



EB-5 INNOVATION SUMMIT 2016

Navigating a changing sector

LOS ANGELES • SAN FRANCISCO • NEW YORK • MIAMI

EB-5 Innovation Summit Navigating a Changing Sector

February 2016

Agenda

- **Introduction and State of the Market Address**
- **EB-5 Reform Legislation: What Happens Now?**
- **Lunch**
- **On the SEC's Radar: Securities Compliance in EB-5**
- **Evolution of EB-5 Best Practices**
- **Break**
- **Raising Capital Faster with the Right Team**
- **Look to the Future: EB-5 as a Mainstream Investment**
- **Reception**



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Introduction

Michael Halloran



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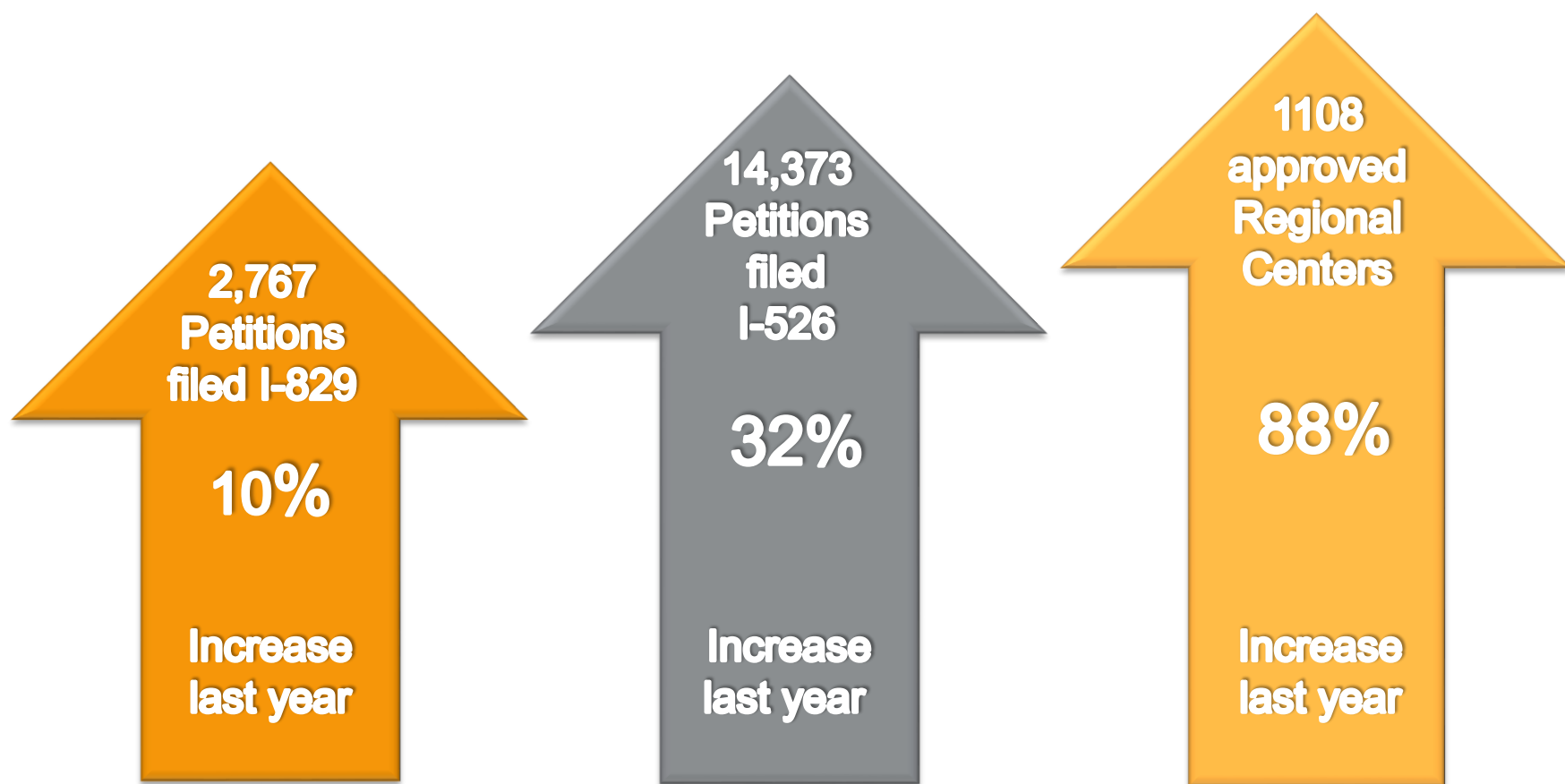
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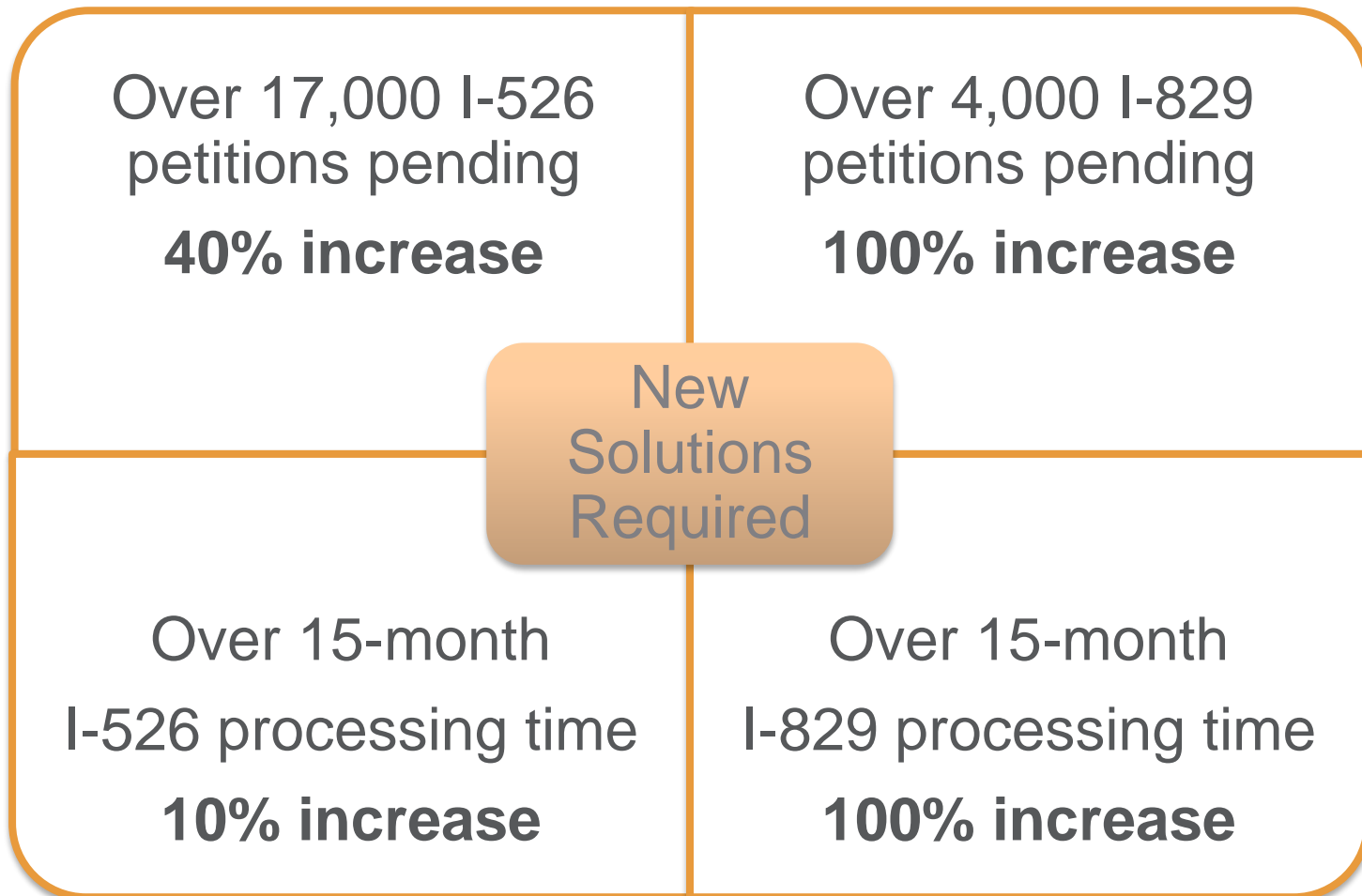
State of the Market

Reid Thomas

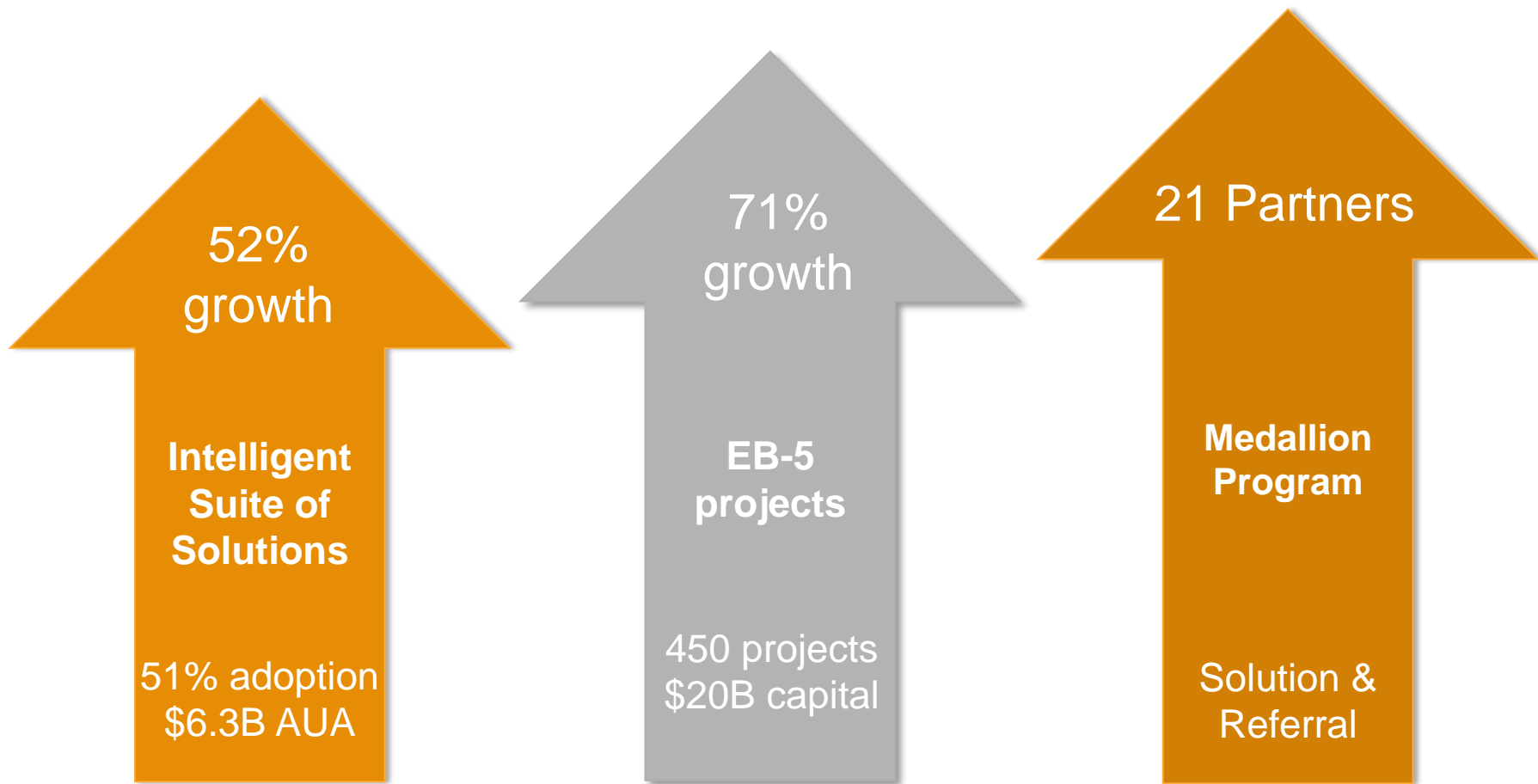
EB-5 industry continues explosive growth



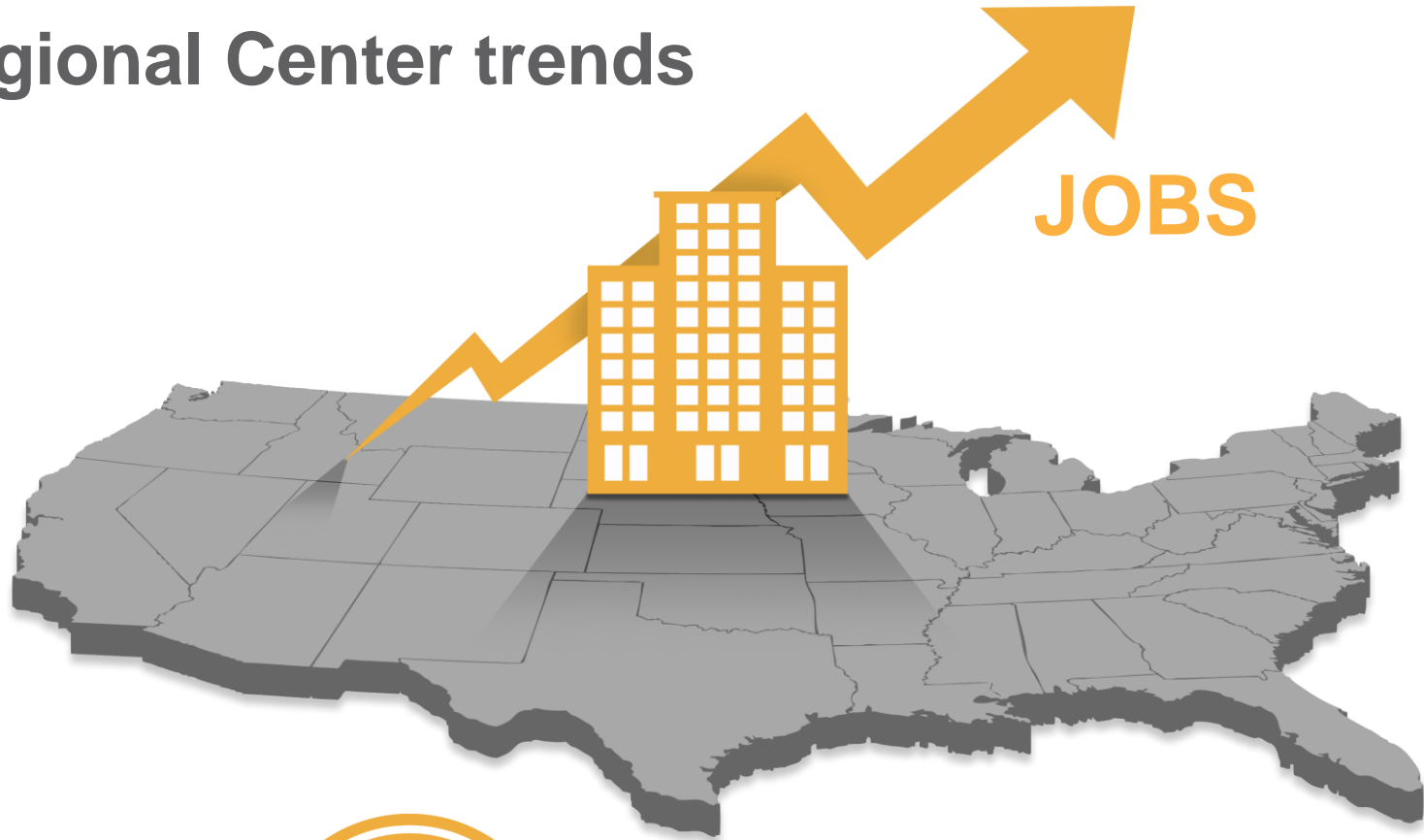
USCIS infrastructure hasn't kept up



Record growth in NES Financial business in 2015

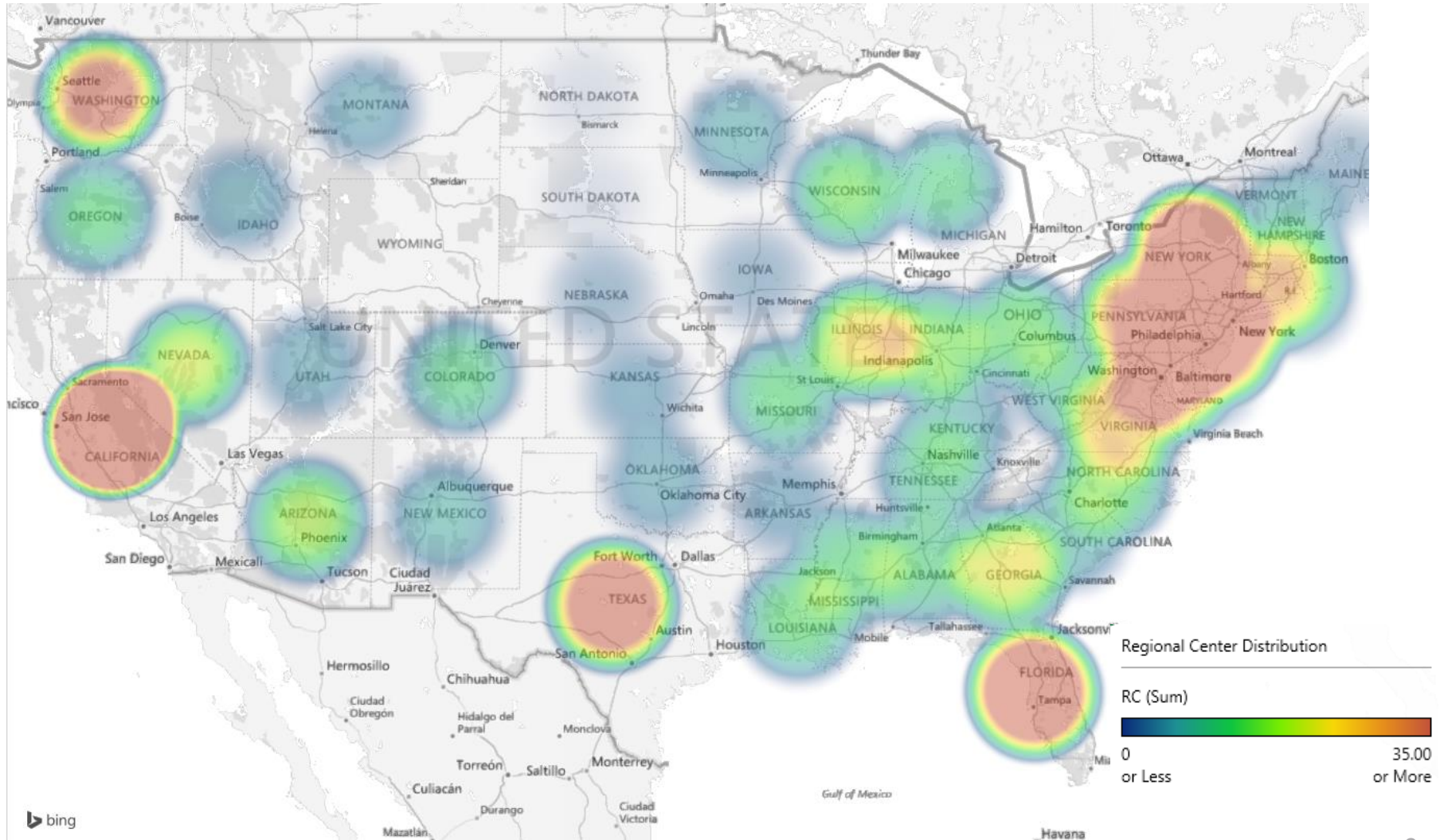


Regional Center trends



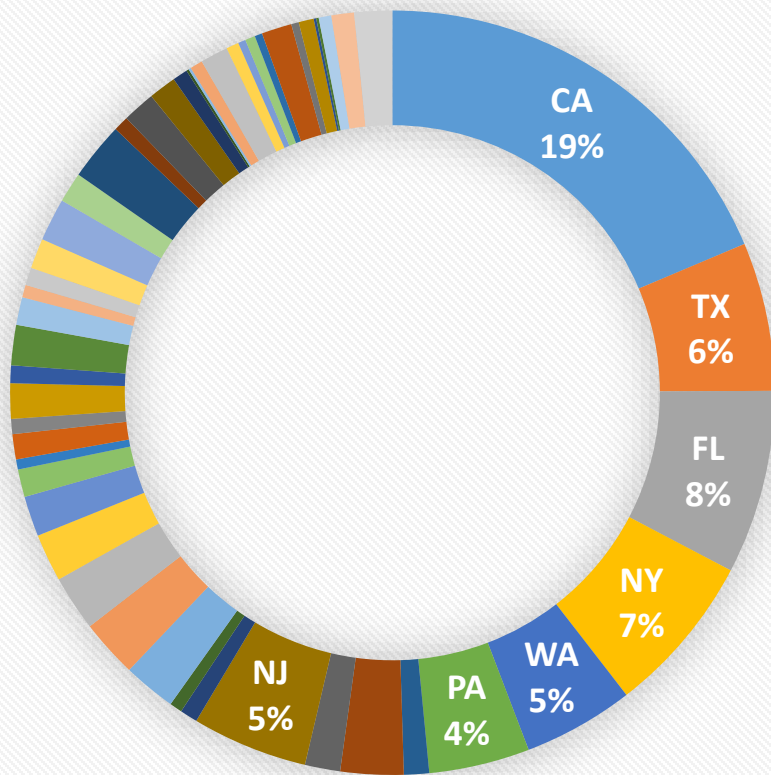
USCIS **APPROVED**

Market distribution of Regional Centers



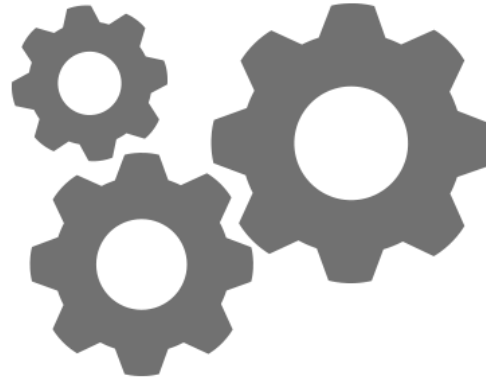
Regional Center market concentration

Regional Center Distribution by State 2015



- CA
- TX
- FL
- NY
- WA
- PA
- MA
- IL
- OH
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- SC
- OK
- NV
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- GA
- MN
- LA
- MI
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- VT
- AK
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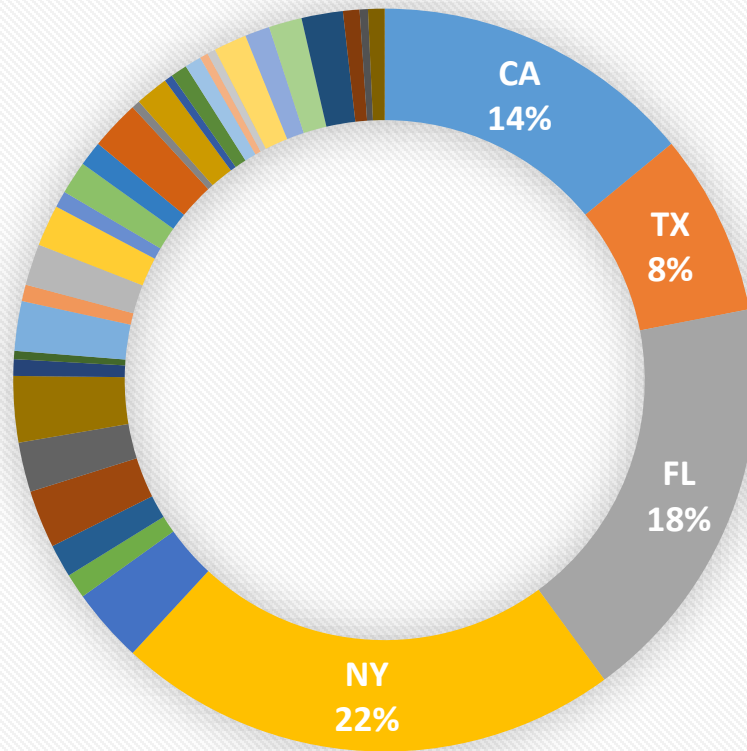
Project trends



PROJECT

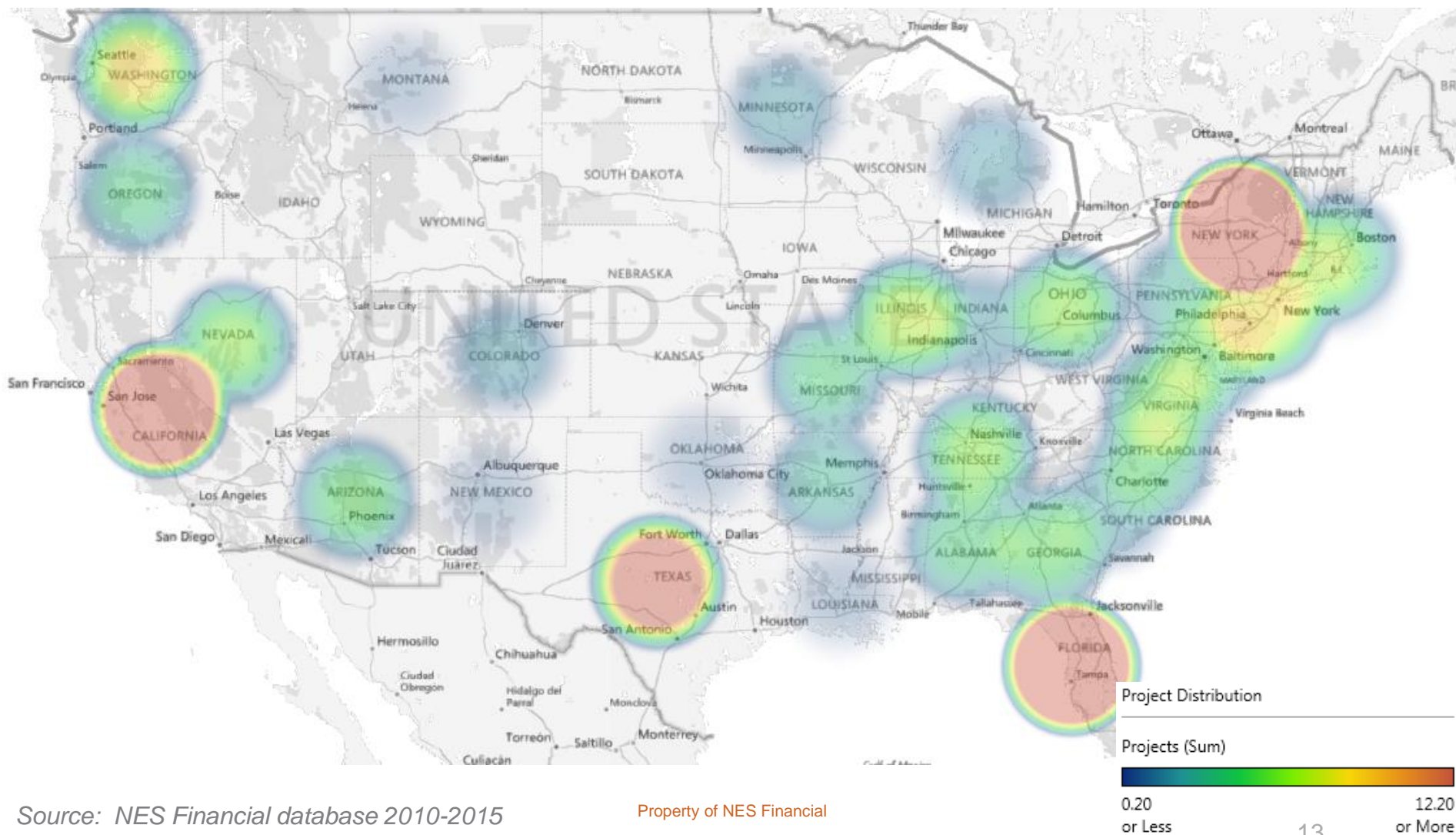
Project concentration

Concentration of Projects by State 2015



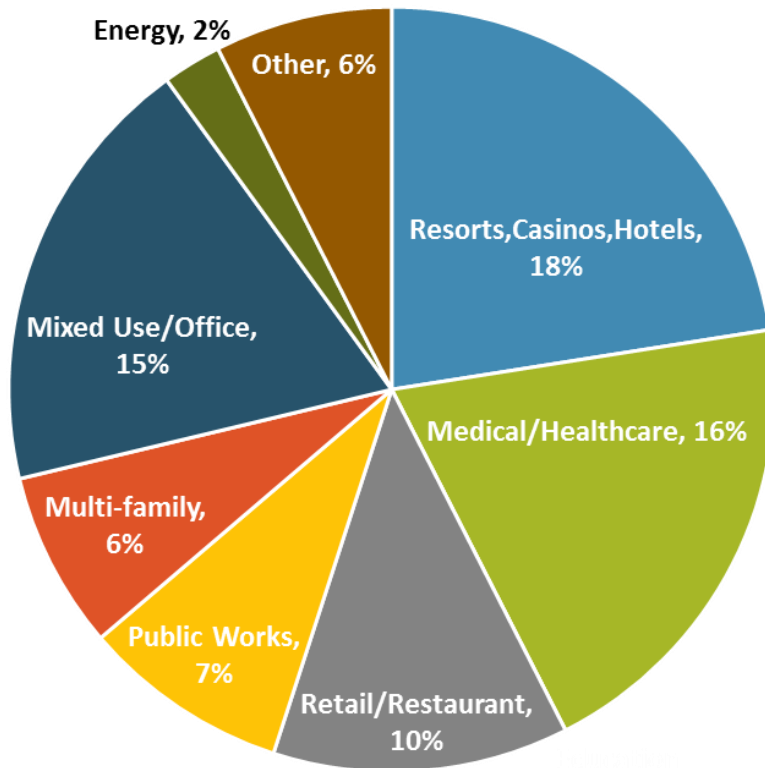
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Project activity by state in 2015

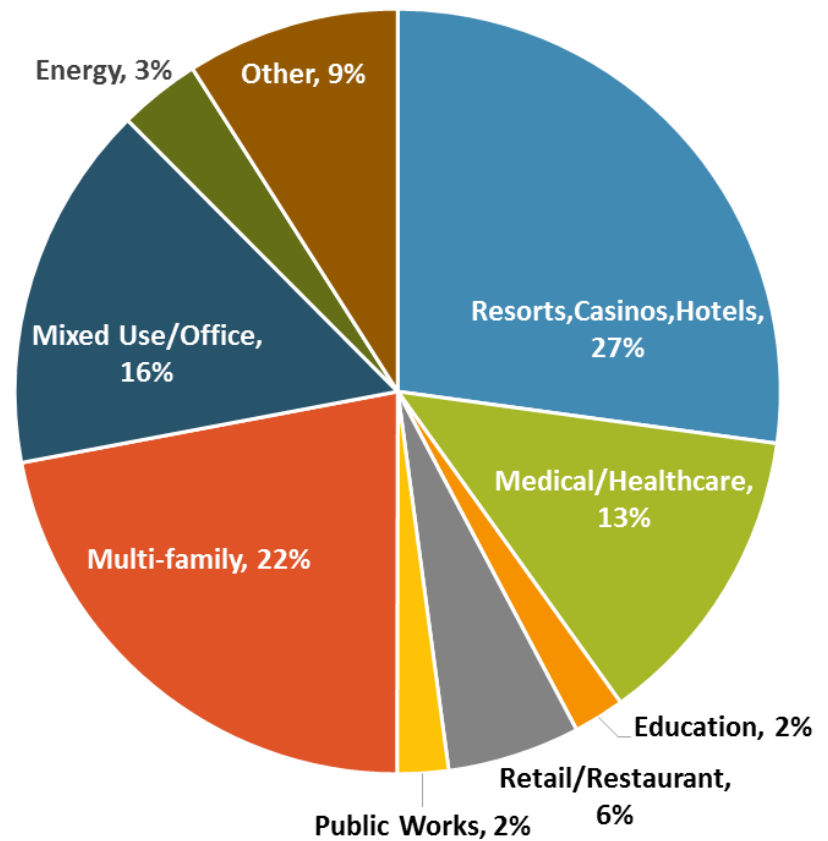


Projects by industry sector

Project Distribution 2014

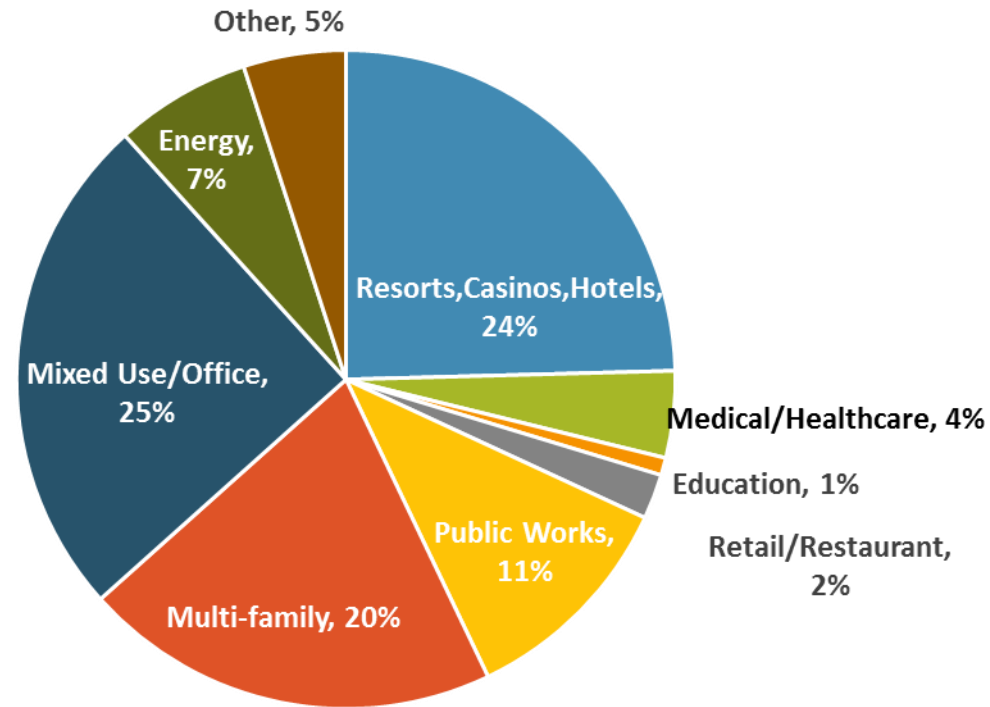
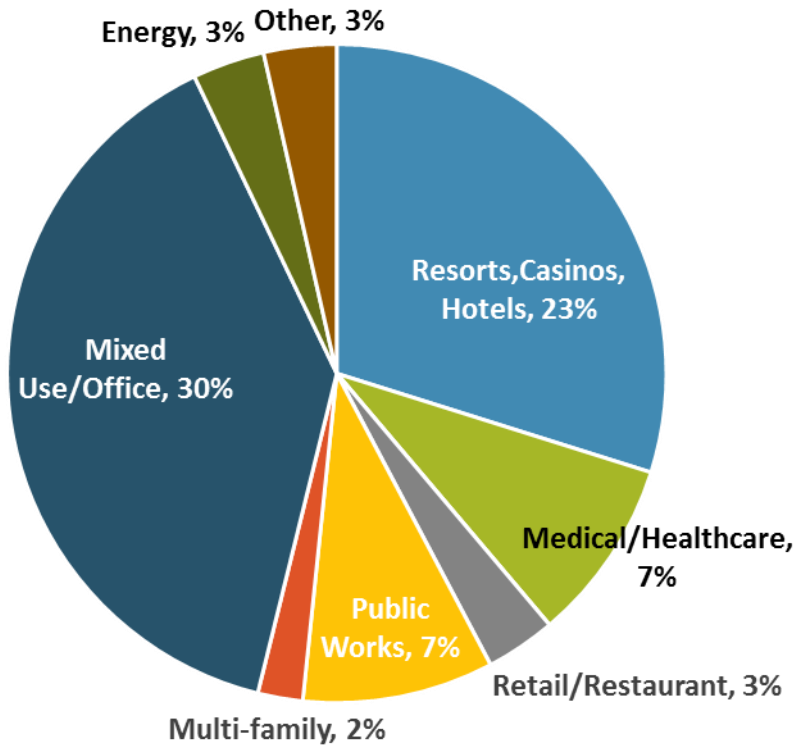


Project Distribution 2015



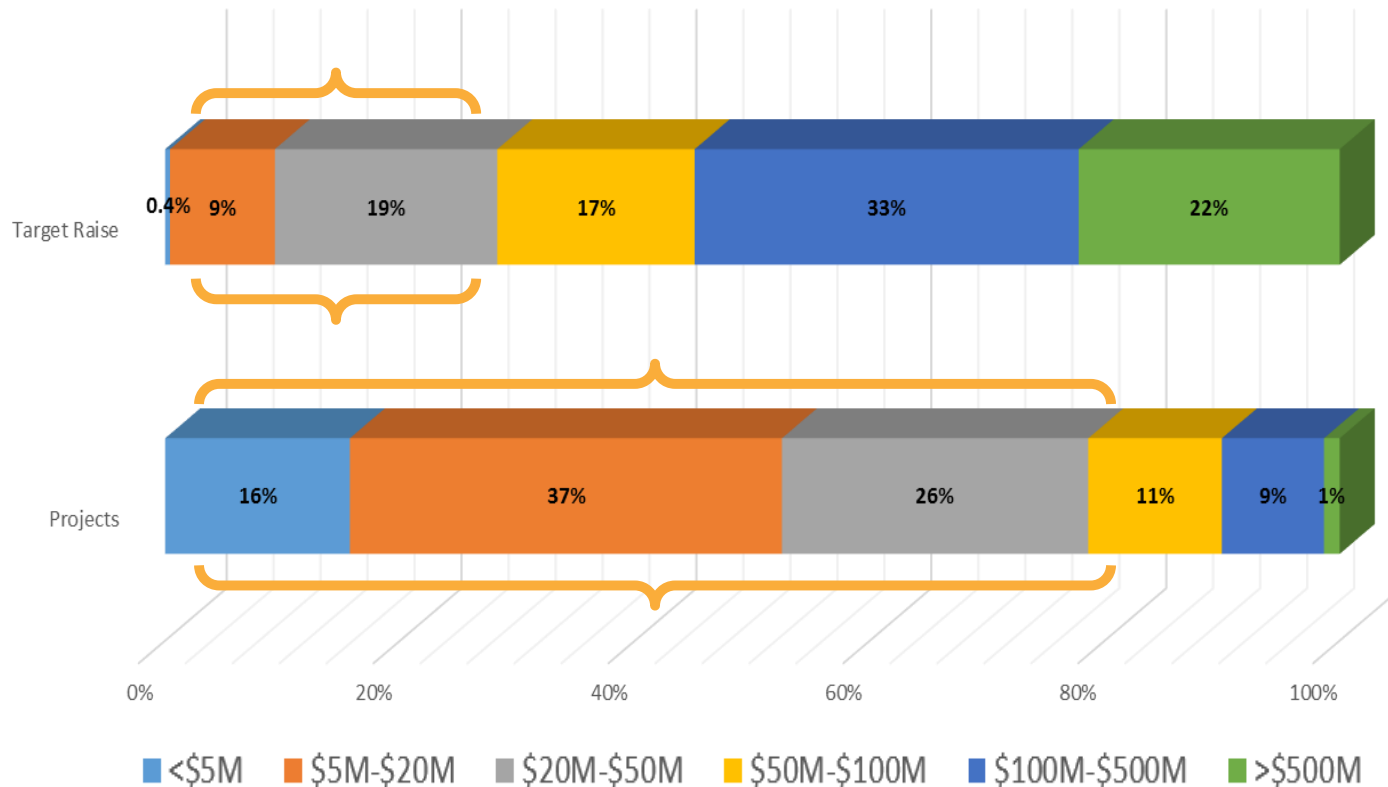
Distribution of EB-5 capital by industry sector

Target Raise Distribution 2014 Target Raise Distribution 2015



Size of projects and distribution in 2015

2015 Size of Target Raise

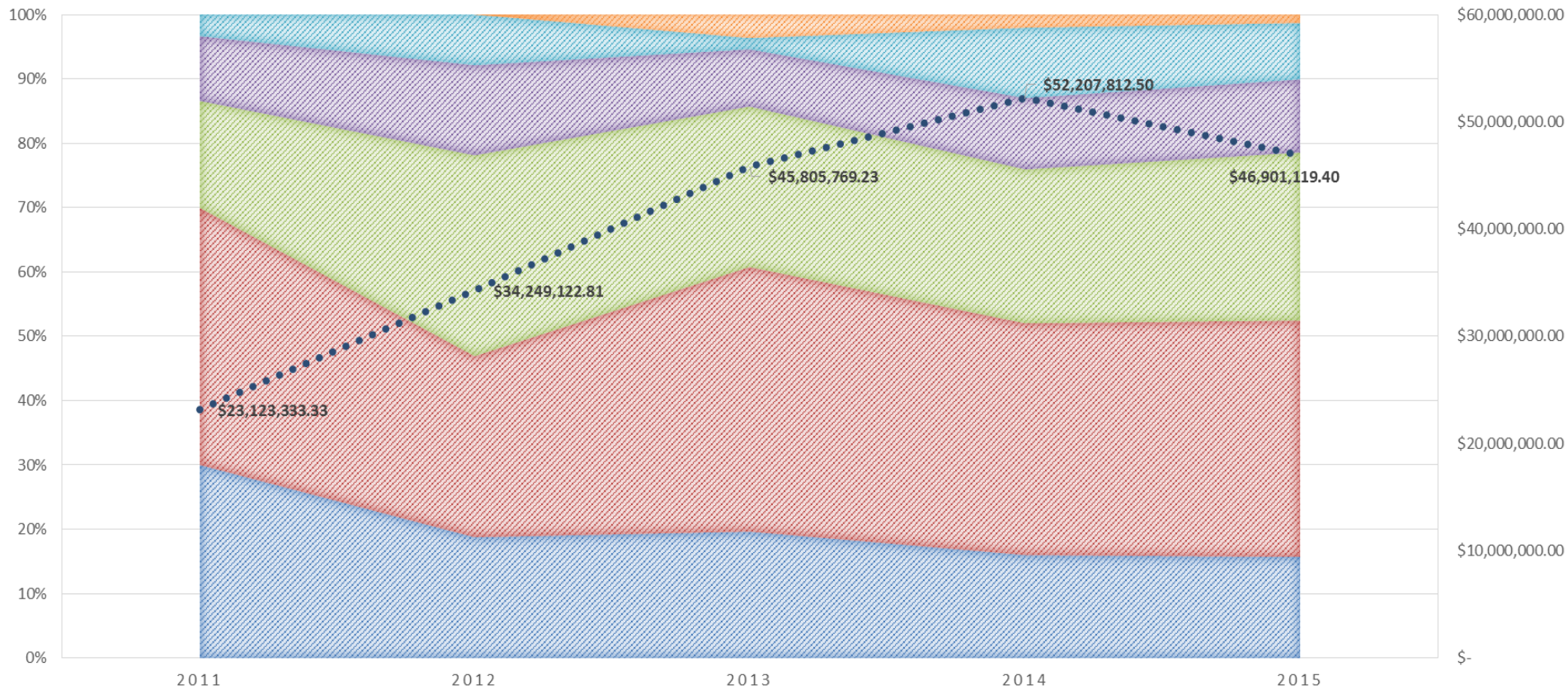


Note: There has been no significant change in this distribution since 2010

Historical trends in project size

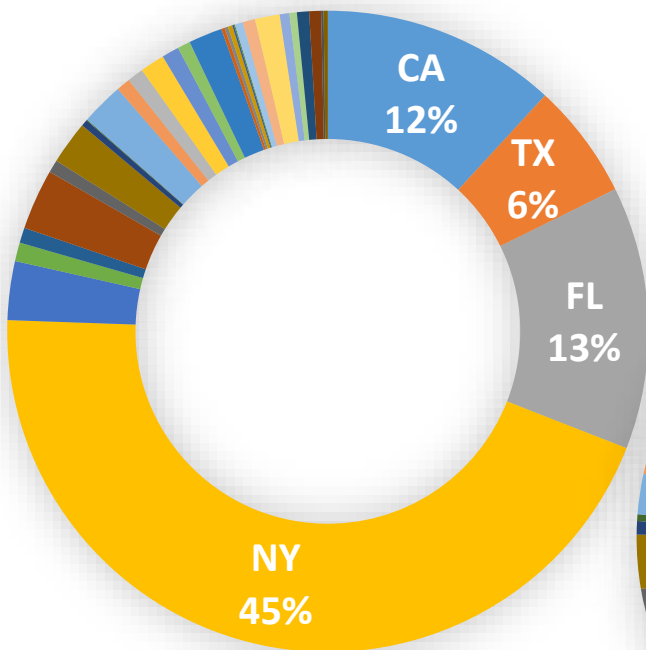
SIZE OF TARGET RAISE, 2011-2015

▨ <\$5M
 ▨ \$5M-\$20M
 ▨ \$20M-\$50M
 ▨ \$50M-\$100M
 ▨ \$100M-\$500M
 ▨ >\$500M
 ●●● Avg. Target Raise

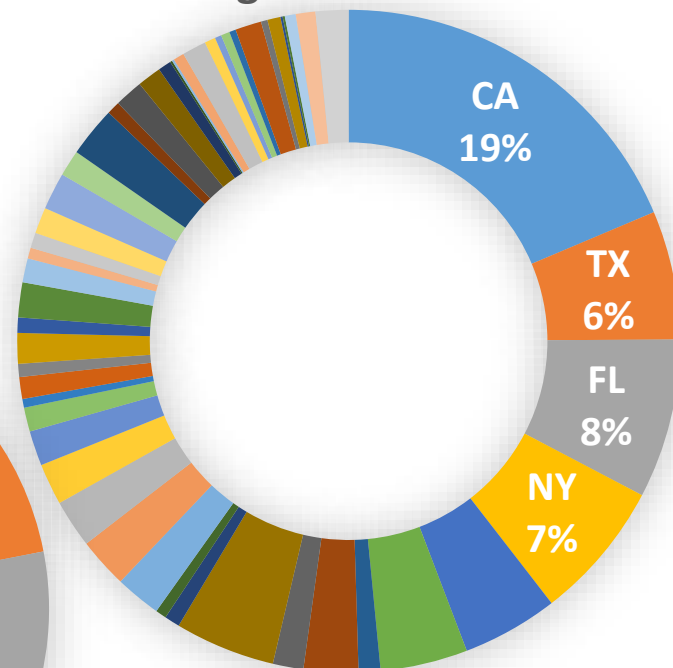


Overall summary by state in 2015

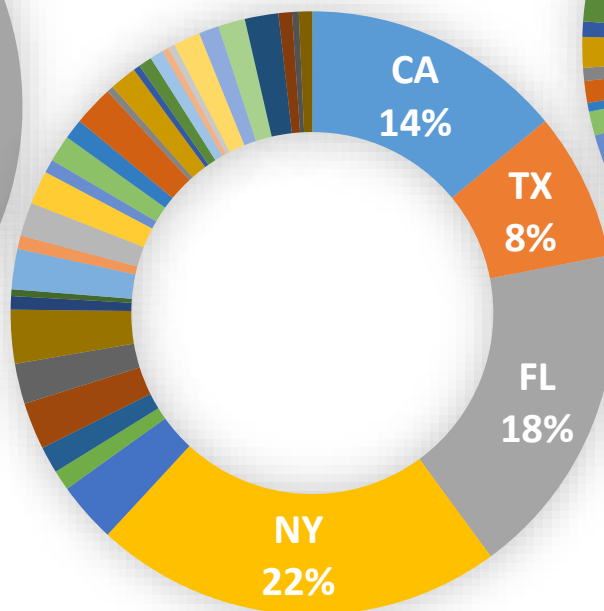
Target Raise



Regional Center

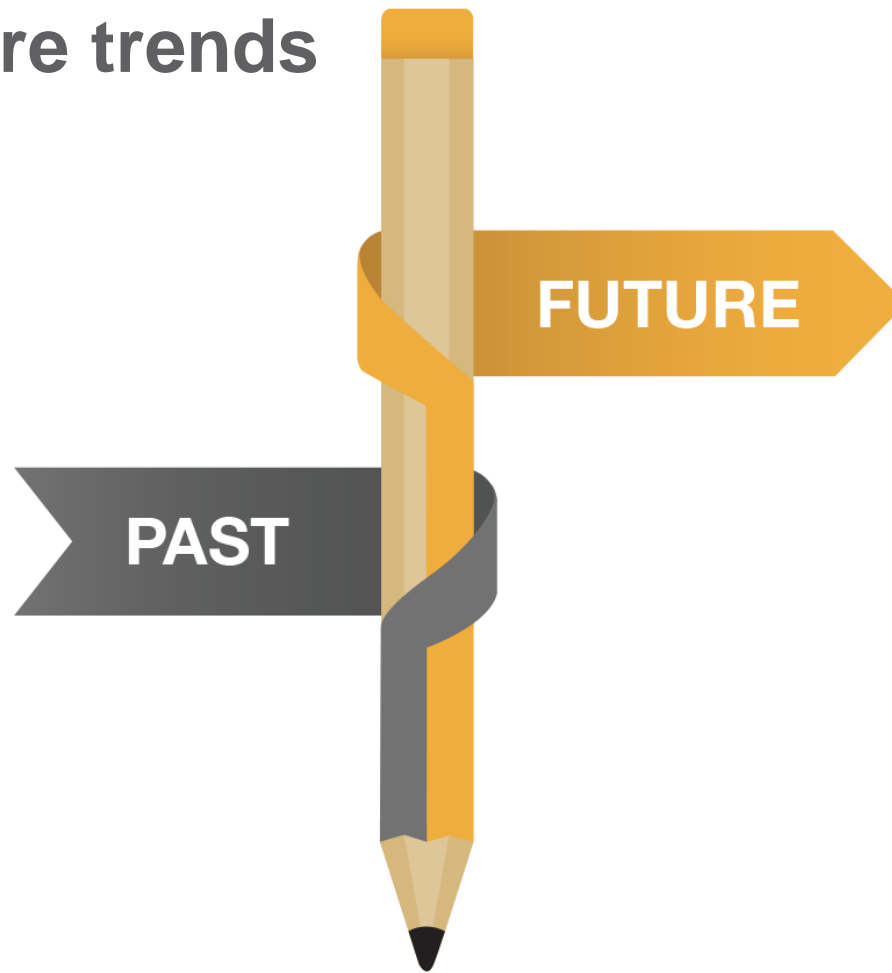


Projects



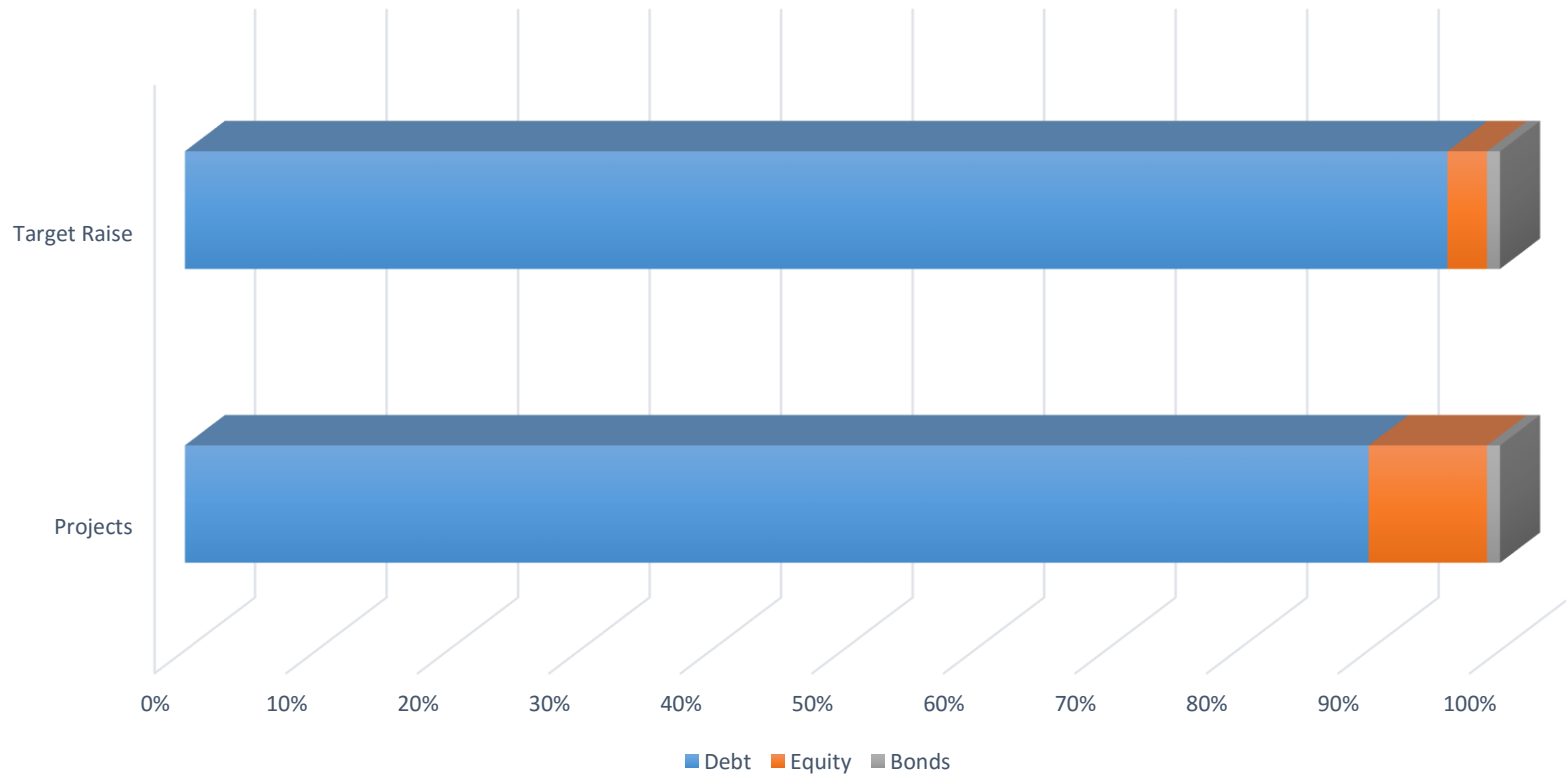
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Deal structure trends



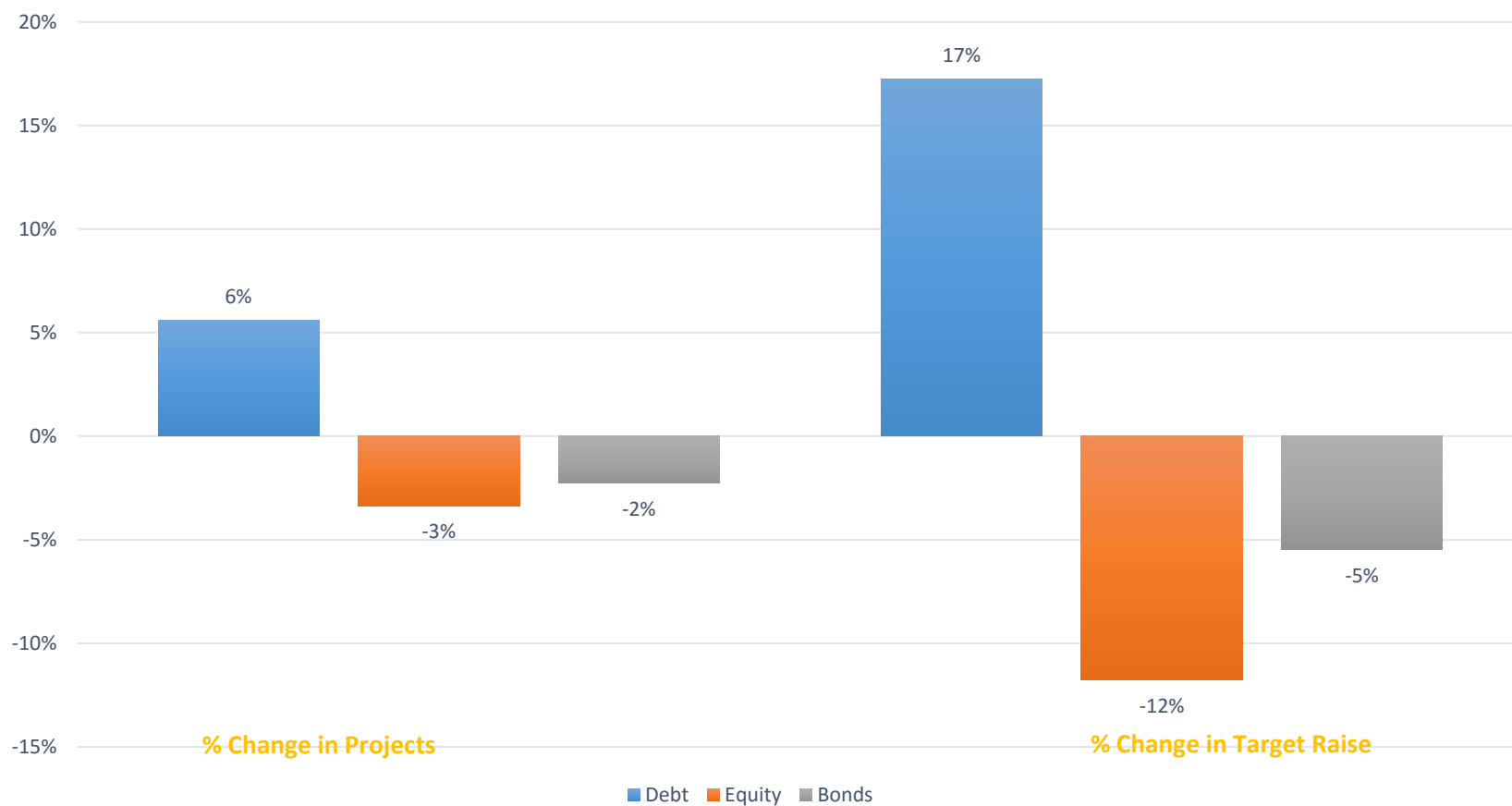
Funding model 2015

2015 Funding Structure

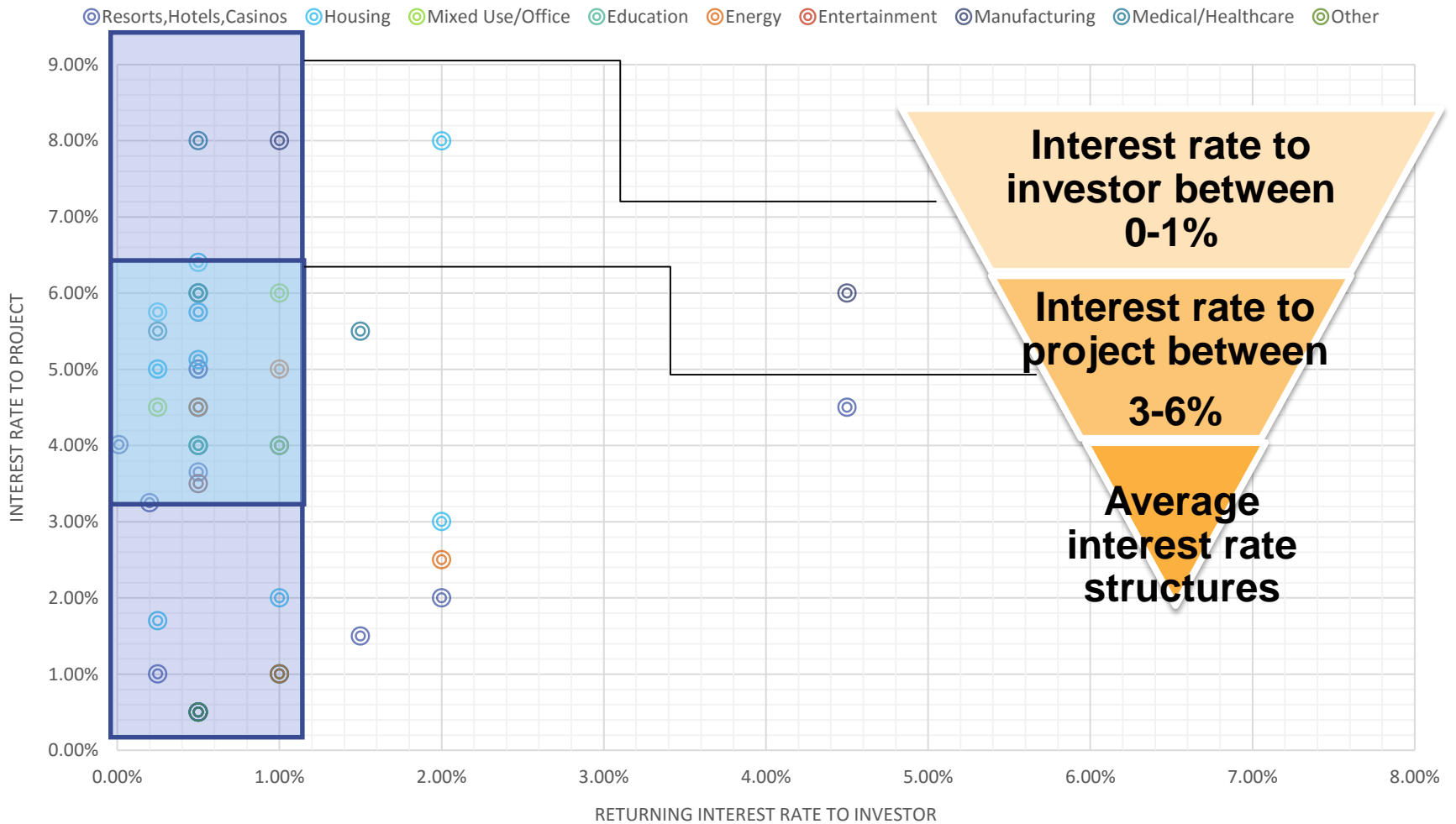


Model shifts 2014 v. 2015

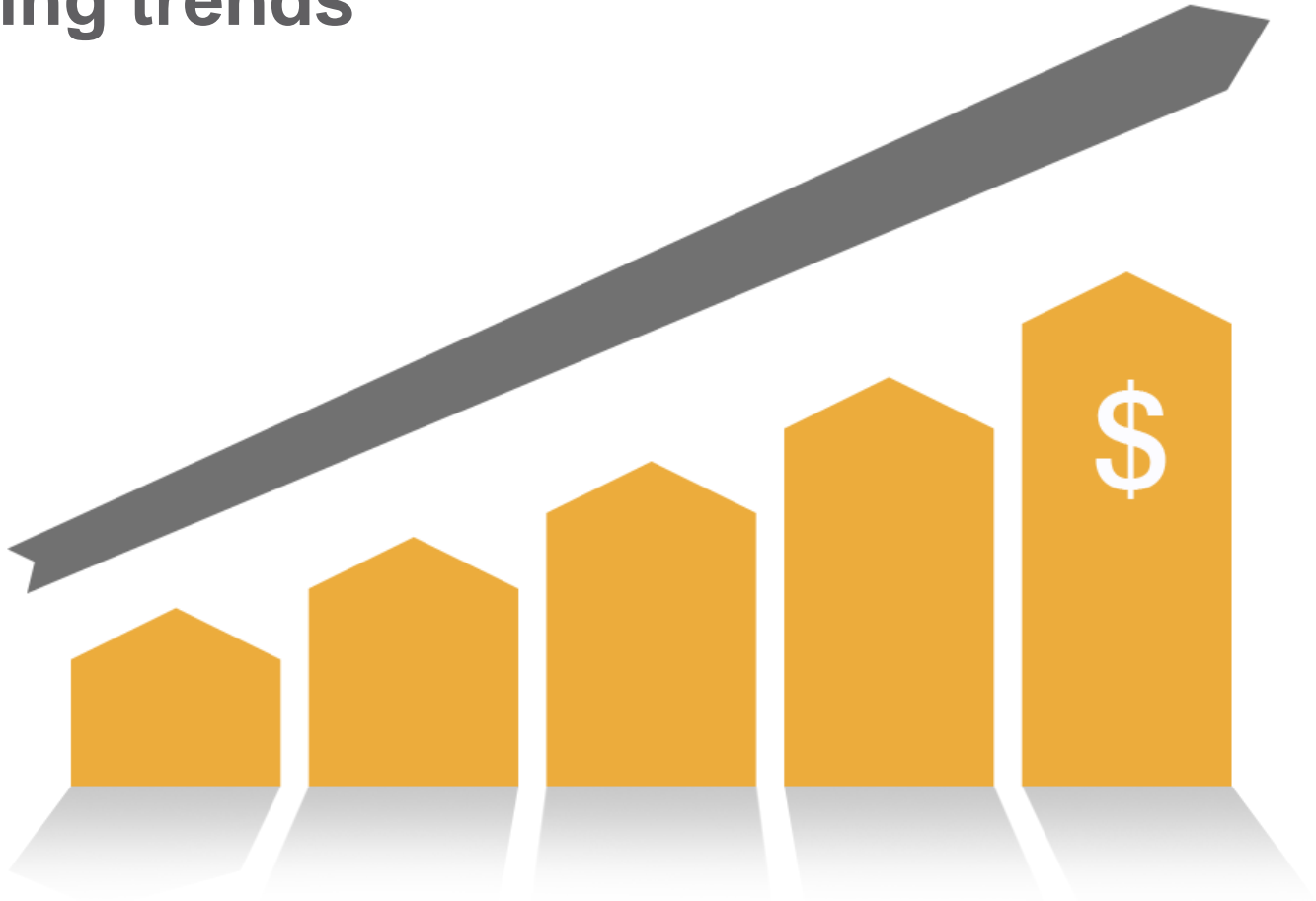
2014 vs 2015 % Change in Funding Structure



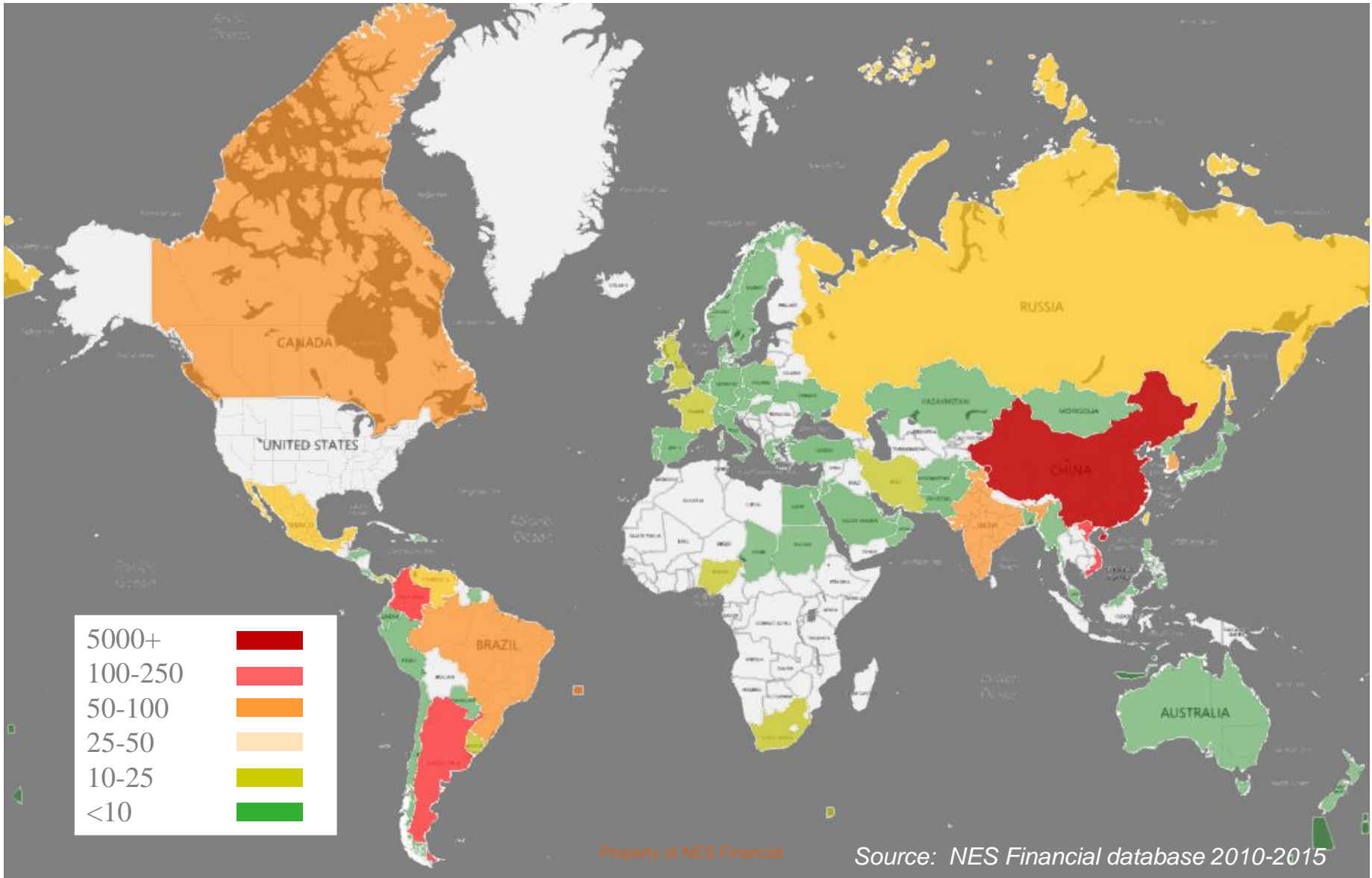
Debt financing structure – interest rates



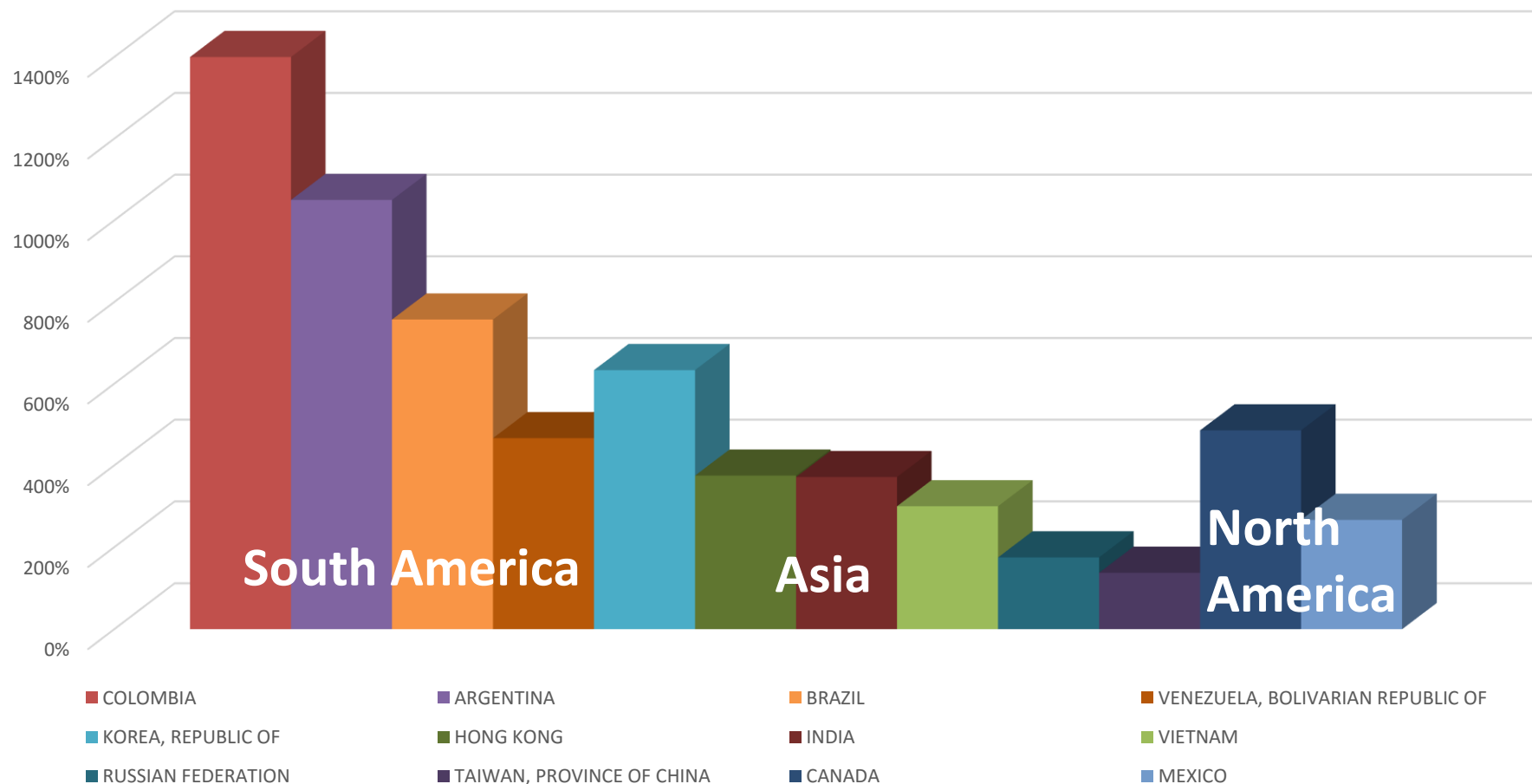
Funding trends



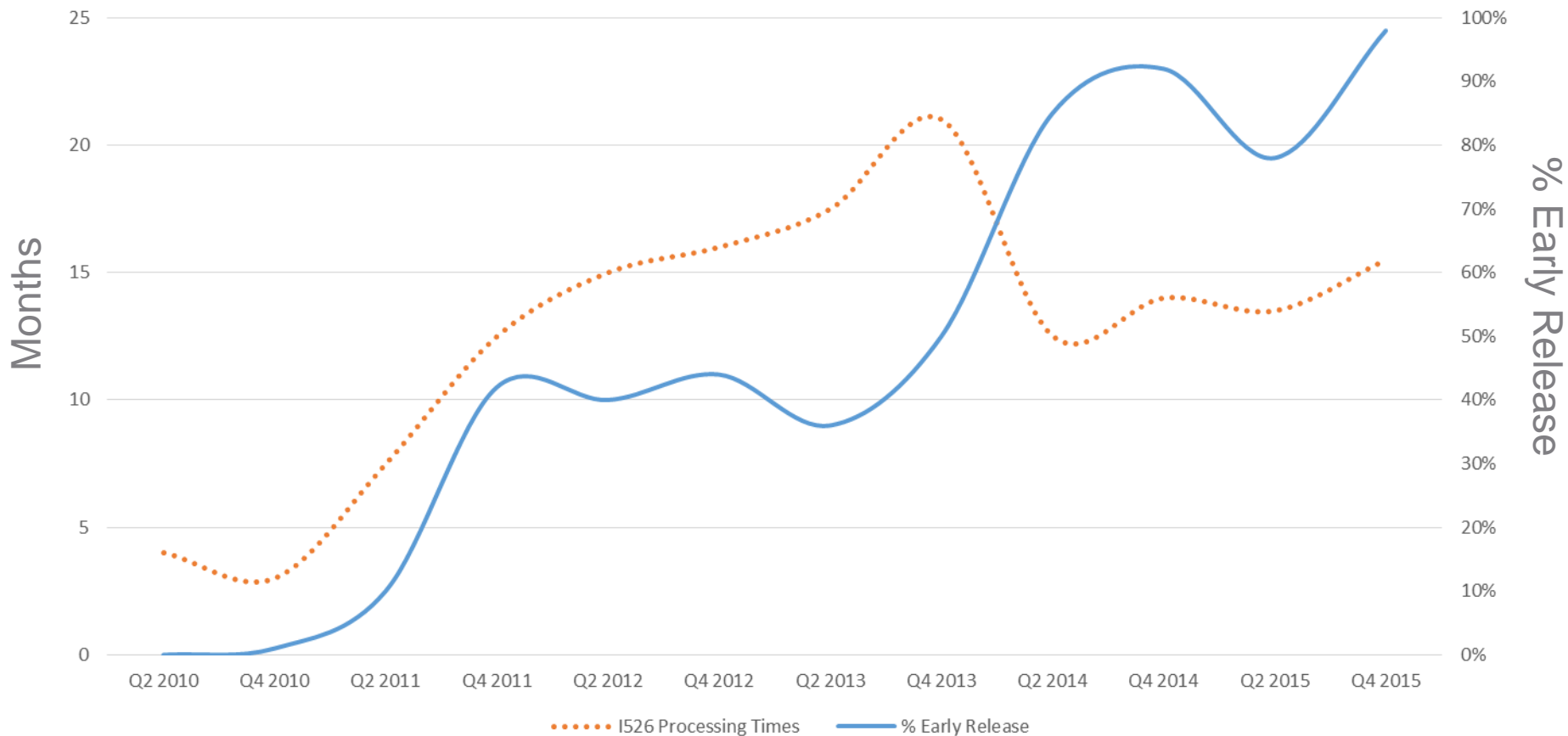
Funding trends by country



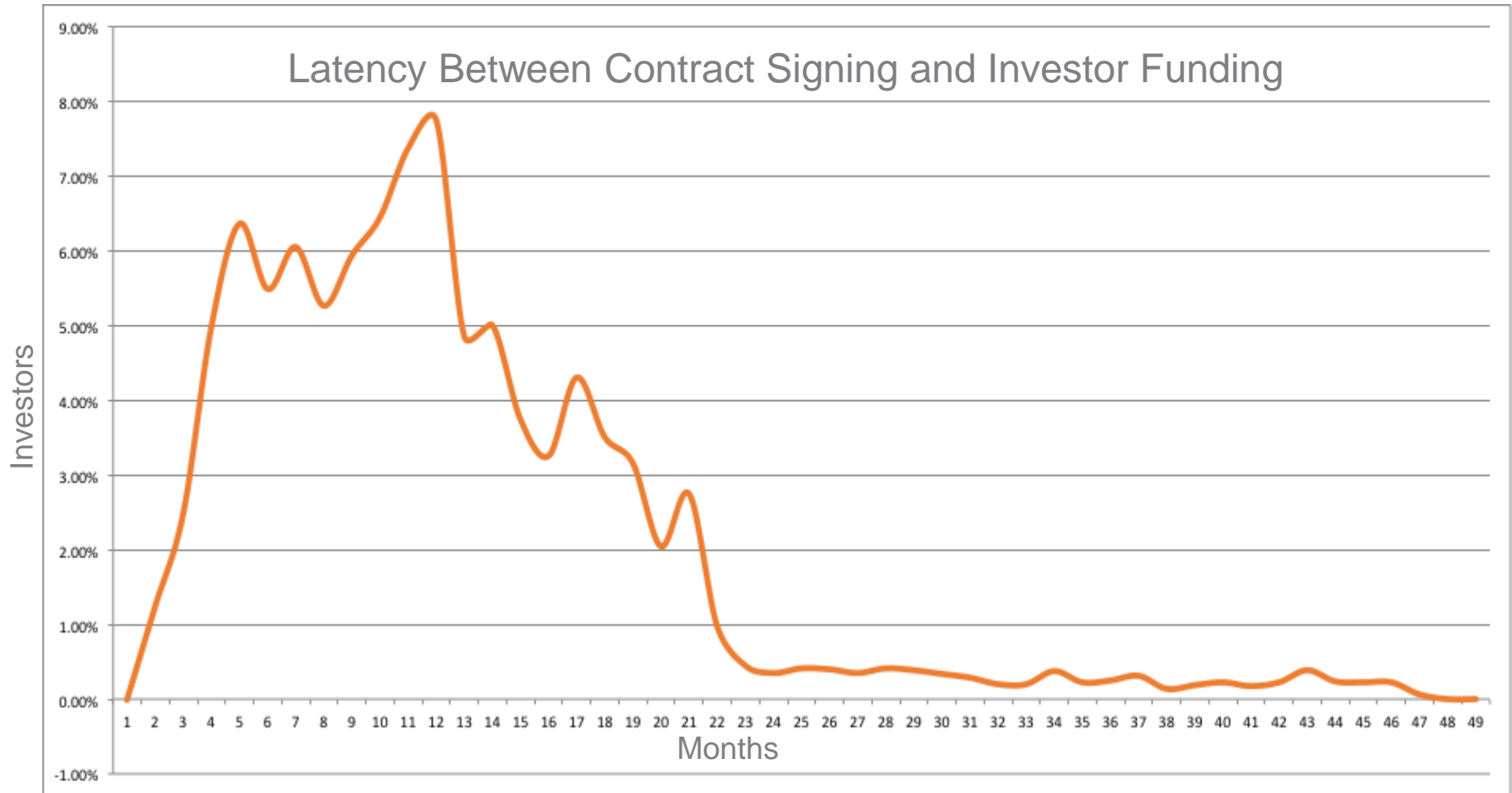
Growth trends in investor markets 2014 v. 2015



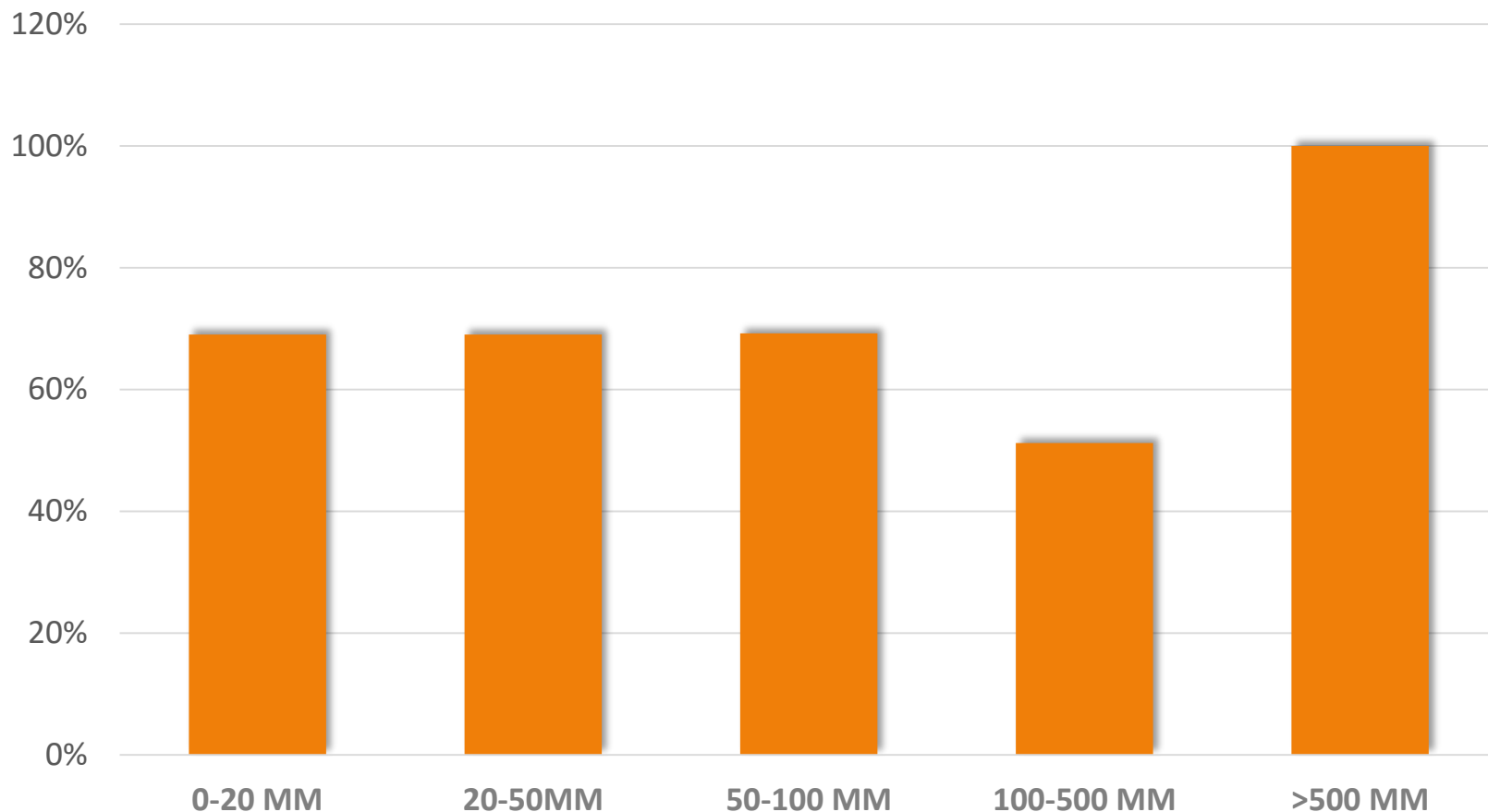
Early release escrow, the new norm



EB-5 funding analysis



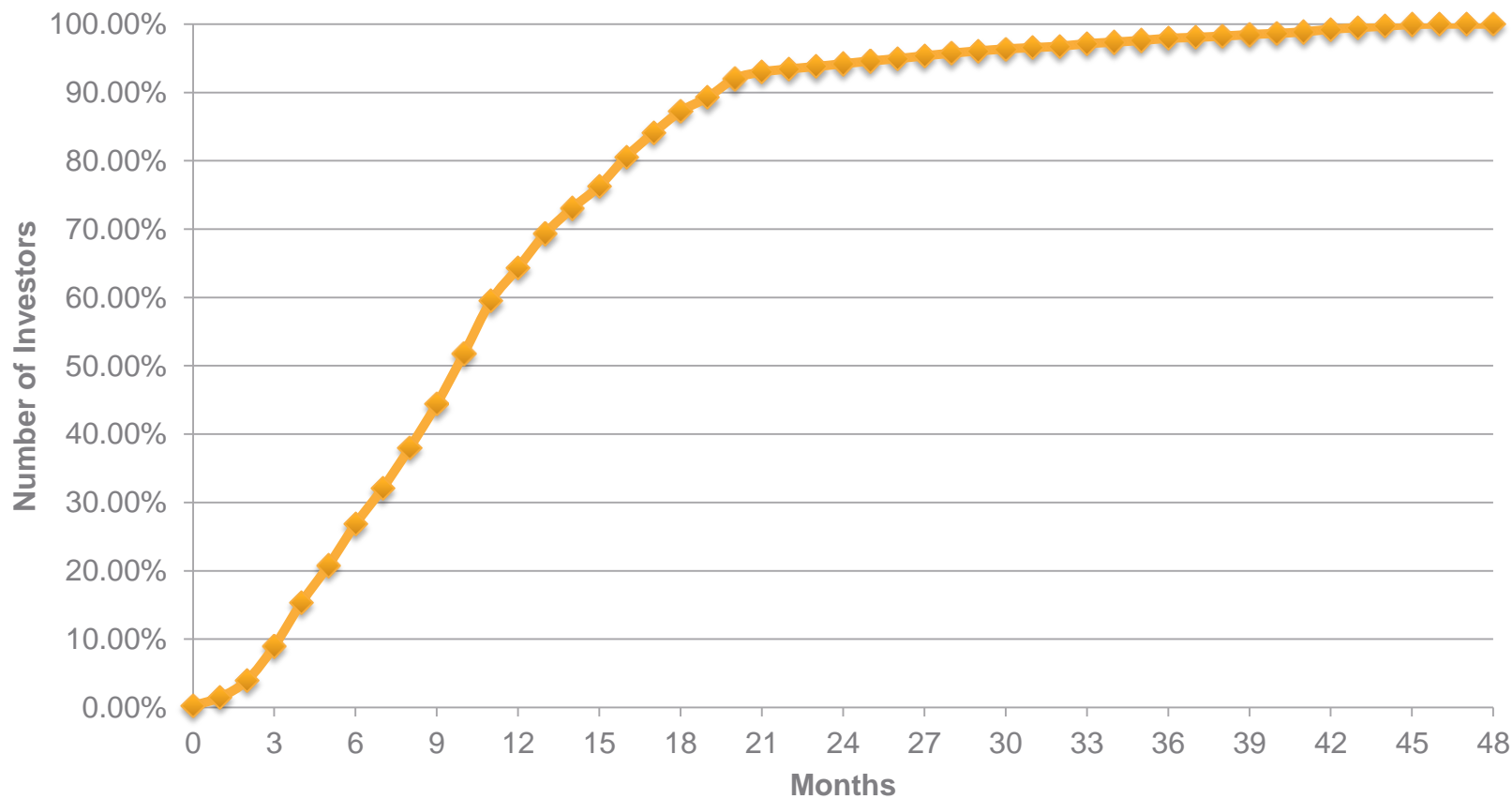
Adoption of EB-5 fund administration/suite



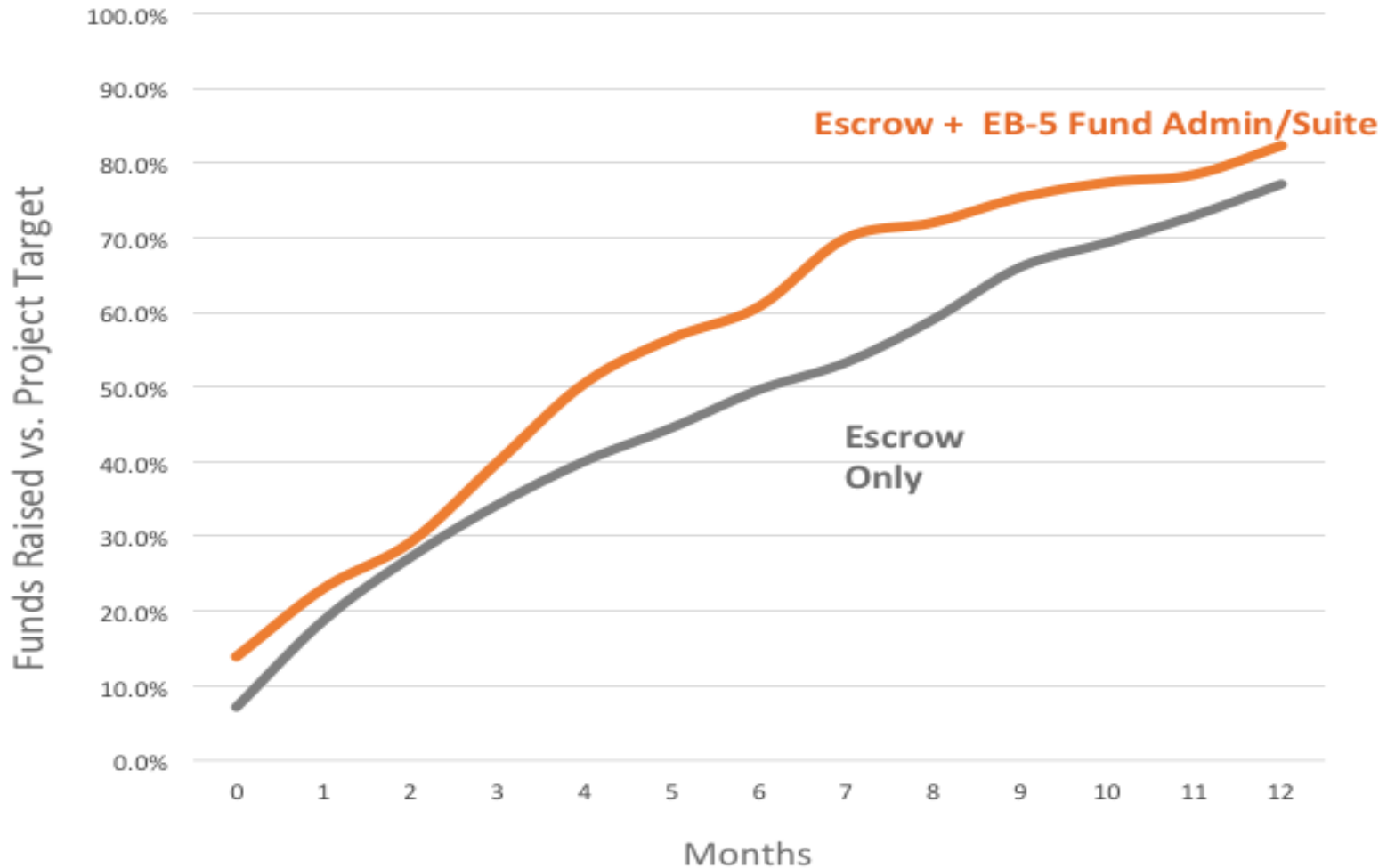
Significant increase in adoption on all projects <\$100MM in 2015

EB-5 funding analysis

Cumm Investors Funded v. Time Since Contract Signed



Funding positively impacted by compliance solutions



Summary

- 2015 Innovation Summit theme: Preparing Today for Tomorrow's Success
 - We saw:
 - Shifts in project types and distribution
 - Early signs of the globalization of investor markets
 - Increasing attention from regulators and adoption of compliance-oriented solutions
 - Those that prepared early were the winners in the market
 - The success of the program has strained capacity and introduced additional risks, opportunities, and challenges for investors and issuers
- 2016 Innovation Summit theme: Navigating a Changing Sector
 - Program reform is on its way
 - Leading experts discuss the likely changes and impacts on stakeholders
 - Real-world solutions will be introduced by our partners
 - NES Financial will be introducing new innovative solutions that:
 - Reduce risk
 - Improve operational efficiency
 - Enable clients to raise capital faster





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EB-5 Reform Legislation: What Happens Now?

What major themes should the EB-5 industry take away from drafts of legislation?



What compliance & integrity measures remained consistent?

- Ensuring securities compliance
- Eliminating and preventing bad actors
- Preventing mismanagement of investors' capital
- Increasing investor transparency
- Regulating 3rd party promoters and agents

What blueprint does draft legislation offer of what's to come for EB-5?

What will increased regulation mean for Regional Centers & issuers?

What should stakeholders do to prepare for impacts on Regional Center or issuer operations?

What should Regional Centers, issuers, and projects do to prepare now?



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Questions

Integrity measures and market pressures impact entire EB-5 lifecycle

**NES Financial
Solutions**

Regulatory Pressure

SEC
FBI
USCIS
Bad Actors
FINRA

Market Pressure

Investor Relations
Best Practices
Competition
Security
Cost

Capital Administration

Process Management

Fund Accounting

Project



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On the SEC's Radar: Securities Compliance in EB-5

What did draft legislation highlight about securities compliance moving forward?

How do these requirements compare to those of other investment markets?

What does an SEC examination look like?

Is the EB-5 industry prepared for additional scrutiny from the SEC?

If the SEC were to do these examinations tomorrow, what are the biggest gaps they would find?

How will this impact foreign agents?

What do you recommend that stakeholders do now to prepare?



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Questions

EB-5 has become mainstream

- Stakeholders can look to traditional markets as a guide
- SEC Examinations tend to focus on compliance documentation, controls, policies, and procedures
- Ignorance of the regulations won't get you a pass
- All stakeholders need to embrace the SEC regulations and need to implement a comprehensive compliance “platform”
- Planning and preparation must begin now



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Fund Accounting Solution Video



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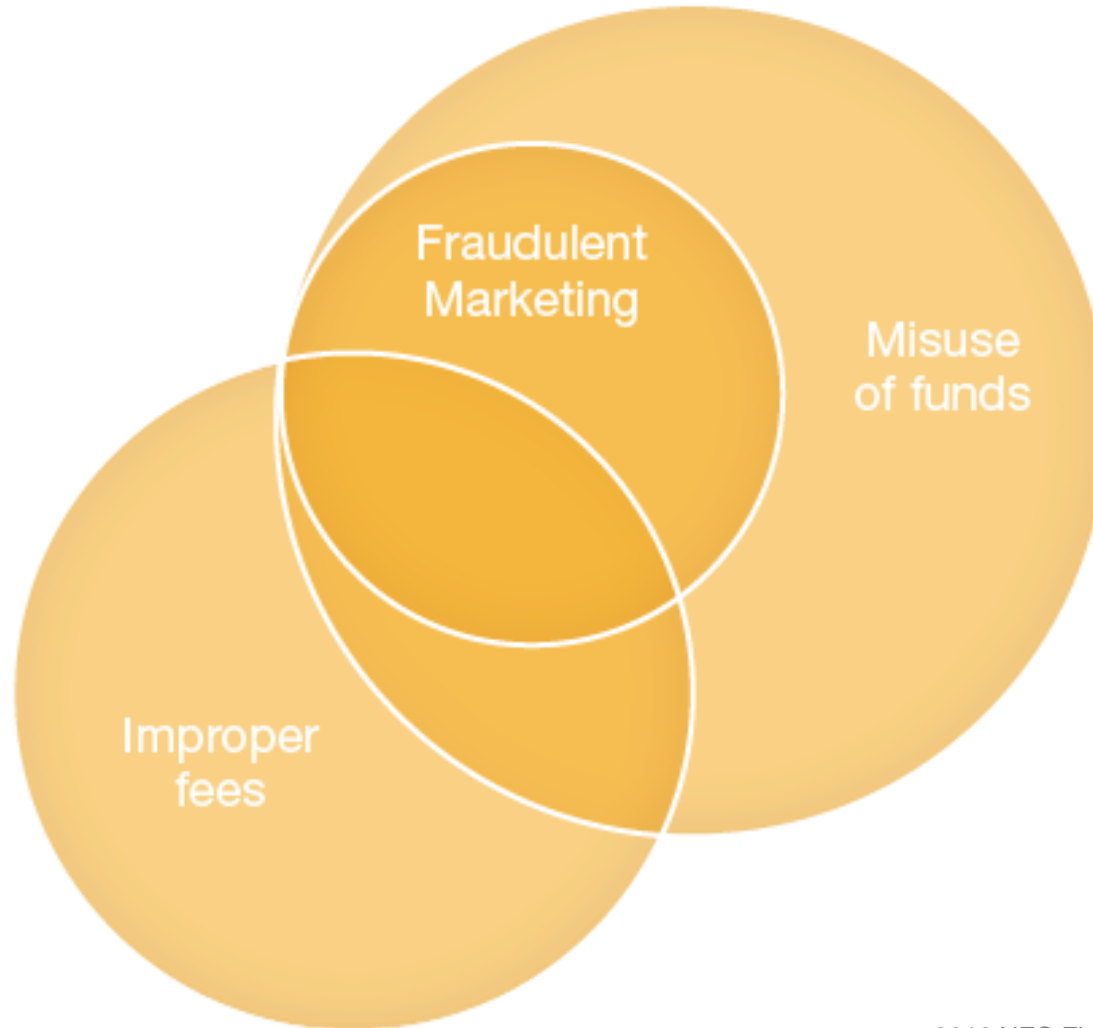
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Evolution of EB-5 Best Practices

What common themes regarding best practices have emerged in the past year?

Incidents of fraud in EB-5



How do best practices need to evolve moving forward?

We've seen due diligence as a best practice how should we evolve going forward?

- For issuers
- For agents
- For investors

How can issuers safeguard against misuse of investor funds?

How can issuers and the EB-5 industry as a whole benefit from the adoption of best practices?



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Questions

3rd party administration is the future in EB-5





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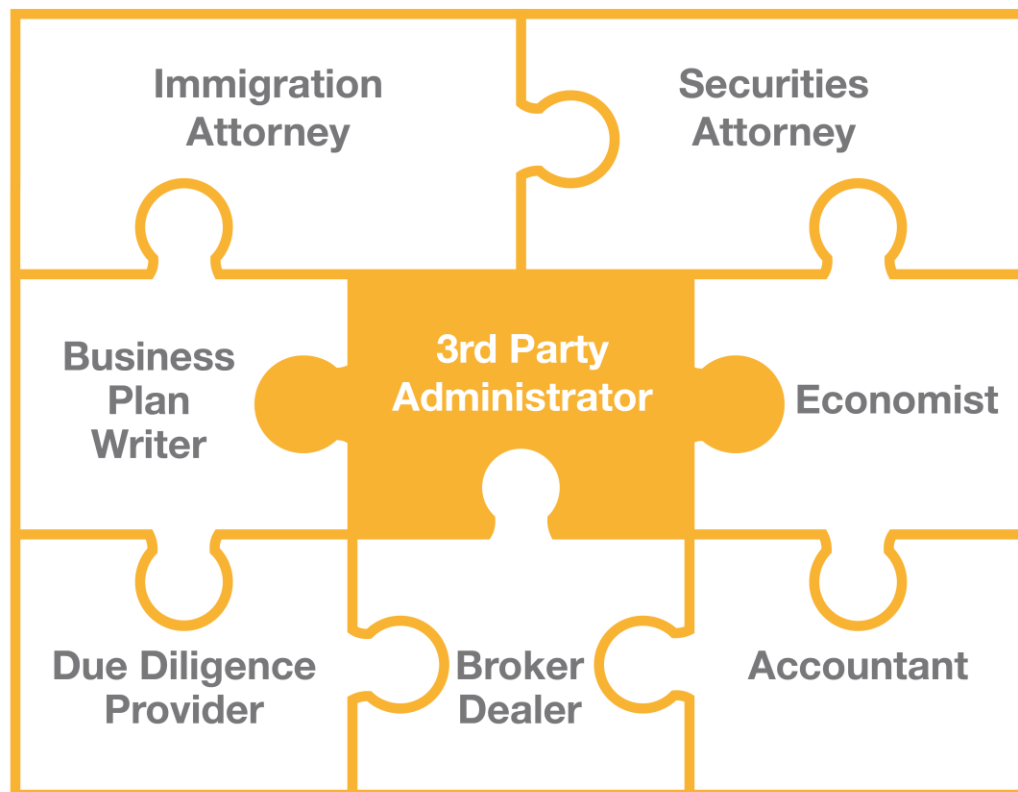
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Raising Capital Faster with the Right Team

What are the most important elements for success in EB-5?

What is appropriate due diligence when choosing your EB-5 team?

THE EB-5 TEAM



What do legislative trends indicate about the importance of the EB-5 team?

What specialized skills are required for EB-5?

What are the risks of not having the right team?



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Questions

Demonstrating a commitment to best practices in EB-5



ARNSTEIN & LEHR LLP



BAKER DONELSON

BARNHART ECONOMIC SERVICES, LLC



BESHARA
PROFESSIONAL ASSOCIATION

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ATTORNEYS AT LAW

SEYFARTH
SHAW

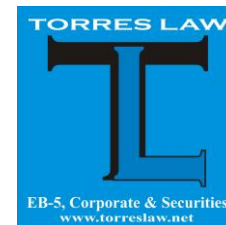
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INSURANCE BROKERS

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Look to the Future:
EB-5 as a Mainstream Investment

How will the EB-5 market continue to evolve?

What new challenges might emerge moving forward?

Where can the EB-5 industry look for solutions to these emerging challenges and opportunities?

What new products do you expect to see moving forward? Who should the market look to for these products?



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Questions



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Wrap-up



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