

STATE OF VERMONT

SUPERIOR COURT
WASHINGTON UNIT

CIVIL DIVISION
Docket No. 217-4-16 Wncv

STATE OF VERMONT,)
)
 THROUGH SUSAN L. DONEGAN,)
 IN HER OFFICIAL CAPACITY)
 AS COMMISSIONER OF THE)
 VERMONT DEPARTMENT OF)
 FINANCIAL REGULATION,)
)
 and)
)
 ATTORNEY GENERAL)
 WILLIAM H. SORRELL,)
)
 Plaintiffs,)
)
 v.)
)
 ARIEL QUIROS; WILLIAM STENGER;)
 Q RESORTS, INC.; JAY PEAK, INC.;)
 JAY PEAK HOTEL SUITES, L.P.; JAY)
 PEAK HOTEL SUITES PHASE II, L.P.;)
 JAY PEAK MANAGEMENT, INC.;)
 JAY PEAK PENTHOUSE SUITES, L.P.;)
 JAY PEAK GP SERVICES, INC.;)
 JAY PEAK GOLF AND MOUNTAIN)
 SUITES, L.P.; JAY PEAK GP SERVICES)
 GOLF, INC.; JAY PEAK LODGE AND)
 TOWNHOUSES, L.P.; JAY PEAK GP)
 SERVICES LODGE, INC.; JAY PEAK)
 SUITES STATESIDE, L.P.; JAY PEAK)
 GP SERVICES STATESIDE, INC.;)
 JAY PEAK BIOMEDICAL RESEARCH)
 PARK, L.P.; and ANC BIO VERMONT)
 GP SERVICES, LLC,)
)
 Defendants.)

**DEFENDANT WILLIAM STENGER'S
ANSWER TO AMENDED COMPLAINT**

NOW COMES defendant William Stenger, by and through his attorney, David L. Cleary, Esq., of the firm of Cleary Shahi & Aicher, P.C., and by way of response to the Amended Complaint of the State of Vermont, (through the office of the Commissioner of the Vermont Department of Financial Regulation) alleges and says as follows:

Amended Complaint

Because the paragraph captioned "Amended Complaint" asserts only collective and generic violations of the Vermont Uniform Securities Act (Chapter 150 of Title 9, V.S.A., hereinafter the "VUSA"), and further, general allegations of violations of the Consumer Protection Act (Chapter 63 of Title 9, V.S.A., hereinafter the "CPA"), no specific answer is required, but insofar as an answer is required, they are currently denied.

Summary

The State asserts in general, in the first twenty-seven paragraphs of its Amended Complaint, a claimed factual summary to which the following responses are asserted:

1. Insofar as there are any allegations against William Stenger alleging any scheme to defraud, or fraudulent activity, the allegations are specifically denied. Likewise, any allegations regarding misuse by Stenger of any monies raised through the so-called EB-5 projects are specifically denied.

2. Insofar as any wrongdoing, improper solicitation, or misrepresentative marketing is in any way claimed against Stenger in ¶2, the allegations are specifically denied.

Allegations with respect to the form of the limited partnership interests are generally admitted, but it is specifically asserted on behalf of Stenger that no fraudulent

activity or intent to commit or participate in any fraudulent activity is either conceded or admitted, and any such inferences or allegations are specifically denied.

3. With respect to Stenger, it is specifically denied that EB-5 project funds were in any way improperly used to the detriment of investors, and Stenger specifically denies participation in any so-called scheme, or the use of any device or scheme, or artifice to defraud any investors in connection with the offer to sell, or the sale of or purchase of any security, as prohibited by the VUSA.

4. Insofar as the allegations of ¶4 are specifically related to activities alleged to have been committed by Ariel Quiros, they are nontraversable as to defendant Stenger, but insofar as an answer is required, they are specifically denied as to Stenger.

5. It is specifically denied that Stenger in any way misused any of the funds raised in connection with the various EB-5 projects. It is also specifically denied that Stenger participated in any way in any artifice to disguise or otherwise conceal any financial activities related to the EB-5 projects, or that Stenger participated in any way in any illegal or inappropriate activity as prohibited by the VUSA in connection with each or any of the individual EB-5 projects.

As to the remaining allegations of ¶5, insofar as they in any way allege wrongdoing, improper conduct, or inappropriate activity on the part of Stenger, they are specifically denied.

6. Specifically denied as to Stenger.

7. Insofar as any of these allegations are to be construed as allegations of inappropriate, or unlawful or otherwise constrained activity on the part of Stenger, they are specifically denied.

8. It is denied that Stenger was individually and/or solely responsible for any and all representations to investors, and it is asserted that Stenger at all times operated in good faith, and relied on the advice and direction of attorneys and accountants who were primarily responsible for the creation of the offering and other documents in connection with each of the EB-5 projects. It is further specifically denied that Stenger in any way participated in any scheme masterminded by Quiros, and it is further denied that Stenger in any way substantially assisted in any such alleged fraudulent scheme.

9. Stenger specifically asserts that he has not participated in any conduct that is violative of the anti-fraud provisions of the VUSA, and further denies that he has participated in any way in any unfair or deceptive practices, or provisions of the CPA. It is further alleged that the remedies herein sought by the State as alleged in ¶9 are inappropriate and inapplicable as to Stenger.

Parties

10. Insofar as these allegations are specifically against defendant Quiros, they are nontraversable as to defendant Stenger, but insofar as any answer is required as to Stenger, they are specifically denied.

11. Generally admitted.

12. Generally admitted on information and belief.

13. Generally admitted, specifically that Stenger was the President and a Director of Jay Peak.

14. Generally admitted.

15. Generally admitted.

16. Generally admitted.

17. Generally admitted.

18. Generally admitted.

19. Generally admitted.

20. Generally admitted.

21. Generally admitted.

22. Generally admitted.

23. Generally admitted.

24. Generally admitted.

25. Generally admitted.

26. Generally admitted.

27. Specifically with regard to any allegations leveled against Quiros, they are nontraversable as to Stenger, but insofar as an answer is required, they are denied. With respect to any allegations specifically alleged against Stenger, particularly regarding claims of any fraudulent scheme or activity on the part of Stenger, they are specifically denied.

Related Persons and Entities

28. Generally admitted on information and belief.

29. Generally admitted.

30. Generally admitted on information and belief.
31. Generally admitted on information and belief.
32. Generally admitted, based on information that was revealed in connection with the SEC action filed in the United States District Court for the Southern District of Florida.
33. Generally admitted on information and belief.
34. Generally admitted on information and belief.
35. Generally admitted.
36. Generally admitted, based on information gained in connection with the SEC investigation and allegations that resulted therefrom.

Statutory Authority, Jurisdiction and Venue

37. Insofar as they are allegations of statutory definitions and/or duties, they are nontraversable. Insofar as they are intended to be an allegation contrary to the interest or position of Stenger, they are denied.

38. Insofar as they are allegations of statutory definitions and/or duties, they are nontraversable. Insofar as they are intended to be an allegation contrary to the interest or position of Stenger, they are denied.

39. Insofar as they are allegations of statutory definitions and/or duties, they are nontraversable. Insofar as they are intended to be an allegation contrary to the interest or position of Stenger, they are denied. Additionally, it is alleged that the VCPA is an inappropriate basis for any claims or allegations against Stenger herein, and it is specifically alleged that it does not provide any remedy, as the State is asserting, for any allegations of

securities-related fraud, and insofar as any of these are intended to be construed as allegations against Stenger, they are specifically denied.

40. Although generally nontraversable, the allegations are specifically denied.

41. Specifically denied as respects any allegations under the Vermont CPA. The remaining allegations are assertions of statutory/legal duty and are therefore nontraversable as to Stenger, but insofar as an answer is required, they are denied.

42. Generally admitted, with the exception of assertions regarding application of the Vermont CPA, which are denied.

43. Generally admitted.

44. Currently nontraversable, but insofar as a specific answer is required from Stenger, currently denied.

Facts

I. EB-5 Immigrant Investor Visa Program

45. Since these are general and informative allegations, they are nontraversable as to Stenger.

46. Since these are general and informative allegations, they are nontraversable as to Stenger.

47. Since these are general and informative allegations, they are nontraversable as to Stenger.

48. Since these are general and informative allegations, they are nontraversable as to Stenger.

II. Fraudulent Use of Funds to Finance Quiros's Purchase of Jay Peak

49. Generally admitted.

50. Generally admitted.

51. Admitted.

52. Generally admitted.

53. Generally admitted.

54. Generally admitted.

55. Generally admitted.

56. Generally admitted.

57. The allegations concerning Quiros are nontraversable as to Stenger. The assertion there was "collaboration" is specifically denied as to Stenger. Assertions regarding the passage of functional control to Quiros are generally admitted.

58. Generally admitted on subsequent information and belief.

59. Assertions regarding Phase I are generally admitted. Assertions regarding Phase II are currently denied, subject to proof.

60. Generally admitted, but Stenger does not have the specific information or knowledge with regard to the agreements referenced therein.

61. Generally admitted on information and belief.

62. Generally admitted.

63. Currently admitted on information and belief.

64. Generally admitted, without knowledge of any of the internal specifics of the transactions.

65. Generally admitted.

66. Currently denied as alleged, and currently denied that Stenger was involved with or knowledgeable of any of the transfer transactions alleged in ¶66, including establishment of any so-called margin accounts, etc.

67. Currently denied as alleged, and currently denied that Stenger was involved with or knowledgeable of any of the transfer transactions alleged in ¶67, including establishment of any so-called margin accounts, etc.

68. Currently denied as alleged, and currently denied that Stenger was involved with or knowledgeable of any of the transfer transactions alleged in ¶68, including establishment of any so-called margin accounts, etc.

69. Insofar as the allegations are against or involve Quiros, they are nontraversable as to Stenger. However, insofar as an answer is required of Stenger, the allegations are specifically denied, and it is specifically asserted that Stenger had absolutely no knowledge of any such transfers.

70. Insofar as these are assertions against Quiros, they are nontraversable as to Stenger. However, insofar as there is any attempt to assert any of these allegations against Stenger, they are specifically denied. Further, it is specifically denied that Stenger was in any way involved in any inappropriate or improper financial activity or financial transactions involving the EB-5 funds. It is further asserted that Stenger was not in any way advised of or knowledgeable of the transactions referenced in ¶70 of the Amended Complaint.

71. Insofar as these allegations appear to be leveled against Quiros, they are nontraversable as to Stenger. However, to the extent that any of these allegations are intended

to be asserted against Stenger, or there are assertions that Stenger participated in any inappropriate way in connection with any of these financial transactions, the allegations are specifically denied.

72. As to allegations regarding the PPM detailed breakdown, they are generally admitted. With regard to allegations as against Quiros, regarding the use of investor funds for the purchase of Jay Peak Resort, they are admitted. However, it is specifically asserted that Stenger was not in any way knowledgeable of, nor did he participate in, any such use of investor funds. Allegations with regard to the availability of or entitlement to investor funds associated with the construction of Phase II are currently denied.

73. Any allegations as to misappropriation or inappropriate or improper activity that are intended to be asserted against Stenger are specifically denied, as are any allegations of improper use of funds by Stenger in any way.

74. As to allegations specifically leveled against Quiros, they are nontraversable as to Stenger. However, insofar as any answer is required, or any assertions are being made with regard to inappropriate or improper activity by Stenger, they are specifically denied. It is also specifically asserted that Stenger was not involved in any improper or other inappropriate use of investor funds, specifically with regard to the purchase of Jay Peak Resort or otherwise.

III. Subsequent EB-5 Projects Initiated by Quiros and Stenger

75. Generally admitted. However, specific allegations in ¶(d), ¶(e), and ¶(f) are currently denied, subject to proof.

76. Insofar as these are allegations asserted against Quiros, they are nontraversable as to Stenger. However, to the extent that any allegations are attempted to be asserted against Stenger, and therefore to which Stenger should reply, they are specifically denied.

77. Nontraversable, but generally admitted.

78. Nontraversable, but generally admitted.

79. Nontraversable, but generally admitted.

80. Generally admitted.

81. As general assertions of legal rights or responsibilities, they are generally nontraversable. Assertions regarding reasonable investor reliance are currently specifically denied.

82. Assertions as to Quiros are nontraversable as to Stenger, but insofar as an answer may be required by Stenger, they are denied. As to assertions regarding Stenger, and claimed responsibility and authority for contents, they are specifically denied. It is asserted that Stenger appropriately and reasonably relied upon representations of attorneys and accountants with regard to the propriety of such documents.

83. Insofar as it is an assertion in any way against Quiros, it is nontraversable as to Stenger. Insofar as it is an assertion against Stenger, it is nontraversable, but insofar as an answer is required, it is currently denied.

84. Generally admitted.

85. Generally admitted.

86. Insofar as the allegations relate to activities by Quiros, they are nontraversable as to Stenger, but insofar as an answer is required, they are denied. Additionally, it is specifically asserted with regard to any claims of fraud, inappropriate activity, “unfairness to investors,” or wrongdoing in any way on the part of Stenger, that those allegations or inferences are specifically denied. Any and all remaining allegations are currently denied, subject to proof. Likewise, with respect to any allegations of claimed damages to investors, and/or assertions as to Stenger of any materially false or misleading statements, or omissions of material facts are specifically denied.

IV. Financial Accounts and Defendants’ Improper Use of Margin Accounts

87. Specifically denied as to Stenger. It is asserted that Stenger was not involved in any way in any such misuse or misappropriation of investor funds and/or any effort or attempt to defraud investors.

88. Generally admitted that initially, such accounts were under the control of Stenger.

89. Generally admitted on information and belief.

90. Insofar as these allegations are and appear to be leveled against Quiros, they are nontraversable as to Stenger. However, insofar as an answer to these allegations is required by Stenger, they are specifically denied, and Stenger asserts that he was not aware of nor involved in any such creation of margin accounts, use of margin accounts, or inappropriate or improper use of any investor funds being maintained at Raymond James and/or controlled by Quiros.

91. Insofar as these are allegations against Quiros, they are nontraversable as to Stenger. However, insofar as any answer by Stenger is required, any attempt to assert these allegations against Stenger is specifically denied. It is asserted that Stenger was not in any way knowledgeable of, or involved in any manipulation and/or use of any such accounts. It is also specifically asserted that Stenger was not even knowledgeable of such account activity until after the SEC action was filed in this case.

92. Insofar as these are allegations against Quiros, they are nontraversable as to Stenger. However, insofar as any answer by Stenger is required, any attempt to assert these allegations against Stenger is specifically denied, and it is asserted that Stenger was not in any way knowledgeable of, or involved in any manipulation and/or use of any such accounts. It is also specifically asserted that Stenger was not even knowledgeable of such account activity until after the SEC action was filed in this case.

93. Insofar as these are allegations against Quiros, they are nontraversable as to Stenger. However, insofar as any answer by Stenger is required, any attempt to assert these allegations against Stenger is specifically denied, and it is asserted that Stenger was not in any way knowledgeable of, or involved in any manipulation and/or use of any such accounts. It is also specifically asserted that Stenger was not even knowledgeable of such account activity until after the SEC action was filed in this case. It is additionally asserted that Stenger was advised that for purposes of greater investor fund security, Quiros was intending to purchase treasury bills, as they were a much more secure investment for the investor funds than simple FDIC insured account protection. It is also asserted, as referenced earlier, that Stenger was not involved in, nor knowledgeable of, the establishment of or use of investor funds for the various

EB-5 projects to create margin loans or to use them for any purpose other than the specific project purposes intended.

94. It is specifically denied that Stenger was involved in and/or knowledgeable of any use of investor funds for any illegitimate business purposes, and it is specifically denied that Stenger was involved in any way in any scheme to defraud investors.

95. The assertions regarding Quiros are nontraversable as to Stenger, but insofar as any answer is required, they are denied. Additionally and specifically, it is denied that Stenger in any way assisted Quiros in any improper use or manipulation of any investor funds.

96. Insofar as the assertions or allegations are against Quiros, they are nontraversable as to Stenger, but insofar as any answer to them is required by Stenger, they are specifically denied. Likewise, it is specifically denied that Stenger had any knowledge of inappropriate or improper use AnC Bio investor monies, and it is further asserted that based on the testimony of Quiros, there is no believable assertion or inference that Stenger “knew” of the inappropriate use of AnC Bio investor monies.

97. Currently without information and belief, and as to Stenger, nontraversable, but insofar as an answer is required, currently denied, subject to proof.

98. Nontraversable as to Stenger, but insofar as Stenger would be required to respond to this allegation, Stenger denies any involvement in any improper or other unauthorized or inappropriate use of investor monies.

99. Generally denied, and it asserted that the T-bill investment plan was asserted by Quiros to be for additional safety and security for the EB-5 project funds. It is specifically

asserted that Stenger was not in any way involved in or knowledgeable of the so-called margin loan programs established by Quiros and/or Burstein and Raymond James.

100. Currently denied.

101. Generally admitted.

V. **Misappropriations, Misuses, and Material Misrepresentations and Omissions**

102. Each and every allegation asserted is specifically denied as to Stenger.

103. Generally admitted.

104. Generally admitted, but it is specifically asserted that Stenger was not in any way involved in and/or knowledgeable of any inappropriate or unauthorized use of investor funds in any way contrary to the provisions of the PPMs.

105. Generally admitted.

106. The allegations are generally denied as to Stenger. It is, however, admitted that funds were transferred to Raymond James accounts that were controlled by Quiros, and for which Stenger did not have signatory authority or control.

107. Generally admitted, but asserted that Stenger was not aware of any such activities regarding the use of the partnership funds for each of the EB-5 projects as alleged in this paragraph.

108. Insofar as the assertions and allegations are leveled against Quiros, they are nontraversable as to Stenger. However, insofar as any answer is required by Stenger, it is specifically denied that he was in any way involved with any of the activities asserted in ¶108.

109. Denied as to Stenger.

a. Phase I

110. Generally admitted, subject to proof.

111. As the allegations are generally against Quiros, they are nontraversable as to Stenger, but insofar as an answer is required of Stenger, each and any allegation is denied. Stenger reasserts that he was not aware of or involved in any misappropriation or other inappropriate or improper use of investor funds.

112. It is denied that Stenger was knowledgeable of or in any way involved with the actions of Quiros as alleged in this Amended Complaint, and therefore he would not have been in a position to obtain prior consent of any investors for such activity.

113. Generally admitted, however, it is again asserted that Stenger was not knowledgeable of or involved in any such alleged inappropriate activities.

b. Phase II

114. Generally admitted, subject to proof.

115. Since the allegations are principally (if not totally) addressed to activities of Quiros, they are nontraversable as to defendant Stenger, but insofar as an answer is required by Stenger, the allegations are specifically denied. It is asserted that Stenger was unaware of, and not involved in, any such commingling, misappropriation, or other misuse of investor funds.

116. It is denied that Stenger was knowledgeable of or in any way involved with the actions of Quiros as alleged in this Amended Complaint, and therefore he would not have been in a position to obtain prior consent of any investors for such activity.

117. Generally admitted, subject to proof.

118. Denied as to Stenger.

119. Generally admitted.

c. Penthouse Suites

120. Generally admitted.

121. Specifically denied as to Stenger.

122. It is denied that Stenger was knowledgeable of or in any way involved with the actions of Quiros as alleged in this Amended Complaint, and therefore he would not have been in a position to obtain prior consent of any investors for such activity.

123. Generally admitted, subject to proof.

d. Golf and Mountain

124. Generally admitted, subject to proof.

125. Currently denied as to Stenger. Insofar as the allegations specifically relate to Quiros, they are nontraversable as to Stenger, but insofar as any additional answer is required on behalf of Stenger with regard to those allegations, they are specifically denied.

126. Specifically denied as to Stenger.

127. It is denied that Stenger was knowledgeable of or in any way involved with the actions of Quiros as alleged in this Amended Complaint, and therefore he would not have been in a position to obtain prior consent of any investors for such activity.

128. Generally admitted, subject to proof.

129. Specifically denied as to Stenger.

e. Lodge and Townhouses

130. Generally admitted, subject to proof.

131. As to allegations specifically asserted against or involving Quiros, they are nontraversable as to Stenger, but insofar as any answer is required, they are denied. Likewise, any specific allegations in this paragraph against Stenger alleging any inappropriate or unlawful activity are specifically denied.

132. Specifically denied as to Stenger.

133. It is denied that Stenger was knowledgeable of or in any way involved with the actions of Quiros as alleged in this Amended Complaint, and therefore he would not have been in a position to obtain prior consent of any investors for such activity.

134. Generally admitted, subject to proof.

135. Specifically denied as to Stenger.

f. Stateside

136. Generally admitted, subject to proof.

137. Currently without information and belief, and therefore currently denied, subject to proof. However, any assertions against Stenger individually that claim or infer any inappropriate, unlawful, or fraudulent activity or intent are specifically denied. Likewise, it is additionally asserted that Stenger was not knowledgeable of, nor involved in any improper taking or use of investor funds, or any inappropriate or improper transfers of such funds for any unlawful or illegal purpose.

138. Specifically denied as to Stenger.

139. Allegations with regard to Stenger or Stenger's alleged participation in any inappropriate, fraudulent, or unlawful activity are specifically denied. Any allegations involving Stenger or any violation of representations in the PPM, the plaintiffs herein are left to their proof.

140. It is denied that Stenger was knowledgeable of or in any way involved with the actions of Quiros as alleged in this Amended Complaint, and therefore he would not have been in a position to obtain prior consent of any investors for such activity.

141. Generally admitted, subject to proof.

142. Specifically denied as to Stenger.

143. Specifically denied as to Stenger.

g. AnC Bio

(Unnumbered Paragraph) Generally admitted, subject to proof.

144. Specifically denied as to Stenger. As the allegations are specifically leveled against Quiros, they are nontraversable as to Stenger, but insofar as any of those are deemed to require an answer by Stenger, they are specifically denied.

145. It is denied that Stenger was knowledgeable of or in any way involved with the actions of Quiros as alleged in this Amended Complaint, and therefore he would not have been in a position to obtain prior consent of any investors for such activity.

146. Generally admitted, subject to proof.

147. Currently denied as to Stenger.

148. Currently denied as to Stenger. Stenger asserts that with regard to this PPM and others in general, the representations contained therein were included at the

recommendation of legal and/or accounting consultants, and Stenger fully and justifiably relied on that advice, and the inclusion of any such language within the AnC Bio PPM and/or other PPMs as appropriate. The remaining allegations as to Stenger are denied.

149. Currently denied as to Stenger. Stenger asserts that with regard to this PPM and others in general, the representations contained therein were included at the recommendation of legal and/or accounting consultants, and Stenger fully and justifiably relied on that advice, and the inclusion of any such language within the AnC Bio PPM and/or other PPMs as appropriate. The remaining allegations as to Stenger are denied.

150. Currently denied as to Stenger.

151. Currently without information and belief, and therefore currently denied, subject to proof.

152. Insofar as these are allegations alleging any deviation from standard of care, or violation of any Vermont acts or statutes as to Stenger, the allegations are specifically denied. It is asserted that Stenger was not aware of any alleged past financial troubles involving AnC Bio Pharm.

153. As these assertions are leveled against Quiros, they are nontraversable as to Stenger, but insofar as any response is required by Stenger, any inferential allegations are specifically denied. It is also asserted that Stenger was not aware of, nor involved in any such misappropriations or misuse, or inappropriate collateralization, or other use of investor funds by Quiros.

154. Currently without information and belief, but aware that these allegations have been leveled against Quiros by various governmental entities.

155. Currently without information and belief, but aware that these allegations have been leveled against Quiros by various governmental entities.

156. Currently without information and belief, but aware that these allegations have been leveled against Quiros by various governmental entities.

157. As the substantial allegations are against Quiros, and therefore nontraversable as to Stenger, no answer is required. However, to the extent that any answer is required as to Stenger, the allegations are denied. Likewise, any specific allegation that Stenger was involved in any material misrepresentation is specifically denied.

158. Allegations against Quiros are nontraversable as to Stenger, however, to the extent any specific allegation is alleged against Stenger, and further, to the extent that allegations involves claims of wrongdoing, misappropriation, or inappropriate handling of or dealing with investor money, they are specifically denied.

159. Currently without information and belief, and specifically, nontraversable as to Stenger, but insofar as an answer is required by Stenger, any involvement in, knowledge of, or inappropriate use of any investor funds is specifically denied.

160. Nontraversable as to Stenger, but insofar as any allegations is intended to apply to Stenger, it and/or they are specifically denied.

161. Currently without information and belief, and therefore currently denied, subject to proof.

VI. Continued Fundraising

162. Generally nontraversable, but insofar as there are any allegations contained herein which are to be construed as allegations against Stenger, which the State asserts to be

contrary to any of the Vermont acts or statutes, or in violation of any investor agreements as to Stenger, they are specifically denied.

COUNTS

COUNT 1

Violations of Section 5501 of the Vermont Uniform Securities Act (Phase I)

(Against Defendants Quiros, Stenger, Phase I Limited Partnership, Phases I and II General Partner, Q Resorts, and Jay Peak)

1. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

2. Generally admitted.

3. Specifically denied as to Stenger. It is further specifically asserted that each and every critical element of the State's claim for violation of the VUSA in connection with the sale of any such security is lacking, and therefore it is asserted there is no actionable fraud as to Stenger that forms any basis for the allegations of the State in this Amended Complaint.

It is further asserted that Stenger is not in any way in violation of the provisions of the VUSA. Any other specific allegations in this paragraph as to Stenger are specifically denied.

COUNT 2

Violations of Section 5501 of the Vermont Uniform Securities Act (Phase II)

(Defendants Quiros, Stenger, Phase II Limited Partnership, Phases I and II General Partner, Q Resorts, and Jay Peak)

4. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

5. Generally admitted.

6. Specifically denied as to Stenger. It is further specifically asserted that each and every critical element of the State's claim for violation of the VUSA in connection with the sale of any such security is lacking, and therefore it is asserted there is no actionable fraud as to Stenger that forms any basis for the allegations of the State in this Amended Complaint.

It is further asserted that Stenger is not in any way in violation of the provisions of the VUSA. Any other specific allegations in this paragraph as to Stenger are specifically denied.

COUNT 3

Violations of Section 5501 of the Vermont Uniform Securities Act (Phase III)

(Defendants Quiros, Stenger, Penthouse Suites Limited Partnership, Jay Peak GP Services, Q Resorts, and Jay Peak)

7. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

8. Generally admitted.

9. Specifically denied as to Stenger. It is further specifically asserted that each and every critical element of the State's claim for violation of the VUSA in connection with the sale of any such security is lacking, and therefore it is asserted there is no actionable fraud as to Stenger that forms any basis for the allegations of the State in this Amended Complaint.

It is further asserted that Stenger is not in any way in violation of the provisions of the VUSA. Any other specific allegations in this paragraph as to Stenger are specifically denied.

COUNT 4

Violations of Section 5501 of the Vermont Uniform Securities Act (Phase IV)

**(Defendants Quiros, Stenger, Golf and Mountain Limited Partnership,
Jay Peak GP Services Golf, Q Resorts, and Jay Peak)**

10. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

11. Generally admitted.

12. Specifically denied as to Stenger. It is further specifically asserted that each and every critical element of the State's claim for violation of the VUSA in connection with the sale of any such security is lacking, and therefore it is asserted there is no actionable fraud as to Stenger that forms any basis for the allegations of the State in this Amended Complaint.

It is further asserted that Stenger is not in any way in violation of the provisions of the VUSA. Any other specific allegations in this paragraph as to Stenger are specifically denied.

COUNT 5

Violations of Section 5501 of the Vermont Uniform Securities Act (Phase V)

**(Defendants Quiros, Stenger, Lodge and Townhouses Limited Partnership,
Jay Peak GP Services Lodge, Q Resorts, and Jay Peak)**

13. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

14. Generally admitted.

15. Specifically denied as to Stenger. It is further specifically asserted that each and every critical element of the State's claim for violation of the VUSA in connection with

the sale of any such security is lacking, and therefore it is asserted there is no actionable fraud as to Stenger that forms any basis for the allegations of the State in this Amended Complaint.

It is further asserted that Stenger is not in any way in violation of the provisions of the VUSA. Any other specific allegations in this paragraph as to Stenger are specifically denied.

COUNT 6

Violations of Section 5501 of the Vermont Uniform Securities Act (Phase VI)

(Defendants Quiros, Stenger, Stateside Limited Partnership, Jay Peak GP Services Stateside, Q Resorts, and Jay Peak)

16. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

17. Generally admitted.

18. Specifically denied as to Stenger. It is further specifically asserted that each and every critical element of the State's claim for violation of the VUSA in connection with the sale of any such security is lacking, and therefore it is asserted there is no actionable fraud as to Stenger that forms any basis for the allegations of the State in this Amended Complaint.

It is further asserted that Stenger is not in any way in violation of the provisions of the VUSA. Any other specific allegations in this paragraph as to Stenger are specifically denied.

COUNT 7

Violations of Section 5501 of the Vermont Uniform Securities Act (Phase VII)

(Defendants Quiros, Stenger, AnC Bio Limited Partnership, AnC Bio General Partner, Q Resorts, and Jay Peak)

19. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

20. Generally admitted.

21. Specifically denied as to Stenger. It is further specifically asserted that each and every critical element of the State's claim for violation of the VUSA in connection with the sale of any such security is lacking, and therefore it is asserted there is no actionable fraud as to Stenger that forms any basis for the allegations of the State in this Amended Complaint.

It is further asserted that Stenger is not in any way in violation of the provisions of the VUSA. Any other specific allegations in this paragraph as to Stenger are specifically denied.

COUNT 8

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Phase I)

(Defendants Quiros, Stenger, Phase I Limited Partnership, Phases I and II General Partner, Q Resorts, and Jay Peak)

22. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

23. Specifically denied as to Stenger. It is further asserted that Vermont's Consumer Protection Act does not apply, nor does it provide any remedy regarding any allegations of the State of Vermont asserted in this Amended Complaint, as it relates to Stenger.

24. Specifically denied as to Stenger.

COUNT 9

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Phase II)

**(Defendants Quiros, Stenger, Phase II Limited Partnership, Phases I and II
General Partner, Q Resorts, and Jay Peak)**

25. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

26. Specifically denied as to Stenger. It is further asserted that Vermont's Consumer Protection Act does not apply, nor does it provide any remedy regarding any allegations of the State of Vermont asserted in this Amended Complaint, as it relates to Stenger.

27. Specifically denied as to Stenger.

COUNT 10

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Phase III)

**(Defendants Quiros, Stenger, Penthouse Suites Limited Partnership,
Jay Peak GP Services, Q Resorts, and Jay Peak)**

28. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

29. Specifically denied as to Stenger. It is further asserted that Vermont's Consumer Protection Act does not apply, nor does it provide any remedy regarding any allegations of the State of Vermont asserted in this Amended Complaint, as it relates to Stenger.

30. Specifically denied as to Stenger.

COUNT 11

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Phase IV)

**(Defendants Quiros, Stenger, Golf and Mountain Limited Partnership,
Jay Peak GP Services Golf, Q Resorts, and Jay Peak)**

31. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

32. Specifically denied as to Stenger. It is further asserted that Vermont's Consumer Protection Act does not apply, nor does it provide any remedy regarding any allegations of the State of Vermont asserted in this Amended Complaint, as it relates to Stenger.

33. Specifically denied as to Stenger.

COUNT 12

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Phase V)

**(Defendants Quiros, Stenger, Lodge and Townhouses Limited Partnership,
Jay Peak GP Services Lodge, Q Resorts, and Jay Peak)**

34. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

35. Specifically denied as to Stenger. It is further asserted that Vermont's Consumer Protection Act does not apply, nor does it provide any remedy regarding any allegations of the State of Vermont asserted in this Amended Complaint, as it relates to Stenger.

36. Specifically denied as to Stenger.

COUNT 13

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Phase VI)

**(Defendants Quiros, Stenger, Stateside Limited Partnership,
Jay Peak GP Services Stateside, Q Resorts, and Jay Peak)**

37. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

38. Specifically denied as to Stenger. It is further asserted that Vermont's Consumer Protection Act does not apply, nor does it provide any remedy regarding any allegations of the State of Vermont asserted in this Amended Complaint, as it relates to Stenger.

39. Specifically denied as to Stenger.

COUNT 14

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Phase VII)

(Defendants Quiros, Stenger, AnC Bio Limited Partnership, AnC Bio General Partner, Q Resorts, and Jay Peak)

40. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

41. Specifically denied as to Stenger. It is further asserted that Vermont's Consumer Protection Act does not apply, nor does it provide any remedy regarding any allegations of the State of Vermont asserted in this Amended Complaint, as it relates to Stenger.

42. Specifically denied as to Stenger.

COUNT 15

Violations of Section 2453(a) of the Vermont Consumer Protection Act (all Phases)

(All Defendants)

43. Defendant Stenger's responses to ¶1 through ¶162 of the Amended Complaint, are reasserted, realleged, and incorporated herein by reference as if fully set forth.

44. Specifically denied as to Stenger. It is further asserted that Vermont's Consumer Protection Act does not apply, nor does it provide any remedy regarding any allegations of the State of Vermont asserted in this Amended Complaint, as it relates to Stenger.

Any and all allegations in any paragraph herein not expressly and unequivocally admitted are hereby denied.

WHEREFORE, defendant William Stenger respectfully requests that the Court deny the various forms of relief sought by the State of Vermont in the Relief Sought section of this Amended Complaint (¶¶1 through 11 inclusive), and alternatively, that the Court dismiss the claims against William Stenger, based on the assertions to the claims of the plaintiff, and further, that the Court conclude that this matter should be dismissed as to William Stenger, and that the plaintiff take nothing by way or, or in connection with any of the claims asserted herein, for and on account of the additional reasons/affirmative defenses stated herein.

AFFIRMATIVE DEFENSES

By way of affirmative defense, defendant Stenger alleges as follows:

1. Failure to state a claim upon which relief can be granted under the Vermont Rules of Civil Procedure.
2. Failure of the Vermont State Consumer Protection Act to provide any basis for any form of relief, or any remedy for allegations of securities-related fraud as alleged by the plaintiffs herein, *inter alia*, for the following additional reason: the claims of the State are specifically asserted and based upon the specific provisions and/or alleged violations of the Vermont Uniform Securities Act, which the defendant Stenger asserts is the sole, if any,

statutory authority or remedy for claims asserted against him by the State of Vermont herein. In effect, any claims of the State based upon the Vermont Consumer Protection Act must be dismissed.

3. Failure to plead fraud with the particularity required by applicable law in the State of Vermont, and as envisioned by the Vermont Uniform Securities Act.

4. Claims by the State with regard to imposition of fines, penalty, forfeiture, or any other damages as against Stenger accrued over six years ago and are time-barred under applicable Vermont statutes of limitations. Further, and by analogy, and to the extent that the Vermont Act relies upon the federal securities act, they are likewise time barred, based on recent case law interpretation of the applicable statute of limitations in such cases made and provided.

5. Stenger, in good faith and in reasonable reliance thereon, sought and received advice and opinions of counsel, and/or skilled accountants in order to ensure compliance with any and all state securities laws in connection with each and every EB-5 offering. It is therefore asserted that Stenger did comply, or certainly in good faith attempted to comply with such advice and opinions to ensure full compliance with all securities laws in connection with each EB-5 offering. Therefore, Stenger acted in good faith, and without any intent to deceive, manipulate, defraud, or violate any such security laws, and/or otherwise or in any way to benefit from any such activity.

6. It is further asserted that Stenger did not in any way personally benefit from any alleged inappropriate or unlawful use of any investor funds as alleged to have occurred and involving others in this action.

7. Injunctive relief is inappropriate and should not be applied here, because Stenger has not violated the Vermont Uniform Securities Act, and therefore, no equitable need for such relief as against Stenger can be demonstrated.

8. To the extent that any of these allegations are in general, or directly or indirectly, or by inference already asserted in connection with any action by the Securities and Exchange Commission in the federal action now pending in the United States District Court for the Southern District of Florida, the State's action is duplicative, and inappropriate, and denies Stenger procedural and/or substantive due process, and the equal protection of the law clauses of the United States and Vermont Constitutions.

9. Insofar as it is applicable, and to the extent that the claims asserted by the State in its Amended Complaint are claims involving, or claims that can be construed as involving allegations of negligence against Stenger, Stenger asserts the doctrine of intervening efficient causation, good faith, and justifiable reliance on assertions of other principals involved in these EB-5 projects, including, specifically, financial institutions that aided or abetted Quiros in connection with any alleged violations of the applicable statutes in Vermont or otherwise.

10. Insofar as it is applicable, and likewise with regard to any allegations that are or can be construed as alleging negligence against Stenger, contributory negligence on the part of the plaintiff, sufficient to bar recovery against Stenger herein.

11. Insofar as it is applicable, bar by virtue of the doctrines of waiver and/or estoppel.

12. It is affirmatively asserted that the State does not have and cannot assemble evidence sufficient to establish the prerequisites for Stenger's liability under any of the statutes

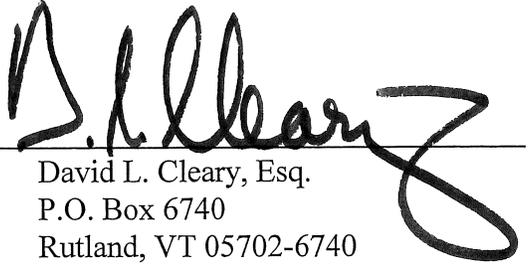
asserted by the plaintiff, and it is particularly asserted that the plaintiff does not have clear and convincing evidence of Stenger's violation of any of the statutes cited.

DEMAND FOR TRIAL BY JURY

Defendant William Stenger demands a trial by jury on all issues so triable.

Dated at Rutland, Vermont, this 7th day of September, 2016.

CLEARY SHAHI & AICHER, P.C.

By: 
David L. Cleary, Esq.
P.O. Box 6740
Rutland, VT 05702-6740
(802) 775-8800
dlc@clearyshahi.com