Joe Biden's Friends and Backers Come Out on Top—at the Expense of the Middle Class

That's the "Delaware Way."

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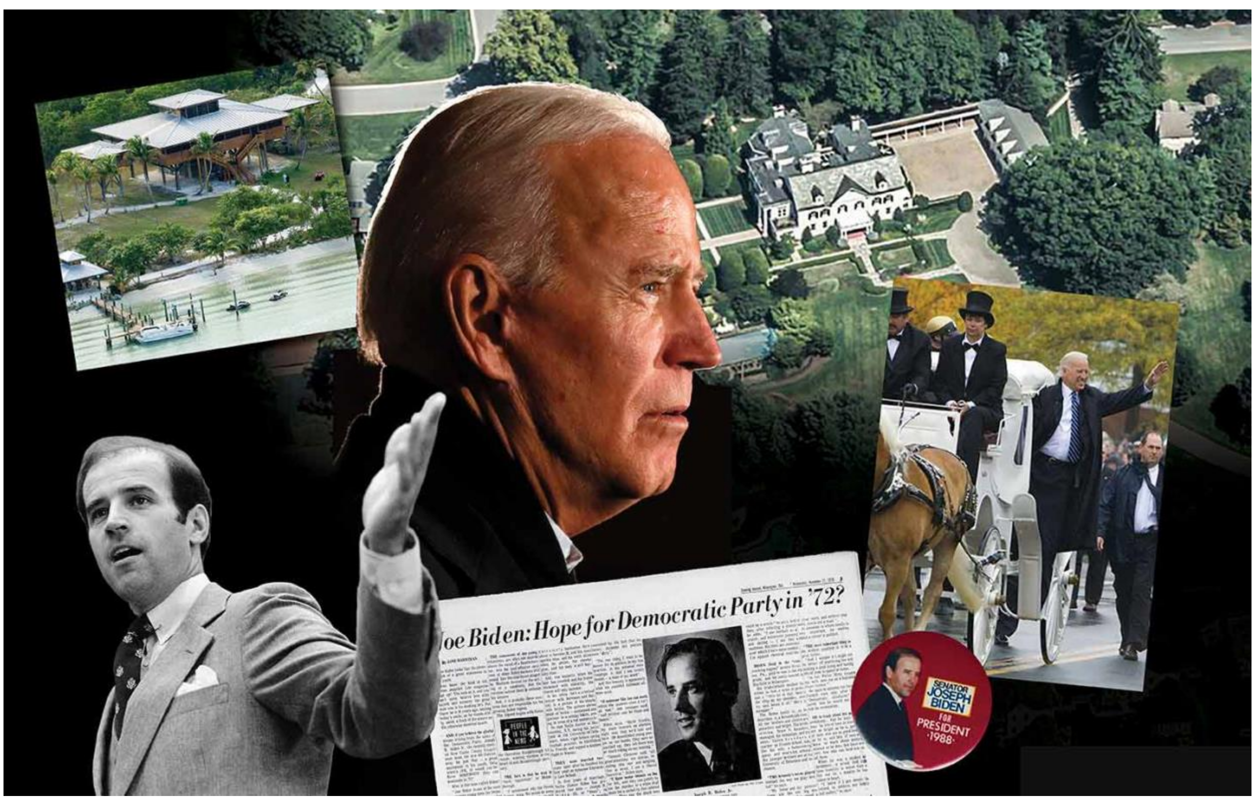
By Joseph N. DiStefano



(Clockwise from bottom left: AP / Charles Harrity; Bing Maps; AP / Charlie Neibergall; courtesy of Wilmington University)
Ready To Fight Back?

Delaware is a small place. Two days after statewide elections, the winners and losers pair up in horse-drawn carriages and rattle through Georgetown (population 7,427) to literally bury a ceremonial hatchet. School bands play. The crowd chews ox roast sandwiches.
It's a ritual expression of what locals call the Delaware Way, a bipartisan contrast to angry national politics. The Delaware Way can be useful for elected officials—and their friends in business. And family. There's an axiom often repeated in his Senate years by Joe Biden's staff: "Joe says that when someone helps his family, it's just like helping Joe," recited Sam Waltz, a Wilmington business consultant who covered Biden's first Senate reelection campaign as a young reporter.

Soon after Biden was first elected in 1972, banks from three states lined up to finance his brother James Biden's new disco in suburban Wilmington. When the club defaulted, Joe Biden blamed the banks for exploiting his 23-year-old sibling and for pressing his office to get their money back. (They didn't.) Despite this, over the years, many Biden-related projects have proved irresistible to local, national, and lately, Chinese businesspeople.

Joe Biden often talks about his father's difficult career selling used cars. John Hynansky, the son of Ukrainian World War II refugees, had better luck: He built the Delaware-based car dealership Winner Auto Group. State and federal records show Hynansky, his wife, and his children have donated more than $230,000 to US political campaigns since the 1980s, including at least $49,000 to Biden.
At a Ford executive's suggestion, in 1994, Hynansky opened an auto import office in the newly independent Ukraine. Five years later, he opened Winner Ford Kyiv. He later added Volvo, Jaguar, Land Rover, Porsche, and what Bentley called "its biggest exclusive dealership in Europe."

In 2008, a month before Biden was elected vice president, Hynansky made his biggest political donation: $28,500 to the Democratic National Committee. The next summer, Biden told a roomful of Ukrainian leaders in Kyiv, "My very good friend John Hynansky, a very prominent businessman from Delaware, is here." That fall, Winner won its first US Overseas Private Investment Corporation (OPIC) loan, in the amount of $2.5 million.

A federal agency, OPIC had actually halted lending to Ukraine in 1999 over a disputed insurance claim. The Winner deal helped kick off a round of approvals. Three years later, OPIC boosted the loan to $20 million, so Hynansky could build Winner Autocity in Kyiv. In backing him, OPIC was funding jobs—not in the United States but for Ukrainian salespeople to move cars made mostly in Germany, Sweden, and Britain. By 2011, Hynansky's firm was selling 20 percent of the premium cars in Ukraine.

Blurred lines: John Hynansky, a donor with deep ties to Ukraine, lent Joe Biden's brother over $500,000. *(The News Journal via USA Today Network)*
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Hynansky has bet not just on Biden but also on members of his inner circle. In 2015, Biden's former chief of staff Dennis Toner was a leading promoter of the Delaware Board of Trade (DBOT), a digital penny-stock market started after Barack Obama signed a securities deregulation law. Failing to raise money on Wall Street, the group persuaded Tom Gordon, then head of the county government where Biden held his first elected office, to lend DBOT $3 million. Hynansky then joined Toner, a United Arab Emirates sheikh, and a Republican state representative as investors.

Also that year, according to Florida property records, Hynansky lent $500,000 to James Biden, secured by the latter's $2.5 million home on Keewaydin Island off Florida's Gulf Coast. Biden had landed an executive position at HillStone, a subsidiary of the construction project manager Hill International, which later got a contract to build modular housing in Iraq. Hill chief executive Irvin Richter, convicted of embezzlement in New Jersey 40 years earlier, told Fox Business that the Biden name "helps him get in the door"—and that he would have put Obama on the board if he could have. Alas, the Iraq deal fell apart.

On Keewaydin, the Bidens added a solar power system, ran up an IRS lien for $589,000, and sought to flip the property for almost $6 million. After it was swamped by Hurricane Irma in 2017, they sold the home to a group that included a Pennsylvania car dealer for just $1.35 million. Hynansky released his mortgage.

By that time, Delaware's cozy business-political relations had suffered a scare. After a property dispute between Hynansky and developer Christopher Tigani, the ensuing litigation exposed records of Tigani illegally funneling over-the-limit contributions through his low-level employees to then-Senator Joe Biden; his elder son Beau Biden, then Delaware's attorney general; and others from both parties. In 2011, Tigani pleaded guilty to campaign finance violations and was sentenced to two years in prison. Assistant US Attorney Robert Kravetz blamed the Delaware Way, which he defined as politicians doing favors for well-connected business owners in exchange for contributions after the fact.

Since he was potentially implicated, Beau Biden recused himself and appointed E. Norman Veasey, a retired Delaware chief justice, to investigate. Veasey's report cited the conviction of two more Delaware donors and noted that unnamed out-of-staters had also contributed large sums. He didn't recommend prosecuting the out-of-state donors or the Delaware politicians, saying it wasn't clear the latter knew these contributions were illegal. (Political reporter Celia Cohen later identified one potential donor as Miami developer Michael Adler, who chaired Joe Biden's brief 2008 presidential campaign.)

I visited Veasey the day he released the report, noting that he'd done a lot of work before deciding not to recommend prosecuting any politicians. I asked him why he was still working on a project like this, in his 80s. He looked me in the eye and told me he was helping put his grandchildren through school.

The Delaware Way looks a lot like what Gilded Age Tammany Hall politicians used to call legal graft. Following the Supreme Court's 2016 decision in *McDonnell vs. United States,* which made it tougher to prosecute politicians for taking gifts unless they resulted in "official acts" like legislation or administrative decisions, such arrangements may actually be legal. And given the Trump family's penchant for mixing personal and official business, it's tempting to dismiss the Biden clan's affairs as no crime, no foul. But Biden's friends and backers have won victories that cost the middle-class Americans he claims to champion dearly.

Kith and kin: The Delaware corporate headquarters of MBNA, the credit card company that donated to Biden's campaigns and hired his son. *(AP / Pat Crowe II)*

Democrats controlled both the presidency and Congress in the late 1970s, when a combination of high inflation and low profits fueled a corporate push to ease federal regulation. Biden worked hard on the 1978 bankruptcy reform bill that first limited recent graduates from claiming bankruptcy protection, and he served on the banking committee that produced the Financial Institutions Regulatory and Interest Rate Control Act of 1978, which stopped states from capping interest charges by out-of-state banks. The Supreme Court's *Marquette v. First of Omaha* ruling that year cemented the banks' freedom to export high interest rates to places that had tried to limit usury.

Biden's bank-friendly approach came at a key time. Guided by lawyers from New York, Delaware would soon pass the Financial Center Development Act, cutting bank taxes and ending rate restrictions. Within a few years, many of the biggest banks in at least 10 of the 12 Federal

Reserve districts moved their credit card arms to Delaware. The largest, MBNA Corporation, was spun off from Maryland National Bank by chairman Alfred Lerner, whose friend Ace Greenberg, chairman of the now defunct Bear Stearns, issued credit-card-backed bonds, rocket-fueling new loans.
MBNA offered accounts to people on mailing lists it bought from colleges and professional organizations, eventually passing DuPont to become Delaware's largest for-profit employer. MBNA executives contributed over $212,000 to Biden's Senate campaigns, though CEO Charles Cawley and all but two of his 28 top executives were Republicans and gave even more to the national GOP.

In 1996, Biden's cozy relationship with the banks was used against him. A Republican challenger for his Senate seat complained that MBNA's No. 3 executive, John R. Cochran, had bought Biden's Greenville house for the full $1.2 million list price, despite a weak housing market. MBNA stuck with Biden; even after Wilmington's *News Journal* published an internal MBNA letter coordinating employee donations to him, he won reelection easily.

MBNA then hired his son Hunter Biden, fresh out of Yale Law School, as a management trainee. (He stuck out among the mostly state and Catholic college alumni who worked at the bank.) *The New York Times* reported that when Hunter Biden left in 2000 for Washington, DC, and a new lobbying firm, Oldaker, Biden & Belair, MBNA kept him on a $100,000 annual retainer—not to lobby his father, he said, but for advice on "Internet and privacy law."

With US credit card debt doubling every five years, defaults and bankruptcies rose, too. Joe Biden joined the Republican lawmakers pushing new bankruptcy reforms that would make it tougher for individuals to write off a range of consumer loans. Elizabeth Warren, then a bankruptcy expert at Harvard Law School, warned Biden as early as 2002 that his support for the banks at consumers' expense and his opposition to easing bankruptcy protections for medical and student debt endangered his presidential aspirations.

Via e-mail, longtime Sallie Mae chief executive Al Lord recalls Biden's pro-bank approach as "180 degrees opposite E. Warren's." When Warren urged a provision to stop banks from filing suit against debtors in Delaware's bank-friendly courts and instead make them sue where their customers lived, Biden warned he would kill any bill that hurt Delaware's legal businesses. His mostly Republican coalition passed a stricter bankruptcy reform act in 2005. In 2011, with Biden as vice president, Sallie Mae moved its headquarters to Delaware.

Biden and his staff claim he stood in the middle, forcing lenders to add protections for low-wage workers and single moms. But if he won that battle, America lost the war. Researchers like Wenli Li of the Federal Reserve Bank of Philadelphia blame the loss of bankruptcy protections for the sharp rise in home defaults and foreclosures that sparked the Great Recession.

The controversy got personal in 2011, when Beau Biden, as Delaware's attorney general, sided with his New York counterpart, Eric Schneiderman, in calling for a probe of mortgage lenders that had fooled borrowers and investors. "Before any broad immunity is granted, the American people deserve an investigation," he insisted.

But Delaware Governor Jack Markell gave cover to the bankers and their allies, including Joe Biden. Writing to the National Association of Attorneys General, Markell lamented the hard-line states' "scattershot approach," blaming them for scaring banks into "an economic climate that has left millions of Americans" jobless. Only "a strong and vibrant financial services industry" relieved from prosecution would "get our nation's economy moving again."

Disco Manager Says Phila. Bank Made Him 'Patsy'

The nightclub manager who took over operation of the Seasons Change disco from James B. Biden has charged that a Philadelphia bank used him as "the patsy" when Biden defaulted on its $300,000 loan.

The charge was reported today by the Philadelphia Daily News in a story detailing how young Biden, who had a net worth of only $18,000, obtained the $300,000 loan from First Pennsylvania Bank while his older brother, Sen. Joseph R. Biden Jr., was sitting on the Senate Banking Committee.

The Daily News also said two lawsuits have been filed as a result of the loan.

The Evening Journal first reported the loan and loans from the troubled Farmers Bank of the State of Delaware in 1977.

"The bank didn't want the senator's brother on the paper when the disco folded," Salvatore J. Cardile, the man who took over Seasons Change from young Biden, told Daily News reporter Jim Nicholson.

"They needed a patsy. Me."

The Evening Journal found no evidence that the senator, who gave up his seat on the banking committee last year, used his position to help his brother get the loan. The Daily News found the same thing.

After James Biden had defaulted on the First Pennsylvania loan, the bank arranged to turn over operations of the suburban nightspot to Cardile, 43, of Yeadon, Pa., in the spring of 1977. He closed the place last January.

Now, Cardile has filed a $42,000 suit against First Pennsylvania, and the bank, which is trying to collect for the loan to Biden, has countersued for $300,000, the Daily News reported today.

Cardile, who had managed nightspots in Pennsylvania and New Jersey, said he originally went to First Pennsylvania to get a loan to buy his own tavern.

Instead, he said, the bank loan officer told him of Seasons Change, the big nightclub, restaurant and disco in the Beaver Valley Plaza, a shopping center behind Brandywine Raceway on Concord Pike, north of Wilmington.

He has contended that the arrangement was for him to be paid a salary and to be responsible only for the debts he incurred while operating the club.

"They said I could gradually take over control as I paid off some of the back debts," Cardile said.

After Biden turned over the disco to Cardile, the bank tried to collect the debts from Biden. Two weeks ago, the Daily News reported, First Pennsylvania filed suit against Cardile in Common Pleas Court in Philadelphia. The bank was responding to Cardile's own suit, filed on April 18 for the money he claims he put into the club before it was closed.

Bank officials have continued to refuse to talk about the loans.

Passing the buck: When his brother's disco defaulted in 1972, Biden tried to shift the blame to the banks.

Nonsense, Beau Biden fired back. "My job is to protect homeowners, investors and all Delawareans" from "the abuses of the mortgage industry that created this economic crisis," he told me in an e-mail at the time.

In 2014, Beau Biden announced that he would run for Markell's job. But the next year he died of brain cancer, at age 46. Joe Biden later wrote that his son "had all the best of me, but with the bugs and flaws engineered out."

Biden had been vice president for less than a year when his son Hunter started an investment firm with Christopher Heinz, a stepson of Senator John Kerry, who had replaced Biden as head of the Foreign Relations Committee, and Devon Archer, an investor and Heinz's classmate from Yale. They called their group Rosemont Seneca Partners. In 2012, Archer and Hunter Biden met with Jonathan Li, who ran Bohai Capital, an investment subsidiary of the China-based travel giant HNA Group. When Joe Biden visited China in 2013, Hunter Biden, who accompanied his father, introduced him to Li.

Shortly after, Li and Rosemont Seneca announced a new venture, BHR (Shanghai) Equity Investment Fund Management Company. "B" was for Li's Bohai, "H" for Harvest Fund Management, backed in part by the state-controlled China Credit Trust, and "R" for Rosemont Seneca plus the Thornton Group, headed by James Bulger, the son of the Massachusetts Senate's longtime president (and the namesake of his mobster uncle, James "Whitey" Bulger). The investors paid $4.2 million for a stake in the firm, with the Chinese partners as the two largest shareholders, according to the *South China Morning Post*.
BHR focused on "ultra-large-scale and internationally influential projects," Li told a Chinese newspaper. He picked Archer's group, he added, because of the partners' "deep" ties to US politics—including Hunter Biden's.

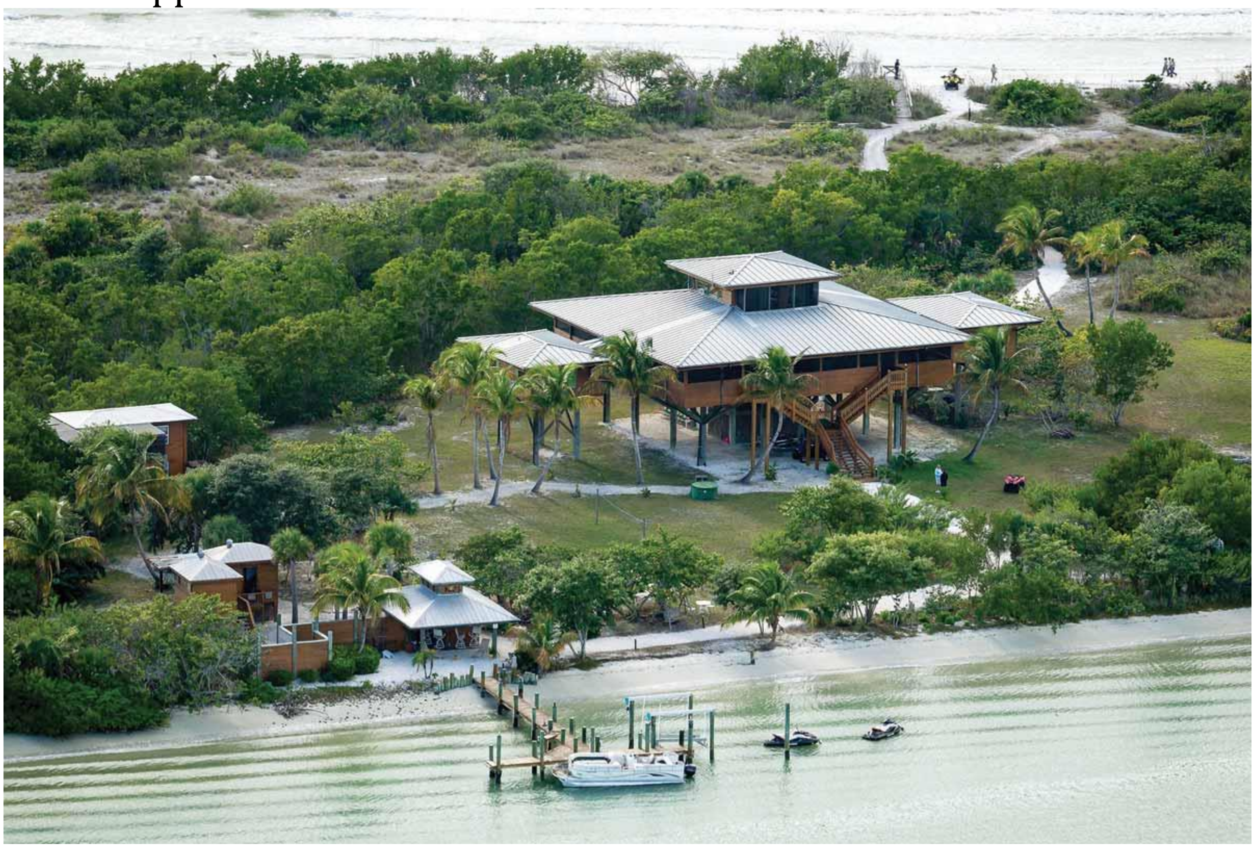
George Mesires, Hunter Biden's lawyer, wrote last month that Biden has "not received any return on his investment" despite putting up $420,000 for a 10 percent stake. "There have been no distributions to BHR shareholders" since he invested, Mesires added, promising that Biden would leave the fund's board by the end of the month.
A check of BHR's investment list, a *Financial Times* review of its deals, and other news reports show the fund spread its state-owned parent companies' capital deep into strategic global industries. Examples include:
§ Megvii (Face++), identified by *FT* as a "leading facial recognition company whose technology was linked to Beijing's mass surveillance of Uighurs in Xinjiang."
§ China General Nuclear, which was blacklisted in August 2019 by the US Commerce Department for "efforts to acquire advanced U.S. nuclear technology and material for diversion to military uses in China."

§ Tenke Fungurume, a mine in the Democratic Republic of Congo, which is such a strategic source of copper and cobalt that the US mining giant Freeport- McMoRan received $400 million from OPIC (the agency that financed Hynansky's Kyiv showroom) in 2008 to develop it. But after upgrades, the company and its partners sold their stake to BHR, whose shares were later bought out by China's state-controlled China Molybdenum.

§ Henniges Automotive, a Detroit-area maker of car parts that was purchased by BHR and a subsidiary of the Aviation Industry Corporation of China (AVIC), which makes Chinese military aircraft. The deal, valued at $600 million, was the largest AVIC purchase in Detroit since 2011, and it proceeded even though an AVIC affiliate had been added to a US government blacklist in 2014.

When other Biden-related investments turned sour, Chinese investors were ready to help. In 2009, Joe Biden announced more than $500 million in Energy Department financing and $21.5 million from the state of Delaware for a California start-up, Fisker Automotive (which at the time was backed by future Biden donor John Doerr's venture capital firm

Kleiner Perkins), so it could manufacture electric cars at a factory 3,000 miles from its headquarters—and just five miles from Biden's Greenville home. Addressing more than 1,000 laid-off GM employees at the plant site, Biden presented the funding as payback for years of autoworkers' union support.



Family compound: The former so-called "Biden bungalow" on Florida's Keewaydin Island. *(Naples Daily News / David Albers)*

But the Delaware plant never opened. (It has since been leveled to make room for warehouses.) One blow was the 2012 bankruptcy of Fisker's battery supplier, which was sold at auction to the Wanxiang Group of Shanghai in a deal that required approval from the Obama-Biden administration. Despite borrowing $300 million from the Energy Department, Fisker itself filed for bankruptcy the next year. Wanxiang bought the firm's remaining assets.

US-based companies with ties to China also took over DBOT, the fledgling penny-stock exchange whose backers include Hynansky and former

Biden staff chief Toner. Over the past year, Ideanomics (which owns China Broadband Limited and the Chinese pay-per-view service You on Demand—and was previously known as Seven Stars Cloud Group) acquired DBOT in a share swap.

Ideanomics is a project of Bruno Wu, an entertainment mogul *The New York Times* once called China's Rupert Murdoch. His wife and investing partner, Yang Lan, has been dubbed the Oprah Winfrey of China for her government-backed TV show, with guests like Bill Clinton, Elon Musk, and Henry Kissinger. In 2014, one of the couple's companies, Sun Media, announced a Hollywood investment partnership with Shanghai's Harvest Fund Management, the "H" in BHR Partners.

In addition to DBOT, Ideanomics invested in a state-backed redevelopment plan for West Hartford, Connecticut. Ideanomics vice chairman Shane McMahon is the son and business partner of pro-wrestling moguls (and longtime Donald Trump backers) Vince and Linda McMahon. Trump made Linda McMahon his Small Business Administration chief, but she quit this spring to head his reelection super PAC America First Action.

Though Ideanomics' share price has fallen since the DBOT deal, company spokesman Tony Sklar said it will zoom if the exchange can get its latest plans approved in Washington. He added that Hynansky, now an Ideanomics shareholder, "is a super, super fellow," Shane McMahon "is a super, super guy," and business is looking up.

Progressive Democrats who think 2020 is their year won't soon forget Biden's long fight for the banks and credit card companies against credit card and student debt relief. China hawks will keep pointing to how Chinese investors always seem ready to buy troubled investments from Biden allies.

President Trump's conflicts may be bigger and bolder and more likely to spark criminal charges or even corrupt US policy. But is this really the best Democrats can do: to point out that Trump is worse? They tried that in 2016—and it didn't end well.

JOSEPH N. DISTEFANO Joseph N. DiStefano is a staff writer for the *Philadelphia Inquirer* and the author of *Comcasted: How Ralph and Brian Roberts Took Over America's TV, One Deal at a Time*.

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