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Investors group leader warned in USA Capital case Federal judge tells dissidents' chief she may be jailed for contempt

By JOHN G. EDWARDS
REVIEW-JOURNAL

A federal judge is warning the leader of dissident investors at failed [USA Capital](#) that he may order her jailed if she continues to violate court orders.

[U.S. District Judge Robert Jones](#) said he will hold a hearing in 30 days to determine whether [Donna Cangelosi](#) of [Reno](#) should be jailed for contempt of court.

Cangelosi on Wednesday declined comment about the hearing as did Norlynn Price, an attorney with the [Texas](#) law firm Fulbright & Jaworski. Price represents companies that Cangelosi established to control the interests that investors have in USA Capital loans.

Jones also warned Price that she or her firm may be held in civil contempt, a rare step in courtroom proceedings.

The courtroom battle stems from the collapse of USA Capital, which was handling \$962 million in assets for 6,800 investors when it filed for bankruptcy in April 2006. The company solicited money from individual investors and made loans to developers.

The bankruptcy judge has sold some USA Capital assets and loan servicing rights to Compass Partners, a New York private equity firm.

Cangelosi and her supporters object to the way Compass is resolving problem loans. She has challenged the bankruptcy court sale to Compass.

Jones last year ruled that Cangelosi broke securities laws by soliciting USA Capital investors to assign their interest in USA Capital loans to limited liability companies. The LLCs were proposed as part of a strategy to file lawsuits and seek to replace Compass Partners, a New York company, as the loan servicer for USA Capital investors.

Under the arrangement, the LLCs were to give an estimated \$2.5 million to FDH Management, short for "Fat, Dumb and Happy," which Cangelosi owned. She was asking the judge to increase the fee paid by investors to \$10 million.

Cangelosi also proposed an arrangement with Texas companies, Cross Servicing Group and Cross Litigation Management, that could seek to take over loan servicing for USA Capital loans and pursue lawsuits.

On Monday, the judge said Cangelosi violated his earlier contempt order by soliciting money to continue lawsuits over handling of assets of USA Capital. He ordered that Cangelosi dissolve the LLCs.

Jones said Cangelosi was trying to profit from the same investors who were victimized by USA Capital.

"It's just rape and pillage of the same people who were defrauded before, and you don't get that," Jones told Cangelosi on Monday, according to a transcript of the hearing. "What you did is you arranged for funding for continuation of the litigation, even assignment of rights of these people who have been defrauded already.

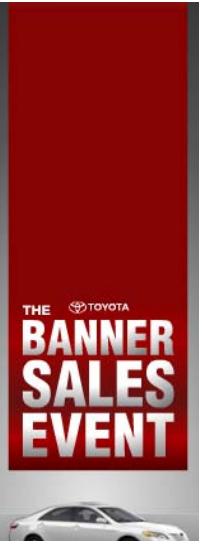
"You've been in contempt of the bankruptcy court orders and the district court orders from Day One, Ms. Cangelosi," Jones said.

"How do I clear my name, your honor?" Cangelosi asked.

Jones replied: "You can't anymore. You're done."

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