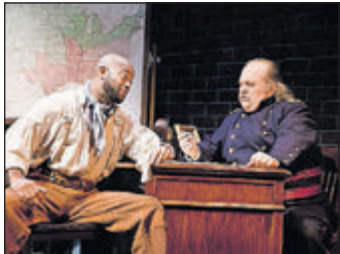


Play explores a Civil War episode



Spartans capture Big Ten title



# Herald-Tribune

Sarasota

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HERALD-TRIBUNE INVESTIGATION, PART I: THE EB-5 PROGRAM

# THE GREEN SHORTCUT

The rich foreigners want visas. The government wants job-creating investments in return. And entrepreneurs compete to make it happen. But it's a program full of flaws.

By Josh Salman  
josh.salman@heraldtribune.com

The United States was built on the foundation of immigrants seeking a better future. But entry is now being sold for a \$500,000 cover charge each year to thousands of wealthy foreigners, who have been able to jump to the front of the line. Through a longstanding yet little-known program, a growing number of overseas investors are pumping capital into U.S. real estate in return for their chance at the American dream.

As talk of immigration reform roils the presidential election, the federal government's EB-5 program has exploded — but with little regulatory oversight.

EB-5 — or "Employment-based Fifth Preference" — has funded assisted-living facilities in Sarasota, casinos on the Las Vegas strip and towers in upscale Manhattan. A group of developers is using millions of dollars in EB-5 funds for a tourist attraction dubbed the "Eiffel Tower of Miami."

The program allows wealthy

SEE EB-5, A8

immigration.heraldtribune.com

EB-5 is a visa program touted as the fastest avenue to a U.S. green card. For \$500,000 or \$1 million, wealthy foreigners gain entry to the U.S. by investing in so-called EB-5 regional centers. These private-sector businesses are approved by the federal government as an authorized source to spend EB-5 money, expediting the green card process.

Go online, at [immigration.heraldtribune.com](http://immigration.heraldtribune.com), to read the investigation; view a database of each of the 73 EB-5 centers in Florida, including the principals and the projects; and view an interactive database of EB-5 related campaign contributions.

GUARDIANSHIP

## A way to quell fights?

Experiment aims to resolve family conflicts over care

By Barbara Peters Smith  
barbara.smith@heraldtribune.com

When bad blood runs in the family of an elder who develops dementia or frailty, the situation can slither downhill fast.

Entrenched rivalries and resentments only complicate the thorny question of how best to care for a vulnerable older parent or spouse. One brother may suspect another of financial exploitation, or an adult stepdaughter may accuse her mother's second husband of neglect or even abuse.

SEE CONFLICTS, A7

CALIFORNIA MASSACRE

## Wife had become more devout

Many questions still unanswered

By Amanda Lee Myers and Brian Skoloff  
The Associated Press

SAN BERNARDINO, Calif. — A change came over Tashfeen Malik two or three years ago.

She started dressing more conservatively, wearing a scarf that covered nearly all her face, and became more fervent in her Muslim faith, according to some who knew her in Pakistan.

But her path from there to the bloody events of this past week — when she and her husband slaughtered 14

SEE CALIFORNIA, A16

Obama address

The White House says President Barack Obama will address the nation from the Oval Office at 8 tonight about the steps the government is taking to keep people safe after the attack this past week in California.

Obama

TODAY MON TUE

81°/65° 78°/58° 76°/60°

Complete forecast, B10

by COX CHEVROLET  
coxauto.com

Divisive language powering Trump

The way the Republican presidential candidate talks has won him many fans. A5

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Author turns into a crusader

Journalist Leslie Glass targets drug and alcohol addiction after it hits close to home. A12

Rather speaks in Sarasota

The former CBS anchor talks about mental health during a lecture at the Opera House. B1

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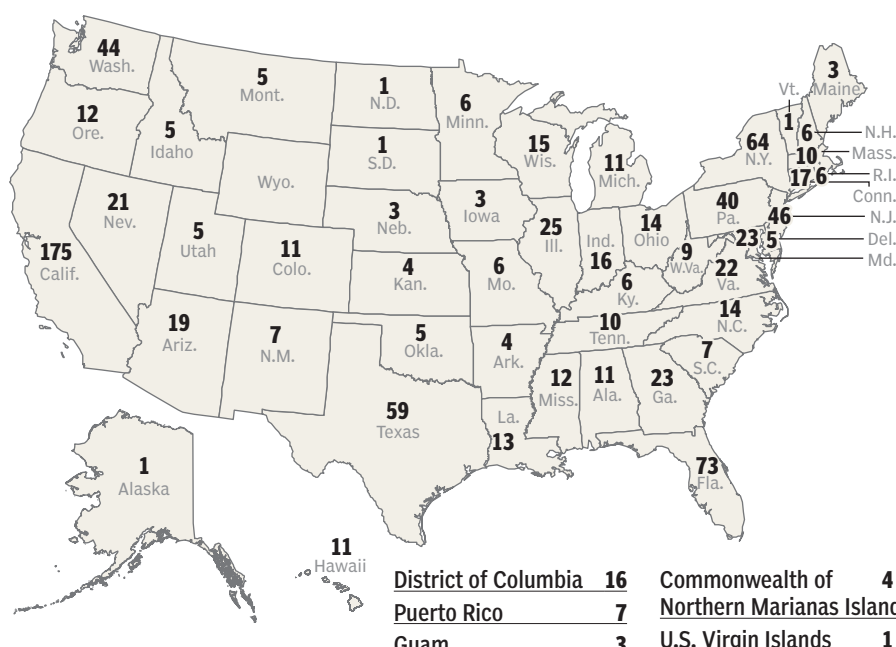
# EB-5

From Page A1

## Employment-based Fifth Preference Regional Centers

### By state

Florida ranks second in the nation for the number of approved EB-5 regional centers, trailing only California. The Sunshine State is home to 73 of the 937 centers approved nationally.



### Petitions received

The number of foreign investors applying for residency through the EB-5 program has spiked in the wake of the Great Recession. The program caps at 10,000 visas each year.

#### Petitions by Case Status

(Immigrant petitions by alien entrepreneurs)

Fiscal Year	Petitions received	Approved	Denied	Pending*
2008	1,258	642	120	853
2009	1,031	1,265	208	514
2010	1,953	1,369	165	1,125
2011	3,805	1,571	372	3,347
2012	6,041	3,677	957	5,018
2013	6,346	3,699	943	7,131
2014	10,923	4,925	1,169	12,453
2015	14,373	8,756	1,051	17,367

\*The applications take several months to process, so an EB-5 petition may come in from an investor one year, but it may not be counted as approved or denied until the following year. The undecided applications that roll over from one year to the next are considered pending.

margins through capital that is dramatically cheaper and less risky than traditional bank financing.

■ Oversight is lax. The government struggles to verify whether the funds used by foreigners to gain EB-5 visas were obtained legally. It has no access to many offshore bank accounts or employment information. In fact, the federal government has no centralized database to track these investors once they enter the country, relying solely on paper records. Regulators consistently fail to record basic information like a name or date of birth. A new monitoring system to bring EB-5 into the digital era has been delayed at least four years.

■ Those with their hands in the EB-5 program have gone to great lengths to keep the existing structure intact, reinforced by strong political interests in Washington, D.C. Elected politicians have gone on to work for EB-5 regional centers following their retirement or lost elections. So has the past director of the USCIS. In Florida alone, the principals of EB-5 regional centers have donated more than \$800,000 to federal campaign coffers since 1999, funding bids from both major political parties and members of Congress who have publicly supported EB-5.

Just last month, the U.S. Securities and Exchange Commission obtained a court order freezing the assets of a South Florida woman, who regulators have accused of diverting \$1 million she had raised from investors to buy a 48-foot boat, a BMW X5 and a Mercedes-Benz. She also allegedly took a Carnival cruise with EB-5 funds, spent some to help with expenses for a pet and used \$5 million as collateral for a mortgage on a beach home.

“There’s a whole industry of people who can get rich leveraging this for things it wasn’t intended for,” said U.S. Sen. Chuck Grassley, R-Iowa, who has pushed legislation for EB-5 reform. “People are milking this program for

their own pocket. It’s very obvious that it is a fraud on the taxpayers.”

When presented with the Herald-Tribune findings, a spokesman for the USCIS declined to speak on the record, but supplied a short statement.

“DHS (Department of Homeland Security) and USCIS are committed to preventing fraud and ensuring the integrity of the EB-5 Program,” spokesman Joe Holstead said in an email. “In (fiscal year 2013), USCIS established a new Immigrant Investor Program Office in Washington, D.C., and created a Fraud Detection and National Security EB-5 Division (FDNS EB-5), which embedded FDNS personnel within the program office to work alongside adjudications officers. This headquarters FDNS component provides additional oversight and conducts fraud, national security, and intelligence assessments. Thus, USCIS has expanded security checks to cover regional center businesses and certain executives participating in the program, and now has the ability to query financial intelligence.”

### Applications spike

Congress expanded its employment-based immigration policies in 1990 — a different era both in terms of the U.S. economy and attitudes toward immigration — to propel growth and funnel more foreign capital into the U.S.

Among the options to emerge was EB-5.

Because of low participation, the program was expanded in 1992 with a pilot for so-called “regional centers” to help navigate the bureaucracy. These third-party intermediaries come with a government seal of approval when soliciting investment overseas.

The regional center pilot has been reauthorized seven times.

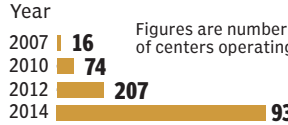
Since its inception, EB-5 has created 73,000 jobs and infused \$11 billion into the economy, according to USCIS estimates.

The program saw a

### Approved centers

The number of regional centers approved by the federal government to solicit for EB-5 investors and spend EB-5 funds for their projects has mushroomed in recent years, raising questions about the program’s oversight.

#### Approved regional center



SOURCE: U.S. CITIZENSHIP AND IMMIGRATION SERVICES

GATEHOUSE MEDIA

### By city

Florida has the second highest number of approved regional centers among U.S. states, and the operations are most highly concentrated around Miami, where the population of immigrants is vast and the real estate market is booming.

City	Number of centers
Miami	14
Jupiter	5
Sarasota	3
Palm Beach Gardens	3
Tampa	3
Orlando	3
Boca Raton	3
Dania	2
Santa Rosa Beach	1
Raleigh*	1
Destin	1
Fort Myers	1
Rock Island*	1
Hollywood	1
St. Petersburg	1
Clearwater	1
Plantation	1
Key Biscayne	1
Riviera Beach	1
Las Vegas*	1
Royal Palm Beach	1
Tequesta	1
Davenport	1
Birmingham*	1
Tallahassee	1
Coconut Grove	1
Fort Lauderdale	1
Edgewater	1
Troy*	1
North Palm Beach	1

\*Centers outside of Florida  
Note: The Herald-Tribune was unable to verify precise address information for 15 of Florida’s regional centers.

million project will be funded through a traditional construction loan. He will meet the difference with private investments, his company’s own equity and money raised through EB-5.

This is the first time Dentinger has been involved in an EB-5 project. He said he hopes to break ground by 2016.

“EB-5 is much cheaper equity,” Dentinger said during a phone interview in late October. “We haven’t begun soliciting anything at this point. When we do, we have contacts, established contacts, with people who have relationships in China, but also other parts of the world, like England and South America.”

Twenty-nine years ago, financial regulators found that Dentinger had violated federal anti-fraud provisions through the sale of securities to more than 150 investors, but that episode apparently had no impact on the USCIS approval of Dentinger’s application to open an EB-5 regional center.

In 1986, Dentinger was listed as defendant in a federal lawsuit filed by the Securities and Exchange Commission, and was ordered by an Illinois judge to disgorge \$130,000, along with any stock he received from Continental Energy Corp., according to federal court archives obtained by the Herald-Tribune. The suit alleged that from 1980 through 1983, Dentinger and two other businessmen violated federal anti-fraud provisions with the sale of securities — in the form of interests in oil and gas wells — to about 171 investors, raising at least \$3.3 million. The complaint alleged that Dentinger and the other defendants failed to register the securities with the SEC and misrepresented material facts to investors, including the rate of return and risk, federal records show.

When asked about the suit by the Herald-Tribune, Dentinger said the issue never came up during his application process with the federal government

and that no potential EB-5 investor has asked about it.

“There was a bad actor there, who embezzled money and left the country,” Dentinger said during a second interview. “I’m the one who blew the whistle. ... It took years of my life to straighten out, but it was straightened out.”

Dentinger declined to elaborate. “I’m not going to get into what has no bearing, as far as I’m concerned, with my involvement in EB-5,” he said.

### The green card

Others operating EB-5 regional centers praise the program, saying it has been their only option for generating capital after the financial meltdown.

“Coming from the recession, almost no banks were willing to provide financing for new construction,” said Luis E. Prado, a hotel developer who came to America from Venezuela 12 years ago and who has been involved in the program since 2010. “EB-5 provided the best alternative.”

But those who closely follow financial markets say the cheap money is the true draw. With EB-5, developers can bring smaller down payments to the table and ultimately reap larger profits. Borrowers seeking traditional bank loans are generally more scrutinized by financial institutions, one reason why so many EB-5 players have the past financial scars of foreclosure and bankruptcy.

Experts say the EB-5 investors also can be less discerning than Wall Street because they are primarily in it for the green card — never expecting much of a return on their payments. That reduces the risk for developers because these foreign investors are unlikely to come back for collateral if the deal falters.

“If it wasn’t for the green card, nobody in their right mind would do it,” said Jose E. Latour, an attorney who heads an EB-5 regional center in South Florida.

Executives at one EB-5 regional center in Florida have found themselves entangled in legal claims of unpaid loans, misappropriated stock interests and allegations that they hid financial records in an attempt to shortchange an investor out of tens of thousands of dollars, court records show.

The center is a subsidiary of American Regional Center Group LLC, a Miami company operated by Gonzalo Lopez Jordan and Santiago Steed, state corporation filings show. The business also lists former USCIS director Emilio Gonzalez as a special adviser to the board of directors.

The company received its approval from USCIS to operate an EB-5 regional center in Florida during May, following a 10-month application review. According to its application, the center focuses on residential and commercial construction, hotel development and restaurant operations. The parent company also operates regional centers in Nevada, California, Texas, New England, New York and the Caribbean, its website says.

Jordan, the center’s top executive, has a background in banking, previously working as a vice president at Smith Barney Inc. Steed has experience in real estate and financial services.

Jordan and Steed did not return calls seeking comment. Gonzalez also did not return calls from the Herald-Tribune.

In 2013, the two men were

SEE EB-5, A9

“There’s a whole industry of people who can get rich leveraging this for things it wasn’t intended for. People are milking this program for their own pocket. It’s very obvious that it is a fraud on the taxpayers.”

— U.S. Sen. Chuck Grassley, R-Iowa, who has pushed legislation for EB-5 reform





## EB-5

From Page A8

sued in Miami-Dade court over allegations that they fraudulently misappropriated stock interests in a king crab fishing venture after the seafood company defaulted on a \$3.7 million loan. That litigation says another partner from the fishing business has asserted criminal allegations against Jordan in Argentina, according to the lawsuit.

Another corporate entity associated with Jordan and Steed is involved in a separate lawsuit brought in 2014 by a former business partner, who claims the two intentionally withheld financial information about an ownership share in an office building on Miami's Brickell Avenue. Jordan and Steed were attempting to buy out the other partners. The suit alleges that the partners used questionable tactics to demonstrate that the shares were worthless in order to get a better deal for themselves, and never turned over certain financial documents, court records show.

Like many firms using EB-5, Jordan and Steed also struggled financially during the recession. TotalBank, a South Florida subsidiary of the fourth largest lending group in Spain, filed for foreclosure against Jordan and Steed in 2009 over a mortgage used to buy nine units in a Miami corporate condominium. That case was voluntarily dismissed by the bank two years later.

## Fraud complaints

The Securities and Exchange Commission, the federal agency that regulates financial security offerings, has reported receiving more than 100 complaints related to potential EB-5 fraud in the past two years.

The agency has brought six cases against some of these players, which collectively involved more than \$268 million in fraudulent EB-5 funds, agency records show. The SEC does not have the authority to file criminal charges, only civil cases in federal court or administrative actions.

One of the most notable cases involved an Illinois company that the SEC said fraudulently sold more than \$145 million in securities and collected \$11 million in administrative fees from more than 250 investors, primarily in China.

The firm announced plans to build the "World's First Zero Carbon Emission Platinum LEED certified" hotel and conference center near



Thomas A. Dentinger lists this home in Clearwater as his principal operating address for a government-approved EB-5 regional center, according to state corporation records. GOOGLE PHOTO

Chicago's O'Hare Airport.

But the SEC alleged that Anshoo R. Sethi and his companies falsely told investors that they had all the necessary building permits in hand, along with agreements from major hotel flags. Sethi's group also provided bogus documents to USCIS, the federal agency alleged.

The lawsuit states Sethi and his companies spent almost \$11 million in administrative fees from EB-5 investments, though the agency does not specify where the money went. That was despite promises to return the money if the immigrant visa applications were denied. More than \$2.5 million was deposited into Sethi's personal bank account in Hong Kong and \$35,000 was used to pay a prior judgment to Wyndham Hotels, SEC records show.

As part of a settlement reached in March 2014, the SEC ordered the firm to disgorge \$11.5 million and barred the defendants listed in the case from selling securities for 20 years that are offered from any of the defendants or any entity controlled by Sethi.

More than \$2 million in civil penalties were levied, and Sethi's companies agreed to dissolve once satisfying their payment obligations, federal records show.

In the latest Florida case — unveiled by the SEC in November — the agency's lawsuit alleges that Lin Zhong and her company EB5 Asset Manager LLC told investors that their money would be used for a mixed-use real estate development planned in Port St. Lucie.

But she allegedly moved \$6.5 million out of escrow without their consent, spending much of those funds for unrelated personal expenses, which also included her own real estate taxes and education for her family, court records show.

The SEC also says Zhong failed to disclose a past real estate venture that had failed and concealed prior bankruptcies.

When reached by the Herald-Tribune, her attorney declined to comment on the case.

Financial regulators told the newspaper that EB-5 cases can be more complex than other white-collar ones. The most significant problems are with the commission-based brokers who sell these securities overseas on behalf of regional centers in the U.S. These transactions create "evidentiary challenges," regulators said.

"We don't really know what is being said to entice them to invest," said one federal regulator who investigates EB-5 fraud, but who would only speak to the Herald-Tribune on the condition of anonymity. "We don't know who these people are. We are not at the meetings, we don't know what materials they're passing around, and it creates hurdles for investigating. We may not have the whole picture."

## The economics

Even when there is no wrongdoing, the basic economics of the EB-5 program have come into question.

Every job created through a real estate venture can be counted by the government toward the EB-5 requirements, instead of only the portion of the investment that was actually funded through EB-5 money. That can artificially inflate the program's stated benefit to the economy, according to a trio of government reports.

For example, one development brought 450 investors into the country, funding 30 percent of a real estate project through EB-5 capital. But to gain their residency, the investors counted all of the estimated jobs created through the

venture, using the portion of the project driven by other financing methods to subsidize the EB-5 requirements, according to the U.S. Government Accountability Office.

A Homeland Security audit in December 2013 of the program found this practice makes it "impossible to determine whether the foreign funds actually created U.S. jobs." The report concluded immigrants are able to gain "permanent resident status without proof of U.S. job creation."

But USCIS officials say the agency is not statutorily required to do any more than it already is. After two years, if the investor meets all of the requirements, the conditions are removed and the immigrants — as well as their investment — are no longer tracked.

"There are opportunities for USCIS to more reliably report on the economic benefits of the program," Rebecca Gambler, director of Homeland Security and Justice for the U.S. Government Accountability Office, told the Herald-Tribune. "USCIS's method for reporting the economic benefits is unreliable because it can overstate the results. ... The bottom line is USCIS already has data they could use to make better estimates."

## Bridge loan

Many developers now rely on the program to write themselves bridge-loans for construction, using EB-5 money as repayment.

For instance, rather than putting 20 percent down on a project to secure a construction loan, EB-5 financing could allow a developer to put up only 5 percent of his own equity, loaning himself the remainder to get the project started. Many regional centers throughout Florida, including one in Sarasota, now use this model, the

centers' managers told the Herald-Tribune.

Once the EB-5 call is fully funded, the developer then gets paid back on his own five-year bridge financing before the primary lenders or any immigrant investors, according to interviews with dozens of regional centers.

These loans are usually offered through "host regional centers." Essentially, these centers lease their USCIS approvals to third-parties that then don't have to file for their own regional center status — and never have to submit their names or projects to government regulators.

"It's a project that's going to get done anyway, so from a risk standpoint, it's lower," said Samuel Silverman, who studied economics and Chinese at Yale University and now uses the host model through his EB-5 Affiliate Network. "We saw an opportunity to do a more institutional type of financing for large-scale investors."

But critics say these regional centers violate the true intent of the law, arguing that if a real estate development is advancing with or without EB-5, the jobs that project may create likely won't change with the added foreign investment.

Contrary to the intent of the law, the vast majority of EB-5 projects are now taking shape in some of the nation's most affluent communities.

"The intent was to help rural and struggling areas," said Shae Armstrong, general counsel for the More American Jobs Alliance, which has lobbied for stricter EB-5 rules. Armstrong said loopholes in the program have attracted developers who struggled to advance projects using more traditional financing methods.

"If you have a history of foreclosures and other questionable development deals, and you can't get financing, this should not be the alternative," Armstrong said. "But it's like running a nonsmoking campaign in 1955. Everyone looks at you crazy."

## An industry within

A niche industry has emerged within EB-5 involving companies that specialize in producing these economic reports — the key ingredient for an immigrant investor's successful visa.

Listing a single-family home in Riviera Beach as its principal operating address, USEGF Florida Regional Center LLC's primary focus is providing economic analysis and job creation studies for other EB-5 regional centers across the nation.

The center is managed by Scott W. Barnhart, who owns the home where the business is registered. Partner Derek S. Boirun is a real estate developer in New York.

Barnhart said his economic development studies use standard models that date back decades to track direct jobs, construction employment and count indirect jobs — through things like material suppliers and ancillary spending.

"Can I identify which grocery store employee was hired because a new building went up down the street? No, I cannot," Barnhart said. "But I can see all of the workers at the site, and I can see where the A/C company got all of the vents."

Barnhart acknowledges that other firms will sometimes push the limits, but he strongly disagrees with the notion that the studies measuring the program's impact are fundamentally flawed. Similar models are used to measure job creation when government concessions are given to a company to move.

Patrick Hogan, whose Illinois company operates a regional center in Florida, says "this is not an investment program, it's a job creation program. The investors want to see that the jobs will be produced. It will cost them a lot of more than \$500,000 if they can't show the jobs, and they have to pack up and leave."

"I tell them, 'If you want to invest your money, give it to Schwab. Give it to someone else, don't give it to me."

"If you want a green card, give it to me."

## POLITICS

## EB-5 industry has been kind to ex-congressman

## Rep. Garcia was given donations and, later, a job

By Josh Salzman  
josh.salzman@heraldtribune.com

Principals behind EB-5 regional centers in Florida have donated more than \$800,000 to federal election campaigns.

They donated to George W. Bush. They donated to Hillary Clinton. They have donated to national committees on both sides of the political aisle and to major PACs pushing their agendas.

But nobody has received more than Joe Garcia, according to a Herald-Tribune review of government finance records.

Now an industry insider, Garcia is a former U.S. congressman from Miami, who long held a key voice on immigration policy.

Once his political career was over, he joined the EB-5 industry through the Queensfort Capital Florida Regional Center.

The firm, which also operates approved regional centers in New England, is tied to a merchant and investment bank in South Florida.

At least five phone messages

left by the Herald-Tribune on the center's general voice mailbox over a period of several months were not returned.

The EB-5 center is run by Arthur J. Halleran Jr., who serves as the chairman and who claims on his website that he provided input to Sen. Edward Kennedy, who co-sponsored the EB-5 legislation in 1990.

Halleran has donated \$60,350 to federal campaigns over the years, including contributions to the company's eventual senior vice president, Garcia, according to Federal Election Commission records.

Halleran is among those behind EB-5 regional centers across Florida who have donated \$42,003 to Garcia's campaigns — more than they have given to any other federal candidate since at least 1997, those records show.

## EB-5 supporter

A Florida attorney and Cuban-American, who previously led the Cuban American National Foundation in Washington, Garcia has long pushed for improved relations with Cuba and for long-term immigration reform that would protect migrant workers and entrepreneurs.

While in office and before

## Top 5 contributors

Name	Regional Center	Federal Campaign Contributions
Nicholas A. Mastroianni II	US Immigration Fund	\$182,360
Jeffrey Berkowitz	Miami Metropolitan Regional Center	\$157,300
Kiran C. Patel	Clearwater Beach Resort Regional Center	\$71,000
Arthur Halleran Jr.	Queensfort Capital Florida Regional Center	\$60,350
Emilio Gonzalez	ARCG Florida Regional Center	\$39,444

joining a regional center of his own, he was an avid supporter of the EB-5 program.

In 2014, Garcia helped introduce legislation that would make EB-5 regional centers a permanent fixture of the visa program, while exempting spouses and children of EB-5 investors from the program's 10,000-immigrant cap, which would have greatly expanded its impact.

A letter that year from more than 60 members of the U.S. House Democratic caucus said that if the bill had been allowed to come to the floor for a vote, it would pass with "strong bipartisan support."

After a two-year term, the Democrat from Miami in the U.S. House of Representatives lost the 2014 election amid scandal and left office in January.

Garcia's former chief of staff resigned and was later found guilty in two separate instances of fraud tied to his boss' campaigns.

Through various media outlets, Garcia has long denied any involvement in either scheme, and he has never been charged.

## Troubled staffer

Jeffrey Garcia, unrelated to the former congressman, began as Rep. Garcia's campaign manager and became his top staffer.

But his tactics landed him jail for two months for absentee ballot fraud, and as authorities continued to investigate, they concluded Jeffrey Garcia broke another election law through a conspiracy to funnel funds into a straw campaign.

The Herald-Tribune also could not reach Jeffrey Garcia for comment.

In the 2012 election cycle, prosecutors alleged that Joe Garcia's campaign strategist filed hundreds of phony ballot requests on behalf of voters without their permission — a felony. Authorities say Jeffrey Garcia hoped to use the requests

to sway votes from undecided Miami residents.

No votes were stolen in the scheme.

But prosecutors said that Joe Garcia's top man also had violated campaign finance laws earlier, in 2010 — a campaign run in which he was defeated.

In that case, Jeffrey Garcia was found to have conspired with friend Jose Rolando Arrojo to put together an erroneous Tea Party campaign in Arrojo's name, part of an attempt to take conservative votes away from Joe Garcia's primary Republican contender.

An eight-page filing in federal court in Miami outlines how Jeffrey Garcia was behind contributions to Arrojo's Campaign for Congress that exceeded election law limits.

He was sentenced to two years of probation, with eight months of home confinement and a \$1,000 fine, according to federal court records. Arrojo was also charged in the scheme.



Garcia





Bucs back in hunt for wild card

TERROR THREAT

# Obama seeks to allay anxieties

By David Nakamura  
 The Washington Post

President Barack Obama said on Sunday that the threat of terrorism to the United States has evolved into a new phase in the wake of recent attacks in Paris and San Bernardino,

California, but he vowed that the nation will ultimately defeat the Islamic State and other militant groups.

"The threat from terrorism is real, but we will overcome it," Obama said during a 14-minute Oval Office address. Using an

acronym for the group, he declared: "We will destroy ISIL."

Obama hoped the rare prime-time address would help reassure an uneasy nation after a series of deadly terrorist attacks. Obama, who has struggled to calm public fears,

made the decision to speak directly to the nation — only the third time he has used the venue — late last week and has been working on his remarks through the weekend.

Obama said the effort to defeat terrorists will "not depend on tough talk or

abandoning our values or giving in to fear. Instead, we will prevail by being strong and smart, resilient and relentless."

Obama urged the public not to react with fear that could flame divisive rhetoric against the Muslim community and,

the president believes, provide ballast to the Islamic State's propaganda campaign.

"Let's make sure we never forget what makes us exceptional," he said. "Let's not forget that

SEE OBAMA, A15

HERALD-TRIBUNE INVESTIGATION, PART II:  
 A NATIONAL SECURITY RISK?

# FOSTERING AN INDUSTRY OF SECRECY

## WEALTHY IMMIGRANTS PROTECTED DESPITE NATIONAL SECURITY CONCERNS

Stories By Josh Salman | [josh.salman@heraldtribune.com](mailto:josh.salman@heraldtribune.com)

Tens of thousands of wealthy foreigners from countries like China and Russia have successfully used EB-5 to gain permanent U.S. residency.

Yet an agency tasked with keeping the nation safe has no clue exactly who some of these people are or how they got their money.

Despite operating the EB-5 program for 25 years, the U.S.

Citizenship and Immigration Services and the Department of Homeland Security struggle with some of the most basic principles of oversight, a Herald-Tribune investigation has found.

The agencies have resisted calls for change and continue to defend their handling of the program.

But as audits point to national security concerns, one USCIS

official told the newspaper that the agency can only fully review an immigrant's potential threat by searching for the application among mountains of paper.

There is no central database or digital records searchable by USCIS officials that regularly

SEE EB-5, A12



[immigration.heraldtribune.com](http://immigration.heraldtribune.com)

EB-5 is a visa program touted as the fastest avenue to a U.S. green card. For \$500,000 or \$1 million, wealthy foreigners gain entry to the U.S. by investing in so-called EB-5 regional centers. These private-sector businesses are approved by the federal government as an authorized source to spend

EB-5 money, expediting the green card process.

Go online, at [immigration.heraldtribune.com](http://immigration.heraldtribune.com), to view a database of each of the 73 EB-5 centers in Florida, including the principals and the projects; and view an interactive database of EB-5 related campaign contributions.

More inside

Some ambitious Florida EB-5 projects **A11** Southwest EB-5 players **A10**



### Mother of invention

What do you get from an inventor with a bad back? Pioneering workplace ergonomics. Engineer Earl Hagman's Ergotech Inc. handles seven different product lines that focus on making factory and shop work easier by positioning the work to fit the worker.

Business Weekly

### PEARL HARBOR DAY

## For Englewood veteran, a return to Hawaii

At 93, survivor is last of those stationed at Schofield Barracks

By Billy Cox  
[billy.cox@heraldtribune.com](mailto:billy.cox@heraldtribune.com)

ENGLEWOOD — The last apparent surviving Army veteran stationed at Schofield Barracks on the morning Japan attacked Pearl Harbor was not only ready for war, he wanted to kill as many Japanese as he could even before the U.S. became directly involved. And he has the letter to prove it.

John Seelie, 93, produces



the response he received from one C.S. Liu of China Defense Supplies, dated Nov. 14, 1941. The CDS was one of the foreign agencies responsible for coordinating

military resources earmarked for besieged democracies under the Lend-Lease Act before America's entry into

SEE VETERAN, A13

Pearl Harbor veteran John Seelie is believed to be the last survivor who was assigned to Schofield barracks on the day of the Japanese attack.  
 PHOTO BY MATT HOUSTON

TODAY TUE WED



78°/57° 76°/61° 78°/61°

Complete forecast, B10

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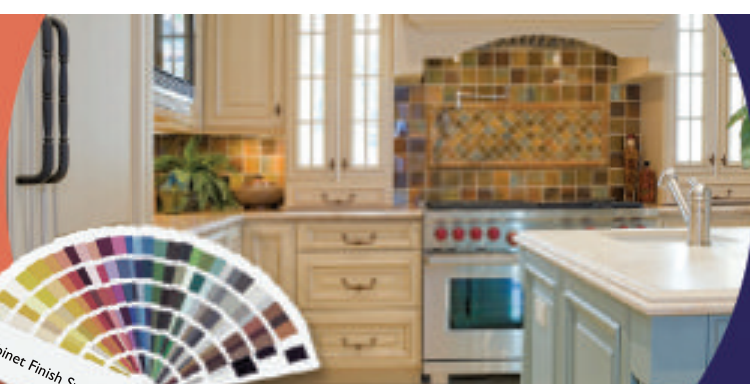
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By Josh Salman  
josh.salman@heraldtribune.com

# Southwest Florida's EB-5 players

## One Sarasota center says it operates 'like a bank'

Sarasota is home to the same number of EB-5 regional centers as Tampa and Orlando, and has more than Jacksonville — major metros with at least five times the local community's population.

Projects that these regional centers are pursuing include an office and retail complex in Miami, a Brazilian restaurant chain's expansion in Florida, a high-end marina on the shores of the Peace River in Charlotte County and church-affiliated assisted-living centers in Sarasota and North Port.

Here is a look at the local players:

### Florida Overseas Investment Center

Listing a post office box at the small Mail Pack Center of Siesta Key as its principal address on state records, Florida Overseas Investment Center was aiming its EB-5 money at a \$35 million mixed-use office and retail project in Miami.

But the EB-5 regional center, run by 71-year-old Benjamin R. Norton and his wife, Julie, is embroiled in a lawsuit related to the project from a former partner over the alleged misuse of EB-5 funds.

An affiliate of Suncoast Community Partners LLC, Norton's Sarasota company, was sued last year in Miami-Dade County court by a South Florida developer — and Norton's one-time partner at Design District Development — who was building a \$35 million project in Miami.

Before forming Design District Development, Asi Cymbal was a top member in the partnership

that acquired the site in the heart of booming Miami.

Cymbal alleges in his suit that he was contacted by Benjamin Norton in early 2010 about an opportunity to secure financing for the development. Norton pitched the EB-5 program, boasting about his expertise in the industry.

To Cymbal, it sounded almost too good to be true. At the time, banks were still recovering from the Great Recession and were picky about who they would back with loans. Cymbal thought EB-5 seemed like the most viable option to get his long-awaited project off the ground, according to his lawsuit.

The two formed a partnership through the limited liability company Design District Development. Norton was responsible for financing. Cymbal would spearhead design and construction.

The lawsuit states that for two years, Norton struggled to secure the EB-5 money he

promised, until finally raising enough capital in June 2012 to begin construction.

Within one year, Norton exhausted that money and defaulted on payments to Cymbal's construction company for four consecutive months of work, the suit claims.

Cymbal, as a manager and principal of Design District Development, says in his suit that he asked to review his company's own books. But later that year, after months without a response from his partners, Design District Development amended its annual report to remove Cymbal as a manager. Cymbal's suit claims that violated terms of the operating agreement, which limits the board from taking such steps without a meeting or written consent by every board member, which would have included Cymbal himself.

When reached by the Herald-Tribune, Cymbal declined to speak on the record, citing the pending litigation and advice

from his attorney.

Norton says the claims in the EB-5 lawsuit are baseless and that he fired Cymbal over financial mismanagement, which he believes prompted the litigation.

The case is expected to go to trial sometime next year.

"Anybody can sue anybody for a ham sandwich," Norton said. "I run a very conservative, very excellent program. Someone is trying to get money, so they're going to dig up whatever they can."

Norton says the primary focus of his regional center — which he says has a physical office in Miami — is building charter schools. He says he has completed more than 25 of these projects across the state with EB-5 money.

"A lot of communities are not flush with cash because of the economic situation, and charter schools consistently outperform public schools," Norton said. "This is a way for these communities to have extraordinary

facilities, funded by people coming into this country."

Norton had previously seen his license revoked by the New York Stock Exchange. In 1986, the exchange's hearing panel made that decision by a unanimous vote after Norton failed to comply with written requests from the exchange for information regarding unspecified matters that occurred while he was as an officer of Norton & Co., an exchange member, federal records from the case show.

Those records show Norton never formally responded to the request, a violation of New York Stock Exchange rules. Neither he nor anybody on his behalf appeared at the hearing on the matter.

But Norton said he did ultimately testify in the case, and was invited back to be reinstated by NYSE. He says he never opted to do so.

"That's old history," Norton said.

Twenty-one years later, Norton's ex-wife, Mary Underhill McLaughlin, sued his present wife in an attempt to recover alimony. McLaughlin alleged Julie Norton colluded with Benjamin Norton to hide and manipulate assets to avoid paying what at the time was nearly \$160,000 in court-ordered judgments, according to court records.

In that same litigation, McLaughlin claims Benjamin Norton forced her into a bankruptcy that ultimately led to an FBI investigation over a pattern of transferring assets to avoid credit judgments, according to the lawsuit. McLaughlin later dropped the case. She told the Herald-Tribune she still has not received any of the alimony.

### Florida EB-5 Regional Center LLC

Another of the three EB-5 regional centers based in Sarasota, Florida EB-5 Regional Center LLC, operates from the same fifth-floor office suites on Ringling Boulevard as Sperry Van Ness, one of the area's most recognizable real estate brokerages. The regional center and the brokerage share some principals.

The business has helped provide EB-5 financing to third-party developers for projects that include four assisted-living centers and a Marriott hotel. A website for the center advertises the EB-5 process as the "fastest and easiest way" to permanent U.S. residency.

The company was registered by David Rosenberg, a Sarasota real estate attorney, whose practice also shares the same floor as the EB-5 center. On paper, the company's top manager is Larry Starr, an area entrepreneur who operates a luxury automotive company and real estate ventures, including the Sperry Van Ness operation on Ringling.

But Dennis Bruce Slater, also listed as a manager on official state corporation filings, says he obtained controlling interests in the regional center in 2013, with Starr and Rosenberg now serving as silent minority partners.

In an interview with the Herald-Tribune, Slater said his



Florida EB-5 Regional Center LLC operates from the same fifth-floor office suite on Ringling Boulevard as Sperry Van Ness, one of the area's most recognizable real estate brokerages. The regional center and the brokerage share some principals. On paper, the company's top manager is Larry Starr, an area entrepreneur who operates a luxury automotive company and real estate ventures, including the Sperry Van Ness operation on Ringling. H-T ARCHIVE / THOMAS BENDER / 2013

regional center operates like a bank, using EB-5 funds to help developers with equity. The center has seven active EB-5 projects, and has collected a combined \$65 million in foreign capital through the program. Slater estimates those funds will help create 1,300 jobs.

None of the developments are directly through Slater or any of his partners. Instead, Slater says he secures EB-5 funds — mostly from investors in South America — for other developers

who want to tap into the program without seeking their own regional center status.

"It's the old adage of if you really need the money, don't ask me," Slater said. "But if you're a well capitalized enterprise, that wants to expand, this is for you. ... We operate like a bank, with the same fiduciary duty to investors that a lender has to its shareholders."

The Sarasota center's EB-5 model is based on changes to federal laws in 2013 that allow

developers to use the EB-5 process as a construction loan.

Slater and his center earn a profit by taking a cut of the loan, he said. He uses law firms in Brazil and the U.S. to find interested investors.

His latest EB-5 endeavor is helping to raise \$25 million for one of the largest chain restaurants in Brazil, which is seeking to expand its U.S. footprint, Slater said.

The Spoleto Italian Kitchen has two restaurants in Orlando, part of a Brazil-based corporation that operates more than 700 restaurants in South America. The company wants to build 25 more of its Italian kitchens in greater Orlando, and as many as 100 across the Sunshine State, using EB-5 for the aggressive expansion.

Slater has put together a marketing presentation that he says he will take to investors overseas to help sell the concept. He acknowledges there are flaws in the EB-5 program, but said he believes the jobs benefit to the economy is understated and outweighs any glitches.

"It became a program people tried to exploit," Slater said of EB-5. "There have been some controversial projects. But it is, in my opinion, an extremely strong job-generating program for our country."

Besides EB-5, Slater had a

four-decade career in the automotive industry and also says he operates CFO Solutions LLC, which provides strategic planning and business analysis.

Slater previously managed car dealerships in the Tampa Bay area, including University Chevrolet — which was owned by U.S. Rep. Vern Buchanan, R-Longboat Key, while Slater was there. Slater became chief operating officer of the Buchanan Automotive Group.

Slater says Buchanan, whom he remains in touch with, has no involvement in his current EB-5 efforts.

Starr, the regional center's original founder, was connected to the alleged \$55 million Smith Advertising Ponzi scheme, putting his own money in Smith receivables and reportedly soliciting others to make similar investments, federal records show. But Starr says he was a victim in the case and was never charged.

Starr declined to comment on his ties to Smith, but said, "My partners and I saw the EB-5 program as a way to not only raise money for different projects at a time when financing dried up, but also allow foreign investors to have a fast track to a visa. It's a program pushed by the U.S. government, and it is very successful now."

### Charlotte Harbor Regional Center LLC

Sarasota also is where one of the first EB-5 regional centers in Florida was registered.

But even as the program exploded in popularity among business people, and billions of dollars of foreign investment began flowing into the U.S., this company has not been able to find much success.

Charlotte Harbor Regional Center LLC has long had plans for a marina on the Peace River in Charlotte County, through a partnership with the local government.

From a corporate suite on Main Street in downtown Sarasota, Allen Heise plans to raise as much as \$40 million through EB-5 to build the upscale marina with room for more than 600 boat slips and a rooftop heliport on the site of a former motel. The pitch came with promises of creating hundreds of jobs. Heise also told area officials he would reserve space to build new digs for Charlotte County's economic development and tourism departments.

Heise, who has built his career developing high-end

condominium and commercial projects in Naples and other parts of Florida, previously said the marina would be up and running by 2012. But Heise in 2012 transferred the 1.9 acres at 3491 Tamiami Trail to his father, Richard A. Heise Sr., through a deal valued at \$4.36 million. A Chicago company managed by Allen Heise paid \$3 million for the land in August 2006 and owed more than \$4 million to the older Heise at the time of the transfer, court records show.

Allen Heise has since said that although his father is listed as the owner on tax bills and other official property records, he remains in control of the land.

The younger Heise said he still hopes the marina will become a reality, but his goal for construction to begin has been postponed until at least 2017. He blames part of the delay on the Great Recession, part on increased competition from other regional centers. He also speculates that the timing of U.S. Citizenship and Immigration Services moving its EB-5 administrative offices from



A rendering of the proposed upscale marina planned for the site of a former rundown motel in Charlotte County. Plans originally called for the marina to be up and running by 2012, funded partly through EB-5, but the goal for construction to begin has been pushed out until 2017. COURTESY RENDERING

California to Washington, D.C., somehow pushed his project to the back of the line.

Heise says he has foreign investors who have been waiting 49 months for their EB-5 application approval — nearly four times longer than the current national average.

"My marina project just fell

through the cracks," Heise said during an October interview with the Herald-Tribune. "It was very unique and bad timing. I was in it right as it exploded."

Heise has slowly been working on the property: Razing the old motel, building docks, repairing the seawall and readying the site for utilities.

Although his was among the first 50 regional centers to be approved nationwide, Heise says he only turned to EB-5 at the request of Charlotte County's economic development arm, which he said wanted to use his project to promote other EB-5 opportunities.

"I don't need their money at all," he said. "I don't need EB-5 funds. I don't need these investors. I'm happy without them ... but now, I have to continue for the ones already in the shoe."

Heise said the EB-5 program has drifted too far from its original intent, with struggling areas like his now taking a backseat to tony Manhattan and Miami.

"What EB-5 has turned into is more capital stake for a developer, who maybe before needed to bring 10 percent of his own equity but now only needs six," Heise said. "That difference is 4 percent in the developer's pocket, and that doesn't create any additional jobs."

"It is just more developer profits."



HERALD-TRIBUNE INVESTIGATION

“When you come here, you’re going to feel like you’re at a tropical resort. It is what sets us apart.”

— William West, the regional center’s director of development



William R. West, director of development, K&P Clearwater Estate LLC, standing in front of the Wyndham Grand Resort Clearwater Beach, which is expected to open in early 2017, located at 100 Coronado Ave., Clearwater Beach. STAFF PHOTO / THOMAS BENDER

## Some ambitious Florida EB-5 projects

Critics of EB-5 say the program has brought unwanted immigrants into the United States, while allowing real estate developers to profit on the backs of taxpayers.

But some Florida companies have used the program to solidify new ventures, ranging from chain restaurants to a sustainable shrimp farm and housing communities built at shuttered military bases. The program was even tapped to help fund a life science building at the University of Miami.



Patel

Some experts contend this type of immigration can be a boon for the economy, especially the real estate sector.

Clearwater is home to one of the more successful case studies.

The Clearwater Beach Resort Regional Center is rolling out a luxury hotel that has been called the legacy project for one of Tampa’s most influential businessmen.

Based in Clearwater, the EB-5 center was formed to raise capital for a 450-key Wyndham resort on nearly four acres along Clearwater Beach. Construction of the two 16-story towers is well underway, and key principals anticipate completion of the \$175 million project by January 2017.

The development is expected to create 1,960 jobs. As much as \$50 million in project financing could ultimately come through EB-5.

The regional center is managed by Kiran Patel, a cardiologist who helped found Tampa-based WellCare, a major Medicaid player in Florida.

Patel bought the hotel property for \$40 million at the height of the real estate boom in 2004, and, as with many projects of its kind, development stalled during the prolonged recession.

The lengthy delays raised questions about whether the ambitious hotel vision would ever come to fruition. As taxes and maintenance costs mounted, the empty tract became referred to as the most expensive parking lot in Florida.

But Patel said the setbacks resulted from the steep drop in consumer travel during the financial crisis. Now, tourism in Florida has rebounded to record highs.

During the recession, “any

prudent person would not invest money on a project that is dependent on the excess spending capacity of consumers for travel and entertainment,” Patel said. “And, of course, banks were not really keen on financing.”

Patel and his wife have long been considered one of Tampa Bay’s power couples. A physician by trade, Patel is building himself one of the nation’s largest single-family estates — a Tampa-area compound of more than 35,000 square feet.

He also is pursuing other real estate endeavors, although he said he is not likely to use EB-5. He has donated \$71,000 to political campaigns on the federal level.

Patel said he opted to supplement the Clearwater Beach project with EB-5 money to help friends and their family members. He said he does not have a marketing campaign to actively solicit EB-5 investors.

“The good news for me is: I’m not dependent on EB-5 money for my project,” he said.

Footsteps from the busiest interchange in the tourist city, the four-star Wyndham resort will tower above the main pedestrian drag in Clearwater Beach, with views of both the green Gulf waters and the Intra-coastal to the east.

The project will feature 345 rooms as part of its full-service hotel and 105 vacation units that will be leased similar to a timeshare. Blueprints also call for a four-level parking garage, an 11,000-square-foot ballroom, a beachfront pool and two restaurants.

“When you come here, you’re going to feel like you’re at a tropical resort,” said William West, the regional center’s director of development. “It is what sets us apart.”

### ‘Eiffel Tower of Miami’

A group in Coconut Grove found a way to think even bigger.

An affiliate of South Florida’s Berkowitz Development Group is raising EB-5 funds for what has been called one of the most unique and ambitious projects in the Sunshine State.

Dubbed the “Eiffel Tower of Miami,” the project Jeffrey L. Berkowitz and his companies are building is a vertical tourist attraction at the center of downtown Miami.

The SkyRise Miami — a sleek tower set to rise 1,000 feet above Miami’s Biscayne Bay — will



The Wyndham Grand Resort Clearwater Beach that is expected to open in early 2017, located at 100 Coronado Ave., Clearwater Beach. It overlooks Clearwater Beach. STAFF PHOTO / THOMAS BENDER



Architectural rendering of the SkyRise Miami tower proposed by the Berkowitz Development Group. PROVIDED BY BERKOWITZ DEVELOPMENT GROUP

include a viewing deck, a bungee jump, a 12-seat free-fall coaster and a “sky rise flying theater,” which will take 72 riders secured in a seat similar to ones used for inverted roller coasters on a hang-glider tour of South Florida.

The attraction also will feature a nightclub, restaurant and ballroom.

The vision has received praise from Congress and business leaders alike. As much as \$270 million of the \$430 million project is expected from EB-5 funding.

Berkowitz, who has donated \$157,300 to political campaigns at the federal level, also has sought public money to help with the project.

Construction started in September 2014, and the

observation tower is expected to open in 2018.

### Brazilian-financed retirement development

Florida Gateway Regional Center is tapping Brazilian wealth for a retirement development in rural North Florida.

Based in Orlando and managed by Karamchand “Raj” Doobay, the center is building an active adult community for residents 55 and older in Hamilton County — between Jacksonville and Tallahassee — at a cost of more than \$60 million.

Doobay said he expects to raise as much as \$35 million for the project from EB-5 investors, mostly in Brazil.

The development — already under construction — calls for 450 rooms, 20,000 square feet



Developer Jeff Berkowitz talks about the SkyRise project at his office in Miami on March 30. Miami voters approved a \$430 million downtown tourist tower to be built beside Biscayne Bay. AP PHOTO/ALAN DIAZ

of commercial space, a hospice center, a post office, a restaurant and golf course. It sits on nearly 350 acres in an area very few other developers have their eye on.

“Hamilton County is a sleeping giant and is the gateway to Florida,” Doobay said. “It is very quiet, yet only one mile off Interstate 75 and just 17 miles south of Georgia. We are trying to create more jobs and get more people into the county. It’s a struggling area, and we don’t have any competition here.”

Unlike most others, Doobay said his company owns the regional center and the development arm, so he has full control of the project. “Because we own the project and the regional center, it is all we do,” he said. “I don’t have a middle man.”



**EB-5**  
From Page A1

include even an EB-5 participant's name or date of birth. An effort to convert those records to searchable electronic format has faced numerous challenges.

The agency refuses to publicly release the identities of EB-5 immigrants despite requests from the Freedom of Information Act, citing the personal privacy of the foreigners.

Some fear the federal government's passive approach has fostered potential fraud, money laundering and possibly allowed criminals to enter the country.

"USCIS could take steps to improve the systems and processes, which would better assist them to address fraud," said Rebecca Gambler, director of Homeland Security and Justice for the U.S. Government Accountability Office. "They are largely reliant on paper record applicants, and that makes it difficult for them to have ready and available information to access."

**The application**

EB-5 — or "Employment-based Fifth Preference" — allows wealthy investors to obtain a visa through an investment of \$500,000 to \$1 million, as long as the money helps to create or preserve 10 jobs in the United States.

The capital goes to the private sector, not the federal government, under a plan to spur the economy. As many as 10,000 visas are available each year to investors and their family members through EB-5.

The government uses a three-page form for investors seeking to emigrate through the EB-5 process.

The application asks for standard identifiers: Legal names, phone numbers, passport or other travel documents. There also is a section where foreigners must describe their investment, personal income and net worth. No public notary is required.

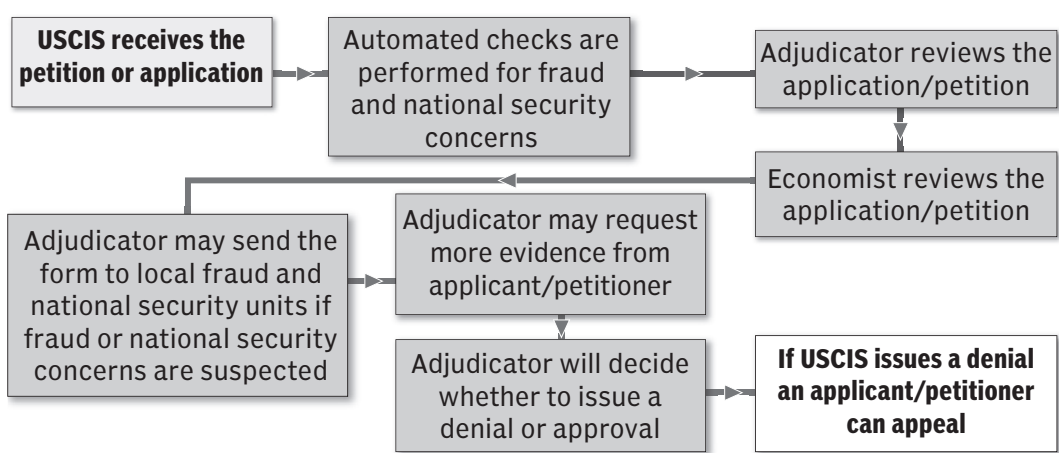
The document asks if the applicant has ever been deported or worked in the U.S. without permission. But it does not ask if they have been convicted of a crime.

The prospective immigrant also must either file an application to adjust their status to lawful permanent resident, or apply for an immigrant visa at a U.S. consulate or embassy.

Two years after receiving a conditional green card, foreign investors can petition the

**EB-5 adjudications process**

This table shows the steps of obtaining a visa through the EB-5 immigration process.



Source: U.S. Citizenship and Immigration Services

GATEHOUSE MEDIA

government to remove any conditions on their residency — allowing them to permanently live and work in the U.S.

This 11-page application asks much of the same information as the initial review, along with more specifics about whether or not the EB-5 investment accomplished what was intended.

But USCIS cannot access many overseas bank records or corroborate much of the self-reported information it collects, the agency noted to the Government Accountability Office.

The government also has acknowledged in response to a Homeland Security audit that the source of funding for many of these EB-5 applications carries a high risk of fraud.

Counterfeit documents can be overlooked, and overseas recruiters are using increasingly sophisticated methods to circumvent controls, said Gambler, the government accountability official.

"There are difficulties for USCIS to verify information reported by applicants, including if the funds were obtained legally," Gambler said. "They need to expand the types of information they're collecting on applicants — like interviewing them at different phases in the process and requiring more backup materials on the forms they fill out."

USCIS officials say they are drafting revised forms that address many of the concerns. But those are not yet completed, and it is unclear what additional information will be included.

**Lack of transparency**

The intake policies for EB-5 allow USCIS officials to interpret cases differently and make

inconsistent decisions on applications with similar facts.

One allegation reported by a whistleblower to Homeland Security claimed that a previous USCIS director would favor certain immigrants and industry stakeholders, providing preferential treatment in their EB-5 applications, according to a Homeland Security audit.

In another instance, a member of Congress asked a senior USCIS official to withdraw a request for evidence related to an EB-5 regional center, according to emails outlined in the audit.

Senior USCIS leadership, with no direct involvement in daily caseloads, has overturned decisions to deny a foreign investor's EB-5 application, the audit shows.

The Herald-Tribune requested records for every person that has been approved for an EB-5 visa since the start of 2008, where the application lists either an expected address in Florida or an investment with a business in the Sunshine State.

But USCIS rejected substantial portions of that Freedom of Information Act request, saying revealing that information would be an invasion of privacy. The organization cited an exemption in the law that allows the government to withhold all information about individuals in "personnel and medical files and similar files."

The inability of the public to scrutinize participants in the program is problematic, critics say.

"It is not creating the jobs it's supposed to, the money is not going where it's supposed to and it's attracting some questionable operators," said Shae Armstrong, general counsel for the More American Jobs Alliance, which has been pushing for more EB-5 regulations. "There's a lack of overall

transparency in the program right now."

Even some within the industry are calling for more controls.

"Properly used, EB-5 can provide a real boon to the American economy," Walter "Marty" Cummins, who operates an EB-5 regional center on Florida's east coast, told the Herald-Tribune. "Improperly used, it's a disaster to everyone. Mistakes that were made need to be exposed and corrected."

**Addressing loopholes**

USCIS has reshaped part of its organization in an attempt to better address loopholes.

That included hiring at least eight employees earlier this year, each who specialize in fraud. The U.S. Securities Exchange Commission also has helped the agency with more financial training.

The federal immigration department is rolling out a new electronic monitoring system, which officials hope will formally standardize certain data fields for investors and regional centers, allowing the agency to search for more fraud warnings.

Federal officials expect these digital forms to be functional by 2017.

But the Electronic Immigration System — or ELIS — already has been delayed four years, while the cost to implement the system swelled by more than \$1 billion, according to federal reports.

Meanwhile, USCIS does not have any documented plans for future risk assessments — an approach often taken by other government bodies to internally identify potential problems.

"There is very limited access to information," said Audrey Singer, a senior fellow with the Metropolitan Policy Program at

The Brookings Institution, which studied EB-5.

"The agency is largely paper-based, and it's a problem," Singer said. "Trying to find data is hard. Beyond that, from what they collect (from applicants), a lot of questions are just not answered."

**A potential fix**

The Brookings Institution has called for the Department of Commerce to take an oversight role because it says USCIS is an agency not traditionally accustomed to dealing with sophisticated financial reports.

Sources within the Department of Homeland Security and USCIS said that the Department of Commerce is conducting a study into EB-5 to provide more insights into the economic benefits of the program and collecting better data on job creation.

Congress also is eyeing a fix. The Government Accountability Office, which studies policies for Congress, issued a report earlier this year that identified similar problems throughout the EB-5 system.

The review was requested by U.S. Sen. Chuck Grassley, R-Iowa, and Sen. Patrick Leahy, D-Vermont, along with five other senators.

Grassley and Leahy have drafted bipartisan legislation they hope will become a key component to the nation's more broad immigration reform.

The two politicians say their proposed bill bolsters the Department of Homeland Security's authority to investigate fraud, requires background checks on regional center principals and raises the investment threshold to \$800,000.

The overhaul also would establish an "EB-5 Integrity Fund." Regional centers would fund this effort through an annual fee used by Homeland Security to conduct more audits and regular site visits.

"It is not following its original intent of helping high unemployment or rural areas," Grassley said. "There is no oversight, and it is the basis for the system to be scammed."

A spokesman for the Department of Homeland Security and the USCIS said his organizations welcome additional protections being considered by legislators.

"DHS and USCIS have long worked with Congress to ensure the integrity of the EB-5 program and are pleased that the Senate has introduced legislation to further strengthen this important program," spokesman Joe Holstead said.

**PLAYERS**

From Page A10

**Omega Florida Regional Center**

Besides hosting regional centers, Sarasota also has been the target for developments by projects from those in other states.

Omega Florida Regional Center focuses on building senior-living communities — including some on or near churches — with plans to build or acquire dozens more.

Based in Birmingham, Alabama, Omega is run by Patrick L. Trammell Jr. The company also operates a regional center in Puerto Rico.

Omega has been involved in two projects in Sarasota County with EB-5 money.

The first is a 138-bed community on a 32-acre campus in North Port, at the South Biscayne Church. Omega's website says it planned to raise \$5 million to \$10 million through EB-5. The total estimated cost of the project is \$25.6 million.

Omega said it would use the investment bank HJ Sims to issue bonds for construction, which was completed during the summer.

Omega acquired the site in 2012, when the religious organization headed by its senior pastor, John Cross, sold nine acres at 13000 S. Tamiami Trail to PT Omega Financing LLC for \$964,200, according to Sarasota County property records. Immediately after the sale, PT Omega Financing transferred the land to North Port SLC LLC, another Birmingham company managed by Trammell. The property previously had been owned by the 50,000-square-foot church since 1994, property records show.

The church borrowed \$1 million that year and gradually increased its bank debt to \$4.1 million by April 2008, county court records show. About \$440,000 of the proceeds were paid to the church and \$522,200 paid off a loan from Trammell, who did not return calls from the Herald-Tribune to discuss the project.

Cross said the facility debuted in late summer. He emphasized that the church no longer owned the property and declined to elaborate on the financial ties to Omega.

"It's just a great faith-based model," Cross said. "We had always dreamed of doing (a senior-living center), and we believe God brought Mr. Trammell and Omega across our paths. They purchased this property, built a five-star facility and it has just been fantastic."

Omega also is finishing a 126-unit senior-living community on the 45-acre Church of Hope in Sarasota.

Again, Omega came out with plans to use up to \$10 million in EB-5 funds and also tapped HJ Sims to finance construction.

The ministry's top pastor, Scott Young, said the assisted-living center has been part of the church's master plans with the county since the first building was first constructed at the religious campus eight years ago. With about 3,000 members, Church of Hope is one of the most prominent churches in this region.

Young said that those living at the center would not necessarily



The Springs at South Biscayne, a 138-bed senior living community, is at 6235 Hoffman St. in North Port on land formerly owned by the South Biscayne Church. The facility was built by Omega Florida Regional Center and financed, in part, by EB-5 funds. STAFF PHOTOS / THOMAS BENDER



The Fountains of Hope, developed behind the Church of Hope at 1560 Wendell Kent Road, east of Interstate 75 in north Sarasota County, is slated to open next year.

have to be church members, but that the goal of the development was to help reach new people. The senior-living center broke ground in late 2014, and is expected to be completed by early next year.

Young said he was introduced

to Omega through an architect, who believed the company could help with funding. A third-party operator will run the ALF after it opens.

"Assisted living is part of us helping people as they move

toward their later years," Young said. "The funding has helped us to have the center here without taking church money for the brick and mortar. ... Our real interest is in helping minister to people who live there."





# TOP 100 MOMENTS FROM 2015

Over five days this week, the Herald-Tribune is counting down 100 Moments from 2015. Inside today's paper, see No. 41-60. **Pages B1, B4-5**

# Sarasota Herald-Tribune

Did you miss Moments No. 61-100? Go to [heraldtribune.com](http://heraldtribune.com) and click on the link to "Top 100 Moments."

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HERALD-TRIBUNE/TIMES INVESTIGATION

## Violence at record rates

Since October, police and state regulators have investigated 41 attacks and injuries at state-funded mental hospitals

By Leonora LaPeter Anton, Anthony Cormier and Michael Braga



Tonya Cook poses for a portrait March 25. "Everybody knows when you go to work in that environment you are never 100 percent safe," Cook said. "There's no security in these buildings at all ... there aren't a lot of people who want to work there anymore because of the way these places are run." JOHN PENDYGRAFT/TAMPA BAY TIMES

Despite state lawmakers' calls for emergency safety measures, violence continues at record rates inside Florida's state-funded mental hospitals.

Since October, when the Sarasota Herald-Tribune and the Tampa Bay Times first chronicled the growing violence, police and state regulators have investigated 41 attacks and injuries.

At one hospital, a patient hid scissors in his room, then used them to stab a hospital employee in the back. In another, a patient tore off a man's eyelid during a fight.

The Herald-Tribune and Times first revealed the chaos inside Florida's mental wards in October when they published the results of a yearlong investigation, "Insane. Invisible. In danger." The newspapers found that state officials

cut \$100 million from the hospitals' budgets and fired a third of their workforce. Violent attacks and other injuries

SEE VIOLENCE, A8



### The series

Florida's state-funded mental hospitals are supposed to be safe places to house and treat people who are a danger to themselves or others. But years of neglect and \$100 million in budget cuts have turned them into treacherous warehouses where violence is out of control and patients can't get the care they need. Since 2009, violent attacks at the state's six largest hospitals have doubled. Nearly 1,000 patients ordered to the hospitals for close supervision managed to injure themselves or someone else. The Sarasota Herald-Tribune and Tampa Bay Times spent more than a year chronicling life in these institutions, interviewing patients and their families and examining thousands of pages of government records. To read the newspapers investigation, go to [HeraldTribune.com/mentalthospitals](http://HeraldTribune.com/mentalthospitals).

## New Year's Eve, fancy and French

How long has it been since you flexed those muscles Julia Child helped to develop? There's work to be done, technique to be followed and, certainly, worthy wines to be poured, into pans, long before any guests arrive. **Food & Wine**



## Rubio takes heat amid Iowa push

Sen. Marco Rubio, R-Florida, on Tuesday found his record of Senate absences under attack from two directions: a blistering ad in Iowa by a super PAC supporting former Florida Gov. Jeb Bush and a taunt by New Jersey Gov. Chris Christie. The senator responded in kind. **A3**



## US home prices climb in October

Steady job growth, low mortgage rates and tight inventories helped fuel rising U.S. home prices in October. Home values have climbed at a roughly 5 percent pace during much of 2015. **D1**

### RIP CURRENT WARNING



Lindsay Mouhot, left, on vacation from Memphis, and Caroline McCalla of Sarasota get hit by a wave on the South Jetty in Venice on Tuesday. STAFF PHOTOS/DAN WAGNER

## A 'rare occurrence' turns Gulf dangerous

Forecasters say swells of 7 to 10 feet are moving ashore

By Carlos Munoz and Dale White  
Staff Writers

Despite warnings from the National Weather Service about dangerous rip currents along the Southwest Florida coast that will continue through this afternoon, hundreds of beachcombers flocked to settings such as the South Jetty in Venice on

Tuesday to see the crashing waves and even to surf. "This is a once-in-a-lifetime for us," surfer Steve Litherland of Port Charlotte said of the weather that has formed the massive waves. "...This is something to see for this area. This Gulf just doesn't get like this."

During the afternoon, hundreds of visitors stood at the

end of the rocky jetty to see the overly active sea. Many stood on the rocks to get splashed while about 50 to 80 surfers ventured into the rough Gulf of Mexico waters.

Meanwhile, the danger became more apparent at Nokomis Beach — just across the Intracoastal Waterway

SEE GULF, A7



High waves roll into Venice Beach on Tuesday.

### HERALD-TRIBUNE INVESTIGATION

## Posterchild for troubled immigration program

Designed to buoy jobs, capital, EB-5 appears fraught with corruption

By Josh Salzman  
[josh.salzman@heraldtribune.com](mailto:josh.salzman@heraldtribune.com)

The U.S. government's EB-5 program was designed to create jobs by luring capital from wealthy foreigners eager for a green card.

But one regional center initially run by state workers in South Dakota mysteriously shipped EB-5 money to companies in Russia and Hong Kong. Another \$5 million vanished altogether. And a high-ranking government official in the middle of it all was found dead from an apparent suicide, according to U.S. government reports.

The controversy that engulfed the lone EB-5 regional center in South Dakota has become the posterchild for the kinds of abuses that plague the popular immigration program.

EB-5 allows wealthy

SEE EB-5, A8

### immigration. [heraldtribune.com](http://heraldtribune.com)

The EB-5 visa program is touted as the fastest avenue to a U.S. green card. For \$500,000 to \$1 million, wealthy foreigners gain entry to the United States by investing in so-called EB-5 regional centers. These private-sector businesses are approved by the federal government as an authorized source to spend EB-5 money, expediting the green card process. At [immigration.heraldtribune.com](http://immigration.heraldtribune.com), view a database of each of the 73 EB-5 centers in Florida, including the principals and the projects, and view an interactive database of EB-5-related campaign contributions.

Classified.....C6 Movie Log.....B7  
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# EB-5

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foreigners to buy a green card through an investment of at least \$500,000, if the money helps to create or preserve 10 jobs in the United States. The program was designed as a stimulus for the economy, initially intended to help rural areas grappling with poverty, but it has exploded in the wake of the Great Recession.

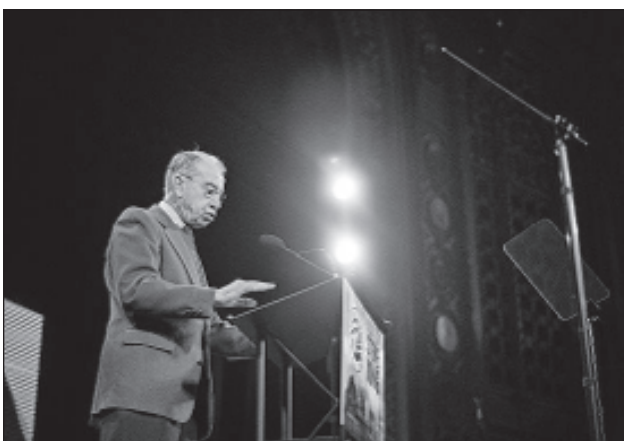
As many as 10,000 visas are available each year to investors and their family members through the program — known as the easiest route to a U.S. green card. Most of the money is funneled through regional centers, operations approved by federal regulators as an authorized source to solicit foreign investors and spend EB-5 money.

A six-month Herald-Tribune investigation found that the EB-5 system is rife with fraud, as government officials failed to fully vet those who run EB-5 regional centers, particularly in Florida. The economic benefits of the program also have been challenged. And Homeland Security struggles with basic oversight, leaving some to call the program a threat to the safety of Americans.

Amid those problems, South Dakota still stands out. The U.S. Citizenship and Immigration Services issued a report in September detailing its intent to kick the South Dakota regional center out of the EB-5 program, and the scandal has been used as political ammunition in congressional races in the Midwest.

“Any time you have people who know how to use the system, which this program attracts, you’re going to get hosed,” said William Black, a professor of economics and law at the University of Missouri-Kansas City. “You’re self-selecting a group of folks who are really good and conning and gaming the system ... You’re seeing the exact pattern you would expect to see from this.”

In an effort to create new jobs and diversify its economy, South Dakota turned to EB-5 through a regional center opened by



Sen. Chuck Grassley (R-Iowa) speaks during the Iowa Freedom Summit in Des Moines, Iowa, Jan. 24. THE NEW YORK TIMES/JABIN BOTSFORD

public employees working at a branch of state government.

The state’s efforts have brought more than 700 wealthy foreigners into the U.S., each who paid at least \$500,000 to the regional center as part of the program’s mission to create or preserve jobs in South Dakota, USCIS records show.

But after millions of dollars went missing, the state’s once-promising initiative spun a web of lawsuits, corporate bankruptcies, an FBI investigation and a scandal that rocked through the governor’s office.

A USCIS official declined to comment on the South Dakota regional center, saying only that the agency “remains committed to preventing fraud and ensuring the integrity of the EB-5 program.”

But a series of documents obtained by the Herald-Tribune from state and federal agencies outline what went wrong.

## Concerns about management

In April 2004, USCIS approved the business plan of the South Dakota regional center. The operation was run through a state agency, the South Dakota International Business Institute, which was based at a college and funded by taxpayers, government records show.

It is rare for a government to operate an EB-5 regional center. Most are run through private-sector businesses, including real estate developers and law firms, which use EB-5 as a supplemental source of capital. But the state government’s role was intended to add credibility and oversight.

South Dakota’s regional center was expanded in

2004 and again in 2006, with eventual projects ranging from a meat processing plant to a casino to pooling together investment funds for the Keystone XL Pipeline.

By 2009, state officials opted to outsource their EB-5 efforts.

South Dakota’s tourism and economic development department signed a contract to turn over regional center operations to SDRC Inc., a private company owned entirely by former state employee Joop Bollen, according to USCIS records.

As a public worker, Bollen led the push by South Dakota to create the regional center and ran the program at the International Business Institute.

He resigned from his government post the same day that his company was given the EB-5 operating contract from the state, records show.

Many of the allegations that have surfaced against the regional center in South Dakota point to a lack of oversight and financial mismanagement while Bollen was at the helm.

Bollen did not return several phone calls from the Herald-Tribune seeking comment for this story.

For at least five years, the regional center provided inaccurate and incomplete information in its mandatory annual reports to USCIS, according to a 19-page investigation by the federal agency in late September.

Those alleged errors included the amount of EB-5 capital documented, the supposed jobs created and the new commercial enterprises associated with the regional center. Funds also were “impermissibly commingled” between different investor accounts and projects, the report states.

The federal agency

concluded “the magnitude of these discrepancies casts doubts on the credibility of the regional center’s filings and management.”

## Money moves

USCIS found that the South Dakota regional center had not accounted for at least \$5 million collected through the EB-5 program.

The agency detailed another \$3.18 million worth of expenses that the regional center paid using EB-5 collections that were not tied to job-creating operations, including housing and meal costs during a trip to Korea that were listed under “plant operating costs,” a \$1.39 million loan repayment and hundreds of thousands of dollars used to settle prior legal disputes.

EB-5 funds also were diverted from the South Dakota regional center to a Russian railroad company, with no explainable ties to the center’s basic business functions, wire transfers show. Under the law, EB-5 money is supposed to come into the U.S., not leave it.

To escape the burden of owed debt, and a suffocating 29 percent interest rate, USCIS alleges that the regional center used more than \$5.15 million of EB-5 funds in 2010 to buy a Hong Kong-based lender, again routing capital away from the U.S. The USCIS investigation characterized that purchase as “another example of EB-5 funds invested through the regional center being diverted away from job creation activities.”

The federal government also reported that the regional center moved investor funds from escrow without its clients’ permission, and regularly failed to vet EB-5 projects prior to 2008.

## ‘Reckless’ misrepresentations and omissions

The center’s questionable activity came to a boil when one of its top investment enterprises went bankrupt in 2013.

Just months later, South Dakota’s former secretary of tourism and economic development, who had been closely tied to the state’s EB-5 privatization, was reportedly found dead from what authorities ruled was a self-inflicted gunshot wound to the stomach.

The death ultimately

prompted the FBI to investigate the regional center, but prosecutors did not pursue any formal criminal charges.

That same year, the governor’s office terminated its contract with the SDRC, government records show.

A spokeswoman for South Dakota Gov. Dennis Daugaard did not return several recent phone messages.

A spokeswoman from the state’s Office of Economic Development declined to comment on the record when reached by the Herald-Tribune.

Dozens of Chinese investors who invested in the bankrupt beef processing plant have since sued the state, Bollen and his company for \$18.55 million over allegations that the regional center committed fraud when soliciting EB-5 investment for the questionable project.

The lawsuit, filed last month, claims that the regional center made “reckless” misrepresentations and omissions to lure them into the venture through promises of financial protections.

The litigation asserts that the beef business was instead plagued by years of delays and did not have adequate financing to create the jobs needed for the foreigners to successfully gain EB-5 visas, court records show.

In a separate claim, the state also has sued Bollen’s company, alleging the regional center failed to comply with the terms of its operating contract with South Dakota.

The myriad of problems stemming from South Dakota’s regional center prompted the USCIS to notify the state of its intent to remove it from the EB-5 program in September.

The state’s Office of Economic Development has asked the federal agency not to take such measures. Its 117-page response in late October said the state recognized the issues surrounding SDRC, already terminated the company’s contract and will strive to ensure the program operates in a more “responsible manner.”

“It is unfortunate the past actions of SDRC Inc., as administrator of the regional center under contract to the Governor’s Office of Economic

Development, have now placed the regional center’s designation at risk with USCIS,” the state department’s deputy commissioner, Aaron Scheibe, wrote in the response. The state “entrusted SDRC Inc. with administration of the regional center in the belief that its purported expertise concerning the EB-5 program would be of significant benefit to our state’s projects and foreign investors. Subsequent events have shown that belief was misplaced.”

As of Dec. 15, South Dakota was not listed among the 37 regional centers terminated by USCIS.

## All too common

Those who closely follow immigration policy say allegations like the ones in South Dakota are all too common, from Seattle to Sarasota. They point to recent attacks, like those in Paris and California, as a reason for more scrutiny.

“This program has been plagued by fraud and abuse,” U.S. Sen. Chuck Grassley, R-Iowa, said in a Congressional speech pleading for reforms before President Barack Obama in December. “But more importantly, it poses significant national security risks. Allegations suggesting the EB-5 program may be facilitating terrorist travel, economic espionage, money laundering and investment fraud are too serious to ignore.”

Supporters of EB-5 counter that the South Dakota regional center is an outlier in an otherwise successful program, and that issues like these have unjustly given the visa opportunity a bad name.

They stress the importance of EB-5 as an option for qualified foreigners to flee political and economic unrest in their native countries, safeguarding their wealth in the U.S.

“The types of programs participating in EB-5 need to be vetted somewhat better, in terms of job creation and financial viability,” said Edward Mermelstein, a Manhattan attorney, whose firm helps affluent foreigners invest in the U.S., including EB-5 related services. “But there’s a great amount of value in the program. It attracts high-net-worth individuals, who will not put a burden on the economy.”

# VIOLENCE

From Page A1

doubled, leading to at least 15 deaths.

The stories led to calls for reform across Florida.

Gov. Rick Scott requested \$1.6 million in new spending for surveillance cameras and body alarms. State Sen. Eleanor Sobel, D-Hollywood, demanded a list of “emergency measures” from state regulators. The state Department of Children and Families, which oversees Florida’s mental hospitals, is expected to present those measures in January.

When asked about the continued violence, DCF officials noted that Gov. Scott has proposed \$19 million in additional state funding “to support individuals with mental health needs in their communities instead of the state’s custody.”

Meanwhile, patients and mental hospital workers continue to face assault and injury. A Herald-Tribune/Times review of recent police records and state incident reports shows:

1. Employees who work in the state’s mental hospitals continue to suffer serious injuries at the hands of their patients.

At Northeast Florida State Hospital, Jerold Jackson, 43, was delusional Nov. 9 when he threw urine on orderly Clyde Coker. Jackson



This image from surveillance video shows a resident attacking Tonya Cook at North Florida Evaluation and Treatment Center. PHOTO PROVIDED BY ALACHUA COUNTY SHERIFF’S OFFICE

pulled out a pair of scissors he had stashed in his closet and stabbed Coker in the back, leaving a half-inch deep gash, about 10 inches long. Later, Jackson told police: “I wasn’t trying to hurt him.”

Less than a week later, on Nov. 15 at the North Florida Evaluation and Treatment Center, worker Mary D. Brown, 43, was trapped in the foyer with 53-year-old patient Jeffrey Dawson. Dawson beat her so badly in the face that Brown needed a neck brace.

2. Employees regularly abuse or neglect patients in their care.

Since October, DCF investigators have

“verified” six instances of employee abuse or neglect.

A patient under suicide watch at Florida State Hospital bit an orderly, who bit the patient back. The employee, who left multiple marks on the patient’s back, was terminated.

On Dec. 16, patient Howard Bourgault was eating his dinner in the cafeteria at Northeast Florida State Hospital when orderly James Torrez Wright told him he could not have cake. When Bourgault returned later to get more food, Wright, 26, punched the 56-year-old patient in the head, knocking him

unconscious and leading to 15 stitches, according to a police report.

None of the employees in these incidents were named in DCF reports. Wright was the only employee that the Herald-Tribune/Times could locate in police reports.

3. Hospital workers sometimes delay seeking medical care for patients.

A worker at Northeast Florida State Hospital shoved a patient across his bed, slamming his head into the wall. When DCF investigators reviewed video of the incident, they heard the patient’s head crack against the wall. The patient cried out but a nearby orderly “did

not intervene, nor call for assistance,” according to a Nov. 25 state report. The worker who shoved the patient “failed to notify the nurse of the injury,” and it wasn’t until the following morning that the patient was sent for medical care after it was discovered he had a “large hematoma” on his head.

On Oct. 27, Florida State Hospital patient James Pierson, 33, punched patient Roi Newsman in the head for unknown reasons. More than two weeks later, hospital workers did an X-ray on Newsman, 49, and discovered his jaw was broken from the attack. Police filed charges against Pierson but the hospital did not report it to state regulators as a “critical incident.” DCF Spokeswoman Michelle Glady said the incident did not meet the criteria to be reported.

4. Serious fights between patients and injuries continue.

At least 23 patients were attacked by a fellow patient. Many needed medical treatment.

At Florida State Hospital in October, two men fought and had to be separated by staff. But they started brawling again in the bathroom. One of the patients — neither of whom was named in state reports — jabbed his fingers in the other man’s eye and ripped off part of his eyelid. The patient was taken to Tallahassee Memorial hospital to have it reattached.

In mid-November at North Florida Evaluation and Treatment Center near Gainesville, a similar scene played out: a patient repeatedly kicked and punched another in the multipurpose room, leaving him with a damaged eyelid that required plastic surgery to repair.

5. Florida’s mental hospitals still do not take precautions to separate patients from their attackers.

Brian Vogt, 33, first attacked Steven Wesley Robison on a Sunday afternoon in late November in the lobby of Northeast Florida State Hospital. Robison, 44, received a black eye and three stitches on his bottom lip. But the pair was not separated, and three days later, Vogt came after Robison again — punching him multiple times in the head.

On Oct. 10 at North Florida Evaluation and Treatment Center, a patient complained to staff members that another patient had hit him. Before anyone responded, the attacker went after him again, punching him over and over and leaving the man with 14 stitches above his eye.

Law enforcement reports show that several other patients have called police, complaining that they were not separated from an attacker and were fearful they would be injured again.