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Double-dose of bad news for USA Capital investors

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The story for investors of Incline-based USA Capital took two turns for the worse last week. First, the company tapped to deliver the real estate investment firm from bankruptcy was given a cease and desist order to operate in the state of Nevada.

Simultaneously, that company, New York-based private equity firm Compass Financial Partners, LLC filed a lawsuit in Las Vegas against the original USA Capital investors.

There are more 1,100 original USA Capital investors in the state of Nevada, 68 of whom call Incline Village/Crystal Bay home.

USA Capital once managed a reported \$962 million in investors' assets.

The cease and desist order was filed last week by the Nevada Mortgage Lending Division, the state agency which safeguards the public against unethical mortgage lending and escrow industries.

Nevada Mortgage Lending Division Commissioner Scott Bice filed the order because Compass Financial Partners, LLC, was allegedly operating without a license to service loans.

"Here's my take on this: it's not a surprise," said Galena resident Donna Cangelosi, chairwoman of the lender protection group. "Compass was forced on us from the bankruptcy process. From the beginning, their communications with us were suspicious.

"All we've received from them is threatening status updates. When Scott Bice stepped in, we thought at least this time we won't be subject to another travesty."

In a separate cease and desist order, Bice said USA Capital had "numerous instances of material misrepresentation." The company also allegedly conducted "deceitful, fraudulent or dishonest business practices."

"It's a mess," said Incline resident and USA Capital investor Bob Bender. "The bankruptcy was filed April of last year and look what's happened.

"This has been a terrible experience for many people, probably the biggest fraud in the state of Nevada. If you can find a bigger one, let me know."

The lawsuit Compass Financial Partners filed last week in Las Vegas was an injunction on the investors' ability to communicate.

"We view the lawsuit as a frivolous lawsuit intended to intimidate," Cangelosi said. "After all we've been through, we're not going to be intimidated. The lawsuit is very glib and presents no evidence."

Compass Financial Partners could not be reached for comment.

"Compass did a midnight move out of Las Vegas," Cangelosi said. "What the state commissioner has found is icing on the cake if we have to go forward and protect ourselves. When a state agency goes in and sees what we've seen and shows we're not fantasizing, we're not paranoid, there's real trouble here.

"We just regret this doesn't reach across state lines to protect the 3,000 investors out there."

Tahoe World

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Originally, Compass Financial bought the loan servicing and fees from the USA Capital bankruptcy in February. According to the purchase and sale agreement between the parties, Compass Financial was required to obtain a license.

In March, Compass Financial sent a reassuring letter to investors which read:

"Compass Financial Partners recognizes that the two main issues on which investors are focused are the return of their capital, and clear communication and up-to-date information from us about loans and accounts. We will work diligently and quickly to find appropriate resolutions to the non- and underperforming loans and the return of capital to investors."

Since March, according to Amanda Penn, public information officer for the state of Nevada, "Compass decided not to stay in Nevada and withdrew its application for mortgage broker license."

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