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Couple tied to USA Capital draws probes



By [Pat Beall](#)

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Some people are productive at work. Some get more done at home.

And some believe Bill Lilly built a real estate empire from a jail cell.

More business news The self-described condo king served five years in prison after being convicted on 31 counts of bank fraud, all related to real estate.

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By the time Lilly got out in 1997, his longtime companion - aerobics instructor turned real estate maven Valerie Kaan - had assembled the building blocks of Bay Communities Inc., a Boca Raton firm with branches across the state.

That would include Bay Pompano Beach LLC, which got \$14.6 million from USA Capital, according to Nevada bankruptcy court filings.

USA Capital may be on the hot seat in Vegas, but Bay Communities, one of USA's big-money South Florida borrowers, also has drawn fire. Federal prosecutors charged that after Lilly entered prison, Kaan fronted for him in real estate deals.

Packages stuffed with signed sales agreements and promissory notes went flying out of Allenwood (Pa.) Federal Prison, prosecutors alleged in a 2000 civil complaint. What's more, they said, Lilly raised money, coordinated real estate closings and participated in conference calls, all from his cell. Kaan's Bay Communities Inc. and its various corporate cousins were merely the face on the deals, they say.

The last straw for the feds came in 1999 when Lilly and Kaan moved into a ritzy multimillion-dollar manse in Boca Raton.

Lilly's luxury surroundings irked federal prosecutors, given the fact that Lilly had paid just about \$40,000 of \$5 million in court-ordered restitution.

The feds sued Lilly, Kaan and a slew of Florida companies. On the eve of the trial, Lilly agreed to a settlement speeding up - and bulking up - restitution payments.

Meanwhile, Bay Communities was going great guns. USA Capital investors loaned Kaan's Wellington Development Inc. \$31.5 million in 2004, according to property records.

Two other Kaan companies, Old City LC and Lake Helen Partners LLC, got \$3 million that same year. Bay Pompano got \$14.6 million in 2005.

A Florida firm led by Lilly's son, Palm Harbor One LLC, secured \$26.5 million.

As of December, though, the Bay Pompano loan was in arrears, according to a Jan. 26 bankruptcy court collections report, the most recent available.

Palm Harbor One has paid more than \$7.2 million on its loan, which is in good standing.

The Old City/Lake Helen loan is in default. Reached at her Boca office, Kaan declined to discuss any of the loans, saying only that they were being "worked out."

As for the notion that Kaan merely serves as a front, both she and Lilly have vehemently denied the allegation.

In a rare interview with the *Boston Globe* in 2005, the couple declared that prosecutors simply didn't believe a woman could learn the ropes well enough to independently reap her own real estate riches.

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