



---

Portfolio Media, Inc. | 860 Broadway, 6th Floor | New York, NY 10003 | [www.law360.com](http://www.law360.com)  
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | [customerservice@law360.com](mailto:customerservice@law360.com)

---

## Ex-Investment Firm Exec Slapped With \$20M Arbitration Award

By **Jeff Zalesin**

Law360, New York (January 5, 2016, 11:34 PM ET) -- An arbitrator in New York has ordered a former executive of Pangea Capital Management to pay the investment firm around \$20 million, finding that he engaged in a scheme to enrich himself by diverting funds from Pangea's investment in another company.

Stephen G. Crane, a retired New York judge with the arbitration firm JAMS, entered an award for more than \$19 million plus interest against John Lakian, a former Massachusetts gubernatorial and senatorial candidate. In a decision dated Dec. 30, Crane found that Lakian had negotiated a transaction for Pangea Capital Management LLC with his own interests in mind, then proceeded to line his own pockets.

Lakian's scheme involved fraudulently causing Pangea to invest in a controlling stake in financial services company Aegis Capital LLC, which was later renamed Capital L Group LLC, according to the decision. In the wake of that 2009 deal, Lakian had Aegis-related money transferred to his own accounts to fund his lifestyle and his ambitions to own multiple restaurants and a hotel, the arbitrator said.

"Lakian downplays his actions, calling them 'inartful' at worst, and certainly not a breach of his fiduciary duties," Crane wrote in the 180-page decision. "However, claimants' evidence establishes that the complex movement of Pangea's investment into the various accounts ultimately owned and controlled by Lakian was not a matter of bad bookkeeping; something far more nefarious was underway."

Lakian and his business interests received money through complex means, including various wire transfers and consulting fees built into the Aegis transaction, according to the decision.

Crane said that Lakian breached his fiduciary duties to Pangea and committed fraud. Lakian also violated the federal Racketeer Influenced and Corrupt Organizations Act by conducting an enterprise through a pattern of racketeering activity, Crane found.

"Pangea was both a target and the intended victim of the racketeering enterprise, and the injury it suffered is a direct result of Lakian's fraudulent activities," he said.

Pangea managing partner Mark Branigan **sued Lakian** and his accountant Diane Lamm in New York state court in 2012, claiming that they used Charlotte-based Capital L as their "personal piggy bank" before they ran it "into the ground." Unbeknownst to Pangea at the time of the investment, the Capital L deal was structured to give Lakian control over the money Pangea had pumped in, according to Branigan's complaint.

Soon after the state court complaint, the dispute moved into arbitration, where Lakian

denied wrongdoing. Lakian unsuccessfully put up several defenses to the RICO claim, arguing, for example, that Branigan failed to show that acts making up his alleged racketeering pattern were related and continuous. He also contended that the claim was barred by the Private Securities Litigation Reform Act, according to the decision.

Crane also found that Lakian defamed Branigan by writing an email in which he accused Branigan of assaulting Lamm and making sexual advances toward her. Branigan won only nominal damages on that defamation claim.

Lamm, for her part, filed for bankruptcy in 2014, causing the arbitration claims against her to be stayed.

Separately, federal prosecutors charged Lakian and Lamm with securities fraud and conspiracy to commit securities, wire and bank fraud in February. The charges overlap with the claims at issue in the Pangea dispute.

Dean Yuzek, an attorney for Pangea, praised the arbitration decision in a Tuesday email to Law360.

"The combination of intense pre-hearing preparation, skillful examination of witnesses and an arbitrator with virtually total recall of the facts enabled us to lay bare what is referred to in the award as a 'complex scheme,' including findings of 'racketeering activities,' an intent to 'defraud and pillage' Pangea and Mr. Lakian's 'rampant self-dealing,'" he said. "The fortitude of Pangea's founder and co-managing member, Mark Branigan, was also critical to our effort."

An attorney for Lakian did not immediately respond to a request for comment on Tuesday.

Pangea is represented by Dean Yuzek and Caitlin Bronner of Ingram Yuzek Gainen Carroll & Bertolotti LLP.

Lakian is represented by Richard Carmen of Brief Carmen & Kleiman LLP and by David Sorokoff.

The arbitration is Branigan v. Lakian, Jams Ref. No. 1425012628.

--Editing by Catherine Sum.

---

All Content © 2003-2016, Portfolio Media, Inc.