

The
HOSPITALITY LAW
CONFERENCE

Structuring EB-5 Capital for
Hotel/Restaurant Franchises

Samuel Newbold, CSG Law

Marisa Rauchway, CSG Law

May 9-10, 2023



Samuel Newbold

Chair – Immigration Law, CSG Law

NEW YORK / NEW JERSEY

Sam represents companies from all over the country as well as multinational organizations, providing counsel on employment-based immigration matters as well as corporate compliance best practices.

He manages the firm's EB-5 practice, representing individual foreign investors, Regional Centers and developers participating in the EB-5 program.

Sam has successfully counseled hundreds of individual EB-5 investors and their families through the entire EB-5 process, as well as dozens of Regional Centers and developers seeking to utilize EB-5 capital in their projects.



Marisa Rauchway

Team Leader – Franchise Law, CSG Law

NEW JERSEY / NEW YORK

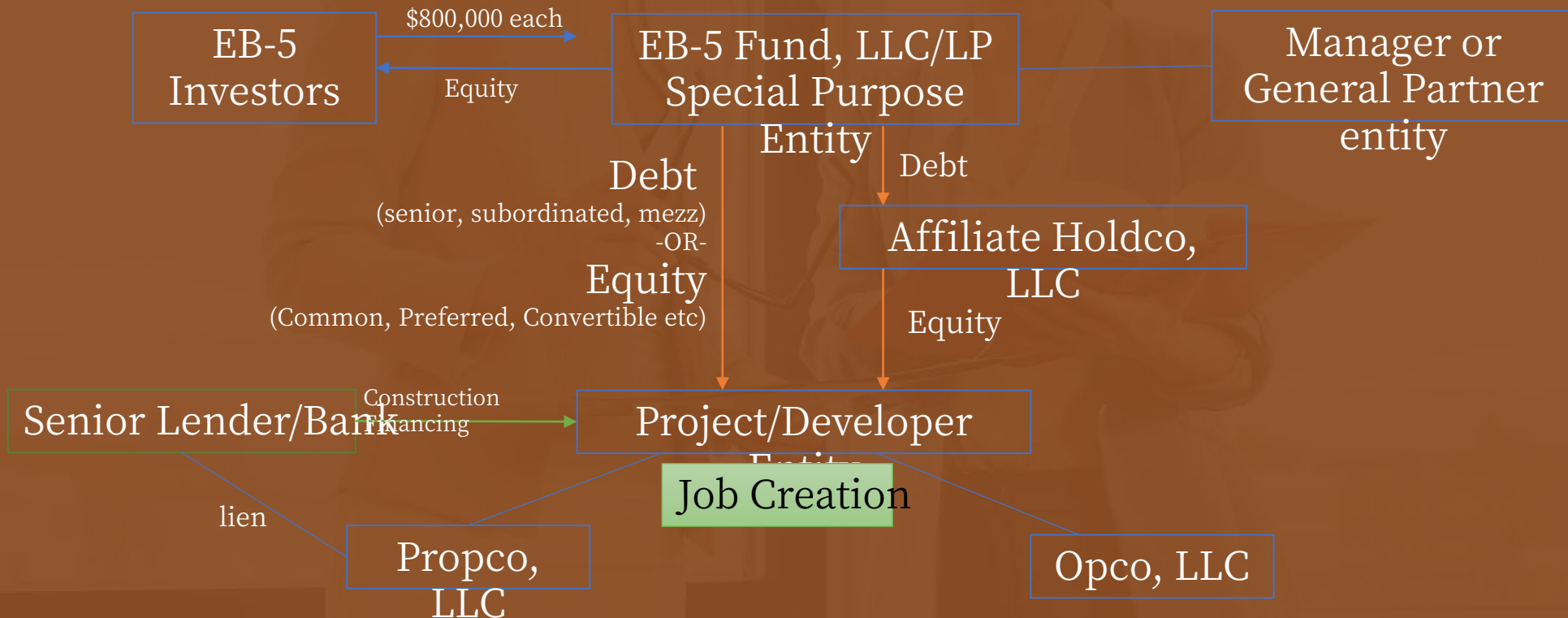
Marisa serves as a strategic legal advisor and partner to the local, regional and national franchise community across a wide range of industries, including hospitality.

She advises prospective franchisees throughout the purchase process and routinely reviews franchise disclosure documents and negotiates franchise and multi-unit/area development agreements.

Marisa represents franchise, retail and distributor clients in both pre-litigation and litigation matters throughout the country and abroad, in all facets of disputes between and among franchisees, franchisors, and members of the supply chain industry.

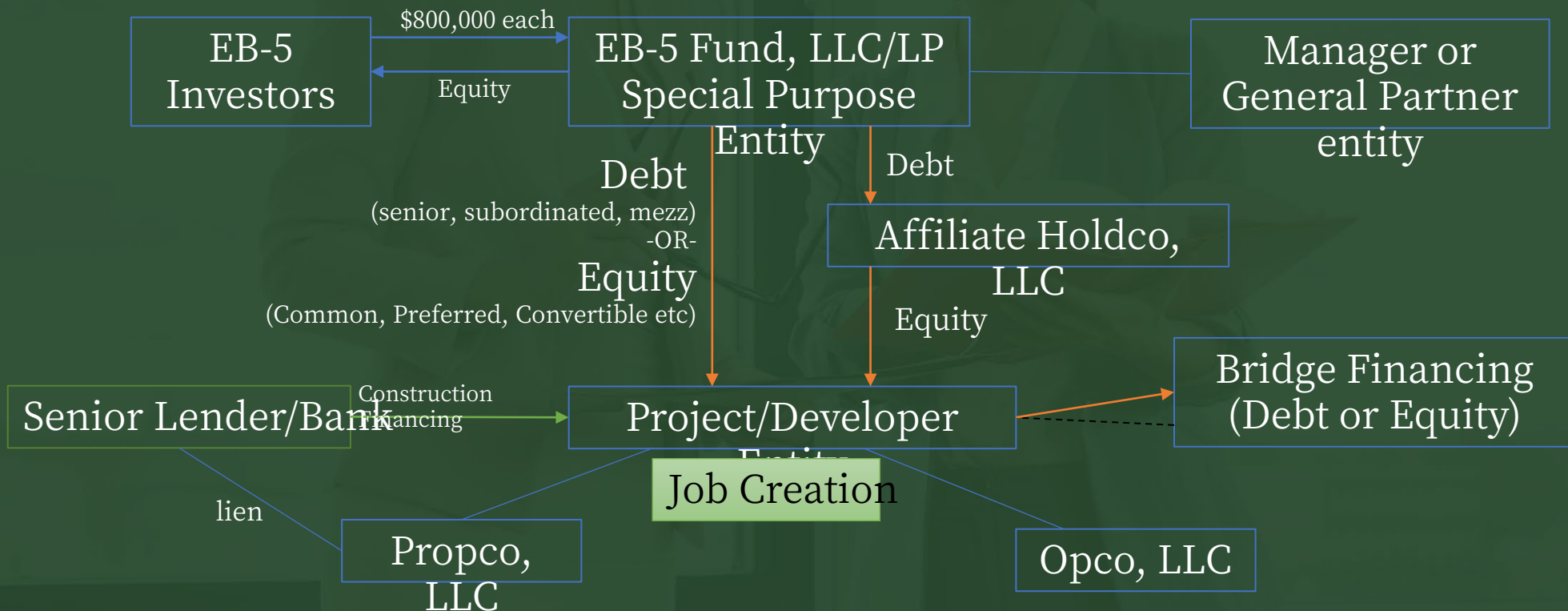
EB-5 Capital Structuring

- EB-5 Money Can Be Used as Debt or Equity



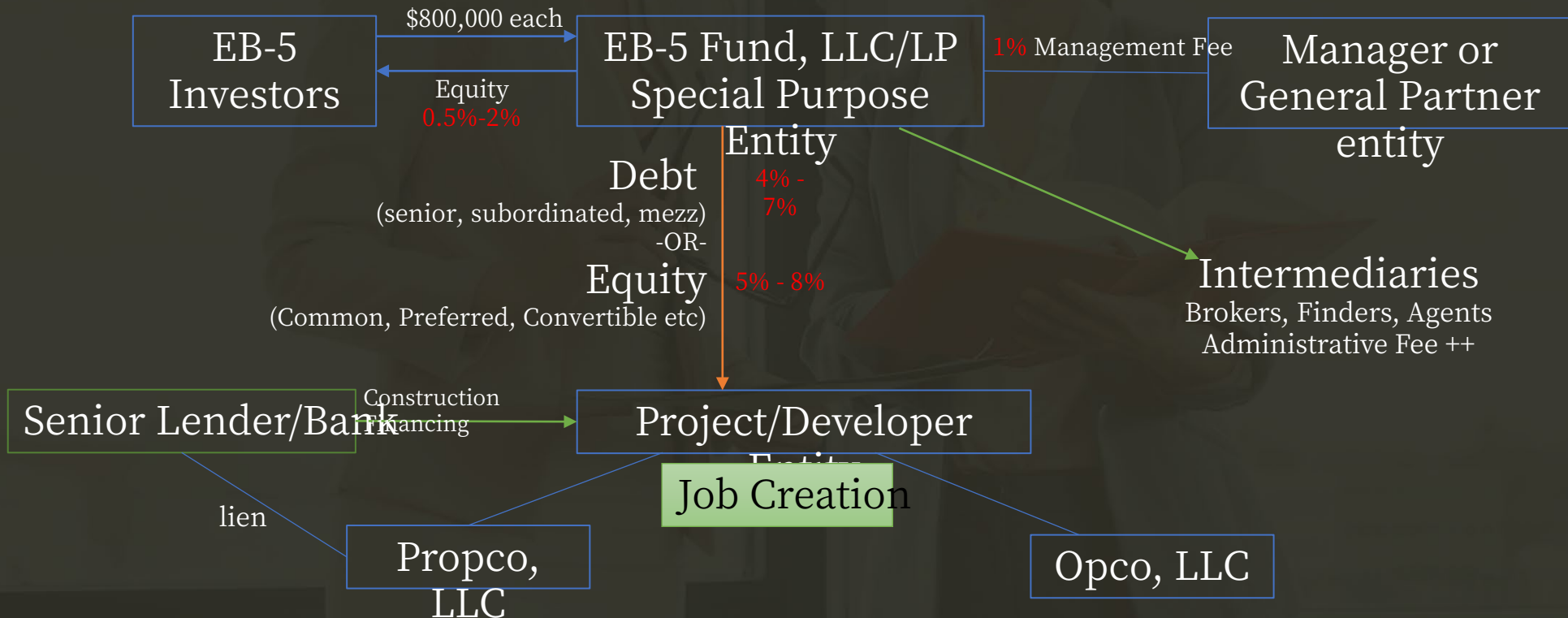
EB-5 Capital Structuring

- EB-5 Money Can Be Used as Take Out Money



The Cost of EB-5 Capital

- Usually Below Market, But Not Always...



The Timing of EB-5 Capital

How Long Does it Take to Get It?

- Not a capital call like many traditional forms of private equity.
- Slow, but quiet money. \$800K at a time. 6-18 months, depending.
- Timing issues make it difficult to use EB-5 as primary capital in large deals.

How Long Do I Have to Repay It?

- Regulations versus Reality
- Project Stabilization and Exit Strategy
- 5 years + +



BIG Points, BIG Picture

- Job creation is the driver. It will dictate the limit of your EB-5 raise.
- Need to know where your project will be located with certainty.
- Need to have rights/entitlements to proceed with your project.
- Should have other financing in place and clear capital stack.
- Clear exit strategy.
- Reputation and track record. Must be able to execute.
- Highly regulated. Must be comfortable with U.S. government inquiry and oversight.
- Need really good lawyers and consultants with subject matter expertise.

Franchising and EB-5 Investment

The Franchise model can often provide an ideal business opportunity for an EB-5 investment

Large unit franchises – such as in the hospitality industry – can satisfy EB-5 investment and job creation requirement

Franchisor and network advertising and operational support
Established business model with often proven track record

Enables franchise brands to expand footprint more rapidly with larger pool of potential investors



Franchising and EB-5 Investment: Potential Pitfalls

- Not all franchises are well-suited for EB-5 investment capital
- Timing can be an issue for a Franchisor seeking to move quickly
- Depending on size of franchise unit, multiple units may need investment





**WE APPRECIATE YOUR
TIME AND ATTENTION!**

Samuel Newbold – snewbold@csglaw.com / (212) 324-
7268

Marisa Rauchway – mrauchway@csglaw.com / (973)
530-2139

www.csglaw.com

Thank you!