

Schedule "B"

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### **McMahon's managing partner faces investigation**

The managing partner of collapsed firm McMahons National Lawyers, Bryan McMahon, is facing an investigation by the Legal Services Commissioner of NSW, while his firm's administrator has revealed creditors are likely to be left out of pocket.

A spokeswoman for NSW Attorney-General John Hatzistergos confirmed that Legal Services Commissioner Steve Mark was looking into the troubled mid-tier firm.

It is understood Mr. Mark is investigating whether to prosecute Mr. McMahon. While Mr. Mark declined to comment, he can seek to remove or suspend a lawyer's practising certificate, or fine a lawyer up to \$50,000 if they are found to have breached the Legal Profession Act.

Mr. McMahon said he was unaware of any investigation. He has become a consultant with a new firm McMahon Charleston Lawyers – just across the road from the McMahon offices in Sydney which have been closed down.

While Mr McMahon said employee entitlements and debts would be paid, this week the administrator appointed to look into the firm, Deloitte's Neil Cussen, said "it's unlikely that we will meet all creditor's claims". Mr. McMahon set up a complicated structure for his firm just months before it went into administration. Mr. Cussen said outstanding employee entitlements were still being calculated and he was still trying to understand which McMahons entity was responsible.

In July, the McMahons National Lawyers partnership was transferred to an unusual limited "partnership", which is now in receivership. The general partner was a management company of which the sole director was Bryan McMahon.

Employees signed agreements in July that stated that if their new limited partnership could not cover their entitlements, then this would be covered by the original McMahons partnership. But there was a separate agreement whereby the management company indemnified the limited partnership for all amounts owing including employee entitlements.

This has raised alarm among former staff because the management company has just over \$60,000 in cash assets. One former staff member said some individuals were owed bonuses of up to \$70,000 and staff were also owed leave pay.

On Monday Mr. Cussen will recommend to creditors that the management company go into liquidation. His report states there may be a "prima facie case for insolvent trading" and a liquidator, if appointed, must investigate the company's guarantee to determine if it breached the Corporations Act.

Mr. McMahon denied any wrong-doing, saying the limited partnership was solvent when it went into receivership.