds. In April 2015, Valorlife then provided the financing for the purchase of AAM. Valorlife and Wealth-Assurance are currently under administrative receivership.

3. **VL Assurance ("VL Assurance")** is a Bermuda-based insurer. In April 2015, Sugarman and Galanis arranged for VGL to purchase VL Assurance using a Tribal Bond. VL Assurance then funneled over $8 million to Sugarman as purported loans to him or his affiliated entity.

18. **GMT** was Hughes' and AAM's parent company.

FACTS

A. The Partnership of the "Two Jasons" and Their History of Coordination in Misappropriating Assets of An Acquired Company

19. Sugarman and Galanis were business partners in the Tribal Bonds scheme. They were in frequent contact with each other, sometimes exchanging multiple communications a day by email and phone, as well as through messaging services designed to conceal and destroy their communications, like Wickr, an end-to-end encrypted and content-expiring messaging application. Their relationship was so close that Galanis frequently referred to Sugarman in meetings and emails as "Sug" or "Sugie Bear." Other scheme participants referred to them as the "two Jasons." Dunkerley, whom Sugarman enlisted to serve as his nominee in connection with various aspects of the scheme in order to avoid scrutiny, described the two as 50/50 partners, and Galanis as the "brains," and Sugarman as the "brawn" in their scheme. In Dunkerley's view, Sugarman's brawn came from his vast business connections to wealthy, successful investors, connections Sugarman developed and cultivated through his father-in-law.

20. Galanis regularly consulted with Sugarman to obtain his approval on even small expenditures of scheme proceeds. On one occasion in 2013, Galanis made sure he had Sugarman's approval to pay a lawyer $25,000 out of the closing proceeds of their acquisition of Wealth-Assurance.

21. The Tribal Bonds scheme was not the first time that Sugarman and Galanis used their control of an acquired entity to siphon cash for their own benefit. The first time occurred only weeks after they worked together to acquire Wealth-Assurance.

22. In December 2013, Sugarman and Galanis arranged to acquire Wealth-Assurance. Thorsdale entered into a share purchase agreement with WAH, pursuant to which Thorsdale committed to contributing €3,000,000 to Wealth-Assurance in January 2014 to fund the final payment to Wealth-Assurance's sellers, in satisfaction of the acquisition agreements, while maintaining its statutory capital requirements. WAH's counsel sent Sugarman and Galanis drafts of the agreement by email in December 2013 prior to its execution.

23. However, Thorsdale's purchase money ended up coming from Wealth-Assurance's own funds, because Sugarman and Galanis arranged to have Wealth-Assurance make a sham investment and then diverted the funds back to the transaction's escrow agent.

24. At a meeting of Wealth-Assurance's Board of Directors on January 7, 2014, after a presentation by Sugarman and Dunkerley, the Board (which included Dunkerley and Sugarman) approved a €4 million investment of the company's capital in an Irish fund called Ballybunion Caplain UK Focus Growth Fund ("Ballybunion"), an investment that would have deployed Wealth-Assurance's assets in a way that met the requirements set by the Liechtenstein insurance regulators. By email dated January 17, 2014 to the Board, Dunkerley, acting at Sugarman's and Galanis's direction, advised that the investment should be directed to Ballybunion's U.S. dollar class and the funds wired to a U.S. bank account in Ballybunion's name.

25. On the day before, January 16, 2014, Sugarman had his assistant ("Sugarman's Assistant") incorporate a limited liability company bearing the Ballybunion name in Nevada, and

caused a bank account to be opened in that name. That Ballybunion entity had no connection with any Irish investment manager of the same name, and was controlled by Sugarman and Galanis.

26. Per Dunkerley's instructions, Wealth-Assurance wired the money to the fake Ballybunion's account in the U.S. on January 21, 2014, but that bank rejected the wire. Faced with an urgent need to find another financial institution that would accept the wire, on January 23, 2014, two days later, Sugarman directed Sugarman's Assistant to a branch of a bank ("Bank A") where Sugarman had a high-level contact, to open an account in the fake Ballybunion's name, and facilitated the process by introducing Sugarman's Assistant to a bank officer as Manager of the fund. At the same time, Sugarman also introduced a purported representative of Thorsdale, ("Thorsdale Representative"), Galanis's entity, so that the Thorsdale Representative, too, could open an account. Sugarman represented to the bank officer that he had done business with both representatives, and vouched for them and their entities. He described Ballybunion, not as the U.S. arm of any Irish investment manager, but as an "entity focused on private equity investments, with a focus on real estate," and assured the Bank A officer that Ballybunion did not trade securities or "manage[] public investments as its business, either for itself or others."

27. On January 24, 2014, the Ballybunion account at Bank A received a wire for $5.4 million from Wealth-Assurance. That same day, the Ballybunion account wired a little more than $4.1 million out to the Thorsdale account at Bank A, and it, in turn, wired a little over $4 million out to Novalaw-GJP, a Luxembourg law firm that served as the escrow agent for WAH's purchase of Wealth-Assurance, in satisfaction of Thorsdale's obligation to contribute €3,000,000 to Wealth-Assurance under its December 2013 share purchase agreement. Galanis sent Sugarman a copy of the outgoing wire confirmation by email on January 25, 2014.

28. When Bank A began asking questions about the large and swift movement of funds in and out of the accounts, Sugarman's Assistant provided assurances concerning the bona fides of both Ballybunion and Thorsdale. Ultimately Bank A allowed the accounts to remain open but restricted their international activity.

29. Barred only from engaging in international wire traffic, Galanis directed the remaining $92,000 out of the Thorsdale account to another Thorsdale account at a different institution, and Sugarman directed $800,000 out of the Ballybunion account to an investment in a solar company in which he had an interest, COR Financial (HK), and additional amounts to a technology investment. All told, the Ballybunion scheme garnered Sugarman and Galanis more than $1 million from Wealth-Assurance, while allowing them to complete the Wealth-Assurance acquisition.

30. In the following months, Wealth-Assurance employees made repeated efforts to obtain statements for the company's purported Ballybunion investment. After multiple emails went unanswered, a Wealth-Assurance board member finally reached out to Galanis, copying Sugarman, for help. Galanis responded by email to Sugarman and the board member on December 17, 2014 that he would "contact the parties at interest and obtain the stub period information." On December 20, 2014, Galanis forwarded a fabricated statement, showing a June 30, 2014 valuation of $5.6 million, an impossibility given the distribution of the funds out of Ballybunion's account at Bank A, as Sugarman, who received the fabricated statement, knew. Sugarman and Galanis thereafter enlisted Dunkerley to provide additional fabricated statements. In a July 25, 2015 email from "administration@bbfund-admin.com," Dunkerley, acting at Galanis's direction and with Sugarman's knowledge and approval, provided an account statement as of December 31, 2014, showing that Wealth-Assurance's supposed investment in

the Ballybunion fund had grown to more than $5.7 million, even though, as Sugarman and Galanis knew, that money had never been invested in the Ballybunion Caplain UK Focus Growth Fund but had instead been diverted to the fake Ballybunion's bank account and then sent to other payees and investments months earlier.

31. Sugarman maintained the Ballybunion investment charade even after Galanis's September 2015 arrest in the Gerova matter. In January 2016, one of the officers of VGL reached out to Sugarman's Assistant, who still worked with Sugarman, with questions about the investment, noting that he had been referred to Sugarman's Assistant by Sugarman. And in March 2016, the same VGL officer identified Sugarman's Assistant to a Wealth-Assurance employee "as your contact for all Ballybunion matters going forward, including NAV as at December 31, 2015 and future quarters." At the time Sugarman identified Sugarman's Assistant as the Ballybunion contact to VGL, he knew, or was reckless in not knowing, that there was no investment to value, that Sugarman's Assistant was not a representative of the real Ballybunion fund, and that the Nevada Ballybunion had no connection to the Irish fund in which Wealth-Assurance's investment had been approved by its Board.

B. Galanis and John Galanis Entice the Tribal Entity to Issue Limited Recourse Bonds

32. In March 2014, Sugarman and Galanis needed another source of discretionary funding for their plans to build a financial conglomerate. Galanis and his father, John Galanis, a recidivist fraudster who had already spent significant time in prison, came up with the Tribal Bonds scheme to provide the needed funds.

33. At a convention in Las Vegas, John Galanis met with representatives of the WLCC to discuss the idea of the Tribal Corporation's issuance of limited recourse bonds that he and Galanis had already structured. The WLCC is affiliated with the Wakpamni District of the

Oglala Sioux Nation, whose members live in one of the poorest regions in the United States. The WLCC ultimately agreed to the idea and issued three tranches of Tribal Bonds, totaling about $60 million. According to the Bond documents, the proceeds from the Bond sales were supposed to be used by the Tribal Corporation to purchase an annuity (as an investment that could generate sufficient income to pay interest to bondholders) from Wealth-Assurance, a VGL subsidiary.

34. Once WLCC was secured as the issuer, Sugarman and Galanis arranged for VGL subsidiaries to provide financing to purchase two investment advisers – Hughes and AAM – with the expectation that client funds would be used to purchase the Tribal Bonds. Emails between Sugarman and Galanis reflect their intent from the outset of the scheme to use Wealth-Assurance as a conduit through which they could control and use the proceeds from the Tribal Bonds for their own benefit. In April 2014, when an initial issuance of $20 million in bonds appeared imminent, Galanis emailed Sugarman: "I believe we can arrange a trade where the tribe acquires a $20 million insurance policy from [Wealth-Assurance] in consideration for $20 million of municipal bonds issued by the tribe. [W]e would be appointed the discretionary manager over the policy. Therefore we would have discretion over the bond. [L]et's discuss how it can be allocated."

35. In another email with Sugarman, Galanis further explained, "$20mm. $5mm to their [the Tribal Corporation's] project and $15mm to [Wealth-Assurance]. 20 year discretionary."

C. Sugarman Arranges Financing to Purchase Investment Advisers with the Expectation that Clients' Funds Would Be Used to Purchase Tribal Bonds and Proceeds Would Be Funneled Back to WAH

36. In order to secure victims to purchase the Tribal Bonds, and to generate the proceeds they would misappropriate, Sugarman and Galanis arranged to obtain control over two investment advisers, and their captive client funds. First, in August 2014, Sugarman financed the purchase of Hughes, which invested $27 million of its clients' funds in Tribal Bonds. Second, in April 2015, Sugarman financed the purchase of AAM, and participated in inducing AAM to invest $16.2 million of its clients' funds in Tribal Bonds.

1. Hughes

37. In May 2014, Sugarman and Galanis were introduced to Morton, and the three of them began negotiating to purchase Hughes, an investment adviser with approximately $900 million under management, based in Alexandria, Virginia.

38. On June 3, 2014, Galanis provided Morton with a document titled "Introduction to COR Capital," to provide to Hughes' then-owner to "demonstrate who [Morton's] financial sponsors are." The "Introduction to COR Capital" document, which Galanis authored, described several businesses that COR Capital purportedly owned, including Wealth-Assurance and Burnham Securities, and referred to a website that Sugarman had launched, www.corfunds.com, which included similar information relating to COR Capital's businesses.

39. Sugarman held himself out as a Member and Manager of COR Capital, including in a Board Resolution he signed in connection with the purchase of Wealth-Assurance in 2013. Sugarman saw and approved Galanis's "Introduction to COR Capital." Indeed, its description of COR Capital and its business interests was consistent with the description of the businesses in the application Sugarman authorized for submission to the Liechtenstein regulators in seeking approval for the Wealth-Assurance acquisition in 2013. It was also consistent with his own

handwritten notes, dated May 2, 2014, that Sugarman provided to a graphics employee of COR Capital in connection with his work on the corfunds.com website.

40. On July 16, 2014, Galanis sent Sugarman a copy of the executed term sheet for the acquisition of Hughes, noting: "[W]e get discretion over $900 million." Galanis also told Sugarman that they "need[ed] to raise $2.7MM in two weeks" for the acquisition of Hughes. And to assure Sugarman that the acquisition would result in their control over client funds, Galanis added that he would be "appointing Hirst as acting CIO [Chief Investment Officer]" of Hughes. With one of their own directing the investments, Sugarman's and Galanis's control over the bond proceeds was guaranteed.

41. To obtain funding for the acquisition, Sugarman had Galanis draft a memo to the Board of Wealth-Assurance, recommending that Wealth-Assurance acquire an interest in Hughes through a newly formed Wealth-Assurance subsidiary, BFG Investments. Galanis sent drafts of the memo to Sugarman for comments on August 5 and August 7, 2014. The memo was drafted as if it were from Dunkerley, whom Sugarman and Galanis had installed as WAH's nominee CEO, to Sugarman and another Wealth-Assurance board member, and as if WAH had "referred" an investment proposal to Wealth-Assurance. As Sugarman knew, Galanis's role behind the scenes was to remain just that, given his prior disciplinary history with the SEC, and to conceal his involvement from the official Wealth-Assurance records, Galanis's name was not on the memo, despite his authorship of it.[3]

42. The investment memo reflects Sugarman's and Galanis's plan to purchase Hughes so that they could direct investments of Hughes' client funds in the Tribal Bonds and funnel a

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[3] In 2007, Galanis had been barred for five years from acting as an officer or director of any public company pursuant to a settlement of a Commission enforcement action, SEC v. Penthouse Int'l, Inc., et al., 05-cv-0780 (S.D.N.Y.).

large portion of the proceeds from those bond purchases to WAH. It contained a recommendation that the investment to purchase Hughes be conditioned on confirmation by WAH of an executed Subscription Agreement pursuant to which an entity named "Wakpamni Investments" would purchase $12 million of WAH's Class B shares.

43. On August 11, 2014, Wealth-Assurance held a meeting of its Board of Directors, including Sugarman, during which Dunkerley's memo (ghost-written by Galanis) was circulated to the Board, presenting the opportunity to purchase Hughes through BFG Investments and recommending the purchase. Notably, the minutes from the Board meeting reflect the Board's understanding that this was Dunkerley's and Sugarman's proposal, noting that the Board "puts its trust in the proven expertise of Jason Sugarman and Hugh Dunkerley on investment matters." Based on the memo's representations, Wealth-Assurance agreed to make the investment.

44. On August 12, 2014, Wealth-Assurance caused its newly-formed subsidiary BFG Investments to make a capital contribution of $2,660,618 to GMT, which funds GMT then used to finance its purchase of Hughes. Hughes became GMT's subsidiary, and Morton became the CEO of Hughes.

45. The day after GMT acquired Hughes, Galanis obtained a CUSIP for the Tribal Bonds which he forwarded to Sugarman. On August 20, 2014, Galanis forwarded a spreadsheet and trade blotter to Sugarman, reflecting that nine of Hughes' clients had purchased a total of $27,077,436 of Tribal Bonds. Burnham Securities served as the placement agent in exchange for a $250,000 fee from the Bond sale proceeds.

46. Sugarman knew from Galanis that the proceeds from the Bond sales were supposed to be used by the Tribal Corporation to purchase an annuity (as an investment that could generate sufficient income to pay interest to bondholders) from Wealth-Assurance.