



## U.S. Securities and Exchange Commission

### SEC Halts \$150 Million Investment Scheme to Dupe Foreign Investors and Exploit Immigration Program

#### FOR IMMEDIATE RELEASE 2013-20

Washington, D.C., Feb. 8, 2013 — The Securities and Exchange Commission today announced charges and an asset freeze against an individual living in Illinois and two companies behind an investment scheme defrauding foreign investors seeking profitable returns and a legal path to U.S. residency through a federal visa program.

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#### Additional Materials

▶ [SEC Complaint](#)

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The SEC alleges that Anshoo R. Sethi created A Chicago Convention Center (ACCC) and Intercontinental Regional Center Trust of Chicago (IRCTC) and fraudulently sold more than \$145 million in securities and collected \$11 million in administrative fees from more than 250 investors primarily from China. Sethi and his companies duped investors into believing that by purchasing interests in ACCC, they would be financing construction of the “World’s First Zero Carbon Emission Platinum LEED certified” hotel and conference center near Chicago’s O’Hare Airport. Investors were misled to believe their investments were simultaneously enhancing their prospects for U.S. citizenship through the EB-5 Immigrant Investor Pilot Program, which provides foreign investors an avenue to U.S. residency by investing in domestic projects that will create or preserve a minimum number of jobs for U.S. workers.

The SEC alleges that Sethi and his companies falsely boasted to investors that they had acquired all the necessary building permits and that several major hotel chains had signed onto the project. They also provided falsified documents to U.S. Citizenship and Immigration Services (USCIS) — the federal agency that administers the EB-5 program — in an attempt to secure the agency’s preliminary approval of the project and investors’ provisional visas. Meanwhile, Sethi and his companies have spent more than 90 percent of the administrative fees collected from investors despite their promise to return this money to investors if their visa applications are denied. More than \$2.5 million of these funds were directed to Sethi’s personal bank account in Hong Kong.

Swift coordination between the SEC and USCIS has brought the scheme to a halt in its application stage at USCIS. The SEC filed its complaint under seal earlier this week and obtained an emergency court order to protect the remaining \$145 million in investor assets that were at risk of being similarly

*AILA InfoNet Doc. No. 13021145. (Posted 2/11/13)*

misappropriated by Sethi and his companies. The case was unsealed this morning.

"Sethi orchestrated an elaborate scheme and exploited these investors' dream of earning legal U.S. residence along with a positive return on their investment in a project that was not nearly the done deal that he portrayed," said Stephen L. Cohen, Associate Director in the SEC's Division of Enforcement. "The good news is that working closely with USCIS, we intervened early and stopped him from getting very far, and the asset freeze preserves nearly all of the money invested."

According to the SEC's complaint filed in U.S. District Court for the Northern District of Illinois, the EB-5 program enables foreign investors to possibly qualify for a green card if they invest \$1 million (or \$500,000 in a "Targeted Employment Area" with a high unemployment rate) in a project that creates or preserves at least 10 jobs for U.S. workers, excluding the investor and his or her immediate family. Sethi and his companies used the lure of a pathway to U.S. citizenship to convince investors to wire a minimum of \$500,000 apiece plus a \$41,500 "administrative fee" to U.S. bank accounts. These administrative fees are separate from the investment capital that the EB-5 program requires to be deployed into a job-creating enterprise. More than \$11 million in administrative fees were collected with the claim that they were fully refundable to investors if their visa applications are rejected. Sethi and his companies have instead been spending those funds.

The SEC alleges that Sethi submitted false claims about the project to USCIS. Among the phony documentation that he provided to the agency in seeking preliminary approval for the project under the EB-5 program were a comfort letter from Hyatt Hotels and a backup financing letter from the Qatar Investment Authority.

The SEC's complaint alleges that Sethi and his companies made a number of misrepresentations about the project to dupe investors. Offering materials stated that investors' funds would help build "a convention center and hotel complex, including convention and meeting space, five upscale hotels, and amenities including restaurants, lounges, bars, and entertainment facilities." Sethi and his companies prominently featured in their marketing materials the purported participation of three major hotel chains in the project: Hyatt, Intercontinental Hotel Group, and Starwood Hotels. However, none of these hotel chains have executed franchise agreements to include a brand hotel in this project as represented to investors in the offering materials. Two of the chains actually terminated prior deals with other Sethi-related entities more than two years before these offering materials were circulated to investors.

The SEC further alleges that the offering materials falsely stated that construction would begin in summer 2012 and occupancy of the first tower would occur in early spring 2014. A search of the Chicago Building Permits database for the project address shows that the only recent permits are for a tent for a purported groundbreaking ceremony held in November 2012, a demolition permit, construction of a fence, and a minor electrical wiring permit.

According to the SEC's complaint, the 29-year-old Sethi misrepresented to

investors in offering materials that he has “over fifteen years of experience in real estate development and management, specifically in the lodging area.” Offering materials also misleadingly state that the project’s developer Upgrowth LLC has “more than 35 years of experience.” Illinois corporate records show that Upgrowth was just recently organized in 2010.

The SEC’s complaint alleges that Sethi, ACCC, and IRCTC violated Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. In addition to the temporary restraining order and asset freeze granted by the court, the SEC’s complaint seeks permanent injunctions and other monetary relief.

The SEC’s investigation, which is continuing, has been conducted by Mika M. Donlon and Adam J. Eisner under the supervision of C. Joshua Felker. Patrick M. Bryan will lead the litigation. The SEC acknowledges the substantial assistance of the USCIS.

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<http://www.sec.gov/news/press/2012/2013-20.htm>

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Modified: 02/08/2013