

State of Vermont
Department of Financial Regulation
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For consumer assistance
[All Insurance] 800-964-1784
[Securities] 877-550-3907
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April 21, 2015

HAND DELIVERED

William J. Kelly

RE: EB-5 Q Burke Project ("Q Burke")

Dear Mr. Kelly:

Thank you for meeting with us today concerning Q Burke's ability to proceed with raising new investor funds. As indicated previously, it is prudent for Q Burke to establish an escrow account for new investor money in a manner similar to the EB-5 AnC Bio Project ("AnC Bio"). To date, you and the Q Burke developers have not agreed to this escrow condition. This is unfortunate as establishing an escrow account and making certain amendments to the Q Burke Private Placement Memorandum ("PPM") would allow Q Burke to continue to market and raise funds during the period in which the Department of Financial Regulation (the "Department") conducts its financial review.

As indicated above, if Q Burke wishes to advance the project by establishing an escrow account, an amended PPM will also be required. At a minimum, the following items should be addressed in an amended PPM in conjunction with any other material disclosures identified after review by your securities attorneys:

- (1) investors should have the right to approve or reject any proposed exit strategy;
- (2) the Ground Lessor should not be able to terminate the ground leases;
- (3) income to the manager under the hotel, pool, tennis, and bike management contracts should be in line with industry standards or justification for any deviation (i.e. management income should equal approximately 4% of gross revenues with an incentive bonus of 20% of net income; further, the reserve contribution should be approximately 4.5% of gross revenue);
- (4) include an appraisal justifying the price for the sale of real estate to the limited partnership and/or reduce the price with the excess funds returned to the limited partnership;
- (5) certain contributions by the project principles are misleading and should be removed; specifically the \$1.3 million contribution in connection with the sale of land and \$3.5 million convention build out should be stricken from the amended PPM;
- (6) a re-subscription provision for existing investors should be included as this was promised in the original PPM, Q Burke must also provide the Department with evidence that existing investors have acknowledged receipt and approval of the amended PPM;



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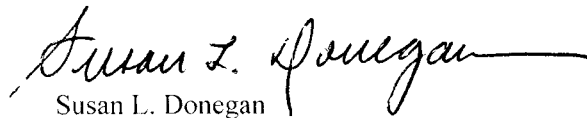
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- (7) all of the following contracts must be finalized and included with the amended PPM
 - (i) the real estate purchase and sale;
 - (ii) all ground leases; and
 - (iii) all management contracts;
- (8) actual conflicts of interest must be disclosed, including but not limited to the following:
 - (i) sale of land from the Resort to Limited Partnership;
 - (ii) the three ground leases entered into between the Resort and the Limited Partnership; and
 - (iii) the four management agreements entered into between the Resort and the Limited Partnership;
- (9) disclosure that clearly indicates the convention center will be owned by the Resort and not the investors although investors are paying for its construction;
- (10) a description should be included that explains who is responsible for convention center normal upkeep, major maintenance upgrades, insurance, and who is entitled to revenues, etc.; and
- (11) disclosure of the SEC's activity as similarly described in AnC Bio's amended PPM.

Until such time as Q Burke establishes an escrow account and the Department clears an amended PPM, Q Burke shall not market or solicit new investor funds. As we discussed in our meeting, we welcome your views concerning any aspects of the items identified. Please feel free to contact me.

Sincerely,


Susan L. Donegan
Commissioner

cc: Secretary Patricia Moulton
Agency of Commerce and Community Development