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Source: Reorganization plan for USA Capital up to judge

By JOHN G. EDWARDS
[REVIEW-JOURNAL](#)

Compass Partners of New York plans to establish a private lending operation in Las Vegas if the bankruptcy judge next week confirms a plan of reorganization for USA Capital, which controlled \$962 million in assets.

A source close to the bankruptcy case said a majority of creditors voted in favor of the plan. The four committees representing investors and creditors support the plan.

Bankruptcy Judge Linda Riegle will hear arguments on the plan of reorganization Tuesday and may continue the hearing on Thursday. USA Capital filed for Chapter 11 bankruptcy court protection in April when it became insolvent.

The company originated short-term mortgage loans, sometimes called trust deeds, using money solicited from individual investors. Some 6,000 investors were receiving monthly checks and believed their loans were current, but many developers had stopped making payments on USA Capital loans.

Compass Partners submitted the high bid in an auction last week and agreed to pay \$67 million for the right to service outstanding loans for USA Capital. As part of the deal, it is acquiring loans owned by USA Capital First Trust Deed Fund, a pool of mortgage loans.

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David Blatt and Boris Piskun, two partners at Compass, on Thursday said they intend to continue operations of USA Capital, although under a different name, if the judge confirms the plan next week.

The New York company buys large nonperforming loans from banks around the country, including giant regional and money-center banks, and works out the problems.

"Our business is acquiring and working out distressed mortgages," Blatt said. "We're in the business of taking a broken situation and trying to fix it."

Compass will negotiate with borrowers to get the best deal possible, including the possibility of discounting the amount owed. Banks don't want to do that for fear other borrowers will seek discounted payoff amounts as well, the partners said.

The company is not interested in becoming a project developer, as USA Capital owners Tom Hantges and Joe Milanowski did.

If investors in USA Capital want to sell their mortgage loan holdings, Compass may buy those fractional interests in the loans if investors approach the company.

Compass, however, does not intend to simply work out the loans it is buying from the First Trust Deed fund and servicing the other loans. The New York company plans to establish a private lending business in Las Vegas and continue originating real-estate secured loans to developers around the country.

"While we want to continue the operations, it's a fresh start in terms of the caliber of operations we intend to bring to the business," Blatt said. "We're prepared to get involved with good projects, run by good developers anywhere,."

"You've got some good developers here with some really solid projects. The core of the problem (at USA Capital) came from the servicing side and less from the properties and developers."

Compass hopes that some investors in USA Capital will continue to invest in its trust deed loans after Compass takes over.

While USA Capital is accused of violating rules for mortgage brokers in Nevada, Compass believes it can do well operating an honest business.

"I think the business is a solid one," Piskun said. "Smart and honest people can be very successful in this business."

"Nevada provides a very business-friendly environment for this business," Blatt said.

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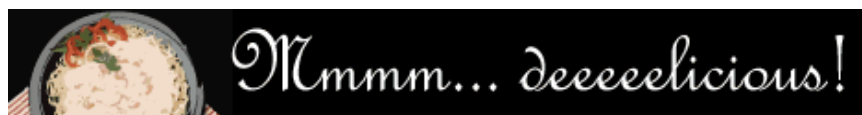
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