



Department of Justice Press Release

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United States Attorney's Office

District of Nevada

Contact: (703) 388-6336

USA Capital President Pleads Guilty to Wire Fraud

LAS VEGAS— The owner of a Nevada investment company who misappropriated over \$50 million of client monies to fund loans for his own pet projects, pleaded guilty today to wire fraud, announced Greg Brower, U.S. Attorney for the District of Nevada.

Joseph D. Milanowski, 48, of Las Vegas, entered a guilty plea to one count of wire fraud before Chief U.S. District Judge Roger L. Hunt and was released on a personal recognizance bond pending sentencing. In pleading guilty, the defendant agreed to serve up to 12 years in federal prison and agreed to make full restitution in an amount to be determined by the Court. Judge Hunt set sentencing for October 23, 2009, at 9:00 a.m.

"In a scheme that lasted for years, the defendant intentionally misled investors into believing that their investments were solvent and performing," said U.S. Attorney Brower. Today's guilty plea demonstrates that the U.S. Attorney's Office will be vigilant in pursuing individuals and companies who abuse their positions of trust to facilitate crimes. When individuals and companies cross the line and defraud the public, we will hold them accountable."

According to the court records, Milanowski was the President and de facto Chief Operating Officer of USA Commercial Mortgage Company, which did business as USA Capital from 1998 through April 2006. USA Capital raised money from investors to loan to developers for the construction of real estate. In May 2000, USA Capital created the Diversified Fund to make secured loans to the developers and to pay the investors interest on the loans. Milanowski and others represented to investors that all of the loans made by the Diversified Fund would be secured by first deeds of trust. Investors were also advised that no loans would be made to company insiders, that no loans larger than \$20 million would be made once the Diversified Fund reached a certain value, that no loan would exceed 15 percent of the value of the Fund, and that the Fund would not loan more than 25 percent of its funds to a single borrower.

On about April 15, 2002, Milanowski created a loan known as the "10-90 Loan" which he used to fund private developments and investment projects for himself and other company insiders and affiliates. From about March 27, 2003, to about November 12, 2004, Milanowski transferred approximately \$22 million to 10-90 Inc. and to another entity he controlled to fund his own development projects. Milanowski and others concealed the existence of the 10-90 Loan from investors until September 30, 2005, when Milanowski included the 10-90 Loan on a list of the Diversified Fund's loan portfolio in which he claimed that the 10-90 Loan was secured by three master-planned communities in Southern California when he knew that the loan was not secured by three communities. When USA Capital Mortgage Company and the Diversified Fund filed for bankruptcy on April 13, 2006, Milanowski had caused the Diversified Fund to attribute \$55.9 million of its principal to the 10-90 Loan. The investigation of USA Capital is ongoing.

The case is being investigated by the FBI. It is being prosecuted by Assistant United States Attorneys Daniel R. Schiess and Roger Yang.

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