

*Panel 1B*

# ***EB-5 Myth Busters: Separating Fact from Fiction about Raising EB-5 Capital***

*Aaron Goforth, Wright Johnson LLC*

*Brian Su, Artisan Business Group*

*Lili Wang, New City Group*

*Mike Schoenfeld, EB5 Affiliate Network*

*Moderator: Nima Korpivaara, David Hirson & Partners LLP*

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**eb5**  **investors**  
*Magazine*

**2016 LAS VEGAS**  
**EB-5 Conference**

# Welcome Speakers



**Mike Schoenfeld**

► EB5 AFFILIATE NETWORK

Mike Schoenfeld has extensive private equity investment, business diligence, management consulting, and entrepreneurship experience. Prior to EB5 Affiliate Network, Mr. Schoenfeld worked for AEA Investors, a leading middle-market private equity firm with \$6 billion under management, focused on making control-oriented investments in consumer goods, industrial goods, and business services companies. His completed transactions include the \$2 billion leveraged buyout of 24 Hour Fitness, the leading fitness club operator with over 400 clubs nationwide, and the investment in Brand Networks, a leading social media marketing solutions provider. Mr. Schoenfeld was also previously employed by the Boston Consulting Group, one of the top management consulting and business strategy firms in the world. He has a B.A. in Economics and B.S. in Business Administration from the University of North Carolina at Chapel Hill.



**Lili Wang**

► NEW CITY GROUP

Lili Wang is a managing partner of New City Group. The firm focuses on providing comprehensive capital solutions to companies and projects seeking EB-5 financing, with services including advisory and consulting, deal structuring, project due diligence, marketing strategies, monitoring, and bridge financing. Previously, Ms. Wang managed a portfolio of global financials and emerging markets equities at Seneca Capital, a New York-based hedge fund, exploring investment opportunities in the United States, Europe, Brazil, Mexico, the Middle East, South Africa, and Asia. She began her career at Goldman Sachs and Company, in the New York investment banking group, and went on to source and execute private equity deals for the principal investment area within Goldman Sachs in Hong Kong. She graduated from Stanford University with dual B.A.s in Economics and Comparative Literature, and an M.S. in Industrial Engineering. She is fluent in English and Mandarin, and proficient in Spanish, French, and Arabic. Ms. Wang currently holds the following FINRA security licenses: 7, 24, 63, and 79.

# Welcome Speakers



**Brian Su**

► ARTISAN BUSINESS GROUP

Brian Su is the founder and CEO of Artisan Business Group, Inc., and the managing director of YingKe Chicago China Center. Artisan Business Group, an Illinois-based cross-border business

and investment consulting firm, specializes in working with financial and investment companies to achieve their business and marketing goals. The firm has facilitated the alternative financing for over \$1 billion in various U.S. commercial real estate, hotels, manufacturing, schools, and franchises projects. Mr. Su has extensive experience in international trade, business development, marketing management, and strategic planning. Prior to founding Artisan Business Group, he served Illinois Gov. Jim Edgar and worked at the Illinois Department of Transportation for 15 years. He received his M.P.A. degree from the University of Illinois at Springfield and a Bachelor's Degree in English from Guizhou University in China. His extensive network of Chinese government and business connections, together with his Chinese background, U.S. education, and multinational work experience equip him with the global connections needed to conduct successful international business.



**Aaron Goforth**

► WRIGHT JOHNSON

Aaron Goforth is the president of Wright Johnson, an industry leader in preparing economic analyses and business plans for regional centers involved in the EB-5 program. Before joining Wright Johnson, Mr. Goforth worked for Merck & Co., Inc., in various capacities, including manager of strategic planning and customer marketing. He left Merck as one of their leaders in U.S. commercial operations and was responsible for Merck's U.S. primary care portfolio. Mr. Goforth has studied business and economics, and has also obtained practical EB-5 experience. He is proficient in both RIMS II and IMPLAN, and is an expert in developing and implementing project strategy and analysis. He has supervised the successful completion of more than 150 EB-5-related economic analyses and over 300 business plans, and has worked with more than 400 unique EB-5 clients. Mr. Goforth is regarded as an industry expert and regularly speaks at EB-5 conferences both domestically and abroad.

# Welcome Moderator



## Nima Korpivaara

► DAVID HIRSON & PARTNERS LLP

Nima Korpivaara joined David Hirson & Partners LLP in 2014. He handles all types of U.S. immigration, including complex matters associated with corporate business structure and EB-5 investor applications. Mr. Korpivaara is primarily an attorney for a dedicated EB-5 practice within the firm, which involves advising individual investors and corporate clients on the requirements and ramifications of the EB-5 program. He is a nationally recognized expert in the field of EB-5 law, advising numerous regional centers, developers, and project principles on program compliance. He is also active in the greater EB-5 immigration law community, having served as an advanced EB-5 topics seminar panel member, authoring articles for EB5 Investors Magazine, and co-authoring numerous publications relating to EB-5 regulations and investments.

# (Q): When are the steps before I can market my project?

## Common Misconception:

“Once I know what my project is and what I will offer investors, it will only take a short time to bring it to market”

## Truth:

Before taking a project to market you need to finalize documents / partners in several areas. Key steps are:

- Regional Center
- Project Documentation
- Marketing Materials and Plan
- Marketing Execution

### Regional Center

- Own, Create or Be Sponsored
- Typical approval times for new RCs are ~1 year
- RC Sponsors will spend time “diligencing” your project before allowing you to affiliate / rent the RC

### Project Documentation

- Matter of Ho Compliant Business Plan
- Economic Report by Third party Economist
- Offering Memo (PPM)
- Subscription documents
- Loan / Transaction Documents
- Legal Entity Setup
- Immigration Attorney Review and Exemplar Structuring

### Marketing Materials and Plan

- Marketing Materials:
- Project introduction or teaser
  - Project brochure
  - Video

- Marketing Plan:
- Countries for promotion
  - Syndication strategy (migration agents, alternative channels)
  - Timeline

### Marketing Execution

- Execute on Promoting Project**



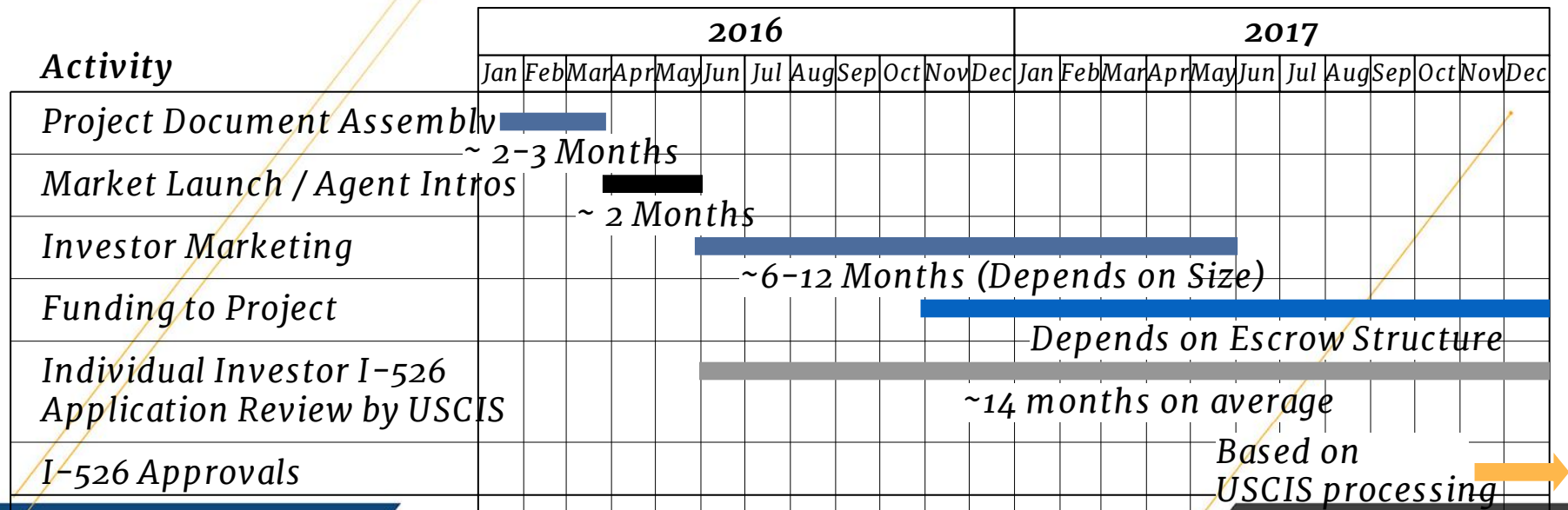
# (Q): How long from the start until EB-5 funding is available?

**Common Misconception:** “I’ll be able to use this EB-5 funding in 3-6 months from now, right?”

**Truth:** Although EB-5 capital is attractive below-market capital, securing the funding is a longer-term process and requires firm commitment through both the marketing process and the following years of management.

Depending on project size, structure, and escrow release, **it can take anywhere from 6 months to over a year** before the EB-5 funding is available for a project

## Sample Timeline



# (Q): Will my project will be appealing to EB-5 investors?

**Common Misconception:** “If I structure a good project EB-5 investors will find it”

**Truth:** The EB-5 market has grown increasingly competitive in the past few years. There are a variety of key factors that determine EB-5 project success. With the two most important aspects being:

## 1 Project Design Characteristics

### **Key Features of an EB-5 project:**

- **Structure and Feasibility**
  - Capital Structure
  - Job Creation
  - TEA Status
  - Loan terms
  - Security of Investment
  - Escrow Release Terms
- **Marketability**
  - Project Location
  - Developer Experience
  - Brands associated with project
  - Story

## 2 Marketing Execution

- **Strong Marketing Partner**
  - Partner with China based marketing brokers with strong experience and commitment to your project
  - Commit funding to help with promotion
- **Commitment to Marketing with Company and Project Resources**
  - Provide management or key personnel to participate in overseas seminars
  - Commit to building a team and expertise on managing agent and wholesalers in foreign markets

# *All success projects are alike; each unsuccessful project is unsuccessful in its own way...*

*What makes a successful EB-5 project?*

- *Project location*
- *Developer track record*
- *Brands involved*
- *A great story*
- *Solid fundamentals*

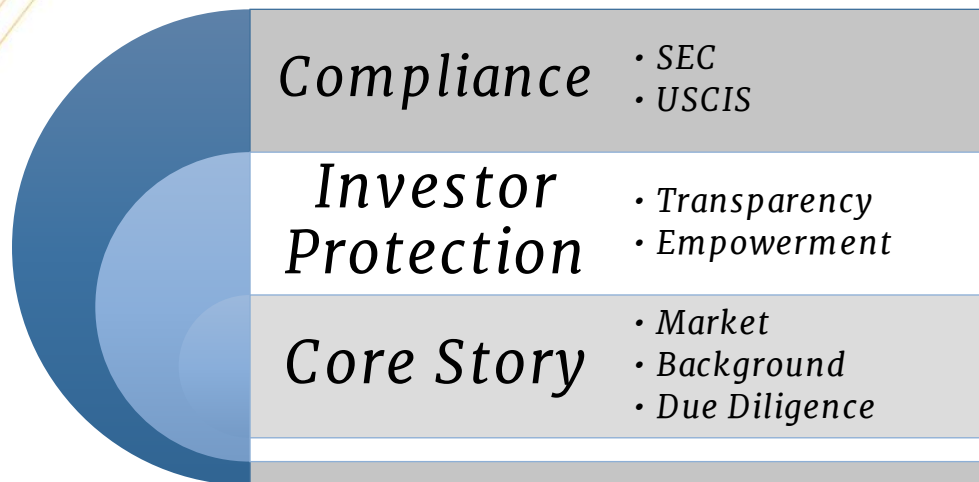
*Is that enough?*



# *Myth: A successful EB-5 raise is mainly about telling a good story.*

## *Reality:*

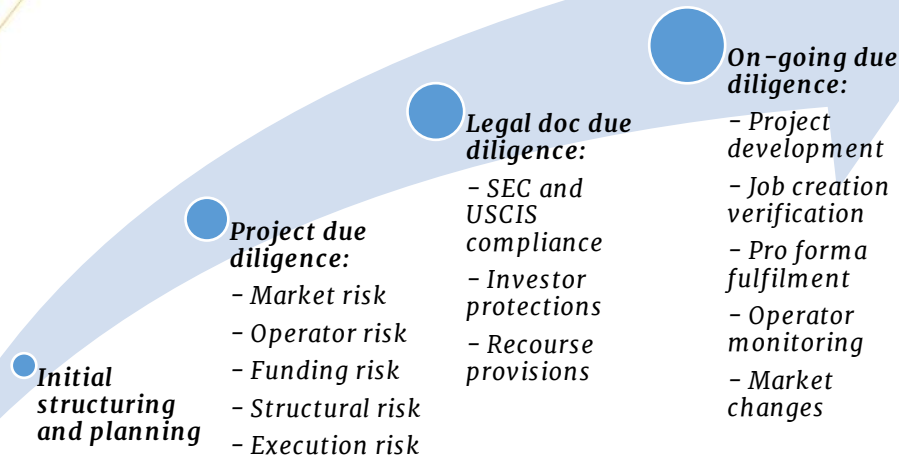
- Investors and agents are more sophisticated, and are carefully examining incoming EB-5 projects*
- Problematic projects are causing the market to be wary*



# *Myth: The diligence is complete, so we're good to go.*

## *Reality:*

- *Due diligence is ongoing because all projects are mutable*
- *Good projects can develop problems, bad projects can be improved*

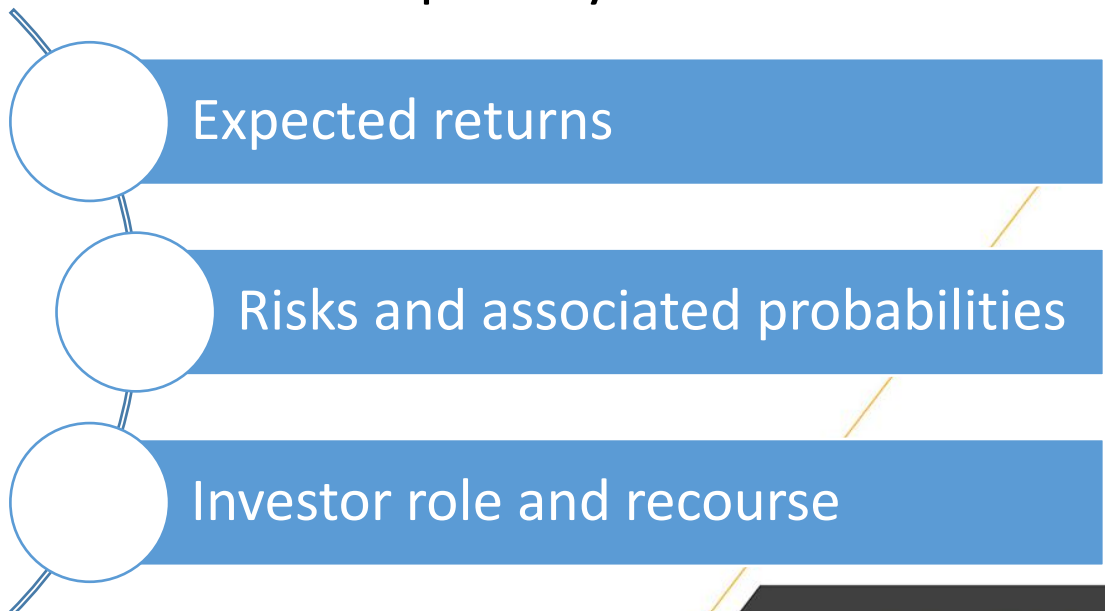


# *Myth: My legal docs contain all the information – I'm covered.*

## Reality:

- Investors must understand the substance of the offering, which extends beyond being handed legal docs
- An issuer's liability can extend for up to 6 years from the offering

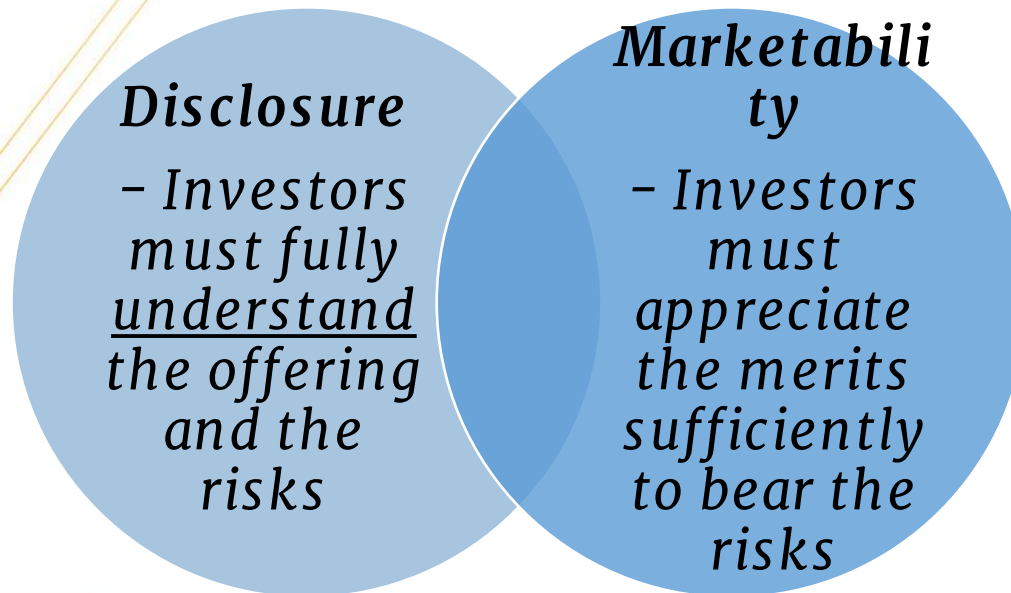
**Does the investor fully understand these points?**



## *Myth: Issuers do not have to worry about securities compliance.*

### *Reality:*

- *Compliance is all about disclosure and transparency*
- *Important to evaluate whether a project can provide full and fair disclosure and still be marketable*



# *(Q): Are there any true government projects?*

## **Common Misconception:**

*“Government projects are safer and better”*

## **Truth:**

*In Chinese market, many investors are more interested in “government-related” projects. Current and retired officials from the US are always drawing attentions when they appear at project seminars in China. The truth is that following type of projects are not “government projects”*

- Projects that receive partial sources of funding from a government entity, such as tax credit, grants, etc.*
- Projects that are supported by government officials (including former officials)*
- Projects that are leased to government agencies*
- Projects(not all projects) that are sponsored by government owned/operated Regional Centers*



## *(Q): Are real estate projects better than other projects?*

### **Common Misconception:**

*“Real estate projects are much better and safer than investing in other types of project”*

### **Truth:**

*In Chinese market, many investors believe that investing in real estate projects are much safer and better than projects in manufacturing, agriculture and other sectors. The truth is that*

- Real estate projects are not necessarily better than others*
- Real estate projects may fail due to various reasons*
- Real estate projects in some overheated markets may not be good at all*

## *Job Creation*

- *EB-5 Eligible Job Creation*
- *Reporting Responsibilities*
- *3<sup>rd</sup> Party Verification*
- *Expenditures that can be credited for EB-5*
- *Tenant occupancy and guest expenditures*
- *Job Buffers*

# *What USCIS Wants to See for Matter of Ho Business Plan*

- *Actual shovel ready project*
- *One version of the truth – static snapshot*
- *Business plan vs. USCIS compliant business plan*
- *Verification*
- *Value of template*

*Questions?*

## For More Questions, Contact:

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