



Portfolio Media, Inc. | 111 West 19th Street, 5th floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Suit Alleges \$50M EB-5 Scheme Preying On Foreign Nationals

By **Kelly Knaub**

Law360, New York (November 16, 2016, 12:36 PM EST) -- A group of foreign nationals from China and Iran lodged a suit in Florida federal court Monday alleging a \$50 million fraud scheme that tricked them into investing in a real estate project in hopes being a part of the EB-5 program.

More than 50 Chinese nationals and five citizens of Iran filed the suit in Florida's Southern District, claiming they were duped by Joseph Walsh, a general partner of Palm House Hotel LLP and owner of the South Atlantic Regional Center LLC, whom they say was the "criminal mastermind" behind the conspiracy and the organizer of all the players in the scheme.

Specifically, they allege that Walsh and his accomplices lied to induce them to each invest \$500,000, plus a \$40,000 "administrative fee" into the purported "Palm House" real estate project, which they say is nothing more than a facade under which their money was stolen and distributed among the conspirators.

Their funds were supposed to be held in escrow until the U.S. government approved their I-526 petitions for the EB-5 visa program, which provides green cards to foreign residents who invest significant money in a U.S. business and create jobs for American workers. But instead, they say their money was improperly transferred to other accounts and pillaged by Walsh and his co-conspirators.

"Virtually none of plaintiffs' funds were used develop the property, no jobs were created, and no EB-5 visas were issued to any of the plaintiffs," the complaint states. "Accordingly, over 80 foreigners are now unable to leave their respective countries and have lost their entire lifesavings."

The investors say Walsh, his son Joseph Walsh Jr., attorney and former general partner of Palm House J. Marcus Payne, all of whom operate the SARC, and Walsh's attorney David Derrico, as well as several other individuals and foreign entities, stole their money and used it to purchase multiple homes, investment properties, a nearly \$6 million yacht, luxury cars, vacations and to pay off millions of dollars of personal debt.

By "adding insult to grave injury," the investors say the conspirators lulled them in and kept them in the dark and have used the legal system to placate them and cover up their conduct by bringing passive claims against one another and not seeking criminal prosecution.

Such conduct, they say, may give the appearance to the press and courts that justice is being pursued, while in reality, the legal actions have done nothing to right the wrongs or to return their money and are being controlled by the conspirators using their stolen funds.

They are asking the court to immediately enter injunctions freezing and preserving what remains of their funds, dissolve and pierce the limited partnership and any other entities that have been or continue to be used to perpetrate fraud on them, and to enter all appropriate orders so that they can pursue their rights against all individuals that received, benefited from the stolen funds or conspired with or aided and abetted those who did.

Attorneys for the plaintiffs declined to comment. A representative for the defendants could not be reached.

The plaintiffs are represented by Devin Sean Radkay, Gerard Joseph Curley Jr., and Keith E. Sonderling of Gunster Yoakley & Stewart.

Counsel information for the defendants was not immediately available.

The case is Li et al. v. Walsh et al., case number 9:16-cv-81871, in the U.S. District Court of the Southern District of Florida.

— Editing by Ben Guilfoy.

All Content © 2003-2016, Portfolio Media, Inc.