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USA Capital investors may benefit from plan

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Investors who provided money to failed hard-money lender USA Capital got some rare good news Thursday.

Bankruptcy Judge Linda Riegler approved a plan of reorganization for the Hotel Zoso, a 167-unit, luxury boutique hotel in Palm Springs, Calif., subject to an offer to allow unsecured creditors to change their votes on the plan.

The hotel was sold for \$25 million. Under the plan tentatively approved by Riegler Thursday, 150 investors who made a short-term, secured loan to the hotel will recover \$22.4 million, which is all of the principal and interest they were owed.

Few bankruptcy cases result in total recovery by creditor, said Lisa Poulin, trustee for USA Investment Partners.

"That's a big win," she said.

USA Capital solicited investments from 6,000 individual investors around the country for short-term loans secured by real estate. The hard-money lender, which was owned and operated by Joe Milanowski and Tom Hantges, owed \$962 million to investors when it filed for bankruptcy in 2006.

The company used investor money to make loans to developers. Among the borrowers was USA Investment Partners, which Milanowski and Hantges also owned.

USA Investment Partners owned Hotel Zoso among numerous other assets that are being tapped to benefit USA Capital Investors.

USA Capital emerged from Chapter 11 bankruptcy early last year under a plan to sell some of its assets and its loan servicing rights to Compass Partners of New York.

Other bankruptcy related cases, however, continue. The USACM Liquidating Trust, an entity established by Riegler, has forced Hantges and Milanowski into personal bankruptcy and is expected to file other legal actions to recover assets for USA Capital creditors.

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