

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

PALM HOUSE HOTEL, LLLP, et al.,

Defendants and Relief Defendants.

Case No.: 9:18-CV-81038-DMM

**Palm House Hotel Distribution Fund Notice<sup>1</sup>**

If you purchased one or more limited partnership interest(s) in the Palm House Hotel, LLLP while participating in the Immigrant Investor Program ("EB-5 Program"), and suffered a loss as a result of the conduct described in the Complaint in the federal district court matter captioned above, you may be eligible for a distribution from the Palm House Hotel Distribution Fund (the "Distribution Fund").

You do not need to submit a claim form; eligible investors will be identified, and distribution payments calculated, based on the records obtained by the Securities and Exchange Commission ("SEC") staff during the investigation of this matter and otherwise. **However, you must timely submit certain payment and tax information in response to this Notice in order to be considered for eligibility under the Court- approved distribution plan.**

The information contained in this Notice is only a summary. More detailed information and important documents can be found on the website dedicated to this matter: [www.PalmHouseHotelFund.com](http://www.PalmHouseHotelFund.com).

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IF YOU SATISFY THE ELIGIBILITY CRITERIA UNDER THE PLAN AND YOU TIMELY PROVIDE THE INFORMATION REQUESTED BY THIS NOTICE IN THE "REQUESTED DOCUMENTATION" SECTION ON PAGE 3 OF THIS NOTICE, YOU MAY RECEIVE A PAYMENT FROM THE DISTRIBUTION FUND.

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<sup>1</sup> Capitalized terms not defined in this Notice are used as defined in the Plan of Distribution, available for download on the website dedicated to this matter: [www.PalmHouseHotelFund.com](http://www.PalmHouseHotelFund.com) or on the Securities and Exchange Commission webpage for this matter: <https://www.sec.gov/divisions/enforce/claims/palm-house-hotel.htm> .

## **Background**

### **The Civil Action**

On August 18, 2018, the SEC filed a complaint (the “Complaint”) against Palm House Hotel, LLLP (“PHH”), South Atlantic Regional Center, LLC (“SARC”), Joseph J. Walsh, Sr. (“Walsh”), Robert V. Matthews (“Matthews”) (collectively, the “Defendants”), and named 160 Royal Palm, LLC (“Royal Palm”) and United States Regional Economic Development Authority LLC d/b/a EB5 Petition (“USREDA”) as relief defendants. The SEC alleged that, from November 2012 to March 2015, the Defendants defrauded 88 foreign investors participating in the EB-5 Program out of approximately \$44 million dollars by misrepresenting that PHH would loan investor funds to Palm House LLC to acquire, develop, and operate the Palm House Hotel located in Palm Beach, Florida. The SEC alleged that, instead, Walsh and Matthews misappropriated a significant portion of the investor funds.

On November 20, 2019, the Court entered final judgment against Royal Palm, ordering Royal Palm to pay disgorgement and prejudgment interest of \$27,671,214.35. By final judgments entered on March 11, 2020, the Court ordered SARC, Walsh and USREDA to pay a total of \$65,172,165 in disgorgement and prejudgment interest, and ordered Walsh to pay a civil penalty of \$8,078,000.

### **The Distribution Fund and the Distribution Agent**

Royal Palm is currently subject to Chapter 11 bankruptcy proceedings in the Southern District of Florida and the SEC has collected over \$6.6 million of its judgment against Royal Palm through those bankruptcy proceedings. The Distribution Fund is comprised of these collections.

The Distribution Fund is currently held in an interest-bearing account at the U.S. Treasury’s Bureau of Fiscal Service. Accrued interest and any additional collections will be added to the Distribution Fund.

By Order dated June 18, 2020, this Court appointed Miller Kaplan Arase LLP as Tax Administrator (the “Tax Administrator”), JND Legal Administration as Distribution Agent (the “Distribution Agent”), and authorized the SEC to pay all tax obligations and administrative fees and expenses without further Court Order (the “Appointment Order”). You can review and download a copy of this Order from the website: [www.PalmHouseHotelFund.com](http://www.PalmHouseHotelFund.com).

### **The Distribution Plan**

On November 13, 2020, the United States District Court for the Southern District of Florida approved a plan for the distribution of the Distribution Fund (the “Plan”). The Plan, available on the website at [www.PalmHouseHotelFund.com](http://www.PalmHouseHotelFund.com), sets forth the criteria and methodology by which eligibility will be determined and Distribution Payments calculated, as well as the procedures for distributing the assets of the Distribution Fund to investors harmed by the conduct alleged in the Complaint.

### **Who is Eligible?**

If you invested in PHH during the period from November 2012 through March 2015, are not an Excluded Party as defined in the Plan, and you suffered a loss according to the Plan, you may be eligible for a Distribution Payment from the Distribution Fund.

Excluded Parties are set forth in paragraph 7(e) of the Plan and include the Defendants, the Relief Defendants, and any of their assigns, heirs, spouses, parents, dependents, or controlled entities.

You do not need to submit a claim form; rather, Eligible Investors will be identified, and Distribution Payments calculated, based on the records obtained by the SEC during the investigation of this matter and otherwise.

### **Requested Documentation**

In order to be included in the distribution, Potentially Eligible Investors must timely provide to the Distribution Agent the payment information and tax certification described below. Instructions for securely uploading or sending the requested information is below and also can be found, along with this Plan Notice and other information, on the Distribution Agent's website at [www.PalmHouseHotelFund.com](http://www.PalmHouseHotelFund.com).

### **Payment Information**

Please completely fill out the attached Payment Form so that, if you are determined to be an Eligible Investor, a payment can be issued to you. We intend to make payments by wire directly to the Eligible Investor unless that investor fails to timely provide sufficient information to do so, in which case, if we have sufficient information, we will send a payment via Express Mail by check. Each Potentially Eligible Investor must ***timely complete, sign, and submit*** the Payment Form, which includes a sworn declaration at the bottom, in order to be considered for eligibility for a Distribution Payment.

### **Tax Certification**

To ensure that the Distribution Fund can comply with its reporting and/or withholding obligations, please download, complete and sign, and submit to the Distribution Agent one (1) of the following forms, as applicable. **Please note that, in connection with this distribution, we expect that most or all investors will be providing a W-8 series form:**

- IRS Form W-9 (U.S. "Persons" only, as defined below, available at <https://www.irs.gov/forms-instructions> under "Popular Forms, Instructions & Publications"); **OR**
- IRS Form W-8BEN, W-8BEN-E, or other W-8 series form (available at <https://www.irs.gov/forms-instructions>, search the term "W-8")

If you are a U.S. person, as that term is defined below, then you should complete the IRS Form W-9.

If you are ***not*** a U.S. person, then you should ***not*** complete the Form W-9. Instead, you should complete IRS Form W-8BEN, W-8BEN-E, or other W-8 series form, as applicable to you.

The term “U.S. person” means:

- A citizen or resident of the United States,
- A partnership created or organized in the United States or under the law of the United States or of any State, or the District of Columbia,
- A corporation created or organized in the United States or under the law of the United States or of any State, or the District of Columbia,
- Any estate or trust other than a foreign estate or foreign trust (see Internal Revenue Code § 7701(a)(31) for the definition of a foreign estate and a foreign trust), or
- Any other person that is not a foreign person.

If the Distribution Fund does not receive a valid and complete Form W-9 or W-8 from you, the Distribution Fund may be required under the Internal Revenue Code to make certain presumptions about you for purposes of tax reporting and, as applicable, withholding. The Distribution Fund may be required to presume the interest portion of the Distribution Payment is being paid to: (1) a payee subject to 30% withholding under the Foreign Account Tax Compliance Act (“FATCA”) and reporting on Form 1042-S; (2) a nonresident alien of the U.S. (“NRA”) subject to reporting and 30% NRA withholding and reporting on Form 1042-S; or (3) a U.S. person subject to 24% backup withholding and reporting on Form 1099-INT.

#### **Uploading and/or Securely Sending the Requested Information**

All Potentially Eligible Investors will be sent a separate email, with instructions on how to upload and/or securely send the requested information, contemporaneously with the Plan Notice.

#### **Obtaining a Plan of Distribution and Additional Information**

Please read the Plan for more detailed information. You can get a copy of the Plan at [www.PalmHouseHotelFund.com](http://www.PalmHouseHotelFund.com) and <https://www.sec.gov/divisions/enforce/claims/palm-house-hotel.htm>. You may also obtain a copy by contacting the Distribution Agent toll-free at 1-888-383-0356; by emailing [info@PalmHouseHotelFund.com](mailto:info@PalmHouseHotelFund.com); or by mailing a letter to:

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