VERMONT

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April 27, 2015

William J. Kelly
VIA EMAIL ONLY

RE: QBurke EB-5 Project

Dear Mr. Kelly,

Thank you and Mr. Stenger for your recent letter and for meeting again to discuss the status of the QBurke project, its ongoing construction, and plans to complete the project by the end of the year. I appreciate your willingness to discuss various options relating to QBurke's plan to raise additional investor funds, in a manner that allows the project to continue construction while protecting new investors during the pendency of our financial review of the project now underway. The main issue we have been examining is how to provide protection for new investor funds until DFR completes a financial review and approves the project. This approach is similar to the escrow requirement now placed on AnC Bio (*See*, QBurke/AnC Bio and the Agency of Commerce and Community Development MOUs which provide for the establishment of an escrow account "to assist in the orderly investment of the projects." Page 3 at Section 6). However, as you have explained, unlike AnC Bio, QBurke is approximately 40% completed so a need exists to access new investor funds to support continued construction.

Among the possible solutions discussed, you have offered that during the review period, new investor money would be released only for bona fide payments for direct construction costs reflected in the certifications of payment, remaining payments to the project architect, and documented payments for furnishings, fixtures, and equipment reflected in the project plan. No other payments including fees to the Developers (Messrs. Stenger, Ariel Quiros and Ary Quiros) and to you that would otherwise be paid as the project completion milestones are reached would occur. You pointed out that this solution should be acceptable because it would ensure that project funds are used to complete the essential asset of the project – the mountain resort complex – and the Developers carry the risk regarding new investor funds until the time any individual I-526 petition approval is obtained from the federal government.

I appreciate these suggestions and agree we should implement them. However, I remain concerned that a greater level of protection for new investors is needed in the period during our financial review. Therefore, I propose that DFR allow you to proceed to raise new investor funds and use them for the limited purposes described above under the following conditions:

1. An amended Private Placement Memorandum (PPM) is completed and cleared for use by DFR. I appreciate that you accepted a number of our disclosure requests in your recent letter. We can further discuss which open items of the previous list I provided are still advisable, but the disclosure of DFR's financial review should be added.

2. Until DFR completes a financial review to its satisfaction, QBurke will be restricted to applying new investor funds to bona fide expenses directly associated with a) construction of the hotel and conference center; b) architect fees; and c) purchase of furnishings, fixtures, and equipment, as described above. Any other payments related to QBurke shall be made with non-investor money. The Developers will hold back payments to themselves and to you otherwise owed under the project documents and business plan.

3. In order to assure that investor funds are used in the manner described above, DFR will engage the services of a third-party consultant for construction finance administration including, cash management authority, review of monthly certifications of payment and associated documentation regarding allowable expenses and to monitor the receipt and use of investor funds to certify to DFR that the terms of the review period are being met. QBurke will agree to cooperate fully with the consultant including allowing site visits. The costs of the consultant shall be paid from the portion of funds/fees that would otherwise be owed to the Developers. Any investor money not utilized for approved expenses during the review period, including that portion of funds attributable to Developer payments withheld during the pendency of the review, shall be placed in a FDIC insured account (not a brokerage trading account) until such time that DFR finishes its financial review and approves the project or USCIS requires individual investor money to be "at risk" after issuance of a I-526 petition approval.

4. In the event that DFR's financial review causes investors obtained during the period of review to be entitled to a return of investor funds, the Developers will not satisfy that return of funds through the use of other investor funds.

My department has a long and successful history of supervisory oversight and investor protection. We take our regulatory responsibilities very seriously. QBurke presents difficulties in balancing the obligations of an already-underway project with the requirements identified by the State to conduct additional review of this and other projects to promote adequate disclosures and review of finances in conformity with project documents and legal requirements. I appreciate your willingness to work with us to find a solution. I believe the framework offered above is workable and hope that you and the Developers agree.

Sincerely,

Susan L. Donegan

Susan L. Donegan
Commissioner

cc: Secretary Patricia Moulton