STATE OF VERMONT

WASHINGTON UNIT
CIVIL DIVISION

SUPERIOR COURT
WASHINGTON UNIT

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CIVIL DIVISION
DOCKET NO. 217-4-16 Wncv

STATE OF VERMONT,)
)
THROUGH SUSAN L. DONEGAN,) FILED
IN HER OFFICIAL CAPACITY)
AS COMMISSIONER OF THE)
VERMONT DEPARTMENT OF)
FINANCIAL REGULATION,)
)
and)
)
ATTORNEY GENERAL)
WILLIAM H. SORRELL,)
)
Plaintiffs,)
)
v.) **COMPLAINT**
)
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.)

TABLE OF CONTENTS

SUMMARY 2

PARTIES 5

RELATED PERSONS AND ENTITIES 8

STATUTORY AUTHORITY, JURISDICTION, AND VENUE 9

FACTS 11

I. EB-5 Immigrant Investor Visa Program 11

II. Fraudulent Use of Funds to Finance Quiros' Purchase of Jay Peak 12

III. Subsequent EB-5 Projects Initiated by Quiros and Stenger 16

IV. Financial Accounts and Defendants' Improper Use of Margin Accounts 19

V. Misappropriations, Misuses, and Material Misrepresentations and Omissions 22

a. Phase I 24

b. Phase II 25

c. Penthouse Suites 26

d. Golf and Mountain 28

e. Lodge and Townhouses 29

f. Stateside 30

g. AnC Bio 32

VI. Continued Fundraising 37

COUNTS 37

RELIEF SOUGHT 48

COMPLAINT

The State of Vermont, through Susan L. Donegan, in her official capacity as Commissioner of the Vermont Department of Financial Regulation (the "Commissioner") and Attorney General William H. Sorrell, make the following complaint against 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 (collectively, "Defendants"[1]) for multiple violations of the Vermont Uniform Securities Act (the "VUSA"), Chapter 150 of Title 9, Vermont Statutes Annotated; and the Consumer Protection Act (the "CPA"), Chapter 63 of Title 9, Vermont Statutes Annotated.

SUMMARY

1. Since 2008, Defendants Ariel Quiros and William Stenger have orchestrated a large-scale investment scheme to defraud investors participating in the "EB-5 Program," a federal visa initiative designed to give foreign investors a legal path to obtain United States residency. Quiros and Stenger used multiple limited partnerships, limited liability companies, and corporate entities they control to assist in carrying out the fraudulent scheme. To date, as part of the fraudulent scheme, Defendants have solicited and raised at least $350 million in investment funds through seven limited partnerships. Of that amount, Defendants have misused

[1] "Defendants" refers to the defendants collectively: Quiros, Stenger, and the various corporate and partnership entities for the projects in which they are involved.

more than $200 million and Quiros has misappropriated at least $50 million. Defendants continue to solicit and raise investment funds for two ongoing EB-5 Projects.

2. The victims of this fraud are foreign nationals seeking residency in the United States through the EB-5 Program ("investors"). Defendants solicited the investments from investors, and claimed that their funds would finance and build certain investment projects located within the Vermont Agency of Commerce and Community Development Regional Center ("EB-5 Projects"). The investments took the form of limited partnership interests (the "Securities") offered in seven private placement memoranda ("PPMs"), one for each of the seven EB-5 Projects. A PPM is a binding legal document that must, among other things, adequately disclose the objectives, risks, and terms of the offering and the purposes for which investments will be used. Through marketing efforts and use of the PPMs, Defendants convinced over 700 investors to wire the subscription price of $500,000, plus up to $50,000 in "administrative fees" to bank accounts located in Vermont for the seven EB-5 Projects.

3. Defendants treated the investor funds as an unrestricted pool of money that could be transferred between EB-5 Projects indiscriminately and used for personal benefit, despite Quiros' testimony under oath that he has "taken no investor's money, not even a penny," and Stenger's acknowledgment under oath that commingling of investor funds is prohibited and that investor funds were to be used solely for the specific EB-5 Projects. Throughout the elaborate scheme, Quiros and Stenger employed a complex web of financial accounts to improperly commingle funds, backfill funding gaps from previous projects, and misuse investor funds. Quiros misappropriated millions in investor funds to enrich himself.

4. Since 2008, Quiros has misappropriated at least $50 million of investor funds to, among other things: (1) purchase Jay Peak Resort; (2) purchase Burke Mountain Resort; (3) back

a personal line of credit to pay his personal income taxes; (4) pay taxes for an unrelated company Quiros owns; and (5) purchase a luxury condominium in Trump Place New York. Quiros also improperly used investor funds to pay for margin loan interest and fees ($2.5 million) and to pay down and pay off margin loan debts.

5. The misuse of millions of dollars of investor funds to purchase Jay Peak created a funding gap within the EB-5 Projects. Quiros and Stenger disguised the funding gap for nearly seven years by actions including inter-project transfers, commingling of investor funds, and propping up projects with margin loans. Quiros and Stenger backfilled early EB-5 Project shortfalls with investor funds raised from successive project offerings. Over the course of the last seven years, the funding gap has widened through further misappropriation and misuse of investor funds, and to date, the funding gap between existing Jay Peak EB-5 Project construction obligations, and available cash on hand and continued capital-raising capacity under the PPMs, exceeds $60 million.

6. The seven EB-5 Projects were an integral part of Defendants' scheme to defraud investors because the projects were used as vehicles to transfer investor funds, as funding sources to cover the shortfalls of other projects or resort operating costs, and as sources of funds to misuse for personal benefit. Quiros and Stenger acted through the corporate and limited partnership Defendants to perpetrate the fraudulent scheme.

7. Quiros claims that because Defendants have constructed some of the EB-5 Projects and one can "[l]ook at the hotel[,] [t]ouch the hotel[,] [c]ount the square footage,"[2] no wrongdoing has occurred. Stenger stated under oath that he has "great faith that we are accomplishing everything that we said to our investors that we are going to" and that "every

[2] Hilary Niles, *Jay Peak Defends Dissolution of Partnership with EB-5 Investors*, VT DIGGER, July 29, 2014, http://vtdigger.org/2014/07/29/ethics-jay-peak-deal-scrutiny/.

single investor is going to get everything that they wanted to get, and in some cases more." However, the fact that construction has occurred on some of the projects does not negate Quiros' misappropriation of tens of millions of dollars of investor funds for his personal enrichment, the misuse of significant sums of investor funds for purposes that were never disclosed to investors, or the approximately $60 million construction budget gap that exists as a result of the misuse and misappropriation of funds.

8. At all times material to this action, Stenger, for all of the EB-5 Projects, and Quiros, for all of the EB-5 Projects except for Phase I, were responsible for all representations to investors, and both were responsible for all material investment and expenditure decisions with respect to investor funds raised through the EB-5 Projects. Although Quiros complained about his relationship with Stenger, saying that Stenger was "going crazy" on him to purchase land in the Northeast Kingdom, that, at times, Stenger would not give him data, and that Quiros took away Stenger's part ownership in Jay Peak because of disagreements, Quiros masterminded the longstanding fraudulent scheme with substantial assistance from Stenger.

9. By the conduct described herein, Defendants have violated the anti-fraud provisions of the VUSA and the unfair and deceptive practices provisions of the CPA. Through this action, the State seeks to protect the interests of current and future investors, and requests injunctive relief, appointment of a Receiver, civil penalties, restitution, disgorgement, costs, and other appropriate relief.

PARTIES

10. Defendant Quiros is a resident of the State of Florida. Quiros also maintains a residence in the State of Vermont. Quiros exercises control over the seven limited partnership

Defendants listed below and is a member of AnC Bio GP Services, LLC, which serves as the general partner of Defendant Jay Peak Biomedical Research Park, L.P.

11. Defendant Stenger is a resident of the State of Vermont and President and Chief Executive Officer of Jay Peak, Inc. Stenger is President of the five Defendant corporations, listed below, that serve as the general partner of six of the seven limited partnership Defendants. Stenger is also a member of AnC Bio GP Services, LLC, which serves as the general partner of Defendant Jay Peak Biomedical Research Park, L.P.

12. Defendant Q Resorts, Inc. ("Q Resorts") is a Delaware corporation with a principal place of business in Florida. Quiros is the President, Shareholder, Treasurer, and Director of Q Resorts. Q Resorts owns Jay Peak Inc., the company that owns and operates the Jay Peak Resort.

13. Jay Peak, Inc. ("Jay Peak") is a Vermont corporation. Stenger is the President and Director of Jay Peak. Jay Peak owns and operates the Jay Peak Resort in Jay, Vermont.

14. Defendant Jay Peak Hotel Suites L.P. ("Phase I Limited Partnership") is a Vermont limited partnership and the issuer of securities sold to Phase I investors.

15. Defendant Jay Peak Hotel Suites Phase II L.P. ("Phase II Limited Partnership") is a Vermont limited partnership and the issuer of securities sold to Phase II investors.

16. Defendant Jay Peak Management, Inc. ("Phases I and II General Partner") is a Vermont corporation for which Stenger serves as President. Phases I and II General Partner serves as the general partner of Defendant Phase I Limited Partnership and Defendant Phase II Limited Partnership.

17. Defendant Jay Peak Penthouse Suites L.P. ("Penthouse Suites Limited Partnership") is a Vermont limited partnership and the issuer of securities sold to Penthouse Suites investors.

18. Defendant Jay Peak GP Services, Inc. ("Jay Peak GP Services") is a Vermont corporation for which Stenger serves as President. Jay Peak GP Services serves as the general partner of Defendant Penthouse Suites Limited Partnership.

19. Defendant Jay Peak Golf and Mountain Suites L.P. ("Golf and Mountain Limited Partnership") is a Vermont limited partnership and the issuer of securities sold to Golf and Mountain investors.

20. Defendant Jay Peak GP Services Golf, Inc. ("Jay Peak GP Services Golf") is a Vermont corporation for which Stenger serves as President. Jay Peak GP Services Golf serves as the general partner of Defendant Golf and Mountain Limited Partnership.

21. Defendant Jay Peak Lodge and Townhouses L.P. ("Lodge and Townhouses Limited Partnership") is a Vermont limited partnership and the issuer of securities sold to Lodge and Townhouses investors.

22. Defendant Jay Peak GP Services Lodge, Inc. ("Jay Peak GP Services Lodge") is a Vermont corporation for which Stenger serves as President. Jay Peak GP Services Golf serves as the general partner of Defendant Lodge and Townhouses Limited Partnership.

23. Defendant Jay Peak Hotel Suites Stateside L.P. ("Stateside Limited Partnership") is a Vermont limited partnership and the issuer of securities sold to Stateside investors.

24. Defendant Jay Peak GP Services Stateside, Inc. ("Jay Peak GP Services Stateside") is a Vermont corporation for which Stenger serves as President. Jay Peak GP Services Stateside serves as the general partner of Defendant Stateside Limited Partnership.

25. Defendant Jay Peak Biomedical Research Park, L.P. ("AnC Bio Limited Partnership") is a Vermont limited partnership and the issuer of securities sold to AnC Bio investors.

26. AnC Bio Vermont GP Services, LLC ("AnC Bio General Partner") is a Vermont member-managed limited liability company whose sole members and owners include Quiros and Stenger. AnC Bio General Partner serves as general partner of Defendant AnC Bio Limited Partnership.

27. Quiros and Stenger controlled and used the seven limited partnerships, the six general partner entities, and other related corporate entities in carrying out the fraudulent scheme.

RELATED PERSONS AND ENTITIES

28. Joel Burstein ("Burstein") is a Florida resident and served as the broker-dealer for accounts associated with Quiros and the EB-5 Projects held at Raymond James Financial, Inc. ("Raymond James"), a registered broker-dealer firm. Burstein is the former son-in-law of Quiros and is the Miami Branch Manager and Vice President for Investments for the Raymond James South Florida Complex.

29. AnC Bio VT LLC ("AnC Bio Project Sponsor") is a Vermont member-managed limited liability company whose members include Quiros and Stenger.

30. Q Burke Mountain Resorts, LLC is a Vermont limited liability company that owns and operates the Q Burke ski resort in East Burke, Vermont. Quiros is the owner and sole member of Q Burke Mountain Resorts, LLC.

31. G.S.I. of Dade County, Inc. ("GSI") is a Florida corporation. Quiros is the President, Shareholder, Treasurer and Director of GSI. GSI purchased and sold land in Vermont in connection with the AnC Bio EB-5 Project.

32. Jay Construction Management, Inc. ("JCM") is a Vermont corporation with a principal place of business in Florida. Quiros is the President, sole shareholder, Treasurer, and sole director of JCM. JCM serves as a financial conduit between contractors and various EB-5 Projects.

33. Q Burke Mountain Resort, Hotel and Conference Center, L.P. ("Q Burke Limited Partnership") is a Vermont limited partnership and the issuer of securities sold to Q Burke investors.

34. Q Burke Mountain Resort GP Services, LLC ("Q Burke General Partner") is a Vermont member-managed limited liability company whose sole members and owners are Quiros and Stenger. Q Burke General Partner serves as the general partner of Q Burke Limited Partnership.

35. William Kelly ("Kelly") is a resident of the State of Florida. Kelly is a business associate of Quiros, Chief Operating Officer of Jay Peak, and purportedly legal counsel and/or advisor to Quiros, Jay Peak, AnC Bio VT LLC, and other entities affiliated with Quiros.

36. North East Contract Services, LLC ("NECS") is a Florida Limited Liability Company. Kelly is the managing member of NECS. NECS is contracted to provide services to the AnC Bio and Q Burke Limited Partnerships.

STATUTORY AUTHORITY, JURISDICTION, AND VENUE

37. The VUSA prohibits fraudulent schemes, acts, statements, and omissions in connection with the offer to sell or the sale of a security. 9 V.S.A. § 5501.

38. The State of Vermont, through the Commissioner, may bring an action under the VUSA, 9 V.S.A. § 5603(a), if the Commissioner believes that person has engaged, is engaged, or is about to engage in an act, practice, or course of business constituting a violation of the VUSA.

39. The Vermont Consumer Protection Act prohibits unfair and deceptive acts and practices in commerce. 9 V.S.A. § 2453(a).

40. The Vermont Attorney General may bring an action under the CPA, 9 V.S.A. § 2458(b), against any person using or about to use any method, act, or practice declared to be unlawful under 9 V.S.A. § 2453 when such proceedings would be in the public interest.

41. This Court has subject matter jurisdiction over this action because the Defendants offered and sold the Securities in commerce and in Vermont. For example:

a. Investors are instructed to send their executed subscription agreements to an address within the State of Vermont.

b. Investors are instructed to wire or mail their investments to a financial institution located within the State of Vermont.

c. The Jay Peak EB-5 Projects are located in the State of Vermont.

d. The issuers of the Securities are formed under the laws of the State of Vermont.

42. The Court has personal jurisdiction over Defendants named herein because each Defendant is an individual or entity that resides in, was formed under the laws of, conducts business in, has substantial and intentional business contacts with, and/or maintains operations in, the State of Vermont.

43. Venue is proper in the Vermont Superior Court, Civil Division, Washington Unit (the "Court") pursuant to 9 V.S.A. § 5603(a) and 12 V.S.A. § 402.

44. This action is in the public interest.

FACTS

I. EB-5 Immigrant Investor Visa Program

45. Congress created the employment-based fifth preference immigrant visa category for immigrant investors, known as the EB-5 Program, in 1990. The EB-5 Program is administered by the Department of Homeland Security's United States Citizenship and Immigration Services ("USCIS"). Under the EB-5 Program a foreign national may qualify for permanent residence if he or she invests $1 million (or at least $500,000 in a "Targeted Employment Area," defined as a high-unemployment or rural area) in commercial enterprises in the United States, and that investment creates or preserves a certain number of full-time jobs for U.S. workers.

46. Prior to investing in a particular EB-5 Project, potential investors are given an opportunity to review the EB-5 Project PPM. In reviewing the PPM, potential investors may rely on the representations contained therein regarding the purposes for which investor funds will be used, and trust that if used for their specified purpose, the funds will create the requisite number of jobs necessary for investors to obtain their EB-5 visas.

47. Through the EB-5 Program, cities, states, and other entities may apply to USCIS for approval as a "Regional Center," which then allows the entity to affiliate with or create "new commercial enterprises" that can accept investments from foreign nationals.

48. The United States Immigration and Naturalization Service initially approved and designated the State of Vermont Agency of Commerce and Community Development as an EB-5 Regional Center in 1997 ("ACCD Regional Center"). USCIS reaffirmed this approval, with amendments, in 2007, and again in 2009. The purpose of the ACCD Regional Center is to provide support to partnered EB-5 projects for the promotion of job creation in the State of

Vermont. Partnered EB-5 projects operate under Memoranda of Understanding executed between the projects and the ACCD Regional Center.

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

49. Jay Peak began operating the Jay Peak Resort, a ski mountain located in Jay, Vermont, in 1957.

50. In 1978, Mont St. Sauveur International Inc. ("MSSI"), a ski resort company based in St.-Sauveur, Quebec, purchased Jay Peak.

51. In 1984, Jay Peak hired Stenger as its general manager and later promoted him to President and Chief Executive Officer.

52. Quiros and Stenger became acquainted through Quiros' frequent vacations around Jay, Vermont and as a Jay Peak Resort homeowner.

53. In the mid-2000s, MSSI sought to turn the ski mountain into a four-season resort by significantly expanding its accommodations and amenities in two phases with foreign investment through the EB-5 Program.

54. The PPM for the first phase, issued while MSSI owned Jay Peak, sought to raise $17.5 million from 35 foreign investors for construction of a 57-unit hotel ("Phase I"). In 2006, the Phase I Limited Partnership entered into a memorandum of understanding with the ACCD Regional Center that allowed Phase I to solicit EB-5 investors.

55. The PPM for the second phase, issued later, sought to raise $75 million from 150 foreign investors for construction of a 120-unit hotel, water park, golf club house, ice rink arena, and bowling center ("Phase II"). In 2008, the Phase II Limited Partnership entered into a Memorandum of Understanding with the ACCD Regional Center that allowed Phase II to solicit EB-5 investors. On or about January 28, 2011, Phase II became fully subscribed (meaning that all of the limited partnership interests being offered were sold to investors).

56. Pursuant to the Phase I and Phase II PPMs, investor funds were wired to project specific escrow accounts (the "Escrow Funds") at People's United Bank (formerly known as Chittenden Bank) ("People's United"). The Escrow Funds for a specific investor could be released from escrow only upon the investor receiving conditional immigration approval from USCIS ("Conditional Approval").

57. In or about the Fall of 2007, Quiros and Stenger began collaborating about Quiros' acquisition of Jay Peak and, together, entered into discussions with MSSI to purchase Jay Peak. In January 2008, MSSI gave functional control over Jay Peak to Quiros based on the understanding that legal control would pass to Quiros at a later date.

58. On or about February 22, 2008, Quiros incorporated Q Resorts. On or about June 13, 2008, Quiros opened an account for Q Resorts at Raymond James through Burstein (the "Q Resorts Account").

59. By June 2008, Phase I was fully subscribed at $17.5 million and Phase II had raised approximately $7 million. At that time, twenty-five Phase I investors and fourteen Phase II investors had received Conditional Approval, making approximately $12.5 million of Phase I Escrow Funds and approximately $7 million of Phase II Escrow Funds eligible for release from escrow for their respective construction expenses.

60. On or about June 13, 2008, MSSI and Q Resorts entered into a stock transfer agreement (the "Purchase Agreement") for the sale of Jay Peak for approximately $25.7 million (the "Acquisition").

61. On or about June 16 and 17, 2008, MSSI transferred $8 million and $3 million respectively, of Phase I Escrow Funds held at People's United, for a total transfer of $11 million

to the MSSI-controlled Phase I Raymond James account. These were the first and only deposits into this account.

62. On or about June 18, 2008, counsel for MSSI communicated to Quiros and Burstein that Phase I and Phase II investor funds could not be used to purchase Jay Peak or as collateral for the purchase. Later that same day, Burstein acknowledged to MSSI counsel that this was his understanding.

63. On or about June 20, 2008, MSSI transferred $7 million of Phase II Escrow Funds held at People's United to the MSSI-controlled Phase II Raymond James account. This was the first and only deposit into this account.

64. On June 23, 2008 at approximately 3:00 p.m., MSSI and Q Resorts closed on the Purchase Agreement for the Acquisition.

65. Pursuant to the Purchase Agreement, Q Resorts assumed control of the entities that collectively held the approximately $24.5 million of investor funds raised as of the date of the Acquisition, and assumed responsibility for construction of Phases I and II.

66. At approximately 3:42 p.m. on June 23, 2008, Stenger instructed Burstein to transfer control of the Phase I and Phase II accounts to Q Resorts. Minutes later, $11 million was transferred from the Phase I account to account number XXXX6365, an account with a margin feature, that was opened and controlled by Quiros in the name of Phase I and held at Raymond James ("Phase I margin account"), and $7 million was transferred from the Phase II account to account number XXXX6370, an account with a margin feature, that was opened and controlled by Quiros in the name of Phase II and held at Raymond James ("Phase II margin account"). These were the first deposits into the Phase I and Phase II margin accounts.

67. At approximately 3:50 p.m. on June 23, 2008, Quiros instructed Burstein to transfer $7.6 million from the Phase I margin account and $6 million from the Phase II margin account to the Q Resorts Account. These were the first deposits into the Q Resorts Account.

68. At approximately 4:37 p.m. on June 23, 2008, Quiros transferred approximately $13.5 million from the Q Resorts Account to counsel for MSSI for the initial payment pursuant to the Purchase Agreement.

69. To complete the Acquisition, Quiros made approximately eight additional payments between June 2008 and September 2008 to MSSI and its creditors with Phase I and Phase II investor funds that totaled over $8 million.

70. The Phase I and Phase II PPMs did not disclose the purchase of Jay Peak as an intended use of investor funds, nor did Phase I and Phase II investors receive an ownership interest in Jay Peak. Instead, Quiros misappropriated approximately $21.9 million of investor funds ($12.4 from Phase I and $9.5 million from Phase II) to purchase Jay Peak Resort for his own personal benefit.

71. Even at the conclusion of Phase I, which was completed years later, Quiros and Stenger, through Jay Peak, were entitled to take at most approximately $4.3 million of investor funds broken down as follows: approximately $1.9 million for developer fees; $1.8 million for the purchase of the land; and approximately $600,000 for contingencies. This is far less than the $12.4 million of Phase I investor funds that were used to purchase Jay Peak Resort.

72. The Phase II PPM showed a detailed breakdown of how Jay Peak would spend the funds it raised from investors, including: approximately $60 million for construction of the Hotel and other parts of Phase II; approximately $5.5 million for developer fees; approximately $3 million for contingencies; and $4.2 million for the purchase of the land. Nowhere in the

Phase II PPM and in the detailed breakdown summarized above did it allow for the use of $9.5 million in investor funds to purchase Jay Peak Resort. Furthermore, Quiros and Stenger, through Jay Peak, were not entitled to any investor money at the time of the Acquisition because construction on Phase II had not yet started and the land sale had not yet occurred.

73. Additionally, after the misappropriation of the Phase II investor funds, Defendants did not correct the document they gave to future investors to show that $9.5 million of investor funds had been used to purchase Jay Peak Resort.

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

74. After the Acquisition, Quiros and Stenger initiated six additional EB-5 Projects through the ACCD Regional Center, financed through project-specific securities offerings:

a. Jay Peak Penthouse Suites ("Penthouse Suites"), a completed real estate project initiated by Quiros and Stenger, through the Penthouse Suites Limited Partnership, that raised $32.5 million from 65 investors.

b. Jay Peak Golf and Mountain Suites ("Golf and Mountain"), a completed real estate project initiated by Quiros and Stenger, through the Golf and Mountain Limited Partnership, that raised $45 million from 90 investors.

c. Jay Peak Lodge and Townhouses ("Lodge and Townhouses"), a completed real estate project initiated by Quiros and Stenger, through the Lodge and Townhouses Limited Partnership, that raised $45 million from 90 investors.

d. Jay Peak Stateside ("Stateside"), a fully-subscribed real estate project initiated by Quiros and Stenger, through the Stateside Limited Partnership, that raised $67 million from 134 investors. The Stateside project is still under construction and has approximately $26 million in outstanding construction

obligations, despite the exhaustion of nearly the entire $67 million offering amount.

e. Jay Peak Biomedical Research Park ("AnC Bio"), an incomplete biomedical project initiated by Quiros and Stenger in 2012, through the AnC Bio Limited Partnership, that has raised at least $83 million from 166 investors, and seeks to raise an additional $27 million for a total offering of $110 million.

f. Q Burke Mountain Resort, Hotel and Conference Center ("Q Burke"), a real estate project initiated by Quiros and Stenger in 2013, through the Q Burke Limited Partnership, that is currently under construction. As of September 30, 2015, the project has raised at least $53.5 million from 107 investors, and seeks to raise an additional $44.5 million for a total offering amount of $98 million.

75. Each EB-5 Project consists of a limited partnership that is offered in a project-specific PPM. Each EB-5 Project PPM represents that the respective EB-5 project will be managed and controlled by a general partner that is owned and/or controlled by Quiros and Stenger. However, in reality, Quiros personally took full control of all limited partnership funds. Stenger knowingly or recklessly allowed and assisted Quiros in his wresting of funds and authority away from the general partnerships.

76. Each EB-5 Project PPM consists of five sections: (1) the offering, which details the legal structure of the offering and contains certain disclosures about the offering; (2) the business plan, which details the sources and uses of funds and the financial projections for the project; (3) the limited partnership agreement, which governs the relationship between the general and limited partners; (4) an unexecuted subscription agreement, which is the contract that

effectuates the securities transaction; and (5) the exhibits, which generally provide corporate documents, economic impact reports, and key contracts.

77. Each EB-5 Project PPM requires investors to execute a subscription agreement with a capital contribution of $500,000, plus an administrative fee of up to $50,000.

78. Each Jay Peak EB-5 Project PPM sets forth specific representations regarding the purposes for which investor funds will be used.

79. The EB-5 Project PPMs are legally binding documents that must, among other things, adequately disclose the objectives, risks, and terms of the offering to potential investors. A reasonable investor relies on the statements contained in a PPM as a basis for deciding whether to purchase securities.

80. Stenger reviewed, was responsible for, and had authority over, the contents of each of the EB-5 Project PPMs. Quiros reviewed the contents of the EB-5 Project PPMs for the first six EB-5 Projects, was familiar with them, and understood he had to abide by them. He also approved the sections of the PPMs for Penthouse Suites, Golf and Mountain, Lodge and Townhouses, and Stateside detailing how Jay Peak would spend investor funds for the respective EB-5 Project. Both Stenger and Quiros, as sole members and owners of AnC Bio General Partner, reviewed and approved the contents of the AnC Bio PPM.

81. Both Stenger and Quiros had a duty to ensure that the EB-5 Project PPMs were accurate, and to update and correct the PPMs as necessary to avoid becoming misleading.

82. Defendants have marketed the seven EB-5 limited partnerships and solicited investors in many ways, including through websites, intermediaries who have promoted the investments, immigration attorneys with interested clients, and meetings abroad with prospective

investors. For example, Stenger has regularly attended events abroad to meet with prospective investors.

83. Additionally, Defendants have sponsored booths and spoken at immigration-related conferences and events, both in the United States and abroad. Stenger has met in person with a significant majority of the investors in the seven EB-5 limited partnerships, and in recent years, Quiros has attended meetings with investors and answered their questions.

84. Defendants' ongoing fraudulent scheme was unfair to investors and, as a result, investors have not received their EB-5 visas and/or their EB-5 visas have been placed at risk. Further, there is an increased risk that investors will not be repaid their capital contributions or receive operating proceeds, and that the number of jobs necessary for investors to obtain their EB-5 visas will not be created. This substantial injury to investors is injurious in its net effects and not outweighed by any offsetting consumer or competitive benefit that may have occurred as a result of Defendants' scheme. Injured investors could not have reasonably avoided their injuries because Defendants' materially false and misleading statements and omissions of material facts in the EB-5 Project PPMs, along with Defendants' failure to correct the EB-5 Project PPMs, prevented investors from effectively making their own decisions.

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

85. Defendants set up a complex web of financial accounts to further their scheme to misuse funds and defraud investors. Investor money flowed through at least 100 financial accounts held at several different banks and securities brokerage firms, and between at least twenty-six entities.

86. The subscription agreements for each project instruct investors to wire or mail their investments to project-specific escrow accounts held at People's United and controlled by Stenger.

87. Upon satisfaction of the escrow conditions, Stenger generally moved investor funds from the project-specific escrow accounts to a Raymond James brokerage account held in the name of the corresponding limited partnership but controlled exclusively by Quiros.

88. In addition to the Raymond James brokerage accounts held in the name of each limited partnership, various entities with a relationship to Jay Peak, Inc. and controlled by Quiros held accounts at Raymond James between June 2008 and December 2014. Fourteen of these accounts had margin features which allowed the accountholder to borrow funds from the broker-dealer to purchase securities. These accounts are subject to a credit agreement governing the use of margin, the sources of collateral required for the borrowing, and conditions under which a "margin call" is initiated. A margin call is a demand on an account holder to deposit further cash or securities to cover real or possible losses. The broker-dealer may sell the pledged securities if needed to protect its own financial position.

89. Of the accounts that had margin features, Quiros primarily used four accounts: the Phase I margin account and Phase II margin account, both discussed above in relation to the purchase of Jay Peak; Jay Peak Hotel Suites L.P. account number XXXX0726 ("Third Margin Account"); and Jay Peak, Inc. account number XXXX2589 ("Fourth Margin Account"). In February 2009, the Phase I and Phase II margin accounts were consolidated into the Third Margin Account. The Third Margin account was paid off and closed in February 2012, and the Fourth Margin Account was established immediately thereafter. The Fourth Margin account was paid off and closed in March 2014.

90. Over time, Quiros executed seven credit agreements for the margin accounts. The credit agreements specified that assets held in various project brokerage accounts served as collateral for the margin borrowing. Quiros established a general pattern of using investor funds

to purchase short term United States Treasury Bills ("T-bills"), using margin loans for various expenses with the T-bills serving as collateral, and redeeming the T-bills at maturation for cash. Stenger testified that he knew that investor funds were used to purchase T-bills.

91. The margin loans served no legitimate business purpose other than to enable Quiros and Stenger in their scheme to defraud investors by serving as a vehicle to move money between projects and accounts, and to obfuscate the source of funds for payments. Quiros admitted under oath that he commingled funds between projects and used what he called a "one-window" approach to consolidate all investor funds in one place.

92. Quiros, assisted by Stenger, used investor funds to repay debt incurred through margin accounts for other projects. For example, $18.2 million of AnC Bio investor funds was used to pay off the Fourth Margin Account, despite the fact that no amount of debt in the Fourth Margin Account was associated with AnC Bio project costs.

93. Quiros testified to the Securities and Exchange Commission ("SEC") that $21 million (of which the $18.2 million was a part) was "direct[ed] to Jay Peak, Inc....because I had to pay down the margins at Raymond James" and that the source of that money came from AnC Bio investors. Quiros further suggested that Stenger knew that AnC Bio investor money was used in part to pay down the margin loans. Stenger, in contrast, testified to the SEC that he did not know that some or all of the $21 million of AnC Bio investor money was used to pay off a margin loan.

94. Joel Burstein testified to the SEC that Quiros told him that money used to pay down the margin loan account at Raymond James came from the AnC Bio account and was sent through a bank account to JCM, which then paid down the loan.

95. Quiros also improperly used approximately $2.5 million of investor money to pay for interest and fees associated with the margin accounts.

96. The purchases of T-bills served no investment purpose for the EB-5 Projects, as all T-bills purchases were low-yield, short-term investments that netted less than $115,000 in income. The margin interest, offset by the T-bill income, equaled a net negative investment of approximately $2.3 million.

97. The use of margin accounts and the purchase of T-bills was never disclosed to investors for any of the projects, and placed limited partnership funds at substantial risk by pledging partnership funds as collateral.

98. Stenger testified that he was "not familiar with any kind of margin loan account." He also testified that he did not think investors funds should be used as collateral for a personal loan.

V. Misappropriations, Misuses, and Material Misrepresentations and Omissions

99. Defendants made materially false and misleading statements and omissions of material facts in the PPMs used to solicit investors in each of the seven Jay Peak EB-5 Projects discussed below. As to all omissions, Defendants knew or were extremely reckless in not knowing the underlying facts that should have been included in the PPMs.

100. The PPMs for each EB-5 Project contain specific representations regarding how investor money will be used and restrictions on the authority of the general partner. Each PPM includes a section specifically describing the source of project funds and how those funds will be used to complete the EB-5 project, as well as a section summarizing how investor funds will be used and stating that any funds not used for those purposes "will become working capital for the Limited Partnership's operations and activities" (collectively, "Source and Use of Investor Funds"). Investors were not informed through the Source and Use of Investor Funds or in any

other part of any offering document that their funds would be used in any way other than for the purposes specifically identified in the PPMs, including, for example, that their funds would be:

a. Misused to purchase T-bills;

b. Pledged as collateral for loans used for non-project purposes;

c. Misappropriated for the personal benefit of Quiros;

d. Misused to pay for other EB-5 Projects' costs or other non-disclosed costs; or

e. Commingled with funds invested in other projects.

101. The PPMs for each EB-5 Project also contain specific representations regarding the general partner's authority, including, for example:

a. That the general partner is "responsible for the overall management and control of the business assets and affairs of the Partnership"; and

b. That "the prior Consent of the Limited Partner is required before the General Partner may…borrow from the Partnership or commingle Partnership funds with the funds of any Person."

102. However, Stenger, the *de facto* general partner and sole officer for the Phase I, Phase II, Penthouse Suites, Golf and Mountain, Lodge and Townhouses, and Stateside Limited Partnerships, failed to perform his duties as general partner by ceding Quiros full financial control over limited partnership funds. Stenger would transfer investor funds from the EB-5 Project accounts to a Raymond James account, for which Stenger did not have signatory authority or control. The fact that the general partner of these projects lacked signatory authority or control over limited partnership funds was never disclosed to investors.

103. Further, as set forth below, Stenger and/or Quiros did not obtain the prior consent of the limited partners before borrowing from the Partnership or commingling Partnership funds for each of the seven EB-5 Projects discussed below.

a. Phase I

104. According to the Source and Use of Investor Funds contained in the Phase I Limited Partnership PPM, the $17.5 million of investor funds were to be used as follows: $10,431,000 for construction costs; $1,559,000 for furnishings and equipment; $800,000 for utilities and common areas; $1,918,500 for developer fees; $639,500 for contingencies; $352,000 for pre-opening and working capital; and $1.8 million for the purchase of the land.

105. Defendants used investor money in ways that materially differed from the representations contained in the Phase I PPM, including the Source and Use of Investor Funds, and routinely exceeded their authority by borrowing and commingling partnership funds without the consent of investors. For example:

a. Quiros misappropriated $12.4 million in Phase I investor funds to finance the Acquisition of Jay Peak Resort through Q Resorts.

b. Quiros, assisted by Stenger, pledged Phase I investor funds as collateral for margin loans and used Phase I investor funds to pay off margin loan debt and interest.

106. Defendants did not obtain the prior consent of the investors for any of the actions described above.

107. Nothing in the Phase I PPM allowed Defendants to misappropriate investor funds, pledge funds as collateral, use funds to pay for margin loan debt and interest, or pay for costs associated with other EB-5 Projects.

b. Phase II

108. According to the Source and Use of Investor Funds contained in the Phase II Limited Partnership PPM, the $75 million of investor funds were to be used as follows: $60,008,869 for project build costs, including construction of the hotel, water park, golf club house, ice rink arena, and bowling center; $1,730,000 for utilities, common areas, and parking; $5,557,816 for developer fees; $3,000,443 for contingencies; $500,000 for pre-opening and working capital; and $4.2 million for the purchase of the land. Additionally, the Source and Use of Investor Funds provides that Jay Peak was to contribute $12 million to be used as follows: $3,250,000 for shell commercial space; $1,575,000 for the administrative center; $3,443,514 for developer fees; and $3.6 million for the purchase of the land.

109. Defendants used investor money in ways that materially differed from the representations contained in the Phase II PPM, including the Source and Use of Investor Funds, and routinely exceeded their authority by borrowing and commingling partnership funds without the consent of investors. For example:

a. Quiros misappropriated $9.5 million in Phase II investor funds to finance the Acquisition of Jay Peak Resort through Q Resorts.

b. Quiros, assisted by Stenger, pledged Phase II investor funds as collateral for margin loans and used Phase II investor funds to pay off margin loan debt and interest.

c. Quiros transferred $4.7 million of Phase II investor money to Phase I, and transferred $3 million of Phase II investor funds to Penthouse Suites.

d. Quiros commingled funds by putting $11.2 million of Phase II investor funds into a Q Resorts Account held at Raymond James that also contained funds from the Penthouse Suites project.

110. Defendants did not obtain the prior consent of the investors for any of the actions described above.

111. Nothing in the Phase II PPM allowed Defendants to misappropriate investor funds, pledge funds as collateral, use funds to pay for margin loan debt and interest, or pay for costs associated with other EB-5 Projects.

112. Stenger was on notice as early as 2010 that investor funds were being used for impermissible purposes. A former Jay Peak Chief Financial Officer (the "CFO") approached Stenger repeatedly in 2010 regarding the CFO's inability to access Raymond James account statements from Quiros for purposes of a financial review of limited partnership funds. The CFO also told Stenger that his analysis of Phase I and Phase II showed that Jay Peak had already used at least $8 million of Phase II investor funds to pay for Phase I construction costs. Stenger falsely told the CFO that there was enough money from the Phase I investor funds or future project management fees to cover Phase II construction costs.

c. Penthouse Suites

113. According to the Source and Use of Investor Funds contained in the Penthouse Suites Limited Partnership PPM, the $32.5 million of investor funds were to be used as follows: $18,640,500 for construction of the hotel penthouse suites; $2,796,075 for contractor fees; $932,025 for contingencies; $1,450,000 for engineering and utilities; $3,575,000 for common areas; $4,425,000 for the Mountain Learning Center; and $681,400 for working capital.

Additionally, the Source and Use of Investor Funds provides that Jay Peak was to contribute $5 million for common areas, parking, and the mountain bike and tour trails infrastructure.

114. Defendants used investor money in ways that materially differed from the representations contained in the Penthouse Suites PPM, including the Source and Use of Investor Funds, and routinely exceeded their authority by borrowing and commingling partnership funds without the consent of investors. For example:

a. Quiros and Q Resorts, assisted by Stenger, transferred approximately $20 million in Penthouse Suites investor funds between October 1, 2010 and November 28, 2012 to a Quiros-controlled Raymond James account, which Quiros had pledged as collateral for margin loans.

b. Quiros, assisted by Stenger and Q Resorts, misused $32.5 million in Penthouse Suites investor funds between December 23, 2010 and August 30, 2011 by using that money to pay down margin loan debt accumulated in the Third Margin Account.

c. Quiros net transferred $4.5 million of Penthouse Suites investor funds between January 12, 2011 and February 5, 2013 into a Q Resorts account held at Raymond James, where it was commingled with funds from Phase II and other EB-5 Projects.

115. Defendants did not obtain the prior consent of the investors for any of the actions described above.

116. Nothing in the Penthouse Suites PPM allowed Defendants to pledge funds as collateral, use funds to pay for margin loan debt, or pay for costs associated with other EB-5 Projects.

d. Golf and Mountain

117. According to the Source and Use of Investor Funds contained in the Golf and Mountain Limited Partnership PPM, the $45 million of investor funds were to be used as follows: $22,750,00 for construction of the Honeymoon Cottages; $3,412,500 for "construction supervision" and $1,137,500 for "construction supervision expenses"; $5.4 million for construction of the Tram Haus Building; $2,675,000 for construction of the wedding chapel; $4,037,500 for construction of the Mountain Top Café Bar Sundecks; $5.2 million for other costs, including parking and the purchase of the land; and $387,500 for working capital. Additionally, the Source and Use of Investor Funds provides that Jay Peak was to contribute $10 million for certain infrastructure.

118. Defendants used investor money in ways that materially differed from the representations contained in the Golf and Mountain PPM, including the Source and Use of Investor Funds, and routinely exceeded their authority by borrowing and commingling partnership funds without the consent of investors. For example:

a. Quiros, assisted by Stenger, transferred approximately $33 million in Golf and Mountain investor funds between February 15, 2011 and December 7, 2011 to a Quiros-controlled Raymond James account, which Quiros had pledged as collateral for margin loans.

b. Quiros, assisted by Stenger and Q Resorts, misused $15.8 million in Golf and Mountain investor funds between May 31, 2011 and November 29, 2011 by using that money to pay down margin loan debt accumulated in the Third Margin Account.

c. Quiros net transferred $34.3 million of Golf and Mountain investor funds between September 12, 2011 and April 3, 2013 into a JCM account held at Raymond James, where it was commingled with funds from the Lodge and Townhouses, Stateside, and AnC Bio EB-5 Projects.

119. Defendants did not obtain the prior consent of the investors for any of the actions described above.

120. Nothing in the Golf and Mountain PPM allowed Defendants to pledge funds as collateral, use funds to pay for margin loan debt, or pay for costs associated with other EB-5 Projects.

e. Lodge and Townhouses

121. According to the Source and Use of Investor Funds contained in the Lodge and Townhouses Limited Partnership PPM, the $45 million of investor funds were to be used as follows: $10,835,700 for construction of the vacation rental townhouses; $1,625,355 for "construction supervision" and $541,785 for "construction supervision expenses" for the vacation rental townhouses; $18.6 million for construction of the vacation rental cottages; $1,860,000 for the "management fee" and $930,000 for "supervision expenses" for the vacation rental cottages; $7,180,000 for construction of ancillary facilities, including the skier and summer services center with skier café, the parking garage with tennis courts, and the auditorium; $3,427,160 for other costs, including the purchase of the land, parking, pathways, and working capital. Additionally, the Source and Use of Investor Funds provides that Jay Peak was to contribute $15 million for certain infrastructure costs.

122. Defendants used investor money in ways that materially differed from the representations contained in the Lodge and Townhouses PPM, including the Source and Use of

Investor Funds, and routinely exceeded their authority by borrowing and commingling partnership funds without the consent of investors. For example:

a. Quiros, assisted by Stenger, transferred approximately $2.5 million in Lodge and Townhouses investor funds between February 23, 2012 and December 4, 2012 to a Quiros-controlled Raymond James account, which Quiros had pledged as collateral for margin loans.

b. Quiros, assisted by Stenger and Q Resorts, misused at least $25.2 million in Lodge and Townhouses investor funds between November 29, 2011 and April 26, 2012 by using that money to pay down margin loan debt accumulated in the Third and Fourth Margin Accounts, and to pay off the Third Margin Account.

c. Quiros net transferred $36.5 million of Lodge and Townhouses investor funds between October 26, 2011 and January 8, 2014 into a JCM account held at Raymond James, where it was commingled with funds from the Golf and Mountain, Stateside, and AnC Bio EB-5 Projects.

123. Defendants did not obtain the prior consent of the investors for any of the actions described above.

124. Nothing in the Lodge and Townhouses PPM allowed Defendants to pledge funds as collateral, use funds to pay for margin loan debt, or pay for costs associated with other EB-5 Projects.

f. <u>Stateside</u>

125. According to the Source and Use of Investor Funds contained in the Stateside Limited Partnership PPM, the $67 million of investor funds were to be used as follows:

$22,464,000 for construction of the vacation rental cottages; $2,246,400 for "construction supervision" and $1,123,200 for "construction supervision expenses" for the vacation rental cottages; $20,790,000 for construction of the stateside hotel suites; $6,318,000 for construction supervision costs for the stateside hotel suites; $2,325,000 for the medical center; $7,250,000 for guest recreational services; and $4,483,400 for other costs, including the purchase of the land, infrastructure, parking, pathways, and working capital. Additionally, the Source and Use of Investor Funds provides that Jay Peak was to contribute $20 million for certain infrastructure costs.

126. Defendants used investor money in ways that materially differed from the representations contained in the Stateside PPM, including the Source and Use of Investor Funds, and routinely exceeded their authority by borrowing and commingling partnership funds without the consent of investors. For example:

a. Quiros, assisted by Stenger, transferred approximately $42.3 million in Stateside investor funds between February 28, 2012 and December 19, 2013 to a Quiros-controlled Raymond James account, which Quiros had pledged as collateral for margin loans.

b. Quiros, assisted by Stenger, misused $5.8 million in Stateside investor funds on or about February 24, 2012 to pay off through Q Resorts the Third Margin Account, and misused up to $2.5 million between October 16, 2013 and February 18, 2014 to pay down the Fourth Margin Account.

c. Quiros net transferred $62 million of Stateside investor funds between March 7, 2012 and January 8, 2014 into a JCM account held at Raymond James,

where it was commingled with funds from the Golf and Mountain, Lodge and Townhouses, and AnC Bio EB-5 Projects.

127. Quiros testified to the SEC that they lent "money back to Jay Peak" because he "needed the [Stateside investor] funds in Jay Peak, Inc." Quiros stated that Stenger knew of the loan of Stateside funds to Jay Peak. Stenger testified to the SEC that he believed that payments made to JCM by Stateside prior to December 2013 were used to pay JCM for Phase I costs. He further stated that JCM is obligated to finish the construction at Stateside, but acknowledged that he did not know if JCM has any of the funds transferred by Stateside and he did not know where JCM would get the money to finish the work at Stateside, which he estimated at $15 to $20 million. Stenger also testified that he tells investors that their money will be used only for the project they are investing in. He acknowledged that investor funds should not be used in another project or as collateral, and that he understood as the general partner that the partnership agreements prohibited commingling of funds.

128. Defendants did not obtain the prior consent of the investors for any of the actions described above.

129. Nothing in the Stateside PPM allowed Defendants to pledge funds as collateral, use funds to pay for margin loan debt, or pay for costs associated with other EB-5 Projects.

130. As a result of Defendants' misuse of Stateside investor funds, the project has a budget shortfall. Defendants have approximately $26 million in outstanding construction obligations, but only approximately $58,000 left in project bank accounts.

g. <u>AnC Bio</u>

131. According to the Source and Use of Investor Funds contained in the AnC Bio Limited Partnership PPM, $110 million of investor funds are to be used as follows: $6 million

for the purchase of the 7-acre parcel of land; $63,235,370 to construct and equip the facility, including the biomedical research clean rooms; $9,485,306 for "construction supervision" and $3,161,769 for "construction supervision expenses"; $10 million for distribution and marketing rights, including intellectual property rights; and $18,117,556 for other costs, including design/architecture costs, infrastructure, and $15,629,630 in working capital. Additionally, the Source and Use of Investor Funds provides that the AnC Bio Project Sponsor is to contribute $8 million for certain infrastructure costs.

132. Defendants used investor money in ways that materially differed from the representations contained in the AnC Bio PPM, including the Source and Use of Investor Funds, and routinely exceeded their authority by borrowing and commingling partnership funds without the consent of investors. For example:

a. Quiros, assisted by Stenger, transferred at least $62 million in AnC Bio investor funds to a Quiros-controlled Raymond James account, which Quiros had pledged as collateral for margin loans.

b. Quiros, assisted by Stenger, misused $18.2 million in AnC Bio investor funds to pay off the Fourth Margin Account.

c. Quiros misappropriated $4.2 million in AnC Bio investor funds to pay JCM's taxes.

133. Defendants did not obtain the prior consent of the investors for any of the actions described above.

134. Nothing in the AnC Bio PPM allowed Defendants to pledge funds as collateral, use funds to pay for margin loan debt, or pay for costs associated with other EB-5 Projects.

135. The AnC Bio PPM also contains material misrepresentations regarding the status of United States Food and Drug Administration ("FDA") approval for the biomedical products to be produced at the AnC Bio facility ("AnC Bio Products"). The AnC Bio Products are subject to FDA regulation and require FDA approval before they can be manufactured, distributed, and marketed. The AnC Bio PPM states that the AnC Bio Products are "[c]urrently in the process of FDA approval." In reality, Defendants had not, and, upon information and belief, have never, applied for FDA approval for the AnC Bio Products. The PPM further states that the project is set to commence in October 2014, without including the material contingency that commencement of the project is dependent on FDA approval, and without disclosing the risk that the FDA might not approve the AnC Bio Products.

136. The AnC Bio Limited Partnership entered into a Master Distribution Agreement with AnC Bio Pharm, a South Korean biotechnology company, to purchase certain intellectual property and distribution rights from AnC Bio Pharm for $10 million, and a "Pro Forma invoice" to purchase equipment from AnC Bio Pharm for $40 million. Defendants have paid out at most $8 million to AnC Bio Pharm, which is far less than the $50 million specified in the agreements in the PPMs.

137. The AnC Bio PPM further represents that the success of the project is heavily dependent on the limited partnership's relationship with AnC Bio Pharm. However, Defendants failed to disclose any details regarding AnC Bio Pharm's past financial troubles, including that the company's headquarters, pictured on the front page of the offering documents, was sold at auction.

138. Quiros misappropriated $10.7 million in AnC Bio investor funds to back a personal line of credit for up to $15 million through Citibank N.A. The funds are held at

Pershing, LLC as cash collateral for the loan, and are therefore unavailable for limited partnership use. Quiros' use of the Citibank line of credit includes: a $6 million loan drawn on April 15, 2015 to pay Quiros' personal income taxes, and a $2,414,000 loan drawn on May 8, 2015 used to make income distribution payments to Stateside, Lodge and Townhouses, Penthouse Suites, and Golf and Mountain investors.

139. Quiros misappropriated $2.2 million in AnC Bio investor funds in May 2013 to purchase a condominium at 220 Riverside Boulevard in New York City (also known as "Trump Place New York") for his personal benefit.

140. Quiros misappropriated approximately $7 million in AnC Bio investor funds to purchase the Burke Mountain Resort for his personal benefit. In May 2012, Q Burke Mountain Resort, LLC (a Vermont limited liability company whose sole member is Quiros) purchased all the outstanding membership interests in Burke 2000, LLC from LRA BURSKI, LLC for a purchase price of $7,260,000. On or about May 31, 2012, Quiros directed Burstein to transfer $7,010,000.00 from the Fourth Margin Account to counsel for LRA BURSKI, LLC to complete the purchase. The margin loans in the Fourth Margin Account were collateralized by various Jay Peak EB-5 Project investor funds and eventually repaid with AnC Bio investor funds in March 2014. No Jay Peak EB-5 Project investor received notice of, or any benefit from, the use of investor funds to purchase Burke Mountain Resort. Quiros later sold a 3.797-acre portion of the 329-acre parcel to the Q Burke Limited Partnership in 2014 for $2,470,000. Through this series of actions, Quiros used investor funds to purchase the Burke Resort for himself, and then improperly enriched himself again at the expense of investors by selling a small portion of the Burke Resort land to investors at a significant per-acre markup that is not justified by an appraisal.

141. Quiros misused $7.9 million of AnC Bio investor funds by making payments to NECS for construction supervision services that do not align temporally with, and far exceed, the value of payments made to contracted suppliers. NECS received payments related to contracts even where the contracted suppliers were not paid. NECS's practice is to retain thirty-two percent of all payments that it receives from the AnC Bio project, and then to remit the remaining sixty-eight percent to various entities owned or controlled by Quiros at Quiros' direction. Approximately $5.5 million of these funds have been sent to GSI and/or retained directly by Quiros.

142. Quiros, through GSI, purchased twenty-five acres at 172 Bogner Drive, Newport, Vermont, for $3.15 million, sourced from investor funds from previous projects. GSI then sold seven acres of land to the AnC Bio Limited Partnership for $6 million. An independent appraisal obtained by the SEC estimated the value of the seven acres of land sold to be $620,000. By stating the purchase price of the land in the Source and Use of Investor Funds contained in the AnC Bio Limited Partnership offering documents as $6 million and failing to disclose that nearly four times the amount of land (including the seven acres) was purchased by Quiros, through GSI, less than fifteen months prior at about half the price as the seven acres sold to the AnC Bio Limited Partnership, Quiros and Stenger materially misrepresented the value of the land purchased by the AnC Bio Limited Partnership.

143. To facilitate the misuses and misappropriations described above, Quiros generated false JCM invoices in order to transfer over $47 million of AnC Bio investor funds to JCM. Defendants also falsely represented to the State of Vermont that as of March 2015, $24.5 million was sent to AnC Bio Pharm by JCM as payment towards a total of $50 million owed for certain distribution rights and equipment, and further that $21 million remained in project operating

accounts. However, Defendants have at most sent $8 million to AnC Bio Pharm and have nowhere near $21 million in project operating accounts.

144. Despite the fact that construction has not begun on the AnC Bio project (other than clearing the site) and the project is not fully subscribed, Quiros has already taken fees far in excess of the maximum amount permitted under the AnC Bio PPM.

145. As a result of the misuse and misappropriation of AnC Bio investor funds, a significant budget shortfall exists. According to the PPM, the project has at least $84 million in outstanding construction work but only $41 million left in available funds and fundraising capacity, leaving the project with a hole of at least $43 million.

146. Defendants issued an amended AnC Bio PPM in April 2015. Defendants did not correct the above material misstatements and omissions relating to the AnC Bio PPM, such as the value of the land purchased by the AnC Bio Limited Partnership, and the risks associated with the FDA approval process. The revised PPM also fails to disclose the budget shortfall.

VI. Continued Fundraising

147. Defendants continue to solicit investors in the Q Burke and AnC Bio EB-5 Projects, neither of which is fully subscribed. Quiros and Stenger have also publicly declared their intent to raise hundreds of millions more in investor funds through the initiation of additional EB-5 Projects in or around Newport, Vermont.

COUNTS

COUNT I

Violations of Section 5501 of the Vermont Uniform Securities Act (Against Defendants Quiros, Stenger, Phase I Limited Partnership, Phases I and II General Partner, Q Resorts, and Jay Peak)

1. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

2. The limited partnership interests offered and sold by Defendants are "securities," as defined in 9 V.S.A. § 5102(28).

3. By materially misleading investors, including but not limited to engaging in the conduct described above related to the misappropriation of Phase I investor funds to purchase the Resort, commingling of funds, and use of funds in ways other than those specifically disclosed to investors, Defendants have violated 9 V.S.A. § 5501, which provides that it is unlawful for a person, in connection with the offer to sell, the offer to purchase, the sale, or the purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) (as to all Defendants except Quiros and Q Resorts) to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

COUNT 2

Violations of Section 5501 of the Vermont Uniform Securities Act (Defendants Quiros, Stenger, Phase II Limited Partnership, Phases I and II General Partner, Q Resorts, and Jay Peak)

4. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

5. The limited partnership interests offered and sold by Defendants are "securities," as defined in 9 V.S.A. § 5102(28).

6. Defendants have violated 9 V.S.A. § 5501 by materially misleading investors, including but not limited to engaging in the conduct described above related to the making of material omissions and misstatements to investors, the misappropriation of Phase II investor funds to purchase the Jay Peak Resort, commingling of funds, and use of funds in ways other

than those specifically disclosed to investors, or aiding and abetting and knowingly or recklessly substantially assisting in such activities. Under 9 V.S.A. § 5501, it is unlawful for a person, in connection with the offer to sell, the offer to purchase, the sale, or the purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

COUNT 3

Violations of Section 5501 of the Vermont Uniform Securities Act (Defendants Quiros, Stenger, Penthouse Suites Limited Partnership, Jay Peak GP Services, Q Resorts, and Jay Peak)

7. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

8. The limited partnership interests offered and sold by Defendants are "securities," as defined in 9 V.S.A. § 5102(28).

9. Defendants have violated 9 V.S.A. § 5501 by materially misleading investors, including but not limited to engaging in the conduct described above related to the making of material omissions and misstatements to investors, the commingling of funds and use of funds in ways other than those specifically disclosed to investors, or aiding and abetting and knowingly or recklessly substantially assisting in such activities. Under 9 V.S.A. § 5501, it is unlawful for a person, in connection with the offer to sell, the offer to purchase, the sale, or the purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) to make an untrue statement of a material fact or to omit to state a material fact necessary in order to

make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

COUNT 4

Violations of Section 5501 of the Vermont Uniform Securities Act (Defendants Quiros, Stenger, Golf and Mountain Limited Partnership, Jay Peak GP Services Golf, Q Resorts, and Jay Peak)

10. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

11. The limited partnership interests offered and sold by Defendants are "securities," as defined in 9 V.S.A. § 5102(28).

12. Defendants have violated 9 V.S.A. § 5501 by materially misleading investors, including but not limited to engaging in the conduct described above related to the making of material omissions and misstatements to investors, the commingling of funds and use of funds in ways other than those specifically disclosed to investors, or aiding and abetting and knowingly or recklessly substantially assisting in such activities. Under 9 V.S.A. § 5501, it is unlawful for a person, in connection with the offer to sell, the offer to purchase, the sale, or the purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

COUNT 5

Violations of Section 5501 of the Vermont Uniform Securities Act
(Defendants Quiros, Stenger, Lodge and Townhouses Limited Partnership, Jay Peak GP Services Lodge, Q Resorts, and Jay Peak)

13. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

14. The limited partnership interests offered and sold by Defendants are "securities," as defined in 9 V.S.A. § 5102(28).

15. Defendants have violated 9 V.S.A. § 5501 by materially misleading investors, including but not limited to engaging in the conduct described above related to the making of material omissions and misstatements to investors, the commingling of funds and use of funds in ways other than those specifically disclosed to investors, or aiding and abetting and knowingly or recklessly substantially assisting in such activities. Under 9 V.S.A. § 5501, it is unlawful for a person, in connection with the offer to sell, the offer to purchase, the sale, or the purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

COUNT 6

Violations of Section 5501 of the Vermont Uniform Securities Act
(Defendants Quiros, Stenger, Stateside Limited Partnership, Jay Peak GP Services Stateside, Q Resorts, and Jay Peak)

16. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

17. The limited partnership interests offered and sold by Defendants are "securities," as defined in 9 V.S.A. § 5102(28).

18. Defendants have violated 9 V.S.A. § 5501 by materially misleading investors, including but not limited to engaging in the conduct described above related the making of material omissions and misstatements to investors, to the commingling of funds and use of funds in ways other than those specifically disclosed to investors, or aiding and abetting and knowingly or recklessly substantially assisting in such activities. Under 9 V.S.A. § 5501, it is unlawful for a person, in connection with the offer to sell, the offer to purchase, the sale, or the purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

COUNT 7

Violations of Section 5501 of the Vermont Uniform Securities Act (Defendants Quiros, Stenger, AnC Bio Limited Partnership, AnC Bio General Partner, Q Resorts, and Jay Peak)

19. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

20. The limited partnership interests offered and sold by Defendants are "securities," as defined in 9 V.S.A. § 5102(28).

21. Defendants have violated 9 V.S.A. § 5501 by materially misleading investors, including but not limited to engaging in the conduct described above related to the making of material omissions and misstatements to investors, commingling of funds, misappropriation of

funds for improper purposes and self-enrichment, and use of funds in ways other than those specifically disclosed to investors, or aiding and abetting and knowingly or recklessly substantially assisting in such activities. Under 9 V.S.A. § 5501, it is unlawful for a person, in connection with the offer to sell, the offer to purchase, the sale, or the purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

COUNT 8

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Defendants Quiros, Stenger, Phase I Limited Partnership, Phases I and II General Partner, Q Resorts, and Jay Peak)

22. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

23. Defendants engaged in unfair and deceptive acts and practices in commerce, in violation of the Vermont Consumer Protection Act, 9 V.S.A. § 2453(a), specifically:

a. By making or making use of material misrepresentations and/or omissions about how Defendants would use and maintain Phase I investor funds, including that investor funds would be expended as set forth in the Source and Use of Investor Funds for the project; and

b. By failing to disclose the use of margin accounts and that Phase I investor funds would be used to finance the purchase of Jay Peak Resort.

24. These material misrepresentations and/or omissions were likely to mislead investors and affect their decisions to invest in the Phase I Limited Partnership. The investors interpreted the statements contained in the offering documents reasonably under the circumstances.

COUNT 9

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Defendants Quiros, Stenger, Phase II Limited Partnership, Phases I and II General Partner, Q Resorts, and Jay Peak)

25. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

26. Defendants engaged in unfair and deceptive acts and practices in commerce, in violation of the Vermont Consumer Protection Act, 9 V.S.A. § 2453(a), by making or making use of material of misrepresentations and/or omissions about how Defendants would use and maintain Phase II investor funds, including that investor funds would be expended as set forth in the Source and Use of Investor Funds for the project.

27. These material misrepresentations and/or omissions were likely to mislead investors and affect their decisions to invest in the Phase II Limited Partnership. The investors interpreted the statements contained in the offering documents reasonably under the circumstances.

COUNT 10

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Defendants Quiros, Stenger, Penthouse Suites Limited Partnership, Jay Peak GP Services, Q Resorts, and Jay Peak)

28. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

29. Defendants engaged in unfair and deceptive acts and practices in commerce, in violation of the Vermont Consumer Protection Act, 9 V.S.A. § 2453(a), by making or making use of material misrepresentations and omissions about how Defendants would use Penthouse Suites investor funds, including that investor funds would be expended as set forth in the Source and Use of Investor Funds for the project.

30. These material misrepresentations and omissions were likely to mislead investors and affect their decisions to invest in the Penthouse Suites Limited Partnership. The investors interpreted the statements contained in the offering documents reasonably under the circumstances.

COUNT 11

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Defendants Quiros, Stenger, Golf and Mountain Limited Partnership, and Jay Peak GP Services Golf, Q Resorts, and Jay Peak)

31. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

32. Defendants engaged in unfair and deceptive acts and practices in commerce, in violation of the Vermont Consumer Protection Act, 9 V.S.A. § 2453(a), by making or making use of material misrepresentations and omissions about how Defendants would use Golf and Mountain Suites investor funds, including that investor funds would be expended as set forth in the Source and Use of Investor Funds for the project.

33. These material misrepresentations and omissions were likely to mislead investors and affect their decisions to invest in the Golf and Mountain Suites Limited Partnership. The investors interpreted the statements contained in the offering documents reasonably under the circumstances.

COUNT 12

Violations of Section 2453(a) of the Vermont Consumer Protection Act
(Defendants Quiros, Stenger, Lodge and Townhouses Limited Partnership, Jay Peak GP Services Lodge, Q Resorts, and Jay Peak)

34. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

35. Defendants engaged in unfair and deceptive acts and practices in commerce, in violation of the Vermont Consumer Protection Act, 9 V.S.A. § 2453(a), by making or making use of material misrepresentations and omissions about how Defendants would use Lodge and Townhouses investor funds, including that investor funds would be expended as set forth in the Source and Use of Investor Funds for the project.

36. These material misrepresentations and omissions were likely to mislead investors and affect their decisions to invest in the Lodge and Townhouses Limited Partnership. The investors interpreted the statements contained in the offering documents reasonably under the circumstances.

COUNT 13

Violations of Section 2453(a) of the Vermont Consumer Protection Act
(Defendants Quiros, Stenger, Stateside Limited Partnership, Jay Peak GP Services Stateside, Q Resorts, and Jay Peak)

37. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

38. Defendants engaged in unfair and deceptive acts and practices in commerce, in violation of the Vermont Consumer Protection Act, 9 V.S.A. § 2453(a), by making or making use of material misrepresentations and omissions about how Defendants would use Stateside

investor funds, including that investor funds would be expended as set forth in the Source and Use of Investor Funds for the project.

39. These material misrepresentations were likely to mislead investors and affect their decisions to invest in the Stateside Limited Partnership. The investors interpreted the statements contained in the offering documents reasonably under the circumstances.

COUNT 14

Violations of Section 2453(a) of the Vermont Consumer Protection Act (Defendants Quiros, Stenger, AnC Bio Limited Partnership, AnC Bio General Partner, Q Resorts, and Jay Peak)

40. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

41. Defendants engaged in unfair and deceptive acts and practices in commerce, in violation of the Vermont Consumer Protection Act, 9 V.S.A. § 2453(a), specifically:

a. By making or making use of material misrepresentations and omissions about how Defendants would use AnC Bio investor funds, including that investor funds would be expended as set forth in the Source and Use of Investor Funds for the project;

b. By making material misrepresentations about the value of the land purchased by AnC Bio Limited Partnership;

c. By making material misrepresentations and omissions about the FDA approval process; and

d. By making material misrepresentations and omissions about the financial health of AnC Bio Pharm.

42. These material misrepresentations and omissions were likely to mislead investors and affect their decisions to invest in the AnC Bio Limited Partnership. The investors interpreted the statements contained in the offering documents reasonably under the circumstances.

COUNT 15

Violations of Section 2453(a) of the Vermont Consumer Protection Act (All Defendants)

43. Paragraphs 1 through 147 of this Complaint are re-alleged and incorporated by reference.

44. Defendants engaged in unfair acts and practices in commerce, in violation of the Vermont Consumer Protection Act, 9 V.S.A. § 2453(a), by perpetuating a large scale fraudulent investment scheme that:

a. Was unethical and unscrupulous in that Defendants, among other things, misused investor money thereby precluding the proper and intended use of the investor funds and the job creation opportunities necessary for the investors to obtain their EB-5 visas; and

b. Violated public policy in that, among other things, Defendants committed numerous violations of the Vermont Uniform Securities Act; caused substantial and unavoidable injury to investors with no offsetting benefit in that, among other things, investors have not received their EB-5 visas and/or their EB-5 visas have been placed at risk and there is an increased risk that investors will not be repaid their capital contributions or receive operating proceeds, with no offsetting benefit to investors or competition.

RELIEF SOUGHT

The State of Vermont respectfully requests that this Court:

1. Enter an order finding that Defendants violated the VUSA and the CPA;

2. Enter an order permanently restraining and enjoining Defendants, and, as appropriate, their agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from future violations of Sections 5501 and 5301 of the VUSA, from soliciting or accepting funds from any person or entity for any investment in any offering of securities, and from future violations of Section 2453 of the CPA;

3. Enter an order requiring Defendants to prepare a sworn accounting of all the money they have obtained from investors, including (1) a report on the disposition and current location of investor funds, and (2) disclosure of all bank and brokerage account numbers where money was deposited;

4. Enter an order prohibiting the movement, alteration, and destruction of books and records;

5. Enter an order appointing a Receiver;

6. Enter an order directing Defendants to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged, plus prejudgment interest on that amount;

7. Order Defendants to pay full restitution to all defrauded investors, as provided by 9 V.S.A. § 2458(b)(2) and 9 V.S.A. § 5603(b)(2)(C);

8. Order Defendants to pay civil penalties of $10,000 pursuant to 9 V.S.A. § 2458(b)(1) for each and every violation of the Consumer Protection Act;

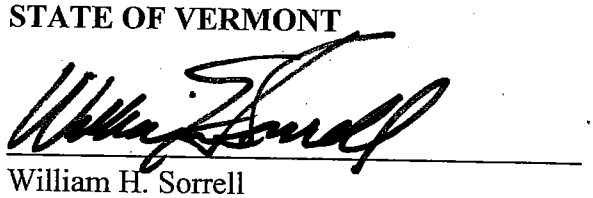
9. Order Defendants to pay civil penalties of $15,000 pursuant to 9 V.S.A. § 5603(b)(2)(C) for each and every violation of the VUSA, to the aggregate maximum allowed by law;

10. Order Defendants to pay all costs for the prosecution and investigation of this action, as provided by 9 V.S.A. § 2458(b)(3); and

11. Such further relief in law or equity that this Court may deem just and proper.

DATED at Montpelier, Vermont this 14th day of April, 2016.

STATE OF VERMONT



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