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Compass Partners hopes to resolve loans in 2007

Executive says firm working to appease 'antsy' USA Capital investors

By JOHN G. EDWARDS
REVIEW-JOURNAL

Compass Partners, the New York private equity firm that bought mortgage loan servicing rights from failed USA Capital, plans to resolve problem loans totaling \$700 million within a year.

USA Capital controlled \$962 million in assets for 6,000 investors around the country when it filed for bankruptcy in April. The company solicited investments from individuals who wanted to earn double-digit yields on short-term loans secured by real estate.

Compass a week ago closed on a deal to pay \$67 million for assets of one of the mortgage loan funds managed by USA Capital and for the right to service 70 loans, many of which are delinquent. Compass bought the loans held by USA Capital Trust Deed Fund, one of two mortgage loan investment funds managed by USA Capital.

David Blatt and Boris Piskun, co-founders and partners at Compass Partners, have established Compass Financial Partners to take over the USA Capital operations.

The partners said the company will be sending investors information about the loans in which the investors hold a fractional interests.

"I know a lot of investors are antsy," said Piskun. "We're diligently working for resolution of all the loans and along with that releasing information to investors."

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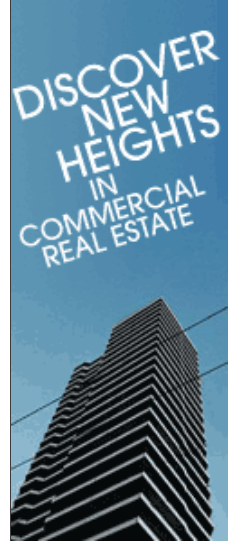
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Compass has several options for resolving the delinquent loans. It could foreclose on property that secures loans that are in default. Compass may give borrowers more lenient terms or discount the amount owed in order to recover the maximum amount of money. Or the loan servicing company could buy the loan from investors.

Other companies also are offering to buy fractional interests in these loans from investors, but Compass says it has a reason to treat investors more fairly.

"Compass Financial has a fiduciary relationship with these investors whereas others only have self-interest," Blatt said.

The partners said they hope to resolve all 70 loans within a year.

The company also hopes to operate an ongoing business. Earlier this week, Compass Financial announced that it will offer short-term bridge loans. In the statement, Compass Financial said it "anticipates growing this business to an even larger core of new borrowers going forward as it works with its new base of borrowers for immediate refinancing matters."

Compass Financial has established offices at Fort Apache Road and Tropicana Avenue. The phone number is 734-2400.

The operations of the interim managers at USA Capital, which are overseen by Thomas Allison of Chicago-based Mesirow Financial, are winding down.

As of the end of January, Mesirow recovered \$249 million of the \$962 million entrusted to USA Capital.

The plan of reorganization designates Geoffrey Berman of Los Angeles as the trustee for the USA Commercial Mortgage Trust and Michael Tucker of Phoenix as the administrator of the USA Diversified Trust Deed Fund. Berman is expected to pursue claims on behalf of the USA Capital estate on behalf of creditors and investors. Tucker will be seeking to recover money on behalf of the 1,300 investors in the \$118 million Diversified mortgage loan fund.

Tucker and Berman may sue former USA Capital insiders Tom Hantges, Joe Milanowski and Paul Hamilton.

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