

# CDFA – BNY Mellon Development Finance Webcast Series: EB-5: Could it Fill the Gap?

**The Broadcast will begin at 1:00pm (EST).**

*While you're waiting, check out some upcoming CDFA events...*

**Intro Bond  
Finance Course**



March 15-16, 2012  
Washington, DC

**Innovation  
Finance WebCourse**



May 8-9, 2012  
Daily: 12-5pm (EDT)

**Intro Energy  
Finance Course**



July 31-August 1, 2012  
Washington, DC

CDFA - BNY Mellon  
Development Finance  
Webcast Series



# EB-5: Could it Fill the Gap?

**Erin Tehan**

**Legislative & Federal Affairs Coordinator  
Council of Development Finance Agencies  
Columbus, OH**



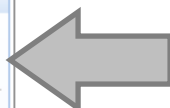
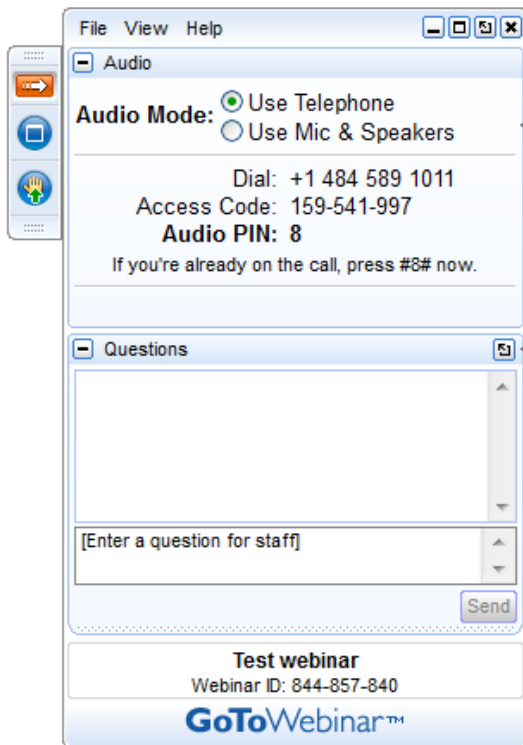
■ ■ **Are you a CDFA Member?**

Members receive exclusive access to thousands of resources in the CDFA Online Resource Database. Join today at [www.cdfa.net](http://www.cdfa.net) to set-up your unique login.

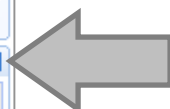
▶ CDFA - BNY Mellon  
Development Finance  
Webcast Series



# EB-5: Could it Fill the Gap?



Using your telephone will give you better audio quality.



Submit your questions to the panelists here.

## ■ ■ Want to watch again?

You will find a recording of this webcast, as well as all previous CDFA webcasts, in the Online Resource Database at [www.cdfa.net](http://www.cdfa.net).

CDFA - BNY Mellon  
Development Finance  
Webcast Series



# EB-5: Could it Fill the Gap?

## Speakers

**Christine Johnson**, *Moderator*  
BNY Mellon

**David Andersson**  
Association for Investment in the USA  
(IIUSA)

**James Candido**  
Vermont EB-5 Regional Center



CDFA - BNY Mellon  
Development Finance  
Webcast Series



# EB-5: Could it Fill the Gap?

**Christine Johnson**

**Product Manager**

**BNY Mellon**

**San Francisco, CA**



► **What are you reading these days?**

Your development finance toolbox isn't complete without a set of CDFA reference guides. CDFA Members save 15% or more on every purchase. Order today at [www.cdfa.net](http://www.cdfa.net).

► CDFA - BNY Mellon  
Development Finance  
Webcast Series





Global Corporate Trust

January 17, 2012

# Overview – EB-5 Visa Program

*CDFA-BNY Mellon Webcast*

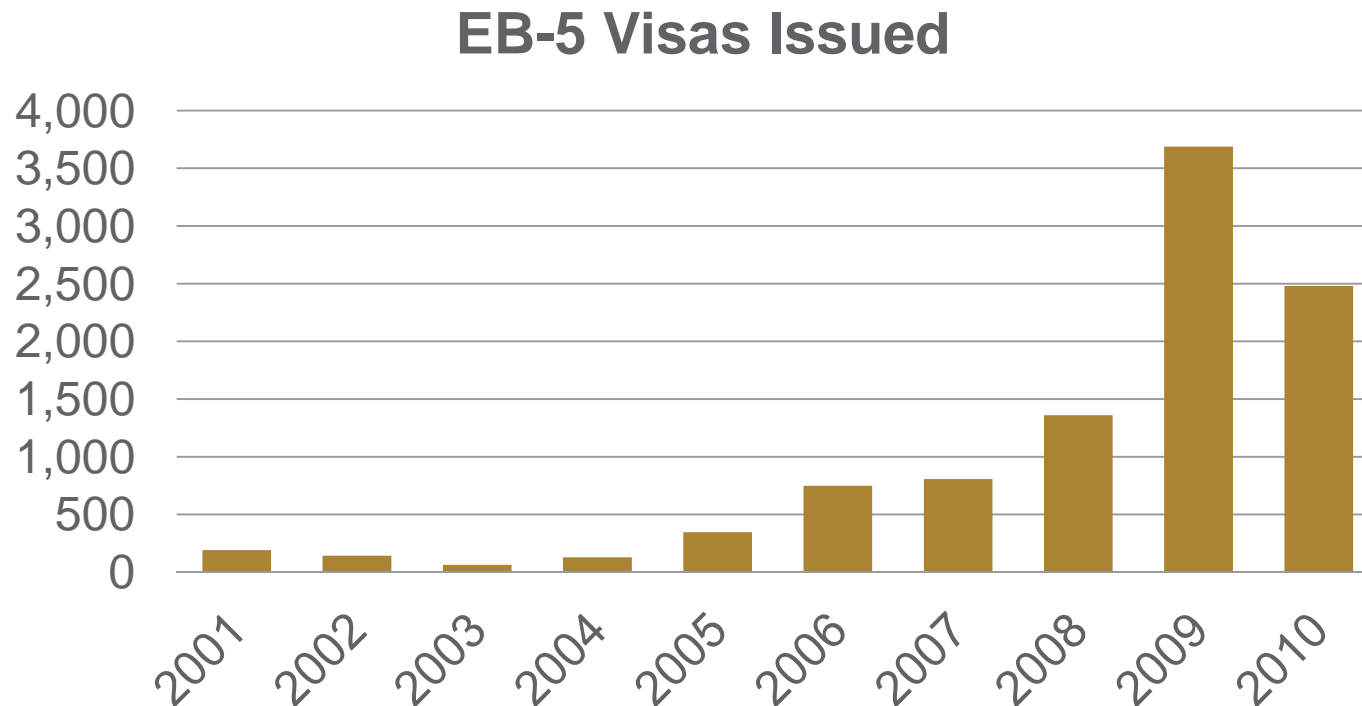
*Presented by Christine Johnson*

# EB-5 Visa Program Overview

- Immigration Act of 1990 established the EB-5 Visa program for immigrant investors
  - Program has been re-authorized every year since.
- EB-5 visa is the fifth in a series of employment (skill)-based preferential visa programs
  - EB-1 : Permanent resident visas for priority workers or those with “extraordinary abilities”.
  - EB-2 : for advanced degree holders and those with “exceptional abilities” in the sciences, arts or business.
  - EB-3 : for skilled workers or unskilled workers in jobs for which qualified American workers cannot be found
  - EB-4 : for special immigrants (religious worker, Iraqi/Afghan translators, etc.)
  - EB-5 : for immigrants investing in *new* US commercial enterprises that create direct/indirect employment for US workers

# Program Usage

- EB-5 program is authorized annually by Congress.
  - Approximately 10,000 EB-5 visas authorized annually.



Source: DHS Office of Immigration Statistics “2010 Yearbook of Immigration Statistics”



# Regional Centers

- Immigrant Investor Pilot Program (1993) established the concept of regional centers.
  - Regional centers established to allow EB-5 visa holders to pool money for larger investments .
  - Regional centers allow investors to count *indirect* employment toward job creation requirements. (Established with economic impact modeling tools such as RIMS II or Implan).
  - Establishing a regional center can be part of a strategy to attract investment dollars from potential EB-5 visa holders.
    - How do you avoid fraud?



BNY MELLON  
CORPORATE TRUST

# EB-5: Could it Fill the Gap?

**David Andersson**

**President**

**Association for Investment in the USA (IIUSA)**

**Chicago, IL**



► **Need research and technical assistance advice about EB-5?**

Consider CDFA's Research & Advisory Services – offering customized and tailored technical assistance for all of your development finance needs. Learn more at [www.cdfa.net](http://www.cdfa.net).

► CDFA - BNY Mellon  
Development Finance  
Webcast Series



# Regional Economic Development With EB-5 Financing

*K. David Andersson*

*President, **Association for Investment in the USA***

*(IIUSA.org)*



*President, **Whatcom Opportunities Regional  
Center, Inc.** (eb5worc.com)*



# Disclaimer

This presentation outline and the presentation itself are for *general* educational purposes only and are not intended to provide *specific* guidance or legal advice about what to do or not to do in any particular case. You should not rely on this general information to make decisions about specific EB5 matters. If you are not yourself a lawyer, you should seek the assistance of an qualified EB5 lawyer and other professionals such as economists to help you resolve specific issues or questions.

# Introduction

- Congress set aside 10,000 immigrant visas annually for investors and their immediate family members.
- Immigrant Investor Pilot Program enacted in 1993.
- **Sunset on September 30, 2012.**

|             | <b>Jobs</b>    | <b>Capital</b>  |
|-------------|----------------|-----------------|
| <b>2011</b> | <b>25,000+</b> | <b>\$1.25B+</b> |
| <b>2010</b> | <b>17,000+</b> | <b>\$845M+</b>  |
| <b>2009</b> | <b>7,600+</b>  | <b>\$377M+</b>  |
| <b>2008</b> | <b>6,000+</b>  | <b>\$290M+</b>  |
| <b>2007</b> | <b>3,200+</b>  | <b>\$160M+</b>  |
| <b>2006</b> | <b>3,200+</b>  | <b>\$160M+</b>  |
| <b>2005</b> | <b>1,700+</b>  | <b>\$82M+</b>   |
| <b>2004</b> | <b>660+</b>    | <b>\$33M+</b>   |
| <b>2003</b> | <b>450+</b>    | <b>\$22.5M+</b> |

**\*\*SUPPORT (S. 642 & H.R. 2972) – CREATING  
AMERICAN JOBS THROUGH FOREIGN CAPITAL  
INVESTMENT ACT\*\*  
MAKE THE EB-5 REGIONAL CENTER PROGRAM  
PERMANENT!**

# General Program Requirements

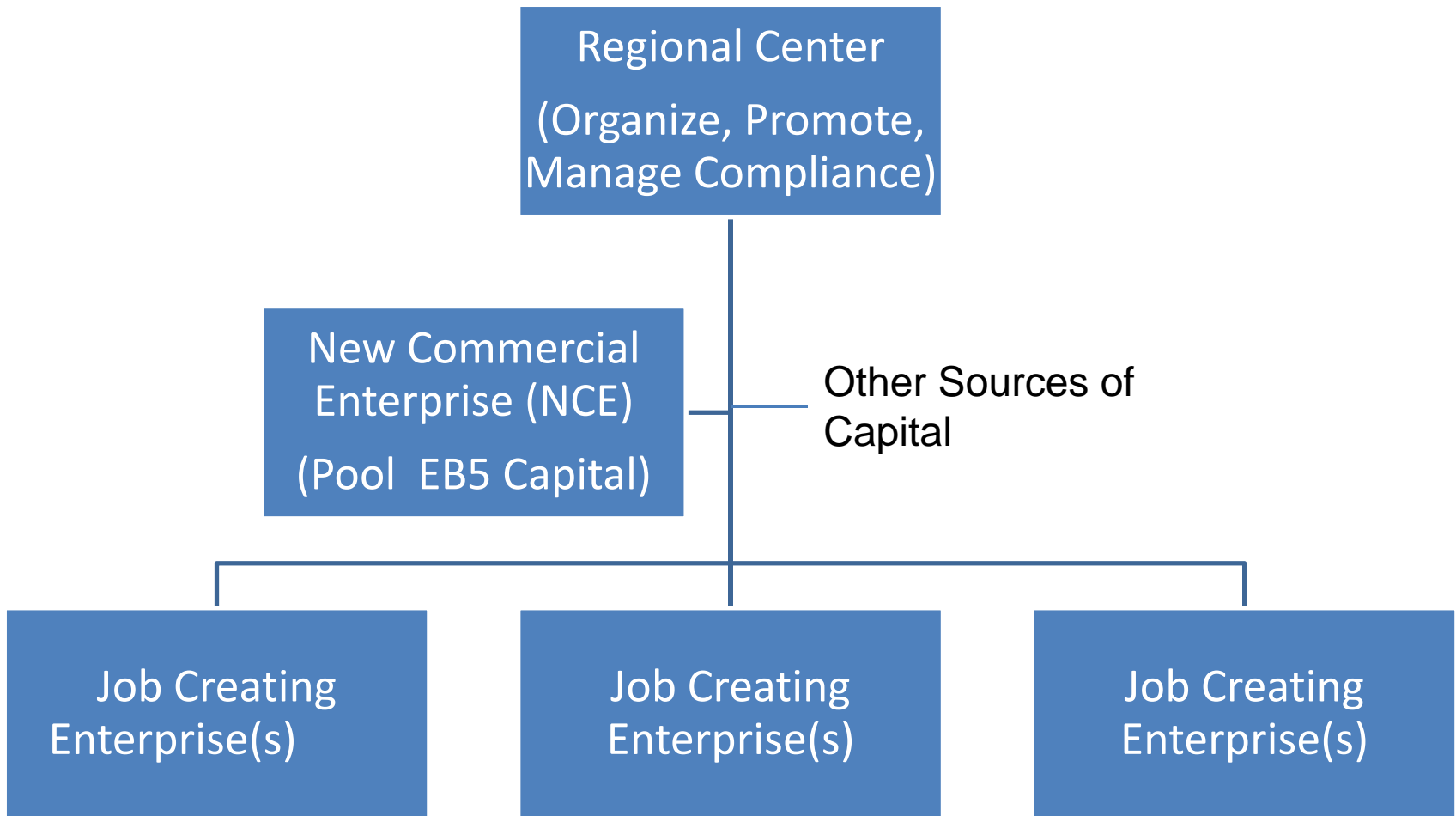
- Regional Center Designation
- Invest Capital (\$500,000 or \$1,000,000)
- In a New Commercial Enterprise (“NCE”)
- Create Jobs (at least 10 per investor)



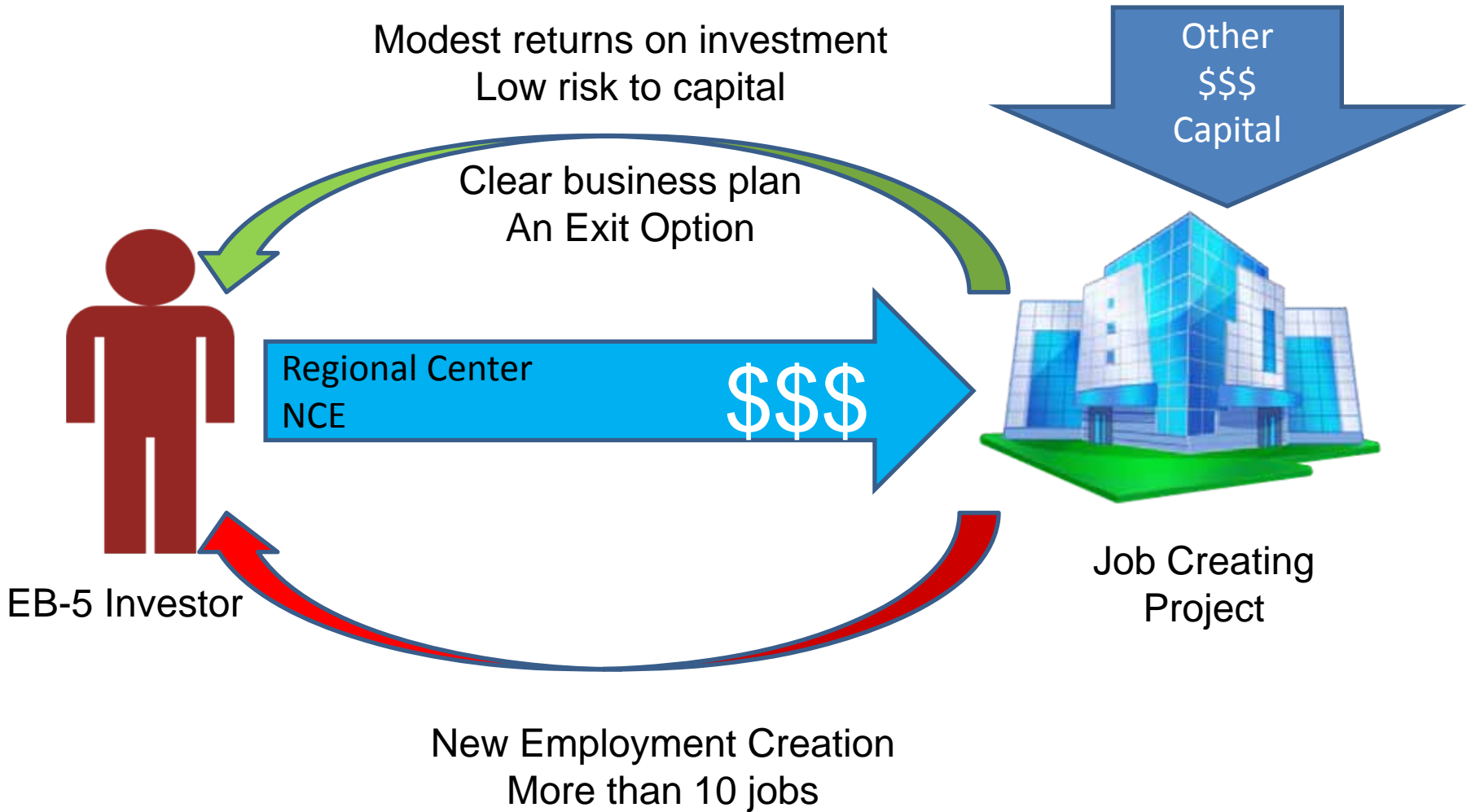
# Regional Center Designation

- I-924  
(Designation/Amendment - \$6230 filing fee)
- Focus on a geographic region
- Most located in a Rural or Targeted Employment Area
- NAICS Industry Clusters and Reasonable Methodology (IMPLAN RIMSII etc.)
- Public or private management (ie. Vermon v WORC)
- I-924A Annual Reporting (Amount of Capital & Jobs)
- Pre-Approval of Projects?
- More than 208 regional centers located throughout the United States

# Common Investment Structure



# Investor Objectives



# Investment of Capital

- “Invest” means to contribute **capital**. A contribution of capital in exchange for a note, bond, convertible debt, obligation, or any other debt arrangement between the alien entrepreneur and the new commercial enterprise does not constitute a contribution of capital for the purposes of this part.
- EB5 Capital invested must be “at risk,” with focus on actual and intended uses of capital to confirm that it will be used for job creation and profit-generating activity.
- EB5 Capital used for administrative expenses and to fund reserve accounts unrelated to job creation **does not count**.
- Escrow - Release of funds to new commercial enterprise on approval of I-526 petition.

# Amount of Capital Targeted Employment Area

- Required capital is \$1,000,000
- Reduced to \$500,000 in a TEA or Rural Area.
  - **TEA** = Area with unemployment of at least 150% of national average rate OR
  - **Rural Area** = an area not within an MSA or outer boundary of any city or town having a population of 20,000 or more

# Lawful Source & Tracing of Funds

## Lawful Source

## Tracing of Funds



Lawful business earnings



Salary from work



Gifts, loans, etc.



Illegal activity, etc.



# Challenges in Tracing Funds

- Source of Funds Report
- Some country specific issues- China
- *Iran*

# Employment Creation

- 10 jobs
- including indirect and induced jobs based on USCIS approved reasonable methodologies
- within a reasonable time (30 months from I-526 approval and/or in accordance with approved Business Plan and econometric forecast)





THANK YOU

Q & A

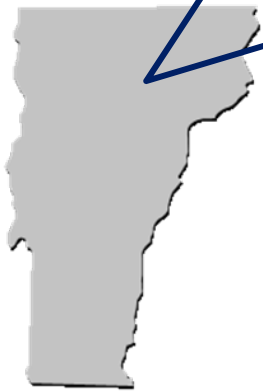
# EB-5: Could it Fill the Gap?

## James Candido

Director

Vermont EB-5 Regional Center

Montpelier, VT



### ► Are you a CDFA Member?

Members receive discounts to all CDFA events, including training courses and the National Development Finance Summit. Join today at [www.cdfa.net](http://www.cdfa.net), and start saving.

► CDFA - BNY Mellon  
Development Finance  
Webcast Series



# Vermont EB-5 Program

# Current Vermont Projects

---

## ◎ Active Projects

- Trapp Family Lodge - Stowe
  - 2 months
- AnCBIO – Newport
  - 2 years
- AFCCell – Central Vermont
  - 2 months
- WhistlePig Whiskey – Shoreham
- Country Home Products – Vergennes
  - 2 years
- Seldon Technologies – Windsor
  - 2 years

# EB-5 Petitions Nationally

| Fiscal Year and/or Quarter | Form I-526 Approvals | Final Action % | Form I-526 Denials | Final Action % |
|----------------------------|----------------------|----------------|--------------------|----------------|
| FY11 Q1- Q3                | 999                  | 82%            | 224                | 18%            |
| FY10                       | 1,369                | 89%            | 165                | 11%            |
| FY09                       | 1,262                | 86%            | 207                | 14%            |
| FY08                       | 640                  | 84%            | 120                | 16%            |
| FY07                       | 473                  | 76%            | 148                | 24%            |
| FY06                       | 336                  | 73%            | 124                | 27%            |
| FY05                       | 179                  | 53%            | 156                | 47%            |

# Vermont Investor Activity

---

| Fiscal Year and/or Quarter | Form I-526 Applications | National Percentage |
|----------------------------|-------------------------|---------------------|
| FY11 Q1-Q3                 | 140                     | 14%                 |
| FY10                       | 249                     | 18%                 |
| FY09                       | 81                      | 6%                  |

# Perceived Investor Interest

---

- ◉ Real Estate
- ◉ Return of capital after 5 years
- ◉ Modest returns 2-5%
- ◉ Safety in job creation
- ◉ Track record with EB-5

# Upfront and Project Costs

---

- ◉ Economic Impact statement
  - \$30K
- ◉ Immigration Attorney
  - \$50K - \$100K
- ◉ Marketers
  - \$50K - \$100K
- ◉ Other costs (travel, document changes, escrow agents, investor vetting, etc...)
  - \$100K and up
- ◉ Total a project should expect
  - \$250K - \$500K



# Timelines for a project

---

- ◎ Project materials
  - 3-6 Months
- ◎ Investor Marketing
  - 6 Months and up
- ◎ Investor Petitions
  - First one will take 6-8 Months
  - Following will take 3-6 Months
- ◎ Realistic timetable for actual capital
  - 1.5 – 2 years

# Important Project Components

---

- Real Estate
- Patient with capital raise
- If no Real Estate, long track record of success as a company
- Transferable industry to a foreign market
- Clean balance sheet
  - Strong collateral
  - Low debt
- Significant cash flow for marketing and processing
- Can structure a payback within 5 years
- Solid Job creation
  - If troubled business, must have above-average balance sheet
- Above \$10 Million dollars
  - Safety in numbers
  - Cost of capital analysis

# EB-5: Could it Fill the Gap?

## Audience Questions



► **Register Today**

Early Bird Rates  
available until  
June 15, 2012.

► CDFA - BNY Mellon  
Development Finance  
Webcast Series



# Upcoming Events at CDFA

## Fundamentals of Economic Development Finance WebCourse

Daily: 12-5 pm (EST)  
January 24-25, 2012

## Intro Bond Finance Course

Washington, DC  
March 15-16, 2012

## Innovation Finance WebCourse

Daily: 12-5pm (EDT)  
May 8-9, 2012

Register online at [www.cdfa.net](http://www.cdfa.net)

**Development Finance Certified Professional Program**  
*get certified*

CDFA's Development Finance Certified Professional (DFCP) Program is the industry's only comprehensive development finance professional certification program. Graduates of the DFCP Program gain valuable knowledge and experience within the complex development finance industry and achieve a level of understanding unmatched by any other professional certification program. Getting started is easy:

1. Visit [www.cdfa.net](http://www.cdfa.net) to see the current list of courses.
2. Register for an upcoming CDFA Training Institute course.
3. Pick 5 other courses to take over the next 3+ years.
4. Start down the road to personal and professional advancement!

Learn more at [www.cdfa.net](http://www.cdfa.net) and jumpstart your career today.

CDFA - BNY Mellon  
Development Finance  
Webcast Series



# Next Webcast

**Tuesday, February 21, 2012 @ 1:00pm Eastern**

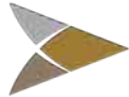
## **CDFA – BNY Mellon Development Finance Webcast Series: Will the Volcker Rule Impact You?**

The Volcker Rule, named after former Federal Reserve Chairman Paul Volcker, is a component of the Dodd-Frank Act of 2010. The proposed rule is generally designed to protect banks from making proprietary investments that could potentially damage the financial sector or the broader U.S. markets. This includes the stipulation that banks could not make proprietary investments in their own securities, and many are concerned that this will significantly decrease market liquidity. So, what does this mean for the municipal bond market? During this installment of the CDFA-BNY Mellon Development Finance Webcast Series, hear from expert analysts as they examine current discussions on the Volcker Rule and what changes, if any, the capital markets will see once the Rule is implemented.

▶ CDFA - BNY Mellon  
Development Finance  
Webcast Series



# For More Information



BNY MELLON

**Christine Johnson**

Program Manager

415-263-2026

[christine.johnson@bnymellon.com](mailto:christine.johnson@bnymellon.com)



**Erin Tehan**

Legislative & Federal Affairs Coordinator

614-224-1323

[etehan@cdfa.net](mailto:etehan@cdfa.net)

The material contained herein is for informational purposes only. The content of this is not intended to provide authoritative financial, legal, regulatory or other professional advice. The Bank of New York Mellon Corporation and any of its subsidiaries makes no express or implied warranty regarding such material, and hereby expressly disclaims all legal liability and responsibility to persons or entities that use this report based on their reliance of the information in such report. The presentation of this material neither constitutes an offer to sell nor a solicitation of an offer to buy any securities described herein.

CDFA - BNY Mellon  
Development Finance  
Webcast Series



  
BNY MELLON