

# Business

## Hotel Zoso owner files for bankruptcy

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By **KIMBERLY PIERCEALL**  
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A Las Vegas bankruptcy case involving nearly \$1 billion owed to investors stretched to Palm Springs late last week when USA Investors VI, owner of the 163-room Hotel Zoso, filed for Chapter 11 bankruptcy protection.

Hotel employees and guests shouldn't notice a difference at the downtown hotel. Chapter 11 allows companies to reorganize their debt while staying in business, unlike Chapter 7, which requires them to sell off assets to repay lenders.

USA Investors VI is part of a complex web of companies that had been run by Joseph D. Milanowski, president of Las Vegas-based USA Capital. That now-insolvent company owes lenders more than \$900 million, an attorney representing creditors said.

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After spending more than \$20.5 million on renovations, owner USA Investors VI opened Hotel Zoso in Palm Springs in December 2005. Last week, the company filed for Chapter 11 bankruptcy protection.

The Palm Springs bankruptcy came after a judge removed the company's two executives, Milanowski and Thomas A. Hantges, whom creditors feared might sell the hotel and divert the funds. Rather than go through the costs and delays that would come with a trial, the trustee filed for Chapter 11 for Hotel Zoso last Friday.

"A bankruptcy filing makes sense," said Greg Garman, counsel to trustee Lisa Poulin. The move allows Poulin to untangle who is owed what and whether or not Hotel Zoso's purchase and renovation was paid for by the diversified fund.

In March 2004, USA Investors VI LLC bought the hotel, then known as the Marquis, for \$9.8 million from Valley Independent Bank after the foreclosed hotel sat on the market for 15 months.

After spending more than \$20.5 million on renovations, the company opened the hotel in December 2005.

## 1,300 Investors

Marc Levinson, a Sacramento bankruptcy lawyer, represents 1,300 people who invested more than \$150 million in a diversified fund that was managed by USA Commercial Mortgage. Levinson claims those investments were used on insider deals, such as when the company bought the Marquis hotel and made it the Hotel Zoso, which he said wasn't what the investors signed up for.

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The company that manages Hotel Zoso says legal and financial issues won't have an impact on employees and guests.

"They loaned themselves the money," he said of Milanowski and Hantges.

Now those investors in the diversified fund are hoping the hotel will be sold and they'll be repaid.

"The higher the sale price, the happier we are," Levinson said.

A statement from the diversified fund earlier this year said the hotel had been in escrow since May 2006 for approximately \$29 million, but the deal to sell the hotel fell through.

Vesta Hospitality LLC, a Vancouver, Wash.-based hotel investment and management firm also known as Northwest Hospitality Group LLC, has managed the hotel since it opened.

### 'Seamless Issue'

"This has been a seamless issue for the on-property staff," Richard Takach Jr., president of Vesta, said of the legal and financial issues. Takach said there has been no effect on hotel employees and service and customers shouldn't notice a difference.

"There has been, over the last 18 months, discussion about selling the property," Takach said. "When it sells, it sells and we want to walk out of there knowing we did a great job."

Reach Kimberly Pierceall at 760-837-4410 or [kpierceall@PE.com](mailto:kpierceall@PE.com)