



KordaMentha

### **Fincorp directors feel the heat as court freezes assets**

INVESTIGATORS will grill the former directors of Fincorp about their roles in the property group's collapse, which cost its 8000 individual investors \$115 million in lost funds.

The Australian Securities and Investments Commission and liquidators KordaMentha plan to examine the company's board members, including the founder, Eric Krecichwost, as part of their separate investigations into Fincorp's failure in March.

Hearings are likely to take place before Christmas following a NSW Supreme Court decision yesterday to maintain asset preservation orders secured by the commission in July against Mr Krecichwost and four other senior managers and non-executive directors.

The former chairman, Peter Pengilley, former chief executive, Craig Stubbs, former finance director, Neil Livingstone, and one-time head of funds management, Craig Gallie, are to be quizzed.

They all quit the group in the weeks and months leading up to the decision to place the Fincorp group into administration. At the time, it owed its noteholders and bank lenders \$296 million.

The role of Fincorp's owner Mr Krecichwost, who set up the group five years ago and stood down as chief executive in May 2005, has come under particular scrutiny by the investigators.

The group's 10 main assets were recently sold to the listed property group Becton and the house builder AV Jennings for \$204 million, which ensured the banks got all of their money back.

The deal resulted in a 50c in the dollar payout to Fincorp's secured noteholders. Its unsecured investors got nothing.

KordaMentha have raised the prospect of claims for damages against some or all of Fincorp's former directors for alleged insolvent trading and other activities that may have contributed to the group's failure.

Excerpt from The Sydney Morning Herald, 16 October 2007