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China News

Idaho Statesman article profiles new EB-5 "gold mine" initiative being marketed to Chinese investors.

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Brian Su defines "Naked Officials" and discusses the Chinese government's wariness of EB-5 marketing efforts.

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USCIS Proposes Partnership

with Department of Commerce for the purpose of managing the EB-5 Program, by Michael Gibson

Thanks to the alert eyes of Jeff Carr of EPR / EB-5 Economics who brought to our attention a newly released memo posted on ABC news from USCIS titled "Alternatives to Comprehensive Immigration Reform." The memo has several recommendations for the agency should comprehensive immigration reform not get passed by Congress this year.

Of interest to the EB5 visa community are recommendations on how USCIS and the Department of Commerce (DOC) could work together to improve the outreach of the EB5 immigrant investor visa program to prospective EB5 foreign national investors. Although the subject of a USCIS / DOC partnership to promote the EB5 immigrant

Rocky Barker / Idaho Statesman
Sima Muroff, principal manager of
Blackhawk on the River



Chinese investments in an Idaho gold mine just one way the state hopes to revive its economy

Can a charismatic Taiwanese businessman, the entrepreneurial son of Russian immigrants, and a North End couple who own a ghost town help revive the state's economy? Butch Otter is counting on it.

by Rocky Barker, *Idaho Statesman*

Chinese businessmen and their families sat in the aisles and stood along the wall of a crowded Shanghai hotel conference room to hear Gov. Butch Otter invite them to move themselves and their money to Idaho.

These wealthy families had thrived in the economic reform that encouraged private investment and in 30 years turned China into the second-largest economy in the world.

Thanks to the efforts of a flamboyant Asian businessman, these families were being lured by the chance to invest in an Idaho gold mine that was once worked by Chinese miners and by the opportunity to offer their children a new life in the United States.

"I admit the project is attractive," Lu Yue, a woman who attended a Beijing seminar, told the China Daily newspaper. "Gold is always precious. Times change, but it keeps its value."

By the end of Otter's whirlwind weeklong trade mission in June, 20 investors had signed on to invest a total of \$10 million that estimates say could create 200 jobs in Idaho. It was the first of what the state hopes will be a program that



Sheila Zhao / Special to the Idaho Statesman

Raymond Ku spoke to potential investors in China during Gov. Butch Otter's June trade mission.

creates 1,200 jobs and brings \$60 million a year to Idaho.

If it succeeds, much of the credit will go to Otter and Taiwanese businessman Raymond Ku, who made millions helping wealthy Chinese leave Hong Kong in the 1980s and, through his company Westlink, helps people across Asia immigrate to various countries.

But even if the program funnels dollars (and jobs) into Idaho, not everyone is happy about it. Some worry about selling off Idaho's treasure to Chinese.

"I think we've got to have the American people, who are American citizens, have the first opportunity to develop a business and make the country stronger," said Idaho House Majority Caucus Chair Ken Roberts of Donnelly.

A SPOTTY FEDERAL PROGRAM

[...] Since the start [of the EB-5 program], 95 regional centers have opened. Today only 19 are active and just 10 are what Idaho officials consider successful.

The program operated by the U.S. Citizenship and Immigration Services Agency has never reached its allowable limit of 3,000 investors and 10,000 permanent visas or green cards for people (and their families) who create at least 10 jobs.

Changes in the law have lowered the investment minimum from \$1 million to \$500,000 in poor areas and allowed the investments to create jobs indirectly as well as directly.

These changes, coupled with the drop in the U.S. economy, have made the EB-5 visa program more attractive.

In 2006, just 344 of 486 immigrants who applied were approved, said Tim Counts, a spokesman for the agency that resides with the Department of Homeland Security. In 2009, 966 were approved; so far in 2010, 955 have been approved.

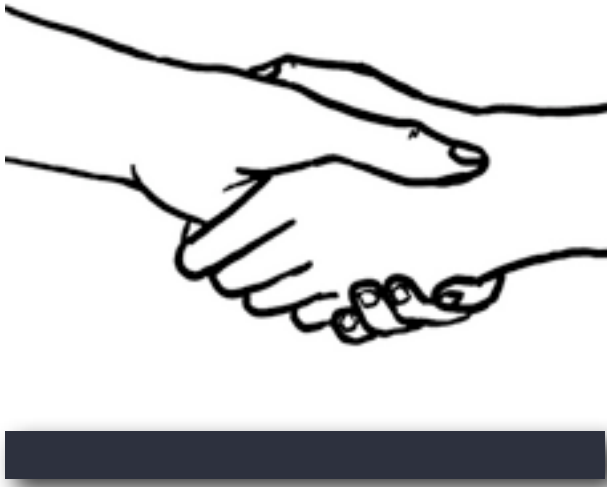
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Sheila Zhao / Special to the Idaho Statesman

On his June trip to China, Gov. Butch Otter spoke to reporters and potential investors about the merits of the Idaho Regional Center.

"Today only 19 [regional centers] are active and just 10 are what Idaho officials consider successful."



USCIS Proposes Partnership (cont.)

Investor Pilot Program (Pilot Program). The goals of the Pilot Program and the goals of certain DOC components, such as Invest in America, seem to provide a natural starting point for agency collaboration. OPS proposes setting up a working group with the DCO to determine how DOC might assist USCIS in making the EB-5 program more accessible to foreign investors through administrative efficiencies and promotion."

investor visa program has been the subject of a number of stakeholder discussions, this is the first time that an actual plan has been put in writing and proposed to a large audience.

Seeing that the memo addresses a potentially enormous legislative and national problem should comprehensive immigration reform not occur this year, the fact that the EB5 immigrant investor visa program even gets mentioned is big news for EB5 visa investors, practitioners and stakeholders.

On Page 5, section B: "To Foster Economic Growth, Partner with Department of Commerce (DOC) to administer the EB-5 Immigrant Investor Visa Program," a paragraph mentions how the EB5 immigrant investor visa program requires foreign nationals who invest in the United States to create at least 10 jobs to obtain LPR status. Then it states:

"Due to a number of factors the EB-5 program has been underutilized and, as a result, job creation under this program has been limited. USCIS views the EB-5 visa program as an important tool in assisting the U.S. economy as our country continues to recover from the recent recession.

"Currently, an opportunity exists for USCIS and the DOC to work together in promoting the EB-5 visa Immigrant

The memo goes on to describe how such a working group can operate listing the Implementation Method, Resources / Consideration & Target Date. For instance under Resources / Considerations it specifies that:

"DHS and USCIS leadership agree that the partnership with DOC would be beneficial to USCIS as well as the EB-5 stakeholder community.?"

As for implementation, the memo emphasizes that rules would need to be made to "codify joint administration of the EB-5 Visa Program once parameters are agreed upon between the two agencies."

As for the Target Date it mentions that is to be determined but in parentheses "[We can begin cooperating with Invest in America immediately]. Allow 3-9 months so that the low hanging fruit can be harvested first."

Although this proposal is controversial within the EB5 visa stakeholder community, it appears as though a partnership between USCIS to manage the visa portion of the program and DOC to manage the commercial operations, compliance and promotion may be beneficial insofar as increasing awareness among potential EB5 immigrant investors and providing more oversight of regional center operations.



Firm taps into immigration program to fund D.C. project

By Jonathan O'Connell,
Washington Post

Underdeveloped D.C. neighborhoods are on the verge of reaping millions of dollars in new investments from an unlikely source: wealthy foreigners in search of visas.

A federal immigration program that grants foreigners immigration visas in exchange for investments in American businesses is bringing \$5 million to a long-awaited new Giant grocery store and mixed-use development in the city's Shaw neighborhood and also plans to finance the creation of a locally backed food store in Anacostia.

The EB-5 program grants visas to foreign individuals who make investments of \$500,000 to \$1 million that produce at least 10 American jobs. Though created in 1990, interest in it has soared

recently, with 74 enterprises nationally and three in D.C. registered to accept investments. The resulting number of EB-5s issued nationally jumped from 1,443 in fiscal 2008 to 4,218 in fiscal 2009.

One of the local enterprises was founded by Angel Brunner, previously an official in the city's former public-private development arm, the National Capitalization Revitalization Corp., and at Fannie Mae, where she managed investments in underserved communities.

Brunner has assembled at least \$5 million in commitments from foreigners interested in emigrating that she is putting into Roadside Development's CityMarket at O, a \$260 million, 1 million-square-foot development planned for the two-block area between 7th and 9th streets and O and P streets in

Angel Brunner



Artist's rendering of retail district



Northwest D.C. With that commitment, and a more than \$100 million housing loan from the Department of Housing and Urban Development, Roadside has scheduled a groundbreaking for the project Sept. 1, after years of delays. The first phase will include 395 apartments, a new 71,000-square-foot Giant store and a 180- to 190-room limited-service hotel.

"We provide capital that can put projects over the finish line," Brunner said. The responsibility of her and her partner, immigration lawyer David M. Morris, once construction starts will be to ensure that the project creates jobs at the Giant and the hotel, so her investors will receive their visas. She said she expects the project's grocery store and retail components to create 400 jobs and indirectly lead to another 1,500 in the area.

Armond Spikell, a partner at Roadside, said Brunner was providing early stage equity, which is not easy to come by for new construction in emerging markets. After researching the program, he said he realized it made sense for the Shaw development and was surprised not to have heard of it before. "If we're going to grow immigration, why not do it in a way that brings jobs and investment to the country?" he said.

Brunner -- whose company is named EB-5 Capital, after the visa program -- began with a \$20 million investment in a Vermont ski resort but is now focused on job-producing projects in the District. She said she could ultimately place up to \$100 million locally and that when she travels the world talking to investors, there is intense interest. "My constraint right now is qualified projects that are ready to break ground; that's what I'm looking for," she said.

She is on the verge of her next deal already. She and the Anacostia Economic Development Corp., a nonprofit that is another registered regional EB-5 center, are working on a plan to bring a locally grown foods grocer to Anacostia. Negotiations for a property and operator are underway.



David Morris, Attorney

"Grocery stores are ideal projects, especially in Washington [...] Washington residents have half the number of grocery stores that our suburban neighbors have. Any time there is a grocery store in play, it's a good opportunity for us." -Angel Brunner

Brian Su, EB-5 Service Provider



The EB-5 Investment Visa and "Naked Officials"

Regional Center Marketing in China

by Adam Green

Wal-Mart Supercenter in Beijing



When asked how the Chinese government feels about the USCIS EB5 investment visa program, EB5 service provider Brian Su's response is simple and to the point: They don't like it.

Although it's true that the Chinese State Council made a statement last month proclaiming the government's respect for a "citizen's choice for immigration," Su notes, China's recent request that all high-level officials and Communist Party leaders register their family members living overseas belies the fact that it's not completely comfortable with such emigration – in particular with foreign government incentives like the EB5 visa program.

"There's a new term in Chinese," Su explains. A "naked official" refers to a high-ranking party member living in mainland China whose wife, children, and personal assets all reside abroad. This official is said to be "naked" because he has nothing of great value left in the country other than himself. Last month's call for these officials to register their family members underscores the government's concern that wealth is leaving the country.

The rise of high-ranking individuals with this status is just one

factor that has the government worried, however. In July, the Guangdong Provincial Exit and Entry Administration issued a warning about the EB5 investment visa program stating that it is risky and advising migration brokers and potential investors to exercise caution when considering the large volume of EB5 visa regional center projects and investment immigration initiatives now being marketed.

This statement comes in response to growing EB5 regional center marketing efforts in the country, particularly in the Pearl River Delta Region where EB5 visa project promotion is widespread and frequent. According to Su, too many regional center projects are being marketed, and the government is "sending a message" that "[Regional centers] have to disclose all necessary information to their clients."

As for whether such a warning will discourage potential investors from investigating the EB5 visa program, Su is not worried.

"People are still interested," he says. "I don't think there will be any significant impact on the interest." But for regional centers "following the rules," he adds, "it's bad news."

Bad news or not, China was the single largest EB5 recipient last year, and it's unlikely the government's fear of wealth leaving the country will put a large damper on regional center marketing efforts or Chinese interest in investment immigration any time soon.

Brian Su blogs about the EB5 investment visa and EB5 regional centers at eb5news.blogspot.com.



Brian Su heads the Artisan Business Group



**EB-5 Investors
Procurement
Seminar**

Artisan Business Group, Inc.

Shanghai



Chinese Investments in an Idaho gold mine (cont.)

But how long China will continue to allow its wealthy and educated citizens to take their money and move to the U.S. is unclear. Already the government is warning residents to watch out for unscrupulous operators.

IDAHO'S FIRST TRY DIDN'T WORK OUT SO WELL

When the bottom fell out of Idaho's economy in 2007, Otter, short on cash and desperate for an economic development program, welcomed Ku and his offer to bring investors to Idaho. Otter hosted Ku at a reception at the former Simplot residence that is now the vacant governor's mansion. Later, Ku put on a cowboy hat and went riding.

In 2009, Otter made the EB-5 program and immigration investment a cornerstone of Project 60, his program aimed at increasing Idaho's gross domestic product to \$60 billion.

The state's efforts stumbled at first. It recruited a Sun Valley-based business group to set up a regional center focused on funding high-technology companies. But the InvestIdaho Regional Center never got far off the ground.

"They're stagnant, they really aren't going anywhere," said Brian Dickens, who runs the EB-5 program for the Idaho Department of Commerce.

Thanks to its high-end ZIP code, it could not qualify for the \$500,000 low-income-area investments, Dickens said. Several people also said the center's leaders never understood the Chinese business culture and were rude to Ku, whose network of more than 50 immigration-investment consulting firms across China was crucial to the state's effort.

Ku said in an interview only that the \$1 million minimum didn't work for Idaho. Calls to the InvestIdaho Regional Center were not returned.

PRIVATE SECTOR STEPS IN

At the same time Idaho was trying to set up its regional center, investors in Blackhawk on the River, a real estate development in McCall, were in the process of setting up their own regional center. Real estate investment capital had dried up and Sima Muroff, Blackhawk's principal manager, joined with the Getty Companies to form the Idaho Regional Center.

The 33-year-old developer – the son of Russian immigrants – and his partners decided that they needed diverse investments to balance their real estate plans. When the real estate market is down, Muroff said, the gold market is up, so they began looking for gold-mining opportunities.

Opening a gold mine is a costly and risky business. It often takes years of exploration – even at an old mine site – to have enough information to win over investors for the capital necessary to mine. Then there is the permitting and the bond that must be paid to ensure future waste reclamation.

Enter Don and Candy Miller. In 2005, the Boise North End couple had bought a ghost town called Quartzburg, about three miles outside of Placerville, with the idea of turning it into a recreation or second-home development.

The Gold Hill Mine there was first opened in 1864 but has been abandoned since 1938. [...]

At the sale closing, the previous owner told Don Miller he had some papers with information about the property. Miller was presented with a garage full of documents ? the entire record of all mining and exploration at Quartzburg since 1863. The documents offered a road map for geologists looking to reopen the mine.

"It would be worth \$30 million to \$40 million if you had to go out and collect it today," Don Miller said.

He worked with the Colorado School of Mines to analyze the documents and the information. The most remarkable find was that the piles of tailings sitting on the property since the mine closed in 1938 weren't tailing at all.

Instead of a pile of waste, Miller was sitting on 180,000 tons of rich ore that had been mined and left unprocessed. It is valued at more than \$50 million, he said. Best of all, the ore has few contaminants and

has not leached heavy metals into the ground.

A mutual friend at the Cascade Bank in McCall referred the Millers to Muroff. He and his partners bought into the Gold Hill Mine and it became the centerpiece of the Idaho Regional Center's investment.

The company is building a gold-processing plant near Quartzburg that will extract the ore without using noxious chemicals. Since it doesn't have to dig anything up, the business is not classified as a mine and does not require Idaho Department of Lands oversight, said Mike McCurdy, Idaho Department of Environmental Quality groundwater and radiation manager for the Boise region.

The site has a U.S. Environmental Protection Agency stormwater-pollution prevention plan and a conditional-use permit from Boise County. It must submit an analytical report to the county on any impacts to water quality by Aug. 19.

"Where we would come in is where there was a water quality or an air quality issue," McCurdy said. [...]

HOW LONG WILL THE OPPORTUNITY EXIST?

No one knows whether China will continue to allow the out-migration of wealthy citizens. To enroll in the program, Chinese must give up their citizenship.

Recently, Chinese officials have expressed concerns about unscrupulous practice by some consultants. For a would-be immigrant there are several layers of middlemen to pay, adding more than 12 percent to the cost of the investment, Dickens said.

Regional centers also are often required to pay additional money for the investors brought to them by people like Ku.

Ku said laws are always changing, and businessmen like him must be nimble.

"No one can predict the law," he said. "There is always business risk."

Foreign Funding Key to Project

By Joseph Bustos,
Northwest Herald

LAKEWOOD – Even with the preliminary approval from the Lakewood Village Board early Wednesday and the ability to use \$18 million in federal stimulus bonds, money for the planned McHenry County Sportsplex needs to be raised.

Most of the money for a planned sports complex in Lakewood will come from foreign investors, who in return would receive permanent residency in the U.S., developers for the 165-acre McHenry County Sportsplex have said.

The planners of the \$40 million McHenry County Sportsplex have a commitment of up to \$36 million from the Chicagoland Foreign Investment Group. The rest of the cash for the project will come through private equity, grants the village hopes to attain, and revenue sharing from tax dollars created by the development.

The CFGI will use the employment-based fifth

preference, or EB-5, financing program to sell investments into the complex. Each investment will be \$500,000 for an ownership piece of the complex, said Lou Tenore, the managing partner and CEO of the sports complex.

Lakewood Village Board's approval of the annexation agreement with McHenry County Sportsplex LLC allows the Chicagoland Foreign Investment Group to start collecting money for the project, said Jack Porter, the project manager.

Because developers chose this financing route, the development doesn't plan to have any debt to banks.

"When we don't have a debt, it makes it a lot easier to run," Porter said. "It makes the chances for survivability and profitability [greater]."

The CFGI won't start formally raising the investment cash for the project until Aug. 15, said Taher Kameli, the executive

Taher Kameli, Attorney



director of the Chicagoland Foreign Investment Group. He said he hoped to have the money raised for the project by the end of next year. [...]

Kameli said he had about 45 people who had showed initial interest about investing in the 165-acre sports complex and didn't have any doubts that his firm could raise the money needed for the project.

He said the group recently raised \$8.5 million for the Aurora Memory Care Center assisted

living facility in Aurora in three months.

"Based on my experience, I don't see any issues to raising these funds," Kameli said. [...]

"Not many of the investors will live in McHenry County. They may live somewhere else in the U.S.," Kameli said. "But their money creates jobs in McHenry County. That's what residents should care about."

Managing partner for the complex Tenore said [EB-5] was a way for

potential new citizens to speed their progress.

"It doesn't guarantee citizenship," Tenore said. "They just don't have to sit in line." [...]

Initially the sports complex developers wanted to go to the traditional bond market to help fund the entire project, Tenore said.

"When the bond market fell [in 2008] ... we started looking for alternate financing," he said.

Are you an EB-5 practitioner who would like to contribute an article?

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