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Hotel Zoso sale will aid investors in USA Capital

Palm Springs site to generate \$22.5 million

By JOHN G. EDWARDS
REVIEW-JOURNAL

[Hotel Zoso](#), a 163-room property in downtown [Palm Springs](#), is being sold for \$22.5 million for the benefit of investors in [USA Capital](#), the hard money lender that failed in April 2006 with \$962 million in assets.

USA Capital, a [Las Vegas](#) company owned by [Tom Hantges](#) and [Joe Milanowski](#), solicited money from individual investors and used the money to make loans secured by real estate. Some individuals invested in funds, and some investors bought fractional interests in specific loans.

The 1,300 Nevadans and former Nevadans who invested in USA Capital Diversified Trust Fund are waiting to see how much of the sales proceeds they may receive, said [Marc Levinson](#), an attorney with Orrick, Herrington & Sutcliffe.

The Diversified fund investors are unsecured creditors, but direct lenders, who bought fractional interests in the trust deed for the hotel, are secured lenders. They are expected to recover all of their principal and interest.

American Property Hospitality Management of San Diego took over the hotel Friday after a sale, Harry Pflueger and Jack Carr of Maxim Hotel Brokerage reported Monday. They represented the purchaser.

American Property, an affiliate of American Property Hospitality Management, was ranked as the fifth-largest U.S. hotel management company in April by Hotel Business magazine. It has 45 hotels with 13,500 rooms and employs 5,500 people around the country. The buyer plans to add a second restaurant and spa.

The transaction was complex because of a land lease and the need to obtain approval from a bankruptcy judge, according to Maxim Hotel Brokerage.

Levinson said he wants to make a \$3 million initial distribution to Diversified fund investors before year's end. However, he said the distribution's timing depends on decisions bankruptcy Judge Linda Riegler makes in a Dec. 5 hearing regarding a claim made by Salvatore Reale.

The \$3 million distribution represents cents on the dollar, given the \$150 million invested in the Diversified fund.

Efforts to recover money from other loans continue but it takes time, Levinson said.

He added: "We're just continuing to fight on multiple fronts to try to recover money."

Contact reporter John G. Edwards at jedwards@reviewjournal.com or (702) 383-0420.

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