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USA Capital's former owner offers few answers

At hearing, ex-lending company boss often takes Fifth Amendment when questioned

By JOHN G. EDWARDS
REVIEW-JOURNAL



Ex-USA Capital owner Tom Hantges, seen in May 2006 at Rio, answered few questions during a Wednesday bankruptcy hearing, often invoking his Fifth Amendment right to avoid self-incrimination. Review-Journal file photo

In his first public appearance since his private lending firm filed for bankruptcy two years ago, [Tom Hantges](#) said he was working hard to recover assets for the 6,000 investors who entrusted him with \$962 million.

"We're going to try to get investors back as much money as possible" despite the downturn in real estate markets, Hantges, former owner of failed [USA Capital](#), told the Review-Journal.

Hantges said his "number one priority" was and continues to be recovering money for investors.

Yet, during a bankruptcy case hearing on Wednesday, Hantges refused to answer dozens of questions. He took the Fifth Amendment against self-incrimination when asked about defrauding investors, selling assets, transferring assets to his ex-wife and hiding assets from creditors.

After the hearing, bankruptcy trustee Michael Carmel of Phoenix declined to say

whether Hantges moved any money to offshore havens in an effort to keep it from creditors.

Hantges cited the Fifth Amendment repeatedly as U.S. Trustee August Landis asked him if fraud was involved in his taking \$55 million to USA Capital Diversified Trust Deed Fund, a mortgage loan fund; \$51 million from USA Capital Commercial Mortgage; and another \$22 million in debt from Commercial Mortgage.

They were among several related USA Capital entities that became insolvent and filed for bankruptcy in April 2006. USA Capital solicited money from individual investors and used the money to make loans to developers; some loans were for projects that Hantges was developing. Investors were attracted by double-digit interest rates.

Hantges was accompanied by three attorneys and refused even to answer some seemingly innocuous questions. Assistant U.S. Trustee August Landis tried to interject humor at one point asking about Rhoda, the family pet: "Is Rhoda doing fine?"

Hantges invoked his right against self-incrimination.

Hantges showed no emotion as he refused to answer questions about signing financial reports that bankruptcy trustee Michael Carmel of Phoenix said contained false information.

Carmel asked if Hantges had destroyed financial books and records. Hantges took the Fifth.

"Would you agree with me today that invoking the Fifth today is not cooperating with the trustee?" Carmel asked.

"I invoke the Fifth," Hantges said.

After the 30-minute hearing, Hantges said: "Great day at the races."

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Hantges' testimony contrasted that of former partner Joe Milanowski who answered some but not all questions from Landis and trustee Ford Elsaesser.

Milanowski said his wife took money from her trust account to pay a \$200,000 retainer to the New York law firm Paul Hastings and a \$30,000 retainer to Russell Walker, a Salt Lake City attorney who appeared with Milanowski.

Investor Gabriel Lither, 35, said he has not recovered any of the money he entrusted to USA Capital.

"I'm sickened that 18 months after this thing, they're still taking the Fifth and not cooperating at all. They have just continued the shell game of hiding the funds. It makes me very angry."

A report signed by Milanowski shows he personally guaranteed loans totaling \$358 million many of which were also guaranteed by Hantges. At least some loans were for projects Hantges and Milanowski were developing with money from USA Capital investors.

Hantges reported that his monthly expenses average \$18,490, including \$5,500 in mortgage or rental payments.

Hantges is expected to return to work in November and make \$10,000 to \$12,000 monthly, but information about his new job were not disclosed.

His personal assets include three LeRoy Neiman paintings, a diamond ring, a Patek Philippe watch, a 2007 Toyota Avalon, a 1916 Mercury dime minted in Denver, three pistols and two rifles.

Hantges reported a balance of \$174,000 in a Bank of the West checking account. Hantges showed that he owns a single-family home in Henderson and owed \$663,000 on the property.

Hantges owes the Internal Revenue Service \$120,000 for the last two years and \$198,000 in taxes to California.

Milanowski reported a California tax debt of \$270,000 but didn't know how much he owed to the IRS.

Both Hantges and Milanowski have appealed a decision by bankruptcy Judge Linda Riegler to continue involuntary bankruptcy proceedings.

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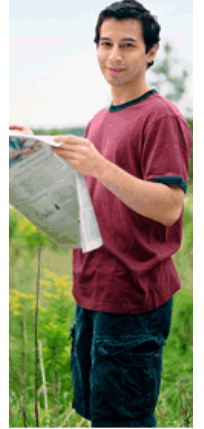


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