

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:            )  
  ) File No. FL-03815-A  
JAY PEAK, INC.                )

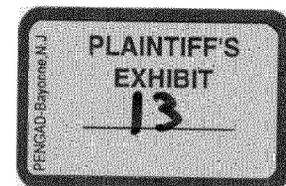
WITNESS: Ariel Quiros - Volume II

PAGES: 247 through 485

PLACE: Securities and Exchange Commission  
801 Brickell Avenue, Suite 1800  
Miami, Florida 33131

DATE: Tuesday, September 22, 2015

The above-entitled matter came on for hearing,  
pursuant to notice, at 9:17 a.m.



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 2  
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 24  
 25

1 PROCEEDINGS  
 2 MS. SINDLER: We're on the record at  
 3 9:17 on September 22nd, 2015. I'm Trisha Sindler,  
 4 and with me are Brian James, Christopher Martin,  
 5 Robert Levenson, and Mark Dee. We are Officers of  
 6 the Commission for purposes of this proceeding.  
 7 In addition, Ched Durmonay may be joining us later  
 8 on.  
 9 We are today resuming the examination of  
 10 Ariel Quiros, which was adjourned on May 22nd,  
 11 2014.  
 12 Mr. Quiros, you're represented by  
 13 counsel for purposes of today's proceeding?  
 14 MR. QUIROS: Yes.  
 15 MS. SINDLER: Would Counsel please  
 16 identify himself once again for the record.  
 17 MR. GORDON: Certainly. David Gordon of  
 18 Mitchell, Silberberg & Knupp.  
 19 MS. SINDLER: Mr. Quiros, do you  
 20 understand that you remain under oath today?  
 21 MR. QUIROS: Yes.  
 22 MS. SINDLER: Okay.  
 23 Let the record reflect that a copy of  
 24 the Formal Order of Investigation in this matter  
 25 will be available to the witness and his Counsel

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1 for examination during the course of this  
 2 proceeding. And Mr. Quiros reviewed the Form  
 3 1662, which was previously marked as an exhibit,  
 4 and the Formal Order prior to us beginning the  
 5 testimony today.  
 6 Whereupon,  
 7 ARIEL QUIROS  
 8 was recalled as a witness and, having been  
 9 previously duly sworn, was examined and testified  
 10 further as follows:  
 11 EXAMINATION  
 12 BY MS. SINDLER:  
 13 Q As we discussed previously, the Court  
 14 Reporter transcribes these proceedings and will  
 15 create a transcript of your testimony at the end.  
 16 Please make sure to answer verbally, because the  
 17 Court Reporter cannot pick up any nodding or any  
 18 other gestures.  
 19 Are you on any medication that would  
 20 affect your memory today?  
 21 A No.  
 22 Q Okay.  
 23 Is there any other reason you could not  
 24 testify fully and accurately today?  
 25 A No.

1 Q As we discussed during your testimony in  
2 May of last year, during the course of your  
3 testimony today, we're going to be asking you  
4 questions about things that happened or may have  
5 happened in the past. Obviously, time has gone by  
6 since those events, and you're likely to have a  
7 better or more complete memory of some events than  
8 others.

9 In answering a question about these  
10 events, however, you should tell us about all of  
11 your memories or recollections that are responsive  
12 to the question, and not just those that are  
13 specific or perfectly clear, or those of which you  
14 are one hundred percent sure.

15 I'm asking you for vague memories,  
16 general memories, cloudy memories, and memories of  
17 which you are less than one hundred percent  
18 certain. In other words, I'm asking for any  
19 responsive recollection whatsoever you may have,  
20 however incomplete or uncertain or vague or  
21 nonspecific as it may be. And then we can then  
22 sort out which memories are clear and certain and  
23 which are less clear and less certain.

24 Do you agree to answer our questions  
25 with this understanding in mind?

1 A Yes.

2 Q Therefore, if you answer, I don't recall  
3 or I don't remember or I forgot, we will assume  
4 that you have no memory or recollection whatsoever  
5 that is responsive to the question asked, not even  
6 fuzzy or less than crystal clear memories. Do you  
7 understand?

8 A Yes.

9 Q It may be that reviewing certain  
10 documents refreshes your recollection as to the  
11 events you are questioned about. In such a case,  
12 I'm asking for your testimony on everything that  
13 is responsive to the question, not just clear or  
14 specific recollections. Do you understand that?

15 A Yes.

16 Q At anytime if you'd like to take a  
17 break, please let us know. We'll be happy to  
18 accommodate you. We only ask that if a question  
19 is pending, that you answer the question before we  
20 break.

21 A Understood.

22 Q Okay.

23 MR. LEVENSON: Do you mind if I add just  
24 two more?

25 MS. SINDLER: Yeah. Go ahead.

1 MR. LEVENSON: If at anytime you don't  
2 understand a question that one of us asks you,  
3 please speak up and let us know, and we'll do our  
4 best to rephrase it. Okay?

5 THE WITNESS: Sure.

6 MR. LEVENSON: If you do answer a  
7 question, we'll assume that you understood it and  
8 you're answering to the best of your ability.  
9 Okay?

10 THE WITNESS: Understood.

11 BY MS. SINDLER:

12 Q We're going to show you what was  
13 previously marked as Exhibit 104. It's a copy of  
14 the offering memoranda for Jay Peak Biomedical  
15 Research Park, LP. And this is the original  
16 offering document, and it begins with  
17 ANCBIO-000001.

18 Take a look at this document. Tell me  
19 if you've seen this before.

20 A Yes. Yes, I have.

21 Q And have you reviewed it previously?

22 A Yes.

23 Q And did you participate in drafting this  
24 document?

25 A To some degree.

1 Q Okay. And to what degree?

2 A Mostly in discussing on the logistics of  
3 how to create this.

4 Q What do you mean by that?

5 A Well, this project was put together  
6 by -- by me and Alex, which is the other co-person  
7 in South Korea. However, the project was really  
8 asked for by the State of Vermont. And they put  
9 us -- they've asked me to put this project  
10 together for them. And for that, they went to  
11 South Korea and signed the Memorandum of  
12 Understanding with about a hundred and fifty  
13 people in the auditorium.

14 So my job -- I'm not a doctor. My job  
15 was, basically, to create the logistics of this  
16 operation, so that it can occur between Korea and  
17 Vermont.

18 Q Okay.

19 And who is the Alex that you're  
20 referring to?

21 A The President of AnC Bio.

22 Q AnC Bio, Inc.?

23 A AnC Bio Korea.

24 Q AnC Bio Korea.

25 And what's Alex's last name?

1 A Choi.

2 **Q How long have you known Alex Choi?**

3 A About since 1981.

4 **Q How did you come to meet him?**

5 A I was in the military. And I left the

6 military, and I stayed in South Korea. And I was

7 doing business with South Korea, and one of the

8 companies that I was doing business with was one

9 of his.

10 **Q Is Alex Choi related to you in any way?**

11 A As stated one hundred times both to the

12 State and to the SEC, I said he's not a relative

13 of mine. He's not a relative of my wife. And nor

14 do I have any connections with his family, other

15 than with Alex Choi.

16 **Q And you said that the State of Vermont**

17 **asked you to put this project together?**

18 A The State of Vermont -- it's a good

19 question. The State of Vermont had asked me, what

20 can we do to do an EB-5 program that can give

21 higher technical work for the Northeast Kingdom? I

22 said, I can do as much as I can do out of South

23 Korea, whether it would be Bio, whether it would

24 be making cellular phones, animations. They had

25 so many ideas.

1 So the Governor put a group of men

2 together and went to South Korea. And one of the

3 companies that I knew of was AnC Bio. And they

4 went, and they saw the facilities. They saw the

5 operation. The delegation flew over, including

6 the Governor. So it was the Governor, plus about

7 twenty other officials and businessmen flew to

8 South Korea.

9 And out of looking at all of these

10 different opportunities, they chose AnC Bio and

11 created a bilateral trade agreement with the

12 governor, the second man in command in South

13 Korea, which was the Governor of Pyeongtaek. And

14 the two Governors made the deal.

15 **Q When you said that someone from the**

16 **State of Vermont asked you to put together this**

17 **project, what individual or individuals are you**

18 **referring to?**

19 A The Governor. The Governor and other

20 officials there. They said, Quiros, what can we

21 do to create this -- how can we get something out

22 of South Korea into Vermont?

23 As you know, the Northeast Kingdom has

24 no work. So any work I can give them, including

25 Jay Peak, through the EB-5 program was a big

1 motivator for them to create these agreements

2 around the world. One of them was this particular

3 one.

4 **Q And you said Mr. Choi, he owns AnC Bio**

5 **Korea? Is that what you said?**

6 A AnC Bio, yes.

7 **Q Is that company still in existence?**

8 A I don't know all of the details of that

9 particular setup now, because they've had a series

10 of problems, that company, but all the engineers

11 and all of the technology was shifted to AnC

12 Biopharm.

13 **Q So is AnC Biopharm then a successor**

14 **company?**

15 A That's in existence, yes.

16 **Q It's a successor company?**

17 A It's a company that they set up when AnC

18 Bio was getting into some problems within their

19 country.

20 **Q Okay. First of all, when you said they**

21 **set up, are you referring to AnC Biopharm is a**

22 **company --**

23 A The engineers, the doctors, the

24 researchers, the scientists, they set up AnC

25 Biopharm.

1 **Q Okay. And those are the people from AnC**

2 **Korea, Inc. who set up AnC Biopharm; is that**

3 **correct?**

4 A That's correct.

5 MR. MARTIN: Do you know who the owners

6 of AnC Biopharm are?

7 THE WITNESS: Yes. Mr. Kim, Mr. Ha, and

8 Mr. Choi.

9 MR. MARTIN: Do you know how they're

10 distributed between the three of them?

11 THE WITNESS: No, that I don't know.

12 MR. MARTIN: Is there a majority owner,

13 do you know?

14 THE WITNESS: Under the -- I don't know.

15 I don't know. It's a little funny the way they

16 set up corporations in the state -- in Korea.

17 There has to be like four or five men altogether.

18 You can't set it up by one individual. So I don't

19 know.

20 MR. MARTIN: Okay.

21 THE WITNESS: I don't know.

22 BY MS. SINDLER:

23 **Q And when you said that AnC Biopharm was**

24 **set up because there were problems with AnC Bio**

25 **Korea, what problems are you referring to?**

1 A Yeah. AnC Bio Korea is a company that  
2 buys research, buys development, buy patents. They  
3 have maybe more than a hundred patents that they  
4 buy. And the reason they have that is because the  
5 country of Korea supports them to buy these type  
6 of things, because Korea is always looking to mass  
7 manufacture.

8 So in the United States, you have to do  
9 it by individuals, but in Korea, it's well  
10 supported by the government. So AnC Bio was a  
11 facility that was set up and supported by the  
12 government of South Korea, and they controlled all  
13 of those patents within that facility.

14 **Q And so were the problems that AnC Bio**  
15 **Korea had, were those financial problems?**

16 A Yeah. It's complex, and I wouldn't be  
17 able to explain really the details of it, but I  
18 can just tell you overall how I understand it.  
19 That there were stocks that were given to a buyer.  
20 That buyer sold them prematurely to get the  
21 advantage of the value of those stocks at that  
22 time. That's the best way I can describe it.

23 **Q And did that translate to financial**  
24 **problems for AnC Bio Korea?**

25 A Yeah, of course. Of course. Of course.

1 It was nothing to do with patents. It  
2 was nothing to do with the scientist. It was more  
3 of a financial maneuver. I'm not a financial guy  
4 to that level where I can explain you that.

5 But as of right now, it worked in our  
6 plan very well, because they were going to move  
7 all of these technologies with this bilateral  
8 trade agreement made with the State to us, and  
9 then we would set up a facility duplicating the  
10 one that is in South Korea. And in such, all of  
11 the research will continue to be done in the  
12 United States.

13 You're going to ask, why does that  
14 occur? It's because when you have a technology or  
15 a patent that you want to bring into the medical  
16 industry, you have to get FAA approval. In order  
17 to do that, you have to give your patent for your  
18 technologies to Johnson & Johnson or Pfizer or  
19 Mctronics, and a lot of people don't like to do  
20 that because of reverse engineering.

21 So the Koreans thought by developing the  
22 facility in the United States will get them closer  
23 to the FAA without them going through any of these  
24 other companies. That's the logic behind AnC Bio,  
25 why the Koreans were interested in it.

1 Because if you introduce a product into  
2 the United States, you must go through one of  
3 those major companies to do all of the research.  
4 And that's why Korea didn't want to do that,  
5 because of reverse engineering.

6 So if we can set up the same facility in  
7 Newport that would duplicate a clean room status,  
8 then the continuation of the research can  
9 continue, and then they can bring it directly to  
10 the FAA. And that's the reason behind this.

11 **Q And was the facility -- the**  
12 **manufacturing facility in Korea, that was sold to**  
13 **another entity?**

14 A Just recently. Just recently. Just  
15 recently. Just recently. Because of the -- that  
16 facility actually did not belong to AnC Bio  
17 either. It was leased. As I told you, the  
18 government supports them. So it was leased to  
19 them to utilize that facility, that land, so they  
20 can build a facility.

21 **Q Okay.**

22 **And did AnC Bio Korea file what's the**  
23 **equivalent USA's for bankruptcy?**

24 A Part of what I'm hearing now, yes. Part  
25 of what I'm hearing now, yes, but not a hundred

1 percent sure.

2 MR. MARTIN: Who are you hearing it  
3 from?

4 THE WITNESS: From Alex himself.

5 BY MS. SINDLER:

6 **Q And when did you hear that from him?**

7 A About a month ago.

8 **Q So you didn't know that a month ago?**

9 **Before he told you a month ago, you weren't aware**  
10 **of any proceedings that would be equivalent to**  
11 **bankruptcy proceedings?**

12 A No, I didn't. I didn't, actually.

13 MR. MARTIN: And the acronym FAA, is  
14 that the acronym you're saying?

15 THE WITNESS: Huh?

16 MR. MARTIN: Are you saying FAA or FDA?

17 THE WITNESS: FDA.

18 MR. MARTIN: FDA. Okay. Thank you.

19 THE WITNESS: Did I say FAA?

20 MR. MARTIN: You might have, but I think  
21 I know what you meant.

22 THE WITNESS: Thank you for the  
23 correction.

24 BY MS. SINDLER:

25 **Q Is AnC Biopharm or AnC Bio Korea still**

1 operating out of the same manufacturing facility  
2 in South Korea?

3 A Yes. Yes, they're still there.

4 **Q In the same facility?**

5 A Yes. Everybody's eagerly awaiting. We  
6 have one doctor working at the University of  
7 Vermont since a year and a half ago. And the  
8 other staff -- the other staffs come into United  
9 States about every thirty days.

10 **Q Who's operating out of the University of  
11 Vermont?**

12 A Another technical science guy that's  
13 continuing the research while we set up the  
14 facility.

15 **Q And who is that?**

16 A Mr. Pak.

17 **Q Can you spell that?**

18 A P-A-K, to my best.

19 **Q Anyone else from AnC Biopharm who's  
20 currently working in Vermont?**

21 A Sin Choi and Kevin. His Korean name, I  
22 don't know exactly.

23 **Q And where are they working?**

24 A They come from Korea once a month and  
25 work with the engineers and NNE who are developing

1 A Frankly speaking, they -- my lawyers  
2 told me what it is and how it was all put  
3 together.

4 **Q But --**

5 A Did I actually read page for page? No.

6 **Q But did you review it overall?**

7 A Yes, of course, the financials aspects  
8 of it.

9 **Q And the Use of Proceeds aspect?**

10 A Yes, of course.

11 **Q Are there any specific portions that you  
12 did not review?**

13 A Well, I just -- as I stated before, I  
14 only reviewed what I told you. I didn't review  
15 page per page.

16 My main aspect was the financial aspects  
17 of it and the logistics of it, what did we have to  
18 get on our side over here to make it all legit and  
19 to make it all legal and to make it all protected  
20 to the investors.

21 And I know what the distribution rights  
22 and the patents and things like this. I made sure  
23 it was well protected. Those things I do know.

24 MR. JAMES: And what about the  
25 projection as far as the revenues that are going

1 the facility in North Carolina.

2 **Q So they come in and work with NNE  
3 Pharmaplan?**

4 A And Peak Construction.

5 **Q Peak Construction. In Vermont?**

6 A In Vermont. About once every month.

7 **Q How often do they stay?**

8 A Ten days, eight days.

9 **Q So just coming back to Exhibit 104, when  
10 you said your job was to create the logistics of  
11 the operation. In terms of this offering  
12 memoranda, what parts did you participate in  
13 preparing?**

14 A To put it in perspective, I don't know  
15 how they put my data into the book. This was all  
16 done with SEC lawyers in the State of Vermont.  
17 Then the State of Vermont gives it to our regional  
18 center, and then they get it approved. And then  
19 from there, it goes to USCIS, and then they get it  
20 approved.

21 Basically, my data is minimal to what's  
22 in this book because I -- I don't know the  
23 legalities of all.

24 **Q Did you review the contents of Exhibit 4  
25 before it was finalized?**

1 to be generated by the project or the individual  
2 devices, did you review that information, also?

3 THE WITNESS: Yeah. I was told this.

4 And also, since then, over the last couple of  
5 years, they have done additional, and we are  
6 definitely way below the targets that the world  
7 and the United States is saying.

8 We just had a firm out of Boston,  
9 Foster, who did a report on us that cost over a  
10 hundred thousand US dollar. And we were as much  
11 as three times below what they're telling, what's  
12 the potential of this facility once we establish  
13 it.

14 MR. JAMES: The financial potential?

15 THE WITNESS: Yeah.

16 MR. GORDON: Can I just -- so you're not  
17 confused, can I just correct something, the name  
18 that he just mentioned? You'll understand. He  
19 said Foster.

20 MR. JAMES: I supposed it's Frost.

21 MR. GORDON: Yeah. I just want to make  
22 sure you understood that he meant Frost.

23 MR. JAMES: Is that Frost & Sullivan?

24 THE WITNESS: Yes. Out of Boston.

25 BY MS. SINDLER:

1 **Q And did you approve Exhibit 104 before**  
2 **it was finalized?**

3 A I approved what I had -- what I thought  
4 was correct as far as the financial and the  
5 patents and what we thought I can bring over  
6 logistically. The other stuff, the legalities of  
7 how they write -- the SEC lawyers write this  
8 stuff, I don't know.

9 **Q But other than that, you approved the content**  
10 **of Exhibit 104?**

11 A Yeah. I approved the contents of what I  
12 knew, in my knowledge, what I can control and do.  
13 I cannot control how they write this thing up.

14 **Q Other than what you were saying, the**  
15 **legalities; is that fair?**

16 A Yes. I don't know.

17 **Q Okay.**

18 **And you're a member of the general**  
19 **partner of Jay Peak Biomedical?**

20 A Yes.

21 **Q And what does it mean to be a general**  
22 **partner of Jay Peak Biomedical?**

23 A Well, with the experience that I've had  
24 with Jay Peak I and the success of raising three  
25 hundred million dollars and doing Jay Peak,

1 In 2007, '08, and '09, when the economy  
2 was at crisis, it was a very difficult task. So I  
3 went by the government more than anybody else,  
4 because at that time everything had collapsed. I  
5 had nowhere to get data. The bank didn't know  
6 about EB-5. The lawyers didn't know about EB-5.  
7 So I can only focus myself and the bible and what  
8 I've been told a thousand times is, please,  
9 Quiros, follow the book.

10 **Q Okay.**

11 MR. JAMES: And when you say book,  
12 you're referring to Exhibit 1 for the offering  
13 documents for the AnC Bio project?

14 THE WITNESS: Yes. I said the other  
15 part of the story just so that you can understand  
16 that that's all I can do is follow the book. I'm  
17 not a doctor, and I can't tell you other things.

18 BY MS. SINDLER:

19 **Q And as a member of the general partner**  
20 **for Jay Peak Biomedical, did you have ultimate**  
21 **authority over this offering?**

22 A Say that again.

23 **Q As a member of the general partner for**  
24 **Jay Peak Biomedical Research Park, did you have**  
25 **ultimate authority over the contents of this?**

1 basically, being a steward to the project, a  
2 steward to make sure that it all occurs the way  
3 it's supposed to occur, to follow the book, as  
4 long as we follow this book.

5 My success has been with Jay Peak the  
6 following of this book. I go by the book. And as  
7 long as I keep track to this book and what my SEC  
8 lawyers are telling me, what my attorneys are  
9 telling me and what the regional centers are  
10 telling me and USCIS, that's my focus.

11 I don't know how to -- I don't know how  
12 to explain to you this unique project of the word  
13 "EB-5" as it relates to the legalities, but I've  
14 been told time after time just to follow the book.  
15 And as long as I complete the book and the things  
16 that the investors have bought into, then I will  
17 be fine.

18 As you know, Jay Peak I, Jay Peak II,  
19 and Jay Peak III, IV, and V are all pilot  
20 programs. These were set by the government as a  
21 pilot program. They were promoted as a pilot  
22 program by the regional center. And I've never  
23 heard of this EB-5. I was asked to acquire Jay  
24 Peak, and I did. And I launched it based on the  
25 merits of the EB-5 potential.

1 A Of course.

2 **Q Okay.**

3 **How much has been raised to date for Jay**  
4 **Peak Biomedical? Do you have an understanding?**

5 A I would say about fifty percent, a  
6 little bit more than fifty percent.

7 **Q And is it your understanding that Jay**  
8 **Peak Biomedical is currently seeking new**  
9 **investments from investors?**

10 A Of course. Continuously.

11 **Q Okay.**

12 **And how do you have that understanding?**

13 A I don't understand your question.

14 **Q Oh. How do you know that? What's going**  
15 **on in terms of --**

16 A Well, we go -- we just went to the  
17 Middle East. We go to South America. We go to  
18 Hong Kong, Singapore.

19 **Q To seek new investors?**

20 A Vietnam, which Bill Stenger is just  
21 leaving now in a few days. And I'm leaving next  
22 week.

23 **Q Where are you going next week?**

24 A We hope South America.

25 **Q And that's to seek new investors?**

1 A Seek new investors for Burke Mountain. I  
2 have another project called Burke Mountain.

3 **Q Oh, we'll get to that, too.**

4 **And also for Jay Peak Biomedical?**

5 A Yes.

6 **Q When you say you go overseas, do you  
7 meet with prospective investors?**

8 A Of course. I try.

9 **Q Where do you meet -- how do you seek  
10 them out? How do you find prospective investors?**

11 A Oh, word of mouth. The success of Jay  
12 Peak I, II, III, IV, and V gave me about nine  
13 hundred people. And, frankly speaking, we're  
14 quite blessed with people always trying to join  
15 the Northeast Kingdom project, the Quiros  
16 projects, the Jay Peak projects. One word of  
17 mouth. I would say more than anything, word of  
18 mouth.

19 **Q Do you make presentations to prospective  
20 investors?**

21 A No. No. I, basically, just tell them  
22 in general that these projects exist. And from  
23 there on in, I turn them over to our team in  
24 Vermont, and they, basically, exchange emails. And  
25 from there, it goes forward. I don't get involved

1 in the actual propaganda or the presentation of  
2 these projects. Bill Stenger and his team, we  
3 have about six people that do that at Jay Peak.

4 **Q So just let me understand. When you  
5 have meetings with prospective investors, you said  
6 you just say generally what's been done, what  
7 projects have been done?**

8 A Yes. That's correct. I tell them --  
9 they know already. Most of these investors -- at  
10 my level, most of the investors that talk to me  
11 already know about these projects, already know  
12 about the success of these projects, already know  
13 that is -- what has been completed, despite the  
14 fact there's a lot of bad news in the press  
15 because of all of this investigation, and we still  
16 have a lot of people that still join our program.

17 We have lost -- a negative of all of  
18 this, we have lost maybe fifteen, sixteen million  
19 dollars because investors want to come out of the  
20 program, and that's a hard one. But the trust  
21 that we have with Jay Peak and the name of Jay  
22 Peak and Quiros and Bill Stenger, and that we are  
23 a state regional center, assists us to overcome  
24 those obstacles.

25 **Q So when you speak -- when there are the**

1 **presentations to investors, and you said you speak  
2 briefly?**

3 A In general.

4 **Q In general.**

5 A Very general.

6 **Q Do prospective investors ever come up to  
7 you afterwards and ask you additional questions?**

8 A Yeah, but I don't get involved. I'm  
9 afraid, because I don't know the legal aspects of  
10 all of this, and I can only tell them that the  
11 projects are there, that we're going to continue,  
12 that we're building as strong as we can, things  
13 like that. Things to motivate them as far as the  
14 fact they're speaking to me. Does Jay Peak I  
15 exist, does Jay Peak II exist, how long did it  
16 take to build, things like that.

17 The legal aspects of it since day one I  
18 never got involved, from day one. I shouldn't get  
19 involved. I don't know enough to promote it in  
20 that fashion.

21 **Q Do you ever speak with current investors  
22 of Jay Peak Biomedical or any other offerings?**

23 A No. I'm more -- I'm more try to -- I  
24 try more to promote Burke Mountain, which is a  
25 small little -- small. And that it really

1 correlates very nicely with Jay Peak I, II, III,  
2 IV, and V. It's actually a duplicate copy of the  
3 first one.

4 **Q You had just mentioned about losing  
5 about sixteen million to investors. What -- was  
6 that for Jay Peak Biomedical Research Park?**

7 A No. No. Both. A combination of Burke  
8 and AnC Bio.

9 **Q Do you know the division?**

10 A No. No, I don't know. We have --

11 MR. MARTIN: And why was it --

12 THE WITNESS: -- we have -- I'm sorry.

13 Can I finish?

14 MR. MARTIN: Sure. Go ahead.

15 THE WITNESS: We have a system that  
16 their funds go into a trust account. It's a very  
17 unique system in the EB-5 world. And during that  
18 period of time, they have time to oversee this  
19 project and to take their time even to come visit  
20 the site.

21 And many of the investors, for I could  
22 say as many as sixty, seventy investors,  
23 percentage of the first set of projects all  
24 actually went to Jay Peak to see what we were  
25 doing and were very happy and very content.

1 But with the bad publicity that I'm  
2 getting with what's happening in the last  
3 thirty-one months, it has really affected us, and  
4 thus, they asked to withdraw. However, another  
5 uniqueness of this project is that we are an  
6 equity EB-5 program. We're not a loan EB-5  
7 program. And the loan EB-5 programs nobody likes.

8 So even though I'm having all of this  
9 obstacles to go over for the last thirty some odd  
10 month, a lot of people oversee a lot of what's  
11 happening and still try to join this program.  
12 Because we are still an equity program, and we'll  
13 continue only to promote an equity program.

14 Another point is that -- another problem  
15 is that, because of these investigations, I've had  
16 to, basically, run from bank to banks because one  
17 bank closes me out, another bank closes me out.  
18 And people find out about this. I don't tell  
19 them, and I try to keep everything as secret as  
20 possible, and the SEC does its job to keep  
21 everything as secret as possible. But somehow,  
22 some way, it finds out.

23 So a lot of people come, oh, Quiros, why  
24 did you leave Raymond James, why did you leave JP  
25 Morgan? And what people don't understand, that

1 let them know that the SEC is inquiring about our  
2 project.

3 I'm very proud about my project. I'm  
4 very proud of what I did. I'm very proud how I  
5 did it. It's a matter of teaching and showing you  
6 guys what I did is my pleasure. It truly is my  
7 pleasure. I want you to guys to know as much as  
8 you can. And I think that at the end everything  
9 will be explained.

10 But it has cost me a lot of headaches.  
11 I've lost my lines of credits. I've lost my  
12 banks. Raymond James was a great supporter of  
13 mine. They're the ones who developed my banking  
14 structure in 2008. They came to my office. They  
15 put this structure together for me.

16 I'm not a financier. You know, I'm not  
17 a -- I'm an importer and an exporter. I'm a  
18 military guy. I was in the military. We came to  
19 America in 1993 with my wife --

20 MR. MARTIN: But my question was just,  
21 the bad publicity, has there been any newspaper or  
22 anything publicly about the SEC's investigation?

23 THE WITNESS: Through the blogs, yes.  
24 Through the blogs, many.

25 MR. MARTIN: A couple of more questions.

1 this is just an inquiry, that this is an  
2 investigation to find out things, and nothing  
3 more. But these banks shut me down immediately.  
4 And then I have to go to this bank. And then I  
5 set up accounts there, and then they close me  
6 again. And then I have to go to another bank,  
7 another bank. They find that out.

8 They found out -- we have a couple of  
9 newspapers and people that write articles that  
10 want -- who are against the EB-5 world, especially  
11 in the Northeast Kingdom. And then we have the  
12 work of Douglas, who has really devastated us. So  
13 all of this -- how I survive, I don't know, but  
14 we're going at a hundred miles an hour.

15 MR. MARTIN: But none of this was bad  
16 publicity was anything about our, the SEC,  
17 investigation; is that correct?

18 THE WITNESS: Yeah, of course. They  
19 know.

20 MR. MARTIN: Who knows?

21 THE WITNESS: People. I've heard people  
22 say that we are under SEC, rumor has it that we're  
23 under SEC. I hear it. Bill Stenger calls me up.  
24 Other people call me up. Quiros, they know about  
25 the SEC. And I say, fine. That's fine. Let them

1 The general partner of this project is yourself  
2 and Mr. Stenger; is that correct?

3 THE WITNESS: Yes.

4 MR. MARTIN: How is the ownership of the  
5 general partner divided?

6 THE WITNESS: I think it's -- for which  
7 project, for AnC Bio?

8 MR. MARTIN: AnC Bio, yes.

9 THE WITNESS: I think it's eighty,  
10 fifteen, and five. I'm not sure, but I think it's  
11 eighty, fifteen, and five.

12 MR. MARTIN: Eighty to you; is that  
13 correct?

14 THE WITNESS: Yes.

15 MR. MARTIN: And the fifteen is to who?

16 THE WITNESS: Bill Stenger.

17 MR. MARTIN: And who's the five to?

18 THE WITNESS: My son. He's a military  
19 commander. And as a gift while he was in  
20 Afghanistan, I told him, Ary, you have something  
21 to look forward. He doesn't know anything about  
22 any of this, but I give it to him as a gift.

23 MR. MARTIN: Are there any documents  
24 that show that breakdown?

25 THE WITNESS: Yes, I'm sure. I'm sure

1 there is.  
 2 MR. MARTIN: There's a contract or  
 3 something similar?  
 4 THE WITNESS: Yes.  
 5 MR. MARTIN: And then do you know if Mr.  
 6 Stenger received any distributions from the  
 7 general partnership of AnC Bio?  
 8 THE WITNESS: I'm not sure. I'm not  
 9 sure.  
 10 MR. MARTIN: Do you know if you'd be  
 11 able to determine that?  
 12 THE WITNESS: Yes. I can find out  
 13 through my accountants how that works.  
 14 MR. MARTIN: And the project's sponsor  
 15 is AnC Bio VT, LLC; is that correct?  
 16 THE WITNESS: Yes.  
 17 MR. MARTIN: And what's the --  
 18 THE WITNESS: That's the actual  
 19 breakdown. Eighty, fifteen, and five is with that  
 20 particular company. That's the company -- the  
 21 question you were asking, that's the company that  
 22 has that eighty, fifteen, and five breakdown.  
 23 MR. MARTIN: So A-R-Y, that's your son?  
 24 THE WITNESS: Ary.  
 25 MR. MARTIN: Okay. Thank you.

1 provided is saying that the projections in this  
 2 PPM are low?  
 3 THE WITNESS: Too low, yes.  
 4 MR. JAMES: Any other way besides that  
 5 book?  
 6 THE WITNESS: Well, the world market.  
 7 MR. MARTIN: From Frost & Sullivan, I'm  
 8 only speaking.  
 9 THE WITNESS: No.  
 10 MR. MARTIN: Okay. Thank you.  
 11 BY MS. SINDLER:  
 12 **Q And just going back to that sixteen**  
 13 **million. There was a combination of investors**  
 14 **from AnC -- Jay Peak Biomedical and Q Burke who**  
 15 **wanted their money back; is that correct?**  
 16 A Yes.  
 17 **Q Okay.**  
 18 **And was that money repaid?**  
 19 A We've repaid. I think there's only  
 20 three or four, which is going out in a few days.  
 21 We have certain time periods. We're not even  
 22 supposed to give them their money back. You  
 23 should understand that as well. But I do it  
 24 because I know I can bring more people in to  
 25 replace them.

1 So going back to the general partner.  
 2 THE WITNESS: The general partner should  
 3 be fifty, fifty, I think.  
 4 MR. MARTIN: Between yourself and Mr.  
 5 Stenger?  
 6 THE WITNESS: Yes.  
 7 MR. MARTIN: Okay. All right.  
 8 THE WITNESS: I'm sorry about that.  
 9 MR. MARTIN: No. That's okay.  
 10 And then one other thing you mentioned.  
 11 I think you indicated that Frost & Sullivan told  
 12 you that the projections may be three times too  
 13 low. Was that your general testimony for this  
 14 project?  
 15 THE WITNESS: That it was much more than  
 16 what was written in the book. The projections  
 17 that they have and the sales volume that they had  
 18 and the market value of what they have is three  
 19 times. We're too low.  
 20 MR. MARTIN: Who told you that about --  
 21 THE WITNESS: In their book. You can  
 22 read their book. I think we've supported you with  
 23 that book already.  
 24 MR. MARTIN: So you feel that book,  
 25 somewhere in that book, the information that's

1 But, yes, whenever they ask for their  
 2 money, we award that, and we send their money  
 3 back. I think there's maybe two or three  
 4 outstanding today. I'm not sure. And they will  
 5 be getting their monies back probably within the  
 6 end of the month. I try to do this towards the  
 7 end of every month. If you look at my statements,  
 8 you will see I have funds leaving at the end of  
 9 the month. I try.  
 10 **Q And how are the returns to them going to**  
 11 **be funded?**  
 12 A With the same money that they gave us.  
 13 **Q So which entities? Like, for example --**  
 14 A AnC Bio. If the monies went into AnC  
 15 Bio, it comes out of AnC Bio. If it comes out of  
 16 Burke -- if they're a Burke investor, they go out  
 17 of Burke. Or Jay Peak, Jay Peak. We've done that  
 18 maybe in total, including Jay Peak projects in the  
 19 last seven years, maybe as much as twenty-five  
 20 million, thirty million for many reasons. I  
 21 don't --  
 22 **Q So is it a joint account for Jay Peak**  
 23 **Biomedical and AnC Bio? Is the accounts for them**  
 24 **titled in both names?**  
 25 A You have them. Exactly like that.

- 1 **Q Okay.**  
 2 A You have these documents?  
 3 **Q Yes. But I just want to make sure when**  
 4 **I refer to Jay Peak Biomedical, we understand that**  
 5 **it's an account that might be under the name of**  
 6 **the general partner; is that correct? You**  
 7 **understand that? No. I'm just saying. When I**  
 8 **ask about an account, for example, where does Jay**  
 9 **Peak Biomedical currently have an account?**  
 10 A Jay Peak Bio -- as explained to you  
 11 before, Jay Peak Biomedical, an investor sends  
 12 their money into a trust account at People's Bank.  
 13 And at People's Bank, it stays there until he gets  
 14 approved, or she gets approved. If she gets  
 15 approved, the money then goes to one of my LP  
 16 accounts; for example, Raymond James LP account.  
 17 **Q And where does it currently go?**  
 18 A Currently --  
 19 **Q Yes.**  
 20 A -- it goes to either to Merrill Lynch or  
 21 Citibank.  
 22 **Q So --**  
 23 A It's currently there.  
 24 **Q At Merrill Lynch or Citibank?**  
 25 A Yes.

- 1 **Q So there is an account opened for Jay**  
 2 **Peak Biomedical --**  
 3 A LP. LP account.  
 4 **Q LP.**  
 5 A The LP accounts are strictly for the  
 6 investors.  
 7 **Q So there is a Jay Peak Biomedical, LP**  
 8 **account currently at Merrill Lynch; is that**  
 9 **correct?**  
 10 A That's correct.  
 11 **Q Okay.**  
 12 **And do you receive the account**  
 13 **statements?**  
 14 A You have them.  
 15 **Q So you receive them periodically?**  
 16 A Of course.  
 17 **Q Okay.**  
 18 **How much --**  
 19 A Every thirty days, or if there's no  
 20 activity, every ninety days.  
 21 **Q How many accounts are there at Merrill**  
 22 **Lynch, just one?**  
 23 A No.  
 24 **Q For Jay Peak Biomedical. It has one**  
 25 **account at Merrill Lynch?**

- 1 A Only one account.  
 2 **Q How much is in there presently?**  
 3 A Oh, I don't know. I don't know today.  
 4 Enough to cover whatever -- if you're trying to --  
 5 do we have monies to pay that back? Yes, of  
 6 course.  
 7 **Q The most recent statement that you saw**  
 8 **for Merrill Lynch, how much was in there at that**  
 9 **time?**  
 10 A Maybe six, seven million.  
 11 **Q And when was that about?**  
 12 A A month ago.  
 13 **Q A month ago.**  
 14 **Have any monies been taken out of that**  
 15 **account since then?**  
 16 A No.  
 17 **Q Okay.**  
 18 **And the Jay Peak Biomedical account at**  
 19 **Citibank, how much is in there?**  
 20 A The combination of those two banks has  
 21 that amount.  
 22 **Q Oh, the combination of Merrill Lynch and**  
 23 **Citibank has about six, seven million?**  
 24 A I'd like to explain that.  
 25 **Q But wait. Is that correct?**

- 1 A Yes.  
 2 **Q Okay.**  
 3 A But I'd like to explain why is this  
 4 occurred. Because of this investigation. Every  
 5 bank that talks to me in the last thirty months  
 6 closed me out. They don't want to deal with me. I  
 7 had everything under Raymond James, under one  
 8 account. That was closed. They said, Quiros, you  
 9 got to -- we can't work with you.  
 10 I moved now to JP Morgan. We cannot  
 11 work -- especially JP Morgan. That lawyer really  
 12 devastated me at JP Morgan.  
 13 And then from there we moved to Merrill  
 14 Lynch. And then Merrill Lynch, after a year said,  
 15 we can't work, Quiros, we can handle your money,  
 16 we'll keep your money, but we don't want to work  
 17 with you so deep yet because of this EB-5. They  
 18 know about the SEC investigation.  
 19 And then we went to Citibank, and  
 20 Citibank said, Quiros, we will work with you. So  
 21 I have my two accounts. I didn't close the  
 22 Merrill Lynch. That's why the LP have two  
 23 accounts. Just in case one of these two close, I  
 24 have another one to back me up.  
 25 **Q So Jay Peak Biomedical now has one**

1 account --

2 A Do you understand what I just said  
3 clearly?

4 Q Yes.

5 So Jay Peak Biomedical has one account  
6 at Merrill Lynch and one at Citibank; is that  
7 correct?

8 A That's correct.

9 Q Okay.

10 But you don't know how much money is in  
11 each account?

12 A I do know. I can get it to you in ten  
13 seconds. I can call my office and get the value,  
14 or Burke -- or Jay Peak can tell you in ten  
15 seconds, or George can tell you. We know that. I  
16 just don't know the number offhand, and I'm trying  
17 to be very careful and exact. And I want to be as  
18 precise as I can. But if you want me, I can call  
19 and get you the exact amount. That's not a  
20 problem.

21 Q So sitting here now, you don't know  
22 exactly how much is in the Merrill Lynch and  
23 Citibank, but combined it's, approximately, six or  
24 seven million?

25 A Yes. Yes.

1 offering materials for Jay Peak Biomedical.

2 A Yeah. This was just released.

3 Q Okay.

4 A This was just released. This was due,  
5 made from the State.

6 Q I'm sorry?

7 A This was activated by the State. The  
8 State now got more deeply involved and amended  
9 this agreement.

10 Q When you said activated by the State,  
11 you mean reviewed by the State or approved by the  
12 State?

13 A No. They actually told us what to put  
14 in there.

15 Q And I'll just ask you similar questions  
16 as before. Did you review this document before it  
17 was distributed?

18 A No. I only know what they added to it.  
19 I think it had something to do that we are being  
20 under investigation by the SEC, something like  
21 that.

22 Q Anything else?

23 A No.

24 Q Any other changes that you're aware of?

25 A That I'm aware of, no. That was the

1 MR. MARTIN: Going back to the general  
2 partner of the distribution, that fifty, fifty you  
3 mentioned between yourself and Mr. Stenger, are  
4 there any documents reflecting that --

5 THE WITNESS: Yes, of course.

6 MR. LEVENSON: I just want to ask for  
7 you to let him finish the question before you  
8 answer, because she's taking it down, and it will  
9 mess up the transcript. Okay?

10 THE WITNESS: Okay.

11 MR. MARTIN: Mr. Gordon, we would  
12 request any documents showing the breakdown of the  
13 ownerships for the general partners of AnC or the  
14 project sponsors. We'll make the same request for  
15 Q Burke as well.

16 MR. GORDON: I'm writing it down.

17 MR. MARTIN: Okay. Thank you.

18 BY MS. SINDLER:

19 Q Let me show you what was previously  
20 marked as Exhibit No. 168. It's a revised  
21 offering package memoranda and other offering  
22 documents for Jay Peak Biomedical Research Park.  
23 And this document begins with ANCBIO Bate 006665.

24 Please take a look at that document, and  
25 let me know if that is a copy of the current

1 main one. If there were others, they didn't tell  
2 me exactly.

3 Q Okay.

4 But did you approve this document before  
5 it was finalized?

6 A Yeah. When you say I approve, I really  
7 don't have much to say about this. I can, but  
8 since I'm not so heavily involved in the writing  
9 of these things, I know that Bill Stenger and my  
10 COO, my CFO, my SEC lawyers in New York and  
11 Vermont, and the State are all doing the right  
12 thing. I'm hoping that that's occurring.

13 Q But as a member of the general partner,  
14 you had authority to approve this document; is  
15 that correct?

16 A Yes, I guess I would have had authority.

17 MR. MARTIN: As the general partner, you  
18 take responsibility for what's in both of these  
19 documents, the original and --

20 THE WITNESS: Yes, of course. Of  
21 course.

22 MR. MARTIN: Just let me finish -- so  
23 the original and the amended offering document?

24 THE WITNESS: Yes.

25 MR. MARTIN: And when was this amended

1 offering document authorized?  
 2 THE WITNESS: In the last ninety days.  
 3 MR. MARTIN: So early summer 2015-ish?  
 4 THE WITNESS: I don't know. In the  
 5 last -- in the last -- recently in the last ninety  
 6 days.  
 7 MR. MARTIN: Okay.  
 8 THE WITNESS: I don't know.  
 9 MR. MARTIN: About 2015, around that?  
 10 THE WITNESS: Yes. Yes. Yes. Yes.  
 11 BY MS. SINDLER:  
 12 **Q You just referred to Mr. Stenger, you**  
 13 **said, and your COO. Who's your COO?**  
 14 A William J. Kelly.  
 15 **Q Okay.**  
 16 **And were there any -- was there any --**  
 17 **when the Jay Peak Biomedical offering materials**  
 18 **were being revised, was there any new information**  
 19 **that you suggested or asked or directed to be**  
 20 **contained in the revised offering documents?**  
 21 A No. No. This is done with about eight  
 22 men, eight men out of the Burlington office, which  
 23 are the SEC lawyers that prepare these. And then  
 24 they work with the State. And Bill Stenger and  
 25 Kelly negotiate with the State.

1 It's only when it's all done do they  
 2 tell me, Quiros, this is what's -- this is what  
 3 we've done to it, or this is the only other change  
 4 we did to it, not -- I don't know more than that.  
 5 **Q And in your original testimony, we**  
 6 **talked about Northeast Construction Services --**  
 7 **Contract Services.**  
 8 A NECS.  
 9 **Q NECS. We'll call it that for short.**  
 10 **Do you know how much -- NECS is the**  
 11 **entity that receives the construction**  
 12 **supervision -- the construction supervision**  
 13 **portion, is that NECS that receives that?**  
 14 A Yes. They're paid -- we hired them to  
 15 oversee the logistics, the operations, the  
 16 constructions of all of this.  
 17 I -- taking myself out of contents a  
 18 little bit, the reason this occurred and I hired  
 19 NECS is because Bill Stenger is not so much  
 20 abreast of biotechnology stuff. Bill Kelly is,  
 21 and he's my COO. So he's much more knowledgeable  
 22 in this field than is Bill Kelly -- than Bill  
 23 Stenger. That's the only -- a lot of people ask  
 24 questions about that. Maybe it's out of contents,  
 25 but I just wanted you to know that.

1 (Mr. Levenson leaves the room.)  
 2 BY MS. SINDLER:  
 3 **Q Okay.**  
 4 **So that was your decision to make NECS**  
 5 **the project supervisor?**  
 6 A Yes.  
 7 **Q And how much in construction supervision**  
 8 **sees has NECS received?**  
 9 A I wouldn't know that. They tell me  
 10 that. I'll have to get that for you from the  
 11 accountants.  
 12 Basically, how that's done is, whatever  
 13 funds we try to distribute for the vendors, he  
 14 gets a percentage of that. And that's how that  
 15 works. So we sent out, let's say, a dollar, he  
 16 gets a percentage of that dollar. If we send out  
 17 fifty dollars, he gets a percentage of that  
 18 dollar. That's how Jay Peak I, Jay Peak II, Jay  
 19 Peak III, Jay Peak IV, Jay Peak V were done.  
 20 **Q So he gets a percentage of the invoices**  
 21 **that are paid? Is that what you said?**  
 22 A Yes. Whatever work, whatever work that  
 23 we give out, he gets a percentage of that as per  
 24 the book, as per the book.  
 25 **Q As per the offering memorandum?**

1 A Yes.  
 2 **Q Okay.**  
 3 A It's very important. I cannot go  
 4 anywhere deviate from this book.  
 5 **Q And of the money that NECS receives, do**  
 6 **you receive a portion of that?**  
 7 A Yes.  
 8 **Q What percentage?**  
 9 A It depends. It depends on the work  
 10 that's being done. It depends on the work that's  
 11 getting put together.  
 12 For example, if there's construction, it  
 13 is a different percentage. If it is construction,  
 14 if it's materials, if it's equipment, if it's  
 15 design work, if it's blah, blah, blah, it all has  
 16 a different percent.  
 17 **Q Different percentage for you, or**  
 18 **different percentage for NECS?**  
 19 A Percentage for all of us. It's all  
 20 written down here how much I give NECS.  
 21 **Q So, for example, if NECS is doing**  
 22 **services for a construction, let's say,**  
 23 **excavation, will that be a different percentage**  
 24 **than it would receive for something like invoices**  
 25 **to NNE Pharmaplan, or would it receive the same --**

1 A No. No. It gets the same -- same --  
2 same invoice.

3 **Q So same percentage?**

4 A Yes, madam.

5 **Q So that's why I'm trying to understand**  
6 **what you were saying when said different**  
7 **percentages depending on different work.**

8 A Because, basically, he decides -- I  
9 don't want to get into trouble on this. So I  
10 don't understand it so clearly, so I better say,  
11 better ask Bill Kelly or my accountants.

12 But the way I understand it, he gets a  
13 percentage of the work that he bills out, that he  
14 bills out. So if he bills out a dollar, he gets a  
15 percentage of that. From that dollar percentage  
16 that he gets, he shares that with me.

17 **Q And what percentage is that?**

18 A I don't -- it all deviates.

19 (Mr. Levenson enters the room.)

20 MR. MARTIN: What documents would show  
21 exactly how much you get?

22 THE WITNESS: He has an agreement to  
23 that effect. There's an agreement to that.

24 MR. MARTIN: With you?

25 THE WITNESS: Yes.

1 BY MS. SINDLER:

2 **Q And the percentage that you said that**  
3 **you get, through which entities do you get that?**  
4 **Is it through one of your corporate entities?**

5 A Yeah.

6 **Q Which one, or ones?**

7 A It depends. Sometimes I need it in GSI.  
8 Sometimes I need it my personal account. Sometimes  
9 I need it in my Q Resort account. One of those  
10 three.

11 **Q Does Mr. Stenger ever get any percentage**  
12 **of that money?**

13 A Yes. Yes, of course.

14 **Q He gets a percentage of the money that**  
15 **NECS gets?**

16 A Yes, of course.

17 MR. MARTIN: And how does he receive  
18 that money?

19 THE WITNESS: Well, lately, if he wants  
20 it, he gets it. He just has to ask. Like, for  
21 example, we paid his taxes last year in the tune  
22 of a couple of hundred thousand dollars. I don't  
23 know exactly what amount that was. That money  
24 came from there. He had to pay his taxes.

25 MR. MARTIN: Do you know what account

1 paid his taxes?

2 THE WITNESS: I don't know. We sent him  
3 the money, and I'll have to check for that what  
4 account did it come from. But we paid his taxes  
5 because of -- using those funds, using those  
6 proceeds.

7 MR. MARTIN: And do you know why he had  
8 a couple of hundred thousand dollar tax bill?

9 THE WITNESS: Because he's the owner of  
10 AnC Bio Vermont, I think.

11 MR. MARTIN: So there was distributions  
12 from that?

13 THE WITNESS: Yes, sir.

14 BY MS. SINDLER:

15 **Q And when you said, we paid his taxes,**  
16 **who's the we?**

17 A Well, he asked. He's asking for his  
18 money to pay his taxes, and I sent it to him.

19 **Q You sent it to him personally?**

20 A Yes.

21 **Q A check or a wire?**

22 A A wire. I can show you that. I can  
23 show. For sure, I can show. Or maybe you already  
24 have.

25 **Q From which account?**

1 A I don't know. He asked the same  
2 question.

3 **Q Okay.**

4 **Other than the money for his taxes, has**  
5 **Mr. Stenger gotten any other distributions from**  
6 **NECS, from the money that was paid to NECS for its**  
7 **construction supervision?**

8 A No. No. Never. Never.

9 **Q Has he asked for anything else?**

10 A No. He doesn't ask.

11 **Q Let me show you what was previously**  
12 **marked as Exhibit No. 169. It's a copy of**  
13 **offering documents for the Q Burke Mountain Resort**  
14 **Hotel and Conference Center, LP. Begins with Bate**  
15 **number QBMRHCC-LP-000001.**

16 **Do you recognize this document?**

17 A Yes.

18 **Q And is that the original offering**  
19 **documents for the Q Burke resort?**

20 A Yes. However, I've been told they  
21 amended this one as well. So that's the original  
22 one, but I think there's one more.

23 **Q Okay. We'll get to that, too.**

24 **Just first starting with Exhibit 169.**

25 **Same question, similar to the Jay Peak Biomedical.**

1 **Is it correct that you're a member of the general**  
 2 **partner for this offering?**  
 3 A Yes.  
 4 **Q And who are the other general partners?**  
 5 A Bill Stenger.  
 6 **Q Just Mr. Stenger?**  
 7 A Yes, I think. Yes.  
 8 **Q Okay.**  
 9 MR. MARTIN: What is the ownership  
 10 breakdown?  
 11 THE WITNESS: Fifty, fifty. The GP  
 12 should be fifty, fifty.  
 13 BY MS. SINDLER:  
 14 **Q And is NECS the project manager for**  
 15 **this?**  
 16 A Yeah. Yes.  
 17 **Q And is it the same arrangement where**  
 18 **NECS gets its construction supervision fees and**  
 19 **then gives you a portion?**  
 20 A Yes.  
 21 **Q Do you know if Mr. Stenger has gotten**  
 22 **any portion?**  
 23 A I don't know yet. I don't know.  
 24 **Q Do you know if Mr. Stenger has gotten**  
 25 **any type of compensation at all in connection with**

1 **the Q Burke offering?**  
 2 A I don't know.  
 3 **Q And --**  
 4 A He's the only the general partner in  
 5 this company.  
 6 **Q Did you -- this is the same question.**  
 7 **Did you review this document before it was**  
 8 **finalized?**  
 9 A Yes. Yes.  
 10 **Q And you approved it?**  
 11 A Yes.  
 12 **Q And as a member of the general partner,**  
 13 **you take responsibility for the contents?**  
 14 A Yes.  
 15 MR. LEVENSON: Do you have authority  
 16 over the contents of that document?  
 17 THE WITNESS: Authority, what does that  
 18 mean?  
 19 MR. LEVENSON: As the general partner.  
 20 THE WITNESS: What does that mean? Be  
 21 more specific.  
 22 MR. LEVENSON: As the general partner, I  
 23 mean, do you understand what the word "authority"  
 24 means?  
 25 THE WITNESS: Yes.

1 MR. LEVENSON: Control.  
 2 THE WITNESS: Yes.  
 3 MR. LEVENSON: Do you have control over  
 4 it?  
 5 THE WITNESS: Yes.  
 6 MR. MARTIN: Who's the owner of -- Q  
 7 Burke Mountain Resort, who's the owner?  
 8 THE WITNESS: I am.  
 9 MR. MARTIN: You alone?  
 10 THE WITNESS: Yes.  
 11 MR. MARTIN: What about Jay Peak, Inc.,  
 12 you know, who's the owner of that, the ski resort?  
 13 THE WITNESS: I am. Q resort. Jay  
 14 Peak, Inc. is Q Resort, and I own a hundred  
 15 percent of Q Resort.  
 16 MR. MARTIN: And does Mr. Stenger have  
 17 any ownership interest in that entity at all?  
 18 THE WITNESS: No, not at all.  
 19 MR. MARTIN: Have you ever told him that  
 20 he does?  
 21 THE WITNESS: Oh, he knows.  
 22 MR. MARTIN: He knows he doesn't own any  
 23 of it?  
 24 THE WITNESS: Yes. That's correct.  
 25 MR. MARTIN: So you've never told him

1 that he owns twenty percent of it?  
 2 THE WITNESS: Oh, no. I have told him  
 3 that, not own, that he's profit sharing of twenty  
 4 percent.  
 5 MR. MARTIN: So he doesn't have an  
 6 equity interest, but you've told him that he can  
 7 get twenty percent of the profits of Jay Peak?  
 8 THE WITNESS: That's correct.  
 9 MR. MARTIN: Has he received any profits  
 10 at this time?  
 11 THE WITNESS: No.  
 12 MR. MARTIN: Is there any documentation  
 13 of that agreement of the profit sharing?  
 14 THE WITNESS: No. That was just done --  
 15 that was just done a few weeks ago when he spoke  
 16 with our staff, my accountant, and my lawyer, and  
 17 they advised him in that fashion.  
 18 I can -- I would like to say something  
 19 more about this. I think, for me, it's very  
 20 important, and I think it might make you  
 21 understand a little bit more. So I'm sorry to get  
 22 out of contents a little bit here.  
 23 But when I first bought Jay Peak, I gave  
 24 Bill Stenger fifteen percent, and one percent for  
 25 him to stay on board, because until the EB-5

1 programs were open. Because I knew nothing about  
2 EB-5, nor do I know anything about running a  
3 resort. So Bill Stenger accepted, and I gave him  
4 an agreement to that effect.

5 So in relation to your talking to me, if  
6 I take you back the day I bought Jay Peak, the  
7 answer should be yes, because I signed, and I gave  
8 him an agreement that would show him that he would  
9 have that. And then I stepped back, letting them  
10 run it.

11 And then Raymond James put together this  
12 package for me to do this way of acquisition and  
13 to run the mountain financially while it was being  
14 built. That was all done -- Raymond James sat  
15 down in my office and put this whole elaborate  
16 plan together. I say, okay, fine.

17 In 2008 and '09 and '10, believe me, it  
18 was a great plan. A lot of people give me credit  
19 for that. It wasn't all me. It was them who  
20 actually put this. I just came from Korea. I  
21 didn't know much about any of the American  
22 financials.

23 Quickly what happened was, in those two  
24 and a half years that I left Jay Peak alone and  
25 not got involved, our -- my famous friend,

1 Stenger, and he says, yes, I'm going to sign them.  
2 How can you sign them? You're not under GAAP  
3 regulations. This is wrong. This is not right.  
4 But I kept quiet, and I allowed it to happen.

5 I immediately hired Mallah Furman  
6 full-time, and within six months, I reamended all  
7 the tax returns and made justice to everything.  
8 These were all the best accountants that did it.  
9 And forty-eight hours thereafter, Douglas left the  
10 company. Douglas also was thrown out of the State  
11 of Vermont because of what he did with a couple of  
12 other resorts.

13 And then I believe that all of this mess  
14 of not understanding really what happened has been  
15 the infiltration of Douglas trying to hurt Jay  
16 Peak and hurt the State of Vermont because we let  
17 him go.

18 So in answering that question to you, as  
19 a way, or as a penalty to what Doug -- that Bill  
20 Stenger did to me, because I didn't do anything, I  
21 took his shares away. I sent him a letter, and he  
22 knew I caught him, because these accountants from  
23 Miami work hard.

24 In fact, Douglas and Bill Stenger did  
25 not want my accountants to be there, and tried for

1 Douglas, who I just met four or five times him,  
2 him and Bill Stenger put a plan together -- this  
3 is only now my talking off the records --

4 MR. GORDON: It's all on the record.

5 THE WITNESS: Oh, it's all on the  
6 record. It's okay -- that they wanted to take  
7 over Jay Peak from me. Because I never went  
8 there. I never saw. I only ran the accounts at  
9 Raymond James for them. When they needed money, I  
10 sent it, and so forth.

11 When I tried to get vivid answers from  
12 this famous Douglas, who is a thug, he came and  
13 would never talk to me. And Bill Stenger would  
14 never give me any data. So we hired the best  
15 accounting firms. I quickly got scared. And I  
16 hired the best accounting firms, Mallah Furman,  
17 Luis Ortiz, Ken Strauss. I hired these men  
18 immediately to do the accounting of this company.

19 When we brought Douglas to my office and  
20 we confronted them now with all of our  
21 accountants, it was there that we knew that  
22 something was very wrong. And we asked him to  
23 stop, but he wouldn't stop. And they went ahead  
24 and proceeded with these tax returns, the first  
25 ones that we were issuing. And they called Bill

1 over six months not to allow them to stay. But I  
2 insisted. I insisted. I insisted until finally I  
3 won and Douglas left.

4 And immediately we revamped everything,  
5 and today, we can say, all is done, all is  
6 finished, all taxes are paid, and all projects  
7 have been completed. I have, I think, another  
8 eight or nine percent left for the Stateside  
9 project, and that I don't have to worry about that  
10 until the year 2017.

11 That is -- now, not to throw Bill  
12 Stenger under the bus. Bill Stenger's a great  
13 man, a good man. The problem is Douglas is ten  
14 times better, and Douglas outwitted him,  
15 outsmarted him, and he got caught by these  
16 accountants that went up from Miami.

17 Now I have more than nine accountants of  
18 the number one firm, Luis Ortiz, and his group,  
19 watching over all of this. I hired three more SEC  
20 lawyers. And because of the SEC investigation, I  
21 had to hire an outside SEC lawyer as well.

22 And I can say now that Jay Peak is  
23 finished, all is done, and we're on our way now to  
24 do now the new projects, which are about six  
25 hundred million dollars that the government just

1 released to me last year, five hundred and  
2 ninety-eight million dollars of an MOU that they  
3 may gave to me.

4 They didn't give that to me because all  
5 of my projects are in disarray, the way this  
6 Douglas is portraying this around the world. But  
7 all of our projects were very successful, and  
8 that's why the government gave me another six  
9 hundred million dollars worth of projects.

10 So I'm eagerly hoping that this gets  
11 done with, so I can really go back to our speed  
12 and continue to work as fast as we can to capture  
13 all of this. All equity programs. No loan  
14 programs. And my Senator's the Chairman.

15 MR. MARTIN: A couple of follow-up  
16 questions just to clarify. So Stenger initially  
17 had an ownership interest in Jay Peak, which you  
18 took back, correct?

19 THE WITNESS: I took it back  
20 immediately. Through the black book that you guys  
21 have, you have all the deficiencies that Douglas  
22 and Bill Stenger did, because I gave that black  
23 book.

24 MR. MARTIN: But at this point in time,  
25 he has the twenty percent profit sharing

1 was something I did privately, quietly, because  
2 nobody wanted to take Burke Mountain. Burke  
3 Mountain was a losing project. Forty minutes from  
4 Jay Peak. And Lou Adler, the owner, through his  
5 men, they approached me, and they wanted me to do  
6 a joint venture with him, to do an EB-5 program. I  
7 said, no, I won't. There's too many --

8 MR. MARTIN: Sir, if you could just  
9 answer the question. We do want to try to get  
10 this done today, and if you -- I mean, you can  
11 answer how you like, but the longer answer -- my  
12 question was really specific.

13 THE WITNESS: Okay.

14 MR. MARTIN: Does Mr. Stenger own any  
15 interest in Q Burke?

16 THE WITNESS: No.

17 MR. MARTIN: The answer's no, right?

18 THE WITNESS: No.

19 MR. MARTIN: Okay.

20 THE WITNESS: I'm just trying --

21 MR. MARTIN: I understand.

22 THE WITNESS: I'm just trying to see if  
23 I can make some understanding to you guys that  
24 don't know the story.

25 MR. MARTIN: I understand. But if we're

1 arrangement with Jay Peak, Inc., correct?

2 THE WITNESS: Yeah. The question arose  
3 very coincidentally for the first time after five  
4 years, about a month and a half ago, he calls us  
5 up. He says, Quiros, what am I going to get? And  
6 I said, okay, I can give you back your shares, but  
7 if I give you back your shares, you realize you're  
8 going to have to pay a lot of taxes. So do you  
9 want this option? If you want this option, I will  
10 do it.

11 I'm a man of my word. Even though  
12 everybody told me never to give him one share for  
13 what he did, I didn't. I will keep my word. So I  
14 said, you want that? He said, no. I prefer to  
15 take profit sharing, so I don't have to pay taxes.

16 On the day that I sell Jay Peak,  
17 whenever that day comes, which is totally  
18 different than what he had when I first gave it to  
19 him, I kept to my word to the penny.

20 MR. MARTIN: But Burke Mountain, he  
21 doesn't have -- Q Burke, he doesn't have --

22 THE WITNESS: No, nothing.

23 MR. MARTIN: -- any ownership or profit  
24 sharing, correct?

25 THE WITNESS: Nothing. Nothing. This

1 trying to get done today --

2 THE WITNESS: Okay. Done. It won't  
3 happen again. It won't happen again.

4 MR. MARTIN: You mentioned some  
5 audits -- or auditors doing some work for you. Did  
6 they ever produce an independent audit of any of  
7 the limited partnerships?

8 THE WITNESS: Independent audits, no,  
9 that I know. I have to speak to Luis Ortiz and  
10 these guys, and George, who's my CFO. Am I  
11 answering your question? No. The answer's no.

12 MR. MARTIN: Okay.

13 And then I think you mentioned six  
14 hundred million in new projects. Can you briefly  
15 explain what that is, what you're referring to.

16 THE WITNESS: Yes. That includes the  
17 Spates project, which is a Newport City project.  
18 It includes the airport. It includes Burke  
19 Mountain. It includes AnC Bio. It includes Jay  
20 Village. When I -- yes, those are the projects.

21 MR. MARTIN: And who gave -- you say you  
22 the regional center?

23 THE WITNESS: The State of Vermont  
24 awarded those to us and published it -- yes.

25 MR. MARTIN: Go ahead. When you said

1 they published something to reflect that. You  
 2 were going to say?  
 3 THE WITNESS: Yeah. It's well published  
 4 in the magazines in the State of Vermont.  
 5 MR. MARTIN: Okay. Thank you.  
 6 MR. JAMES: Do you have MOUs with the  
 7 State of Vermont for the projects you listed,  
 8 Spates project, Jay Village, the airport?  
 9 THE WITNESS: No.  
 10 MR. JAMES: So when you say they have  
 11 approved those projects, what actual action  
 12 they've taken?  
 13 THE WITNESS: They've publicly announced  
 14 to -- I have MOUs for the intent to do these  
 15 projects. I do not have the MOU to initiate the  
 16 EB-5 program yet. But their intent is that.  
 17 They went to the airport to make that  
 18 announcement when they gave me the airport lease.  
 19 They went to the Spates project. They went to the  
 20 opening of the AnC Bio when it was first  
 21 introduced four years ago. The Jay Village is  
 22 something the State of Vermont wants. And  
 23 that's --  
 24 MR. JAMES: And when you say they went  
 25 to the project, who specifically are you referring

1 much that project is looking to raise?  
 2 THE WITNESS: Two hundred and  
 3 ninety-five. We're in the process of making --  
 4 Bill Stenger's in the process of making that MOU  
 5 now.  
 6 MR. JAMES: Two hundred and ninety-five  
 7 million?  
 8 THE WITNESS: Yes, sir.  
 9 MR. JAMES: All from EB-5 investors?  
 10 THE WITNESS: Yes, sir.  
 11 BY MS. SINDLER:  
 12 **Q Is anyone preparing any offering**  
 13 **documents yet for any of these projects?**  
 14 A No, not yet. We are -- well, we're  
 15 seven months behind because of this inquiry that  
 16 you men are doing.  
 17 **Q When you said before that the whole**  
 18 **task, you did it privately and quietly --**  
 19 A What? What? What?  
 20 **Q Sorry. You when you said for the Q**  
 21 **Burke that you did it privately and quietly, does**  
 22 **that mean that -- did you actually buy what was**  
 23 **then Burke Mountain, the resort?**  
 24 A Yes, I bought it.  
 25 **Q And what was the source of the money**

1 to?  
 2 THE WITNESS: Senator Leahy, Governor  
 3 Shumlin, and all these men of our government in  
 4 the State of Vermont.  
 5 MR. JAMES: And then what's the Spates  
 6 project? What's that project?  
 7 THE WITNESS: The Renaissance block in  
 8 the city of Newport.  
 9 MR. JAMES: What does it involve as far  
 10 as the actual development?  
 11 THE WITNESS: Building offices, housing,  
 12 hotel, conference center, in order to activate the  
 13 city of Newport.  
 14 MR. JAMES: Okay.  
 15 And is that like -- is that where the  
 16 AnC Bio facility is in Newport, or no?  
 17 THE WITNESS: Yeah. On the outskirts.  
 18 MR. JAMES: Okay.  
 19 THE WITNESS: On the outskirts of  
 20 Newport.  
 21 MR. JAMES: And the Spates project,  
 22 what --  
 23 THE WITNESS: Downtown. That's City  
 24 Hall.  
 25 MR. JAMES: Do you have a sense of how

1 **that you used to buy that?**  
 2 A My money. My profits.  
 3 **Q And did --**  
 4 A My profits from my projects.  
 5 MR. JAMES: Any specific project? The  
 6 profits on which project?  
 7 THE WITNESS: The -- I couldn't tell you  
 8 which project, but it was from my profits.  
 9 MR. JAMES: Okay.  
 10 And then when you say your profits,  
 11 earlier we had talked about the percentage that  
 12 NECS receives every time they pay an invoice, and  
 13 then NECS shares that with you. Are those the  
 14 profits you're talking about?  
 15 THE WITNESS: No. No.  
 16 MR. JAMES: Which profits?  
 17 THE WITNESS: There's many other profits  
 18 stream of this.  
 19 MR. JAMES: Is it from Jay Peak, Inc.,  
 20 the operation of the ski resort profits?  
 21 THE WITNESS: No. To answer that  
 22 question is quite difficult, because you have to  
 23 combine all of my projects of how I operate them.  
 24 And then once you understand that, then you can  
 25 see what I extracted from my margin account. And

1 then from that margin account, I send it to my  
2 personal account. And then from my personal  
3 account, I buy.

4 But there's -- not to deviate. I'm  
5 trying to be right on your button here. But there  
6 was an error there once. Out of maybe ten  
7 thousand wire transfers, sometimes Raymond James  
8 makes a mistake. And they sent it out of my  
9 margin account, when normally they should --  
10 that's fine. That's okay. That's acceptable. But  
11 they should've sent it to my personal account, but  
12 he didn't. And, apparently, one lady got fired  
13 because of that.

14 But normally I have that margin account,  
15 and through that margin, I can pull in and pay out  
16 what I need to pay. And in this particular case,  
17 it was done that way, just by coincidence, that  
18 particular incident that she's talking about. That  
19 was error that was made by Raymond James, by  
20 sending it out of my margin account.

21 MR. JAMES: And that was for the  
22 purchase of Q Burke?

23 THE WITNESS: Yes.

24 MR. JAMES: Do you recall the purchase  
25 amount?

1 THE WITNESS: Seven point five million.  
2 And the amount, I didn't question  
3 Raymond James. I said, it's okay, don't worry  
4 about it, I'll fix it. Because everybody was  
5 calling me, oh, Mr. Quiros, we made a mistake, we  
6 made a mistake. And I didn't mind because, in  
7 truth, that money, that profit, is my profit, in  
8 truth. Once you see the calculations, you will  
9 see that that money there is my profits. So it's  
10 not a problem. So I allowed it to happen.

11 MR. JAMES: Okay.

12 I thought you just said that it was paid  
13 directly from the margin --

14 THE WITNESS: Yeah. They sent it out of  
15 my margin account directly to an office in Texas,  
16 I think.

17 MR. JAMES: So when you say it was your  
18 profits, I mean, that's where I'm a little bit  
19 unclear. So if it was paid directly from your  
20 margin account, how do you define that as the  
21 profits from the projects?

22 THE WITNESS: Okay. I'll have to  
23 explain it to you this way. It's quite -- you  
24 have to understand. So I'm not deviating, but you  
25 have to understand.

1 The cleanest way to look at this is the  
2 way I started from day one -- so it's all relevant  
3 to all my other projects, because all of them  
4 carry the same sequence of events -- is that if I  
5 have five hundred million dollars worth of a  
6 project in a kitty, what profits does that throw  
7 to me? And in this particular case, almost more  
8 than a hundred million US dollars.

9 So out of that profit, that's mine, by  
10 the book. By the code of this book, those profits  
11 are mine. Then if you subtract the funds that I  
12 have to pay out to everybody else, the balance  
13 that's left out of my profits is still in excess  
14 of over forty to fifty million US dollars.

15 And then if you extract from those forty  
16 to fifty million, what I have bought like -- I  
17 bought some properties. Maybe I have spent maybe  
18 ten to fifteen million dollars of that profit.  
19 That secondary, which is even more than my profit,  
20 I bought my properties from there. I bought  
21 Burke. I have bought my home in New York. I  
22 bought another home in New York. These are my  
23 profits through that.

24 So if you look at it from above, you see  
25 a hundred million dollars, which is my money, by

1 the book, by my accountants, by my SEC lawyers.

2 MR. JAMES: If you combine all of the  
3 projects?

4 THE WITNESS: It's all my money.

5 And then if you extract the monies that  
6 I have to pay out for overruns and things I had to  
7 pay, I'm left with a balance of fifty million US  
8 dollars.

9 MR. JAMES: Fifty or fifteen?

10 THE WITNESS: Fifty.

11 MR. JAMES: Five zero?

12 THE WITNESS: And from this --

13 MR. JAMES: Five zero?

14 THE WITNESS: Yes. Forty to fifty.  
15 Forty to fifty. Not to be exact, because I don't  
16 know these numbers by exact.

17 I had over ten thousand wire transfers  
18 for the last ten years, ten thousand transactions.  
19 So I can give you all of this data. If you ask in  
20 detail, I order my men to give you the data right  
21 away, and you can have it on your desk the next  
22 day, because I want that to happen.

23 So I bought it in that fashion. That's  
24 the way you have to look at it. I have to pay  
25 overruns. I have to pay this. I have to pay

1 that. And that's how I did it.  
2 So all the funds that I take out of my  
3 margins are to pay for construction costs, to pay  
4 for everything that these accounts have to do. But  
5 I don't do it, because I have all the money in  
6 Treasury bills.

7 So what do I do? I use my margin. And  
8 the margins, I pay out everything. So there's  
9 your pool, and you have all of those statements.  
10 But you need my accountants to explain it to your  
11 accountants how they do it, how I did it.

12 MR. JAMES: So of that hundred thousand  
13 total, that is your profits from all the projects  
14 combined?

15 THE WITNESS: Yes.

16 MR. MARTIN: How much of that have you  
17 already taken, as you sit here today?

18 THE WITNESS: All. All, through one way  
19 or another. Because I also have a lot of taxes. I  
20 have a lot of taxes to pay.

21 MR. JAMES: To the IRS?

22 THE WITNESS: Oh, yeah. And all -- I  
23 have just been through IRS audits, and we did very  
24 well. In fact, the government owes me money now,  
25 one point five million, because we overpaid.

1 So if you look at all of that, you're  
2 going to say probably out of all of this, besides  
3 all the -- I probably became ten years older, I  
4 probably have taken ten or fifteen million, I  
5 think. If you count Burke Mountain, the purchase  
6 of that, if you count a property I bought in New  
7 York, a property I bought -- another two  
8 properties I bought in New York. And if you count  
9 the Bogner facility that I bought. And if you  
10 count the taxes. All of that I spent out. My  
11 accountant -- I'm so sorry, but my accountants can  
12 give you such a detail of all of this by the penny  
13 exactly.

14 MR. MARTIN: What's the identity of the  
15 accountants?

16 THE WITNESS: Luis Ortiz.

17 Do you know the name?

18 MR. GORDON: I know the name. Whatever  
19 they want, we'll --

20 THE WITNESS: You know Luis Ortiz?

21 MR. MARTIN: Where is he located?

22 THE WITNESS: Here in Miami. The number  
23 one accountant firm in Miami.

24 MR. GORDON: Maybe you should tell them  
25 the accounting firm.

1 MR. MARTIN: What was the firm's name  
2 again?

3 THE WITNESS: I was just told this this  
4 morning, and between the time I came over here --  
5 Morris, something, something, Ortiz. Do you know  
6 Ortiz?

7 I don't even know Ken Strauss's name.  
8 He's been my personal accountant for ten years.  
9 It's terrible. Because I think very fast, and I'm  
10 trying to give you such a clear picture of all of  
11 this. It's so hard. It's so, so hard that you  
12 guys don't -- but anyway, go ahead.

13 MR. DEE: I just want to back up to the  
14 big picture you were talking about.

15 THE WITNESS: Yes, sir.

16 MR. DEE: And that's, when you talk  
17 about profits, you're talking about your  
18 management fees that are due you per project in  
19 totality, correct?

20 THE WITNESS: Yeah. We have about nine  
21 segments; supervision fees, construction fees --

22 MR. DEE: That's okay. Again, I'm  
23 trying to make this short.

24 You agree that it's management fees from  
25 all eight of those projects that I'm aware of?

1 THE WITNESS: Yes, sir.

2 MR. DEE: Okay.

3 Would you say, just from the management  
4 fees, that it was about sixty million dollars, per  
5 the PPMs? The figure I'm quoting you --

6 THE WITNESS: A --

7 MR. DEE: I'm sorry. Let me interrupt.  
8 The figure I'm quoting you is the figure I've  
9 gotten from the PPMs in totality. Would you agree  
10 that's correct?

11 THE WITNESS: No. It's about a hundred  
12 million.

13 MR. DEE: Okay.

14 The second segment would be the net  
15 sales from the land?

16 THE WITNESS: That's another part of  
17 that hundred million.

18 MR. DEE: Okay.

19 That comes out to about almost  
20 twenty-two million dollars.

21 THE WITNESS: Wow. Thank you. Thank  
22 you.

23 MR. DEE: Would you agree?

24 All right. So we're up to about  
25 eighty-eight, eighty-two. Now, you're entitled to

1 the administration fees from Q Burke Mountain and  
 2 AnC Bio. There's another ten there.  
 3 THE WITNESS: Yes, sir.  
 4 MR. DEE: That brings you up to about  
 5 ninety million.  
 6 MR. LEVENSON: You agree with him that  
 7 it's about another ten million?  
 8 THE WITNESS: Yes, sir. Yes, sir.  
 9 MR. DEE: Now, what you've done with it,  
 10 would you agree that you purchased Jay Peak? Would  
 11 you agree that you've paid cost overruns?  
 12 MR. JAMES: Let him answer.  
 13 MR. GORDON: And, actually, I don't mean  
 14 to difficult, but I want the record to be clear.  
 15 And then I think there are other components that  
 16 you're missing.  
 17 MR. LEVENSON: Well, he's asking  
 18 questions, and he's answering. I don't think its  
 19 proper for you to interject and testifying.  
 20 MR. GORDON: I don't want to --  
 21 MR. LEVENSON: That's witness coaching.  
 22 MR. GORDON: All right. Okay. Then  
 23 we'll let the record --  
 24 MR. DEE: All right. Let me ask the  
 25 first part of this. Would you say you used in

1 2013 to the tune of five and half million dollars?  
 2 THE WITNESS: Yes.  
 3 MR. DEE: Would you say you used those  
 4 fees to pay your taxes in 2015 to the tune of six  
 5 million dollars?  
 6 THE WITNESS: Yes.  
 7 MR. DEE: I have no further questions.  
 8 MR. LEVENSON: And to the extent you  
 9 think there's something that needs to be  
 10 clarified, you'll have that chance to do that at  
 11 the end, to ask him any questions.  
 12 THE WITNESS: Out of all these thirty  
 13 months --  
 14 MR. GORDON: I know that. I just -- my  
 15 concern was you guys using up a whole bunch of  
 16 time on -- if we could speak outside, perhaps. I  
 17 don't want to coach the witness, but I just don't  
 18 want hours to go by on where you're missing  
 19 something.  
 20 MR. LEVENSON: Well, he's capable -- you  
 21 know, I told him at the beginning if he understood  
 22 the questions. He doesn't seem to have any  
 23 problem understand or answering the questions. If  
 24 he thinks there's something that's wrong with the  
 25 questions, or incomplete, he's perfectly capable

1 totality the fees that are due you to pay for Jay  
 2 Peak?  
 3 THE WITNESS: Yes, sir.  
 4 MR. DEE: Would you say that you used  
 5 some of those management fees to pay cost  
 6 overruns?  
 7 THE WITNESS: Yes, sir.  
 8 MR. DEE: Would you say you used some of  
 9 those fees to pay down margin loans?  
 10 THE WITNESS: Yes, sir.  
 11 MR. DEE: Would you say you used some of  
 12 those fees to buy property? And let me specify  
 13 the property. You can answer after each one.  
 14 Bogner?  
 15 THE WITNESS: Yes.  
 16 MR. DEE: Satay Condominiums in New  
 17 York?  
 18 THE WITNESS: Yes.  
 19 MR. DEE: Trump Towers condominium in  
 20 New York?  
 21 THE WITNESS: Yes.  
 22 MR. DEE: Q Burke Mountain?  
 23 THE WITNESS: Yes.  
 24 MR. DEE: Would you say that you used  
 25 some of those management fees to pay your taxes in

1 of speaking. Otherwise, you can ask clarifying  
 2 questions at the end.  
 3 MR. GORDON: Fair enough. All right.  
 4 Thank you.  
 5 THE WITNESS: I do want to say for the  
 6 records, I thank you so much for what I just said.  
 7 I thank both of you people for doing your  
 8 investigation and the SEC investigation, to hear  
 9 that. I think we can go very fast from here on  
 10 in. If you guys know that picture, I thank you.  
 11 MR. MARTIN: A couple of just quick  
 12 follow-up. You mentioned an IRS audit. What was  
 13 that audit of? Was it of yourself, entities as  
 14 well?  
 15 THE WITNESS: That you have to speak --  
 16 I know a couple of my companies were under audit,  
 17 and I know that JCM was under audit, and I know Q  
 18 resort, I think. I'm not so specifically sure. I  
 19 really don't -- they don't -- I don't know. I'm  
 20 so sorry.  
 21 But, yes, a lot of my companies are  
 22 under IRS audit. And we just got a state refund  
 23 check for nine hundred and ninety-nine thousand  
 24 because we overpaid, and that I know had to do  
 25 with Jay Peak. And we also have Q Resort, and we

1 have JCM, and we have my other companies.  
 2 MR. MARTIN: Do you know what years are  
 3 under audit?  
 4 THE WITNESS: It's all finished. I  
 5 don't know. I don't know.  
 6 MR. MARTIN: And do you know where that  
 7 audit's being conducted out of?  
 8 THE WITNESS: Ken Strauss's office in  
 9 Ft. Lauderdale. Ken Strauss is the President of  
 10 the CPA Association.  
 11 MR. MARTIN: He's representing you?  
 12 THE WITNESS: Yes, sir -- no, he's not  
 13 representing me. He's my auditor and my  
 14 accountant and my personal accountant.  
 15 MR. MARTIN: And do you know what office  
 16 of the IRS is conducting the audit?  
 17 THE WITNESS: Oh, no. I don't know any  
 18 of that.  
 19 MR. MARTIN: But they interface with Mr.  
 20 Ken -- I forget the last name.  
 21 THE WITNESS: Ken Strauss.  
 22 MR. MARTIN: That's who they interface  
 23 with, Ken Strauss?  
 24 THE WITNESS: Yes.  
 25 MR. MARTIN: Okay.

1 (SEC Exhibit No. 170 was  
 2 marked for identification.)  
 3 BY MS. SINDLER:  
 4 **Q Let me now hand you what's been marked**  
 5 **as Exhibit No. 170. It appears to be a copy of**  
 6 **the revised offering documents for Q Burke**  
 7 **Mountain. Is that your understanding?**  
 8 A Yes, madam.  
 9 **Q And same question before. As a member**  
 10 **of the general partner for Q Burke, did you have**  
 11 **authority over the contents of this offering**  
 12 **document?**  
 13 A Yes.  
 14 **Q And as a general member of the general**  
 15 **partner, do you take responsibility for the**  
 16 **contents?**  
 17 A Yeah.  
 18 **Q And where does Q Burke have its**  
 19 **financial accounts?**  
 20 A As stated before, at Citibank, Merrill  
 21 Lynch, and also People's Bank in Vermont.  
 22 **Q And the People's Bank account, is that**  
 23 **an escrow account?**  
 24 A Yes.  
 25 **Q Okay.**

1 **And what is the balance of the account**  
 2 **at People's Bank?**  
 3 A I don't know.  
 4 **Q Okay.**  
 5 **How about Merrill Lynch?**  
 6 A I don't know.  
 7 **Q When's the last time you've seen a**  
 8 **statement for the Merrill Lynch account?**  
 9 A A month ago.  
 10 **Q And you don't recall what it was?**  
 11 A Approximately, four million combined  
 12 with Citibank and Merrill Lynch combined.  
 13 **Q And that's based on the statement from**  
 14 **the previous month?**  
 15 A Yes.  
 16 **Q Have any monies been taken out of those**  
 17 **accounts?**  
 18 A No. We're being held back by the State,  
 19 who are now going to steward this account. And  
 20 they are going to start to steward this account,  
 21 and we've been fighting them to release the funds  
 22 to the vendors.  
 23 And they have just released a letter to  
 24 us seventy-two hours ago saying that they were  
 25 sorry that they didn't understand how this was all

1 done, that they think it should be released today  
 2 or tomorrow. That's what they -- but they always  
 3 say that every day. This is their talking.  
 4 Because these people do not understand the EB-5  
 5 program at all. To make that very clear, that the  
 6 State does not understand the EB-5 world.  
 7 **Q And there's only one account at Merrill**  
 8 **Lynch and one account at Citibank for Q Burke?**  
 9 A Yes. Yes. And one at People's.  
 10 **Q And People's.**  
 11 **And when you said steward, what were you**  
 12 **referring to?**  
 13 A Well, they're going to now do their job  
 14 as a regional center and oversee these projects  
 15 being built.  
 16 **Q Okay. But when you said steward the**  
 17 **account, what were you referring to?**  
 18 A Monitor the account.  
 19 **Q The financial account?**  
 20 A No. The construction account.  
 21 **Q Monitor the construction?**  
 22 A Account.  
 23 **Q And which account are you referring to**  
 24 **when you say the construction account?**  
 25 A Burke.

1 **Q But which specific accounts? Because we**  
 2 **talked about an account at People's, an account at**  
 3 **Merrill, an account at Citibank.**  
 4 A All.  
 5 **Q All three?**  
 6 A (The witness nods head.)  
 7 **Q And when you say monitor, what does that**  
 8 **exactly mean? What's going to be their role in**  
 9 **monitoring the account?**  
 10 A Basically, before I release the payment  
 11 to them, they want to have a sign-off on it.  
 12 **Q So you have to get their approval before**  
 13 **any money's released?**  
 14 A That's exactly right.  
 15 And they requested an inspection, and we  
 16 passed the inspection with three hundred percent.  
 17 They actually brought in engineers. They saw the  
 18 site being built just three weeks ago, and we  
 19 passed.  
 20 **Q Oh, so that was a physical inspection of**  
 21 **the site, you're saying?**  
 22 A They did it. And three hundred percent.  
 23 Not one hundred percent. Three hundred. They  
 24 said, Quiros, they couldn't believe what we built  
 25 on their statements.

1 **Q Whose statement are you referring to?**  
 2 A The inspectors that the State ordered to  
 3 inspect the buildings. I'm very proud of what we  
 4 did here.  
 5 **Q And for the Jay Peak Biomedical**  
 6 **accounts, is the State also stewarding those**  
 7 **financial accounts?**  
 8 A Yes, madam.  
 9 **Q The same way they are for Q Burke?**  
 10 A Yes, madam.  
 11 **Q Yes?**  
 12 A Yes. Yes. Correct.  
 13 **Q So for the Jay Peak Biomedical accounts,**  
 14 **is it correct then that money cannot be taken out**  
 15 **without the approval of the State?**  
 16 A That's correct. Which I welcome.  
 17 MR. JAMES: And just to be clear. So  
 18 you've taken all of your profits, which we've  
 19 defined as your management fees, so forth and so  
 20 on, you've taken all of those for the Q Burke  
 21 project?  
 22 THE WITNESS: How much have I --  
 23 MR. JAMES: Whatever --  
 24 THE WITNESS: Whatever is there that I  
 25 can take, well, that I'll have to show you with my

1 accountants what exactly.  
 2 MR. JAMES: As far what you're entitled  
 3 to for Q Burke, have you taken --  
 4 THE WITNESS: Yes.  
 5 MR. JAMES: -- those funds --  
 6 THE WITNESS: I haven't taken no  
 7 investor's money, not even a penny. Whatever  
 8 money I took belonged to me.  
 9 MR. JAMES: Okay.  
 10 But you talk about your profits from all  
 11 the projects combined, and we had that hundred  
 12 thousand dollars. So my question is: Have you  
 13 taken --  
 14 THE WITNESS: A hundred million.  
 15 MR. JAMES: Sorry. I'm sorry.  
 16 My question is: Have you taken all of  
 17 the profits that you are entitled to from the Q  
 18 Burke EB-5 project?  
 19 THE WITNESS: I don't -- I don't know. I  
 20 don't know how much of it did I take exactly,  
 21 exactly. But whatever -- if I acquired -- or if  
 22 I've done any of these acquisitions, you can be  
 23 sure it was my profit. Now I'll just need to show  
 24 it to you.  
 25 MR. LEVENSON: I just want to make sure

1 I understood your answer to Brian's last question.  
 2 You've taken profits from the Q Burke project?  
 3 You're just not sure how much? Is that what  
 4 you're saying?  
 5 THE WITNESS: That's correct.  
 6 MR. LEVENSON: Okay.  
 7 BY MS. SINDLER:  
 8 **Q The same question for Jay Peak**  
 9 **Biomedical, have you taken all the profits that**  
 10 **you are entitled to?**  
 11 A Yes.  
 12 **Q From that project?**  
 13 A Yes -- no, I don't know. I'd have to  
 14 review that with my accountant and see what's  
 15 there.  
 16 MR. LEVENSON: So the same answer,  
 17 you've taken profits from the Biomedical project,  
 18 but you're not sure how much?  
 19 THE WITNESS: That's correct.  
 20 MR. LEVENSON: Okay.  
 21 Do you know if you're entitled to any  
 22 additional -- to take out any additional profits  
 23 from either the Biomedical or Q Burke?  
 24 THE WITNESS: Yeah, of course. Because  
 25 we've only -- the answer is yes. But you should

1 realize why. There's another --  
 2 MR. LEVENSON: Because there's more to  
 3 subscribe?  
 4 THE WITNESS: There's more. There's  
 5 another fifty percent more to subscribe for Burke,  
 6 and there's another fifty percent more to  
 7 subscribe for AnC, for which we're leaving next  
 8 week to raise those funds around the world. Bill  
 9 Stenger goes to South Africa and the Middle East,  
 10 and I go to --  
 11 MR. LEVENSON: Have you taken all of the  
 12 profits that you're entitled to at this point from  
 13 Biomedical and Q Burke?  
 14 THE WITNESS: I don't know. I don't  
 15 know.  
 16 MR. MARTIN: And do you have a timeline  
 17 for when you expect or hope to have all the money  
 18 raised for Q Burke?  
 19 THE WITNESS: It's only my timeline.  
 20 However, we don't know what the new laws are going  
 21 to come out on September 30th. We're hoping that  
 22 the new laws will allow me and grandfather me in  
 23 in such a way that I still have that same time  
 24 clock.  
 25 In direct answering -- in direct talking

1 to you about that particular question, I only have  
 2 another year and a half. If I don't, the people  
 3 that already applied for their I-529s -- by the  
 4 way, they've been approved as of last month.  
 5 I-529s are still being approved. Those people,  
 6 their clock starts, and I have twenty-four months.  
 7 I must raise all the money within twenty-four  
 8 months.  
 9 MR. MARTIN: And create all the jobs?  
 10 THE WITNESS: Yeah. Yeah. That -- yes.  
 11 But I'd like to say one more thing. The  
 12 Northeast Kingdom, they're crazy for money. They  
 13 have no money. The Northeast people have no work,  
 14 no jobs. So you hear rumors. For example, like  
 15 Stateside. Oh, my God, Mr. Quiros, I have never  
 16 filed a payment. All my payments are paid. I can  
 17 get the DEW people flown here. Everything has  
 18 been done.  
 19 All they want to do is accelerate. Why?  
 20 Because Christmas is coming. They need more  
 21 money. But, in truth, I have until March or 2017  
 22 to complete maybe another fourteen to fifteen  
 23 million dollars worth more. Nothing. I have no  
 24 debt on my mountain. I'm debt free. All of my  
 25 accounts are debt free.

1 I can use any leverage I want to buy,  
 2 but I don't, because when I go into a bank, they  
 3 go on the first thing, are you under SEC  
 4 investigation? I have to say yes. I don't want  
 5 that out there. So I'm holding back until this  
 6 gets done, and then I can personally get whatever  
 7 money I want from all of these.  
 8 But to pay down Stateside -- when I  
 9 first bought Jay Peak, my revenue was eight  
 10 million. My sales was eight million. Today it's  
 11 sixty million. In less than seven and a half  
 12 years, that throws off maybe ten to twelve million  
 13 dollars worth of profit. I have more than enough  
 14 money.  
 15 The rumors you hear from Vermont leader  
 16 and Douglas and all his crew of people is just to  
 17 stir up problem. There's no problem. I don't  
 18 even have a contract to finish the jobs. I have  
 19 do that now. And I'm probably going to do the rec  
 20 center first, and then do the balance later.  
 21 So I have plenty of time and plenty of  
 22 money to complete those projects.  
 23 MR. MARTIN: So breaking that down,  
 24 Stateside, you think there's another,  
 25 approximately, fourteen to fifteen million dollar

1 left?  
 2 THE WITNESS: Yes, sir. Yes, sir.  
 3 MR. MARTIN: And your timeline on that  
 4 is March of --  
 5 THE WITNESS: March 30th of 2017.  
 6 MR. MARTIN: '17. Okay.  
 7 And what's your deadline for the AnC  
 8 Bio?  
 9 THE WITNESS: 2018.  
 10 MR. MARTIN: Do you know when in 2018?  
 11 THE WITNESS: No, sir.  
 12 MR. MARTIN: Do you know how much  
 13 remains to be constructed with AnC Bio?  
 14 THE WITNESS: About forty million, fifty  
 15 million. Forty to fifty million. We are now  
 16 starting. We did the groundbreaking ceremony one  
 17 month ago, six weeks ago.  
 18 MR. MARTIN: And Q Burke, again, when is  
 19 the deadline to finish that project?  
 20 THE WITNESS: Q Burke, we're right on  
 21 schedule. We're right on time. I have until  
 22 2017.  
 23 MR. MARTIN: Okay.  
 24 THE WITNESS: Now, on Q Burke,  
 25 everything is right down the pike, under budget,

1 timing. We're trying to get the State, so we can  
 2 open it up for Christmas. The delay that they put  
 3 on me now for the last two months, not  
 4 understanding anything, I think we're going to  
 5 lose very deep, because I don't think I can open  
 6 the hotel up on December 11th. I pray.  
 7 MR. MARTIN: And how much remains to be  
 8 built out to complete the Q Burke project?  
 9 THE WITNESS: Approximately -- just the  
 10 hotel, or everything including?  
 11 MR. MARTIN: Everything that's left to  
 12 be built.  
 13 THE WITNESS: Everything? About another  
 14 fifty million. We've raised about fifty million  
 15 so far.  
 16 There will be an Olympic-size pool that  
 17 starts in March. We just got the license for  
 18 that. And the tennis centers and the aqua and the  
 19 bike park will complete the balance of that. A  
 20 very good project, a very clean project, very  
 21 smooth.  
 22 MR. MARTIN: Okay.  
 23 THE WITNESS: The delay here is the  
 24 intervention of the SEC investigation.  
 25 BY MS. SINDLER:

1 Q So the hotel has not opened yet?  
 2 A December 11th.  
 3 Q And that's the first phase of the Q  
 4 Burke project?  
 5 A The main phase.  
 6 Q The main phase?  
 7 A The main phase.  
 8 The other are, what we call in the EB-5  
 9 world, accessories. They're not the main. The  
 10 main thing is the hotel. The two hotels were  
 11 built, and the knuckle will be built, the middle  
 12 building.  
 13 I got a little headache.  
 14 MR. MARTIN: Sure. You want to take a  
 15 break.  
 16 MS. SINDLER: Yeah. We'll take a break.  
 17 We'll go off the record.  
 18 (A brief recess was taken at 10:59 a.m.)  
 19 MS. SINDLER: We're back on the record  
 20 after a short break.  
 21 BY MS. SINDLER:  
 22 Q During that time, we had no substantive  
 23 conversation, is correct, Mr. Quiros?  
 24 A Yes.  
 25 Q Okay.

1 Let me show you what's previously marked  
 2 as Exhibit No. 166. It's a copy of offering  
 3 documents for Jay Peak Hotel Suites Stateside, LP.  
 4 MR. GORDON: You're being asked, would  
 5 you like water?  
 6 THE WITNESS: Yes. Yes, a hundred  
 7 percent.  
 8 (Mr. Levenson left the room.)  
 9 MS. SINDLER: Mr. Quiros, at anytime, if  
 10 you want water, want a break, please let us know.  
 11 We'll be happy to accommodate you.  
 12 THE WITNESS: No. It's okay. I got to  
 13 ask a very quick -- I don't know this man's name.  
 14 MR. GORDON: Mr. Levenson.  
 15 THE WITNESS: Mr. Who? Mr. Levenson.  
 16 BY MS. SINDLER:  
 17 Q All right. Do you recognize this  
 18 document?  
 19 A Yes, madam. For Stateside, LP.  
 20 Q Okay.  
 21 And did you have any role in reviewing  
 22 or editing this document?  
 23 A No, madam.  
 24 Q Okay.  
 25 Did you have any input into this

1 document?  
 2 A On this particular one, not so much. Not  
 3 so much. I, basically, know the numbers that we  
 4 have to follow by, and nothing more. This is --  
 5 this was done many years ago. I wasn't so much  
 6 involved when they did this.  
 7 Q When you say you know the numbers --  
 8 A I know the numbers.  
 9 Q -- what numbers are you referring to?  
 10 A How much is it going to cost to  
 11 construct and what's my profits and things like  
 12 that.  
 13 MR. MARTIN: So the Use of Proceeds  
 14 section?  
 15 THE WITNESS: The Use of Proceeds  
 16 section.  
 17 BY MS. SINDLER:  
 18 Q At what point did you -- you've reviewed  
 19 this document sitting here today? You've seen it  
 20 before?  
 21 A Yes, madam.  
 22 Q At what point did you first see it?  
 23 A Oh, three years ago.  
 24 Q Was it before the offering took place?  
 25 A No. I saw it when it was completed.

1 **Q Okay.**  
 2 MR. JAMES: You saw this document when  
 3 it was completed?  
 4 THE WITNESS: Yes, sir.  
 5 MR. JAMES: So did you approve the final  
 6 version of the Stateside document?  
 7 THE WITNESS: Yes. Normally, my SEC  
 8 lawyers out of Vermont and Bill Kelly and Bill  
 9 Stenger tell me what it is, and that's it. I say,  
 10 okay. They're going to do what they're going to  
 11 do anyway, but, okay.  
 12 MR. JAMES: But do you ask questions  
 13 about certain things in there? Do you make edits,  
 14 revisions?  
 15 THE WITNESS: Not really. Not really. I  
 16 don't. This is a whole new area for me, Northeast  
 17 Kingdom, and what they want. I facilitate what  
 18 they want. My job is very minimal, just to really  
 19 run the accounts.  
 20 MR. JAMES: As to Stateside?  
 21 THE WITNESS: (The witness nods head.)  
 22 MR. JAMES: Is that a yes?  
 23 THE WITNESS: Yes. I don't know.  
 24 (Mr. Levenson enters the room.)  
 25 MR. MARTIN: But after Stateside was

1 fifteen million dollars left of work to get done.  
 2 And we don't have a contract for that yet. We  
 3 will have a contract for that to be built.  
 4 As I had said before, we'll do the  
 5 regional center first, and then I'll complete the  
 6 project around end of December. I should be done  
 7 by the end of December. Maybe the first two  
 8 months of 2017.  
 9 MR. JAMES: Did you mean you'll do the  
 10 recreational center first?  
 11 THE WITNESS: Yes.  
 12 MR. JAMES: Okay.  
 13 THE WITNESS: Yes. That's the biggest.  
 14 MR. JAMES: Okay. I thought you said  
 15 the regional center.  
 16 THE WITNESS: Recreational center.  
 17 BY MS. SINDLER:  
 18 **Q And where does Stateside have financial**  
 19 **accounts?**  
 20 A Where does Stateside?  
 21 **Q Yes.**  
 22 A This project is closed. There's no --  
 23 **Q So it has no financial accounts?**  
 24 A People's. People's.  
 25 **Q People's Bank.**

1 completed -- I mean, the PPM was, you reviewed at  
 2 least the Use of Proceeds section?  
 3 THE WITNESS: Yes. Yes.  
 4 BY MS. SINDLER:  
 5 **Q And what's the status of the Stateside**  
 6 **project now?**  
 7 A Done. We're done with ninety-one  
 8 percent. The accessories of this project will be  
 9 completed now in the summer -- in the winter and  
 10 in the summer of next year, 2017.  
 11 **Q And when you say the accessories, are**  
 12 **you talking about the eighty-four cottages?**  
 13 A The accessories are the eighty-four  
 14 cottages.  
 15 **Q And the medical center?**  
 16 A Clinic.  
 17 **Q The clinic, is that an accessory?**  
 18 A Yes.  
 19 **Q And the guest recreation center, is that**  
 20 **also an accessory?**  
 21 A That's it.  
 22 **Q Were there any other accessories you**  
 23 **were thinking of?**  
 24 A No. The main of this is the hotel, and  
 25 that was completed. There's only like twelve to

1 **Is there any money in People's Bank?**  
 2 A Huh?  
 3 **Q Is there any money in that account?**  
 4 A No.  
 5 **Q So it doesn't have -- is the People's**  
 6 **account then still open?**  
 7 A Yes.  
 8 **Q But there's no money in it?**  
 9 A Correct.  
 10 **Q And there are no other financial**  
 11 **accounts for Stateside?**  
 12 A We have the funds for this account  
 13 through the proceeds of Jay Peak. That's one  
 14 source that I have.  
 15 This winter, my sales will be ten to  
 16 twelve million, and we've lent this money back to  
 17 Jay Peak, and we have the promissory notes in  
 18 play. And I put the funds there. Now, Jay Peak,  
 19 at the time of my request, when we need them, I  
 20 will tell Jay Peak to please send me the money,  
 21 and we will -- we already started those accessory  
 22 projects already, in the tune of about five  
 23 million, maybe, we have completed.  
 24 So we have about -- it was twenty  
 25 million. That's why I tell you between twelve and

1 fifteen to complete the project. We'll get it  
 2 from the proceeds of Jay Peak this winter.  
 3 **Q Okay.**  
 4 **So presently there's no money in any**  
 5 **Stateside account?**  
 6 A Notes that we have for Stateside.  
 7 **Q Promissory notes?**  
 8 A Money that's owed. Yes, promissory  
 9 notes that are owed to us from the project.  
 10 **Q Who are the parties for these promissory**  
 11 **notes?**  
 12 A The limited partners and me.  
 13 **Q You individually?**  
 14 A No. The company, Jay Peak.  
 15 **Q Jake Peak.**  
 16 **And who signed the promissory notes on**  
 17 **behalf of the limited partner?**  
 18 A I'll have to get you that. I don't  
 19 know.  
 20 **Q And how about, who signed the promissory**  
 21 **notes on behalf of Jay Peak?**  
 22 A I'm not sure.  
 23 **Q Okay.**  
 24 MS. SINDLER: We're going to request  
 25 copies of these from Mr. Gordon.

1 BY MS. SINDLER:  
 2 **Q When were these promise notes executed?**  
 3 A Over the years. Over the years.  
 4 **Q Which years?**  
 5 A Maybe, maybe 2013 and 2014.  
 6 **Q All the money's been raised for this**  
 7 **offering, correct?**  
 8 A Yes, everything.  
 9 **Q So there's nothing else to be raised?**  
 10 A Nothing else to be raised.  
 11 **Q Okay.**  
 12 A And the balance of the projects will be  
 13 funded by me. At the time that I make the  
 14 request, I will get the money from Jay Peak, Inc.  
 15 and pay the developer the money that he requires  
 16 to build that particular project that we're going  
 17 to order to get done.  
 18 MR. MARTIN: Why didn't Stateside just  
 19 retain the funds?  
 20 THE WITNESS: I needed the funds in Jay  
 21 Peak, Inc.  
 22 MR. MARTIN: Why?  
 23 THE WITNESS: Cost, just cost. I prefer  
 24 to put the money there as long as they gave me a  
 25 promissory note.

1 MR. LEVENSON: What cost?  
 2 MR. MARTIN: As long as you gave  
 3 Stateside a promissory?  
 4 THE WITNESS: Yeah.  
 5 MR. LEVENSON: What cost did Jay Peak,  
 6 Inc. have?  
 7 THE WITNESS: I don't know exactly.  
 8 Those you'll have to get from my accountants.  
 9 MR. LEVENSON: Do you have any specific  
 10 recollection of any specific cost you needed that  
 11 money for?  
 12 THE WITNESS: They were short. They  
 13 needed the funds.  
 14 MR. MARTIN: What accountant are you  
 15 referring to?  
 16 THE WITNESS: Say again.  
 17 MR. MARTIN: Which accountant are you  
 18 referring to?  
 19 THE WITNESS: Jay Peak.  
 20 MR. MARTIN: Their internal accountants?  
 21 THE WITNESS: My internal accountants,  
 22 yes.  
 23 MR. MARTIN: At Jay Peak?  
 24 THE WITNESS: At Jay Peak.  
 25 And I have all the promissory notes, and

1 I also pay interest for that money as well.  
 2 MR. MARTIN: What's the rate of  
 3 interest?  
 4 THE WITNESS: I think, if I'm not  
 5 mistaken, if I'm not mistaken, I think it's four  
 6 percent.  
 7 MR. MARTIN: Do you believe that you're  
 8 allowed to encumber Stateside funds to the  
 9 promissory note?  
 10 THE WITNESS: In the way that you just  
 11 asked me, the answer's no, but it didn't occur  
 12 that way. Whatever I did, I'm very sure I have  
 13 all the necessary documents in place to have done  
 14 what I did.  
 15 MR. MARTIN: Were the promissory notes  
 16 contemporaneous with the transaction?  
 17 THE WITNESS: I don't know that  
 18 question.  
 19 MR. MARTIN: Did you enter the  
 20 promissory notes when the transactions occurred,  
 21 or before they occurred?  
 22 THE WITNESS: During the time. Exactly  
 23 when my accountants in Miami wouldn't allow me to  
 24 do such a thing. They did it as it occurred.  
 25 MR. MARTIN: So it's not just the Jay

1 Peak, Inc. accountants involved with it, but also  
 2 the Miami accounting firm you mentioned earlier?  
 3 THE WITNESS: Yes. Correct.  
 4 MR. MARTIN: So were these promissory  
 5 notes backdated in any way?  
 6 THE WITNESS: No. They happened as they  
 7 happened. They kept on building up.  
 8 MR. MARTIN: And what is the aggregate  
 9 amount of promissory notes?  
 10 THE WITNESS: I don't know. I don't  
 11 know. I know that -- I don't know.  
 12 MR. MARTIN: Do you know approximately?  
 13 THE WITNESS: No. I don't want to make  
 14 a mistake here, because I don't know. They do  
 15 that internally within the accountants.  
 16 MR. MARTIN: But it's at least twelve  
 17 million dollars?  
 18 THE WITNESS: Oh, yeah. Oh, yeah. More.  
 19 MR. MARTIN: More.  
 20 BY MS. SINDLER:  
 21 **Q And who made the decision that Q Resorts**  
 22 **would be making that loan to Jay Peak? Was it**  
 23 **just your decision?**  
 24 A No. They -- they sit in a room, and  
 25 then they decide that this is what we should do,

1 A To be honest with you, no.  
 2 MR. MARTIN: Did you ever review the  
 3 documents and try to determine whether it was  
 4 permissible?  
 5 THE WITNESS: No. I believe in my men.  
 6 I believe in my men. They wouldn't guide me  
 7 wrong. And I believe what they're telling is to  
 8 be correct.  
 9 MR. MARTIN: Did any lawyer tell you  
 10 that it was okay?  
 11 MR. GORDON: Well, hold on. I think  
 12 we've got a privilege issue now.  
 13 MR. MARTIN: All right. As long as he's  
 14 not asserting a reliance on counsel.  
 15 MR. GORDON: I think I better talk to  
 16 him. Can I have a moment?  
 17 MR. LEVENSON: Yeah.  
 18 (A brief recess was taken at 11:27 a.m.)  
 19 MS. SINDLER: We're back on the record,  
 20 so that Mr. Quiros could have an opportunity to  
 21 speak with his Counsel.  
 22 Mr. Quiros, you wanted to answer the  
 23 question.  
 24 MR. GORDON: Maybe he should hear the  
 25 question again.

1 and I, basically, say yes.  
 2 **Q Someone approached you and asked you to**  
 3 **do this?**  
 4 A My company. My people. My staff.  
 5 **Q And who's that?**  
 6 A My CFO, my CEO.  
 7 **Q Your CFO, Mr. Gulisano?**  
 8 A Mr. Gulisano, Bill Stenger, Bill Kelly.  
 9 **Q Bill Kelly is your COO asked you?**  
 10 A Bill Kelly is my COO.  
 11 **Q And he asked you to?**  
 12 A Yeah. It sounds like a mystique what  
 13 you guys are saying, but they ask me, Quiros, can  
 14 you do this, and I said yes.  
 15 MR. MARTIN: But to be clear, Mr.  
 16 Stenger is aware that Stateside loaned money to  
 17 Jay Peak?  
 18 THE WITNESS: Oh, yes, of course.  
 19 BY MS. SINDLER:  
 20 **Q Was there any discussion as to whether**  
 21 **or not this was permissible under the terms of the**  
 22 **offering documents?**  
 23 A I'm sure there was, and I'm sure they  
 24 all said yes.  
 25 **Q Do you recall any such discussions?**

1 MR. MARTIN: Sure.  
 2 Could you read it back, please.  
 3 THE WITNESS: Did I have to do with a  
 4 lawyer? Did I consult with a lawyer?  
 5 MR. MARTIN: Yeah.  
 6 THE WITNESS: The answer is no.  
 7 MR. MARTIN: Okay.  
 8 THE WITNESS: I -- I really rely on my  
 9 staff. Now, they consult with their lawyers, with  
 10 our lawyers, which are Carroll Scribner. Our SEC  
 11 lawyers, I'm sure they are all aware of all of  
 12 this. Because they monitor --  
 13 MR. GORDON: Well, Ariel, I think --  
 14 don't speculate as to what may have happened with  
 15 your lawyers and if there were communications with  
 16 the lawyers. I want to think about whether we  
 17 want to assert a privilege.  
 18 THE WITNESS: Okay. Understood.  
 19 MR. LEVENSON: But you yourself did not  
 20 consult with any --  
 21 THE WITNESS: I --  
 22 MR. LEVENSON: Let me finish, sir.  
 23 You did not consult with any lawyer on  
 24 this issue?  
 25 THE WITNESS: No.

1 MR. LEVENSON: You did not receive any  
2 advice from any lawyer on this issue?  
3 THE WITNESS: No, sir. No. No, sir.  
4 MR. LEVENSON: Okay.  
5 BY MS. SINDLER:  
6 **Q Was this loan arrangement disclosed to**  
7 **investors?**  
8 A Probably so.  
9 **Q Why do you say that?**  
10 A I'm not sure, but I'm probably sure that  
11 they were aware of this.  
12 **Q But why are you probably sure?**  
13 A Just I'm probably sure. I don't -- in  
14 this contents of this meeting, I'm assuming.  
15 **Q So it's an assumption?**  
16 A It's an assumption.  
17 MR. LEVENSON: I mean, do you have  
18 any -- is there any factual basis for that  
19 assumption, or you really don't know?  
20 THE WITNESS: It's just an assumption.  
21 MR. LEVENSON: Okay.  
22 But you don't know? As you sit here  
23 today, do you know?  
24 THE WITNESS: Yes. No, I don't know.  
25 MR. LEVENSON: Okay.

1 BY MS. SINDLER:  
2 **Q Is that something you think investors**  
3 **would want to know?**  
4 A If -- if -- I guess the best way to  
5 explain this, if you'll allow me to get out of  
6 contents again.  
7 The best way to explain is that we use a  
8 company called JCM. And the company JCM is the  
9 company that receives the funds. In the sense  
10 that what you're saying, that is an affiliated  
11 company, and I'm allowed to put money in that  
12 company. That, they do know from the subscription  
13 agreement. That's the only way that I can retrack  
14 to make you understand this process.  
15 You have to understand there's another  
16 company here called JCM. And JCM is my  
17 contracting company that is given the money to  
18 build these projects.  
19 **Q So let me just make sure I understand.**  
20 **So there were promissory notes between Stateside**  
21 **and Jay Peak, and then --**  
22 A Stateside?  
23 **Q Okay. The promissory notes we talked**  
24 **about. And then are you saying that money then**  
25 **went -- Stateside money then went to JCM?**

1 A No. No. No. I explain, yes?  
2 **Q Yeah. I'm trying to understand.**  
3 A I'm trying -- I'm trying -- when you ask  
4 me, I'm thinking very fast, and I'm trying to  
5 explain to you, trying to make it simple, and  
6 sometimes maybe I'm making it difficult.  
7 **Q Because you said JCM received funds in**  
8 **connection with --**  
9 A JCM gets all the funds. JCM is the  
10 construction company that is hired to oversee the  
11 work that's being done and the work to be  
12 completed at these projects.  
13 **Q For all the projects?**  
14 A For all the projects.  
15 That was set up by Douglas, but the  
16 way -- Douglas Hulme.  
17 That company gets the money. And then  
18 that company then gives out the money to the  
19 vendors.  
20 As far as me being allowed to give the  
21 money to JCM, the investors do know. The  
22 investors know that.  
23 As far as JCM giving the money to Jay  
24 Peak, I don't know. I don't know that question. I  
25 don't know how to answer that. I don't know.

1 **Q Right. Because the question was: Do**  
2 **you think investors would want to know -- or**  
3 **Stateside investors would want to know that their**  
4 **invested monies had been lent to Jay Peak?**  
5 A But their investor money has not been  
6 lent to Jay Peak, Inc. directly. It's been given  
7 to JCM, an affiliate of our -- affiliate of my  
8 companies, and it allows me to do that, according  
9 to the book.  
10 MR. MARTIN: Again, the promissory notes  
11 were between Stateside and Jay Peak; is that  
12 correct?  
13 THE WITNESS: Stateside -- the  
14 promissory notes would be -- yeah, but that's only  
15 because I consider JCM an affiliate of our  
16 company. That's the only reason I say that. But,  
17 in truth, if there's any document trail for this,  
18 in what I know to be true, it should be between  
19 JCM and Jay Peak.  
20 MR. DEE: Who owns JCM?  
21 THE WITNESS: I own JCM.  
22 MR. MARTIN: Have you always been the  
23 sole owner of JCM?  
24 THE WITNESS: No, sir. When this --  
25 when this company -- no.

1 MR. MARTIN: When did you -- when's the  
 2 first time you weren't the exclusive owner of JCM?  
 3 THE WITNESS: A few years ago. Because  
 4 I have so much interest inside of JCM, I decided  
 5 to take it over, and I took over JCM.  
 6 JCM was formed by Douglas, Douglas  
 7 Hulme, this idiot. And he formed this company as  
 8 a way to pay the overrides of these resorts, of  
 9 these projects. I favored it because it would  
 10 give me control over Bill Stenger and Douglas. And  
 11 at that time, I had the new lawyers, and I had the  
 12 new accountants to monitor that company. So that  
 13 is that question.  
 14 They put Alex Choi as the President and  
 15 owner of that company. And then when we saw that  
 16 that company owed and was lending money to Jay  
 17 Peak, I went and said, this is too much. I want  
 18 to take it over. So I negotiated with Alex to  
 19 please sell me the company. And he said yes. And  
 20 I took it over.  
 21 MR. MARTIN: How much did you pay for  
 22 it?  
 23 THE WITNESS: Not much. Frankly  
 24 speaking, it was more of a transition takeover. It  
 25 was more, please, I need this company, Alex, under

1 my control, because we owe too much and there's  
 2 too much money being lent out and borrowed, I need  
 3 to take it over. You agree? He said, yes, okay.  
 4 MR. MARTIN: Was there any payment  
 5 associated with taking it over?  
 6 THE WITNESS: Yes, there was some  
 7 payments. But for that, I'd have to review that  
 8 with my accountant. I don't know exactly today.  
 9 MR. MARTIN: Do you know approximately?  
 10 THE WITNESS: No, sir.  
 11 MR. MARTIN: Was it in the millions?  
 12 THE WITNESS: I don't know. I don't  
 13 know. Honestly, I don't.  
 14 MR. MARTIN: Just so I'm clear, though,  
 15 the initial formation of JCM, Mr. Choi and you  
 16 were both owners?  
 17 THE WITNESS: No. He was the owner.  
 18 Douglas Hulme and Bill Stenger put him as the  
 19 owner.  
 20 MR. MARTIN: So you had no interest in  
 21 it at that point?  
 22 THE WITNESS: No, sir. The only thing  
 23 is that I had the power of attorney to oversee,  
 24 make sure that he did all the filings and all the  
 25 paperwork.

1 MR. MARTIN: But you didn't have an  
 2 equity interest?  
 3 THE WITNESS: No. No, sir.  
 4 MR. MARTIN: And at some point in time,  
 5 do you know when you became an equity owner?  
 6 THE WITNESS: A few years thereafter. A  
 7 few years thereafter. I can give you the exact  
 8 date. I can. I have all that well monitored.  
 9 MR. MARTIN: And today, you're the  
 10 exclusive owner of JCM?  
 11 THE WITNESS: Yes, sir. Yes, sir.  
 12 MR. MARTIN: That's been true over the  
 13 last few years?  
 14 THE WITNESS: Yes, sir.  
 15 MR. MARTIN: Okay.  
 16 MR. DEE: The power -- I'm sorry. Did  
 17 you finish?  
 18 MR. MARTIN: Yeah.  
 19 MR. LEVENSON: Okay. Did you finish,  
 20 Mr. Quiros?  
 21 THE WITNESS: Yes, sir.  
 22 MR. DEE: The power of attorney gave you  
 23 power to transfer funds, as I recall, correct?  
 24 THE WITNESS: Yes, sir.  
 25 MR. DEE: If we look at the Letters of

1 Authority that go back almost to the beginning of  
 2 JCM, they're generally authorized by you?  
 3 THE WITNESS: Yes, sir.  
 4 MR. DEE: Okay.  
 5 And they have been ever since?  
 6 THE WITNESS: Yes, sir.  
 7 MR. DEE: Okay.  
 8 THE WITNESS: That was one of the  
 9 prerequisites that Douglas Hulme wanted me to do.  
 10 I did not understand all, but that's what Douglas  
 11 came up out of the blue moon and said, we have to  
 12 set up this company.  
 13 BY MS. SINDLER:  
 14 Q So just to confirm again, because I'm a  
 15 little confused, the promissory notes, though, are  
 16 between Stateside and Jay Peak; is that correct?  
 17 A Stateside and --  
 18 Q Jay Peak.  
 19 A Wow. I just -- from JCM to Jay Peak,  
 20 JCM. The money was given to JCM. JCM has the  
 21 promissory note with Jay Peak, Inc.  
 22 Q So are you saying that there's  
 23 promissory notes between -- because I thought  
 24 before you said there was promissory notes between  
 25 Stateside, the LP, and Jay Peak, Inc.

1 A Yeah. Because a few minutes ago I told  
 2 you, I consider, because I'm thinking all the  
 3 time, Jay Peak and JCM and Stateside, all like  
 4 one. I'm the owner of all of them. So it's very  
 5 hard.  
 6 So when I talk like that, please don't  
 7 misunderstand. The money was given to JCM, and  
 8 the money from JCM then is given to Jay Peak, Inc.  
 9 MR. MARTIN: But to be clear, you don't  
 10 own Stateside, right? The investors do? They  
 11 have the equity?  
 12 THE WITNESS: That's correct.  
 13 MR. MARTIN: Okay.  
 14 And then are there any promissory notes  
 15 between any other projects and Jay Peak?  
 16 THE WITNESS: No, sir.  
 17 MR. JAMES: And you mentioned earlier  
 18 that you were paid interest on these promissory  
 19 notes.  
 20 THE WITNESS: Yes, sir.  
 21 MR. JAMES: Tell me about that.  
 22 THE WITNESS: I've been told that my  
 23 promissory notes indicate that I'm paying an  
 24 interest for the money that we lent Jay Peak, Inc.  
 25 MR. JAMES: But is it accruing, or you

1 MR. JAMES: Who are those payments made  
 2 to? Are the payments made to the Stateside, LP  
 3 bank account?  
 4 THE WITNESS: I don't know. I don't  
 5 know that question.  
 6 MR. JAMES: Do the promissory notes  
 7 speak to who or what entity or what bank account  
 8 receives the interest payments?  
 9 THE WITNESS: I don't know. I have  
 10 to -- I can get that you right away. It's just a  
 11 matter of speaking to my accountant.  
 12 MR. JAMES: But you've seen these  
 13 promissory notes?  
 14 THE WITNESS: Yes, I have, I think. Yes.  
 15 MR. JAMES: But you say that you can't  
 16 recall specifically?  
 17 THE WITNESS: They told me. They told  
 18 me that we were paying that, and that we had to  
 19 sign these promissory notes.  
 20 MR. JAMES: Who's they?  
 21 THE WITNESS: My accountant.  
 22 MR. MARTIN: Who?  
 23 THE WITNESS: George.  
 24 MR. JAMES: Your CFO?  
 25 THE WITNESS: Yes, sir.

1 actually have paid interest?  
 2 THE WITNESS: I have. I have paid  
 3 interest.  
 4 MR. JAMES: And you personally, or what  
 5 entity has paid interest on those notes?  
 6 THE WITNESS: Probably the proceeds out  
 7 of Jay Peak, Inc., I hope. I hope.  
 8 MR. JAMES: Okay.  
 9 So to who was the interest paid? What  
 10 entity received the interest payments on the --  
 11 THE WITNESS: The Stateside, LP  
 12 accounts.  
 13 MR. JAMES: So it went from Jay Peak to  
 14 the Stateside, LP accounts?  
 15 THE WITNESS: I don't know the fundamnt  
 16 of how they paid it out. I don't know.  
 17 MR. JAMES: But the ending recipient of  
 18 the interest payments was the Stateside, LP  
 19 account?  
 20 THE WITNESS: And investors get their  
 21 interest for that.  
 22 MR. JAMES: So I'm talking about  
 23 interest payments on the promissory notes that we  
 24 just talked about.  
 25 THE WITNESS: Yes.

1 BY MS. SINDLER:  
 2 Q So currently which entity is paying the  
 3 construction costs for Stateside?  
 4 A Only one, JCM.  
 5 Q JCM is paying?  
 6 A Yes.  
 7 Q And where does JCM have its financial  
 8 accounts?  
 9 A At -- at Merrill Lynch and Citibank.  
 10 And also this particular company was  
 11 just audited by the IRS, and they were told -- we  
 12 were told that we do not have to change anything  
 13 in those accounts, that everything is perfect. I  
 14 just got that from my seven-month audit that was  
 15 conducted in that company. Just finished, I would  
 16 say about one month ago, two months ago.  
 17 MR. MARTIN: So someone from the IRS  
 18 represented to you everything was perfect?  
 19 THE WITNESS: Yes.  
 20 MR. MARTIN: Who at the IRS?  
 21 THE WITNESS: The auditors, the ones  
 22 that actually did it.  
 23 MR. MARTIN: They told you this orally?  
 24 THE WITNESS: No. By written to my  
 25 accountant -- my accountants.

1 MR. MARTIN: And what accountants?  
 2 THE WITNESS: Ken Strauss.  
 3 MR. MARTIN: Ken Strauss.  
 4 THE WITNESS: They just finished this.  
 5 It took a lot of money, about seven months of  
 6 work. They just finished about a half a month and  
 7 a half ago.  
 8 MR. MARTIN: And how much does JCM  
 9 presently have in the accounts it has?  
 10 THE WITNESS: About twenty -- about  
 11 seventeen million maybe, eighteen million.  
 12 MR. MARTIN: And does JCM in any way  
 13 segregate the funds it receives from different  
 14 offerings?  
 15 THE WITNESS: Internally, the  
 16 accountant. The accountants monitor that. They're  
 17 the ones that put the money in the account. So  
 18 George has a special account just for that  
 19 account.  
 20 MR. MARTIN: So you think we would see  
 21 for JCM a separate account for money it received  
 22 from Stateside, and then a different account for  
 23 money it received from AnC Bio, for example? Am I  
 24 understanding that?  
 25 THE WITNESS: I would assume that to be

1 correct.  
 2 MR. MARTIN: Have you seen that?  
 3 THE WITNESS: No, sir. Do they have  
 4 that? I'm pretty sure. He's a crack mechanic.  
 5 MR. MARTIN: And how much -- do you know  
 6 the total amount? JCM's received money from  
 7 different offerings, correct?  
 8 THE WITNESS: Hundreds, millions.  
 9 MR. MARTIN: And do you know how much  
 10 JCM is obligated to -- how much work it's  
 11 obligated work to do on Stateside, for example? Is  
 12 it at least that twelve to fifteen million  
 13 dollars?  
 14 THE WITNESS: Yes, of course.  
 15 MR. MARTIN: And then how much is it  
 16 obligated to do on AnC Bio?  
 17 THE WITNESS: Also, the same. The  
 18 balance of the work.  
 19 MR. MARTIN: Forty some million?  
 20 THE WITNESS: Yes.  
 21 MR. MARTIN: And the same would be true  
 22 for Q Burke, JCM --  
 23 THE WITNESS: No. JCM was not involved  
 24 with Q Burke. Q Burke is totally different.  
 25 MR. MARTIN: And what money -- do you

1 receive money for Q Burke construction?  
 2 THE WITNESS: It goes directly to the  
 3 vendors right out of the account. I don't like to  
 4 do that, but I did it with Q Burke. I kept it  
 5 isolated. And I kind of like this system with  
 6 JCM, so it's something that I approved later --  
 7 not approved. I was happy with it because it gave  
 8 me a way to monitor the expenditures that Bill  
 9 Stenger and Douglas were doing.  
 10 MR. MARTIN: And does JCM have any  
 11 employees?  
 12 THE WITNESS: We have quite a bit of  
 13 employees, because what we do is we subcontract  
 14 all of our services from Jay Peak, Inc., all of  
 15 our engineers, all of our inspectors. Everybody's  
 16 done through the team that I have. Because if you  
 17 understand Jay Peak, Inc., we do everything  
 18 in-house from day one. It's always been that way.  
 19 To be honest with you, it's not really  
 20 by choice either, because there's nobody to hire  
 21 up there. So it's been a sixty-one years of  
 22 fundamental principles that you must hire  
 23 everybody from up there anyway. So God forbid I  
 24 do something up there and I don't hire people from  
 25 up there, I get in big trouble. So that's the

1 reason.  
 2 MR. MARTIN: So what's the cost to JCM  
 3 on a -- like a monthly basis to subcontract those  
 4 employees from Jay Peak?  
 5 THE WITNESS: That you'd have to talk  
 6 with the accountants. I don't know how they  
 7 prorate those numbers or how they calculate those  
 8 numbers.  
 9 MR. MARTIN: Has JCM actually made any  
 10 payments to Jay Peak for that?  
 11 THE WITNESS: Yeah. We do as much as we  
 12 can. And we work hard to make sure that that  
 13 gets, you know, under control. Because,  
 14 basically, all the projects are done. So for Jay  
 15 Peak, that's all done. The balance of it is going  
 16 to come out of my request of funds when we need to  
 17 build out. So Jay Peak is all done.  
 18 Now we start AnC Bio, and that's brand  
 19 new. So there's nothing there that we have to  
 20 worry about AnC Bio. And Burke is not in there.  
 21 So for argument sake, everything looks to be fine.  
 22 MR. MARTIN: And how much has JCM been  
 23 paid by AnC Bio?  
 24 THE WITNESS: Maybe as much as  
 25 forty-five million.

1 MR. MARTIN: And presently you  
2 understand at AnC Bio, there's no physical  
3 structure that's been built yet; is that correct?

4 THE WITNESS: Well, the answer is yes  
5 and no. Because in order for it to get built,  
6 there's all this engineering work has to get done.  
7 The engineering work is about ninety-five percent  
8 completed. When that work gets done, we start the  
9 construction. And we're in those final stages  
10 now.

11 That's the reason AnC Biopharm sends all  
12 those men over there. Because they have to design  
13 equipment. They have to design air conditioners,  
14 generators. There's so much that has to get done.  
15 Because these are FDA-approved clean houses. So  
16 you need these engineers to do all of this work  
17 first. That's how biotech works.

18 MR. MARTIN: So is JCM paying those  
19 costs?

20 THE WITNESS: Yes, sir.

21 MR. MARTIN: And how much have they  
22 expended on that?

23 THE WITNESS: I don't know exactly. I  
24 don't know. But it's all well documented. It's  
25 very easy for me to give you that paper.

1 MR. MARTIN: Where does JCM operate out  
2 of?

3 THE WITNESS: Stateside -- Jay Peak,  
4 Inc.

5 MR. MARTIN: So does it have its own  
6 offices in any way?

7 THE WITNESS: No. No. But my office in  
8 Miami, for all practical purposes. Because we use  
9 the staff of Jay Peak, Inc., and we do have a  
10 separate building just for them. We've been up  
11 there. They have a separate building just for all  
12 of the work that's being done.

13 MR. MARTIN: A separate building that  
14 houses --

15 THE WITNESS: At Jay Peak, Inc. That  
16 houses all of the engineers that we contract out  
17 to do the work. About nine men there continuously  
18 twenty-four hours.

19 MR. MARTIN: So if I went to Jay Peak,  
20 would that building say JCM, or would it say Jay  
21 Peak?

22 THE WITNESS: No, it doesn't say. It's  
23 just Jay Peak, Inc.

24 MR. MARTIN: Okay.

25 THE WITNESS: It doesn't say anything.

1 It's just part of my complex of the four thousand,  
2 eight hundred acres.

3 MR. MARTIN: Okay.

4 THE WITNESS: That building's been  
5 there. They've been doing all of the construction  
6 since sixty years ago.

7 MR. MARTIN: Okay.

8 BY MS. SINDLER:

9 **Q And the seventeen to eighteen million**  
10 **that you just told us are combined in the Merrill**  
11 **Lynch and Citibank accounts --**

12 A Yes madam.

13 **Q -- are any of those monies used as**  
14 **collateral for any loan?**

15 A Yes.

16 **Q Can you tell us about that?**

17 A I have currently a collateral against it  
18 now on a line of credit that I have now there.

19 **Q Where?**

20 A At Citibank.

21 **Q And when did you take that line of**  
22 **credit?**

23 A Maybe six months ago, seven months ago.

24 **Q Is all of the seventeen to eighteen**  
25 **million being used as collateral for that line of**

1 **credit?**

2 A No. Fifteen.

3 **Q Fifteen million?**

4 A Yes, madam.

5 **Q And so what are the limitations on the**  
6 **use of that money since it's being used as**  
7 **collateral?**

8 A Well, when you say limitations, give me  
9 an example.

10 **Q Are you able to use any of the money in**  
11 **the account since it is --**

12 A All that fifteen million that's being  
13 utilized as a line of credit goes to Jay Peak,  
14 Inc., every dollar, every penny.

15 **Q But it's designated as collateral for a**  
16 **loan; is that correct?**

17 A Yes.

18 **Q And who's taking out that loan?**

19 A I.

20 **Q You personally? The loan is in your**  
21 **name?**

22 A The loan is in -- I don't know how the  
23 structure is there. I don't know. I sign for it.  
24 I sign for it. And they used Jay Peak, Inc. --  
25 they used JCM as collateral for that money, for

1 the line of credit. The funds that I have there,  
 2 as I told you, I have around seventeen, eighteen  
 3 million dollars of cash, and I use that money as a  
 4 line of credit.  
 5 MR. MARTIN: Who's the lender?  
 6 THE WITNESS: Citibank.  
 7 MR. MARTIN: And so if you -- how much  
 8 of that line of credit have you used?  
 9 THE WITNESS: Fourteen.  
 10 MR. MARTIN: So can you take out -- can  
 11 you draw JCM money below fourteen million without  
 12 paying down the line of credit?  
 13 THE WITNESS: Fifteen. My max is  
 14 fifteen.  
 15 MR. MARTIN: Fifteen.  
 16 But right now, let's say JCM needed ten  
 17 million dollars for, you know, a project. Could  
 18 you just take that ten million dollars out without  
 19 paying down the line of credit?  
 20 THE WITNESS: No. Say one more time,  
 21 please.  
 22 MR. MARTIN: The funds in JCM are  
 23 encumbered on the personal line of credit. If you  
 24 needed to use the funds in JCM, can you do that  
 25 without paying down the line of credit?

1 THE WITNESS: No. No. I have to keep  
 2 that money there, and that's used as collateral  
 3 against the line of credit that I have for fifteen  
 4 million. And then --  
 5 MR. MARTIN: How can you use the funds  
 6 at JCM? What would you have to do?  
 7 THE WITNESS: To use what funds?  
 8 MR. MARTIN: That are collateralized by  
 9 your personal line of credit.  
 10 THE WITNESS: I have to pay back down  
 11 the line of credit, and then I can utilize it.  
 12 MR. MARTIN: Okay.  
 13 THE WITNESS: But I don't need those  
 14 funds until next year. I don't need those funds  
 15 at all.  
 16 MR. MARTIN: And do you not only have to  
 17 not only pay it down, but you have to like -- in  
 18 the line of credit?  
 19 THE WITNESS: No. I just have to pay it  
 20 down, and then they revolve it again. It's okay.  
 21 It's fine.  
 22 Now we will pay it down. We have enough  
 23 money within our budget to pay back the loan in  
 24 the next few months. We'll pay back the loan, and  
 25 then we'll use it again for the completion of my

1 projects.  
 2 MR. MARTIN: What did you use the  
 3 personal line of credit for?  
 4 THE WITNESS: To purchase Stateside,  
 5 Stateside and Jay Peak, Inc.  
 6 MR. MARTIN: The personal line of credit  
 7 you took out you used to pay construction costs of  
 8 Stateside?  
 9 THE WITNESS: Some, yes, that's correct.  
 10 Some. Some. I know that they took money to pay  
 11 salaries and things like that.  
 12 You have to understand one more thing.  
 13 The ski resort is beautiful, but it does have a  
 14 major, major expense. During the summer months, I  
 15 have to pay them about eight to nine million  
 16 dollars a year.  
 17 MR. MARTIN: Who's they?  
 18 THE WITNESS: Jay Peak. Because we  
 19 don't make no profit so much in the summertime.  
 20 MR. MARTIN: It's a typical business,  
 21 right?  
 22 THE WITNESS: Yeah.  
 23 MR. MARTIN: I understand that.  
 24 So you have to pay like your operating  
 25 costs --

1 THE WITNESS: Things like that. So they  
 2 take that -- I set these funds up for them. Since  
 3 I'm not utilizing this money until next year, I  
 4 set up a line of credit for them.  
 5 MR. MARTIN: And did you use any of the  
 6 personal line of credit to pay any taxes?  
 7 THE WITNESS: No -- oh, yes. Yes.  
 8 MR. MARTIN: Do you know which years you  
 9 paid?  
 10 THE WITNESS: That's the money that I'm  
 11 waiting to get a refund on because we overpaid by  
 12 over three million. We paid six, so we're waiting  
 13 to get back three million.  
 14 MR. MARTIN: Now it's three. Because I  
 15 think earlier it was one point five.  
 16 THE WITNESS: It's a total of three. The  
 17 State gave us nine hundred and ninety-nine, and  
 18 now I'm waiting to go get back about one point  
 19 seven, one point eight, like that.  
 20 MR. MARTIN: From the federal  
 21 government?  
 22 THE WITNESS: Yes, sir.  
 23 MR. MARTIN: Any other uses of that  
 24 personal line of credit besides your taxes and  
 25 payments to Jay Peak?

1 THE WITNESS: No, nothing.  
 2 MR. MARTIN: And Stateside?  
 3 THE WITNESS: No.  
 4 BY MS. SINDLER:  
 5 **Q Does Mr. Stenger know about the line of**  
 6 **credit?**  
 7 A Yes.  
 8 **Q How does he know? You told him?**  
 9 A They're the ones that designed it up  
 10 there at Jay Peak. I don't do these things. This  
 11 all comes from Jay Peak.  
 12 **Q Who else knows that the JCM account is**  
 13 **being used as collateral for the line of credit?**  
 14 A Everybody. Who's everybody? The CEO,  
 15 CFO, the COO.  
 16 **Q So when you say -- the CFO's Mr.**  
 17 **Gulisano, yes?**  
 18 A (The witness nods head.)  
 19 **Q Yes?**  
 20 A Yes.  
 21 **Q The COO is Mr. Kelly?**  
 22 A Yes.  
 23 **Q And the CEO, you're referring to Mr.**  
 24 **Stenger?**  
 25 A Yes.

1 **Q Okay.**  
 2 **And how do they know?**  
 3 A They ordered me to get it done.  
 4 **Q All three of them?**  
 5 A Yes, of course.  
 6 MR. DEE: Mr. Quiros --  
 7 THE WITNESS: Yes, sir.  
 8 MR. DEE: -- I just have a follow-up  
 9 question for the use of funds on the line of  
 10 credit. There was, approximately, two point four  
 11 million taken out, and of that two point four  
 12 million, approximately, one point five, one point  
 13 six was sent to Jay Peak, Inc., and then it was  
 14 used to pay distributions to investors for four  
 15 projects. Do you recall that?  
 16 THE WITNESS: No, I don't know. I don't  
 17 know this. When it leaves there, I don't know  
 18 much.  
 19 MR. DEE: Do you know who requested the  
 20 money transferred to Jay Peak, Inc.?  
 21 THE WITNESS: Standard operating  
 22 procedure. My CFO sends me a request, and I  
 23 follow-up with that request.  
 24 MR. DEE: Okay.  
 25 So it would be your CFO, and not Mr.

1 Stenger, the CEO?  
 2 THE WITNESS: Yeah. But he cannot do  
 3 anything without Mr. Stenger's approval.  
 4 MR. DEE: Okay.  
 5 THE WITNESS: So Mr. Stenger must advise  
 6 him. And also my COO. In the last year, also my  
 7 COO.  
 8 MR. DEE: All right.  
 9 Let me ask this: If the funds were used  
 10 to pay investor returns for projects like Golf and  
 11 Mountain, Penthouse, Lodge and Townhouse, and  
 12 Stateside, you're saying you were unaware of that  
 13 for May 2015?  
 14 THE WITNESS: No. I don't -- I don't  
 15 want to say I am unaware. I don't want you to  
 16 think I have a stupid company. Whatever I have to  
 17 be aware of, I'm aware of. I take full blame of  
 18 anything. So the question is: Do I really know  
 19 that? No. But will I take the blame? Yes. I  
 20 want to tell you, whatever they did, I authorized  
 21 it.  
 22 MR. LEVENSON: Let break that down. He  
 23 asked you if you knew about it. Did you know  
 24 about it?  
 25 THE WITNESS: Not really.

1 MR. LEVENSON: What does not really  
 2 mean? Either you knew or you didn't.  
 3 THE WITNESS: They told me. They told  
 4 me something like that was going to get done with  
 5 it, yes.  
 6 MR. LEVENSON: Who's they?  
 7 THE WITNESS: My CFO, my CEO, and my  
 8 COO.  
 9 MR. LEVENSON: And when did they tell  
 10 you?  
 11 THE WITNESS: Months ago. Months ago.  
 12 Whatever they do, I follow-up.  
 13 MR. DEE: I just want to put names with  
 14 the acronyms. CEO would be John -- I mean, Mr.  
 15 Stenger?  
 16 THE WITNESS: Yes, sir.  
 17 MR. DEE: CFO would be Mr. Gulisano?  
 18 THE WITNESS: Yes.  
 19 MR. DEE: COO would be --  
 20 THE WITNESS: Mr. Kelly.  
 21 MR. DEE: Thank you.  
 22 BY MS. SINDLER:  
 23 **Q And when you say they told you, was it**  
 24 **verbally or was it in some kind of email or other**  
 25 **method?**

1 A They told me verbally. They tell me.  
 2 **Q Was there any email where they told you**  
 3 **this?**  
 4 A I don't know. I'm not an email guy, so  
 5 they, basically, call me or talk to me or they fly  
 6 down. I'm not one of these email type guys.  
 7 But I would like, for the record, that I  
 8 do -- they have a schedule to pay that down right  
 9 away when -- probably in the second or third month  
 10 of our income that we receive.  
 11 Now we start to receive a lot of money  
 12 from my resort. And with that money, we pay back  
 13 that. And I told them, if everything goes well,  
 14 I'll use it again. Because I don't need to use  
 15 JCM money at this moment. I'm okay right now  
 16 until maybe mid-summer. I don't even need that  
 17 for Stateside.  
 18 The money for Stateside is going to come  
 19 out of the proceeds that I get out of Jay Peak,  
 20 Inc. now during the winter season. I only need  
 21 maybe six or seven million dollars to do the rec  
 22 center, and we have that covered. And AnC Bio, we  
 23 hope to get completed on the drawings by the year.  
 24 So that I'll wait until the winter settles down  
 25 since we can't build.

1 We're now doing land construction, and  
 2 that's what we call site building. That's being  
 3 conducted right now. And with the finalization of  
 4 the drawings from the engineers, then we'll  
 5 probably start building in late March. By that  
 6 time, we will probably have all the funds. We  
 7 will probably raise the balance of the forty or  
 8 fifty million that's required at AnC. I should  
 9 have all of that money in the bank probably by  
 10 January.  
 11 We're doing quite well as far as people  
 12 coming into the program right now. Because of the  
 13 problem that the Sunset is in a few more days, and  
 14 plus nobody likes to do the loan. We're still an  
 15 equity program. And because of that, I know it  
 16 sounds very -- even though I have all of these  
 17 hurdles, people are coming. People are coming. We  
 18 have so many people writing to us to join our  
 19 program right now because of the September 30th  
 20 deadline. So that's the -- that's the way I have  
 21 that arranged so far.  
 22 **MR. MARTIN:** Do we want to go off for  
 23 one second?  
 24 **MS. SINDLER:** We'll go off the record at  
 25 12:02.

1 (Whereupon, at 12:02 p.m., a luncheon  
 2 recess was taken.)  
 3 **AFTERNOON SESSION**  
 4 (Mr. Martin and Mr. Levenson are not  
 5 present in the room.)  
 6 **MS. SINDLER:** We're back on the record  
 7 at 12:55 after a lunch break.  
 8 **BY MS. SINDLER:**  
 9 **Q During that time, we had no substantive**  
 10 **conversations; is that correct?**  
 11 A Correct.  
 12 **Q Okay. Just a few follow-up questions.**  
 13 **Did investors -- were investors told**  
 14 **that the JCM account was being used as collateral?**  
 15 A I don't think they would need to be  
 16 told.  
 17 **Q But were they told?**  
 18 A I assume they weren't. I assume they  
 19 weren't. Because -- no.  
 20 **Q Other than the JCM account, were any**  
 21 **other Jay Peak-related accounts used as**  
 22 **collateral?**  
 23 A No.  
 24 (SEC Exhibit No. 180 was  
 25 marked for identification.)

1 **BY MS. SINDLER:**  
 2 **Q Well, before we got on the record, the**  
 3 **Court Reporter marked as Exhibit No. 180, which**  
 4 **I'm handing to you now.**  
 5 **Mr. Quiros, it's a copy -- it's a copy**  
 6 **of an email string. The first page says from**  
 7 **William Kelly, sent Thursday, January 2nd, 2014,**  
 8 **to George Gulisano, and it cc's a.quiros@att.net,**  
 9 **Re: Financial Projections and Key Matters Through**  
 10 **June 2014.**  
 11 **Do you recognize this document?**  
 12 A I don't know. I don't know this email.  
 13 (Mr. Martin enters the room.)  
 14 **BY MS. SINDLER:**  
 15 **Q You don't remember if you saw it?**  
 16 A (The witness shakes head.)  
 17 **Q Is that your email address, a.quiros --**  
 18 A A.quiros, yes.  
 19 **Q A.quiros@att.net is your email address;**  
 20 **is that correct?**  
 21 A Yes.  
 22 **Q By the way, do you have any other email**  
 23 **addresses?**  
 24 A No, I don't.  
 25 **Q Okay.**

1 A I--

2 Q Do you know who wrote the -- does it

3 appear to be that Mr. Kelly wrote the parts that

4 are in shading?

5 A Oh, I wouldn't know, madam. I haven't

6 seen this. I --

7 Q You don't recall seeing this?

8 A No, I don't recall seeing this.

9 Q All right. Well, let me call your

10 attention to paragraph two, the second paragraph

11 under that.

12 A Okay.

13 Q Do you see where it talks about a need

14 for, let's say, approximately, twenty-three point

15 three million to complete the remainder of LTH and

16 Stateside EB-5 construction?

17 A Yes.

18 Q And under that, it says that, just to

19 summarize, that it will be -- "this amount will be

20 funded out of Newport profits, as this is still a

21 result of a Phase II cost overruns."

22 What's your understanding of what that

23 means?

24 A That means that by doing the Spates

25 project, we will be able to obtain these funds

1 from the Spates project.

2 Q And the Spates project is what you told

3 us about before?

4 A The Spates project should throw off

5 about forty-eight -- fifty-one million.

6 Q I'm sorry. When you said --

7 A The Spates project should throw off as a

8 profit for us about fifty-one million. They use

9 Spates because that's the owner of the land at the

10 time I purchase. That's why. But it's called the

11 Renaissance block.

12 Q And that's what we discussed before --

13 we discussed earlier today, we talked about

14 Spates; is that correct?

15 A Yes, madam.

16 Q Okay.

17 And that's -- but for that project,

18 there's been no MOU executed yet; is that correct?

19 A I -- maybe -- maybe there has. I'm not

20 sure. I'm not sure. I think maybe something has

21 been given, because an announcement has been made

22 publicly by the government. So when that happens,

23 most likely an MOU could have been, but I'm not so

24 sure yet. It could have been.

25 Q So then the remaining Stateside EB-5

1 construction would be funded with future profits

2 from that? Is that what you're saying?

3 A That's what they're saying what you're

4 telling me they said in 2014.

5 Q It's not what I'm telling you. I just

6 want you to read it.

7 A Yeah.

8 Q When will those projects -- those

9 projects haven't begun yet; is that correct?

10 A The acquisition of the land has been

11 bought. The demolition of the whole block in

12 Downtown Newport has already completed. It's been

13 fenced off. And based on what happened here, we

14 delayed our -- I didn't want to go out on that

15 project with the SEC overlooking, because it

16 would -- that's a big project. So I wanted -- I

17 told everybody to stop this project until I finish

18 with the SEC.

19 Q So then the funding for the construction

20 cost for Stateside that remain, that is relying on

21 profits from this Newport --

22 A That's not true. That's one way as it

23 occurred in 2014. In 2015, it's happening from

24 the proceeds of Jay Peak.

25 Q Jay Peak, Inc. proceeds?

1 A Yes, madam.

2 Q Okay.

3 A Our -- our sales volume for this year

4 are about sixty some odd million, sixty-one

5 million.

6 MR. JAMES: What was it last year, by

7 the way?

8 THE WITNESS: Fifty -- fifty-five maybe.

9 About fifty-five.

10 MR. JAMES: For 2014?

11 THE WITNESS: 2014, about fifty-five.

12 MR. JAMES: And then 2013, do you know?

13 THE WITNESS: About five million less.

14 The big year was 2011, where you saw the big jump.

15 Other than that, it's about a five million dollar

16 increment, five million, five million, five

17 million.

18 MR. JAMES: That's increasing total

19 revenues, or total operating profits for Jay Peak?

20 THE WITNESS: No. My sales.

21 MR. JAMES: Your sales.

22 THE WITNESS: Yeah. My EBITDA is about

23 twelve to thirteen this year. Last year it was

24 around eight to nine. The year before was around

25 four to six. Like that.

1 MR. JAMES: Okay.  
 2 And that's your profit on --  
 3 THE WITNESS: Profit. Profit.  
 4 MR. JAMES: -- sales minus cost for Jay  
 5 Peak?  
 6 THE WITNESS: That's correct.  
 7 MR. JAMES: Okay.  
 8 So, say, if you had profits in those  
 9 years, why did Jay Peak need to borrow money from  
 10 Stateside?  
 11 THE WITNESS: Because it's a Northeast  
 12 Kingdom. Because they come up with the expenses  
 13 all over the place. I don't know why. I wish I  
 14 had that answer.  
 15 For example, permit now cost much more  
 16 than before. And we have to keep the employec  
 17 base because we have to show that we have ten  
 18 investors (sic) for every investor.  
 19 So even though they're not doing  
 20 nothing, I have to keep them. They're doing  
 21 something, just for the record. They're doing  
 22 something. Between you and me, they're picking my  
 23 mail and bringing it to the mailbox. Between you  
 24 and me. But I have to keep them on staff.  
 25 Now that we have completed these

1 projects, the employment base is very high until  
 2 we release these EB-5 program. We already  
 3 released Tram Haus Lodge, the first project. We  
 4 already let that go. Now we're on to Jay Peak II.  
 5 And then I will go into Jay Peak III. And when  
 6 they come up, I won't know until next year what  
 7 we're going to do, but most likely, I'll buy that  
 8 hotel as well. And like that.  
 9 MR. JAMES: So forth and so on?  
 10 THE WITNESS: The more I buy, I reduce  
 11 my employment. By reducing my employment, I save  
 12 a lot of money.  
 13 And also it's a fixed asset on my books,  
 14 and I have no debt, so it increase really. Jay  
 15 Peak today stands very strong.  
 16 MR. DEE: I'm sorry. I got a follow-up  
 17 question. The profit that you talked in the last  
 18 three years, the twelve, the eight, and the four,  
 19 you roll in to pay off the employee salaries that  
 20 you have to maintain?  
 21 THE WITNESS: No. No. It's used for  
 22 other -- because the way the accounting is done,  
 23 before they give me that number, the employment is  
 24 already paid off. I don't know exactly how they  
 25 infiltrate those numbers to the bottom line. I

1 really don't know. But my accountants can advise  
 2 you immediately on that.  
 3 MR. MARTIN: For the twelve million --  
 4 THE WITNESS: This year?  
 5 MR. MARTIN: -- you said that's EBITDA,  
 6 what's the approximate cash flow that's being  
 7 generated?  
 8 THE WITNESS: Around sixty million.  
 9 MR. MARTIN: No. Net. I'm sorry. Net  
 10 cash. From that EBITDA, what's the profit?  
 11 THE WITNESS: I would say -- if I don't  
 12 have to pay him so much -- maybe eight. It's  
 13 quite high. My -- yeah, about eight, I think.  
 14 They're telling me today eight. I don't know. So  
 15 far they've been pretty much on the numbers, so  
 16 far.  
 17 MR. MARTIN: About eight million net  
 18 positive cash flow from Jay Peak? Is that what  
 19 you're saying?  
 20 THE WITNESS: Yeah. Yeah.  
 21 MR. MARTIN: Okay.  
 22 THE WITNESS: But as the resort keeps on  
 23 growing, now it's four hundred thousand -- three  
 24 hundred and ninety-eight thousand people. And the  
 25 stigma that we're the number one resort now on the

1 east coast. Frankly speaking, there are many  
 2 things that are happening, that are increasing,  
 3 but I don't say such, because I have the six  
 4 hundred million dollars worth of project out of  
 5 the State.  
 6 I know what you're trying to say.  
 7 Quiros, don't you look at this more deep? I  
 8 don't. I'm really looking at the six hundred  
 9 million dollars worth of projects that the  
 10 government has told us that we have. And we do  
 11 have them, and we have acquired all the land for  
 12 them. So we're on our way to complete and to do  
 13 those projects.  
 14 At this time, I launched two projects  
 15 simultaneously, afraid that EB-5 was going to be  
 16 canceled. So I launched Burke Mountain, and I  
 17 launched AnC Bio. We didn't care so much, because  
 18 we knew already that AnC Bio is going to take time  
 19 for all the engineering, all the drawings, and  
 20 FAA -- FDA approvals. I work very heavily with  
 21 the FAA. My son's a pilot, so I'm always -- I'm  
 22 so sorry.  
 23 MR. MARTIN: It's okay.  
 24 THE WITNESS: So we're working very  
 25 hard, but it's not the right thing to do. I like

1 to do one at a time.  
 2 And the next project is so big. It's  
 3 two hundred and ninety-five million. And I think  
 4 we already have like thirty people ready to go on  
 5 that project that are just not investing in Burke  
 6 or AnC Bio. They want to go into that project,  
 7 because it has a lot to do with the City, and it's  
 8 where the City Hall is going to be.  
 9 There's so much beef on that project.  
 10 And that project should -- if you just multiply  
 11 twenty percent times two ninety-five real quick,  
 12 there's forty some odd million. Then add your  
 13 admin fees. And then the land sale will be very  
 14 expensive on that project. So maybe more than  
 15 fifty-two million.  
 16 From there, I probably have to dish out  
 17 thirty thousand per customer. Now I average  
 18 around fifteen thousand, ten thousand. That is  
 19 too expensive, so I'll probably raise it much  
 20 higher to get that many people more into that  
 21 package.  
 22 China now is asking forty. South  
 23 America is now asking thirty. So that's how  
 24 that -- just to give you an idea how I do it. So  
 25 maybe more than fifty-two. Maybe as high as

1 sixty.  
 2 MR. MARTIN: So the admin fee, you're  
 3 saying it comes out of the five hundred thousand?  
 4 THE WITNESS: No. The admin fee is in  
 5 addition.  
 6 MR. MARTIN: In addition.  
 7 THE WITNESS: Yeah. You have the five  
 8 hundred. And then we're the only ones right now  
 9 averaging between fifty thousand to sixty  
 10 thousand. And then the government's going to try  
 11 to lower that.  
 12 Senator Leahy had said that we have to  
 13 try to lower it, because people in Miami are  
 14 trying to charge a hundred, a hundred and twenty  
 15 dollars. New York is charging sixty-five  
 16 thousand. LA is charging eighty-five thousand.  
 17 We're the lowest right now in the market. So  
 18 that's another reason why people come to us.  
 19 And the fact that I gave back the  
 20 investors their money on Tram Haus lodge, number  
 21 one, I made the full circle. I got and I paid  
 22 them back their money through these long-term  
 23 loans that I have with the investors, which is  
 24 fine, legally fine. And that worked out very well  
 25 for us. It created a lot of propaganda when we

1 went to China.  
 2 MR. DEE: Follow-up on the funds for the  
 3 land purchases that you made and the six hundred  
 4 million. Where does that come from?  
 5 THE WITNESS: The land purchase?  
 6 MR. DEE: Yeah.  
 7 THE WITNESS: From my proceeds of these  
 8 packages. From the numbers that you called  
 9 before. That's where I got all the money to do  
 10 these things.  
 11 In fact, I invested all of my profits  
 12 into this package, except maybe ten or -- twelve  
 13 point five, plus my taxes, maybe fourteen or  
 14 fifteen million dollars. Out of all the money I  
 15 was supposed to make, I put it all back, thanks to  
 16 Douglas.  
 17 MR. DEE: Just a follow-up. The total  
 18 amount for all the land you purchased for the six  
 19 hundred million dollar project -- I'll say  
 20 projects because there's at least three that I  
 21 know of --  
 22 THE WITNESS: Yes, sir.  
 23 MR. DEE: -- was it fifteen to twenty  
 24 million?  
 25 THE WITNESS: No. The Spates project

1 was three million. The Jay Village, I bought that  
 2 land a long time ago. Don't include that one.  
 3 MR. DEE: You can tell me how much it  
 4 cost, though.  
 5 THE WITNESS: At that time? I paid only  
 6 six hundred thousand twenty years ago.  
 7 And Bogner facility's three point two,  
 8 three point three -- three point four million.  
 9 MR. DEE: Okay.  
 10 Which project -- which of the new  
 11 projects is going on the Bogner facility?  
 12 THE WITNESS: Which project is going to?  
 13 MR. DEE: Let me back up. Let me  
 14 rephrase, and let me preface. We're talking only  
 15 about the six hundred million dollars project --  
 16 THE WITNESS: Gotcha.  
 17 MR. DEE: -- all the new property that  
 18 you've raised or you're preparing or there's site  
 19 work being done, just the new projects. Can you  
 20 tell me what you paid for the land to be able to  
 21 do those projects?  
 22 THE WITNESS: Spates project, three  
 23 million. That's it. Bogner was already done with  
 24 AnC. AnC Bio, Burke Mountain came with the land.  
 25 MR. DEE: Okay.

1 THE WITNESS: The airport, the  
2 government gave me the land. All that whole  
3 airport was leased to me for the next fifteen  
4 years.  
5 MR. DEE: For a dollar?  
6 THE WITNESS: Huh? A dollar fifty.  
7 MR. DEE: A dollar fifty.  
8 THE WITNESS: It's the Northeast  
9 Kingdom.  
10 MR. DEE: I knew it would be something  
11 nominal. That's why I asked.  
12 THE WITNESS: And then the Jay property  
13 is from when I was there a long time ago. I lived  
14 in Jay Peak prior to all of this, and I had  
15 properties up their prior to all of this.  
16 How did I acquire those properties? From  
17 my proceeds, from my profits from Korea, I would  
18 invest them, and I would buy land around Jay,  
19 because it's the only place my father would take  
20 us in the summertime, and used to go to Jay Peak.  
21 And also I graduated from Trinity  
22 Pawling prep school up in Pawling, New York. And  
23 Trinity Pawling would send me up there to learn  
24 about farming and things like that. So I always  
25 knew the Jay Peak area quite well.

1 MR. DEE: I don't mean to interrupt,  
2 but -- I like the end of your story, but I know  
3 they have some PPMs to go through, and I just tum  
4 it back over to Trish.  
5 THE WITNESS: Okay. I'm so sorry.  
6 MR. DEE: No problem.  
7 THE WITNESS: I got to remember what he  
8 said. I'm so sorry.  
9 BY MS. SINDLER:  
10 **Q Oh, that's fine.**  
11 **So if you go back and look again on that**  
12 **number two, the second paragraph there. So**  
13 **sitting here today, how much money from the**  
14 **Newport profits is going to be used toward the**  
15 **Stateside construction?**  
16 A How much what?  
17 **Q How much money do you anticipate is**  
18 **going to be needed from the future Newport profits**  
19 **to fund any Stateside construction?**  
20 A Okay, madam. So I explain to you. There  
21 is no money that's coming out of this email or  
22 anything here. This was written in 2014.  
23 **Q I just wanted to confirm.**  
24 A None. None.  
25 **Q So now there's none?**

1 A None. None.  
2 **Q Okay.**  
3 A What this can represent, that one day  
4 when I complete that project, that I have no debt,  
5 that this will go in my pocket. That's what I  
6 hope.  
7 **Q Okay.**  
8 **And then do you see where it says, this**  
9 **is a result of the Phase II cost overruns? What**  
10 **was that referring to? What was the result?**  
11 A That was Douglas Hulme and Bill Stenger  
12 overran Phase I and Phase II to a tune of about  
13 thirty some odd million dollars.  
14 **Q Right. But what does the Phase II cost**  
15 **overruns used here have to do with --**  
16 A They want me to -- what they're trying  
17 to say is, well, Quiros, you can use those profits  
18 to offset, don't feel so bad.  
19 **Q Okay. But I'm just saying here --**  
20 A I guess. I didn't read this email.  
21 **Q It says that this amount -- I understand**  
22 **it's not -- today's different, but it "would be**  
23 **funded out of the Newport profits, as this is**  
24 **still a result of the Phase II cost overruns."**  
25 **What is that referring to?**

1 A In 2014, the overruns are still in  
2 existence.  
3 **Q Okay.**  
4 A I have to get them down as --  
5 **Q Okay.**  
6 A I wouldn't let Bill Stenger move.  
7 And another thing, the reason I bought  
8 these lands was to prevent Bill Stenger from going  
9 crazy on me. I don't want to put this land in  
10 GSI's name. I don't want to buy more land. I  
11 don't want to do no more EB-5 programs. But I  
12 inherited this by, one, the government thinks I'm  
13 a crack mechanic, so they gave me six hundred  
14 million dollars worth more. Bill Stenger took our  
15 profits and tried to buy properties. I said no.  
16 It's going to be bought -- if it's going to be  
17 bought, okay, fine, but it's going to be bought  
18 under GSI. And thank God it was. That's the  
19 reason.  
20 **Q Okay.**  
21 A I'm not land monger person. I was just  
22 preventing him from going crazy on me.  
23 MR. JAMES: Just a quick question. As  
24 far as the different amounts in the different  
25 offerings for the land sale from you to the -- how

1 did you value the amount that was given to those  
2 transfers?

3 THE WITNESS: This is another situation  
4 about the book. I don't value these lands. The  
5 State, with those men up there in the Northeast  
6 Kingdom, they put the value on this land. I don't  
7 do that.

8 MR. JAMES: Okay.  
9 So the State of Vermont is the ones  
10 that --

11 THE WITNESS: I would say the people  
12 from the Newport area, the realtors, they all get  
13 together, and this is what it's going to do. They  
14 try to use cross references with Jay Peak.

15 But it's not done by me. It's not done  
16 by Bill Kelly or George or the Miami accounting  
17 offices, our people, which we call our group. Our  
18 group doesn't do that. Their group does it. Their  
19 group writes this up. Their group puts it  
20 together. They put the values.

21 Five acres, six acres, some odd million  
22 dollars. I just play the game. Okay. Fine. If  
23 that's what you want, fine. And I go along, and I  
24 proceed.

25 BY MS. SINDLER:

1 appraisal prior to the sale? Because I know we've  
2 seen an appraisal after the sale. Was there an  
3 appraisal prior to the sale?

4 THE WITNESS: I'm sure. Yes. I'm sure.  
5 I'm sure the SEC lawyers, they wouldn't let that  
6 go out without that.

7 MR. JAMES: You said you've seen a  
8 presale appraisal?

9 THE WITNESS: I'm not sure it was -- I  
10 don't know the date. But whatever value they put,  
11 that's what it went for. I don't know how they  
12 calculate these things up there. I don't. I  
13 really don't.

14 MS. SINDLER: David, to the extent there  
15 are any other appraisals, and we've gotten one for  
16 AnC Bio, which was after the fact, then we'd like  
17 to have those as well.

18 MR. GORDON: Of which land?

19 MR. JAMES: The Bogner.

20 MR. GORDON: Of just Bogner?

21 MR. JAMES: Or any other for any of the  
22 prior transfers of -- what is it -- subdivisions  
23 from Jay Peak to --

24 THE WITNESS: Bogner and the Spates  
25 project. Because the other ones are not involved.

1 Q Okay. I want to show what's been  
2 previously --

3 A I'm sure they get appraisals. I'm sure  
4 they get all the proper necessary paperwork to  
5 back it up. I'm very sure. So does that answer  
6 that question?

7 MR. JAMES: You're sure based on someone  
8 telling you that, or you've seen appraisals to  
9 support --

10 THE WITNESS: I've seen. I've seen.  
11 I've seen.

12 MR. JAMES: For all of the projects  
13 or --

14 THE WITNESS: Well, Jay Peak, I have  
15 when I first acquired it. I knew the values of  
16 the land. And AnC Bio, I did see the appraisals  
17 for AnC. And that's the only one really.

18 Spates was a private sale, that now  
19 they're fighting among themselves because I bought  
20 it so cheap. And they're really fighting among  
21 themselves, because I bought it for three point  
22 five in downtown city Newport. And now when they  
23 found out that I got EB-5 approval, now they're  
24 going crazy. I didn't do that.

25 MR. JAMES: With AnC Bio, there was an

1 They were bought out of the realm of the Jay Peak.

2 MS. SINDLER: Anything, other than the  
3 appraisals you already sent us.

4 BY MS. SINDLER:

5 Q Okay. Let me show you what's marked as  
6 Exhibit No. 177, a copy of offering documents for  
7 Jay Peak Lodge and Townhouses, LP. Do you  
8 recognize this to be the offering materials for --

9 A Yes.

10 Q -- I'm just going to call it L&T for  
11 short, if that's okay.

12 Did you have any role in the preparation  
13 of these documents?

14 A No, madam.

15 Q Okay.

16 Did you review them before they were  
17 finalized?

18 A No, madam.

19 Q Did you review them at some point in  
20 time?

21 A I -- frankly speaking, no. All I was  
22 told were the numbers, the page of the numbers,  
23 how the money was going to be spent.

24 Q So the numbers, you mean the use of  
25 funds?

1 A Yes.

2 MR. JAMES: So you approved the use of  
3 funds numbers in the L&T offering documents?

4 THE WITNESS: That's correct. I have no  
5 say so. No matter what I say, they're going to do  
6 it anyway, so --

7 BY MS. SINDLER:

8 Q Let me show you what's been marked as  
9 Exhibit No. 178. A copy of the offering documents  
10 for Jay Peak Golf and Mountain Suites, LP.

11 A Yes, madam.

12 Q Did you have any role in the preparation  
13 of this document?

14 A No, madam.

15 Q Did you review it before it was  
16 finalized?

17 A No, madam.

18 Q Same question we asked you before --

19 A The use of funds, yes.

20 Q That you reviewed?

21 A Yes, madam.

22 Q And approved?

23 A Yes. And I said yes.

24 Q Okay.

25 A To be more exact, I get this after they

1 Q Same question again, though, you  
2 reviewed the documents after they were finalized?

3 A Yes.

4 Q The use of funds?

5 A No. This was done by Douglas Hulme and  
6 Bill Stenger. This is where we stopped right  
7 here. I haven't seen this book. I don't know the  
8 numbers. They cofinated (sic) whatever numbers  
9 they had, and Douglas was threatening me and  
10 threatening me and threatening me if I didn't  
11 follow him. So the answer is a hundred percent no  
12 on this one.

13 Q A hundred percent no that you didn't  
14 approve it?

15 A Nope.

16 Q Did you review it, though?

17 A Nope.

18 Q So you have never read through that  
19 document?

20 A Nope. Nope. This Douglas Hulme.

21 Q So you've never looked through the  
22 contents of this document?

23 A Again, no. The answer is one hundred  
24 percent no.

25 Q Okay.

1 already started raising money.

2 Q Okay. And you're referring to the Golf  
3 and Mountain Suites?

4 A Yes. And they're all the same.

5 Q Okay.

6 MR. JAMES: You mean you get the final  
7 version?

8 THE WITNESS: Yes. They don't tell me  
9 too much about this stuff. The lawyers up there,  
10 they're going at a hundred miles an hour with Bill  
11 Stenger and the State and the regional center. I  
12 get these ones, Quiros, we need an account open at  
13 Raymond James. Okay. When does it start? Next  
14 week. Okay. That's the truth of how much I know  
15 about that.

16 BY MS. SINDLER:

17 Q Let me show you what's been previously  
18 marked as Exhibit No. 174. It's the offering  
19 documents for Jay Peak Penthouse Suites, LP.

20 And have you seen this document?

21 A Yeah.

22 Q Okay.

23 Same question, did you have any role in  
24 the preparation or review of this?

25 A Zero.

1 I'm now showing you what's been marked  
2 as Exhibit No. 175, a copy of the offering  
3 documents for Jay Peak Hotel Suites Phase II, LP.  
4 Do you recognize this document?

5 A Yeah.

6 Q Have you reviewed this document at any  
7 point?

8 A No.

9 Q Not at all?

10 A Nope. This three books, Jay Peak I, Jay  
11 Peak II, and Jay Peak III, in direct  
12 representation of what you're showing me, the Tram  
13 Haus Lodge, Jay Peak and Penthouse is Jay Peak I,  
14 Jay Peak, II, Jay Peak III, as known to us in the  
15 EB-5 world. These documents were made prior and  
16 with Douglas Hulme's brainwashing everybody and  
17 trying to do his shenanigans up there. So I have  
18 never -- I just follow what they told me to do,  
19 and I did.

20 MR. MARTIN: When you purchased Jay  
21 Peak, the resort, these were already started; is  
22 that correct?

23 THE WITNESS: Yes, sir.

24 MR. MARTIN: But you didn't review the  
25 terms of the offering or anything like that?

1 THE WITNESS: No, sir. No, sir. No,  
2 sir. I had -- I knew -- going out of content, I  
3 knew I had a good opportunity because I valued Jay  
4 Peak. I knew I could make it happen.

5 And I knew that the EB-5 world would  
6 continue, because I was living in Korea with all  
7 these immigrants trying to get into America. I  
8 also thought it was a great idea. Not too many  
9 Americans would've, because they didn't live  
10 overseas like I did. But because I lived  
11 overseas, I knew this opportunity was very big,  
12 and I jumped on it.

13 But the market collapsed. So then I had  
14 to pull for the rescue Raymond James, and they put  
15 this program together about the margins and how  
16 can buy it and so forth and so on. So they put  
17 that whole program together, on top of my desk.

18 But Douglas will never let me -- he  
19 controlled it all from A, B, and C. He controlled  
20 the State. He controlled the government. He  
21 controlled Bill Stenger. He was so -- he was a  
22 tyrant -- no -- tyrant? He was a tyrant.

23 He came to my office in Miami and throw  
24 the book on the floor. I was so scared, I had to  
25 call Bill Stenger down on an emergency flight.

1 failure of EB-5 in Canada also told these men to  
2 get away from Jay Peak.

3 The father had died the previous year.  
4 The son, who knows nothing, they made this  
5 decision to sell Jay Peak. And they sold it in  
6 such a way, with the market collapsing, it got  
7 cheaper and cheaper and cheaper and cheaper and  
8 cheaper to the point where, really, I used their  
9 own money to buy Jay Peak.

10 If you think about what I did and how I  
11 did it, you guys are going to say, Quiros, you are  
12 a genius. They lowered the price. From forty, it  
13 went down to thirty. From thirty, it went down to  
14 twenty-eight. From twenty-eight -- thirty-two, we  
15 had a buyer for thirty-two. The money was  
16 deposited in the banks. They didn't like them,  
17 because the Koreans were very strong.

18 So they were asking -- they were like  
19 the SEC. They were asking for documents left and  
20 right. And these guys got so scared, they didn't  
21 want to work with the Koreans. So I had to send  
22 back the thirty-two million dollars. I was going  
23 to make a lot of commission as the seller of that.

24 I had to send back People's Bank -- at  
25 that time it was another bank, the Chittenden

1 Bill, I want you to get you on a flight and come  
2 down to Miami immediately. This guy, I don't even  
3 know what he's talking about. And I didn't.

4 Why? His theory and his thought was to  
5 overpower me by raising my taxes to the point of  
6 no return, and that he would get his foreign  
7 investors to buyout Jay Peak from me from  
8 underneath. Thank God to Mallah Furman and all  
9 those guys that went up there, that they stopped  
10 it. And that day I asked Bill Stenger, give me  
11 the shares.

12 MR. MARTIN: But as far as your due  
13 diligence purchasing Jay Peak, you didn't look at  
14 any of these offering documents, one, two, three?

15 THE WITNESS: I knew -- I knew that an  
16 EB-5 world existed. And they showed me, when I  
17 did my due diligence, some extract. They were so  
18 scared of this that MSSJ, the buyer of Jay Peak --

19 MR. MARTIN: Seller. Seller to you,  
20 right?

21 THE WITNESS: Seller to me.

22 -- fifteen -- they said, Quiros, we  
23 don't trust Douglas. We don't trust Douglas. We  
24 want to get out of this. We don't want to get  
25 into trouble with this EB-5 world. And the

1 Bank. They sent back the money, and then I said,  
2 I'll tell you what, if you guys do it with this  
3 EB-5 program, show me what you got. I got this,  
4 this, this. I put all my calculations in my head.  
5 I make it happen.

6 I went to Raymond James -- I went to a  
7 lot of banks, but the last stop was Raymond James.  
8 Went to Raymond James. They came up. They said,  
9 Quiros, this is easy, we'll put this together, put  
10 these money in Treasury bills, you're safe. Don't  
11 touch -- I told them, you can't touch it. I can't  
12 sleep. I'm military. Don't play with me. No  
13 stocks. No nothing. I want Treasury bills. And  
14 we'll work off this, off the margins. I said,  
15 fine.

16 So much so, I took over their debt. They  
17 gave me like seven point something million  
18 dollars, the same purchase price. They gave me  
19 seven point seven million. These guys were  
20 running at a mile an hour. They were so afraid.  
21 The launching of this. They were so scared of  
22 Douglas. They were so scared of everything over  
23 there. And that's how I acquired it. Nothing  
24 more; nothing less.

25 MR. MARTIN: You said you almost used

1 their funds to purchase it. Can you expand on  
2 what you meant by that?  
3 THE WITNESS: Yeah. A, these projects  
4 had already started. That was foolish, number  
5 one. This project had already started. Money in  
6 the accounts. Jay Peak II, money in the accounts.  
7 This was in the works. This was already in the  
8 works.

9 BY MS. SINDLER:

10 Q This, you mean Penthouse?

11 A Jay Peak III.

12 Q Okay.

13 A Those were already in the works. I  
14 said, wow, this is unbelievable. Because they got  
15 scared that the Koreans did not purchase the  
16 price. They lowered the price. And they lowered  
17 and they lowered and they lowered. They didn't  
18 know what to do, because I was walking away.  
19 Nobody else would buy it.

20 So they actually turned over one year of  
21 me working the books before I purchased the books.  
22 I bought it in 2008. But I actually ran the  
23 resort for 2007. I knew what this was all true. I  
24 didn't believe about Jay Peak, but I believe that  
25 this was true, because they got all the approvals.

1 with the Northeast Kingdom. They didn't know what  
2 any -- the governor, the senators, everybody,  
3 Quiros, you have to take a look at this, please  
4 take a look at this.

5 But I don't know anything. I don't know  
6 anything how to run a resort. I'm not a  
7 financier. I'm a trainer and a military guy. For  
8 God's sakes, I never even went to college. Quiros,  
9 you got to do this, you got to do this, you got to  
10 do this. Okay. Okay. Okay. Bill, you have to  
11 stay on board. I'll give you fifteen percent.  
12 And you -- plus, I'm going to give you a point,  
13 because I don't want you to leave, because if you  
14 leave me with this, I'm in big trouble. I don't  
15 even know how to do this. He says, Quiros, I'll  
16 take it. He shook my hand.

17 But when they found out how I purchased  
18 it, they got crazy. And ever since then, Douglas  
19 convinced Bill Stenger to take over the resort, to  
20 take over the resort, to take over the resort. And  
21 I didn't know, because every time you see Bill  
22 Stenger, it's like Merry Christmas, hello, how are  
23 you doing.

24 I'm in Miami. I never -- I went there  
25 maybe twice. I go every year. For more than

1 Show me the approvals, show me the approvals, show  
2 me. That's all me and Kelly were talking. Show  
3 me the approvals. Because we didn't know. Well,  
4 you guys have debt in the bank.

5 At that time, that bank got closed.  
6 which was the Chittenden Bank. The Chittenden  
7 Bank closed, and it got converted to People's  
8 Bank. Oh, my God. The people in town got crazy.  
9 Quiros, you got to take this over now. Okay, I'll  
10 take it over now. Fine.

11 They gave me like seven point five of  
12 money that was theirs, earned by these projects.  
13 It was their money for their taking. They didn't  
14 take it. They were afraid. They left me with a  
15 million and a half dollar note at the bank, and  
16 they sold me the resort for almost dirt cheap. To  
17 be honest with you, I don't know the -- fifteen  
18 million bucks, that cheap.

19 They gave me like fifteen, sixteen  
20 million dollars in EB-5 money. They were already  
21 going out and raising Penthouse Suites. All that  
22 same day. All in one day. That's how I did it.  
23 Because nobody wanted to buy the resort in 2008 --  
24 in 2008, in May, June, July, the market was  
25 crashing, everything. They didn't know what to do

1 thirty years, I go to Jay Peak every Christmas. I  
2 have my home up there. And I go there with my  
3 children and my wife and my kids.

4 It's terrible what the son of bitch did.  
5 I will -- when this SEC gets over with, I'm going  
6 to go over after that man, I promise you. I will  
7 kill that man for what he did. And he convinced  
8 everybody up there what they did. And they  
9 couldn't do nothing. Heather was like this.  
10 Heather wouldn't even receive the owner of the  
11 owner.

12 Heather, you got to talk to me, you got  
13 to talk to me. Heather, you got to do this.  
14 Heather, you got to do that. And I had it. I  
15 came down to Miami. I hired the best accountants,  
16 and I sent them all up there. To do that to me is  
17 despicable. It's insane.

18 And then he told me, I will get you,  
19 Quiros. He said -- after he stole eighteen  
20 million dollars of my money. He doesn't deserve  
21 eighteen million. He took -- at the last days, he  
22 took an additional two and a half million out of  
23 my profits. I didn't know enough. The  
24 accountants didn't know enough to gather up and  
25 put this all together.

1 And I said, everybody, don't worry.  
2 Everything is approved. Take all my profits. Make  
3 it look good. Pay everything. Take everything  
4 and pay everything, one by one. And that's what  
5 we did. Mallah Furman, Luis Ortiz, Ken -- all  
6 these accountants, they put it all together, and  
7 we got to work. Now it's all done. This is eight  
8 years ago. I'm not even care.

9 But the damage that he has done in the  
10 state. And he said, I'm from England. This is  
11 what he used to come in my office. I'm from  
12 England, nobody's ever going to do nothing to me,  
13 I'm a British, I have special servers in computers  
14 in England, and my son operates these computers.  
15 And my son -- I'll get you, because you don't know  
16 anything about this.

17 MR. MARTIN: Going back, though, to the  
18 question, you're saying the first three  
19 projects --

20 THE WITNESS: I don't know nothing.

21 MR. MARTIN: -- you saw excerpts of --

22 THE WITNESS: Yes, sir.

23 MR. MARTIN: What were the excerpts of?

24 THE WITNESS: The values of them. What  
25 they were going to throw off as profits.

1 MR. MARTIN: So the Use of Proceeds?

2 THE WITNESS: Yes, sir.

3 I'm so sorry. Really, I'm sorry.

4 Honestly. I'm a military commander. My kids  
5 were born in prison, in Spandau prison, both of  
6 them. And today my son is a military commander in  
7 Germany -- in Vermont, taken out of retirement and  
8 sent to Afghanistan. And today he's the youngest  
9 commander in the State of Vermont.

10 And that idiot, Douglas, what he has  
11 done to the State and to Governor Shumlin and to  
12 all of us is the epitome. And I will get him. As  
13 soon as you guys are over with me, I will attack  
14 him. There's lot of things that I know about  
15 this --

16 MR. MARTIN: All right. Let's just stay  
17 on track here.

18 THE WITNESS: I know. I know. I got it  
19 out of my system. It just hurts when you repeat  
20 the story. It hurts. It truly hurts. And that's  
21 why I get emotional.

22 MR. MARTIN: Okay.

23 THE WITNESS: That's all. You asked me  
24 an emotional question. And it hurts me from my  
25 heart.

1 But, no, I will not declare anything on  
2 these three books. And I will --

3 BY MS. SINDLER:

4 Q Just so the record's complete, when you  
5 say these three books, I still need to show you  
6 what was previously marked as Exhibit No. 176,  
7 which is the private offering memorandum. It  
8 says, New All Suite Hotel. It looks like the  
9 first phase.

10 Do you recognize that document?

11 A No, madam.

12 Q But when you say the first three, you're  
13 referring to Phase --

14 A Tram Haus Lodge. I don't know.

15 Q Okay. Yeah.

16 We're going to show you what was  
17 previously marked as Exhibit Nos. 131, which is  
18 the Declaration of La Kyun Kim, and 132,  
19 Declaration of Won Gyu Jang. Each of them is two  
20 pages, and they indicate that they were -- both of  
21 them were executed on May 25th, 2014.

22 Do you recognize these declarations?

23 A Yes, madam.

24 Q Okay.

25 And is it correct that a few days after

1 we took your testimony in May, you then provide us  
2 with these declarations through your Counsel?

3 A That's correct.

4 Q Okay.

5 Who prepared these declarations?

6 A My lawyers.

7 Q Which lawyers?

8 A My SEC lawyers.

9 Q Who's that?

10 A Their team.

11 Q Mr. Gordon?

12 A Yes.

13 Q Okay.

14 And did you dictate the contents of  
15 these to your lawyers?

16 MR. GORDON: Hold on. You can't reveal  
17 the contents of your communication with your  
18 lawyers. If you want to ask him about his role in  
19 preparing them, I don't mind that.

20 BY MS. SINDLER:

21 Q Okay. What was your role in preparing  
22 these declarations?

23 A That --

24 MR. GORDON: Without revealing any  
25 communications with Counsel. If you can answer

1 that.

2 THE WITNESS: What happened here was,  
3 because of the SEC, Raymond James shut down my  
4 operations. And when they shut down my  
5 operations, in order to remove myself from that  
6 operation, I had to pay back the margins. Okay?

7 So through the combination of the funds  
8 that JCM had owed Jay Peak, and for the same  
9 business that we had with Korea, that was owed to  
10 them, meaning that we also owed money to Korea,  
11 something had to be designed to pay down the  
12 margin.

13 And at the same time, with common  
14 interest to all of our companies, we decided,  
15 let's pay it down and let's not pay South Korea  
16 for right now. And let's pay down the debt. So  
17 that was what was done. And this declaration  
18 of -- this document is what was composed. But the  
19 reason was to pay down the debt at Raymond James,  
20 which was about twenty-one million. That's the  
21 reason.

22 **Q That was the reason for the creation of  
23 these declarations?**

24 A No. The reason of the creation of this  
25 was because the SEC shut me down at Raymond James.

1 THE WITNESS: Mr. Stenger, yes. He knew  
2 that we had to do this, and he said that was okay.  
3 I called him up by phone. He said, I understand,  
4 Quiros, get it done. I said, fine, I'll get it  
5 done.

6 BY MS. SINDLER:

7 **Q And who came up with the actual language  
8 that was contained in these declarations? What  
9 the declarations would actually say, who's the one  
10 that came up with that language? Was that you?**

11 A Madam, if I had that vocabulary, I'd be  
12 in another business.

13 Madam, it was reviewed with my people  
14 and with my attorneys, and this is what came out  
15 of it. I -- I -- no.

16 **Q You did not come up with this language,  
17 or language to this effect?**

18 A Idea of what I wanted to be written, I  
19 gave. I have --

20 MR. GORDON: Just be careful. You don't  
21 want to talk about what you said with -- but  
22 beyond that, if you want to talk about whether you  
23 had an idea about what it ought to say, that's  
24 different.

25 THE WITNESS: Yeah. I wanted to be free

1 They shut me down overnight. They said, stop.  
2 They called in my notes. They called in, they  
3 said, you have to leave the bank. So I said,  
4 okay, I will take care of it.

5 And through my sources, I was able to  
6 find a way to do it, and this was one way of doing  
7 it common interest to Alex Choi, myself. I'm the  
8 owner of Jay Peak. I'm the owner of JCM. It's  
9 going to be fine. And this is how it was done.

10 **Q And when you said, we decided to do it  
11 this way, who's the we?**

12 A I had to speak with Alex, the owner of  
13 JCM. I had to talk to him. And I had to talk to  
14 the staff. And I also had to talk to my people to  
15 make sure that the timetable frame was perfect  
16 with AnC Bio, too, and for my other commitments  
17 that I had with JCM, which was Stateside and AnC  
18 Bio. And they said, that's fine. We'll be fine  
19 with the timetable. So I paid it down.

20 MR. JAMES: And by your people, are you  
21 referring to Mr. Kelly?

22 THE WITNESS: Mr. Kelly and -- Mr. Kelly  
23 primarily and the construction companies that were  
24 involved in this project, in both projects.

25 MR. JAMES: What about Mr. Stenger?

1 and clear that I wouldn't get into trouble, that  
2 everything would be fine, and this is what was  
3 made. This was a result of me asking to get this  
4 done, and we got it done.

5 (Mr. Levenson enters the room.)

6 BY MS. SINDLER:

7 **Q So before these declarations were  
8 finalized, who had input into the declarations?**

9 A Me, Alex -- Alex and me. And my  
10 contractors as far as timetables for building  
11 things.

12 **Q But I'm just talking about the  
13 declarations themselves. So I just want to find  
14 out who had input into these declarations. It was  
15 you. You said Alex Choi?**

16 A Me and Alex.

17 **Q Anybody else?**

18 A Well, the staff of AnC Biopharm. They  
19 had to come up with this, approve it all. But  
20 they reviewed it, and they decided that this would  
21 be what we had to do.

22 **Q The people who signed it, you're saying?**

23 A Yes, of course. When I say, I mean the  
24 Korean counterparts.

25 **Q Did Mr. Stenger have any role in**

1 preparing or reviewing these declarations?  
 2 A No.  
 3 Q How about Mr. Kelly?  
 4 A Yes, he saw it.  
 5 Q Before they were finalized?  
 6 A Yes.  
 7 Q Did he have any input into them?  
 8 A No. They were fine.  
 9 Q He didn't make any changes?  
 10 A I don't know. I don't know. I -- I  
 11 only gave the task, and this is what they came up  
 12 with.  
 13 Q Okay.  
 14 So anyone else who had a role in  
 15 preparing these declarations?  
 16 A No.  
 17 Q And where are the originals?  
 18 A We have them. I'm sure we can find  
 19 them.  
 20 Q And when you say we, is that you?  
 21 A Either me or the accountant. I don't  
 22 know. I don't know where the original. These are  
 23 the original. This is the original. This is a  
 24 copy of the original.  
 25 Q Right. But the actual original --

1 A I might -- I might have. I might have.  
 2 Most likely I have them.  
 3 Q So let me just look at -- I think  
 4 they're both the same; is that correct? They're  
 5 both identical declarations; is that correct?  
 6 A Yes.  
 7 Q Okay.  
 8 All right. Let me just go to paragraph  
 9 number four where it says that JCM and AnC  
 10 Biopharm were related corporate entities because  
 11 they had common ownership.  
 12 A Yes.  
 13 Q Were you referring to Mr. Choi?  
 14 A Yes, madam.  
 15 MR. MARTIN: Is that true?  
 16 THE WITNESS: That's true.  
 17 MR. MARTIN: What was the common  
 18 ownership?  
 19 THE WITNESS: Well, Alex at that time  
 20 had AnC Bio. At that time, Alex had JCM. In many  
 21 ways, he was kind of my -- although not official,  
 22 he was my partner with Jay Peak as a friend. I  
 23 promised I would help him a lot with Jay Peak.  
 24 MR. MARTIN: In what way?  
 25 THE WITNESS: I will get him the license

1 to do this in Vermont.  
 2 MR. MARTIN: Who is the common -- but  
 3 after --  
 4 THE WITNESS: All those technologies  
 5 belong to Alex, all of them. And he gave them to  
 6 me. There's the common interest between --  
 7 MR. MARTIN: But at the time this  
 8 declaration was executed, you were the sole owner  
 9 of JCM.  
 10 THE WITNESS: Yes. But still, his whole  
 11 staff is Pharm, AnC Biopharm, all the scientists,  
 12 all the researchers, all the people from AnC Bio,  
 13 as we knew it, all went to AnC Biopharm. So their  
 14 leadership role is really behind Alex.  
 15 MR. MARTIN: But will Alex receive any  
 16 of the proceeds from JCM in the present?  
 17 THE WITNESS: No, no proceeds from JCM.  
 18 MR. LEVENSON: Mr. Quiros, this  
 19 paragraph says, JCM and AnC Biopharm had common  
 20 ownership. Ownership is a legal term. Okay? You  
 21 testified that you were the one hundred percent  
 22 owner of JCM.  
 23 THE WITNESS: I am.  
 24 MR. LEVENSON: So how could anyone from  
 25 AnC Biopharm have common ownership in JCM?

1 Legally, they couldn't, could they, sir?  
 2 THE WITNESS: No. But in the contents  
 3 of the way I am expressing it, is the way I'm  
 4 looking at it, he was the first owner of JCM, and  
 5 then I took it over.  
 6 MR. LEVENSON: And when did you take it  
 7 over?  
 8 THE WITNESS: At the same time. I think  
 9 April. Somewhere around that time. I have to go  
 10 back and see the records.  
 11 MR. LEVENSON: April of what year?  
 12 THE WITNESS: 2014 maybe. I have to go  
 13 back and check that, but that's easily checked.  
 14 But that is that. He was and he is with  
 15 all the interest and all the knowledge behind AnC  
 16 Bio and all of the technologies and all of the  
 17 drive of AnC Biopharm. In fact, it was Alex -- it  
 18 was his company and his technologies.  
 19 MR. LEVENSON: I'm asking about JCM.  
 20 THE WITNESS: I know. I addressed it. I  
 21 told you what I know, what I'm telling you, is  
 22 common interest.  
 23 MR. LEVENSON: I didn't use the word  
 24 "interest." I used word "ownership".  
 25 THE WITNESS: Ownership. Ownership. He

1 owned it first, and then I owned it second.  
 2 BY MS. SINDLER:  
 3 Q Okay. And then just going, actually, to  
 4 paragraph one where Mr. Kim and Mr. Jang are  
 5 saying they're providing this declaration because  
 6 they understand questions have been raised  
 7 concerning amounts owed by JCM to AnC Biopharm.  
 8 How did they come to understand that questions had  
 9 been raised?  
 10 A Because I told them.  
 11 Q When did you tell them?  
 12 A Soon after the SEC investigation.  
 13 Q You mean after the testimony?  
 14 A After the testimony.  
 15 Q Okay.  
 16 So that's when you told them, after the  
 17 testimony?  
 18 A Yes. I told them, we must do something,  
 19 because Raymond James will not hold my account any  
 20 longer. We have to pay them before I leave. How  
 21 are we going to pay Raymond James? This was the  
 22 only source of funds that I had to pay Raymond  
 23 James. And I was able to get this written off  
 24 with them, and AnC Bio Korea, because they know  
 25 me.

1 Q And how did you communicate that to  
 2 them? Was it over the phone or some other way?  
 3 A In this particular case was over the  
 4 phone I spoke to them.  
 5 Q Okay.  
 6 A By coincidence, the times that you  
 7 called on this investigation, they were already  
 8 here. They were actually in North Carolina doing  
 9 that monthly research that I tell you that they do  
 10 every month. It was just a coincidence. That was  
 11 a very big coincidence. That's why this got  
 12 executed quite fast.  
 13 Q So when you spoke with them, you spoke  
 14 with them in North Carolina?  
 15 A No. Verbally, by phone.  
 16 Q By phone. But they were in North  
 17 Carolina?  
 18 A Yes, madam.  
 19 Q Okay.  
 20 A I was here under the investigation --  
 21 under this testimony.  
 22 Q When you spoke with them, did you speak  
 23 with them separately, or was it --  
 24 A The whole group. We always speak in a  
 25 group.

1 Q Okay.  
 2 And when you spoke with them about these  
 3 questions being raised, who participated in that  
 4 conversation?  
 5 A Just me and them.  
 6 Q Just the three of you?  
 7 A No. There were two other Koreans there.  
 8 Q Who were they?  
 9 A La Kyun Kim, Jong Weon Choi, Kevin, one  
 10 more Korean. I don't know his name.  
 11 Q Okay.  
 12 A One more. There were four people there.  
 13 Q They were on the phone?  
 14 A Wait. No. When they came to Miami,  
 15 they were all there. When I released this data to  
 16 them, it was by phone.  
 17 Q Just going back, the first conversation  
 18 you had with them --  
 19 A It was only one. I spoke to Sin Choi.  
 20 Q Okay.  
 21 But the conversations where you told  
 22 them that questions had been raised regarding  
 23 these amounts owed by JCM to AnC Bio --  
 24 A I called North Carolina, and I spoke to  
 25 Sin Choi.

1 Q Who's Sin Choi?  
 2 A He's the like the COO of Alex.  
 3 Q Okay.  
 4 So you didn't at that time speak with  
 5 Mr. Jang and Mr. Kim?  
 6 A They're all there on the phone. I'm  
 7 speaking to him. They're on the cellular phone. I  
 8 don't know. They're all there.  
 9 Q They're all there.  
 10 So they can hear this conversation?  
 11 A I'm sure, yes. Do I know? No.  
 12 Q Was there anyone else participating in  
 13 the conversation?  
 14 A No, madam.  
 15 Q Did you memorialize your conversation in  
 16 any way, such as an email or a memo?  
 17 A No. I told them to come down to Miami.  
 18 They were supposed to go to New York. So they  
 19 came down. They come quite often. And the reason  
 20 why these got executed was because they were here.  
 21 So I told them, stop your trip to New York and to  
 22 Chicago and back to Seoul, come back to Miami, and  
 23 we'll speak together.  
 24 Q Who did you tell to come to Miami?  
 25 A All three men.

1 Q Okay. Mr. La Kyun Kim, Mr. Won Gyu  
 2 Jang?  
 3 A Yes, Dr. Jang.  
 4 Q Dr. Jang.  
 5 And who was the third person.  
 6 A Sin Choi.  
 7 Q Okay.  
 8 Did Mr. Choi sign a declaration, too?  
 9 A No.  
 10 Q Why? Why not him?  
 11 A He's not one of the principals of AnC  
 12 Biopharm.  
 13 Q Okay.  
 14 Did you ask him to sign a declaration?  
 15 A No.  
 16 Q Now, going to paragraph six --  
 17 MR. MARTIN: Before you go to six. Just  
 18 paragraph five. So there was a period of time  
 19 that JCM was paying funds that it had obtained  
 20 from AnC Bio investors to Jay Peak Biomedical  
 21 Research; is that accurate?  
 22 THE WITNESS: Say that again.  
 23 MR. MARTIN: There was a period of  
 24 time -- is it accurate that JCM entered into a  
 25 contract with Jay Peak Biomedical Research Park,

1 LP?  
 2 THE WITNESS: Yes, we have an agreement  
 3 to that effect.  
 4 MR. MARTIN: And that's part of the long  
 5 term -- Jay Peak Biomedical Research Park, LP, is  
 6 that part of AnC Biopharm?  
 7 THE WITNESS: That's correct.  
 8 MR. MARTIN: Okay.  
 9 So just for simplification, JCM was  
 10 paying Biopharm at a contract?  
 11 THE WITNESS: Yes, sir.  
 12 MR. MARTIN: And there's a period of  
 13 time they were paying two point six million  
 14 dollars a month on that contract?  
 15 THE WITNESS: That's correct, according  
 16 to the book.  
 17 MR. MARTIN: And the source of those  
 18 funds was investor funds from AnC Bio?  
 19 THE WITNESS: That's correct.  
 20 MR. MARTIN: Because those investor  
 21 funds went from AnC Bio to JCM, and then JCM was  
 22 paying them to AnC Biopharm?  
 23 THE WITNESS: To the vendors, whatever  
 24 vendors. The first couple of months, we had to  
 25 pay the engineers in America and so forth and so

1 on. There's a list of people that we have to pay.  
 2 MR. MARTIN: But this two point six  
 3 million dollars a month that began in January 2013  
 4 for a period of time, was the flow of those funds  
 5 AnC Bio investors to JCM and then JCM to what was  
 6 part of AnC Biopharm?  
 7 THE WITNESS: Yes. We're under a  
 8 contract.  
 9 MR. MARTIN: Okay.  
 10 When did those payments stop of the two  
 11 point six million per month?  
 12 THE WITNESS: I have to go back and  
 13 check those schedules. I don't know. They were  
 14 stopped. Then they would pick up again. It all  
 15 depends on what we were doing at that time.  
 16 MR. MARTIN: But the two point six  
 17 million was consistent?  
 18 THE WITNESS: The idea was -- I've been  
 19 trying to make it always consistent, but it didn't  
 20 work out that way.  
 21 MR. MARTIN: You can go back to  
 22 paragraph six if you want to.  
 23 MS. SINDLER: Okay.  
 24 BY MS. SINDLER:  
 25 Q Where it says, "AnC Biopharm directed,

1 approximately, twenty-one million owed by JCM to  
 2 AnC Biopharm for services," under paragraph, "be  
 3 paid instead of AnC Biopharm, to Jay Peak, Inc."  
 4 When did they direct this?  
 5 A They direct to Jay Peak, Inc. was  
 6 because I had to pay down the margins at Raymond  
 7 James.  
 8 MR. MARTIN: Had you already paid down  
 9 the margin loan at that point?  
 10 THE WITNESS: No. This was the money  
 11 used to pay down the margin.  
 12 MR. MARTIN: But you entered into this  
 13 agreement before you paid off the margin loan or  
 14 after you paid off the margin loan?  
 15 THE WITNESS: Before or after? It was  
 16 right around that time. I would believe after.  
 17 MR. MARTIN: And the source of the  
 18 payment on the margin loan was the investor funds,  
 19 correct?  
 20 THE WITNESS: No. AnC Bio -- JCM  
 21 rather.  
 22 MR. MARTIN: But JCM had obtained those  
 23 funds from the AnC Bio, correct, investors?  
 24 THE WITNESS: We got the funds under  
 25 contract to JCM.

1 MR. MARTIN: From AnC Bio investors,  
2 correct?

3 THE WITNESS: That's correct.

4 MR. MARTIN: And then the source of  
5 those, JCM paid twenty-one million dollars of that  
6 to pay off the margin loan, correct?

7 THE WITNESS: We utilized it for that.  
8 Their intent is to pay down the vendors, but one  
9 of those vendors is AnC Biopharm.

10 MR. MARTIN: Am I getting this right?  
11 There's twenty-one million of investor funds that  
12 were used to pay off that margin loan, and that  
13 twenty-one million dollars was going to go to AnC  
14 Biopharm, but instead AnC Biopharm said, we'll  
15 waive payment of that twenty-one million dollars;  
16 is that accurate?

17 THE WITNESS: It's accurate, but not  
18 accurate. Because you put it the contents of --  
19 at the time they give to JCM, it's JCM money. So  
20 in that sense, you're right. But the source of  
21 that money came from the investors.

22 MR. MARTIN: Go ahead.

23 MS. SINDLER: Okay.

24 BY MS. SINDLER:  
25 **Q So when did AnC Biopharm direct that**

1 MR. MARTIN: I think this is it.

2 MR. LEVENSON: Are there any other  
3 documents?

4 MR. MARTIN: I don't know. I'll let him  
5 speak.

6 MR. GORDON: You're looking at me?

7 MR. LEVENSON: Well, I guess that would  
8 be the question. Are there documents, other than  
9 these declarations?

10 THE WITNESS: No, sir.

11 MR. LEVENSON: What?

12 THE WITNESS: No, sir.

13 MR. MARTIN: There's no contracts or  
14 anything like that reflecting that, correct?

15 THE WITNESS: No. No. This is the  
16 contract.

17 MR. MARTIN: The declaration?

18 THE WITNESS: The declaration.

19 MR. LEVENSON: Thanks. Then never mind.  
20 That's all I wanted to know.

21 MR. GORDON: Cross this off my --

22 BY MS. SINDLER:  
23 **Q The discussion of the twenty-one million**  
24 **with you and Mr. Kim and Mr. Jang, that occurred**  
25 **after we took your initial testimony; is that**

1 **this twenty-one million be paid to Jay Peak**  
2 **instead of AnC Biopharm?**

3 A When I had to prepare myself to pay down  
4 the margin. Because I don't know what happened at  
5 Raymond James. All of a sudden they shut me down.  
6 They literally shut me down. So I had to take  
7 that action. Thank God it was a company that I  
8 know. And thank God it was a company that can  
9 work with me. And we were able to do it, and  
10 we're fine.

11 MR. LEVENSON: But I want to understand  
12 that the actual agreement with AnC Biopharm came  
13 after you paid down the margin --

14 THE WITNESS: I don't know exactly, but  
15 I think it was. I think it was. I'm almost sure  
16 it was, but I'm not a hundred percent sure. It's  
17 a matter of me checking back my data.

18 MR. LEVENSON: If you have any documents  
19 that would indicate the date of the payment.

20 MR. GORDON: I'm sorry. I think I  
21 missed.

22 MR. LEVENSON: Look for any documents  
23 that would memorialize the direction from AnC  
24 Biopharm to, you know -- that it was waiving its  
25 twenty-one million dollar payment.

1 correct?

2 A I think it did, yes.

3 **Q Okay.**

4 MR. MARTIN: And it occurred shortly  
5 before the execution of these declarations on May  
6 25, 2014?

7 THE WITNESS: It happened that time,  
8 that week. It was just a coincidence that they  
9 were here. Nobody came a special trip. It just  
10 happened to be there. It was quite easy to put  
11 this together.

12 BY MS. SINDLER:  
13 **Q Because we took your testimony, we began**  
14 **it on May 22nd.**

15 A Okay.

16 **Q So it was after -- tell me, am I correct**  
17 **that it was after May 22nd that you spoke with --**

18 A Yeah.

19 **Q -- AnC Biopharm about this twenty-one**  
20 **million?**

21 A That's correct.

22 **Q Okay.**

23 **And did you ask AnC Biopharm to agree**  
24 **that, instead of them receiving twenty-one**  
25 **million, it would be treated as a credit?**

1 A Yes. Yes, madam.  
 2 MR. MARTIN: Are you aware in the  
 3 amended offering document for AnC Bio whether  
 4 there was any disclosure of the use of those  
 5 investor proceeds to pay off the Raymond James  
 6 loan in lieu of the payments to AnC Biopharm and  
 7 AnC Biopharm was going to deliver the equipment?  
 8 THE WITNESS: I don't know. They  
 9 haven't told me that yet.  
 10 MR. MARTIN: But have you ever seen  
 11 that, any type of disclosure in the amended PPM,  
 12 which occurred in 2015, of this arrangement?  
 13 THE WITNESS: No, sir.  
 14 MR. MARTIN: Did you take any steps in  
 15 any way to try to make sure that this arrangement  
 16 that was reached in May 2014 was included in part  
 17 of the PPM that came out in 2015?  
 18 THE WITNESS: No. It was a request done  
 19 by the State to us that activated us to do this,  
 20 to activate us to amend the PPM. The State  
 21 actually activated us. The State did not allow  
 22 the funds to be released out of the project, and  
 23 then they ordered us to amend this.  
 24 And what I know it to be was only the  
 25 US -- the SEC investigation, that I know that we

1 had to reveal to the investors. That's all I  
 2 know. I didn't know that this was actually put in  
 3 the book or had --  
 4 MR. MARTIN: I'm not saying it was.  
 5 THE WITNESS: Oh, okay. I don't know.  
 6 MR. MARTIN: So the answer is, no, you  
 7 didn't take any steps yourself to ensure that this  
 8 transaction was reflected -- was put in the  
 9 amended PPM?  
 10 THE WITNESS: No, sir.  
 11 MR. MARTIN: Okay.  
 12 What is the status of the equipment that  
 13 AnC Biopharm was supposed to provide for this  
 14 twenty-one million?  
 15 THE WITNESS: Not supposed to. They  
 16 will provide. It's just a matter of until the  
 17 books are not done, they cannot finalize their  
 18 equipment list that has to be sent. The equipment  
 19 list is being formed now. So a lot of design work  
 20 is being done now. All the design work is being  
 21 done now. They're about ninety-two, ninety-three  
 22 percent completed, maybe even higher now. Once  
 23 that gets completed, then we start manufacturing  
 24 all of the designs.  
 25 MR. MARTIN: So as of now, none of that

1 twenty-one million dollars of equipment has been  
 2 delivered yet for the reasons you just stated?  
 3 THE WITNESS: Technical transfers.  
 4 Technical transfers. As far as the equipment is  
 5 concerned, the design of the equipment, what kind  
 6 of equipment, all of that has been done in  
 7 preparation for the final drawings of these -- of  
 8 these machinery and these equipments. That's what  
 9 being done now, currently.  
 10 MR. MARTIN: What's the total value of  
 11 the equipment that AnC Biopharm still has to  
 12 provide for the project to be completed?  
 13 THE WITNESS: About -- I would say about  
 14 forty million. I would say. I have to check that  
 15 list, but I can. About forty million.  
 16 MR. MARTIN: In your opinion, have they  
 17 been fully paid at this point, AnC Biopharm, for  
 18 that forty some million dollars of equipment they  
 19 will provide?  
 20 THE WITNESS: Yes, sir. Yes, sir.  
 21 MR. MARTIN: For a combination of this  
 22 and the prior payments?  
 23 THE WITNESS: Yes, sir.  
 24 MR. MARTIN: Okay.  
 25 MR. LEVENSON: This being the

1 declaration?  
 2 MR. MARTIN: Yeah. This being the  
 3 twenty-one million, plus the prior --  
 4 THE WITNESS: Yes, sir.  
 5 BY MS. SINDLER:  
 6 **Q And then if you can flip over to the**  
 7 **next page, paragraph seven. Where it says, "From**  
 8 **the perspective of AnC Biopharm, it made**  
 9 **significant economic sense for JCM to pay JPI**  
 10 **rather than AnC Biopharm."**  
 11 A Say again, please.  
 12 **Q Just if you could look at the first**  
 13 **sentence of paragraph seven, "From the perspective**  
 14 **of AnC Biopharm, it made significant economic**  
 15 **sense for JCM to pay JPI rather than AnC**  
 16 **Biopharm."**  
 17 A That's correct.  
 18 **Q Is that a sentence you came up with?**  
 19 A I don't know how to answer that  
 20 question. I gave certain task, and this is what  
 21 was composed. I gave a certain task what we  
 22 needed to get done.  
 23 **Q For the declaration?**  
 24 A The results of that write-up of how it  
 25 was written is this result. Did I tell them to

1 write that specifically? No. I told them a  
2 scope.  
3 MR. GORDON: You don't want to --  
4 remember, you're not talking about your  
5 conversations with your lawyers. So if you are  
6 talking about conversations with someone other  
7 than your lawyers, you can certainly freely speak  
8 about it, but don't talk about conversations with  
9 your lawyers.

10 THE WITNESS: Yes. In that sentence,  
11 yes.

12 BY MS. SINDLER:

13 Q That you came up with it in that  
14 sentence?

15 A Okay. I came up with that sentence.

16 Q Is that correct?

17 A Yeah.

18 Q Okay.

19 How would it make economic sense from  
20 AnC Biopharm's perspective for JCM to pay JPI  
21 rather than AnC Biopharm?

22 A I can -- Korea can control my cost, and  
23 they will deliver what they have to deliver. So  
24 with due time, they will get this money back  
25 anyway, and that will -- it will take care of the

1 understand my thought. I had to pay Raymond  
2 James. That would've have been the sabotage of my  
3 company if I didn't pay them down. So I paid them  
4 down. It's funny. They're the ones who designed  
5 this whole program, but they forced me to pay them  
6 down. So be it.

7 I paid them down, and then I moved over  
8 to JP Morgan. When I moved to JP Morgan, just for  
9 your argument sake, I have a letter and a  
10 commitment from them. On my signature, they gave  
11 me twenty million dollars. I could've paid them  
12 right there.

13 But what happened was, apparently, the  
14 SEC went to them, and the SEC lawyer that worked  
15 over there worked over here and somehow reason  
16 they amplified what I -- they thought I was a  
17 gangster, for God's sake. Within six months, they  
18 closed down my accounts. I lost a twenty million  
19 dollar line of credit that was strictly mine on  
20 signature and signed by them. I have it in my  
21 drawer.

22 And then I had to scramble and run all  
23 over America to get another bank. Thanks to God  
24 for my relationships, I got Merrill Lynch from  
25 Trinity Pawling, the school that I graduated from.

1 cost to do the necessary work.

2 MR. MARTIN: How will they get the money  
3 back?

4 THE WITNESS: Oh, there's many ways.  
5 One, I have no debt. My mountain was just  
6 appraised last month for a hundred and eight  
7 million. I have no debt. I can get the money  
8 from that, number one. Number two, I have real  
9 estate holdings. Number three, I have personal  
10 real estate holdings.

11 MR. MARTIN: So is there an agreement  
12 that they'll be paid this twenty-one million at  
13 some later date?

14 THE WITNESS: Verbal. I will get it  
15 done.

16 MR. MARTIN: And who did you have that  
17 verbal agreement with?

18 THE WITNESS: Pharm, AnC Biopharm.

19 MR. MARTIN: But that verbal agreement's  
20 not reflected in these declarations?

21 THE WITNESS: No, sir.

22 MR. MARTIN: And when did you reach that  
23 verbal agreement?

24 THE WITNESS: When we made this  
25 agreement. I have time here just for you guys to

1 He was working. I said, listen you guys, I got  
2 this, this, this. Do you believe me? This is  
3 what's happening with the SEC. He says, Quiros,  
4 we'll work with you, but we don't know if we can  
5 really work. We can't give you what JP Morgan  
6 gave you, twenty million dollars on your  
7 signature.

8 I said, well, I have the resort. It's  
9 debt free. They said, what the most we can do is  
10 we'll handle the money. That's why there's two  
11 accounts. That's the reason.

12 So I said, fine, I'll look for another  
13 bank. I came down to Miami, again knocking on  
14 doors. I said, listen you guys, I know it's under  
15 SEC. Well, Quiros, EB-5, we don't know, we don't  
16 know, we don't know. We went bank to bank to  
17 bank.

18 Finally, I worked out with Citibank.  
19 They said, yes, we'll take it. I said, listen,  
20 I'm telling you right up-front, I'm under SEC and  
21 so forth. They said, that's okay, Quiros, that's  
22 okay, we'll work with you.

23 They knew about my program. They knew  
24 about JP Morgan told them that I was a good guy.  
25 And one way or the other I got the bank. And then

1 they started to work with me. The most I got out  
2 of them was that line of credit that I got out of  
3 JCM using my own money. It's not a favor, because  
4 it's using my own money, but it's some help while  
5 I get this all sorted out.

6 And then soon as you release me, once  
7 you release me, I'll go back and get my lines of  
8 credit put together in two minutes, but I'm  
9 working with these hurdles. And I understand. And  
10 I respect you guys. And whatever you guys want, I  
11 want to support you. I really do. But I just  
12 want you to know what I've been going through for  
13 thirty months. It's been very hard. And you're  
14 forcing me into these situations. I'm not going  
15 to lose. I'm going to fight it all the way  
16 through, because I've got too many lawyers and too  
17 many SEC lawyers guiding me who has told me even  
18 until yesterday, Quiros --

19 MR. GORDON: Don't talk about it. Don't  
20 talk about what your lawyers --

21 THE WITNESS: So I'm going at a hundred  
22 miles an hour. But as soon as this is over with,  
23 and I understand. I'm very happy. And I told  
24 Senator Leahy, indirectly through Bill Stenger, I  
25 said, Senator Leahy, you know, don't worry. He's

1 the Chairman of EB-5, and he's also the Chairman  
2 of the Judicial Board. And I told him. And he  
3 said, Quiros, do you believe? I said, yes. Don't  
4 worry. It's okay. Let them do their work.

5 We talked in front of Congress, as you  
6 know. We talked in front of the Senate, Jay Peak.  
7 So we're believing in what we're doing is right.  
8 And nobody has stopped me until -- and I don't  
9 want you guys to think that I'm mad at you guys or  
10 anything. You have the right to do this, and I  
11 support you. I support you.

12 MR. MARTIN: What do you know about AnC  
13 Biopharm's current economic condition that would  
14 allow them to provide twenty-one million dollars  
15 in equipment without payment, at least in the  
16 short run, not having a payment?

17 THE WITNESS: Well, you described it  
18 like that. They're waiting for AnC Bio Korea --  
19 AnC Bio Vermont to get going. They are ready. Now  
20 we're hiring them now. Because in our budget, I  
21 have money. So most likely, I'm going to be  
22 hiring them now and shifting them over here,  
23 because now we are going to execute the building.  
24 Now we're ninety-five percent. That's that.

25 To the balance of the machinery, that's

1 not a problem. When we give an order up there, we  
2 have different conditions than in America. We  
3 can -- most of the designs are done. They're  
4 doing a lot of designs themselves in-house, and  
5 the actual composition of all of the equipment  
6 will be delivered. They can deliver. I have no  
7 doubt, not even one inch of a doubt. I've worked  
8 with them for thirty years, and I know there's not  
9 a problem.

10 MR. MARTIN: But you just recently  
11 became aware that their predecessors had financial  
12 problems akin to US bankruptcy, correct?

13 THE WITNESS: You mean AnC Bio Korea?

14 MR. MARTIN: Yeah.

15 THE WITNESS: They don't want to tell me  
16 the whole thing. They don't want to alarm me or  
17 get me all hyper. But you guys know actually more  
18 than I do. But I can assure you, there's nothing  
19 wrong over there, but I'm not here to say that.  
20 Because I know you -- their system is totally  
21 different. Over there you get into a lot of  
22 trouble while the investigation is going on, not  
23 here.

24 MR. MARTIN: Have you ever seen like a  
25 balance sheet for AnC Biopharm?

1 THE WITNESS: No, I haven't. But if I  
2 needed to see one, it should not be much, because  
3 their assets will be only in technology and with  
4 our orders. They do have a pharmaceutical company  
5 that does cosmetics. They do have that.

6 But they're all banking on me in getting  
7 my factory ready, so they don't need that building  
8 now. They can use my building. So that's why  
9 everybody is eager to get AnC Bio Vermont going,  
10 because everybody will now shift over here.

11 We already got one doctor at the  
12 University of Vermont. We have two men coming  
13 almost every month. I have about four men coming  
14 every other month for the last two and a half  
15 years. So everybody's waiting.

16 In fact, we might have them sooner than  
17 later, because Jerry, our construction company, is  
18 telling us they're ready to build. They're almost  
19 done with the design work. Once they get the  
20 design work done, they start building up the  
21 equipment, they start building the factory. And  
22 within a year and a half -- I haven't failed in  
23 eight projects. I'm not going to fail on this  
24 one. That's the best way I can describe it.

25 But I know what you're saying. I know

1 exactly what you're saying. But if I needed to, I  
2 can. I really don't need them either. I have  
3 enough with the whereabouts to do this whole  
4 project myself in the United States, but I  
5 wouldn't do that to the Koreans. I made a deal  
6 with them, and I will do the deal with them. And  
7 they will get their twenty-one million, and they  
8 will get all of the promises that I made to them  
9 for which they gave me all of the patent rights  
10 and the distribution rights here in the United  
11 States.

12 Which you just got the biggest one,  
13 which is the T-PLS, the -- the smallest dialysis  
14 machine with nano technology, which is really  
15 working out with the Korean government, which is a  
16 very special technology, and we just got a US  
17 patent on it a month and a half, two months ago.  
18 It's a continuous biotechnology work is so, so  
19 difficult and so hard.

20 MR. MARTIN: What do you know about the  
21 FDA approval process as far as AnC Bio?

22 THE WITNESS: Good. The FDA approval  
23 process, as I was telling you at the beginning, we  
24 were going to do it ourselves. We now have hired  
25 companies in the state of Vermont to work with us.

1 such things. We have reports. I think you have a  
2 lot of that data. We were asked for it.

3 MR. MARTIN: So there's actually been  
4 communications with the FDA submitting for  
5 approval?

6 THE WITNESS: No. No, you cannot submit  
7 approval. That's a long process. What you do is  
8 submit data, so they can tell you what the  
9 approval process is going to be. And once you get  
10 to that level, you send it again, and they'll ask  
11 again and again and again and again. It's a long  
12 process in what we call application FDA approvals.  
13 These are all application FDA approvals.

14 MR. LEVENSON: Has there been data sent  
15 to -- preliminary data sent to the FDA?

16 THE WITNESS: Of course, yes. Yes.  
17 We're FDA approved. So I don't know why you don't  
18 have this data. But, yes, we do have it.

19 MR. LEVENSON: What do you mean by FDA  
20 approved?

21 THE WITNESS: Our clean room in South  
22 Korea, which is the same technology being used  
23 here in the United States, is FDA approved.

24 BY MS. SINDLER:

25 **Q When you say FDA approved, you're**

1 We've hired universities to work with us to get  
2 this stuff going through the process of the FDA.

3 MR. MARTIN: Has anything been submitted  
4 to the FDA at this point in time?

5 THE WITNESS: Yes, a lot of data has  
6 been submitted to the FDA. The T-PLS system is  
7 already in production. We're already making the  
8 T-PLS. It's already being used in Korea, in  
9 Japan, in China, which is the heart pump system.

10 What we're going to do here is make sure  
11 that the manufacturing components of those parts  
12 are being done in an FDA-level clean room. And  
13 we're going to assemble the machine and sell them  
14 in the United States. We are about sixty-one  
15 thousand dollars cheaper than the best one,  
16 Johnson & Johnson. It's a pulse system. The  
17 technology is pulse rather than by pumps. Things  
18 like that.

19 MR. MARTIN: But the part of the project  
20 that doesn't require the clean room approval, the  
21 actual products of the FDA approval, has anything  
22 been submitted to the FDA at this point in time?

23 THE WITNESS: Oh, yeah. T-PLS. The  
24 T-PLS system is very much in the frontrunner of  
25 the FDA. A lot of people have been hired to do

1 **talking about the Korean equivalent to the FDA?**

2 A Yes.

3 MR. LEVENSON: The US federal -- the US  
4 FDA hasn't approved anything, has it?

5 THE WITNESS: I have to verify what they  
6 have known and what they have approved and what  
7 they haven't approved.

8 In this field, I'm not such a good  
9 person, because I don't know much about biotech  
10 and these applications, but we have the right  
11 people that could answer you these questions. I  
12 don't know how to address -- I don't know what has  
13 been applied and what hasn't been applied.

14 BY MS. SINDLER:

15 **Q When you've answered the questions about**  
16 **FDA approval, is it correct that you were not**  
17 **referring to the FDA in the United States? You**  
18 **were thinking of the equivalent in Korea, in South**  
19 **Korea?**

20 A It's almost like GAAP. The Korean  
21 equivalent and the US equivalent of GAAP is the  
22 same. FDA and FDA in America is the same. They  
23 go through the same process.

24 MR. LEVENSON: The US FDA hasn't done  
25 anything? You're talking about the Korean

1 equivalent, correct?  
 2 THE WITNESS: The Koreans have done it  
 3 at our facility. What the Koreans have done here  
 4 are our work, but I have to verify what work they  
 5 have done here. I'm not involved in those --  
 6 MR. LEVENSON: It's a simple question.  
 7 Has the US FDA approved anything, or are you  
 8 talking about --  
 9 THE WITNESS: You're saying if anything.  
 10 The answer is no -- no, I'm sorry. Yes, they have  
 11 approved something. What they have approved, I  
 12 don't know. They have approved something. We  
 13 have submitted documents to the FDA in Washington.  
 14 Documents have been submitted there. So in  
 15 addressing your question, the answer is yes, but  
 16 what it is, I don't know.  
 17 MR. MARTIN: Who would know?  
 18 THE WITNESS: Our doctors. Our  
 19 researchers. I can ask them to specify what it  
 20 was what they have gotten approved so far.  
 21 MR. JAMES: Would Mr. Stenger know?  
 22 THE WITNESS: No, he wouldn't know.  
 23 MR. JAMES: He would not know?  
 24 THE WITNESS: He would know a little  
 25 bit, but we can get data to support that.

1 But what particular data do you want?  
 2 Because this data here is all US patent approved.  
 3 We have these patents. The US patents are in my  
 4 possession.  
 5 I'm not telling anybody that we've  
 6 gotten FDA approval on any -- my factory would be  
 7 worth billions if I had FDA approval. But his  
 8 question was, have you submitted something? That  
 9 something, I have to say yes. What it is, I don't  
 10 know. But don't expect that these are all -- this  
 11 is research. This takes years and years and years  
 12 of us working at the clinical test rooms, testing  
 13 these patents that they bought into.  
 14 The State of Vermont wanted this  
 15 facility.  
 16 You have that magazine?  
 17 The State of Vermont wants this  
 18 facility, and that's what we brought in. Now  
 19 there's high tech people giving them work, and  
 20 we'll be giving them a lot of work.  
 21 This is the people's magazine of Korea.  
 22 MR. LEVENSON: Your giving different  
 23 answers -- you're giving different answers, Mr.  
 24 Quiros.  
 25 THE WITNESS: Okay. I'm sorry. How do

1 I --  
 2 MR. LEVENSON: I asked you if the FDA,  
 3 US FDA, approved anything, and then you told me  
 4 yes, and then you just told her no.  
 5 THE WITNESS: Okay. Let's go back. The  
 6 FDA has not given us any approval. Okay. Let's  
 7 get that clear.  
 8 MR. LEVENSON: Okay.  
 9 THE WITNESS: The FDA has not given us  
 10 any approval for anything that we have. If they  
 11 do give us that approval, multiply this book by  
 12 one billion percent more.  
 13 MR. LEVENSON: Understood.  
 14 THE WITNESS: Have FDA have been in  
 15 connection? Of course. FDA had to go to South  
 16 Korea to test our facilities. FDA had to work  
 17 with the FDA in Korea to get -- the FDA have to  
 18 get our FDA building approved.  
 19 So there is some correlation between the  
 20 FDA in America and the FDA in Korea. That's that.  
 21 So I'm trying to -- you're trying to pinpoint an  
 22 answer, and if you pinpoint that answer and if I  
 23 say yet, you just multiply that book by a hundred  
 24 times.  
 25 MR. MARTIN: What happens if FDA doesn't

1 give a approval? What would it do to the project?  
 2 THE WITNESS: No. We still have  
 3 other -- we have T-PLS. We have C-PAK. We have  
 4 the dialysis machine. We have the E-Liver. We  
 5 have quite a bit of projects that can be done at  
 6 this facility. Plus, we have manufacturing  
 7 facilities to assemble product that can come into  
 8 America cheaper, like the T-PLS system, using  
 9 technology -- using labor from the State of  
 10 Vermont.  
 11 They're going to put this -- here's  
 12 everybody. This is the signing of the agreement  
 13 when they went to Korea with the Governor. And  
 14 here's the Governor of the State of Vermont -- of  
 15 South Korea, the second most powerful man in South  
 16 Korea, because he has Pyeongtaek. And here's the  
 17 whole Bill Stenger team. Here's the FDA team that  
 18 you're talking about. Here is the Korean team.  
 19 And here's the Korean engineers.  
 20 So in answering these questions, and  
 21 people thinking because I know what Douglas could  
 22 have said, is this was done by them. And we are  
 23 creating this factory. And we are going to do  
 24 this factory. There's no problem. I don't see  
 25 where the problem is. Where's the problem? Tell

1 me where the problem is.

2 We're not telling people that we got FDA  
3 approval. We're not telling people that we got  
4 FDA license. If I had a license for the C-PAK,  
5 this project would be worth four hundred million,  
6 according to that book out of the Boston. Just  
7 that product alone.

8 MR. MARTIN: So my question was: Would  
9 any part of the project be adversely affected if  
10 you didn't receive FDA approval?

11 THE WITNESS: No. No. No. It would  
12 hurt me, because we will spend a lot of money to  
13 get these products under production. But this is  
14 how it is. This is biotech technology. This  
15 is -- this is -- there's no -- there's no  
16 guarantee in the biotech field. Biotech field is  
17 one of the highest riskiest fields out of -- this  
18 is no different.

19 The very fact that I'm using foreign  
20 investors, because they know. A lot of them do  
21 know about biotech. They have the chance to go to  
22 Burke Mountain or to go to AnC Bio. That's why we  
23 raised so much money in AnC Bio. A lot of people  
24 like the technology in the industry. A lot of  
25 people like biotech. It's the future.

1 That's all I can tell you. I'm not a  
2 doctor. And I cannot address his questions,  
3 because if I did, then we really have to change  
4 those books and bring it up five times more, ten  
5 times more.

6 MR. DEE: I have one follow-up question,  
7 but it goes back before this, and it has to do  
8 with the debt credit that's owed and will be paid  
9 off at sometime, the twenty-one million. And you  
10 said there was --

11 THE WITNESS: In many ways I can pay it  
12 off.

13 MR. DEE: No. No. Hang on. And  
14 there's additional funds owed for machinery, and  
15 it's all done without paperwork, and just the word  
16 of mouth, or based on you, correct?

17 THE WITNESS: Yes, sir.

18 MR. DEE: All right. Hypothetical.

19 THE WITNESS: Yes, sir.

20 MR. DEE: God forbid this happen. You  
21 pass way.

22 THE WITNESS: Yes, sir.

23 MR. DEE: Who's AnC Biopharm going to go  
24 after to get their money? If you owe it and you  
25 pass away --

1 THE WITNESS: Yes, sir.

2 MR. DEE: -- won't they go after the  
3 company? Won't they have to go after AnC Bio in  
4 Vermont to get their forty million? Because  
5 there's no written agreement. There's no  
6 paperwork. That's the first place they're going  
7 to go. So won't the investors of that project be  
8 adversely affected if something should happen to  
9 you? There's nothing in place that I understand.

10 THE WITNESS: I understand. I  
11 understand. And your question is very strong,  
12 because I've been told by other SEC lawyers,  
13 Quiros --

14 MR. GORDON: Well, hold on. Stop.

15 THE WITNESS: Okay. They're already in  
16 the works of getting something -- just something  
17 in the works. Do I have one today? No. Will I  
18 get one? Yes. Are they preparing one for all of  
19 my projects? Yes. And that's what's being done  
20 now.

21 MR. DEE: Do you know when that'll  
22 occur?

23 THE WITNESS: I think by no later than  
24 October 30th.

25 MR. DEE: Let me ask you one additional

1 question.

2 THE WITNESS: It's not only for your  
3 project -- for this project. I've been getting a  
4 lot of slack on other things.

5 MR. DEE: Let me ask one additional  
6 question. Where's this liability shown on the  
7 books, the liability for this twenty-one million  
8 and any money you owe for the machinery?

9 THE WITNESS: Say again.

10 MR. DEE: Yeah. How are you showing  
11 this as --

12 THE WITNESS: They're going to compose  
13 of this. They're going to do something.

14 MR. DEE: Is it something incorporated  
15 where Stenger know about this, their operations,  
16 and it's included by your accountants?

17 THE WITNESS: I'm sure it's  
18 incorporated. I am. I'm pretty sure. But you'll  
19 have to speak with my other accountants. I don't  
20 know that question.

21 MR. DEE: Okay.

22 Just so I've got the figure right --

23 THE WITNESS: Yes, sir.

24 MR. DEE: -- it's about forty million?

25 THE WITNESS: Forty million, yes.

1 MR. DEE: Okay.  
 2 MR. MARTIN: And have you ever discussed  
 3 this arrangement reflected in these declarations  
 4 with Mr. Stenger?  
 5 THE WITNESS: Yes. He knows.  
 6 MR. MARTIN: When did you first discuss  
 7 it with him?  
 8 THE WITNESS: He knows the day that we  
 9 did. The day when -- Bill Kelly had to explain it  
 10 to him so many times, because he does ask from  
 11 time to time, how are we doing with that, is  
 12 everything okay, how are we doing with that?  
 13 And the blessing of this is that we  
 14 don't have to build out until probably end of next  
 15 year or the year after, for these type of  
 16 equipment. The building's going to take about  
 17 eighteen month. Then the equipment starts to  
 18 arrive. But the design work for these equipments  
 19 are very unique.  
 20 MR. MARTIN: And then go back to Mr.  
 21 Stenger. Since you purchased Jay Peak, what's  
 22 been about Mr. Stenger's annual salary,  
 23 approximately?  
 24 THE WITNESS: Say it one more time,  
 25 please.

1 MR. MARTIN: What's Mr. Stenger's annual  
 2 salary, approximately?  
 3 THE WITNESS: Wow. His salary is,  
 4 approximately, two hundred and twenty-five, all  
 5 in.  
 6 MR. MARTIN: That's been fairly  
 7 consistent since you bought Jay Peak; is that  
 8 correct?  
 9 THE WITNESS: Yes, sir. It's not that  
 10 it's consistent. It was the deal that I made with  
 11 him, that I would give him shares, that he  
 12 wouldn't have to buy them, but that you'd have to  
 13 keep your salary and that you will get one point  
 14 every year until you become -- for five years. And  
 15 after five years, I thought I could do this by  
 16 myself, or through our staff at Jay Peak.  
 17 MR. MARTIN: Has he received any bonuses  
 18 since you bought Jay Peak?  
 19 THE WITNESS: No. That I know of, no.  
 20 MR. MARTIN: Besides paying his taxes  
 21 for the one year, I think, you testified to  
 22 earlier, have there been any other forms of  
 23 payment to him since you purchased Jay Peak,  
 24 besides his salary?  
 25 THE WITNESS: No. But I gave him a

1 hefty allocation for my Jay Peak stuff. He  
 2 travels quite well. And, you know, it's not a  
 3 bonus. It's a salary -- it's not a salary. It's  
 4 a cost expense that I take care of for him, all of  
 5 it. He flies with his wife, with his family. He  
 6 flies quite -- he flies with a team of about ten  
 7 men.  
 8 MR. DEE: Your weekly meetings or daily  
 9 meetings -- let me rephrase that. You have weekly  
 10 and daily meetings with Mr. Stenger and Mr. Kelly?  
 11 THE WITNESS: If Bill Stenger wants  
 12 something done, he'll tell Bill Kelly to tell me.  
 13 If Kelly wants something done, he'll tell Bill  
 14 Stenger and Bill Stenger will tell me. And all I  
 15 do is say yes or no.  
 16 Do they have weekly meetings at Jay  
 17 Peak? We do -- daily meetings, not weekly, daily.  
 18 MR. DEE: All these business  
 19 transactions that we've talked about today, have  
 20 you fully disclosed all this information with  
 21 Stenger and Kelly? Well, let me take them one at  
 22 a time. Stenger, Mr. Stenger, have you fully  
 23 disclosed all the transactions we've talked about  
 24 today with Mr. Stenger?  
 25 THE WITNESS: Yes, of course.

1 MR. DEE: How about Mr. Kelly?  
 2 THE WITNESS: Of course. Of course.  
 3 And also with my accountants, Ken  
 4 Strauss. Ken Strauss, he -- I can't move an inch  
 5 without Ken Strauss.  
 6 MR. DEE: How about Ortiz?  
 7 THE WITNESS: He'll kill me.  
 8 So they don't let me move. They -- they  
 9 just don't let me move. And then I get my SEC  
 10 lawyers out of Vermont, which are eleven of them.  
 11 And then we have a team through the SEC. We had  
 12 to hire another. They wouldn't do it in Vermont,  
 13 so I had to hire another group. And this team is  
 14 quite strong. It's fourteen people, and all they  
 15 do is have debates. If you ever go to their  
 16 office in New York City. And that's it.  
 17 And then they have a weekly meeting, a  
 18 daily meeting. And then Tony Argiz comes down  
 19 with his team, and then that's when hell breaks  
 20 loose and everybody has to be at attention. And  
 21 then George comes down and talks.  
 22 MR. MARTIN: Why don't you go into your  
 23 next questions.  
 24 THE WITNESS: I hope I answered that.  
 25 MR. DEE: Yeah. Thanks.

1 BY MS. SINDLER:

2 Q You mentioned several times, our  
3 facility. Are you referring to the facility in  
4 South Korea that AnC Biopharm is working, where  
5 they are working?

6 A Where they're currently working. They  
7 are leasing the space there now because the  
8 factory was lost. The factory was auctioned off.  
9 But it's okay because the final research will be  
10 done here.

11 Q But I just want to make sure when you  
12 said our facility, you were referring to the  
13 facility in South Korea; is that right?

14 A Yeah. But I don't want to imply that  
15 it's my facility. I'm talking AnC Bio Korea.

16 Q Got it. Got it.

17 And when you talked before about the  
18 T-Plus, T-PLS, is there any commercial  
19 distribution of that?

20 A Oh, yeah.

21 Q Commercial distribution?

22 A Yes, madam.

23 Q Do you know how much AnC -- is AnC  
24 Biopharm getting any kinds of profits from them?

25 A Oh, I don't know. The product is every

1 and I've seen them in Korea.

2 Q You've been in China and seen them being  
3 used, the T-PLS?

4 A Oh, yeah. I lived in Korea twenty  
5 years. My wife, we go to China quite often.

6 Q Do Mr. Jang and Mr. Kim, they speak  
7 English?

8 A Dr. Jang? Dr. Jang does.

9 Q La Kyun Kim, does he speak English?

10 A La Kyun Kim, no.

11 Q He doesn't speak English?

12 A Not so much English, no.

13 Q Is he able to read English?

14 A No.

15 Q So he can't read English?

16 A No.

17 MR. MARTIN: How did he know what he was  
18 signing? Do you have any knowledge about that?

19 THE WITNESS: Yes. Because they told  
20 him. The Koreans were there, and they all told  
21 Mr. Kim this is what it is.

22 MR. MARTIN: They translated it for him?

23 THE WITNESS: Yeah. They all tell him.

24 But at the level that she's talking about, I would  
25 have to say no. Can he understand what the

1 year getting stronger and stronger. And do I know  
2 how much profits they make out of it? No. But I  
3 hope they sell it to me quite cheap, because I  
4 want to assemble it here. I couldn't -- I don't  
5 know the profit. I know what it would be profit  
6 for us if I buy it for about fifty-four  
7 thousand -- is that the question -- I can sell it  
8 for seventy-five thousand.

9 Q How do you know it's being distributed  
10 commercially?

11 A Go to the hospital in Korea. It's on  
12 the floor. People use it.

13 Q Okay.

14 But other than being used in a hospital,  
15 any other basis for you saying it's being  
16 distributed commercially, or is it just that you  
17 know it's being used at a hospital?

18 A No. They sell them. They sell them in  
19 China. They sell them in Korea.

20 Q How do you know that?

21 A That's what they do. That's what they  
22 sell. I've seen them.

23 Q Because you've been told that, is that  
24 it?

25 A I've seen them. I've seen them in China

1 Koreans are telling him? The Koreans are very  
2 tight. They work together. They work in groups.

3 MR. LEVENSON: But it was in Korean?  
4 That's all we're asking. It was in Korean that  
5 they told him what this declaration said?

6 THE WITNESS: Yes.

7 MR. LEVENSON: Okay.

8 MR. MARTIN: Mr. Jang, he does speak  
9 English?

10 THE WITNESS: Yes.

11 BY MS. SINDLER:

12 Q And he reads English, too?

13 A Yes. And Sin Choi, like the COO of  
14 their company, the main guy, he was there as well.  
15 All three men were there.

16 MR. MARTIN: And does he speak English?

17 THE WITNESS: Yeah.

18 MR. MARTIN: How well do you speak  
19 Korean?

20 THE WITNESS: Enough to understand. I  
21 understand.

22 MR. MARTIN: Do you consider yourself  
23 fluent?

24 THE WITNESS: No, not fluent. But if  
25 you talk, I understand.

1 MR. MARTIN: I can't do that.  
 2 MS. SINDLER: We're going to take a  
 3 quick break. It's 2:38. We'll go off the record.  
 4 (A brief recess was taken.)  
 5 (Mr. Levenson is not present in the  
 6 room.)  
 7 MS. SINDLER: We're back on the record  
 8 at 2:58 after break.  
 9 BY MS. SINDLER:  
 10 Q During that time, Mr. Quiros, we had no  
 11 substantive conversations; is that correct?  
 12 A Correct.  
 13 Q Okay.  
 14 What is Mr. Kelly's compensation?  
 15 A I want to take another break. No.  
 16 He gets paid a hundred and fifty  
 17 thousand US dollars.  
 18 Q A year?  
 19 A A year, yeah.  
 20 Q Anything else?  
 21 A Yeah. All of his -- I pay everything  
 22 for him, his health plan and things like this. As  
 23 I do with all -- everybody there.  
 24 Q Does he get any other compensation?  
 25 A From Jay Peak?

1 THE WITNESS: Because in me putting them  
 2 together like an overseer of the construction  
 3 work, I had to bring in a lot of the services that  
 4 Jay Peak offered. And since it was a company that  
 5 we made up there, I used all of their staff, all  
 6 of their staff, for every work. I used Steve  
 7 Wright. I used Jake Webster. Our chief  
 8 engineers. About nine to eleven people directly  
 9 work under JCM.  
 10 MR. MARTIN: So in this May 2014 time  
 11 frame, how much did JCM owe to Jay Peak for those  
 12 services, approximately?  
 13 THE WITNESS: Approximately, around  
 14 twenty some odd million that I owed to them.  
 15 Around twenty-two, twenty-three million dollars I  
 16 owed these people. That's all documented, by the  
 17 way. And you have those documents.  
 18 MR. MARTIN: That JCM, when you say you,  
 19 you mean JCM owes Jay Peak for using their staff?  
 20 THE WITNESS: Yes, sir.  
 21 And not only that. You also have the  
 22 records from when it started. You have all of the  
 23 records as it -- all the promissory notes and all  
 24 the interest rates, everything you have. That's  
 25 been assured to me.

1 Q From any of the -- anything in  
 2 connection with Jay Peak, any related entities.  
 3 A Yes. He gets money from -- he gets  
 4 ten -- six thousand dollars a month from Burke  
 5 and -- six thousand dollars a month from Burke, I  
 6 think.  
 7 Q Anything else?  
 8 A And, of course, he runs NECS, and he  
 9 makes money from that as well.  
 10 Q Anything else?  
 11 A No.  
 12 MR. JAMES: Any cars, property, homes?  
 13 THE WITNESS: No.  
 14 MR. MARTIN: Any bonuses that you can  
 15 think of since you purchased Jay Peak?  
 16 THE WITNESS: No. No.  
 17 MR. MARTIN: I just have one other  
 18 follow-up question, back on the decs. There's a  
 19 reference here on paragraphs seven. It says, JCM  
 20 owes these funds to JPI. Which JPI is Jay Peak,  
 21 right? Why does JCM owe funds to JPI? Or did  
 22 they? I guess I'll strike that.  
 23 Does JCM owe money to JPI?  
 24 THE WITNESS: Yes, sir.  
 25 MR. MARTIN: Why is that?

1 MR. MARTIN: Is there any other source  
 2 of that twenty-seven million dollars JCM owed to  
 3 JPI besides the using -- subcontracting out their  
 4 employees?  
 5 THE WITNESS: No. No, sir.  
 6 MR. MARTIN: Presently, what does -- do  
 7 you know how much JCM owes JPI?  
 8 THE WITNESS: No, sir.  
 9 MR. MARTIN: Do you know if any payments  
 10 have been made by JCM to JPI since May 2014?  
 11 THE WITNESS: Yeah, there have been  
 12 payments made.  
 13 MR. MARTIN: How much?  
 14 THE WITNESS: I don't know.  
 15 MR. MARTIN: Do you have any idea of the  
 16 magnitude?  
 17 THE WITNESS: No, sir, I don't. I don't  
 18 know.  
 19 MR. MARTIN: Is it millions?  
 20 THE WITNESS: I wouldn't know. I  
 21 wouldn't even know where to begin on that.  
 22 MR. MARTIN: But besides that  
 23 subcontracting issue, there's no other reason why  
 24 JCM would owe money to Jay Peak?  
 25 THE WITNESS: No, sir.

1 MR. MARTIN: Okay.  
 2 MS. SINDLER: We want to give you, Mr.  
 3 Quiros, your attorney an opportunity to ask any  
 4 follow-up questions.  
 5 MR. GORDON: Let's take a quick break. I  
 6 want to --  
 7 MR. MARTIN: That's fine. With the  
 8 holiday, remember we're trying to get out of here.  
 9 MR. GORDON: Oh, I'm very sympathetic,  
 10 and I'm not going to --  
 11 MR. MARTIN: Okay.  
 12 MR. GORDON: What's your real time? At  
 13 what point am I going to make you nervous?  
 14 MR. DEE: 3:15.  
 15 MR. GORDON: Okay. I'll just go talk to  
 16 him for a moment.  
 17 MS. SINDLER: Okay. We're off the  
 18 record.  
 19 (A brief recess was taken at 3:04 p.m.)  
 20 MS. SINDLER: We're back on the record  
 21 after a short break.  
 22 During that time, we had no substantive  
 23 conversations; is that correct?  
 24 THE WITNESS: Correct.  
 25 MR. GORDON: I don't have any questions

1 problem. So if that, to me, is the most important  
 2 thing that I can possibly tell you.  
 3 I've told you everything that I know to  
 4 the best of my ability. I have enough money. And  
 5 I have now another fifteen million that I just  
 6 acquired that I didn't advise him of his list.  
 7 MR. GORDON: Let's not talk about your  
 8 communications with lawyers.  
 9 THE WITNESS: Okay.  
 10 And I have -- this business gave me a  
 11 lot of money. That's why it's so hard to  
 12 understand. But I've used every penny of it back.  
 13 And the only thing I've taken are those properties  
 14 that you were so kind to explain. That's it. I  
 15 haven't -- I don't even take a salary. I don't  
 16 have a salary from these projects.  
 17 I hope I'm doing the very best that I  
 18 can to give you as much information. I hope I'm  
 19 helping you. If there isn't, just send me a note  
 20 telling me, Quiros, we need this or that. I'll do  
 21 it. I'll -- I have a team. I have a staff, a  
 22 very big staff now. I hope I've done everything  
 23 correct. The bible is this, and I've supplied  
 24 these to the customers. I've given them all they  
 25 want. We're on a long two-week trip now. We're

1 of Mr. Quiros.  
 2 MS. SINDLER: Is there anything, Mr.  
 3 Quiros, that you wanted to clarify as to what's  
 4 been discussed today? We have to give you the  
 5 opportunity. Anything?  
 6 THE WITNESS: Really?  
 7 MR. GORDON: Maybe he can look at the  
 8 transcript and then -- I'll tell you what. You're  
 9 going to look at the transcript, and if we want to  
 10 clarify anything, we will --  
 11 THE WITNESS: Hold on. I'll answer  
 12 this.  
 13 I would just like to alert you that the  
 14 SEC is hindering me from doing my work. I've been  
 15 successful for the last eight and a half years. I  
 16 haven't failed one project. And I have built  
 17 out -- I have built out all of the projects that  
 18 had to be built until now. I haven't failed once.  
 19 I do want to tell you that I respect the  
 20 work that you're doing. I welcome your work that  
 21 you're doing. But please do whatever you can to  
 22 expedite this thing, so that I can bring this to a  
 23 conclusion. I got to get to my banks. I got to  
 24 get to my resources. A lot of people out there  
 25 think bad about me. That's okay. That's no

1 going to get many more investors.  
 2 Whatever I can do. Whatever I can do.  
 3 And I was a government soldier, and a very  
 4 important one. And my son is equally. Whatever I  
 5 can do to help you to expedite your work, please  
 6 advise me. I'm just two blocks away from your  
 7 office. I'm just two blocks away. Call me. I'll  
 8 come. I'll do whatever. I'll bring my staff, my  
 9 people. Whatever you need to do your research.  
 10 And I have the best accountants.  
 11 MS. SINDLER: I appreciate it. Thank  
 12 you. Thank you for coming.  
 13 We're off the record at 3:10 p.m.  
 14 (Whereupon, at 3:10 p.m., the  
 15 examination was concluded.)  
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1 PROOFREADER'S CERTIFICATE

2

3 In the Matter of: JAY PEAK, INC.

4 Witness: Ariel Quiros

5 File Number: FL-03815-A

6 Date: Tuesday, September 22, 2015

7 Location: Miami, Florida 33131

8

9 This is to certify that I, Donna S. Raya,  
10 (the undersigned), do hereby swear and affirm that  
11 the attached proceedings before the U.S. Securities  
12 and Exchange Commission were held according to the  
13 record and that this is the original, complete, true  
14 and accurate transcript that has been compared to the  
15 reporting or recording accomplished at the hearing.

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PROOFREADER'S CERTIFICATE

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In the Matter of: JAY PEAK, INC.  
Witness: Ariel Quiros  
File Number: FL-03815-A  
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reporting or recording accomplished at the hearing.

Donna S. Raya  
(Proofreader's Name)

9/28/15  
(Date)

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UNITED STATES SECURITIES AND EXCHANGE  
REPORTER'S CERTIFICATE

I, BRIGITTE ROTHSTEIN, Court Reporter, hereby certify that the foregoing transcript of 237 pages (September 22nd, 2015) is a complete, true and accurate transcript of the testimony indicated held on September 22nd, 2015 at 9:17 a.m. in the matter of: JAY PEAK, INC.

I further certify that this proceeding was recorded by me, and that the foregoing transcript was prepared under my direction.

Date: September 24th, 2015  
Official Reporter: Brigitte Rothstein  
Diversified Reporting Services, Inc.

*Brigitte Rothstein*



BRIGITTE ROTHSTEIN, Court Reporter  
Notary Public - State of Florida  
Commission No.: EE 175314  
Expires: March 17th, 2016  
Transmittal Number: M000024