

OUT DL: deny laughing SMIRK: dominant minds think in parallel gutters BYTNDIR: but what the heck DO I KNOW C&G: chuckle & grin CID: crying in disgrace CUL: see you later **YOU DON'T KNOW WHAT YOUR KIDS ARE SAYING ONLINE.** CYO: see you online DBA: doing business as usual DL: dead link DLTBBB: don't let the bed bugs bite DIKU: do I know you? EMFBI: excuse me for butting in F2F: face to face FC: fingers crossed FISH: first in, still here FMTYEWTK: far more than you ever wanted to know FOMCI: falling off my chair laughing FTR0MH: from the bottom of my heart FIID:



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USA Capital documents get approval

By JOHN G. EDWARDS
REVIEW-JOURNAL

Bankruptcy Judge Linda Riegle on Monday approved disclosure documents for the plan of reorganization for USA Capital, a private lender that controlled \$962 million in assets when it filed for bankruptcy court protection in April.

The judge's decision does not mean she will approve the plan of reorganization, only that she approved documents that will be sent to about 6,000 investors who entrusted USA Capital to use their money for short-term mortgage loans to developers.

Investor committees approved the reorganization plan, but the committee for investors in USA Capital Diversified Trust Fund may object to the plan, said Marc Levinson, an attorney for the USA Capital Diversified committee.

"We have tried hard to negotiate an agreement with the mortgage company (USA Capital Mortgage)," Levinson said. "The sad part is that we have been unable to do so."

The Diversified fund has been one of the hardest hit investor groups at USA Capital. It has no assets to use for distribution to its investors, but Levinson said a minimum of \$500,000 will be transferred to Diversified. In addition, Diversified may recover up to \$80 million from the so-called 1090 loan, as well as money from other loans. The 1090 loan was used as a pass-through from USA Capital to USA Investment Partners, a company controlled by former USA Capital managers and owners Tom Hantges and Joe

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Milanowski.

Milanowski has said Diversified investors can expect to recover all of their \$150 million investment, but Levinson said he is less optimistic than Milanowski.

Levinson declined to estimate how much investors in the fund will recover, saying it could be a small percentage of their investments or a large percentage.

USA Capital First Trust Deed Fund, a fund registered with the Securities and Exchange Commission, is expected to recover 65 cents on the dollar for its investors. The money will come from selling First Trust assets to Silver Point Capital, a Greenwich, Conn., hedge fund.

As part of the deal, Silver Point also would get the right to service loans for USA Capital. Silver Point is a first bidder, or a stalking horse, but another firm may win the First Trust Deed assets and loan servicing contract based on a higher bid than Silver Point's.

The two funds also may recover assets through lawsuits that are expected to be filed against Milanowski, former USA Capital owner Tom Hantges and their company, USA Capital Investment Partners.

A different arrangement was approved for direct lenders, investors who bought fractional interests in short-term mortgage loans, rather than putting their money in one of the mortgage loan funds.

The assets of direct lenders, such as short-term mortgage loans or foreclosed real estate, will not be considered part of the USA Capital bankruptcy estate under the plan of reorganization.

"We think this is a good compromise that puts direct lenders in a position they need to be in," said Greg Garman, an attorney for the direct lenders committee. The plan calls for recovery of overpayments to direct lenders through deductions to payouts to direct lenders. The plan avoids the prospect of thousands of lawsuits against direct lenders, Garman said.

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