

USA Capital's failure creates painful fallout for investors

John G. Edwards

Las Vegas Review – Journal

Jan 18, 2007

It's no secret that some people are unhappy with USA Capital, a bankrupt private lender that controlled \$962 million in investor assets. USA Capital, its owners and thousands of its investors all were dealt grief last year and not all of it was financial.

Professionals close to the bankruptcy are reflecting on these incidents as Bankruptcy Judge Linda Riegler prepares to wrap up the main part of the USA Capital case. The effective date for a USA Capital reorganization plan is expected to be around Feb. 1.

USA Capital solicited money from individual investors and used the money to make short-term loans to developers who provided real estate as collateral.

Retired individuals in some cases had entrusted the bulk of their savings to USA Capital and feared they would be left with nothing but Social Security benefits for their last years.

Their investment program collapsed when USA Capital became insolvent in April and filed for bankruptcy protection.

Within the first 30 days, BMC Group, which made bankruptcy case information available to the public, spoke to eight investors who said they were going to kill themselves.

Police were dispatched to the distraught investors, who lived in places as far away as Florida and as close as Boulder City. USA Capital isn't aware of any suicides related to the bankruptcy, USA Capital Chief Operations Officer Mark Olson said.

Within weeks of the bankruptcy filing, a burglar smashed the window of a car parked in the USA Capital office parking lot at 4484 S. Pecos Road and stole a laptop computer that contained information related to the bankrupt private lender, Olson said.

USA Capital Chief Restructuring Officer Tom Allison took control of the office buildings.

USA Capital principal owners Tom Hantges and Joe Milanowski rented an office on the southwest corner of South Sandhill Road and East Harmon Avenue and continued operating USA Investment Partners, a real estate development company that was not in bankruptcy.

One morning two months ago, workers at the USA Investment Partners office emerged from their office and found Hantges' sport utility vehicle had been bathed in acid and holes had been punched in his tires.

"It was serious damage," Hantges said.

He declined to speculate about who did the damage.

"I have an idea, but I don't want to say," Hantges said.

David Fogg, a principal with Builders Capital who borrowed from USA Capital, found his truck had caught fire late one late-summer night outside of his residence in Temecula, Calif. Fogg could not be reached for comment. His truck was a total loss and his garage was damaged.

At a hotel seminar for USA Capital investors last year, one angry individual said he was carrying a pistol in his fanny pack and threatened revenge for his losses.

Olson said he has heard stories from investors who previously were convinced that USA Capital investments were safe. USA Capital maintained the illusion of financial health by making payments to investors as if their loans were performing although many USA Capital brokered loans were past due.

"People said, 'It's foolproof,' " Olson said.

Many retired people were confident because they only bought fractional interests in short-term loans to developers who provided real estate as collateral. These investors could make 12 percent on a typical first trust deed or mortgage loan with first priority for payment.

"Where in the world am I going to get 12 percent," they would say, according to Olson.

The 12 percent yield enabled retirees with a few hundred thousand dollars to live the good life.

Some took the next step and borrowed money through home equity loans, taking advantage of the increased value of their home, Olson said.

Now, some of these people say they are losing their homes or being forced to sell their homes, because they may not recover all of their investments with USA Capital, Olson said.