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## Summary of Complaint

### *State of Vermont v. Ariel Quiros, William Stenger et. al.*

The lawsuit filed by the State of Vermont, through Susan L. Donegan, Commissioner of the Vermont Department of Financial Regulation, and Attorney General William H. Sorrell, alleges securities and consumer fraud violations by Ariel Quiros and William Stenger, as well as various Jay Peak related corporate and partnership entities that they control. The complaint alleges that Quiros and Stenger 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 represented to potential investors, in formal offering documents, that an investor's money would finance and build a certain EB-5 investment project in Vermont. (Complaint, ¶¶2; 74-84; 99-103). Over 700 investors wired the subscription price of \$500,000 plus up to \$50,000 in "administrative fees" to bank accounts located in Vermont in order to invest in one of seven different EB-5 projects: Jay Peak Hotel Suites Phase I (aka Tram Haus Lodge) (¶¶104-107); Jay Peak Hotel Suites Phase II (¶¶108-112); Jay Peak Penthouse Suites (¶¶113-116); Jay Peak Golf and Mountain Suites (¶¶117-120); Jay Peak Lodge and Townhouses (¶¶121-124); Jay Peak Stateside (¶¶125-130); and Jay Peak Biomedical Research Park (¶¶131-146). In reality, of the \$350 million raised from EB-5 investors for the 7 different projects, the complaint alleges that Quiros and/or Stenger misused more than \$200 million by spending it on projects and acquisitions other than those for which it was invested.

The complaint alleges that 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. The Defendants 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. (¶¶3; 85-98)

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; 130; 144-145)

Since 2008, Quiros has allegedly misappropriated at least \$50 million of investor funds to, among other things: (1) purchase Jay Peak Resort (¶¶49-73); (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. (¶¶ 4; 138-142)

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 transferring money intended for one project to another, commingling investor funds, and propping up projects with margin loans. 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. (¶5)

The State's suit alleges violations of the anti-fraud provisions of the Vermont Uniform Securities Act and the unfair and deceptive practices provisions of the Vermont Consumer Protection Act 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. (Counts, pp. 37-48; Relief, pp. 48-50)

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