

**MASSACHUSETTS PAYS \$1.29 MILLION – ITS LARGEST AWARD EVER
TRIGGERED BY ITS LARGEST DEFALCATOR EVER**

At its April 2019 meeting, the Clients Security Board of the Supreme Judicial Court of Massachusetts awarded a family limited partnership \$1.29 million for defalcations systematically executed over a ten-year period.

In 1998 Arthur J. McCabe, II of Andover, gained the trust of a 76-year-old widow who had recently inherited \$1.8 million from her sister (also McCabe's client). He convinced the widow to adopt a family limited partnership for her estate plan and thus avoid paying the large estate tax bill her sister's estate had just paid. He made himself the Executive Partner with sole and exclusive power over all bank and brokerage accounts and only occasionally reported on the partnership's status to the aging matriarch whose formal education ended with high school. Mr. McCabe made her three adult children (two of whom lived in other states) limited partners who rarely, if ever, received any reports on the partnership's assets. If a limited partner ever requested information, McCabe responded that your mother is the general partner and she is in charge, thus discouraging future requests.

While isolating the widow from outside influences but providing for her financial support, Mr. McCabe diverted almost all partnership assets into his pet real estate development dream: an international business center in a complex of run-down and abandoned textile mill buildings in Lawrence, MA. Facing defaults on major loans during the real estate downturn of 2007-09, McCabe could no longer find an accounting firm willing to prepare the partnership's federal tax return. A limited partner persuaded his tax accountant to step in who, in short order, discovered massive irregularities in the scant partnership records available and filed the last federal return in 2010 reporting zero assets. When, after McCabe's 2010 disbarment, he filed for bankruptcy protection in 2011, the limited partners' adversary proceeding succeeded and McCabe's debts to them were declared non-dischargeable.

Mr. McCabe also stole from other clients to prop up his real estate dream and even tricked one client into personally guaranteeing a loan taken out by a McCabe LLC from a state development agency. The agency sued on the guarantee and recovered. Mr. McCabe is now the Massachusetts Fund's leading defalcator with awards exceeding \$2.6 million.