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Judge orders reputed Gotti associate to return \$4 million to USA Capital

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A reputed associate of mobster John Gotti persuaded the owners of failed USA Capital to pay him \$4 million before other creditors, but a bankruptcy judge has ruled that the former Gotti associate must return the money for the benefit of all creditors.

Judge Linda Riegler issued the final judgment Tuesday for Geoffrey Berman, trustee for the unsecured creditors of USA Capital.

USA Capital made loans to developers for double-digit interest rates using money solicited from about 6,000 investors. But it became insolvent and filed for bankruptcy in April 2006 while controlling \$962 million in assets.

The judge held a civil trial over a \$4 million payment made to Salvatore Reale, a reputed associate of Gotti, and she ruled in favor of the trustee.

Joe Milanowski and Tom Hantges, the former owners of USA Capital, personally borrowed \$13.7 million from Reale over six years, according to court papers filed by attorneys Eric Madden and Rob Charles.

Over the years, USA Commercial Mortgage made monthly interest payments to Reale. But Hantges and Milanowski didn't pay down the principal, which gradually increased.

In September 2005, Reale learned that Hantges had a drug abuse problem and Reale demanded repayment of the \$13.7 million, according to papers filed by Madden and Charles. Reale started pressing Hantges and Milanowski to repay him about the same time.

Hantges and Milanowski said they could pay him when they sold the Royal Hotel in Las Vegas, but Reale started visiting USA Capital's office twice to three times monthly to ask about the loan. Hantges and Milanowski used \$4 million from USA Commercial Mortgage to pay Reale in March although the hotel had not been sold.

About one month later, several affiliated companies doing business as USA Capital filed for Chapter 11 bankruptcy, which allowed them to continue operating.

Madden argued during a Jan. 31 trial that the money should be paid back to USA Commercial Mortgage for the benefit of all unsecured creditors. Earlier this week, Riegler ordered Reale to pay back \$4 million plus \$278,000 in prejudgment interest.

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