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MEMORANDUM

TO:

The Honorable Patrick O. Gottschalk

FROM:

Jeffrey M. Anderson

DATE:

November 19, 2009

SUBJECT:

WM GreenTech Automotive Corporation

Seeking Support for Extension of EB-5 Regional Center Into Virginia

As you know, WM GreenTech Automotive Corporation ("GTA") is looking for a location for an automobile assembly plant. In the initial phase, the plant would produce energy-efficient vehicles per year, using employees deploying for a location for an automobile assembly plant. A site in County, Virginia is under consideration.

Although GTA has identified a few potential sources of capital for the plant, the current focus is on financing the initial phase of the plant through investments made by foreign citizens looking for an opportunity to live in the United States. The "EB-5 Program" allows foreign citizens who invest at least \$500,000 in a business in the United States to apply for permanent residency in the United States for themselves and their immediate family members. To qualify for the \$500,000 threshold (as opposed to an otherwise-applicable \$1 million threshold), the investment must be made for a business in a targeted employment area -- which is a rural area or an area which has experienced an unemployment rate of at least 150% of the national average. Such an investment made through a "Regional Center" needs to result in the creation, directly or indirectly, of at least 10 new jobs within about 2.5 years of making the investment. The federal government makes 10,000 EB-5 Visas available each year, with 3,000 of those targeted to investments made through Regional Centers.

In addition to the \$500,000 investment, each investor will be asked to pay a fee to the Regional Center — estimated to be approximately \$. Further, each investor will need to hire an attorney and perhaps other professionals to assist with the investor's individual visa application.

Any business or governmental entity can apply for designation as a Regional Center. The Regional Center needs to identify the areas that it will serve and types of businesses that it will support.

originally targeted its investments in an area of Mississippi covering a second possible location for a GTA plant. Those principals of GTA have

We further understand that GTA has asked Governor Kaine to write a letter to Secretary Napolitano expressing strong support for the extension of the reach of that Regional Center into Virginia. You have asked for VEDP's recommendation on the wisdom of providing such a letter of support.

Concerns Regarding the Plant:

Given the information currently available to VEDP, we have grave doubts about the business model presented to us by GTA. We have previously shared our concerns with you. GTA has promised to provide us with additional information. It may well be the case that the additional information will allay our fears. Until we receive that additional information, however, we are not inclined to support the development of the plant. The questions that we posed to GTA on October 22, 2009 are reproduced in an Appendix to this Memorandum.

We are fully cognizant of the impact that a surrounding investment and advanced manufacturing jobs could have in County and the surrounding communities. Nevertheless, we do not currently have sufficient information to fully embrace this plant.

Concerns Regarding the Financing:

GTA's business plan indicates that it will need to raise to develop the initial phase of the plant.

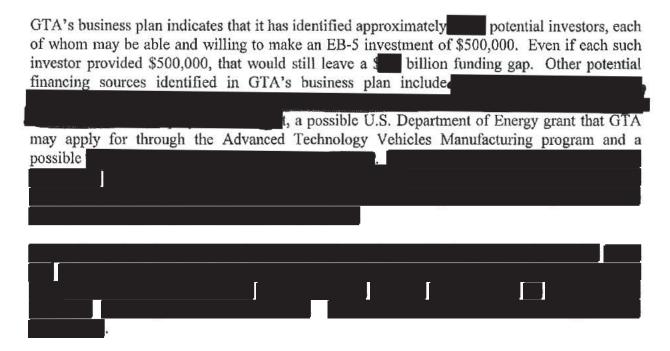
are concerned that the financing plan does not fit the rules for the EB-5 Program. If the rules of the EB-5 Program are not followed, the investors will not receive the visas that they thought they would receive. If all, or any significant portion, of the investors were to not ultimately receive the visas, that would give the Commonwealth a black eye, in the view of other companies or investors looking for possible business connections with the Commonwealth. Knowing that the Governor of Virginia strongly supported the creation of the Regional Center would cause some to conclude that the Commonwealth knew, or should have known, that there were problems, but proceeded nonetheless.

Here are a couple of the details that lead us to question whether the EB-5 Program is a valid financing mechanism for the plant:

• Since GTA will need the funds to develop the plant, it will need the funds largely upfront. The EB-5 Program requires that the jobs be created within about 2.5 years.

Even with a significant multiplier, it is unlikely that GTA will put enough folks to work quickly enough to satisfy the requirements of the EB-5 Program.

If GTA is looking to raise significant funds through the EB-5 Program, there may not be
enough EB-5 visas available for this project and all of the other qualifying projects
nationwide.



Concerns Regarding the Ties Between GTA and the Regional Center:

Foreign investors will be looking to the Regional Center to ensure that reasonable business investments are made that will protect the investment made by those investors, while satisfying the visa requirements of the EB-5 Program. We believe that having the principals of the Regional Center be the same as the principals of the company benefiting from the investment creates a conflict of interest. Furthermore, having the principals benefit monetarily from the fees to be charged to the investors creates a conflict of interest. Certainly, the Regional Center will have expenses and will have ongoing obligations to its investors. Some may view the fees paid to the Regional Center as being excessive, when the principals may also be compensated by the company that is receiving the funds channeled through the Regional Center.

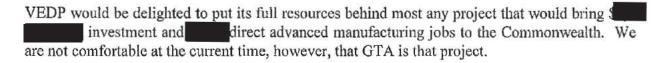
Ways to Ameliorate the Concerns:

At a minimum, the Governor could insist that disclaimers be put into the offering document to be presented to potential investors saying that the Commonwealth's support is limited and does not

extend to making promises regarding the success of the plant or the investors' chances for complying with the EB-5 Program. Whether a foreign investor, unfamiliar with U.S. business practices, will understand and appreciate the disclaimer, is a large question.

The Governor could, further, insist that the Regional Center break its formal ties with GTA. An independent Regional Center may, however, refuse to facilitate investments in GTA.

Recommendation:



Whether an EB-5 Regional Center may be appropriate for the Commonwealth is a decision for further study. We have an internal study underway to determine whether an EB-5 Regional Center in the Commonwealth would be an effective and efficient financing tool for a variety of projects. We will likely, in any event, conclude that a Regional Center that is linked to the project to be funded creates an inappropriate conflict of interest. We are not comfortable at the current time that having a GTA-related Regional Center in the Commonwealth funneling dollars to GTA is a wise business decision.

Until questions regarding the plant are answered and a complete financing solution is identified, we recommend that the Governor decline the opportunity to support the expansion into Virginia of the Gulf Coast Funds Management LLC Regional Center affiliated with GTA.

Appendix: Questions Posed to GTA by VEDP on October 22, 2009

JMA/sjm

APPENDIX TO NOVEMBER 19, 2009 MEMORANDUM

On October 22, 2009, in an effort to perform an adequate level of due diligence on GTA, the following questions were asked of GTA, using its first name "Greentech." Except as noted on the last question, VEDP has yet to receive answers to these questions:

last	question, VEDP has yet to receive answers to these questions:
•	As of today, certification of mpg and miles driving range on a single battery charge for specific Greentech models (presumably subcompact and compact versions) could be considered breakthrough developments vis-a-vis the current competition. In what vehicle(s) and where has this hybrid powertrain technology been successfully demonstrated and/or certified?
•	How does the "super platform" technology differ from the cost competitive, shared global platform manufacturing strategy currently utilized by several market-leading OEMs?
•	How will Greentech be cost competitive given that capital investment, job creation and acreage requirements are 60% to 60% of recent automotive assembly projects with comparable annual production capacity?
0	With regard to financial backing, what capital contribution currently exists? What
	entities, including these, have contributed what amounts so far?
•	When are strategic partnership agreements with expected to be finalized?
•	
0	What do \$ million of technology fees represent? Who would these projected fees be payable to?
•	



- For EB-5 purposes, Greentech employment of assembly plant employees by 2012 equates to total direct and indirect creation of somewhere between jobs. Under the "Bear Scenario", your company plans to raise \$ billion through EB-5 investors at the \$500,000 per investor threshold. That would require investors and necessitate the creation of direct and indirect jobs by 2012. How will you fulfill the requirement to create the bew jobs?
- We request your help in better understanding the company's unique value proposition for a successful start-up of operations in especially in light of Greentech's recent announcement to establish a \$1 billion and 1,500 employee assembly plant operation in Mississippi. How do you plan to successfully start up two major automotive assembly operations at the same time?
 - o GTA has recently informed us that it does not, initially, plan to develop both a plant in Virginia and a plant in Mississippi. It will choose one or the other.