



U.S. Securities and Exchange Commission

U.S. SECURITIES AND EXCHANGE COMMISSION

Litigation Release No. 23944 / September 27, 2017

Securities and Exchange Commission v. Edward Chen, et al.* □ *Civil Action No. CV 17-6929 PA (JEMx) (C.D. Cal., filed September 20, 2017)

SEC Halts EB-5 Scheme in Los Angeles Area

The Securities and Exchange Commission has obtained an emergency court order to freeze the assets of a husband and wife in Arcadia, California, who allegedly defrauded investors in two EB-5 investment offerings.

According to the SEC's complaint unsealed yesterday in the U.S. District Court for the Central District of California, Edward Chen (a/k/a Jianqiao Chen, Jian Qiao Chen, and Jian Chen) and Jean Chen (a/k/a Jing Jiang and Jean Jiang) control several companies that raised more than \$22.5 million from 45 investors in China for the development of an interior design center in Ontario, California, and a residential condominium building in Los Angeles. The offerings utilized the federal EB-5 program that provides a method for foreign investors to obtain visas by investing in projects that create or preserve at least 10 jobs for U.S. workers.

But the SEC alleges that the Chens stole more than \$12 million out of investor funds by issuing cashier's checks to Jean Chen, transferring the money to affiliated entities, and purchasing residential real estate completely unrelated to the two EB-5 projects. The Chens allegedly misappropriated more than 91 percent of the money raised from investors in the interior design center project.

The SEC's complaint further alleges that the Chens and their companies provided investors a fake lease for the interior design center that changed the name of the real lessor to a Chen-controlled entity and overstated the true size of the leased space five-fold. According to the complaint, investors then submitted it to the federal agency that administers the EB-5 program, U.S. Citizenship and Immigration Services (USCIS), as part of their applications. According to the SEC's complaint, the purported center is an undecorated, half-empty warehouse space with one apparent employee while reports submitted to USCIS represented that the project is fully functional and has generated 345 jobs.

On September 20, 2017, the district court granted the SEC's request for a temporary restraining order against Edward Chen, Jean Chen, Home Paradise Investment Center LLC, GH Investment LP, GH Design Group LLC, Golden Galaxy LP, and Mega Home LLC. The court's order also appointed a temporary receiver over the five corporate defendants and four affiliated entities controlled by the Chens: Four Star Realty Group Inc., Home

Paradises LLC, US Grandhood LLC, and First Financial Investment Group LLC. The court also froze the assets of all of the defendants and the four affiliates. A court hearing has been scheduled for October 4, 2017, on the SEC's motion for a preliminary injunction.

The SEC's investigation was conducted by Junling Ma and Benjamin Faulkner of the Los Angeles Regional Office and supervised by Robert Conrad. The SEC's litigation will be led by Donald Searles, Kristin Escalante, and Amy Longo. The SEC appreciates the assistance of USCIS.

➤ [SEC Complaint](#)

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