

## Prison awaits pair who ripped off adviser and others in a plot with many twists

All this story's missing is the screenwriter.

The real-life characters include a failed politician turned skillful fraudster. He heads to prison next month. Add to the cast the brother of a pop music star who ran an aspiring hedge fund and an attorney who doggedly spent years uncovering the fraud.

The scene opens with a chance encounter in an airport lounge between **John Lakian** and **Diane Lamm** in 2006. This touches off a romance (Lakian was married) and a crime spree reminiscent of Bonnie and Clyde. But instead of Tommy guns and bullets, the defendants lobbed a labyrinth of shell companies and subterfuge that Lakian had honed over the years. Before any credits rolled, they would make off with millions.

You may think you've seen this movie before. We first profiled Lakian and Lamm last year because they had hired an outsourced CCO to oversee their advisory firm. The **SEC** brought a separate enforcement action against that CCO, who isn't linked to the couple's scams ([IA Watch](#) , Aug. 17, 2017).

### Prison time

Recently, Lakian and Lamm learned their fate after pleading guilty to two counts of criminal securities fraud. Lakian pulled 4½ years in federal prison. Lamm turns herself in in March to serve three years. They were also ordered to pay \$15 million in restitution.

"Investment advisers are required to act in the best interest of their clients. Lamm did just the opposite by taking advantage of those who trusted her with their money, benefitting personally from illegitimately obtained profits," said FBI Assistant Director-in-Charge William Sweeney after Lamm's sentencing last month in New York.

Lakian ran unsuccessfully for Massachusetts gover-nor in the 1980s and for the U.S. senate from the Com-monwealth in the 1990s. He was once a client of **Mark Branigan**, whose sister is the pop star **Laura Branigan**.

When Mark Branigan opened an unregistered

hedge fund, **Pangea Capital** – in part to reportedly manage his sister's money – he reached out to Lakian because Branigan perceived him to be "well-connected" and armed with an "amazing rolodex," **Dean Yuzek** tells **IA Watch**. Pangea enlisted Yuzek and **Caitlin Bronner** as its attorneys. Both are partners at **Ingram Yuzek Gainen** in New York.

### A 'charming fraudster'

Lakian, who Yuzek describes as "a somewhat charm-ing fraudster," touted "his ability to bring in investors and raise money." He persuaded Branigan to make him a managing member and to invest \$11 million of Pangea's assets to buy a controlling stake in Lakian's advisory firm, **Capital L**.

The hook was that Capital L would buy up small- and mid-sized- investment advisers, package them into one entity and later sell the consolidated venture or go public. Lakian told Branigan that Lamm was a forensic accountant. In reality, she was unemployed when the couple met in that airport lounge. Yuzek describes her as Lakian's "mistress."

To give Branigan some comfort, a three-person board would rule Capital L. But Lakian convinced Branigan that Lakian and Lamm should fill two of those seats. After the third board member left, the couple ran the place ragged.

### Funding their 'luxurious lifestyles'

Prosecutors argued that the pair ripped off investors and banks (via loans issued under false pretenses) in two separate schemes, including Pangea's. The couple used the cash to fund a fledging restaurant chain they owned as well as to acquire "clothing, furniture and fine art from luxury stores such as **Bergdorf Goodman**, **Gucci** and **Paul Stewart**; stays at the **Palace** and **Waldorf Astoria** hotels in New York City; [and] getaways at luxury resorts," according to the government.

The task fell to Bronner to unravel the whole affair. Her investigation quickly determined that Lakian had a checkered past, including allegations of fraud and lawsuits. Over time, "he got a bit smarter," says Bronner. Yuzek says he "perfected" his fraud skills.

It would take her four years to untangle Lakian's entire web of "entities he owned and controlled," including a network of accounts, shell companies, corporations and limited liability companies. One transaction would lead to another until Bronner stitched the sordid puzzle together.

By then, the **Department of Justice**, the FBI and the SEC were investigating as well.

Neither Lakian's attorney or Branigan returned **IA Watch** inquiries. Lamm's attorney, **Isabelle Kirshner**, a partner with **Clayman & Rosenberg** in New York, says "if there was no John Lakian, Diane Lamm" wouldn't have gotten into trouble. "She admitted her guilt," Kirshner adds.

Kirshner says an adviser had only to perform some simple due diligence and Lakian's troubled past would have shined like a spotlight. "I think sophisticated investors may have identified that as an issue" before doing business with him, she says.

Yuzek says *The Boston Globe* reported on Lakian's shady behavior as far back as that gubernatorial race thirty years ago. The coverage even sparked a libel lawsuit that Lakian lost.

### A sequel in the offing?

But the 72-year-old fraudster may win top billing in the end. He'll be released from prison in 2022 and only a small portion of the missing cash has been discovered.

"We would not be surprised to find that there are assets of which we are unaware somewhere in the U.S. or in international accounts," says Yuzek. ■

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