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Dissident group drops request for freeze in USA Capital case

Compass Partners could close on purchase of assets by next week, lawyer says

By JOHN G. EDWARDS
REVIEW-JOURNAL

A dissident group of investors dropped their request for a court-ordered freeze in USA Capital's bankruptcy case, the bankrupt private lending company announced Wednesday.

As a result, attorneys hope that Compass Partners of New York will close on its \$67 million purchase of some USA Capital assets and the right to continue servicing most of USA Capital's outstanding loans. The sale could close as early next week, said an attorney speaking on condition of anonymity.

After the sale closes, Compass Partners, a private equity company, will start servicing most of the short-term mortgage loans being handled by USA Capital, a private lending company owned by Tom Hantges and Joe Milanowski.

USA Capital solicited money from individual investors who were attracted to yields around 12 percent for loans to developers who provided real estate as collateral. The private lender became insolvent and filed for bankruptcy in April. Investors learned that most of the 115 outstanding loans at USA Capital were past due but that the USA Capital had continued to make payments to investors as if the loans were performing.

Attorneys for the Lenders Protection Group, which represents 400 investors, and other individuals argued that Bankruptcy Judge Linda Riegler was wrong to withhold some payments to investors who

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received payments for nonperforming loans. Attorney Alan Smith of Reno said Riegle had set aside \$40 million to compensate for overpayments made to these investors. Smith said the bankruptcy judge should have required a lawsuit in bankruptcy case to settle the dispute relating to overpayments.

The dissidents last week obtained a stay on the bankruptcy case until Feb. 20 from a bankruptcy appellate panel.

U.S. District Judge Robert Jones on Monday voided the stay. He said Riegle first should have been given an opportunity to rule on the stay. The dissidents' appeal is expected to continue without the stay.

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