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## **USA Capital yields reins to Compass Partners**

By [JOHN G. EDWARDS](#)  
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USA Capital, which has become the biggest bankruptcy case in Nevada history, has completed its reorganization plan and turned over most of its operations to Compass Partners, a New York private equity firm.

Compass Partners was the high bidder at a bankruptcy court auction Monday and paid \$67 million to USA Capital for the right to service most of the outstanding loans and for the assets of one of two investment funds, USA Capital First Trust Deed Fund.

Before filing for bankruptcy in April, USA Capital solicited money from investors around the country for short-term loans to developers, sometimes called trust-deed loans. About 6,000 investors around the country bought fractional interests in trust deed loans or invested in the two loan investment funds managed by USA Capital.

The company, however, was making monthly payments to investors on loans that were past due. USA Capital became insolvent while managing \$962 million in assets for investors and filed for bankruptcy.

Thomas Allison of Chicago-based Mesirow Financial took over as the chief restructuring officer at USA Capital, and his company later reported that the USA Capital case was the largest in Nevada history.

Since then, USA Capital has recovered \$274 million in principal owed for loans plus an unspecified amount of interest. That figure does not include the \$67 million paid by Compass Partners.

"I'm very pleased with where we got to working out the loans over there," Allison said Tuesday. "The bankruptcy did go very fast."

USA Capital, however, lacked the cash needed to foreclose and hold assets while the bankruptcy case was pending, Allison said. He believes Compass Partners has the cash resources needed to resolve outstanding loans and, if necessary, foreclose on collateral for loans in default.

Compass already has resolved three pending loans. Compass Financial obtained all of the principal and interest owed on those two funds, Mark Olson, investor relations director at Compass Financial, the New York company's new affiliate.

A fourth loan is expected to be resolved soon. The bankruptcy court has appointed a trustee for USA Commercial, the former loan servicing affiliate of USA Capital, and an administrator for USA Capital Diversified Trust Deed Fund.

The administrator and trustee are expected to seek additional sums from former USA Capital owners Tom Hantges, Joe Milanowski, and Paul Hamilton.

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