

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

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

WITNESS:  Joel Burstein

PAGES:     1 through 203

PLACE:     801 Brickell Avenue  
              Suite 1800

              Miami, Florida 33131

DATE:      March 27th, 2014

              The above-entitled matter came on for  
hearing, pursuant notice, at 10:27 a.m.



Diversified Reporting Services, Inc.

(202) 467-9200

Page 2

1 APPEARANCES:

2 On behalf of the Securities and Exchange Commission:

3 TRISHA SINDLER, ESQ.

4 BRIAN JAMES, ESQ.

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13

14 On behalf of the Witness:

15 MARK BARRACCA, ESQ.

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17 Raymond James Financial, Inc.

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19 St. Petersburg, Florida 33716

20 (727) 567-5179

21

22 Also Present:

23 Nataly Masica, SEC Intern

24

25

Page 4

1 C O N T E N T S (cont.)

2

3 EXHIBITS: DESCRIPTION IDENTIFIED

4 20 Bates 4686 181

5 21 Bates 2045 - 2046 188

6 22 Email, dated 12/10/12 192

7 23 Email 195

8

9

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12

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24

25

Page 3

1 C O N T E N T S

2

3 WITNESS: EXAMINATION

4 Joel Burstein 10

5

6 EXHIBITS: DESCRIPTION IDENTIFIED

7 1 Form 1662 8

8 2 Subpoena 10

9 3 Background Questionnaire 13

10 4 Statement, dated 3/28/13 120

11 5 Statement, dated 2/18 - 3/38 121

12 6 Bates 8241 124

13 7 Credit Agreement 129

14 8 Credit Agreement 133

15 9 Credit Agreement 141

16 10 Credit Agreement 144

17 11 Credit Agreement 145

18 12 Credit Agreement 146

19 13 Credit Agreement 147

20 14 Credit Agreement 148

21 15 Credit Agreement 151

22 16 Debit Account 153

23 17 Stock Transfer Agreement 166

24 18 Board Minutes, dated 6/20/08 167

25 19 Bates 001196 178

Page 5

1 P R O C E E D I N G S

2 MS. SINDLER: We are on the record at

3 10:27 a.m. on March 27th, 2014. And we're

4 here to take the testimony of Joel Burstein

5 at the SEC offices in Miami, Florida.

6 Mr. Burstein, would you, please, raise

7 your right hand.

8 Do you swear to tell the truth, the

9 whole truth and nothing but the truth?

10 THE WITNESS: I do.

11 Whereupon,

12 JOEL BURSTEIN

13 was called as a witness and, having been first

14 duly sworn, was examined and testified as

15 follows:

16 MS. SINDLER: Please, state and spell

17 your full name for the record.

18 THE WITNESS: Joel Nathan Burstein,

19 Jr., J-O-E-L, N-A-T-H-A-N, B-U-R-S-T-E-I-N, Jr.

20 MS. SINDLER: Have you ever been known

21 by any other name?

22 THE WITNESS: No.

23 MS. SINDLER: Okay.

24 My name is Trisha Sindler. I'm a

25 Senior Counsel with the Division of Enforcement

Page 6

1 of the United States Securities and Exchange  
 2 Commission. With me are Brian James, also Senior  
 3 Counsel, Michelle Lama, an accountant, and Netaly  
 4 Masica, a law student who's interning with us,  
 5 and we appreciate your agreement to allow Netaly  
 6 to sit in today. Chedley Dumornay, an Assistant  
 7 Regional Director with the Division of  
 8 Enforcement, may be joining us later. We are  
 9 Officers of the Commission for the purposes of  
 10 this proceeding.

11 This is an investigation by the  
 12 Commission in the matter of Jay Peak, Inc., File  
 13 Number 3815, to determine whether there have been  
 14 violations of certain provisions of the federal  
 15 securities laws; however, the facts developed in  
 16 this investigation might constitute violations of  
 17 other federal or state, civil or criminal laws.

18 I'm going to briefly explain the  
 19 procedure that we'll be following today. We're  
 20 going to be asking you a series of questions.  
 21 All of us here, except for Netaly who's just  
 22 observing, might come in and ask some follow-up  
 23 questions.

24 And, at any time, if you want to take a  
 25 break, please, let us know, and we'll be happy to

Page 7

1 accommodate you. The only thing we ask is, if  
 2 there's a pending question, if you answer that  
 3 question before asking for a break.

4 THE WITNESS: I understand.

5 MS. SINDLER: The court reporter  
 6 transcribes these proceedings and will create a  
 7 transcript of your testimony at the end. So,  
 8 please, make sure to answer verbally, because the  
 9 court reporter can't pick up any nodding or any  
 10 type of gestures.

11 Do you understand that?  
 12 THE WITNESS: I understand.  
 13 MS. SINDLER: Okay.

14 We'd also ask that you, please, allow  
 15 us to complete the question before answering.  
 16 Sometimes people anticipate what the full  
 17 question is going to be, but just so the record  
 18 is clear, please, allow us to complete the  
 19 question.

20 THE WITNESS: Understood.  
 21 MS. SINDLER: Okay.

22 Also, if we have a conversation about  
 23 the case while we're off the record or during a  
 24 break, we're going to need to summarize that  
 25 conversation when we go back on.

Page 8

1 THE WITNESS: Okay.  
 2 MS. SINDLER: Are you under any type of  
 3 medication that would affect your memory today or  
 4 ability to testify completely and truthfully?  
 5 THE WITNESS: No.  
 6 MS. SINDLER: Any other type of  
 7 substance that would affect your ability to  
 8 testify completely and accurately?  
 9 THE WITNESS: No.  
 10 MS. SINDLER: Prior to the opening of  
 11 the record, you were provided with a copy of the  
 12 Formal Order of Investigation in this matter. It  
 13 will be available to you for your examination  
 14 during the course of this proceeding. We also  
 15 note that Mr. James previously provided a copy of  
 16 the Formal Order to your Counsel, Mr. Barracca.  
 17 Mr. Burstein, have you had an  
 18 opportunity to review the Formal Order?  
 19 THE WITNESS: I have.  
 20 (SEC Exhibit No. 1 was  
 21 marked for  
 22 identification.)  
 23 MS. SINDLER: Prior to the opening of  
 24 the record, you were provided with a copy of the  
 25 Commission's Supplemental Information Form 1662,

Page 9

1 which the court reporter has marked as Exhibit  
 2 Number 1.  
 3 Have you had an opportunity to read  
 4 Exhibit Number 1?  
 5 THE WITNESS: I have.  
 6 MS. SINDLER: Do you have any questions  
 7 concerning that exhibit?  
 8 THE WITNESS: No.  
 9 MS. SINDLER: Are you represented by  
 10 counsel?  
 11 THE WITNESS: Yes.  
 12 MS. SINDLER: Would Counsel, please,  
 13 identify himself. Please, state your name, the  
 14 name of your -- the name of the company where you  
 15 work, and the telephone number, and then, please,  
 16 introduce who you brought with you.  
 17 MR. BARRACCA: Sure.  
 18 My name is Mark P. Barracca. I'm  
 19 Associate General Counsel at Raymond James &  
 20 Associates. My phone number is (727) 567-5179.  
 21 And I have with me today my paralegal,  
 22 Melissa Blair, B-L-A-I-R.  
 23 MS. SINDLER: And, Mr. Barracca, are  
 24 you representing Mr. Burstein as his counsel  
 25 today?

1 MR. BARRACCA: Yes, I am.  
 2 MS. SINDLER: And my understanding is  
 3 that Melissa will be helping you in terms of  
 4 notes and documents.  
 5 MR. BARRACCA: That's correct.  
 6 MS. SINDLER: Okay.  
 7 (SEC Exhibit No. 2 was  
 8 marked for  
 9 identification.)  
 10 EXAMINATION  
 11 BY MS. SINDLER:  
 12 **Q Mr. Burstein, can you take a look at**  
 13 **what the court reporter has marked as Exhibit**  
 14 **Number 2. That is a copy of the subpoena that we**  
 15 **sent to you with a letter and attachments, dated**  
 16 **February 7th, 2014.**  
 17 **Do you recognize this document?**  
 18 A I do.  
 19 **Q Okay.**  
 20 **And have you seen it before?**  
 21 A I have.  
 22 **Q And is this a copy of the subpoena**  
 23 **pursuant to which you're appearing here today?**  
 24 A Yes, it is.  
 25 **Q The subpoena calls for the production**

1 **of certain documents. Have you produced**  
 2 **documents called for by the subpoena?**  
 3 A We have.  
 4 **Q Please, describe the search that was**  
 5 **conducted for the requested documents and state**  
 6 **who conducted that search.**  
 7 A It was done through Raymond James. We  
 8 went through our documents, and the firm went  
 9 through their documents, and we provided it.  
 10 **Q Who conducted the search?**  
 11 A I believe I did on my end. I'm not  
 12 sure who did it at our corporate office.  
 13 **Q When you say you did it on your end,**  
 14 **what did you personally do?**  
 15 A Oh, I went through my -- my files in my  
 16 office and provided any paper document that we  
 17 may have had.  
 18 **Q Any of -- any files, other than in your**  
 19 **office?**  
 20 A No. Anything that was in my office or  
 21 what was recorded through electronics at our --  
 22 at our corporate office.  
 23 **Q When you say electronics, what are you**  
 24 **referring to?**  
 25 A A new account form might be something

1 that we scan in and so that would be on our -- on  
 2 our electronic system.  
 3 **Q Did you do any type of search on any of**  
 4 **your personal computers or other electronic**  
 5 **devices?**  
 6 A I did.  
 7 **Q Can you tell us what you did?**  
 8 A I went through personal Email and text  
 9 messages, and provided those, as well. I don't  
 10 have any personal Email, but the text messages I  
 11 did provide.  
 12 **Q And did you do any search for hard**  
 13 **copy?**  
 14 A I did. Those were -- whatever was in  
 15 my office. I went through our hard files, and  
 16 provided those as well.  
 17 **Q Okay.**  
 18 **And who did you provide the subpoena to**  
 19 **once you got it?**  
 20 A I provided it to Mark Barracca.  
 21 **Q Okay.**  
 22 **Have you withheld any documents called**  
 23 **for by the subpoena based on any claim of**  
 24 **privilege?**  
 25 A No.

1 **Q Have you withheld any documents based**  
 2 **on any -- based on an other ground?**  
 3 A No.  
 4 **Q Okay.**  
 5 **Do you know of any documents that were**  
 6 **called for by the subpoena, but that were not**  
 7 **provided that you had in your possession at a**  
 8 **prior time, perhaps, because they were lost or**  
 9 **destroyed or otherwise disposed of?**  
 10 A No.  
 11 **Q And do you have a personal -- you have**  
 12 **a personal computer that you checked for**  
 13 **documents?**  
 14 A I have Email, personal Email.  
 15 **Q Okay.**  
 16 **Any personal computer at home that you**  
 17 **checked?**  
 18 A No -- oh, yes, I checked the computer,  
 19 but I don't have anything on it.  
 20 **Q Okay.**  
 21 **Can you state your home address,**  
 22 **please.**  
 23 A It's [REDACTED] Coral Gables,  
 24 Florida 33146.  
 25 (SEC Exhibit No. 3 was

Page 14

1 marked for  
2 identification.)  
3 BY MS. SINDLER:  
4 **Q Let me hand you what the court reporter**  
5 **just marked as Exhibit Number 3. It appears to**  
6 **be a copy of the filled out background**  
7 **questionnaire, which we sent to your Counsel,**  
8 **dated March 21st, 2014.**  
9 **Do you recognize this document?**  
10 A I do.  
11 **Q Can you tell me what it is?**  
12 A It's a background questionnaire with my  
13 information on it.  
14 **Q Is that your handwriting?**  
15 A It is.  
16 **Q Okay.**  
17 **Is all the information contained in**  
18 **this correct?**  
19 A Yes.  
20 **Q Is there any information that was**  
21 **omitted for any reason?**  
22 A No.  
23 **Q Are you currently married?**  
24 A I am.  
25 **Q What is your spouse's name?**

Page 15

1 A Caroline.  
2 **Q And when did you get married?**  
3 A September 2013.  
4 **Q Okay.**  
5 **Have you ever served as an officer,**  
6 **director of any privately-held company?**  
7 A No.  
8 **Q Okay.**  
9 **And we appreciate you filling out the**  
10 **questionnaire. That allows us to get through the**  
11 **testimony more quickly.**  
12 A No problem.  
13 **Q When did you first come to work at**  
14 **Raymond James?**  
15 A 1999.  
16 **Q Okay.**  
17 **Can you tell us about your progression,**  
18 **your title when you first came --**  
19 A Sure.  
20 **Q -- and how that title that's evolved**  
21 **over time?**  
22 A Absolutely. I started in 1999 as an  
23 intern. I was at the University of Miami at the  
24 time. I worked there for a little over a year  
25 and a half. I graduated in December of 2000.

Page 16

1 I moved to the Philadelphia area, ended  
2 up moving back to Tampa for weather reasons, and  
3 I got a job as a Financial Advisor for a small  
4 firm that is currently out of business, Simmers  
5 Capital Management, for about two months.  
6 I then left and got a job back at  
7 Raymond James in our Tampa office as an  
8 assistant.  
9 **Q When was that?**  
10 A April of 2001.  
11 I stayed there until, I believe,  
12 November of 2001, moved back to Miami as an  
13 assistant here.  
14 In 2004, I became the Operations  
15 Manager for the Miami office.  
16 In 2007, I believe, I became the  
17 Complex Administrative Manager for the Miami  
18 area.  
19 And in March of 2013, I believe, I  
20 became -- I think it was March -- the Branch  
21 Manager of the Miami office, our Dadeland office  
22 and our Miami Beach office.  
23 **Q Okay.**  
24 **And since you moved to Miami or**  
25 **Dadeland, who have been your supervisors and**

Page 17

1 **during what periods of time?**  
2 A Frank -- well -- I'm sorry. Since I  
3 moved --  
4 **Q Since you've come back.**  
5 A In the beginning '99 or --  
6 **Q No. Just since you've come to the**  
7 **Miami -- once you had come to the Miami office,**  
8 **if you can tell us by the years who's been your**  
9 **supervisors.**  
10 A Okay. Well, when I was interning, it  
11 was Margaret Starner, and the Branch Manager was  
12 Pat Maroney at the time. In 2001 through today,  
13 it's been Frank Amigo, A-M-I-G-O.  
14 **Q He's been your supervisor?**  
15 A Yes.  
16 **Q And what is his title?**  
17 A He's the Complex Manager.  
18 **Q Have you had any other supervisors**  
19 **during that time?**  
20 A No.  
21 **Q Do you supervise anyone?**  
22 A I do.  
23 **Q Okay.**  
24 **Who do you supervise?**  
25 A I have probably sixty-two direct

1 employees, so I supervise three branches;  
2 financial advisors, managers and staff.

3 **Q And how long has that been that you've**  
4 **been supervising these, approximately, sixty-two**  
5 **employees?**

6 A I became a manager in 2004 in that  
7 office, so in some form or fashion since 2004.

8 **Q Okay.**

9 **You're familiar with the name Jay Peak?**

10 A I am.

11 **Q Tell us about how you became familiar**  
12 **with that name.**

13 A Jay Peak is a ski resort in Vermont. I  
14 went to college with a girl by the name of Nicole  
15 Quiros, Q-U-I-R-O-S.

16 In 2004, Nicole and I, four years after  
17 college, started dating. We ended up getting  
18 married in 2006.

19 Her father is Ariel Quiros. He was a  
20 -- as a kid grew up going to Jay Peak, so we took  
21 family vacations to Jay Peak in '05, '06. So I  
22 learned about it at that point.

23 **Q When were you divorced from Nicole?**

24 A 2009 -- we were separated in 2009. I  
25 believe the official date sometime in 2010. I

1 don't know the exact date.

2 **Q Okay.**

3 **And so when did you meet Mr. Quiros?**

4 A 2004.

5 **Q Do you socialize with him?**

6 A Then?

7 **Q Then.**

8 A (The witness nods head.)

9 **Q Now?**

10 A No.

11 **Q What type of relationship do you have**  
12 **with him now?**

13 A Professional. My divorce was not  
14 pretty. There was child custody hearings. It  
15 was drawn out. My ex-wife has since moved my  
16 daughter to New York. It's been a custody battle  
17 back and forth for -- since '09.

18 When she left, I had to get legal  
19 involved so that I could see my daughter, so it  
20 was not a very pretty divorce. And so he and I  
21 kept it professional. We did not -- it was not  
22 plausible to do anything else.

23 **Q So you still have a professional**  
24 **relationship with him?**

25 A Yes, ma'am.

1 **Q How do you communicate with him?**

2 A Phone, Email, a couple of texts when  
3 he's in and out of the country or not available  
4 by Email.

5 **Q How often do you communicate with him?**

6 A It depends on the week. Depends on  
7 what's going on. It -- it varies. It depends on  
8 where he is. He may spend two weeks out of the  
9 country, and we don't usually talk much when he's  
10 in Asia. So we do --

11 **Q Can you give me an example of how it**  
12 **might range?**

13 A I would tell you there are points when  
14 it's once a week. There are points when it's  
15 once every two to three weeks. But I would say I  
16 talk to him on a month maybe two to three times.

17 **Q Apart from to going to Jay Peak on**  
18 **vacations, you mentioned, in 2006, what else is**  
19 **your understanding of what Jay Peak, Inc. does?**

20 A Jay Peak is a ski resort. I mean, it's  
21 very straightforward, lift tickets, people  
22 skiing. They own, you know -- they -- they run a  
23 golf resort. They have golf during the summer.  
24 They have winter sports during the winter time.  
25 And then they have an EB-5 program, which is

1 where we get involved. But, you know, it's a ski  
2 resort.

3 **Q And when you said there's an EB-5**  
4 **program where you get involved, what do you mean**  
5 **by that?**

6 A The EB-5 program is where I, as a money  
7 manager, asset manager, gets involved with Jay  
8 Peak. We help him manage his cash when it is --  
9 we invest it short-term treasury bills over a  
10 very short timeframes to insure he can construct  
11 his resort.

12 **Q When you say you help him manage his**  
13 **cash, are you referring to Mr. Quiros?**

14 A Yes.

15 **Q What's your understanding of what an**  
16 **EB-5 program is?**

17 A Well, my understanding of the EB-5 -- and,  
18 my -- again, my understanding of it is not from a  
19 legal standpoint, but from a business standpoint,  
20 that the EB-5 is foreign investors who purchase  
21 green cards through Customs and Immigration for  
22 five hundred thousand dollars.

23 They invest in a regional center, such  
24 as Jay Peak. Jay Peak creates ten jobs with  
25 that, per their agreement with Customs and

1 Immigration, CIS. The five hundred thousand  
2 comes into the account. As soon as it's  
3 available to build or needed to build, we send  
4 the money back through -- through a wire.

5 **Q I'm sorry. When you say -- can you  
6 explain what you just said --**

7 A Sure.

8 **Q -- whenever it's ready to build, we  
9 send it back through wire?**

10 A Yeah. He will contact me and say, we  
11 need to use X-amount of dollars to pay an invoice  
12 for glass or piping, and we will wire the money  
13 back, per his instructions, per his signed  
14 authorization.

15 **Q And that's Mr. --**

16 A Quiros.

17 **Q Is there anyone else who you would do  
18 transfers pursuant to their instructions, other  
19 than Mr. Quiros?**

20 A No. No.

21 **Q Has Mr. Quiros ever told you you could  
22 follow someone else's instructions?**

23 A No. No.

24 **Q What is Mr. Quiros's role in connection  
25 with the Jay Peak EB-5 program?**

1 A Ariel Quiros is the owner of Q Resorts,  
2 which is the owner of Jay Peak, Inc.

3 **Q And how do you know this?**

4 A We have a Board of -- Minutes from a  
5 Board meeting that shows the transfer of -- of  
6 the Jay Peak, Inc. assets from the previous owner  
7 to Q Resorts and signed by them, and another  
8 letter stating from Bill Stenger that they  
9 transferred the assets to Ariel Quiros and Q  
10 Resorts.

11 **Q And by previous owner, who are you  
12 referring to?**

13 A MMSI.

14 **Q And do you know what MMSI stands for?**

15 A I don't recall.

16 **Q Let's back up a second.**

17 A Sure.

18 **Q How did you learn about this, that Q  
19 Resorts was going to be acquiring Jay Peak from  
20 MMSI?**

21 A Mr. Quiros told me.

22 **Q When did he tell you?**

23 A I don't know. I don't know the exact  
24 date.

25 **Q When he told you, how, how did he tell**

1 **you?**

2 A I was married to his daughter at the  
3 time, so we were at dinner.

4 **Q So it was informal?**

5 A Very.

6 **Q Was anyone else present when he told  
7 you about --**

8 A My ex-wife.

9 **Q Anyone else?**

10 A No.

11 **Q Anyone who worked in connection with  
12 Jay Peak?**

13 A No.

14 MR. JAMES: Was this just in casual  
15 conversation, or was it he was telling you for a  
16 particular purpose or reason?

17 THE WITNESS: I don't remember the  
18 specifics. I do remember sitting there and him  
19 saying that he was interested and he was going to  
20 make an offer to buy JPI, Jay Peak, Inc. That's  
21 what I -- I mean, it was, I guess, 2007, 2008. I  
22 don't -- I mean, I don't remember exactly.

23 MS. LAMA: At any point in time, did  
24 the -- did your conversations with Quiros evolve  
25 in terms of how to -- how he would finance the

1 purchase?

2 THE WITNESS: We did have discussions  
3 about it at a later time.

4 MS. LAMA: Can you tell us about that?

5 THE WITNESS: I don't remember when,  
6 but we did -- we did discuss, you know, using a  
7 margin loan to finance part of the purchase.

8 BY MS. SINDLER:

9 **Q When was that discussion?**

10 A I don't know.

11 **Q Was that a casual conversation or was  
12 that a more formal conversation?**

13 A It was a formal conversation.

14 **Q Who was there?**

15 A I was there. Frank Amigo was there.  
16 And Ariel Quiros was there.

17 **Q Anyone else?**

18 A No.

19 **Q Where did the conversation take place?**

20 A Ariel's office.

21 **Q Where's that?**

22 A Downtown. I don't know the exact  
23 address. [REDACTED] I think.

24 **Q In Miami?**

25 A Yes, in Miami.

1 **Q How long was the meeting?**  
 2 A I have no idea. I don't remember.  
 3 **Q Did anyone take notes?**  
 4 A No.  
 5 **Q Was the meeting memorialized in some**  
 6 **way?**  
 7 A No.  
 8 **Q Any kind of memo or Email?**  
 9 A No.  
 10 **Q How long did the meeting last?**  
 11 A I don't remember.  
 12 **Q What was discussed in the meeting?**  
 13 A Well, his plan to buy it and a margin  
 14 loan.  
 15 **Q Can you give us a little more flavor**  
 16 **and detail?**  
 17 A Honestly, it was six to seven years  
 18 ago. I don't remember the exact specifics. I do  
 19 remember the general gist of the conversation.  
 20 **Q Just tell us the general gist that you**  
 21 **remember.**  
 22 A That he was going to buy it and that we  
 23 use a margin loan for it.  
 24 MR. JAMES: Was that his suggestion,  
 25 the use of a margin loan, or was that something

1 Raymond James proposed?  
 2 THE WITNESS: To be honest with you, I  
 3 don't remember.  
 4 BY MS. SINDLER:  
 5 **Q Did you discuss with him how that would**  
 6 **work, the use of the margin loan?**  
 7 A Yes. We discussed in general how a  
 8 margin loan works. Yeah, absolutely.  
 9 **Q And just for the record, using very**  
 10 **simple, basic language, explain to us how that**  
 11 **would work.**  
 12 A We would use assets, funds in an  
 13 account, and we would collateralize those assets,  
 14 per his authorization, and give him a loan based  
 15 on the assets available.  
 16 **Q And you say, we, you're talking about**  
 17 **Raymond James?**  
 18 A Yes.  
 19 **Q And what documents would he have to**  
 20 **provide in order to get this margin loan?**  
 21 A He would have to sign a new account  
 22 form, like every other client. He initials on  
 23 the new account form that he's authorizing us to  
 24 pledge his assets.  
 25 **Q Anything else, besides that**

1 **authorization?**  
 2 A No.  
 3 **Q Was there discussion of how much in a**  
 4 **margin loan Raymond James would provide?**  
 5 A Sure. We discussed using different  
 6 securities as different collateral. We discussed  
 7 Treasury bills and the amount of collateral he  
 8 could utilize with a Treasury bill.  
 9 **Q Can you explain that a little more to**  
 10 **us?**  
 11 A Sure. He could collateralize ninety  
 12 percent of it with Treasury bills.  
 13 **Q Ninety percent of what?**  
 14 A Of his assets. So he could borrow  
 15 ninety percent on -- on whatever dollar amount he  
 16 brought in.  
 17 **Q Was there any discussion if he was**  
 18 **going to put up any of his own money in order to**  
 19 **purchase Jay Peak, Inc.?**  
 20 A I don't remember.  
 21 **Q At any point, do you remember?**  
 22 A No.  
 23 **Q And what assets did he put up?**  
 24 A The EB-5 assets.  
 25 **Q What do you mean by the EB-5 assets?**

1 A The assets he brought in through the  
 2 EB-5 program.  
 3 **Q Can you explain what you mean by that?**  
 4 A Well, the EB-5 assets would be the  
 5 assets that were brought in from foreign  
 6 investors that were given to the partnership, and  
 7 he was margining those particular assets.  
 8 MR. JAMES: When you say assets, you're  
 9 referring to cash, you're referring to --  
 10 THE WITNESS: Yes, cash. Yes. I'm  
 11 sorry.  
 12 BY MS. SINDLER:  
 13 **Q And you're referring to money that**  
 14 **these foreign investors made in various limited**  
 15 **partnerships?**  
 16 A Yes.  
 17 MR. BARRACCA: May I clarify something?  
 18 So you said made. Did you say what  
 19 foreign investors made in these?  
 20 MS. SINDLER: Invested.  
 21 MR. BARRACCA: Or you're saying  
 22 invested?  
 23 MS. SINDLER: Invested.  
 24 THE WITNESS: Yes.  
 25 MR. BARRACCA: Thanks.

1 MS. LAMA: Was a dollar amount of the  
2 margin loan discussed, a dollar range in terms of  
3 how much he would need?

4 THE WITNESS: How much he would need?

5 MS. LAMA: How much he would want to  
6 finance.

7 THE WITNESS: Well, it was ninety  
8 percent. So we -- we figured out whatever money  
9 there was, and we discussed ninety percent of it  
10 being invested in Treasury bills, and so whatever  
11 that -- that portion was.

12 We didn't -- I don't recall exactly  
13 what the numbers were -- what was -- what those  
14 numbers were at the time because the numbers  
15 fluctuated over time. But, yeah, we discussed  
16 whatever ninety percent would be. That was how we  
17 framed it.

18 MS. LAMA: And was it over twenty  
19 million, over twenty-five million? What was the  
20 range in terms of how much he wanted to borrow  
21 using EB-5 investor funds as collateral?

22 THE WITNESS: I don't remember what the  
23 discussion was. Again, I don't -- I don't  
24 remember exactly how or what terms we came to.  
25 And I don't remember how much was in the account

1 that day or that given time, but whatever it was,  
2 we were just sticking to the ninety percent of it  
3 was what he could -- was what he could margin,  
4 which fell under the corporate guidelines of what  
5 we wanted to do, so -- or what he wanted to do --  
6 what was available at the time, actually.

7 BY MS. SINDLER:

8 **Q Do you have any understanding as to why**  
9 **Mr. Quiros wanted to finance it like that with**  
10 **the margin rather than some other way?**

11 A To my recollection, it was because our  
12 -- our interest rate was significantly more  
13 affordable than a bank rate would be.

14 **Q What was the interest rate?**

15 A One point seven five. It's what it is  
16 today. I don't remember if it was the same then.

17 **Q At the time, what did you know about**  
18 **Mr. Quiros's finances? How would you describe**  
19 **it?**

20 A Not much. He was my father-in-law. We  
21 didn't really get into that side of it until it  
22 was an opportunity to manage assets. We really  
23 didn't have personal discussions. I'd only been  
24 married to his daughter a very brief time. We  
25 didn't -- we didn't get into that conversation.

1 **Q What was your understanding of his net**  
2 **worth at the time?**

3 A Well, when he filled out the new  
4 account form, I'm pretty sure he put about five  
5 million dollars, so --

6 MR. JAMES: So prior to the EB-5  
7 investments, had you managed any of his assets  
8 prior to that point in time?

9 THE WITNESS: I had an account for him,  
10 a joint account with him and his wife. I don't  
11 remember when he funded that.

12 BY MS. SINDLER:

13 **Q And the whole purchase of Jay Peak**  
14 **through MMSI, was that being done through his**  
15 **company, Q Resorts?**

16 A Yes.

17 **Q Okay.**

18 **Do you know if Q Resorts was formed for**  
19 **the purpose of acquiring Jay Peaks from MMSI?**

20 A I believe it was.

21 **Q Why do you believe it was?**

22 A If I remember correctly, I think that's  
23 what he told me.

24 **Q What do you think he told -- what --**  
25 **what did he tell you?**

1 A I don't -- I mean, it's 2008. I -- I  
2 don't remember the specific words.

3 **Q Without the specific words, as close as**  
4 **you can remember.**

5 A I do remember him saying that Q Resorts  
6 was formed by resorts -- Q Resorts, Q being  
7 Quiros, Resorts being Resorts. So it made sense.

8 **Q Was that at a meeting when he told you?**

9 A I have no idea. Sorry.

10 **Q Other than purchasing Jay Peak from**  
11 **MMSI, do you know if Q Resorts did any other type**  
12 **of business?**

13 A Not that I was aware of. Not that I  
14 was aware of that it did any other business. I'm  
15 only aware of the Jay Peak portion.

16 **Q Do you know what the sources of income**  
17 **are for Q Resorts?**

18 A No.

19 **Q Do you have any understanding?**

20 A Of sources of income?

21 **Q Yes.**

22 A No. I -- I manage the assets. I did  
23 not get involved in corporate financing for any  
24 of his corporations.

25 **Q What's your understanding of the assets**

1 of Q Resorts?

2 A I don't manage those assets. I manage  
3 -- my understanding of Q Resorts is that it was a  
4 holding company for the Jay Peak shares, and his  
5 accountants decided that that was the proper  
6 method for him to fund his EB-5 construction in  
7 the beginning. And that's what we used it for  
8 was a holding company, was my understanding.

9 Q And did you ever have any discussions  
10 with Mr. Quiros as to why he wanted Q Resorts to  
11 acquire Jay Peak from MMSI?

12 A No.

13 Q Was there ever any discussion as to why  
14 it was Mr. Quiros, Mr. Quiros's company, Q  
15 Resorts, purchasing Jay Peak from MMSI, rather  
16 than anyone else; for example, Mr. Bill Stenger?

17 A No, not that I recall.

18 Q Do you know Bill Stenger?

19 A I have met Bill. Absolutely.

20 Q And who is he?

21 A I believe he's the current President of  
22 Jay Peak, and he was the existing President when  
23 Ari purchased the resort.

24 Q About the time that Ari purchased the  
25 -- Ari's Mr. Quiros?

1 A I may have had conversations with Mr.  
2 Stenger while Mr. Quiros was on the phone, but I  
3 don't remember anything in particular. I very  
4 rarely spoke with Bill.

5 Q And when you said you may have had  
6 conversations with him about -- Mr. Stenger about  
7 the margin loans, what makes you think you may  
8 have?

9 A Because I remember having a  
10 conversation with people about the interest rate.  
11 They were hoping to get the interest rate lower,  
12 and we had discussions about it.

13 Q And when you had discussions, was that  
14 a telephone conversation?

15 A Yes.

16 Q A telephone discussion?

17 A (The witness nods head.)

18 Q Yes?

19 A Yes.

20 Q Who participated in those discussions?

21 A If I remember correctly, it would be  
22 Mr. Quiros and Mr. Stenger and myself, of course.

23 Q Anyone else?

24 A No.

25 Q Were those conversations memorialized

1 A Yes. Sorry. Ariel. Yes. Sorry.

2 Q At the time that Mr. Quiros was  
3 purchasing Jay Peak from MMSI, did you have any  
4 discussions with him as to Mr. Quiros's  
5 conversations with Mr. Stenger regarding the  
6 purchase?

7 A I'm sorry. Did I have conversations  
8 with Mr. Quiros about Mr. --

9 Q Yes. Did you have conversations with  
10 Mr. Quiros regarding his, Mr. Quiros's,  
11 conversations with Mr. Stenger concerning the  
12 purchase?

13 A Not that I remember.

14 Q Okay.

15 MS. LAMA: What was your understanding  
16 of Mr. Stenger's role in the purchase?

17 THE WITNESS: I don't recall. I don't  
18 recall. I recall that -- that Mr. Stenger was  
19 the -- the -- he ran the resort from a ski  
20 operation side. So his role was to manage the  
21 resorts, lift tickets, hotels, food, all -- all  
22 types of ski resort projects, so --

23 BY MS. SINDLER:

24 Q Did you have any conversations with Mr.  
25 Stenger regarding the margin loans?

1 in any way?

2 A No.

3 Q Did you have conversations with anyone  
4 else, other than Mr. Stenger and Mr. Quiros about  
5 the margin loans?

6 A No.

7 Q For example, Mr. Kelly, Bill Kelly?

8 A Not at the time.

9 Q At any time?

10 A I don't think I've ever had a  
11 conversation with Bill Kelly about a margin loan.  
12 It -- I don't -- I don't recall speaking to Bill  
13 about this.

14 Q And who is Bill Kelly?

15 A Bill Kelly was Ariel's attorney at the  
16 time. I believe he is involved in the resort as  
17 the Chief Operating Officer today. But I don't  
18 get too involved in the day-to-day operations of  
19 the resort. It's not -- not what we do. We're  
20 asset managers, and I did my best to stay on that  
21 side of the business.

22 Q To date, have you had conversations  
23 with anyone else, other than Mr. Quiros or Mr.  
24 Stenger, about the margin loans?

25 A Not to my recollection, no.

1 **Q None of the -- no Controller or CFO**  
2 **from Jay Peak?**

3 A (The witness shakes head.)

4 **Q No?**

5 A Not that I remember.

6 **Q None of their attorneys? Mr. Carroll?**

7 A During the purchase, I might've had  
8 conversations, but I don't recall Mr. -- is that  
9 Scribner?

10 **Q Yes, from Carroll & Scribner.**

11 A I may have. I may have. There may  
12 have been correspondence.

13 When the resort was being purchased,  
14 there was a lot of conversations with different  
15 people, so I don't remember -- it's been six  
16 years. I don't remember exactly who, but the  
17 name's familiar.

18 So I don't know if it was through an  
19 Email. I don't know exactly how. Maybe he said  
20 something. Maybe Ariel said something. I don't  
21 remember exactly. But the name is familiar, so  
22 it's possible there was some discussion, but I  
23 don't remember the specifics of it.

24 **Q Which name is familiar?**

25 A Scribner, Ed Scribner -- or Mark

1 Scribner, as well.

2 **Q Mark Scriber.**

3 A Yes.

4 **Q And Ed Carroll?**

5 A Oh, Ed Carroll. See. Yes. Yes. Yes.

6 **Q Okay.**

7 **How about anyone at -- any accountants**  
8 **for Jay Peak, have you had any conversations with**  
9 **any of them about the margin loans?**

10 A I believe Ariel has called me with  
11 someone from Mallah Furman. I believe it was  
12 Michael Rosenberg.

13 **Q David Rosenbaum? Was it David**  
14 **Rosenbaum?**

15 A Thank you. Yes. Yes.

16 **Q Okay.**

17 **Tell us about that.**

18 A He just asked me a question. Again, it  
19 was either about the -- usually about the  
20 interest rate. Never anything more specific than  
21 that. We don't -- never got into it.

22 **Q Okay.**

23 MS. LAMA: How many -- did you have  
24 several conversations with Mr. Rosenbaum from  
25 Mallah Furman or --

1 THE WITNESS: No.

2 MS. LAMA: What was the range of  
3 communication there?

4 THE WITNESS: I was in Ariel's office  
5 once, and he walked in. I said hello. I don't  
6 remember having much of a conversation with him.  
7 I never really spoke with Mallah Furman much at  
8 all. I know they've asked for some 1099s, maybe  
9 some documents. You know, no different than any  
10 other accounting firm would ask us. We provided  
11 stuff like that.

12 But as far as margin loan  
13 conversations, we did not -- I don't have --  
14 remember having conversations about that.

15 I know during the purchase, there were  
16 some conversations with different people during  
17 -- for the margin. There were some conversations  
18 about that.

19 MR. JAMES: When was the last time you  
20 spoke with Mr. Quiros?

21 THE WITNESS: Recently?

22 MR. JAMES: Yes.

23 THE WITNESS: I don't know. Two weeks  
24 ago, three maybe.

25 BY MS. SINDLER:

1 **Q Did you discuss your subpoena with him?**

2 A No. I was specifically told not to.

3 **Q Has he talked with you at all about the**  
4 **SEC's investigation?**

5 A He did mention it to me.

6 **Q When?**

7 A I don't remember the exact date.

8 **Q Approximately?**

9 A Last year.

10 **Q What did he say?**

11 A He said that the SEC was -- was  
12 interested in whether or not the investments to  
13 -- the EB-5 investors' investments should've been  
14 a registered security. I think he said Reg D or  
15 Reg C or something like that. I don't know the  
16 specifics.

17 **Q Anything else?**

18 A No. No. We did have a conversation  
19 about his cross margin that we had. That was  
20 another conversation we did have, but -- that  
21 they -- they were looking at that -- FINRA was  
22 looking at that.

23 **Q Tell us about that.**

24 A We have a -- a multi-purpose margin --  
25 we have a margin with multiple accounts on it

1 collateralizing the loan.  
 2 **Q Can you, please, expand on that?**  
 3 A It's just more than one account that is  
 4 backing a margin loan.  
 5 **Q Which accounts?**  
 6 A A couple of accounts, but his -- his  
 7 partnership accounts.  
 8 **Q Whose partnership accounts?**  
 9 A The Jay Peak partnership accounts,  
 10 whatever partnership has that he set up.  
 11 **Q So these are -- when you said the**  
 12 **multiple accounts, you're referring to Jay Peak**  
 13 **related accounts at Raymond James; is that what**  
 14 **you're referring to?**  
 15 A Yes.  
 16 **Q And you don't know which ones?**  
 17 A I do. I don't remember them all. I  
 18 mean, there was a fair amount of accounts, but  
 19 his -- his accounts.  
 20 **Q How many?**  
 21 A Six, five, four. It did change.  
 22 **Q When you say it changed, what do you**  
 23 **mean?**  
 24 A When it was -- we could only  
 25 collateralize accounts that had money in it, so

1 if there was no money in it, we didn't  
 2 collateralize it. So as an account had money in  
 3 it, we would collateralize that account.  
 4 **Q When did Mr. Quiros talk with you about**  
 5 **what you refer to as the cross margin?**  
 6 A It was -- it was something we discussed  
 7 in the beginning.  
 8 **Q What do you mean beginning?**  
 9 A When we first talked about margin  
 10 loans.  
 11 **Q So when was that?**  
 12 A I don't remember the exact date.  
 13 **Q Approximately.**  
 14 A Before he purchased the resort, so  
 15 whenever that was.  
 16 **Q Had you spoken about that since?**  
 17 A The --  
 18 **Q The cross margin.**  
 19 A We recently paid off the margin loan.  
 20 **Q When you say we, what are you referring**  
 21 **to?**  
 22 A I'm sorry?  
 23 **Q You said we recently paid off the**  
 24 **margin loan.**  
 25 A I -- I apologize. Ariel recently paid

1 off the margin loan.  
 2 **Q When was that?**  
 3 A I'm sorry?  
 4 **Q When?**  
 5 A When? Two weeks ago.  
 6 MR. JAMES: Any sense of why?  
 7 THE WITNESS: My understanding is,  
 8 according to my firm, FINRA and the SEC don't  
 9 agree with our policy on cross margining loans,  
 10 so I was under the instructions from the firm to  
 11 close the loan about six months ago.  
 12 We had a conversation with Mr. Quiros  
 13 and explained to him that that needed to be  
 14 closed. He understood. And it was a June time  
 15 frame. We spoke to him about it. He spoke with  
 16 his accountants and lawyers, made a decision. It  
 17 was paid off.  
 18 BY MS. SINDLER:  
 19 **Q When you say we spoke about it, who's**  
 20 **the we? You said six months ago at the firm.**  
 21 A Who did I speak with at the firm?  
 22 **Q Yes.**  
 23 A Our Customer Accounts Area.  
 24 **Q Who?**  
 25 A John Carriero, Steve Bartalo.

1 **Q Anyone else?**  
 2 A Not that I remember.  
 3 **Q Okay.**  
 4 **Was it more than one discussion?**  
 5 A Probably.  
 6 **Q How many?**  
 7 A I have no idea. Five, four.  
 8 **Q Were those discussions memorialized in**  
 9 **any way?**  
 10 A On my end, there may have been an Email  
 11 here and there. I don't know.  
 12 **Q I'm sorry. You don't know?**  
 13 A No, I don't know if we -- we didn't  
 14 write anything particular, but there may be some  
 15 Emails back and forth.  
 16 **Q And have those been produced?**  
 17 A I believe so. I believe so. I believe  
 18 we did.  
 19 MR. BARRACCA: They should've been.  
 20 Sure.  
 21 THE WITNESS: Yeah.  
 22 BY MS. SINDLER:  
 23 **Q Were they memorialized in any other**  
 24 **way, such as notes or a memo?**  
 25 A No.

Page 46

1 Q And what was your understanding of the  
 2 issues with FINRA? You had mentioned FINRA.  
 3 A Nothing. It just -- I think they  
 4 didn't agree with our policy on margining --  
 5 cross margining accounts.  
 6 Q Do you have an understanding as to why?  
 7 A No.  
 8 MR. JAMES: And what is your policy --  
 9 you meaning Raymond James, what's Raymond James's  
 10 policy in cross margins?  
 11 THE WITNESS: I'd have to defer -- a  
 12 policy --  
 13 MR. BARRACCA: They're asking you.  
 14 BY MS. SINDLER:  
 15 Q You, your understanding.  
 16 A My understanding of the policy is that  
 17 we were allowed to do it.  
 18 Q And what's that understanding based on?  
 19 A Filling out the proper paperwork. And  
 20 there's a form that allows us to do it. It's a  
 21 cross margin form.  
 22 MR. JAMES: Keep your voice up for the  
 23 court reporter.  
 24 THE WITNESS: Sorry.  
 25 There's a form that allows us to --

Page 47

1 it's a specific form that we have that allows us  
 2 to do it. I fill out the form, have the client  
 3 sign it, send it to the firm.  
 4 MS. LAMA: What form is this?  
 5 THE WITNESS: It's a -- I don't know  
 6 the exact name of it, but it does have a number.  
 7 It is a specific form. I don't -- I don't know  
 8 the number. It is -- it's just a -- it's hard to  
 9 describe. Just a form.  
 10 MS. LAMA: Does it have a title?  
 11 THE WITNESS: It does.  
 12 MS. LAMA: What is it?  
 13 THE WITNESS: Don't remember.  
 14 MS. LAMA: Is there a written policy  
 15 concerning cross margin loans?  
 16 THE WITNESS: I don't know.  
 17 BY MS. SINDLER:  
 18 Q Was that ever anything you discussed  
 19 with anyone at Raymond James, whether there was  
 20 any type of policy?  
 21 A To my understanding, it was allowed  
 22 within the firm's guidelines.  
 23 Q And that understanding was based on  
 24 what?  
 25 A The form. Having a form that I could

Page 48

1 submit, be approved.  
 2 Q Was it based on anything, other than  
 3 the form?  
 4 A Not other than a form. And I don't  
 5 recall having a specific conversation, but I'm  
 6 pretty comfortable I made a phone call and had a  
 7 discussion about it, and they said, you need to  
 8 fill out this form. And that was -- that's  
 9 pretty much my answer.  
 10 Q Do you know who you called?  
 11 A No.  
 12 Q Who would you have called?  
 13 A Customer Accounts. Our Customer  
 14 Accounts Area.  
 15 Q Any particular person?  
 16 A No.  
 17 Q Okay.  
 18 MR. JAMES: Have you done this -- prior  
 19 to this instance with Mr. Quiros, had you done  
 20 this cross margin with any prior accounts or  
 21 account holders at Raymond James?  
 22 THE WITNESS: Not that I recall.  
 23 BY MS. SINDLER:  
 24 Q So he's the only -- his entities are  
 25 the only clients that you've ever had a cross

Page 49

1 margin with; is that correct?  
 2 A Yes.  
 3 Q And when you said Mr. Quiros recently  
 4 paid off the margin loan a few weeks ago, what  
 5 was the source of funding to pay off the margin  
 6 loan?  
 7 A He and his accountants and his lawyers  
 8 decided that they would take it from the Jay Peak  
 9 Biomedical account, and they sent it to People's  
 10 Bank. People's Bank sent it to the Jay  
 11 Construction account. And the Jay Construction  
 12 account paid down the margin.  
 13 MS. LAMA: And about how much was paid  
 14 down?  
 15 THE WITNESS: Nineteen million, I  
 16 believe.  
 17 BY MS. SINDLER:  
 18 Q And how do you know all this that  
 19 you've just explained to us about Mr. Quiros, his  
 20 accountants, lawyers, what you just explained?  
 21 How do you know all this?  
 22 A Because that's the advice we've always  
 23 given him when he does things of the sort. It's  
 24 not our -- it's not our place or our profession  
 25 to give legal and tax advice. We don't do it.

1 Never have. It's -- he has to make those  
2 decisions with his counsel and his attorney.  
3 **Q Understood.**  
4 **But when you just said to us Mr. Quiros**  
5 **and his accountants and lawyers decided to take**  
6 **the money from Jay Peak Biomedical and you**  
7 **explained how it went to People's and then Jay**  
8 **Construction and then back to pay off loan --**  
9 **A Right.**  
10 **Q -- what's your understanding of that**  
11 **based on, when you said they decided?**  
12 **A He told me.**  
13 **Q When did he tell you that?**  
14 **A I don't know the date.**  
15 **Q Approximately.**  
16 **A A few weeks ago -- three weeks ago,**  
17 **give or take. Whenever we paid it down, whatever**  
18 **day that was.**  
19 **Q And he explained to you what you just**  
20 **explained to us; is that correct?**  
21 **A That is correct.**  
22 **Q What he explained to you, was it on the**  
23 **phone, was it by text?**  
24 **A Phone.**  
25 **Q And who participated in that**

1 **conversation?**  
2 **A Just he and I. I'm sorry. Just Mr.**  
3 **Quiros and I.**  
4 **Q How did you memorialize -- did you**  
5 **memorialize that conversation in any way?**  
6 **A Well, we have the signed letters from**  
7 **him authorizing the transfer.**  
8 **Q Other than the signed letters -- that's**  
9 **okay, I know it's hard to remember -- was it**  
10 **memorialized in any other way?**  
11 **A No.**  
12 **Q So he told you his accountants and**  
13 **lawyers decided to take the money and use it in**  
14 **that way?**  
15 **A Absolutely.**  
16 **Q Was there any discussion -- and when --**  
17 **what is the Jay Peak Biomedical account?**  
18 **A It is one of the partnerships for his**  
19 **AnC Bio project.**  
20 **Q And that's one of the EB-5 limited**  
21 **partnerships; is that correct?**  
22 **A That is correct.**  
23 **Q So was it your understanding that the**  
24 **money that was taken from the Jay Peak Biomedical**  
25 **account was money that investors invested in the**

1 **-- in that Jay Peak Biomedical limited**  
2 **partnership?**  
3 **A As far as I was aware. He explained to**  
4 **me that there was a portion that was his profit,**  
5 **so --**  
6 **Q Keep going, please.**  
7 **A How that was worked out, again, was**  
8 **between his accountants and his attorney.**  
9 **Q And he told you that?**  
10 **A Yes.**  
11 **Q Did he say how much of a portion was**  
12 **his -- how much of a portion was his profit?**  
13 **A I don't remember.**  
14 **MR. JAMES: That's a portion of what**  
15 **was in the account at the time.**  
16 **THE WITNESS: Yes. Sorry. Yes. Yes.**  
17 **BY MS. SINDLER:**  
18 **Q Sorry. He said it was his profits?**  
19 **A Yes.**  
20 **Q Profits from what?**  
21 **A I don't know.**  
22 **Q Did you discuss that with him?**  
23 **A I asked him. He says that he's**  
24 **entitled to certain profits from it. But, again,**  
25 **I don't -- I don't -- I don't get involved in**

1 those particular -- I ask the questions. He  
2 gives me an answer. He's got accountants and  
3 lawyers that know this stuff better than I do, so  
4 my unexpert opinion was not warranted.  
5 **Q So you did ask him about the profits;**  
6 **is that right?**  
7 **A I asked him, and he gave me that**  
8 **answer, and that was the answer I went with.**  
9 **Q What did you ask him about the profits?**  
10 **A Nothing. I just -- I just said, is**  
11 **this okay? He said, yeah, I have a portion of**  
12 **the profits. That's it.**  
13 **Q When you said, is this okay, what did**  
14 **you mean by that?**  
15 **A Well, I meant did he check with his**  
16 **accountants. Did he check with his lawyers, like**  
17 **did he go through his -- his steps.**  
18 **Q Were you concerned if it was okay?**  
19 **A I mean, I asked the question. I think,**  
20 **as any advisor you, should ask that question. It**  
21 **was not a red flag for me to raise it. This is**  
22 **six years later. I assumed his accountants and**  
23 **his attorneys were doing their due diligence.**  
24 **Q Do you know what the status of Jay Peak**  
25 **Biomedical was at the time that he told you about**

1 moving the money from there?  
 2 A No, I do not.  
 3 Q Do you have an understanding if there's  
 4 any type of building or operation that would  
 5 produce profits?  
 6 A I don't know. I stayed out of the  
 7 underlying business and just managed assets, so  
 8 --  
 9 Q And why did the money -- what was your  
 10 understanding as to why the money would go from  
 11 Jay Peak Biomedical account to People's Bank to  
 12 Jay Construction?  
 13 A We -- we did transfers. We tried to do  
 14 transfers when we got there that were the same  
 15 registration. So he sent it from our Jay Peak  
 16 Biomedical to the Jay Peak Biomedical account at  
 17 People's Bank.  
 18 His -- again, his accountants and  
 19 attorneys, you know, that's where I went with the  
 20 -- with the answers. It was -- you know, that  
 21 was the answer I got, was that that was what his  
 22 accountants wanted, that was the method that they  
 23 wanted to use. And it was consistent with the  
 24 method that we'd been using to transfer other  
 25 EB-5 assets for construction purposes.

1 Q Did you wonder why the money was going  
 2 from Jay Peak Biomedical to People's to Jay  
 3 Construction? Why that route?  
 4 A He -- again, I asked. The question  
 5 (sic) was, his accountants had advised it that  
 6 way.  
 7 Q Did you wonder why?  
 8 A I wondered enough to ask the question.  
 9 But, again, listen, I'm just an advisor in Miami.  
 10 He has Mallah Furman and bigger accountants.  
 11 It's not my place to really make that call or  
 12 continue to ask the question.  
 13 I ask. He gives me an answer. The  
 14 answer seems valid enough to me. It's a major  
 15 corporation. There are employees. When I ask,  
 16 if he says his accounting firm says that, there  
 17 was no real way for me to go anywhere else. It  
 18 seemed to make sense.  
 19 Q Did you have any concerns about that,  
 20 the money going from Jay Peak to People's to Jay  
 21 Construction?  
 22 A Jay Construction, as my understanding  
 23 from Mr. Quiros, was that it was a holding  
 24 company to pay certain bills, and that's what we  
 25 did for months.

1 Q Did you have any concerns, though,  
 2 about routing of the money?  
 3 A Not once he explained it. I would ask  
 4 a question. He gives me an answer. I -- it  
 5 seemed valid to me.  
 6 Q But was it fair to say you asked the  
 7 questions because you did have concerns  
 8 initially?  
 9 A I would say I asked the questions  
 10 because I didn't understand. I think it's  
 11 legitimate to ask a question when you're not sure  
 12 and get an answer.  
 13 Q So did you have concerns at any point?  
 14 A No. I would say once he told me his  
 15 accountants were involved, I -- I did not have  
 16 concerns.  
 17 I did have a concern in 2011. I did  
 18 think of things. And I did -- I did go to my AML  
 19 Department in 2011 and ask the question about Jay  
 20 Construction. And I specifically said, you know,  
 21 is this something we can do due to the volume of  
 22 wires? We went through the process.  
 23 Our Anti-Money Laundering Department  
 24 vetted it, checked it out, and they said the  
 25 wires were going where they were supposed to go.

1 They were sent to pay vendors. The LOAs that he  
 2 signed had invoice numbers on them. He wrote on  
 3 there what the specifics were for.  
 4 You know, there was no real reason on  
 5 my end to question when he sends money to build a  
 6 resort for pipes, for plumbing, so --  
 7 Q Okay. Can we just back up for a  
 8 second?  
 9 A Sure.  
 10 Q When you said that Mr. Quiros had  
 11 explained that Jay Construction was a holding  
 12 company to pay certain bills, when did he tell  
 13 you that?  
 14 A When he opened it up.  
 15 Q When was that, approximately?  
 16 A I believe 2011, which is when I  
 17 contacted our AML Department.  
 18 Q Your what?  
 19 A I'm sorry. Anti-Money Laundering  
 20 Department. I'm sorry.  
 21 Q Okay.  
 22 Did you have an understanding as to why  
 23 Jay Construction was needed to be created --  
 24 sorry.  
 25 Was it your understanding that Jay

Page 58

1 **Construction was created to be a holding company**  
2 **to pay bills?**  
3 A Yeah, that was my understanding.  
4 **Q From who?**  
5 A Ariel Quiros.  
6 **Q Do you know why, you're understanding**  
7 **as to why Mr. Quiros wanted an entity to be**  
8 **created to pay bills?**  
9 A The answer he gave me was, it was an  
10 accounting measure so they could keep control on  
11 their vendors. They could keep control and tabs  
12 of their bill pay. They could sort of see it.  
13 **Q Do you know who controlled Jay**  
14 **Construction?**  
15 A The President was John Won Choi. I  
16 believe his secretary was a legal -- one of his  
17 lawyer's secretaries. And then he was given  
18 Power of Authority by John Won Choi to process  
19 transactions.  
20 **Q That was Mr. Quiros?**  
21 A Yes, Mr. Quiros.  
22 **Q Do you know why it was set up like that**  
23 --  
24 A No.  
25 **Q -- with Mr. Choi being President and**

Page 59

1 **Mr. Quiros having authority?**  
2 A No, I do not.  
3 **Q Did you ever have any discussions with**  
4 **Mr. Quiros about that?**  
5 A Same answer I always get. I ask the  
6 question. It was a little different, not that I  
7 was concerned, but it was different, so I asked  
8 the question. The question was legally that was  
9 the way they wanted to set it up. They wanted to  
10 have an arms length distance. And I said, okay.  
11 **Q Who wanted to have an arms length**  
12 **distance?**  
13 A They did. They being Ariel Quiros, I  
14 guess, and Jay Peak. Again, that was fine.  
15 **Q Who's Mr. Choi?**  
16 A He's a business partner of Mr. Quiros.  
17 **Q How do you know that?**  
18 A Mr. Choi has been a business partner of  
19 Mr. Quiros for a very long time. I met Mr. Choi  
20 a few times, as being his son-in-law for a time  
21 period. I did meet Mr. Choi, so I talked to him  
22 before.  
23 **Q You met Mr. Choi here?**  
24 A In the United States?  
25 **Q Uh-huh.**

Page 60

1 A Yes.  
2 **Q Why did you meet Mr. Choi?**  
3 A Family reasons. My daughter was born.  
4 I mean, nothing --  
5 **Q Is Mr. Choi a friend or relative of Mr. .**  
6 **Quiros?**  
7 A A business partner and friend.  
8 **Q And you mentioned in 2011, you had**  
9 **concerns?**  
10 A No. I mentioned 2011 I asked the  
11 specific question, because he wanted to wire  
12 twenty, twenty-two times, whatever those numbers  
13 were of vendors. And so I went to my AML  
14 Department and asked -- sorry, my Anti-Money  
15 Laundering Department and asked, are we going to  
16 have any issues with such a -- with what this  
17 account is doing what we're doing? And they went  
18 through their process and came back to me and  
19 confirmed it would be fine.  
20 MR. JAMES: Did they generate some type  
21 of a report or analysis?  
22 THE WITNESS: I did not get anything.  
23 BY MS. SINDLER:  
24 **Q And the margin loan that you said was**  
25 **paid off a few weeks ago, that was the cross**

Page 61

1 **margin loan for which account? You said how many**  
2 **accounts?**  
3 A At the time, it may have been one or  
4 two.  
5 **Q Do you know remember the names of those**  
6 **accounts?**  
7 A Jay Peak Biomedical, I think -- I  
8 think. Maybe -- maybe Q Resorts. I -- I'd have  
9 to look at it. It's changed over time. I -- I'd  
10 have to look at it.  
11 MS. LAMA: And what entity held the  
12 loan?  
13 THE WITNESS: Jay Peak, Inc.  
14 MS. LAMA: And do you know what the  
15 loan was for?  
16 THE WITNESS: He used it to purchase  
17 the resort.  
18 MR. JAMES: Say that again.  
19 THE WITNESS: He used it to purchase  
20 the resort in the beginning. As it went on, he  
21 would use it to fund construction projects when  
22 the Treasury bills had yet to mature. And so he  
23 did it as a bridge financing for -- for parts of  
24 it, as well.  
25 MR. BARRACCA: Would you mind if we

1 took a ten-minute break?  
 2 MS. SINDLER: Sure.  
 3 We'll go off the record at 11:31.  
 4 (Whereupon, at 11:31 a.m., a short  
 5 recess was taken.)  
 6 (Mr. Dumornay is present the room.)  
 7 MS. SINDLER: We're back on the record  
 8 at 10:12 after a break.  
 9 BY MS. SINDLER:  
 10 **Q During the break, we had no**  
 11 **conversations; is that correct?**  
 12 A That is correct.  
 13 MR. JAMES: Just one quick follow-up.  
 14 I think before we broke, you had stated in your  
 15 answer that the margin loan that was paid off, I  
 16 guess, approximately, two to three weeks ago was  
 17 the margin loan that was taken out to purchase  
 18 the resort. I think that was your answer.  
 19 THE WITNESS: Yes.  
 20 MR. JAMES: Okay. Can you just tell us  
 21 which resort are you referring to that was  
 22 purchased with the margin loan?  
 23 THE WITNESS: Jay Peak, Incorporated.  
 24 BY MS. SINDLER:  
 25 **Q And that was the purchase we discussed**

1 **earlier of Jay Peak from MMSI?**  
 2 A Yes.  
 3 MS. LAMA: When you discussed the  
 4 payoff of the margin loan with Quiros, you said  
 5 you asked him some questions. You mentioned you  
 6 asked him -- or you discussed with him that he  
 7 was entitled to certain profits from Jay Peak  
 8 Biomedical; is that right?  
 9 THE WITNESS: Yes.  
 10 MS. LAMA: Okay.  
 11 What other questions did you ask him?  
 12 THE WITNESS: That was all that I  
 13 remember asking him.  
 14 MS. LAMA: Aside from the profits,  
 15 there was nothing else you discussed with him  
 16 concerning the payoff of the loan?  
 17 THE WITNESS: Not that I recall, no.  
 18 BY MS. SINDLER:  
 19 **Q So now the margin loan has been**  
 20 **completely paid down; is that correct?**  
 21 A That is correct.  
 22 MR. JAMES: I just have a question  
 23 regarding the actual transfer of funds from point  
 24 A to point B. I guess what you testified to was  
 25 that the money went from the Jay Peak Biomedical

1 Raymond James account to the Jay Peak Biomedical  
 2 People's account?  
 3 THE WITNESS: That's correct.  
 4 MR. JAMES: Okay.  
 5 And then from there, it went to the Jay  
 6 Construction Raymond James account?  
 7 THE WITNESS: That's correct.  
 8 MR. JAMES: Okay.  
 9 And then that was used to pay off the  
 10 margin loan held by Jay Peak, Inc.?  
 11 THE WITNESS: Yes.  
 12 MR. JAMES: Okay.  
 13 And you said the Jay Peak, Inc. margin  
 14 loan was a cross margin loan that covered a  
 15 number of accounts?  
 16 THE WITNESS: Yes.  
 17 MR. JAMES: Okay.  
 18 Was one of those accounts the Jay Peak  
 19 Biomedical account?  
 20 THE WITNESS: It was.  
 21 MR. JAMES: Okay.  
 22 So the money in the Jay Peak Biomedical  
 23 account that was the collateral for the margin  
 24 loan was used to essentially pay off the margin  
 25 loan?

1 THE WITNESS: That is correct.  
 2 MR. JAMES: Is that how it's typically  
 3 done, that actual collateral itself is used to  
 4 pay off the loan?  
 5 THE WITNESS: Typically, I don't have  
 6 an answer to that question. Some clients do it  
 7 differently depending on their situation,  
 8 depending on the amount outstanding. It varies.  
 9 So it can be paid off in the account. Other  
 10 clients have brought in assets. It depends on  
 11 how their finances work.  
 12 MS. LAMA: Was any other account used  
 13 besides the Jay Peak Biomedical account?  
 14 THE WITNESS: I don't believe so.  
 15 MS. LAMA: Did any of the other  
 16 accounts have funds in it?  
 17 THE WITNESS: Yes.  
 18 MS. LAMA: Was there any --  
 19 THE WITNESS: I'm sorry. I did  
 20 remember. I believe he did use some of his  
 21 personal account. I believe so. Personal  
 22 account, his Q Resorts account, and I -- I think  
 23 that's it.  
 24 MR. JAMES: So his personal account,  
 25 the Q Resorts account and the Jay Peak Biomedical

1 account?  
 2 THE WITNESS: Yes.  
 3 MR. JAMES: And what was the balance in  
 4 the Jay Peak Biomedical account after the payoff?  
 5 THE WITNESS: I don't remember.  
 6 MR. JAMES: Any sense of whether it was  
 7 a large amount, whether it was close to being  
 8 zero?  
 9 THE WITNESS: No. No. I -- just a  
 10 guess because I don't remember exactly, but six,  
 11 seven million, I believe, was remaining.  
 12 MR. JAMES: After the payout? After  
 13 the payout?  
 14 THE WITNESS: Yes.  
 15 BY MS. SINDLER:  
 16 **Q Is that account still open?**  
 17 A It is.  
 18 **Q And when you said that Mr. Quiros also**  
 19 **used money from his personal account, is that the**  
 20 **personal joint account with his wife?**  
 21 A Yes.  
 22 **Q Do you know how much money he used from**  
 23 **that?**  
 24 A I believe it was the whole thing, which  
 25 would've been one point seven million.

1 **Q Did you have any discussions with him**  
 2 **why he was using that money from his personal**  
 3 **account?**  
 4 A No.  
 5 **Q And you said he also used money from**  
 6 **the Q Resorts account. How much money did he use**  
 7 **from that account?**  
 8 A I don't remember. I -- I -- I don't.  
 9 **Q Is there still money left in that**  
 10 **account?**  
 11 A I don't think so, but I'm not a hundred  
 12 percent sure.  
 13 **Q Do you have any understanding as to why**  
 14 **he used money from the Q Resorts account?**  
 15 A I'm -- I'm trying to remember, and I  
 16 don't remember specifically, but he did -- I  
 17 believe he closed -- he took the funds from his  
 18 personal account and from his Q Resorts account  
 19 and it went to -- I -- I don't remember if he  
 20 sent those to HSBC, where he also has like named  
 21 accounts, or whether it went to People's Bank. I  
 22 don't -- I don't remember the exact transfer.  
 23 I do remember selling the positions,  
 24 closing the accounts and sending the money out,  
 25 but it was all -- it was a lot of stuff going on,

1 so --  
 2 MS. LAMA: I'm sorry. Could you walk  
 3 us through that again?  
 4 THE WITNESS: Sure. There was -- he  
 5 did sell -- sell the positions that were in his  
 6 joint account, and, I believe, he sold the  
 7 positions in his Q Resorts account. And then he  
 8 wired the money, but I don't remember exactly  
 9 where. I'd have to look at the Letters of  
 10 Authorization.  
 11 MS. LAMA: Okay.  
 12 And when you say sold positions, what  
 13 are you referring to?  
 14 THE WITNESS: We had purchased stocks,  
 15 mutual funds in -- in his personal account and  
 16 his Q Resorts account.  
 17 MS. LAMA: Do you remember the dollar  
 18 range in terms of how much was sold in the joint  
 19 account? Is that about the one point seven  
 20 million?  
 21 THE WITNESS: No. I think one point  
 22 five maybe was invested. I think two hundred  
 23 thousand was in cash.  
 24 MS. LAMA: And what about in the Q  
 25 Resorts account?

1 THE WITNESS: I think that was all in  
 2 -- no. Maybe three hundred or four hundred  
 3 thousand was invested, I think, in other -- I  
 4 think the number was seven hundred thousand, and,  
 5 I think, there was two or three hundred also in  
 6 cash.  
 7 MS. LAMA: In the Q Resorts account?  
 8 THE WITNESS: I believe so. I'm not a  
 9 hundred percent sure.  
 10 MR. BARRACCA: We'd be happy to provide  
 11 the account statements for those accounts. I  
 12 think since the activity would've occurred this  
 13 month, they would be available next week.  
 14 BY MS. SINDLER:  
 15 **Q Did you say that the accounts were**  
 16 **closed?**  
 17 A No. We closed the positions.  
 18 **Q Closed the positions.**  
 19 A I believe the accounts are still open.  
 20 He did close something -- I -- I'd have to look.  
 21 Again, I don't -- I don't remember exactly what  
 22 he decided to do, but I can look at an LOA and  
 23 tell you -- I'm sorry, a Letter of Authorization  
 24 and tell you.  
 25 **Q You said you think he closed one of the**

1 **accounts?**

2 A Yeah. I remember him asking to close  
3 an account, but he may have been asking me to  
4 close something else. It's just there was --  
5 what we did at the time was we did different  
6 things, and so I don't remember specifically what  
7 they were, but we have it all documented on the  
8 Letter of Authorization when he did it, so I'd  
9 have to look at it and tell you.

10 **Q Do you have an understanding as to why**  
11 **he used assets from these particular accounts,**  
12 **the Q Resorts and his personal?**

13 A I do not. I do not.

14 **Q And when you said some of the assets**  
15 **might have gone to HSBC, why do you believe that?**

16 A He had -- he had similar registration  
17 accounts at HSBC. And so if he had a joint  
18 account with his wife, he had a joint account at  
19 HSBC. And so when he'd send money, he normally  
20 sent it specifically from his account at Raymond  
21 James to the same registration that is at HSBC.

22 MS. LAMA: Do you know why he did it in  
23 that manner?

24 THE WITNESS: No.

25 BY MS. SINDLER:

1 generated revenues beyond the Jay Peak?

2 THE WITNESS: That as far as I know,  
3 yeah.

4 MS. LAMA: The amounts transferred from  
5 Quiros's personal account and from Q Resorts, is  
6 that in addition to the nineteen million you  
7 mentioned before from Jay Peak Biomedical, or was  
8 the total amount nineteen million?

9 THE WITNESS: To the best of my memory,  
10 the nineteen million was all from the Jay Peak  
11 Biomedical.

12 BY MS. LAMA:

13 **Q And so these other amounts from the Q**  
14 **Resorts and his personal account, that was also**  
15 **used to pay off the margin; is that correct?**

16 A When it went to People's Bank -- again,  
17 I don't remember where those funds from his  
18 personal account or Q Resorts went. When it went  
19 to People's Bank, and he sent it back into Jay  
20 Construction, I don't know if that was anything,  
21 other than the money that I -- that -- that we  
22 sent from his Jay Peak Biomedical account.

23 So whether they put it together or not,  
24 I don't know. I just know that we sent the  
25 nineteen million. I know he sold the positions

1 **Q And for that Q Resorts account, was he**  
2 **the one who had control over that account?**

3 A That is correct, to my knowledge.

4 **Q Do you know if anyone else had any type**  
5 **of control over that account?**

6 A Not that I was aware of.

7 **Q When you -- when there were any**  
8 **transactions in connection with Q Resorts or any**  
9 **other Jay Peak related accounts, was he the**  
10 **person who you dealt with?**

11 A Yes.

12 **Q Did you deal with anyone else?**

13 A No.

14 **Q Was it your understand that he was the**  
15 **person who had control over all those accounts?**

16 A It was.

17 MR. JAMES: And the Q Resorts account,  
18 the money that was in there was used to pay off  
19 the margin loan. Do you have any sense of the  
20 source of the money, where it originated from?

21 THE WITNESS: I don't remember. I'd  
22 have to look.

23 MR. JAMES: I think earlier you had  
24 testified that, as far as you knew, Q Resorts  
25 they don't really have any other means of

1 in the account, because I remember selling the  
2 positions. And I'm pretty sure he -- he wired  
3 the money out. I don't remember where.

4 But the nineteen million was wired out  
5 to Jay Peak Biomedical. I believe a similar  
6 amount came back in Jay Construction, and we paid  
7 off the margin loan from there.

8 **Q Do you know why it just wasn't**  
9 **transferred directly from the Jay Peak Biomedical**  
10 **to Jay Construction?**

11 A I don't. Most of the transactions  
12 where we sent money came through Jay  
13 Construction, so it was not unique.

14 **Q Was there any discussion that you had**  
15 **with Mr. Quiros as to why it just wasn't**  
16 **transferred directly from the Jay Peak Biomedical**  
17 **to Jay Construction? Why it went through**  
18 **People's?**

19 A No, to be honest with you. I just  
20 asked -- you know, again, is this okay, in  
21 essence -- I'm not sure if that's the exact words  
22 I used, but, in essence, to just confirm that he  
23 had spoken with his people about this, his people  
24 being his accountants and his attorneys. And the  
25 method was very similar to what we were doing, so

1 I thought that was legitimate.  
 2 **Q I just -- I was uncertain, because, I**  
 3 **think, before we discussed that the Jay**  
 4 **Construction was used to pay vendors; is that**  
 5 **correct?**  
 6 A Uh-huh.  
 7 **Q So in this instance -- I guess I'm just**  
 8 **trying to understand, since it's not to pay a**  
 9 **vendor, why the money would go into Jay**  
 10 **Construction?**  
 11 A I don't have an answer to that. I  
 12 don't know.  
 13 MR. DUMORNAY: Did you ever ask  
 14 yourself that question?  
 15 THE WITNESS: You know, I -- I -- I  
 16 didn't really question what his accountants made  
 17 a decision on. I didn't -- I didn't feel as  
 18 though I had enough information to sort of make  
 19 that determination.  
 20 So, again, we were -- we had moved  
 21 money many times to Jay Construction for various  
 22 reasons, because that was how he chose to pay  
 23 things. Whether it was a margin loan or not, it  
 24 was -- that's how he paid stuff. So it sort of  
 25 added up in my head when I asked. He goes,

1 that's the method we want to use. He said it was  
 2 consistent. That seemed legitimate to me at the  
 3 time.  
 4 MR. JAMES: And, again, we may have  
 5 asked you before, but how did he communicate his  
 6 instructions to you as far as how the transfers  
 7 would be structured to pay off the margin loan?  
 8 THE WITNESS: Well, he -- he -- he --  
 9 he called me. He told me. And then we completed  
 10 Letters of Authorization specifically saying -- I  
 11 do remember on the Letter of Authorization it  
 12 does say one -- he had payment one, two, three,  
 13 and four, like he'd broken it out, sort of  
 14 invoiced in his own method, which, again, was  
 15 very similar, and then sent four different  
 16 Letters of Authorization for that process, signed  
 17 all of them. And so that was how we -- how we  
 18 processed it.  
 19 MR. JAMES: So it's reflected in those  
 20 the Letters of Authorization that the money goes  
 21 out to People's Bank and it comes back in to  
 22 Raymond James? That's reflected --  
 23 THE WITNESS: The specific letter of  
 24 Authorization just shows that one transfer, that  
 25 it literally went from Raymond James to People's

1 Bank, same registration.  
 2 MR. JAMES: Okay.  
 3 THE WITNESS: There's a separate Letter  
 4 of Authorization that shows Jay Construction  
 5 paying off the margin, but -- so there's two  
 6 separate -- he did it on separate -- separate  
 7 pieces of papers.  
 8 MR. JAMES: Okay. So as far as the  
 9 money that came back to Jay Construction, there's  
 10 not an LOA or Letter of Authorization that  
 11 captures that portion of the transaction?  
 12 THE WITNESS: I don't have it. That  
 13 would normally be on People's Bank side to  
 14 process that. So, no, I don't have it.  
 15 MS. LAMA: So this sequence of steps  
 16 was all simultaneously authorized?  
 17 THE WITNESS: To the best of my  
 18 knowledge, it was. I think there may have been a  
 19 day in between when it came back, but, yeah.  
 20 MS. LAMA: Did you discuss this payoff  
 21 of this margin loan with anyone else?  
 22 THE WITNESS: I had discussed it with  
 23 my firm, my -- my people in my Customer Accounts  
 24 Area.  
 25 BY MS. SINDLER:

1 **Q And who is that?**  
 2 A Steve Bartalo and John Carriero, same  
 3 people from before.  
 4 **Q And what did you discuss with them?**  
 5 A The fact that FINRA and the SEC was --  
 6 was asking us to close these cross margin loans,  
 7 you know, was this -- is this -- you know, this  
 8 is what we're going to do, here's the plan, will  
 9 this suffice? The answer was yes. I let them  
 10 know out of courtesy that we were closing a  
 11 fairly large margin loan, per their request.  
 12 MR. JAMES: You said you let them know.  
 13 Who?  
 14 THE WITNESS: Steve -- Steve Bartalo  
 15 and John Carriero.  
 16 BY MS. SINDLER:  
 17 **Q Have you ever spoken with any Jay Peak**  
 18 **Biomedical investors?**  
 19 A No.  
 20 **Q Have you ever spoke with any investor**  
 21 **in any of the Jay Peak related limited**  
 22 **partnership?**  
 23 A No.  
 24 **Q Have you seen the offering materials**  
 25 **for any of the Jay Peak limited partnership?**

Page 78

1 A Not that I recall.

2 **Q Have you ever gone to any presentation**

3 **or meeting with any prospective investors or**

4 **investors related to the Jay Peak limited**

5 **partnership?**

6 A I have not.

7 MR. JAMES: Have you ever visited any

8 of the projects, any of the EB-5 projects?

9 THE WITNESS: I -- I have not visited

10 any of them. Why? When I got divorced, again,

11 we very much separated it, so I made no trips to

12 Jay Peak.

13 BY MS. SINDLER:

14 **Q In connection with, you know, when you**

15 **had mentioned about FINRA and the SEC, did you**

16 **speak with anyone from FINRA or the SEC about**

17 **what you were told were issues with the margin**

18 **loan?**

19 A No.

20 **Q And do you know who from your firm**

21 **spoke with anyone from the SEC or FINRA?**

22 A The people I spoke with were, again,

23 Steve Bartalo and John Carriero. So whoever

24 spoke -- they -- they were the only people -- I

25 mean, they are liaisons really, so I did not talk

Page 79

1 to anybody. They were the only ones that

2 informed me.

3 MS. LAMA: And what are their positions

4 again?

5 THE WITNESS: John Carriero -- I don't

6 know their exact positions. I know John Carriero

7 sort of handles the margin loans. Steve Bartalo

8 runs our Customer Accounts Area, which is -- he's

9 John's boss. Excuse me. And Steve manages the

10 entire department.

11 MR. JAMES: Are there any other margin

12 loans remaining after the Jay Peak one that was

13 paid off?

14 THE WITNESS: For -- for Jay?

15 MR. JAMES: Yes.

16 THE WITNESS: No.

17 MS. LAMA: This margin loan, when was

18 it created?

19 THE WITNESS: I don't know the exact

20 day, but it was 2008.

21 MS. LAMA: And can you kind of walk us

22 through the creation of it and walk us through to

23 present concerning this margin loan?

24 THE WITNESS: Well --

25 MS. LAMA: The best that you can.

Page 80

1 THE WITNESS: Sure.

2 It was created in 2008. It was a -- we

3 used -- kept it very straightforward, used

4 Treasury bills, collateralized, again, ninety

5 percent of the Treasury bills, gave him a check,

6 basically, of which he sent money to MMSI, I

7 believe. I don't know exactly, but to purchase

8 the resort.

9 And the margin loan has been in

10 existence in its exact same form for the last six

11 years. It's always been collateralized by

12 Treasury bills. As far as I remember, it's been

13 -- it hasn't really changed much. I know the

14 numbers have fluctuated based on -- over that

15 time frame, the numbers have fluctuated based on

16 short-term liquidity needs and building the

17 resort and when Treasury bills matured, because,

18 at the time, it made sense for us to wait for

19 Treasury bills to mature, as opposed to selling

20 them at losses. We just waited till they

21 matured, and then we would pay it off. So there

22 would be short-term bridge loans in between.

23 MS. LAMA: Can you elaborate on that,

24 short-term bridge loans in between?

25 THE WITNESS: Sure.

Page 81

1 If I bought -- I would buy one-month

2 Treasury bills. I'd buy them a month out. So it

3 was a very simple process. I'd buy -- whatever

4 the month was, if I owned that month, I got the

5 next month and next month three, four million

6 dollars at a time. Due to the very tiny interest

7 rate that was available, I had to buy enough of

8 Treasury bills to make it useful.

9 And then, let's say, I had something

10 that matured March 26th, just a random number,

11 March 26th, the -- he may have needed to pay a

12 vendor March 8th, so we would use that to pay the

13 vendor on March 8th. When the Treasury bill was

14 matured on March 26th, we would put that money

15 back into the -- into the margin account, in

16 essence, to cover what was taken for that

17 two-week spread in there, as opposed to me

18 selling something that may -- that's going to

19 mature at par or at a hundred -- a hundred cents

20 on the dollar and taking a loss for the client,

21 because if I resold it, I would take a loss for

22 him. So we would bridge that two to three weeks,

23 because I always had something coming due every

24 month for the short-term liquidity.

25 MS. LAMA: Okay.

Page 82

1 So you mentioned the margin loan was  
 2 created in 2008. Was the -- can you continue to  
 3 walk us through the progression of the margin  
 4 loan? Was it always held by Jay Peak, Inc.? Was  
 5 it held by a different entity before?  
 6 THE WITNESS: You know, I think it was  
 7 held by a -- I believe it was held by a Jay Peak  
 8 partnership account. I don't remember the exact  
 9 name, but I do remember it being a partnership  
 10 account. At some point, his accountants and  
 11 attorneys had decided that it should be held by  
 12 Jay Peak, Inc. So it was -- if I remember  
 13 correctly, it was closed and reopened under the  
 14 parent -- the parent company, Jay Peak, Inc.  
 15 MS. LAMA: And when was that?  
 16 THE WITNESS: I -- I don't remember the  
 17 exact date.  
 18 MS. LAMA: Was the margin loan  
 19 originally held by Jay Peak Hotel Suites, LP-1  
 20 and Jay Peak Hotel Suites, LP-2?  
 21 THE WITNESS: Yes. Yes.  
 22 MS. LAMA: And can you tell us a little  
 23 bit about this change in terms of the margin loan  
 24 then being held by Jay Peak, Inc.? What was  
 25 discussed concerning that and how did that take

Page 83

1 place?  
 2 THE WITNESS: I don't remember the  
 3 specifics. I don't remember the date. I don't  
 4 remember the specifics. And I -- I do remember  
 5 it switching, it could've been three years ago.  
 6 But we did close it and then reopen it under Jay  
 7 Peak, Inc.  
 8 BY MS. SINDLER:  
 9 **Q Why was that?**  
 10 A My understanding was, it was accounting  
 11 reasons. It seemed that his accountants thought  
 12 that it made sense for it to be under the parent  
 13 company.  
 14 **Q And is that what Mr. Quiros explained**  
 15 **to you?**  
 16 A Yes.  
 17 **Q Did he explain to you why his**  
 18 **accountants thought that would make sense?**  
 19 A Not that I remember.  
 20 MR. JAMES: Was this in verbal  
 21 conversation or was this through Emails?  
 22 THE WITNESS: Yes. Yes, it was a  
 23 verbal conversation.  
 24 BY MS. SINDLER:  
 25 **Q Just the two of you?**

Page 84

1 A I believe so, yes.  
 2 MS. LAMA: Did he tell you anything  
 3 else about this change?  
 4 THE WITNESS: I don't remember.  
 5 MR. JAMES: And what was your response?  
 6 Did you have a response either way as to  
 7 switching the holder of the margin loans?  
 8 THE WITNESS: To be honest, he was the  
 9 authorized party, so we -- he -- he had the  
 10 ability to do that. So when he said it and he  
 11 told me his accountants said it, I took him at  
 12 his word.  
 13 MS. LAMA: And what was the amount of  
 14 the margin loan at that time, approximately?  
 15 THE WITNESS: I can guess. I would  
 16 tell you it's around the twenty-three million  
 17 dollar area.  
 18 MS. LAMA: And did the collateral  
 19 change when the margin loan was moved --  
 20 THE WITNESS: No.  
 21 MS. LAMA: -- from the partnership  
 22 accounts to Jay Peak, Inc.?  
 23 THE WITNESS: No.  
 24 MS. LAMA: Was there any discussion  
 25 about changing the collateral?

Page 85

1 THE WITNESS: Not that I remember.  
 2 It's always been the same.  
 3 MS. LAMA: Okay.  
 4 And at that time, what was the  
 5 collateral?  
 6 THE WITNESS: The Treasury bills.  
 7 MS. LAMA: Oh, let me ask the question  
 8 again. Was the Jay Peak, Inc. margin loan  
 9 cross-collateralized?  
 10 THE WITNESS: Yes. The  
 11 cross-collateralization has always existed. Yes.  
 12 MS. LAMA: Okay.  
 13 And at that -- in -- well, stepping  
 14 back. In the beginning in 2008, what was the  
 15 cross-collateralization of the loan?  
 16 THE WITNESS: In 2008?  
 17 MS. LAMA: Yes.  
 18 THE WITNESS: Jay Peak 1 -- I'm sorry,  
 19 Jay Peak Hotel Suites, LP-1, or something like  
 20 that, 1, and then the identical name, but 2.  
 21 MS. LAMA: Okay. So Jay Peak Hotel  
 22 Suites, LP-1 and Jay Peak Hotel Suites, LP-2?  
 23 THE WITNESS: Yes.  
 24 MS. LAMA: Okay.  
 25 And when the margin loan was moved to

1 Jay Peak, Inc., was there any change in the  
 2 cross-collateralization?  
 3 THE WITNESS: No, not -- not that I  
 4 remember. Whatever accounts we were  
 5 collateralizing it with then, we collateralized  
 6 it with the same --  
 7 MS. LAMA: The same accounts?  
 8 THE WITNESS: I believe so.  
 9 MS. LAMA: And what transpired next  
 10 with this margin loan?  
 11 THE WITNESS: I'm sorry. In what  
 12 sense?  
 13 MS. LAMA: Did it change entities  
 14 again, or is this the same Jay Peak, Inc. that  
 15 was just -- margin loan that was recently paid  
 16 off?  
 17 THE WITNESS: It was the same Jay Peak,  
 18 Inc. margin loan that was just paid off.  
 19 MS. LAMA: At any point in time, were  
 20 there any other margin loans?  
 21 THE WITNESS: Not that I was aware of.  
 22 MS. LAMA: So as new partnerships came  
 23 online and they started -- Jay Peak started  
 24 having additional projects, how did the  
 25 collateral change? Were -- when new projects

1 began, was -- for example, Jay Peak Biomedical is  
 2 recent, or more recent, and this margin loan is  
 3 from 2009. So how did that work in terms as  
 4 things progressed?  
 5 THE WITNESS: The way it was -- was  
 6 structured was that there was different -- as he  
 7 opened up another project, Jay Peak Hotel Suites,  
 8 Jay Peak Penthouse, Golf and Mountain, Lodge and  
 9 Townhouse, Jay Peak Stateside, as an account was  
 10 depleted to build whatever they were building --  
 11 so in the first case, they built a hotel. I  
 12 think the second time they also built a hotel and  
 13 a water park. As those accounts were depleted to  
 14 build whatever they needed, the next account they  
 15 were raising money at simultaneous time in a --  
 16 not for the next project. Once each project was  
 17 filled, they would finish depleting it to -- to  
 18 build. The next account would then -- would then  
 19 be filled up with new EB-5 investors, and then we  
 20 would collateralize the margin against the new  
 21 EB-5 assets.  
 22 BY MS. SINDLER:  
 23 Q And when you say new EB-5 assets,  
 24 you're talking about investor's investment money?  
 25 A Yes. New incoming investor assets.

1 Q Okay.  
 2 MR. JAMES: But when the money is still  
 3 in LP-1 and LP-2 and that's being used to -- as  
 4 collateral for the margin loan, is that money  
 5 restricted somehow, or can it be -- is it being  
 6 paid off and now the collateral is less than the  
 7 actual loan itself?  
 8 THE WITNESS: Is the collateral less  
 9 than the loan? No. No. No. It -- it is  
 10 restricted to the ninety percent, so, in essence,  
 11 he needed to keep ten percent in equity,  
 12 basically, in the account. And so we monitored  
 13 that ten percent equity and made sure he stayed  
 14 above that number. So he'd have thirteen,  
 15 fourteen, fifteen percent, twenty sometimes,  
 16 whatever that percentage was, but he couldn't go  
 17 below the ten percent.  
 18 We started -- you know, we would've had  
 19 a margin call had there been anything below the  
 20 required -- required amount, and we would've made  
 21 him pay it. But he never -- to the best of my  
 22 recollection, he did not have any margin calls.  
 23 MR. JAMES: So at least ten percent of  
 24 the money in the account, which came from  
 25 investor funds, could not be used to build the

1 project?  
 2 THE WITNESS: Correct. Correct.  
 3 MR. JAMES: It had to be kept in that  
 4 account to support --  
 5 THE WITNESS: Correct. But as they had  
 6 another project, the other project would take  
 7 over for it. So you never really had that --  
 8 that ten percent was never an issue, because the  
 9 next project more than covered it. Each project  
 10 was more than covered the margin loan.  
 11 MR. JAMES: Okay.  
 12 MS. LAMA: So each time a different  
 13 project was added as a collateral, what were the  
 14 mechanics of that? Would a new credit agreement  
 15 be issued? Can you walk us through how that  
 16 change would be made?  
 17 THE WITNESS: Yes. We would have to  
 18 get a new credit agreement.  
 19 MS. LAMA: And what was involved in  
 20 getting a new credit agreement?  
 21 THE WITNESS: It's just a three-page or  
 22 four-page document. I Email it or fax it to him  
 23 with the proper account numbers that we are going  
 24 to collateralize. He signs it, sends it back.  
 25 BY MS. SINDLER:

1 **Q The he is Mr. Quiros?**  
 2 A Yes. Sorry. Yes, Mr. Quiros.  
 3 MS. LAMA: And how was it decided in  
 4 terms of what would be the proper account  
 5 numbers?  
 6 THE WITNESS: We -- excuse me. He  
 7 decided. We had a conversation about it, and he  
 8 decided what accounts he wanted to.  
 9 BY MS. SINDLER:  
 10 **Q Did you have a discussion with him as**  
 11 **to the basis of his decision?**  
 12 A No. It's within the parameters of the  
 13 firm, so we didn't have any need to ask these  
 14 questions.  
 15 MS. LAMA: How do you mean it's within  
 16 the parameters of the firm?  
 17 THE WITNESS: Well, we could cross  
 18 margin various accounts, as long as he was the  
 19 controlling -- as long as he -- they were his  
 20 accounts. He can't cross margin someone random,  
 21 but his accounts, he was able to cross margin.  
 22 BY MS. SINDLER:  
 23 **Q Did he ever use any assets from his**  
 24 **personal account as collateral?**  
 25 A I believe he did.

1 **Q Do you know how much?**  
 2 A No.  
 3 MS. LAMA: Do you know about how many  
 4 times the credit agreement was changed?  
 5 THE WITNESS: I don't remember. I  
 6 don't remember.  
 7 MR. DUMORNAY: Can I ask you a quick  
 8 question?  
 9 THE WITNESS: Yes, sir.  
 10 MR. DUMORNAY: When you said he could  
 11 cross-collateralize his accounts, when you said  
 12 his accounts, which accounts are included?  
 13 THE WITNESS: I don't remember all the  
 14 names, but for what we did, they were the ones  
 15 that he had authority on to sign. He was a  
 16 signer on the accounts.  
 17 MR. DUMORNAY: So like Hotel Suites --  
 18 THE WITNESS: Yes.  
 19 MR. DUMORNAY: -- LP-1, you considered  
 20 his account; meaning to secure his account?  
 21 THE WITNESS: He was the authorized  
 22 signer, so, yeah, we considered it his control,  
 23 basically.  
 24 MR. DUMORNAY: So any of the Jay Peak  
 25 accounts --

1 THE WITNESS: Correct.  
 2 MR. JAMES: -- you would consider to be  
 3 Mr. Quiros's accounts?  
 4 THE WITNESS: Based on the document we  
 5 had, he was the -- he was the authorized party on  
 6 our accounts.  
 7 MS. LAMA: Other than Quiros, was there  
 8 any other authorized party, or he was the sole  
 9 authorized party?  
 10 THE WITNESS: On Raymond James  
 11 accounts, he was the sole authorized party. With  
 12 Jay Construction, being John Won Choi, you know,  
 13 and any joint account where his wife may have  
 14 been, but as far as those partnerships accounts,  
 15 he was the only signer that I remember.  
 16 MR. DUMORNAY: So even though these are  
 17 accounts that are holding investor funds that are  
 18 raised through an EB-5 offering, you considered  
 19 them to be Mr. Quiros's accounts because he was  
 20 the sole authorizer on the accounts?  
 21 THE WITNESS: We didn't consider them  
 22 to be his, per se. We considered them that he  
 23 was the authorized party to act in whatever  
 24 manner he saw fit. So from that perspective,  
 25 yes, we considered him to the person who could

1 make decisions on the account.  
 2 MS. LAMA: For Jay Construction  
 3 Management, Quiros was also an authorized party;  
 4 is that right?  
 5 THE WITNESS: He was. He was given a  
 6 Power of Attorney on that account.  
 7 BY MS. SINDLER:  
 8 **Q Did Mr. Choi ever give any instructions**  
 9 **concerning the Jay Construction account?**  
 10 A No.  
 11 MS. LAMA: Did Mr. Choi ever execute  
 12 any transactions with Jay Construction  
 13 Management, or it was always Quiros?  
 14 THE WITNESS: To the best of my memory,  
 15 it was always Mr. Quiros.  
 16 BY MS. SINDLER:  
 17 **Q In connection with the Jay Construction**  
 18 **account, were there ever any -- was there any**  
 19 **time that you communicated with Mr. Choi directly**  
 20 **about the account, or was it always through Mr.**  
 21 **Quiros?**  
 22 A I don't recall ever speaking with Mr.  
 23 Choi about the account. I -- I do remember --  
 24 I'm pretty sure I spoke only with Mr. Quiros. I  
 25 don't recall any conversations with Mr. Choi.

1 Q Was there any different type of process  
2 regarding the collateralization because it was  
3 investor money that was being used as the  
4 collateral?

5 A No. They were partnerships or  
6 corporate funds. You know, we can margin  
7 corporate funds, and it was no deeper than that.

8 MR. DUMORNAY: But was there like any  
9 due diligence or anything conducted because of  
10 that reason, because of the fact it was investor  
11 funds? I mean, was there any due diligence that  
12 was done to make sure that whatever was being  
13 done with the money was in line with what was  
14 disclosed to investors in the offering materials?

15 THE WITNESS: Well, from our  
16 perspective, we -- when he purchased the resort,  
17 there was, you know, the meeting Minutes, that Q  
18 Resorts purchased it, that Ariel Quiros was in  
19 charge. He was the authorized signer on the  
20 accounts. We went through our process. We gave  
21 him the forms. He signed it.

22 You know, and, again, it was -- it's  
23 not policy or procedure, but we could look it up  
24 on Google and see that he was the owner of the  
25 resort. We could -- you know, we -- we didn't

1 corporation then invested it in buying property.  
2 That's corporate funds.

3 BY MS. SINDLER:

4 Q You said they were buying a visa. What  
5 do you mean?

6 A Well, an EB-5 program is purchasing, in  
7 essence, the green cards to get into the United  
8 States. They had to go through this process and  
9 be approved by CIS. And when they were approved  
10 by CIS, they had to pay X-amount of dollars to  
11 create the ten jobs.

12 Q But they were -- was it your  
13 understanding that the people were making  
14 investments in these various limited  
15 partnerships?

16 A Our understanding of -- of it was that  
17 the five hundred thousand was to get the visa.  
18 Whether it was set up as an investment or how the  
19 structure was, I don't know. I don't have any  
20 information on that. Our -- our understanding of  
21 the EB-5 program was that this was their -- their  
22 purchase of a green card, like they --

23 MR. DUMORNAY: So why wouldn't they  
24 just send the money to the USCIS to get the green  
25 card then?

1 have any reason to doubt the fact that he was, in  
2 fact, the authorized party.

3 MR. DUMORNAY: No. I understand that.  
4 But the money that's going to the accounts  
5 doesn't belong to him, right?

6 THE WITNESS: Again, he -- he said  
7 there was a portion that was his profits. What  
8 portion that was, I don't know.

9 MR. DUMORNAY: Did you know how much  
10 was raised from investors for each of the  
11 offerings? Do you have any idea of that?

12 THE WITNESS: He -- he would give me a  
13 number, but until it was actually there and  
14 started to draw down, I don't know.

15 MR. DUMORNAY: But you knew it was  
16 investor funds, right? You knew it wasn't his  
17 money?

18 THE WITNESS: Well, I knew it was -- it  
19 was corporate funds. That's how we viewed it.

20 MR. DUMORNAY: Investor money?

21 THE WITNESS: I would say we saw it as  
22 corporate funds. Because, in essence, our  
23 thought was very simple, that they invested in  
24 the regional center. They were buying a visa.  
25 The money went to the corporation. The

1 THE WITNESS: Well, I thought the EB-5  
2 program was an investment in -- I guess, an  
3 investment in a regional center.

4 MR. DUMORNAY: Right. So --

5 THE WITNESS: But I don't --

6 MR. DUMORNAY: Right. So you must've  
7 understood there was a reason why the money was  
8 going to a project?

9 THE WITNESS: Right.

10 MR. DUMORNAY: It was to create the  
11 jobs, and if they created the jobs, they get the  
12 visa, right? They weren't just simply buying a  
13 visa? That couldn't have been your  
14 understanding.

15 THE WITNESS: Well, the regional center  
16 was, in essence, to create the ten jobs.

17 MR. DUMORNAY: Okay.

18 THE WITNESS: And it was the regional  
19 center's responsibility to create those ten jobs.  
20 Then when they gave them the five hundred  
21 thousand, the assumption would've been that the  
22 regional center will go ahead and create those  
23 ten jobs. The agreement is, that I'll give you  
24 the five hundred thousand, you go create those  
25 ten jobs for us, and I'll get a green card. So

1 --  
 2 MR. DUMORNAY: Once the ten jobs are  
 3 created?  
 4 THE WITNESS: Sure -- well, I'm not  
 5 sure about that portion of it. That, I don't  
 6 know. But -- I don't know exactly where in the  
 7 process the ten jobs is created. I don't know  
 8 when the money comes in versus -- we don't escrow  
 9 it, so I don't know that particular portion of  
 10 where the five hundred thousand comes in and how  
 11 it all -- how it all works from that side.  
 12 What I do know is that they -- they're  
 13 getting a green card, and so they have to be  
 14 approved by CIS. CIS offers them the green card,  
 15 but they're not going to give them the green card  
 16 if they haven't put up the five hundred thousand.  
 17 And then there -- the regional center,  
 18 they do that on purpose so that, in essence, the  
 19 investors -- or whatever they're called. I mean,  
 20 they're investors really -- they're -- they're  
 21 supposed to -- the regional center creates ten  
 22 jobs for them.  
 23 BY MS. SINDLER:  
 24 **Q Did you ever speak with anyone at the**  
 25 **USCIS regarding these investments?**

1 A No. No, I did not.  
 2 **Q And what you just explained to us, your**  
 3 **understanding of how it worked, how did you get**  
 4 **that understand, from who?**  
 5 A Mr. Quiros.  
 6 **Q Do you know who the regional center is?**  
 7 A I believe it's Jay Peak.  
 8 **Q Do you have an understanding as to the**  
 9 **role of the State of Vermont, if that has ever**  
 10 **acted as a regional center in connection with the**  
 11 **Jay Peak related investments?**  
 12 A I -- I know the State of Vermont's  
 13 involved. To what extent and to what, how -- how  
 14 the State takes care of that, I -- I don't know.  
 15 **Q Did you ever speak with anyone from the**  
 16 **State of Vermont regarding any of the various Jay**  
 17 **Peak limited partnerships?**  
 18 A I did not.  
 19 **Q And so what's your understanding of how**  
 20 **the State of Vermont is involved?**  
 21 A I've seen it on websites. I've seen,  
 22 you know, the Governor or the Senator involved on  
 23 a website or having a press conference or saying  
 24 something to that effect, but that -- I mean, the  
 25 Governor represents the State, so that was --

1 **Q On the website, is that a Jay Peak**  
 2 **website that you've seen that?**  
 3 A Oh, news -- news outlet. It could be  
 4 an article or -- yeah, I mean, Jay Peak being  
 5 one, but -- you know, and it was in the New York  
 6 Times, for example. And Bill Stenger was on CNBC  
 7 once. I mean, so lots of media outlets.  
 8 **Q Have you ever seen the Jay Peak**  
 9 **website?**  
 10 A Yeah.  
 11 **Q How often have you looked at it?**  
 12 A I can't tell you how many times I've  
 13 looked at it, but I have seen it. I've seen it a  
 14 fair amount of times. I have gone on for various  
 15 reasons to see the process of the projects going  
 16 up, and they have pictures of the new hotel and  
 17 what's going on, and, you know.  
 18 I -- I don't need to go on all that  
 19 often. I -- I know what's going on. I would  
 20 tell you in the beginning, we probably looked a  
 21 little more. But, again, as being divorced I've  
 22 -- you know, I'm involved in the process, but I,  
 23 you know, keep an arms distance at some point.  
 24 So I go on when I need to.  
 25 **Q But you did read through it at some**

1 **point regarding the Jay Peak EB-5 investment**  
 2 **program?**  
 3 A I looked at it. I can't tell you I  
 4 remember reading much. I probably look at it  
 5 years ago and never really had any reason to go  
 6 back.  
 7 (Ms. Masica leaves the room.)  
 8 MS. LAMA: Did you conduct your own  
 9 research regarding the EB-5 program?  
 10 THE WITNESS: I'd -- I'd read a little  
 11 bit on CIS's website in the beginning in 2008,  
 12 2009. Do I remember what I read? No. I remember  
 13 vaguely the gist of it.  
 14 MR. JAMES: What do you know about the  
 15 AnC Bio project limited partnership?  
 16 THE WITNESS: I know that AnC Bio is a  
 17 biotech company that, I believe, is  
 18 publicly-traded in Korea. I -- I -- AnC Bio  
 19 Vermont is, I believe, the American arm of this.  
 20 I know they purchased a facility in, I believe,  
 21 it's New Port, which is near Jay. And they were  
 22 going to be putting up a biotech facility for  
 23 some of the stuff, I believe, they're doing in  
 24 Korea. And, I think, they were going to have  
 25 some, I believe, clean rooms or something to that

Page 102

1 effect to where people could do FDA approval drug  
2 trials and things like that.  
3 MR. JAMES: You learned this from who?  
4 THE WITNESS: Mr. Quiros.  
5 MR. JAMES: Do you recall when he first  
6 spoke to you about AnC Bio?  
7 THE WITNESS: No, I do not.  
8 MR. JAMES: Approximately?  
9 THE WITNESS: I don't know. Two years  
10 ago. I don't know. A year ago. I don't know.  
11 MR. JAMES: Was it before he opened up  
12 the Jay Peak Biomedical account?  
13 THE WITNESS: Yes. A week before that.  
14 Sure.  
15 MR. JAMES: And in opening that  
16 account, did he need to provide any documents or  
17 information about the AnC Bio project?  
18 THE WITNESS: Nothing more than we've  
19 already asked for for everything else; the new  
20 account form, corporate resolutions, partnership  
21 agreements, our forms, our corporate resolutions.  
22 MR. JAMES: Did anything with this  
23 project strike you as different or unique from  
24 the other types of projects Mr. Quiros had been  
25 involved in with Jay Peak?

Page 103

1 THE WITNESS: Sure. It was a biotech  
2 versus ski resort, so --  
3 MR. JAMES: Did you ever ask him about  
4 the endeavors in the type of business they were  
5 getting into with this AnC Bio?  
6 THE WITNESS: Well, I believe -- I  
7 believe John Won Choi is the CEO of AnC Bio  
8 Korea. And so they were doing an EB-5 project in  
9 Vermont, the Vermont arm of it. And my  
10 understanding was that it was Jay Biomedical.  
11 And when we asked about the EB-5, he said that  
12 this is going to fall under the Jay Peak  
13 umbrella.  
14 MR. JAMES: He meaning Quiros?  
15 THE WITNESS: Yes. I'm sorry. Yes.  
16 Mr. Quiros said that it was falling under the --  
17 the Jay Peak umbrella.  
18 MS. LAMA: How so?  
19 THE WITNESS: I asked him the question,  
20 and he gave me the answer. It was Jay  
21 Biomedical. I didn't -- you know, I took him at  
22 his word for it. He signed the proper paperwork.  
23 I asked the question. You know, I --  
24 MS. LAMA: And what was his answer?  
25 THE WITNESS: His answer was that it's

Page 104

1 falling under the Jay Peak umbrella. That's just  
2 -- it's under -- it defer -- he said there was --  
3 I'm trying to remember. He said there was -- I  
4 don't remember exactly. He said it was under the  
5 Jay Peak umbrella. That, I do remember. I don't  
6 remember the specific conversation.  
7 BY MS. SINDLER:  
8 **Q Did it strike you as unusual that this**  
9 **is so different from the other Jay Peak projects?**  
10 A It's different, but, again, he'd done  
11 this five or six times. He'd done different  
12 things. He -- you know, how it all worked -- you  
13 know, we -- I happened to look online, as I was  
14 curious about it. He sent me -- I think he sent  
15 me actually a news article about it, and Bill  
16 Stenger was involved. You know, it was not --  
17 similar people involved in Jay were involved in  
18 AnC Bio, so --  
19 **Q Did he send you any offering materials?**  
20 A No. No.  
21 **Q Did you ask for any?**  
22 A No, I did not.  
23 **Q Did you ask for offering materials for**  
24 **any of the other limited partnerships?**  
25 A I did not.

Page 105

1 **Q Any reason you didn't ask for any**  
2 **offering materials?**  
3 A Yes. We are the asset manager.  
4 The EB-5 program was very new when it  
5 came out. What they were doing was unique at the  
6 time. And our decision was very clear. We were  
7 going to help him manage his cash balances. We  
8 chose not to be involved in the escrowing the  
9 EB-5, the investors. We made a conscious  
10 decision not to get involved in that particular  
11 part of the process.  
12 He was a corporation -- he was a  
13 corporate owner. He owned the resort. He had  
14 the partnerships. He signed all the paperwork to  
15 make all the authorization -- all the authorized  
16 transfers. We -- we stuck to our core business,  
17 which was managing assets.  
18 MR. DUMORNAY: Who owned the  
19 partnerships, though? Was it Mr. Quiros or the  
20 investors? Weren't the investors the limited  
21 partners?  
22 THE WITNESS: I believe -- I believe  
23 so.  
24 MR. DUMORNAY: So the investors own the  
25 partnerships, not Mr. Quiros, right, or no?

1 THE WITNESS: I don't know. I don't  
2 have an answer.  
3 MR. DUMORNAY: Okay.  
4 BY MS. SINDLER:  
5 **Q When you said we made a decision not to**  
6 **ask for those documents, who -- was it discussed**  
7 **or something?**  
8 A Well, Frank Amigo and I, and we did  
9 talk to AML. We -- we realized we didn't  
10 understand EB-5 business, and it made sense for  
11 us to not get involved in something we didn't  
12 fully comprehend.  
13 We can buy Treasury bills. I can give  
14 a corporation margin. Those are things that are  
15 within the realm of what I know and what I do.  
16 And so it was not anything further than we didn't  
17 understand it, and I don't think a lot of people  
18 did at the time, but we were not about to --  
19 listen, understanding it, not understanding it,  
20 we were not about to go learn. We were not about  
21 to just delve into the intricate world of Customs  
22 and Immigration, EB-5, foreign investors from  
23 random countries, escrow accounts, you know,  
24 subscription agreements. That's beyond the scope  
25 of -- of what our knowledge base was. And so we

1 made a conscious effort to say, we're just going  
2 to be your asset manager.  
3 (Ms. Masica enters the room.)  
4 MR. JAMES: Well, and lender?  
5 THE WITNESS: Yes. And margin.  
6 MR. JAMES: And which one actually came  
7 first, as far as the roles? Was the relationship  
8 started based on Raymond James assisting Mr.  
9 Quiros with purchasing Jay Peak, or was it  
10 managing the assets and then the margin came  
11 afterwards?  
12 THE WITNESS: I think he had an account  
13 prior, so he had a joint account.  
14 MR. JAMES: A personal account?  
15 THE WITNESS: Yes. Yes. I'm sorry, a  
16 personal account with his wife.  
17 And so this opportunity came up, as,  
18 you know, this was sort of simultaneous. The  
19 asset management and the margin were  
20 simultaneous.  
21 BY MS. SINDLER:  
22 **Q At the point a few weeks ago when Mr.**  
23 **Quiros used nineteen million from the Jay Peak**  
24 **Biomedical to pay off the margin loan, how much**  
25 **had been raised at that point from investors from**

1 **the Jay Peak Biomedical offering?**  
2 A It changes. I don't -- it changes  
3 because as money comes in, they take it to do  
4 what they're doing. So I remember, I think, what  
5 it topped out at, but I can't tell you what the  
6 flow was. I think it was like twenty-four  
7 million, twenty-six maybe. I don't know the  
8 exact number. I don't know how much came in  
9 either. I don't -- I don't know what the number  
10 was on top of that. I just know the net number.  
11 MR. JAMES: And then since then, has  
12 additional investor funds come into the account  
13 since the money was used to pay off the margin?  
14 THE WITNESS: I've -- I've been  
15 traveling, so I have not had a chance to delve  
16 into the actual account. I was out of town for a  
17 week, and then been traveling, so I really  
18 haven't looked at it to see if there's any money  
19 flow. What -- he's asked to withdraw some money,  
20 so we do check on that. But I don't -- I don't  
21 -- again, I'd have to go back and get a history,  
22 because everything comes in in half million  
23 dollar lots. I'd have to go check to see what  
24 the -- what the transaction. I don't know the  
25 net numbers.

1 BY MS. SINDLER:  
2 **Q How often --**  
3 A Go ahead. I'm sorry.  
4 **Q How often do you check to see the**  
5 **amounts that are coming in?**  
6 A It depends. Probably, at the least,  
7 once a month.  
8 **Q Don't you send Mr. Quiros Emails**  
9 **telling him when money comes in?**  
10 A No. I send it to him -- it's a lot of  
11 transactions. He preferred to get it, you know,  
12 give or take monthly.  
13 He -- he's also aware from the money --  
14 the money's in escrow. It's not -- it doesn't --  
15 it gets to me -- from what I understand, it gets  
16 to me after it's been escrowed, so he already  
17 knows what's at People's. It's not new  
18 information to him.  
19 MS. LAMA: And by People's, you mean  
20 People's United Bank?  
21 THE WITNESS: Yes.  
22 MS. LAMA: Other than this nineteen  
23 million withdrawal from the Jay Peak Biomedical  
24 account, have there been any other withdrawals  
25 from that account?

1 THE WITNESS: My guess is yes, but I'd  
2 have to look.  
3 BY MS. SINDLER:  
4 **Q And when you say your guess is yes, why**  
5 **do you think yes?**  
6 A Because he was taking money to build or  
7 move it to Jay Peak Biomedical. He was always  
8 moving money back to Jay Peak Biomedical for --  
9 once they start raising money, the projects are  
10 ongoing. So they're continuing to build  
11 something or --  
12 **Q Why do you think the money's being used**  
13 **to build something?**  
14 A That was the whole point of the  
15 project, from my understanding, was that they  
16 were going to build -- they were buying a -- a  
17 building, and they were getting some supplies.  
18 They were getting supplies for it, things of that  
19 nature. He did tell me that once, so --  
20 MR. JAMES: So we know that at least  
21 nineteen million went to pay off the margin loan?  
22 THE WITNESS: Correct.  
23 MR. JAMES: So at least we know the  
24 nineteen million did not go to build anything at  
25 AnC Bio?

1 THE WITNESS: That -- that would be the  
2 best guess.  
3 MR. JAMES: Or do you have any other  
4 reason to think that that amount did go to AnC  
5 Bio?  
6 THE WITNESS: That nineteen million?  
7 MR. JAMES: Yes.  
8 THE WITNESS: No. I would say that it  
9 was a clear money trail going back to pay off the  
10 margin.  
11 MR. JAMES: Okay.  
12 BY MS. SINDLER:  
13 **Q So when you said it's a guess, it's**  
14 **more than a guess, because it could not go to**  
15 **build anything; isn't that true?**  
16 A I guess anything's possible. Again,  
17 it's not something -- here's -- here's the  
18 answer, how his accountants account for that, I  
19 don't know. And so it's not my place to say.  
20 I can tell you what we did with that  
21 money, and it went down, but how and where that  
22 -- to speculate whether that's ever going to make  
23 it there, whether he pays it back from something  
24 else, whether his accountants had figured out a  
25 loan structure, there's lots of pieces that I am

1 not aware of.  
2 So I don't know. The project is not  
3 finished. So if the project gets finished in a  
4 year, he might find a solution to pay that back,  
5 but that's beyond the scope of what I would know.  
6 **Q Do you know what the status of the**  
7 **project is, what's going on now?**  
8 A I do not, not as of today.  
9 **Q When did you know? When was the most**  
10 **recent time you knew what the status was?**  
11 A I don't know. I'd have to ask. I'd  
12 have to look.  
13 **Q Offhand? It's a relatively new**  
14 **project, isn't it?**  
15 A Yes.  
16 **Q So when's the -- when do you recall the**  
17 **last time that you spoke with Mr. Quiros to**  
18 **discuss the status of the project?**  
19 A A few months ago, maybe.  
20 **Q What did he say a few months ago?**  
21 A We had -- we were wiring some money --  
22 I don't know. I do remember wiring some money,  
23 but it could've been more than a few months ago.  
24 It could've been five.  
25 We wired some money to AnC Bio Korea.

1 And I asked him what that was for, and he said he  
2 was buying supplies. So that told me they were  
3 using it to continue to --  
4 MR. JAMES: Do you recall how much was  
5 wired to AnC Bio Korea?  
6 THE WITNESS: It was two million at  
7 that time.  
8 MR. JAMES: And this was in one sum?  
9 THE WITNESS: (The witness nods head.)  
10 MR. JAMES: Verbally. Sorry.  
11 THE WITNESS: Yes. Oh, God. Sorry.  
12 Yes. Yes, it was.  
13 BY MS. SINDLER:  
14 **Q Do you know what the supplies were for?**  
15 A I do not.  
16 **Q Do you know why the money would be**  
17 **wired -- it was wired to South Korea; is that**  
18 **right?**  
19 A AnC Bio in Korea.  
20 **Q In Korea?**  
21 A Yes.  
22 **Q Do you know why it would be wired to**  
23 **Korea to buy supplies for a project that was**  
24 **being built in Vermont?**  
25 A I assumed they were -- again, it seemed

Page 114

1 logical at the time that if you're building  
 2 something through a company called AnC Bio and  
 3 you were buying supplies, you could be buying  
 4 supplies in Korea. That didn't seem far fetched  
 5 to me at all.  
 6 It went to an AnC Bio. It was a Korean  
 7 entity. I don't know what supplies they would  
 8 have in Korea that they may need to move to  
 9 Vermont. It's not -- you know -- so --  
 10 **Q But is there a building that is built**  
 11 **now?**  
 12 A I believe there's a facility that  
 13 exists that needed to be renovated.  
 14 **Q Do you know what the status of the**  
 15 **renovation is?**  
 16 A I do not.  
 17 **Q Do you know if it's been renovated?**  
 18 A I do not.  
 19 MR. DUMORNAY: Have you seen this  
 20 building, or this is what Mr. Quiros told you?  
 21 THE WITNESS: I've seen pictures of it.  
 22 MR. DUMORNAY: You saw pictures of the  
 23 building?  
 24 THE WITNESS: Sure. I've seen -- you  
 25 know, there's a press conference, I think, where

Page 115

1 they -- they showed pictures of the building.  
 2 MR. DUMORNAY: Okay.  
 3 Was this like -- how did you see this  
 4 picture -- these pictures of the building?  
 5 THE WITNESS: Oh, just through the  
 6 press. There was a video of a press conference.  
 7 MR. DUMORNAY: Okay.  
 8 But who -- when did you see this video?  
 9 I'm just trying to understand.  
 10 THE WITNESS: I don't know when I saw  
 11 the video. It was probably a few months ago.  
 12 MR. DUMORNAY: But who showed it to  
 13 you? I mean, what was --  
 14 THE WITNESS: Oh, I think he may have  
 15 sent it to me. He may have sent it to me, the  
 16 link.  
 17 MR. DUMORNAY: Okay. Okay.  
 18 THE WITNESS: Yeah.  
 19 MR. JAMES: You mean Quiros when you  
 20 say he?  
 21 THE WITNESS: Yes.  
 22 MR. DUMORNAY: You said Quiros sent you  
 23 the video.  
 24 And was this -- and what was the  
 25 purpose of this video? How was, you know --

Page 116

1 THE WITNESS: He was just proud of it.  
 2 He just -- at least to me, he seemed very proud  
 3 of it, and he was like, look what we're doing,  
 4 kind of cool.  
 5 MR. DUMORNAY: So he made the video for  
 6 you, is that what --  
 7 THE WITNESS: No. No. No. It was a  
 8 video of a press conference. They had -- it was  
 9 on like the news channel.  
 10 MR. DUMORNAY: Oh, okay.  
 11 THE WITNESS: Like Channel 2 had  
 12 covered it, or whatever the channel is in  
 13 Vermont. And they had a press conference, and so  
 14 it was on YouTube or somewhere.  
 15 MR. DUMORNAY: Okay.  
 16 THE WITNESS: Like their website. And  
 17 he just sent me the link to their -- the news  
 18 website, and I looked at it.  
 19 MR. DUMORNAY: It was about AnC Bio?  
 20 THE WITNESS: I believe so, yeah.  
 21 MR. DUMORNAY: Okay.  
 22 I just want to ask you about the two  
 23 million dollars. What was the name of the  
 24 account to which the money was wired, the two  
 25 million?

Page 117

1 THE WITNESS: I'd have to double check,  
 2 but, I think, it was AnC Korea, AnC Bio Korea.  
 3 MR. DUMORNAY: Okay.  
 4 Was any other money wired to AnC Bio  
 5 Korea, besides the two million dollars that you  
 6 just mentioned?  
 7 THE WITNESS: I'd have to check. I  
 8 don't remember.  
 9 MR. DUMORNAY: Do you remember the date  
 10 of the two million wire?  
 11 THE WITNESS: No.  
 12 MR. DUMORNAY: Roughly? Was it this  
 13 year? Was it last year?  
 14 THE WITNESS: I'm pretty sure it was  
 15 last year.  
 16 MR. DUMORNAY: Do you remember late  
 17 last year, early last year?  
 18 THE WITNESS: Middle, I think. Pure  
 19 guess.  
 20 MR. DUMORNAY: But you don't know if  
 21 there were any other wires, besides the two  
 22 million dollars?  
 23 THE WITNESS: I think there was, but I  
 24 don't remember the specifics about them. I don't  
 25 remember how many. I don't remember what they

Page 118

1 were. I'd have to -- I mean --  
2 MR. DUMORNAY: So there were others?  
3 You remember being others?  
4 THE WITNESS: I think there were  
5 others. I would have to look.  
6 MR. DUMORNAY: Okay.  
7 The others, were they -- what was the  
8 dollar range of those amounts?  
9 THE WITNESS: I don't remember the  
10 specifics about them.  
11 MR. DUMORNAY: Were they like hundreds  
12 of thousands of dollars, or were they in the  
13 millions --  
14 THE WITNESS: No. Probably hundreds of  
15 thousands. That was sort of the MO. There was a  
16 lot of hundred -- he'd very rarely -- unless  
17 there was the vendors from Jay Construction, most  
18 of the wires were of a larger dollar amount, a  
19 couple hundred thousand here and there. So I  
20 would imagine they were.  
21 MR. DUMORNAY: Was it your  
22 understanding that AnC Bio in Vermont was -- was  
23 it your understanding it was a separate company  
24 from the Korean company or part of the Korean  
25 company, a sub, or what was your understanding of

Page 119

1 that?  
2 THE WITNESS: I don't -- I don't know.  
3 I don't -- I don't -- my understanding -- my  
4 understanding of it was that it was a sub-unit in  
5 some way, shape or form. I don't know exactly  
6 the entity structure, but I -- I do remember  
7 there being a press release and article about the  
8 Korean version of it. I do remember seeing those  
9 pieces, so it led me to believe that there was  
10 some connection between the two.  
11 MR. DUMORNAY: Okay.  
12 The investors who are the limited  
13 partners of AnC Bio Vermont, do you know if they  
14 have an ownership interest in the Korean company?  
15 THE WITNESS: I have no idea.  
16 MR. JAMES: The two million that was  
17 transferred from -- to AnC Bio Korea, was that  
18 directly from Jay Peak Biomedical account, or did  
19 that go through Jay Construction, like the other  
20 transfers we've talked about?  
21 THE WITNESS: I'd have to look. I'd  
22 have to look.  
23 MS. LAMA: Have you ever heard of AnC  
24 Uda Cell?  
25 THE WITNESS: I have heard the name. I

Page 120

1 don't know anything about it.  
2 MS. LAMA: Were there any payments to  
3 AnC Uda Cell?  
4 THE WITNESS: I'd have to look.  
5 MS. LAMA: Okay.  
6 MR. DUMORNAY: Can we take a quick  
7 break? I know we're getting close to --  
8 MS. SINDLER: It's five to one. We'll  
9 take a quick break. We'll go off the record.  
10 (Whereupon, at 12:55 p.m., a short  
11 recess was taken.)  
12 MS. SINDLER: We're back on the record.  
13 During the break, we had no substantive  
14 conversations; is that correct?  
15 THE WITNESS: That is correct.  
16 MS. SINDLER: Okay.  
17 We're going to go off the record for a  
18 lunch break, and we'll discuss once we're off the  
19 record how long we need.  
20 (Whereupon, at 1:11 p.m., a luncheon  
21 recess was taken.)  
22 **AFTERNOON SESSION**  
23 (SEC Exhibit No. 4 was  
24 marked for  
25 identification.)

Page 121

1 MS. SINDLER: We're back on the record  
2 at 2:19 p.m.  
3 BY MS. SINDLER:  
4 **Q During the lunch break, we had no**  
5 **substantive conversations; is that correct?**  
6 A That's correct.  
7 **Q The court reporter has marked as**  
8 **Exhibit Number 4 a copy of a Raymond James**  
9 **statement for the Jay Peak Biomedical Research**  
10 **Park account, an AnC Bio, dated March 28th, 2013.**  
11 **I give that to you.**  
12 **Do you recognize this document?**  
13 A Yes.  
14 **Q And what is it?**  
15 A It's a Raymond James statement.  
16 **Q And if you can take a look at the**  
17 **second page, which is Bates ending 4625. Do you**  
18 **see where it says, March 3rd, 2013 deposit from**  
19 **People's Bank for two point six million?**  
20 A What -- I'm sorry. What page was that?  
21 MS. SINDLER: Let me mark this Exhibit  
22 5.  
23 (SEC Exhibit No. 5 was  
24 marked for  
25 identification.)

1 BY MS. SINDLER:  
 2 Q Let me show you what's been marked as  
 3 Exhibit Number 5, a copy of a Raymond James  
 4 statement for Jay Construction Management,  
 5 February 18th to March 28th. I'm sorry. I was  
 6 confused and gave you the wrong one. So this is  
 7 Number 5. If you could look at the second page  
 8 with Bates 4625.  
 9 A Yes.  
 10 Q Okay. And do you where on March 11th,  
 11 2013 a deposit from People's Bank for two point  
 12 six million?  
 13 A I do.  
 14 Q Okay.  
 15 Do you know if that deposit came from  
 16 the Jay Peak Biomedical AnC Bio account?  
 17 A I'd have to check. I don't know  
 18 offhand.  
 19 Q Okay.  
 20 MR. DUMORNAY: Can I -- can you maybe  
 21 just turn to the page with the transfer, the  
 22 transfer out?  
 23 MS. SINDLER: Oh, the withdrawal?  
 24 MR. DUMORNAY: Yeah.  
 25 BY MS. SINDLER:

1 Q Could you look at -- go the next page  
 2 with Bate 4626. Do you see the withdrawal on  
 3 March 11th also for two million to AnC Bio Farm?  
 4 A I do.  
 5 Q Is that the same transfer we were  
 6 talking about before the lunch break?  
 7 A I believe so.  
 8 MR. DUMORNAY: So do you know if that  
 9 deposit on page two is the deposit for that  
 10 transfer?  
 11 THE WITNESS: Do I know if this  
 12 withdrawal was --  
 13 MR. BARRACCA: Could you repeat the  
 14 question?  
 15 MR. DUMORNAY: If the transfer out to  
 16 AnC Bio Korea, that this deposit is the money for  
 17 that withdrawal, for that transfer out?  
 18 THE WITNESS: I understand. So are you  
 19 -- got you. Was this deposit, this two point six  
 20 million dollar deposit the withdrawal that went  
 21 out here? Am I following that properly?  
 22 MR. DUMORNAY: Yeah.  
 23 THE WITNESS: It's the same day. I  
 24 don't know. I'd have to see where this -- this  
 25 particular two point six came from on the LOA.

1 MR. DUMORNAY: Okay.  
 2 (SEC Exhibit No. 6 was  
 3 marked for  
 4 identification.)  
 5 BY MS. SINDLER:  
 6 Q The court reporter's just marked as  
 7 Exhibit Number 6 a copy of a spreadsheet. At the  
 8 bottom, it says, "Quiros Incoming Wires." And  
 9 you'll see on the bottom, it's Bates 8241. And  
 10 then you'll see the number after that, the  
 11 [REDACTED] 1174.  
 12 Do you recognize this document?  
 13 A I don't recognize the document, but --  
 14 Q Okay.  
 15 Can you go -- could you look on the  
 16 second page.  
 17 A Sure.  
 18 Q Go about seven lines up from the bottom  
 19 where it says, March 11th, 2013 --  
 20 A Sure.  
 21 Q -- and you'll see two point six  
 22 million.  
 23 A Uh-huh.  
 24 Q And then you go across the spreadsheet  
 25 --

1 A Uh-huh.  
 2 Q -- and it shows Jay Peak Biomedical  
 3 Research Park.  
 4 A Okay.  
 5 Q So comparing that now with the  
 6 statement that I just showed you, Exhibit 5, does  
 7 it now appear that that was -- does it now  
 8 appear to you that that was money that came in from  
 9 the Jay Peak Biomedical Research Park, that was  
 10 the two point six million into the Jay  
 11 Construction?  
 12 A I'm sorry. I -- I've got to see this  
 13 spreadsheet.  
 14 Can I ask him a question?  
 15 MR. DUMORNAY: Yeah. Do you want us to  
 16 --  
 17 THE WITNESS: No. I just didn't  
 18 prepare it, so I don't --  
 19 MR. BARRACCA: He hasn't seen this  
 20 spreadsheet and doesn't know that it exists.  
 21 MR. DUMORNAY: Can we go off the record  
 22 for a second, and then we can give you a chance  
 23 to talk to him about it.  
 24 MS. SINDLER: Yeah. Okay. We'll go  
 25 off the record.

1 (Whereupon, at 2:26 p.m., a short  
 2 recess was taken.)  
 3 MS. SINDLER: We're back on the record,  
 4 so Mr. Burstein could confer with Counsel.  
 5 BY MS. SINDLER:  
 6 **Q During that time, we had no substantive**  
 7 **conversations; is that correct?**  
 8 A That's correct.  
 9 **Q Okay.**  
 10 A Yes, it appears to be the two million  
 11 that it came from Jay Peak -- Jay Peak  
 12 Biomedical. It does seem to be.  
 13 **Q And is that in accordance with your**  
 14 **understanding that money, when it was transferred**  
 15 **from AnC Bio, would go through Jay Construction**  
 16 **first before going out?**  
 17 A Yes.  
 18 **Q And were there anymore similar**  
 19 **transactions like this, like the two million**  
 20 **transaction?**  
 21 A I don't remember. I do remember that  
 22 one specifically, but I don't remember all of the  
 23 transactions.  
 24 MR. DUMORNAY: I think you testified  
 25 earlier that with this particular transaction,

1 you knew -- obviously, from the statement you  
 2 can't tell, but that you said you knew that the  
 3 money came from AnC Bio. Then it went to Jay  
 4 Construction Management. From there to the Korean  
 5 AnC Bio company. How did you know that given that  
 6 these documents -- you haven't seen that  
 7 spreadsheet before?  
 8 THE WITNESS: Well, we normally do it  
 9 through LOAs. So I see the LOA. I can see it --  
 10 I don't view anything through the spreadsheet.  
 11 MR. DUMORNAY: Okay.  
 12 THE WITNESS: The way I do it, I see it  
 13 through very different systems, so, I mean, you  
 14 get used to seeing things in certain patterns.  
 15 It's just hard to read it. So I wanted to make  
 16 sure I understood what I was reading. But, yeah,  
 17 I view it different ways.  
 18 MR. DUMORNAY: So from the LOA, you  
 19 knew that?  
 20 THE WITNESS: That --  
 21 MR. DUMORNAY: That the money came from  
 22 -- when you testified earlier, you knew that two  
 23 million dollars went to AnC Bio Korea. And, I  
 24 think, your testimony was that you knew the money  
 25 came originally from AnC Bio. Then it was

1 transferred to Jay Construction, and from there,  
 2 it went to AnC Bio Korea.  
 3 THE WITNESS: Yes, I believe so.  
 4 MR. DUMORNAY: I'm asking how did you  
 5 know that?  
 6 THE WITNESS: I had a -- I had a  
 7 conversation with Mr. Quiros.  
 8 MR. DUMORNAY: He told you that?  
 9 THE WITNESS: Well, we asked the  
 10 question through a text message. I had asked him  
 11 what the two million was for, and he replied back  
 12 to me, and that was one that I remembered having  
 13 a specific conversation about.  
 14 Now, I don't remember the date of that  
 15 particular conversation, so -- but the two  
 16 million was -- I had a conversation about a two  
 17 million dollars with him.  
 18 MR. DUMORNAY: Okay.  
 19 And so during that conversation, he  
 20 told you this money came from AnC Bio's account?  
 21 THE WITNESS: No. He said -- if I  
 22 remember correctly, the -- the question I asked  
 23 was: This two million dollars that went from Jay  
 24 Construction, did that -- should that have come  
 25 from Jay Biomedical, and, I believe, his answer

1 was Jay Construction's the holding company, and  
 2 that's how we pay the suppliers.  
 3 MR. DUMORNAY: Okay.  
 4 Did we get text messages from Raymond  
 5 James?  
 6 MS. SINDLER: Yes.  
 7 MR. DUMORNAY: Thanks.  
 8 (Ms. Lama leaves the room.)  
 9 MR. JAMES: Mr. Burstein, I want to  
 10 turn your attention back to our discussion about  
 11 the margin loans that we'd talked about earlier.  
 12 If we have the court reporter mark that  
 13 for me, please.  
 14 (SEC Exhibit No. 7 was  
 15 marked for  
 16 identification.)  
 17 MR. JAMES: I'm handing you what has  
 18 just been marked as Exhibit Number 7. It appears  
 19 to be a credit agreement, multiple pages. Can  
 20 you take a look at that, and let me know if  
 21 you've seen it before.  
 22 THE WITNESS: I have.  
 23 MR. JAMES: What is it?  
 24 THE WITNESS: It's a credit agreement.  
 25 MR. JAMES: And earlier you had

Page 130

1 testified about a margin loan that was,  
 2 basically, issued to Jay Peak, Inc. If you could  
 3 look at that credit agreement, and tell me  
 4 exactly if this credit agreement relates to the  
 5 margin loan you testified about earlier.  
 6 THE WITNESS: Yes.  
 7 MR. JAMES: Okay.  
 8 And then how do you know this relates  
 9 to that margin loan?  
 10 THE WITNESS: I don't know. I read it.  
 11 It says it on there.  
 12 MR. JAMES: Tell me where you're  
 13 reading.  
 14 THE WITNESS: "The credit agreements  
 15 made by Jay Peak Hotel Suites, LP."  
 16 MR. JAMES: Okay.  
 17 And is this the original margin loan  
 18 that was issued by Raymond James?  
 19 THE WITNESS: I believe it is.  
 20 MR. JAMES: Okay.  
 21 And if you can look at paragraph number  
 22 three.  
 23 THE WITNESS: Okay.  
 24 MR. JAMES: We're still looking at  
 25 Exhibit Number 7. Do you see those two account

Page 131

1 numbers that are referenced in paragraph number  
 2 three?  
 3 THE WITNESS: I do.  
 4 MR. JAMES: What accounts are those?  
 5 THE WITNESS: I would have to double  
 6 check, but my -- my guess is that they're Jay  
 7 Peak 1 and Jay Peak 2 -- I'm sorry, Jay Peak  
 8 Hotel Suites, LP-1 and Jay Peak Hotel Suites,  
 9 LP-2.  
 10 (Ms. Lama enters the room.)  
 11 MR. JAMES: Okay.  
 12 And then if you look at paragraph  
 13 number four.  
 14 THE WITNESS: Uh-huh.  
 15 MR. JAMES: Those two numbers are  
 16 reflected in paragraph number four again. Do you  
 17 see that?  
 18 THE WITNESS: Yes.  
 19 MR. JAMES: Okay.  
 20 So explain to me exactly what's the  
 21 significance of these numbers noted in paragraph  
 22 three and paragraph number four.  
 23 THE WITNESS: They are the account  
 24 numbers that held assets that we were  
 25 collateralizing.

Page 132

1 MR. JAMES: Okay.  
 2 So in paragraph number three shows the  
 3 two accounts, which you recall to be LP-1 and  
 4 LP-2, and you're saying these two accounts  
 5 collateralized the margin loan issued to Jay Peak  
 6 Hotel Suites?  
 7 THE WITNESS: LP.  
 8 MR. JAMES: LP. Sorry.  
 9 THE WITNESS: Yes.  
 10 MR. JAMES: Okay.  
 11 And they raise reference again in  
 12 paragraph four those two accounts. What's the  
 13 significance of them being listed in paragraph  
 14 number four? Feel free to read the paragraph, if  
 15 it helps.  
 16 THE WITNESS: It's, basically, saying  
 17 -- I'm not -- but it's, basically, saying that we  
 18 have the right to any of the property should he  
 19 default on paying his loan.  
 20 MR. JAMES: Okay.  
 21 And is this credit agreement  
 22 representative of all the credit agreements that  
 23 were issued in connection with the margin loan  
 24 that we're talking about?  
 25 THE WITNESS: To the best of my

Page 133

1 knowledge, it should be.  
 2 MR. JAMES: Okay.  
 3 Let me know you what I am now marking  
 4 as the next exhibit, which, I think, is Number 8.  
 5 (SEC Exhibit No. 8 was  
 6 marked for  
 7 identification.)  
 8 BY MS. SINDLER:  
 9 **Q Before Mr. James hands you Exhibit 8,**  
 10 **can I just for Exhibit 7, that first credit**  
 11 **agreement, the June 18th. If you look at the**  
 12 **last page and you see that signature, Ariel**  
 13 **Quiros.**  
 14 A Yes. Yes.  
 15 **Q Is that his signature?**  
 16 A It looks like his signature.  
 17 **Q Have you seen his signature on many**  
 18 **different occasions?**  
 19 A I have.  
 20 **Q And are you familiar with it?**  
 21 A I am.  
 22 **Q And so do you recognize that to be his**  
 23 **signature?**  
 24 A It looks like his signature to me.  
 25 MR. JAMES: All right. Let me hand you

Page 134

1 what has been marked as Exhibit Number 8, which  
 2 appears to be another credit agreement issued by  
 3 Raymond James to the Jay Peak Hotel Suites. I'm  
 4 also handing a copy to your Counsel.  
 5 I'm sorry. Have you had a chance to  
 6 look at Exhibit Number 8?  
 7 THE WITNESS: Oh, yes. I'm sorry.  
 8 Yes.  
 9 MR. JAMES: Okay.  
 10 What's Exhibit Number 8?  
 11 THE WITNESS: I'm sorry?  
 12 MR. JAMES: What is it?  
 13 THE WITNESS: It's a credit agreement.  
 14 MR. JAMES: Okay.  
 15 Between who?  
 16 THE WITNESS: Jay Peak Hotel Suites,  
 17 LP.  
 18 MR. JAMES: And Raymond James?  
 19 THE WITNESS: And Raymond James.  
 20 MR. JAMES: Okay.  
 21 And we were talking about the margin  
 22 loan just now in reference to Exhibit Number 7.  
 23 What margin loan does Exhibit Number 8 relate to?  
 24 THE WITNESS: The same margin loan  
 25 before.

Page 135

1 MR. JAMES: Okay.  
 2 So let me ask you, as to paragraph  
 3 number three, it references a different account  
 4 number that was referenced in paragraph number  
 5 three of Exhibit 7. Do you see that?  
 6 THE WITNESS: I do.  
 7 MR. JAMES: Can you tell me why that  
 8 is?  
 9 THE WITNESS: I don't remember.  
 10 MR. JAMES: Okay.  
 11 Do you recognize that account number,  
 12 what account holder that relates to?  
 13 THE WITNESS: No. I'd have to check on  
 14 that one.  
 15 MR. DUMORNAY: I believe that that's  
 16 the Jay Peak, Inc. account. So do you know --  
 17 because you testified earlier that the two  
 18 accounts were consolidated. Could this be what  
 19 is happening here?  
 20 THE WITNESS: It's absolutely possible.  
 21 There was that transfer. I apologize. I don't  
 22 remember all the account numbers, but if -- if I  
 23 saw it, I could tell you.  
 24 MR. JAMES: Well, why don't we see if  
 25 we can find some way to identify what account

Page 136

1 number that number reflects.  
 2 But your testimony is that you believe  
 3 that Exhibit 8 reflects the consolidation of  
 4 Exhibit 7 into one margin loan?  
 5 THE WITNESS: It appears that way.  
 6 MR. JAMES: Okay.  
 7 And then in paragraph number four where  
 8 it lists two of the accounts that were referenced  
 9 in Exhibit 7, and then it adds a third account  
 10 ending in 4710.  
 11 THE WITNESS: Yes.  
 12 MR. JAMES: Do you recognize that  
 13 account number, by chance?  
 14 THE WITNESS: If I say, I'm guessing.  
 15 Again, I don't know the numbers. It'd be a  
 16 guess, but --  
 17 MR. DUMORNAY: But whatever account  
 18 that is, it would be the same situation, that  
 19 account would be indebted to for the margin loan?  
 20 THE WITNESS: Yes. Yes. Yes.  
 21 MR. DUMORNAY: It's the same situation,  
 22 right?  
 23 THE WITNESS: Yes.  
 24 MR. DUMORNAY: Okay.  
 25 THE WITNESS: We're just -- in essence,

Page 137

1 what we're doing is we're adding the accounts.  
 2 MR. DUMORNAY: Right. Because we're  
 3 not asking you what the account numbers are,  
 4 because, actually, we know what the account  
 5 numbers are.  
 6 THE WITNESS: Okay.  
 7 MR. DUMORNAY: So we're just trying to  
 8 find out, like to the extent this account is  
 9 added, that means that now this account is now  
 10 like the other two, right?  
 11 THE WITNESS: That is correct. And --  
 12 yeah.  
 13 MR. DUMORNAY: And to the extent that  
 14 Exhibit Number 8, account number 726, that is Jay  
 15 Peak, Inc., is that consistent with your  
 16 testimony before that the LP-1 and LP-2 margin  
 17 loans were transferred over to the Jay Peak, Inc.  
 18 account?  
 19 THE WITNESS: Yes. If -- yes. Yes.  
 20 MR. DUMORNAY: Is that -- to the extent  
 21 that was done --  
 22 THE WITNESS: I -- I -- I'm trying to  
 23 piece it together. If I remember correctly, this  
 24 is just from my memory, I believe this account --  
 25 this -- not this. Jay Peak Hotel Suites, LP-1

1 and Jay Peak Hotel Suites 2, initially, when we  
2 purchased -- I apologize. When he purchased the  
3 resort, we had margin on these two accounts.

4 They then later consolidated into a Jay  
5 Peak, LP -- Jay Peak Hotel Suites, LP account,  
6 which we used to house just a debit balance, as  
7 opposed to a debit balance in two accounts. It  
8 was moved over to be held in one account.

9 The Jay Peak, Inc. piece that you're  
10 referencing is a separate -- it's coming back to  
11 me -- is a -- it was done separately. This was  
12 also under this LP. It was just a separate  
13 account that was created. That's what I believe  
14 without checking what this [REDACTED] 0726 number was.

15 MS. LAMA: So just to clarify for the  
16 record, account [REDACTED] 0726 is Jay Peak Hotel  
17 Suites, LP, Jay Peak Management, Inc. partner?

18 THE WITNESS: Correct.

19 MR. JAMES: And then the 26 -- can you  
20 say that number again? I'm sorry.

21 MS. LAMA: The account number [REDACTED] 0726  
22 pertains to Jay Peak Hotel Suites, LP.

23 MR. JAMES: Okay.

24 MR. BARRACCA: Which is what he --

25 MR. JAMES: Just said.

1 MR. BARRACCA: Of sorts, you know, what  
2 he just said.

3 MR. JAMES: So just to confirm. So,  
4 initially, the first margin loan was issued to  
5 what it says there, Jay Peak Hotel Suites, LP at  
6 the Exhibit Number 7 and it was collateralized by  
7 these two accounts listed in paragraph three and  
8 four, which we believe to be LP-1 and LP-2?

9 THE WITNESS: Yes.

10 MR. JAMES: At some point in time, that  
11 was -- those two were consolidated into a new Jay  
12 Peak Hotel Suites, LP account, and that was  
13 collateralized by the same two accounts, plus  
14 this additional account that ends in 4710?

15 THE WITNESS: Yes.

16 MR. JAMES: But separate from that,  
17 there is another margin loan that's held by Jay  
18 Peak, Inc.?

19 THE WITNESS: No. At this point, there  
20 was no other margin loan. This was the only one  
21 that existed.

22 At another point, and I do not remember  
23 the date, they made a decision to pay off their  
24 loan and move it to the Jay Peak, Inc. That is a  
25 separate -- that was a separate transaction that

1 they chose to do.

2 MR. DUMORNAY: But was it the same  
3 margin loan, but just being moved?

4 THE WITNESS: Yes. Yes.

5 MR. DUMORNAY: So it was the same loan?

6 MR. BARRACCA: Well -- is that true?

7 THE WITNESS: Technically, it was this

8 -- it was the funds being -- according to the  
9 instructions that I got, it was moved to the  
10 parent company, so they were the parent company.  
11 Was it the exact same loan that was moved to  
12 another -- to, basically, the parent company. So  
13 it was the same funds being borrowed.

14 MR. DUMORNAY: It stems from the same  
15 transaction?

16 THE WITNESS: Yes, it all stemmed from  
17 the same -- it was not a separate --

18 MR. DUMORNAY: Right. But, typically,  
19 maybe it was two different margin loans?

20 THE WITNESS: I don't know whether it'd  
21 be considered two different margin loans, but it  
22 did stem from the same transaction.

23 MR. JAMES: So they didn't exist at the  
24 same time; is what you're saying?

25 THE WITNESS: That is correct, they did

1 not exist at the same time.

2 MR. JAMES: And do you recall exactly  
3 when that transaction occurred?

4 THE WITNESS: I do not.

5 MR. JAMES: Like we asked you before as  
6 to Exhibit Number 7, if you turn to the fourth  
7 page of Exhibit Number 8, do you recognize the  
8 signature on that last page, Bates number 3270?

9 THE WITNESS: Yes.

10 MR. JAMES: Okay.

11 And who's that signature?

12 THE WITNESS: It appears to be Mr.  
13 Quiros.

14 MR. JAMES: Okay.

15 And you're familiar with this signature  
16 and you've seen it before?

17 THE WITNESS: I am.

18 MR. JAMES: So let me see if I can show  
19 you another exhibit that hopefully you can  
20 explain to us what this reflects.

21 You can mark that.

22 (SEC Exhibit No. 9 was  
23 marked for  
24 identification.)

25 MR. JAMES: I'm about to hand you what

Page 142

1 has been marked as Exhibit Number 9. You can  
2 take a look at that, and let me know once you've  
3 reviewed it. I'll give a copy of same to Mr.  
4 Barracca.

5 THE WITNESS: Okay.

6 MR. JAMES: Okay. So Exhibit Number 9  
7 also says Jay Peak Hotel Suites, LP. Do you see  
8 that?

9 THE WITNESS: I do.

10 MR. JAMES: Okay.

11 And also in paragraph three has the  
12 same account number that was reflected in Exhibit  
13 Number 8. Do you see that?

14 THE WITNESS: I do.

15 MR. JAMES: Okay.

16 However, it does not include that third  
17 account number that ends in 4710 that's in  
18 paragraph four of Exhibit Number 8. Do you see  
19 that?

20 THE WITNESS: I do.

21 MR. JAMES: Okay.

22 So could you tell me what is Exhibit 9?  
23 Is this still the same margin loan that's  
24 reflected in Exhibit 7 and Exhibit 8, or is this  
25 something different?

Page 143

1 THE WITNESS: No. It is the same  
2 margin loan.

3 MR. JAMES: Okay.

4 And tell me, so why was this one  
5 created, if you recall?

6 THE WITNESS: Sure. This, again, as  
7 best my memory serves me, the -- this -- the  
8 credit -- Exhibit 9 is a change from the -- this  
9 was after -- this is 2010 -- this is -- sorry.  
10 Exhibit 8 is 2010. Exhibit 9 is 2009. And  
11 Exhibit 7 was 2008. In 2008, the -- am I missing  
12 this wrong?

13 MR. JAMES: No. Sorry. Go ahead.  
14 Sorry.

15 THE WITNESS: No.

16 Initially, when it was started, the  
17 margin loan was in each of the Jay Peak, LP --  
18 Jay Peak Hotel Suites, LP accounts. It appears  
19 as though in 2009, not 2010, the -- the margin  
20 debit was moved to its own independent account,  
21 which is [REDACTED] 0726. And, at that point, we still  
22 collateralized it with the Jay Peak, LP -- Jay  
23 Peak Hotel Suites, LP-1 and LP-2.

24 In 2010, it looks like we added a third  
25 account to that process a little bit later.

Page 144

1 MR. JAMES: So it's essentially Exhibit  
2 9 came before Exhibit 8?

3 THE WITNESS: Yes.

4 MR. JAMES: Okay. Okay.

5 So let me continue this with a fourth  
6 credit agreement. If you could have that marked  
7 for me as Exhibit Number 10. Copy of same to  
8 your counsel.

9 (SEC Exhibit No. 10 was  
10 marked for  
11 identification.)

12 THE WITNESS: Thank you.

13 MR. JAMES: If you take a look at  
14 Exhibit Number 10, and tell me where this fits in  
15 the sequencing of these credit agreements.

16 THE WITNESS: This would be of the four  
17 that -- Exhibit 10 would be the -- of the four  
18 that are in front of me, the most recent. This  
19 was latest of them, October 2010.

20 Again, the same debit account where  
21 that margin was housed, and it appears as though  
22 the 6365 account, which would've been, again, I'm  
23 not a hundred percent sure because I don't know,  
24 but that being Jay Peak 1 was liquidated and  
25 fully paid out, and we added -- we -- we rewrote

Page 145

1 the agreement with the Jay Peak 2, the 710  
2 account. A 503, which would have been a new  
3 account, and a 772, I'm not sure what those  
4 accounts correspond to. But all we did was keep  
5 the same loan and add new accounts to  
6 collateralize it.

7 MR. JAMES: Okay.

8 So is this what you had testified  
9 earlier about where you said as a new project  
10 came online and a current project depleted their  
11 funds, that you were substituting that new  
12 project?

13 THE WITNESS: That is correct.

14 MR. JAMES: Okay.

15 And, again, we did this before, and if  
16 you don't know, I understand, but the two  
17 additional account numbers in paragraph four of  
18 Exhibit 10, do you know which projects those are,  
19 if you know?

20 THE WITNESS: I don't offhand.

21 MR. JAMES: So keep it going to pick up  
22 the pace a little bit. If mark that as Exhibit  
23 Number 11.

24 (SEC Exhibit No. 11 was  
25 marked for

Page 146

1 identification.)

2 MR. JAMES: And same question. Tell us

3 about Exhibit 11 and how it fits into the

4 sequence.

5 THE WITNESS: Exactly the same thing.

6 This is 2011. Again, an account fell off as it

7 was liquidated for a project, and then other

8 accounts were added. Some of the same accounts

9 are still on there, but a new account was added,

10 the 9776 it looks like.

11 MR. JAMES: Okay.

12 And, again, you can't tell by the

13 actual number which accounts these are?

14 THE WITNESS: Sorry.

15 MR. JAMES: Okay. Just a couple more.

16 You can mark this as Exhibit Number 12.

17 (SEC Exhibit No. 12 was

18 marked for

19 identification.)

20 MR. JAMES: Same questions.

21 THE WITNESS: Sure. Same process. We

22 added some more accounts to it, to the -- to the

23 credit agreement.

24 MR. JAMES: And same thing, some fell

25 off; some were added?

Page 147

1 THE WITNESS: Yes.

2 MR. JAMES: So that's why we haven't

3 seen the margin loan that you've talked about

4 relating to Jay Peak, Inc.?

5 THE WITNESS: No.

6 MR. JAMES: Have you seen that as of

7 yet?

8 THE WITNESS: I have not.

9 MR. JAMES: Okay. Now, Exhibit Number

10 -- what will be marked as Exhibit Number 13, a

11 copy to Mark.

12 (SEC Exhibit No. 13 was

13 marked for

14 identification.)

15 MR. JAMES: And if you just keep going

16 as to Exhibit Number 13.

17 THE WITNESS: Same -- sure. Same, we

18 added some more accounts under this credit

19 agreement, but nothing has changed.

20 MR. JAMES: In your recollection, are

21 any of these credit agreements beyond August

22 25th, 2011 that relates to this particular 0726

23 account?

24 THE WITNESS: I don't recall.

25 MR. JAMES: I think we are on Exhibit

Page 148

1 14, I believe.

2 (SEC Exhibit No. 14 was

3 marked for

4 identification.)

5 MR. JAMES: A copy to Mark and Melissa.

6 THE WITNESS: Okay. So this one is Jay

7 Peak, Inc., account number changed, and then this

8 is the part I was referencing earlier, the backup

9 accounts that were collateralizing it look to be

10 similar. Yeah.

11 MR. JAMES: Okay. So in -- let me just

12 give you some dates. In August 2013, what

13 transpired?

14 THE WITNESS: The best of my

15 recollection, they -- they decided to -- I don't

16 think it's the right word, but they decided to

17 have the margin loan fall up under the

18 corporation, under the parent.

19 MR. JAMES: And do you recall why that

20 was done?

21 THE WITNESS: No.

22 MR. JAMES: And that was at the request

23 of Quiros, or was that a Raymond James decision?

24 THE WITNESS: It was most likely at the

25 request of him, of Mr. Quiros.

Page 149

1 MR. JAMES: But you can't recall why?

2 THE WITNESS: No, I don't -- offhand, I

3 have no idea. I don't remember why.

4 MR. JAMES: And, ultimately, Exhibit

5 14, is this the margin loan that was paid off by

6 the Jay Peak Biomedical, Q Resorts and personal

7 accounts that you testified to about earlier?

8 THE WITNESS: I believe so.

9 MR. JAMES: So beyond this, are there

10 any other margin loans?

11 THE WITNESS: No.

12 MR. JAMES: Okay.

13 And by this one being paid off, this

14 meaning Exhibit Number 14, did that also, I

15 guess, distinguish what we've gone through so

16 far, Exhibit 7 through 13?

17 THE WITNESS: I'm sorry. Say that

18 again.

19 MR. JAMES: By Mr. -- by the margin

20 loan that's reflected in Exhibit 14, when that

21 got paid off by the Jay Peak Biomedical account,

22 did that also satisfy the credit agreements that

23 are reflected in Exhibit 7 through Exhibit 13, or

24 were those already satisfied once it was

25 transferred to this new margin held by Jay Peak,

1 Inc.?  
 2 THE WITNESS: I would imagine -- I  
 3 would imagine they were satisfied by -- when this  
 4 was moved to Jay Peak, Inc., those were  
 5 satisfied, and this became the new one and only  
 6 agreement.  
 7 MR. JAMES: Okay. At that time?  
 8 THE WITNESS: Yes.  
 9 MR. JAMES: Okay.  
 10 MS. LAMA: Do you recall how it was  
 11 satisfied, the margin loan held in Jay Peak Hotel  
 12 Suites, LP?  
 13 THE WITNESS: I don't remember.  
 14 MR. DUMORNAY: Do you know what records  
 15 we need -- we would need to look at to make that  
 16 determination, how those -- the other margin loan  
 17 was satisfied, the one out of the Hotel Suites  
 18 account?  
 19 THE WITNESS: I would assume the  
 20 statements would be my best guess. Everything  
 21 should be in there. It was all reported, you  
 22 know, how it's done.  
 23 MR. DUMORNAY: Did Mr. Quiros ask you  
 24 to transfer the margin loan to the parent  
 25 company?

1 THE WITNESS: We had a conversation  
 2 about it, and he did authorize it.  
 3 MR. DUMORNAY: He talked to you about  
 4 it?  
 5 THE WITNESS: Yes.  
 6 MR. DUMORNAY: When did you have this  
 7 conversation with him?  
 8 THE WITNESS: I don't know. I don't  
 9 remember.  
 10 MR. DUMORNAY: Did he say why he was  
 11 wanting to transfer the margin loan to the parent  
 12 company?  
 13 THE WITNESS: He told me that his  
 14 accountants and attorneys decided that that was a  
 15 better avenue for it.  
 16 MR. JAMES: Let me just mark one more  
 17 that I overlooked, which will be Exhibit Number  
 18 15. I apologize.  
 19 (SEC Exhibit No. 15 was  
 20 marked for  
 21 identification.)  
 22 THE WITNESS: This is also the same in  
 23 2012. This looks like this was prior to Exhibit  
 24 13, but --  
 25 MR. JAMES: Or Exhibit 14.

1 THE WITNESS: I'm sorry, Exhibit 14. I  
 2 was thinking of 2013. Exhibit 14, this looks  
 3 like it was prior to it, so, I guess, at this  
 4 point, it was changed.  
 5 MR. JAMES: Okay.  
 6 And then looking at paragraph four and  
 7 comparing that to Exhibit 14, is that also where  
 8 you talked about where, as an account for a  
 9 project is depleted, you add on --  
 10 THE WITNESS: Yes.  
 11 MR. JAMES: -- a substituting new  
 12 project?  
 13 THE WITNESS: Sorry. Yes.  
 14 MR. JAMES: Okay.  
 15 And looking at Exhibit 14, you may not  
 16 notice, but do you recognize any of those  
 17 accounts in paragraph four to be the Jay Peak  
 18 Biomedical, LP account?  
 19 THE WITNESS: Offhand, no.  
 20 Can I get a quick break? Is it  
 21 possible?  
 22 MR. JAMES: Sure. Yeah.  
 23 All right. We're off the record.  
 24 (Whereupon, at 2:56 p.m., a short  
 25 recess was taken.)

1 MR. JAMES: We're back on the record.  
 2 When we broke, we were talking about  
 3 the margin loans, and, I think, the discussions  
 4 that when one was satisfied and then another one  
 5 was made as to Jay Peak, Inc. I wanted to show  
 6 you what we're about to about to mark as Exhibit  
 7 Number 16, please.  
 8 (SEC Exhibit No. 16 was  
 9 marked for  
 10 identification.)  
 11 MR. JAMES: If you could take a look at  
 12 Exhibit Number 16, and tell me what that is.  
 13 THE WITNESS: It looks like the debit  
 14 account.  
 15 MR. JAMES: For?  
 16 THE WITNESS: Wait a second. Sorry.  
 17 It looks like the original debit  
 18 account.  
 19 MR. JAMES: For which entity?  
 20 THE WITNESS: The Jay Peak Hotel  
 21 Suites, LP.  
 22 MR. JAMES: Okay.  
 23 And do you see an account number  
 24 reflected on there?  
 25 THE WITNESS: I do.

1 MR. JAMES: What account number is  
2 that?  
3 THE WITNESS: 0726.  
4 MR. JAMES: Okay.  
5 And is that the same account number  
6 that's reflected in, say, for example, Exhibit  
7 Number 8 in paragraph three?  
8 THE WITNESS: Yes.  
9 MR. JAMES: Okay.  
10 So, essentially, does that mean that  
11 this debit account reflects the account that held  
12 the margin loan for Jay Peak Hotel Suites back in  
13 the beginning of 2010?  
14 THE WITNESS: Yes.  
15 MR. JAMES: Okay.  
16 If you turn to the third page of  
17 Exhibit Number 16, that's the Raymond James  
18 account, debit account.  
19 THE WITNESS: Yes.  
20 MR. JAMES: If you see where it says,  
21 "Activity Detail," do you see that?  
22 THE WITNESS: Activity detail. I do.  
23 MR. JAMES: Yeah. And if you go down,  
24 there's four transactions listed.  
25 THE WITNESS: Yes.

1 MR. JAMES: Before you get to the first  
2 transaction, it shows a beginning balance, and it  
3 shows a negative twenty-three point three  
4 million, plus.  
5 THE WITNESS: Yes.  
6 MR. JAMES: Okay.  
7 What does that mean?  
8 THE WITNESS: That's the -- that's the  
9 margin loan that he had -- the debit balance that  
10 he had outstanding.  
11 MR. JAMES: Okay.  
12 So as of this statement, this date, the  
13 debit balance outstanding on the margin loan for  
14 this account was -- is twenty-three point three,  
15 plus million dollars?  
16 THE WITNESS: That is correct.  
17 MR. JAMES: Okay.  
18 So if you look at the first  
19 transaction, which is dated February 24th, 2012,  
20 it says, "Deposit," and it's a cash deposit of  
21 twenty-three point four million. Do you see  
22 that?  
23 THE WITNESS: Yes. Yes.  
24 MR. JAMES: And if you continue going,  
25 it says, "Addition Detail." It says, "TRF FR

1 number 4772."  
2 THE WITNESS: Yes.  
3 MR. JAMES: Do you recognize that  
4 account number, by any chance?  
5 THE WITNESS: I'd be guessing. I don't  
6 recognize -- I mean, yes, I recognize the number.  
7 What's -- what's the name on the account, I don't  
8 remember exactly.  
9 MR. JAMES: Okay.  
10 And so you see the amount at  
11 twenty-three point four million?  
12 THE WITNESS: Uh-huh. Yes.  
13 MR. JAMES: What is that transaction?  
14 THE WITNESS: That was him -- if I  
15 remember correctly, that was him paying off that  
16 particular margin loan to reopen it under the Jay  
17 Peak, Inc.  
18 MR. JAMES: Okay. So explain that to  
19 me. So, basically, was he required to pay it off  
20 before it could be moved to Jay Peak, Inc.?  
21 THE WITNESS: Yes.  
22 MR. JAMES: Okay.  
23 All right. So earlier, you had talked  
24 about the nineteen million that was paid off by  
25 the Jay Peak Biomedical, LP account.

1 THE WITNESS: Yes.  
2 MR. JAMES: Okay.  
3 So in addition to that nineteen  
4 million, what we're seeing in Exhibit 16, is that  
5 prior to that twenty-three point four million was  
6 paid off in the margin loan?  
7 THE WITNESS: Yes.  
8 MR. JAMES: Okay.  
9 So combined, we have the twenty-three  
10 point four million, and we have the nineteen,  
11 plus million through Jay Peak, Inc. that was paid  
12 off?  
13 THE WITNESS: Not -- it's not combined.  
14 MR. JAMES: Okay. Tell me why not.  
15 THE WITNESS: This twenty-three million  
16 was then opened up under the Jay Peak, Inc. as a  
17 twenty-three million dollar debit. It's the same  
18 twenty-three million dollars. It's not -- it's  
19 not in addition to it.  
20 The nineteen million that was  
21 eventually paid off was a -- he had paid some  
22 money towards that later, and that's why the  
23 number was nineteen million. It's not in  
24 addition. It is the same twenty-four million  
25 dollars.

1 MR. JAMES: Okay.  
 2 So just for my edification. So you  
 3 have the twenty-three point four million dollar  
 4 pay off of the margin loan, that's reflected in  
 5 Exhibit 16?  
 6 THE WITNESS: Correct.  
 7 MR. JAMES: Okay.  
 8 So when you opened up the Jay Peak,  
 9 Inc. margin loan, what's the beginning balance in  
 10 that account?  
 11 THE WITNESS: I'd have to look. It  
 12 would probably be somewhere around this same  
 13 number. Probably very similar.  
 14 MR. JAMES: So it would start off as a  
 15 positive?  
 16 THE WITNESS: No. It would start off  
 17 as a negative.  
 18 MR. JAMES: Okay.  
 19 And it would be negative what amount?  
 20 THE WITNESS: Probably very similar to  
 21 this. I don't know the exact dollar amount, but  
 22 it would be close to this.  
 23 MR. JAMES: Okay. So you're saying it  
 24 was more of a transfer than a payoff?  
 25 THE WITNESS: Correct.

1 MR. DUMORNAY: I'm not following that  
 2 at all, because if cash was used to pay off this  
 3 debit balance, and then there's a debit -- so  
 4 that cash was used to pay off that. Then there's  
 5 a debit balance in another account, right, that  
 6 was opened in the Jay Peak account? There's now  
 7 a debit balance in that second account.  
 8 THE WITNESS: So --  
 9 MR. DUMORNAY: And then recently, that  
 10 account was paid off, the nineteen million. Isn't  
 11 that two separate transactions? I really don't  
 12 understand.  
 13 THE WITNESS: No. I understand.  
 14 There was a debit balance initially of  
 15 twenty-three million dollars, plus. I'll just  
 16 use twenty-three because I don't know the dollar  
 17 amount. Twenty-three million dollars that was in  
 18 this partnership account.  
 19 When they moved it, we couldn't just  
 20 change the name on the account. You can't just  
 21 -- we couldn't do that. We had to, in essence --  
 22 and it was -- it was just the way it was designed  
 23 -- to pay off.  
 24 So in another account, he took the  
 25 debit balance -- he took a margin loan in a Jay

1 Peak, Inc. account of twenty-four -- twenty-three  
 2 million, plus, took that -- that margin balance  
 3 there to simultaneously pay off the twenty-three  
 4 million dollars that was here, and, in effect,  
 5 transferred -- in effect, transferred the debit  
 6 balance from the partnership to the corporate  
 7 account. It was a pay off.  
 8 That same dollar amount was just moved  
 9 to the new account, to the Inc. account. It sat  
 10 there until it was eventually paid off at  
 11 nineteen million. It was not another  
 12 twenty-three million. It was a simultaneous  
 13 transfer.  
 14 MR. JAMES: Okay. So just referring  
 15 back to Exhibit 16. So that transfer from  
 16 [REDACTED] 772, are you saying that's from a margin  
 17 account?  
 18 THE WITNESS: Yes. That's from Jay  
 19 Peak, Inc. So there should be a Jay Peak, Inc.  
 20 account that -- well, it's not Jay Peak, Inc.  
 21 I'm not sure -- this is either -- I think this is  
 22 a Q Resorts account. I'd have to check, because  
 23 that was --  
 24 MS. LAMA: We can represent to you that  
 25 that's a Q Resort's account.

1 THE WITNESS: Okay.  
 2 So the parent company, in essence, paid  
 3 this in cash, and simultaneously took out the  
 4 exact same loan under their Jay Peak, Inc.  
 5 account.  
 6 MR. DUMORNAY: Oh, okay. Okay. I see.  
 7 Because it's Q Resorts?  
 8 THE WITNESS: Correct. So the parent  
 9 moved the loan from -- to its subsidiaries just  
 10 like -- just -- in essence, paid it off, and then  
 11 took out the loan from another entity.  
 12 MR. DUMORNAY: Okay.  
 13 Let's say that money wasn't the parent  
 14 company's money. Then it would be paid off  
 15 twice, right?  
 16 THE WITNESS: I'm sorry. Say that  
 17 again.  
 18 MR. DUMORNAY: Let's say the  
 19 twenty-three million dollars that was used to pay  
 20 off --  
 21 THE WITNESS: Correct.  
 22 MR. DUMORNAY: -- this margin loan,  
 23 this debit balance --  
 24 THE WITNESS: Correct.  
 25 MR. DUMORNAY: -- let's say that money

1 came from investors, was investor money. In  
 2 fact, it was not the parent's money.  
 3 THE WITNESS: Was it, is that what  
 4 you're asking me?  
 5 MR. DUMORNAY: I'm asking --  
 6 THE WITNESS: Oh.  
 7 MR. DUMORNAY: -- trying to understand  
 8 the transaction. I don't know if it was or not.  
 9 I'm just trying to understand.  
 10 THE WITNESS: I don't recall.  
 11 MR. DUMORNAY: Okay.  
 12 THE WITNESS: I'd have to look at it.  
 13 MR. DUMORNAY: But would that make a --  
 14 I mean, would that make a difference if it wasn't  
 15 Q Resorts, the parent -- do you see what I'm  
 16 asking?  
 17 THE WITNESS: Yeah. I would --  
 18 MR. DUMORNAY: Maybe I'm confusing  
 19 myself.  
 20 THE WITNESS: No. The way it worked  
 21 wasn't -- it wasn't really to change sort of  
 22 funding. There was no funding change. It really  
 23 was to just, basically, have the debit be a -- a  
 24 debit of the parent company. That was the only  
 25 objective here. It was not to change financially

1 the dollar amount or the structure of it. It was  
 2 simply to move it from the partnerships to the  
 3 corporation. That was -- so it was simultaneously  
 4 the same dollar amount. It was not to add or  
 5 diminish any sort of dollar amount or change  
 6 anything in the structure.  
 7 MR. DUMORNAY: Okay.  
 8 I have to -- can we go off the record?  
 9 I have some questions I want to ask about this.  
 10 So go off the record.  
 11 (Whereupon, at 3:26 p.m., a short  
 12 recess was taken.)  
 13 (Ms. Lama, Mr. Dumornay and Ms. Masica  
 14 are not present in the room.)  
 15 MR. JAMES: We're back on the record.  
 16 Just to confirm, we did not have any substantive  
 17 discussions during our last break?  
 18 THE WITNESS: No.  
 19 MR. JAMES: Okay.  
 20 You had testified earlier about the  
 21 margin loan and the ten percent holdback, if you  
 22 will, and the ability to borrow against that up  
 23 to ninety percent of whatever assets are in the  
 24 account. Can you explain to me again just to be  
 25 a little bit more specific, I'm trying to

1 understand what amount, basically, has to be  
 2 retained in the account during the life of the  
 3 margin loan.  
 4 THE WITNESS: So if he had thirty -- as  
 5 an example, if he had thirty million dollars, he  
 6 could borrow twenty-seven million dollars from  
 7 there. Three million of that -- the difference  
 8 being three million dollars, he would need to  
 9 keep in the account as equity, and he could  
 10 borrow ninety percent of whatever the value is.  
 11 So he could borrow ninety percent of thirty  
 12 million dollars being twenty-seven million  
 13 dollars.  
 14 MR. JAMES: Okay.  
 15 So what happens if there's a margin  
 16 call at some point --  
 17 THE WITNESS: He would have to pay that  
 18 back.  
 19 MR. DUMORNAY: -- and there's only ten  
 20 percent in the account?  
 21 THE WITNESS: He would have to pay that  
 22 back.  
 23 MR. JAMES: Through some other source?  
 24 THE WITNESS: However, but, yes. Yeah.  
 25 MR. JAMES: So what's your collateral

1 for that? What if he says, I'm not going to pay  
 2 that ninety percent, what's your collateral?  
 3 THE WITNESS: That would be whatever  
 4 accounts he's agreed to collateralize.  
 5 MR. JAMES: Okay.  
 6 But if there's only ten percent in  
 7 those accounts?  
 8 THE WITNESS: We had assets. So, in  
 9 essence, we would buy -- that's the Treasury  
 10 bills. We owned thirty million dollars in  
 11 Treasury bills. He's taking out twenty-seven  
 12 million dollars of that thirty million dollars.  
 13 We would be able to liquidate that thirty  
 14 million, and we would -- we would be whole.  
 15 MR. JAMES: Okay. So as much as that  
 16 ninety percent is not there in cash, it's there  
 17 in some other --  
 18 THE WITNESS: It's there in Treasury  
 19 bills.  
 20 MR. JAMES: Okay.  
 21 THE WITNESS: It has to be held in  
 22 Treasury bills in order for us to collateralize a  
 23 security. We don't collateralize cash.  
 24 MR. JAMES: Speaking of that, is this  
 25 type of -- and, obviously, we've talked a lot

Page 166

1 about the activity in these accounts, and, you  
2 know, from you what you produced, there's a lot  
3 more activity we haven't even touched. Is this  
4 typical for a Raymond James account, these  
5 constant transfers, daily transfers, large dollar  
6 amounts, small dollar amounts, multiple accounts,  
7 is this a typical, I guess, transaction history  
8 for a Raymond James customer?  
9 THE WITNESS: I would say that the  
10 business is very typical. Treasury bills is very  
11 straightforward, simple. It's considered a  
12 risk-free asset. But it is a very simple, simple  
13 asset management.  
14 The number of transactions is unique.  
15 The size of-- of the account would warrant a lot  
16 of that transactions and the business of what  
17 they're doing. So the transactions were a little  
18 unique to -- again, I can't speak for the entire  
19 firm, but, in general, for us, they would be a  
20 little bit unique.  
21 (Mr. Dumornay enters the room.)  
22 MR. JAMES: I'm going to hand you what  
23 I'm about to have marked as Exhibit Number -- I  
24 wish I remembered -- 17.  
25 (SEC Exhibit No. 17 was

Page 167

1 marked for  
2 identification.)  
3 MR. JAMES: Do you recognize Exhibit  
4 Number 17?  
5 THE WITNESS: No, not that I remember.  
6 MR. JAMES: Okay.  
7 Have you seen Exhibit 17 before now  
8 that you've flipped through it?  
9 THE WITNESS: Not that I recall.  
10 (Mr. Dumornay leaves the room.)  
11 MR. JAMES: Actually, let me -- maybe  
12 it will refresh your recollection. Let me have  
13 this marked as Exhibit Number 18.  
14 (SEC Exhibit No. 18 was  
15 marked for  
16 identification.)  
17 MR. JAMES: I think the court reporter  
18 just handed to you what has been marked as  
19 Exhibit Number 18, which is entitled, "Minutes of  
20 the Special Meeting of the Board of Directors of  
21 Jay Peak, Inc., June 20th, 2008."  
22 Earlier, you had testified about  
23 Minutes regarding the acquisition of Jay Peak by  
24 Q Resorts. Do you recall that testimony?  
25 THE WITNESS: I do.

Page 168

1 MR. JAMES: Now, is Exhibit 18 the  
2 Minutes you were referring to?  
3 THE WITNESS: A little different than I  
4 remember.  
5 MR. JAMES: Take your time. Read  
6 through it.  
7 THE WITNESS: No. I did. It's a  
8 little different than I remember. I feel as  
9 though I've seen some -- I feel as though I've  
10 seen something similar, but I do feel, though,  
11 parts of it are a little different than what I  
12 remember.  
13 MR. JAMES: Any particular parts stands  
14 out as not being what you recall seeing  
15 previously?  
16 THE WITNESS: This voted section, I  
17 don't -- I remember the top part, but I don't  
18 remember this voted section in there.  
19 MR. JAMES: Okay.  
20 But you would agree that this Minutes,  
21 basically, is a reflection of the Board of Jay  
22 Peak, Inc. authorizing this Stock Transfer  
23 Agreement, which I just handed you as Exhibit  
24 Number 17 --  
25 THE WITNESS: That's correct.

Page 169

1 MR. JAMES: -- between Q resorts and  
2 the seller of Jay Peak, Inc.?  
3 THE WITNESS: That's correct.  
4 MR. JAMES: Okay.  
5 In as much as you have not seen those,  
6 your recollection is that you have not seen  
7 Exhibit 17 before, you would agree that this  
8 appears to be the document that governs the sale  
9 of Jay Peak, Inc. to Q Resorts?  
10 THE WITNESS: It appears to be so.  
11 MR. JAMES: Okay.  
12 And do you recall what role, if any,  
13 Raymond James played in the acquisition of Jay  
14 Peak, Inc. by Q Resorts?  
15 THE WITNESS: Sure. We-- we  
16 communicated a little bit with the other parties  
17 about what we were doing, what we were  
18 transferring the money from, but who we were  
19 loaning out the money to -- that we were going to  
20 be loaning money to Mr. Quiros.  
21 MR. JAMES: Okay.  
22 Did you recall any discussions, whether  
23 verbally or in written form, with attorneys for  
24 the sellers regarding how the monies in the LP-1,  
25 LP-2 account could or could not be used?

Page 170

1 THE WITNESS: They -- they wrote a  
2 letter that -- about their opinion of it.  
3 MR. JAMES: Okay.  
4 THE WITNESS: Mr. Quiros disagreed with  
5 that opinion. Mr. Quiros was our client. We  
6 were specific with them that we would do what the  
7 authorized parties requested.  
8 MR. JAMES: Okay.  
9 And what was that opinion?  
10 THE WITNESS: Whatever the authorized  
11 parties had asked us to do from a corporate  
12 standpoint, we would follow our policies and  
13 procedures with a corporation, how they were  
14 handled.  
15 MR. JAMES: Do you recall specifically  
16 the attorneys for the seller, basically, stating  
17 that the monies, which were the investor monies,  
18 that were in the LP-1 and LP-2 accounts of  
19 Raymond James could not be used as collateral or  
20 for margin loans? Do you recall those  
21 discussions?  
22 THE WITNESS: I do. I do.  
23 MR. JAMES: Okay.  
24 And what was your response at that  
25 time, if you recall?

Page 171

1 THE WITNESS: To that?  
2 MR. JAMES: Yes.  
3 THE WITNESS: I don't remember what the  
4 -- what the response was. We were very clear  
5 that it is not our place to make that decision.  
6 That's between him and the seller. And if I  
7 remember correctly, we didn't inform them they  
8 need to speak with Mr. Quiros about any of their  
9 opinions on this. It's not our -- it was not our  
10 position to make a judgment call.  
11 MR. JAMES: Okay.  
12 But you do recall -- and I can pull one  
13 of the letters in a second -- but you do recall  
14 them saying that this is investor funds --  
15 THE WITNESS: Yes.  
16 MR. JAMES: -- and, therefore, it could  
17 not be restricted, it couldn't be collateral, it  
18 couldn't be --  
19 THE WITNESS: Yes.  
20 MR. JAMES: -- from the margin loan?  
21 You do recall that?  
22 THE WITNESS: Yes, I do recall that.  
23 MR. JAMES: And, at that point in time,  
24 they were still the holders of these accounts?  
25 THE WITNESS: They were holders of

Page 172

1 their own accounts.  
2 MR. JAMES: When you say their own  
3 accounts, what does that mean?  
4 THE WITNESS: MMSI had -- had their own  
5 Jay Peak 1 and Jay Peak 2 account.  
6 MR. JAMES: At Raymond James?  
7 THE WITNESS: Correct.  
8 MR. JAMES: Okay.  
9 THE WITNESS: They did not have margin  
10 on their account. They made a decision they did  
11 not want to.  
12 MR. JAMES: Okay.  
13 THE WITNESS: As soon as their money  
14 was transferred to Mr. Quiros, his opinion was  
15 different. And he made that decision, that it  
16 was his corporation. He could do what he wanted  
17 to. And we said that we would follow the  
18 instructions of the authorized party.  
19 As soon as they gave up ownership --  
20 per their request, the MMSI accounts never had  
21 margin on them. Per Mr. Quiros's request, per  
22 his attorneys, that's what he told will me, per  
23 his attorneys, he was fine to do it. As far as  
24 our corporate policy works, a corporation can  
25 margin their corporate assets, and that's how we

Page 173

1 viewed it.  
2 MR. JAMES: Okay.  
3 But just from a timing standpoint, if  
4 the margin loans that were issued on the LP-1 and  
5 LP-2 accounts that continued as to funds, if that  
6 margin loan is used to purchase Jay Peak, how  
7 could it be Quiros's account at that point in  
8 time? Wouldn't the margin loans need to be  
9 issued before we could actually get the funds to  
10 actually acquire Jay Peak?  
11 THE WITNESS: MMSI agreed to transfer  
12 the funds simultaneously. The funds were there  
13 first. They agreed to transfer the funds to Mr.  
14 Quiros first, and we gave them the loan  
15 afterwards.  
16 MR. JAMES: Okay. So you knew at the  
17 time -- you meaning yourself and Raymond James,  
18 you knew at the time that that was how the  
19 transaction was going to unfold --  
20 THE WITNESS: Yes.  
21 MR. JAMES: -- that you're going to  
22 issue a margin, I guess, simultaneously as the  
23 transaction's occurring?  
24 THE WITNESS: Yes.  
25 MR. JAMES: Was that disclosed to the

1 seller, that that was their intention?  
 2 THE WITNESS: It was not, because it's  
 3 privacy. We didn't discuss what MMSI did. We  
 4 didn't discuss what Jay Peak did. We did what  
 5 MMSI wanted when the money was theirs. We did  
 6 what Mr. Quiros wanted when the money was his.  
 7 MR. JAMES: Okay.  
 8 So although you have a conversation  
 9 with the seller saying that it will not be used  
 10 in this manner, at that time, you knew that it  
 11 would be used in that manner once it was  
 12 transferred to Q Resorts?  
 13 THE WITNESS: If I recall -- sorry.  
 14 MR. JAMES: Go ahead, sir.  
 15 THE WITNESS: If I recall, we said they  
 16 -- they needed to discuss that with Mr. Quiros.  
 17 It was not our place to -- to make an opinion.  
 18 But that's what I -- that's what I remember.  
 19 BY MS. SINDLER:  
 20 **Q Did you have any verbal conversations,**  
 21 **or was it all via letter or Email?**  
 22 A There were some verbal conversations.  
 23 **Q And who did you speak with?**  
 24 A There was times when they wanted to  
 25 confirm the money where it was going, addresses.

1 There could've been three or four people on the  
 2 phone at the time. I don't remember.  
 3 MR. JAMES: And so what else, if  
 4 anything else, did Raymond James do in connection  
 5 with the acquisition by Q Resorts? Obviously, it  
 6 was lender in the transaction. Did you do  
 7 anything else, any other responsibilities?  
 8 THE WITNESS: Not that I remember, no.  
 9 We strictly stayed as the lender and asset  
 10 manager.  
 11 (Mr. Dumornay, Ms. Lama and Ms. Masica  
 12 enters the room.)  
 13 MR. JAMES: Actually, while that's  
 14 being marked, I'm going to ask you one other  
 15 question. When you talk about using the Treasury  
 16 bills --  
 17 THE WITNESS: Yes.  
 18 MR. JAMES: -- was that the process  
 19 with all of the accounts, the money would come in  
 20 from People's Bank, investor funds, and  
 21 immediately you would acquire Treasury bills with  
 22 ninety percent of that money?  
 23 THE WITNESS: I -- I would -- I would  
 24 buy Treasury bills with the -- with the money.  
 25 MR. JAMES: Okay.

1 And then you would hold them, you said  
 2 for --  
 3 THE WITNESS: Nothing was longer than a  
 4 year. So they were monthly Treasury bills.  
 5 Stayed within -- depends on how much funds were  
 6 in the account. It could've been seven, eight  
 7 months out. But three or four million for that  
 8 month, three or four million for the next month.  
 9 In essence, it was designed to liquidate to pay  
 10 three or four million a month out to the account.  
 11 MR. JAMES: Okay.  
 12 So was there any point in time where a  
 13 particular account did not have that ninety  
 14 percent, whether in cash or in T-bills?  
 15 THE WITNESS: Not that I remember. We  
 16 had it -- we -- he always had enough funds to  
 17 cover the margin.  
 18 MR. JAMES: Okay.  
 19 Whether it was in cash or in Treasury  
 20 bills?  
 21 THE WITNESS: It should've been in  
 22 Treasury bills. I -- we can only collateralize  
 23 the Treasury bills.  
 24 MR. JAMES: Okay.  
 25 And do you know whether or not there's

1 an ability to -- with regard to these Treasury  
 2 bills, whether or not that was consistent with  
 3 the purposes in which the investor funds were to  
 4 be used for?  
 5 THE WITNESS: It seemed like, as an  
 6 investment advisor, that money that would need to  
 7 be short-term used should be in probably the  
 8 safest security. And, again, for the collateral  
 9 purposes, T-bills made the most amount of sense.  
 10 It avoided the margin calls, and it seemed like  
 11 the right product.  
 12 MR. JAMES: Okay.  
 13 And the interest on the T-bills, would  
 14 that become investor revenue, or does that go to  
 15 Mr. Quiros or Q Resorts?  
 16 THE WITNESS: It -- it stayed in the  
 17 account, accumulated in the account, and how they  
 18 used it afterwards -- it -- Treasury bills have  
 19 done nothing since 2000 -- since late 2008. The  
 20 money was de minimis, to be honest with you. So  
 21 it maybe worked out to be thirty, forty, fifty  
 22 grand out of a seventy million dollar account.  
 23 What they chose to do with it at the end could  
 24 have been -- I'm not sure.  
 25 MR. JAMES: And the interest on the --

1 that accrued on the margin loans, was that also  
2 the responsibility of the account holder, in one  
3 instance the limited partners, or was that some  
4 notes paid by Q Resorts separately?

5 THE WITNESS: The interest was  
6 accumulated into the account, so whatever  
7 interest there was charged that month would then  
8 be added to the debit balance.

9 MR. JAMES: Okay. And, ultimately,  
10 paid by the monies that are in that account?

11 THE WITNESS: Yes. In this case, it  
12 was, ultimately, paid by the Jay Peak Biomedical  
13 account.

14 MR. JAMES: Okay.  
15 (SEC Exhibit No. 19 was  
16 marked for  
17 identification.)

18 BY MS. SINDLER:

19 **Q The court reporter has just marked as**  
20 **Exhibit Number 19 a copy of a Q Resorts account**  
21 **statement for February of 2012. It begins with**  
22 **Bates 001196.**

23 **Do you recognize this document?**

24 A I do.

25 MS. LAMA: If we could also point you

1 THE WITNESS: Yes.

2 MS. LAMA: Okay.

3 Can you tell us what you're recalling?

4 THE WITNESS: It looks like he  
5 transferred money into the account from -- it  
6 looks like a 1581 and a 3066. Again, I don't  
7 know those numbers offhand. But brought that  
8 into this account, to the Q Resorts, the parent  
9 company account, and then wired that -- sorry,  
10 transferred that to the Jay Peak Hotels Suites  
11 again.

12 MS. LAMA: Okay. Sorry. Could you  
13 repeat that.

14 THE WITNESS: It looks like on February  
15 24th, there were two transfers from a 1581  
16 account and from a 3066 account. I don't know  
17 the numbers. I don't know what those numbers  
18 correspond -- what the name on those accounts  
19 correspond to. But it looks like that was rolled  
20 into the account, and then he paid off the margin  
21 loan in the Jay Peak Hotel Suites, LP with those  
22 assets.

23 MS. LAMA: Okay.

24 And so does that -- how does that  
25 comport with what you explained before about the

1 to at the same time Exhibit Number 16, which we  
2 were looking at shortly before, which was the  
3 February 2012 account statement for Jay Peak  
4 Hotel Suites, LP --

5 THE WITNESS: Yes. Yes.

6 MS. LAMA: -- ending in -- the account  
7 number ending in 0726.

8 THE WITNESS: Yes.

9 MS. LAMA: And before, we were looking  
10 at in Exhibit 16 the payoff of the debit balance  
11 in that account. That was on Bates 2748. And  
12 there was a twenty-three point four million  
13 deposit into that account transferred from  
14 account number [REDACTED] 4772.

15 THE WITNESS: Oh, yes. Yes.

16 MS. LAMA: Okay.

17 So if we look at Exhibit Number 19,  
18 which is the Q Resorts account statement for  
19 February 2012, and we flip to the last page, we  
20 see a transfer out from Q Resorts account in the  
21 same amount, twenty-three million, four hundred  
22 nineteen thousand, four hundred and ninety-five  
23 dollars. Does this help refresh your memory as  
24 to the sequence concerning the payoff of this  
25 margin loan?

1 debit balance being transferred over to Jay Peak,  
2 Inc.?

3 THE WITNESS: It -- it appears as  
4 though he used funds from -- again, where I'm not  
5 sure, but we can look at that -- used funds,  
6 brought it into the parent company, and then sent  
7 it to -- to pay off the LP account, and then  
8 opened up the debit under one of these other  
9 accounts. I'd have to see. It'd have to be  
10 under the Jay Peak, Inc. account.

11 MS. LAMA: And how would that work?  
12 What do you mean he opened up the debit under  
13 another account?

14 THE WITNESS: I'd have to see it. This  
15 is -- reminds me. I mean, I can read it. I'm not  
16 sure exactly how. I need to see more.

17 MS. LAMA: Okay.

18 (SEC Exhibit No. 20 was  
19 marked for  
20 identification.)

21 BY MS. SINDLER:

22 **Q We're handing you what's been marked as**  
23 **Exhibit Number 20. You'll see a Raymond James**  
24 **account for Jay Peak, Inc. And the first page**  
25 **you'll see for the month -- it says -- the cover**

1 page says February 28th, 2012.  
 2 A Okay.  
 3 Q And it starts with Bates ending 4686.  
 4 Do you recognize this document?  
 5 A I do. It's a Raymond James statement.  
 6 MS. LAMA: So earlier, you had  
 7 mentioned that if the debit balance was  
 8 transferred from the Jay Peak Hotel Suites, LP  
 9 account to the Jay Peak, Inc. account, then there  
 10 would be a beginning balance with that same  
 11 margin debit amount in the Jay Peak, Inc.  
 12 account.  
 13 Here, we have the opening balance for  
 14 the Jay Peak, Inc. account on Bates 004686 for  
 15 account number [REDACTED] 5859, which is Jay Peak, Inc.  
 16 And can you -- based on looking at this, can you  
 17 help us to understand how that could be the same  
 18 debit balance?  
 19 THE WITNESS: It looks like -- it looks  
 20 like in the -- what exhibit?  
 21 MR. BARRACCA: 18 or 16?  
 22 THE WITNESS: Oh, sorry. I ripped it.  
 23 Exhibit 19, I believe. Yeah.  
 24 It looks like the money that was  
 25 transferred into the Q Resorts account came from

1 a [REDACTED] 3066 account. This Jay Peak, Inc. account  
 2 that had five point seven -- point seven seven --  
 3 five point seven eight, Jay Peak, Inc. sent money  
 4 to whatever this [REDACTED] 3066 account was, and then  
 5 that sent it to Q Resorts.  
 6 MS. LAMA: Okay. Can you point to the  
 7 pages that you're pointing to?  
 8 THE WITNESS: Sure.  
 9 MS. LAMA: Using the Bates numbers that  
 10 are on the bottom.  
 11 THE WITNESS: What's a Bates number?  
 12 MS. SINDLER: See the number on the  
 13 bottom?  
 14 THE WITNESS: Oh, the longer number.  
 15 MS. SINDLER: Yes.  
 16 THE WITNESS: Oh, sorry.  
 17 4686, that's the Jay Peak, Inc.  
 18 On page 4687, there is a transfer of  
 19 five point seven eight million to account number  
 20 [REDACTED] 066.  
 21 On page number 1202, you'll see that  
 22 transfer from that account, so Jay Peak, Inc.  
 23 initiated that transfer to 3066. 3066 sent it to  
 24 Q Resorts. And then Q Resorts, on page 1203,  
 25 sent that to the Jay Peak Hotel Suites, LP debit

1 account.  
 2 MS. LAMA: Okay.  
 3 And do you have an understanding of why  
 4 this transaction was done that way?  
 5 THE WITNESS: I don't remember.  
 6 MR. JAMES: Who's the account holder  
 7 for the account ending -- ended in 3066?  
 8 THE WITNESS: I don't know.  
 9 MR. JAMES: So there's an account in  
 10 between the Jay Peak, Inc. and Q Resorts?  
 11 THE WITNESS: There is, and that's one  
 12 I don't remember what that corresponds to.  
 13 MS. LAMA: Account number [REDACTED] 3066 is  
 14 Jay Peak Hotel Suites Stateside.  
 15 MR. BARRACCA: Would you mind if we go  
 16 off the record?  
 17 MS. SINDLER: Sure.  
 18 We're off the record at seven minutes  
 19 to four.  
 20 (Whereupon, at 3:53 p.m., a short  
 21 recess was taken.)  
 22 MS. SINDLER: We're back on the record  
 23 after a short break.  
 24 BY MS. SINDLER:  
 25 Q During that time, there were no

1 substantive conversation; is that correct?  
 2 A That's correct.  
 3 MS. LAMA: Continuing on with Exhibit  
 4 Number 20, which are the Raymond James account  
 5 statements with Jay Peak, Inc. If we flip to the  
 6 April account statement, and specifically to  
 7 Bates number ending 4697, we see some  
 8 transactions occurring in the month of April  
 9 2012.  
 10 THE WITNESS: I do.  
 11 MS. LAMA: Okay.  
 12 In terms of the first transaction, the  
 13 three point nine six million coming in.  
 14 THE WITNESS: Yes.  
 15 MS. LAMA: And then we see on April  
 16 3rd, 2012 three point nine six million going out  
 17 to Q Resorts.  
 18 THE WITNESS: Yes.  
 19 MS. LAMA: Do you recall the  
 20 circumstances surrounding this transaction?  
 21 THE WITNESS: I don't.  
 22 MS. LAMA: And for the record, account  
 23 [REDACTED] 581, where three point nine six million was  
 24 transferred into the Jay Peak, Inc. account from  
 25 the account ending 1581, that is Jay Peak Lodge

1 and Townhouse, LP.  
 2 So it looks like in this transaction,  
 3 three point nine six million is coming in from  
 4 Jay Peak Lodge and Townhouse, and then being  
 5 transferred out to Q Resorts, which is account  
 6 number ██████████ 4772. Does that help refresh your  
 7 memory about this transfer, or this transaction?  
 8 THE WITNESS: No. But it looks like  
 9 the withdrawal was first and the deposit was  
 10 after.  
 11 MS. LAMA: Oh, yeah. I apologize.  
 12 THE WITNESS: Yeah. No, I don't  
 13 remember.  
 14 MS. LAMA: Okay.  
 15 On April 20th, 2012, there's also an  
 16 eight million dollar withdrawal to Q Resorts. Do  
 17 you recall the nature of that eight million  
 18 dollar transfer?  
 19 THE WITNESS: I do not.  
 20 MR. JAMES: Just while Michelle is  
 21 still flipping, to the question as to where it  
 22 says, "Expenses," the April 30th, 2012, the  
 23 margin loan interest --  
 24 THE WITNESS: Yes, sir.  
 25 MR. JAMES: -- and the seventeen

1 thousand. Do you see that's deducted from the  
 2 amounts that are in this account?  
 3 THE WITNESS: Yes.  
 4 MS. LAMA: And just in general, what's  
 5 your understanding of why money was coming from  
 6 the different partnership LPs and being  
 7 transferred to Q Resorts? What's the basis for  
 8 that?  
 9 THE WITNESS: I don't recall the  
 10 specifics of it. I just -- I don't recall. I  
 11 would have to -- the answer is, you know, we  
 12 probably had a conversation about whether how his  
 13 accountants wanted to do it, and he went through  
 14 the -- the -- went through the process no  
 15 differently than -- than I asked him. But I  
 16 don't remember any specifics about it. I don't  
 17 recall.  
 18 MS. LAMA: Okay. Continuing on to the  
 19 May statement, and specifically the Bates ending  
 20 4701. There's a seven million wire transfer,  
 21 dated May 16th, 2012 to wire to Cole Taft Trust  
 22 account.  
 23 THE WITNESS: Yes.  
 24 MS. LAMA: Are you familiar with this  
 25 transaction, and who is Cole Taft Trust account?

1 THE WITNESS: I don't remember. I'd  
 2 have to look at the Letter of Authorization.  
 3 MR. BARRACCA: Do you recall -- can I  
 4 ask a question, if you don't mind?  
 5 Do you recall if the LOAs contain a  
 6 field or a space to write the reason for the  
 7 transaction?  
 8 THE WITNESS: I do believe he wrote the  
 9 reason for the transaction on the LOAs. We did  
 10 ask him to do that, so it should've been on  
 11 there.  
 12 MR. BARRACCA: Thank you.  
 13 MS. LAMA: Did you routinely see wires  
 14 going out to that account, Cole Taft Trust?  
 15 THE WITNESS: Not that I recall, no.  
 16 MS. LAMA: Do you know if that was a  
 17 vendor?  
 18 THE WITNESS: I don't remember.  
 19 (SEC Exhibit No. 21 was  
 20 marked for  
 21 identification.)  
 22 BY MS. SINDLER:  
 23 **Q Let me show you what's been marked as**  
 24 **Exhibit Number 21. It's a two-page document.**  
 25 **It's Bates ending -- beginning 2045 and 2046.**

1 **The first page appears to be a copy of a letter**  
 2 **dated November 15th, 2012 from Joel Burstein to**  
 3 **Ariel Quiros regarding wire transaction to AnC**  
 4 **Uda Cell Tech.**  
 5 **Do you recognize this document?**  
 6 A I do.  
 7 **Q What is it?**  
 8 A It's a letter to -- to Mr. Quiros.  
 9 **Q And the second page?**  
 10 A It says, authorization asking to wire  
 11 money to AnC Uda Cell Technology, Incorporated.  
 12 **Q Okay.**  
 13 **And what's your understanding for the**  
 14 **reasoning of this Letter of Authorization to**  
 15 **transfer the -- to wire the eight hundred and**  
 16 **nineteen thousand?**  
 17 A My understanding is that there was some  
 18 technology -- Bioheart USA is a Florida -- I'm  
 19 sorry. Bioheart Florida was a Florida-based  
 20 company that, I believe, was in Weston. They  
 21 were doing some type of -- I don't know the  
 22 biotechnical term, but maybe some stem cell  
 23 research where they were regenerating heart  
 24 growth.  
 25 Mr. Quiros told me that Bioheart

1 Florida was the American arm of the patent -- I  
2 guess there was a patent for this type of  
3 technology. And AnC Korea owned the patent for  
4 Asia, and so they were the Asian marketing arm of  
5 the technology. It was my understanding of  
6 Bioheart. AnC Bio was -- was part of that  
7 business.

8 **Q And so what was the purpose of sending  
9 the money? What was it for?**

10 A It was funding for Bioheart Florida.

11 **Q Do you know who would -- do you know  
12 whether Mr. Quiros is an officer, director of  
13 Bioheart Florida?**

14 A No, I don't remember.

15 **Q Do you know if he has any ownership  
16 interest in Bioheart Florida?**

17 A He did own stock in Bioheart Florida --  
18 maybe Bio USA. I'm not sure which one's publicly  
19 traded. I don't know if it was USA or Florida,  
20 but does -- he does own shares of Bioheart.

21 **Q Okay.**

22 **And do you know why money would be  
23 going from Q Resorts to Korea when it's -- the  
24 funding's on behalf of Bioheart Florida?**

25 A Well, again, my understanding of -- was

1 confirmation to Mr. Quiros.

2 Is there a particular reason why, in  
3 this instance, he sent to you the authorization  
4 that's dated October 12th, and then over a month  
5 later, you send him back this cover page  
6 attaching the authorization?

7 THE WITNESS: Most likely, he asked me  
8 to send him confirmation of it. That's all it  
9 was, was confirmation of an existing wire.

10 MR. JAMES: Any reason for the delay?

11 THE WITNESS: This could've been the  
12 time he asked me. I don't recall, but just when  
13 he was asking me for it.

14 MR. DUMORNAY: You know he asked you  
15 for sure for this one?

16 THE WITNESS: I wouldn't have sent it  
17 any other way. He would've had to have asked me  
18 for that.

19 MR. DUMORNAY: What -- and the company  
20 that's listed here on this Exhibit is AnC Uda  
21 Cell Tech, Inc. What is that company?

22 THE WITNESS: I -- I don't know  
23 offhand.

24 (SEC Exhibit No. 22 was  
25 marked for

1 that Bioheart Florida was related to AnC Bio from  
2 a patent and technology perspective. Again, AnC  
3 Bio was part of the Florida project. And so what  
4 relation that is, my understanding was that it  
5 was a Jay -- Biomedical was, when he explained to  
6 me, was also part of the umbrella, the Jay Peak  
7 umbrella. And what specifically it was for, I  
8 don't know.

9 **Q Okay.**

10 **Do you recognize the handwriting on the  
11 second page?**

12 A Yes, I do.

13 **Q Can you identify it for me?**

14 A Sure. The handwriting is Mr. Quiros  
15 signed on the left-hand side. Frank Amigo, who's  
16 our Complex Manager, signed on the right-hand  
17 side.

18 **Q So it references spoke with client. So  
19 did Mr. Amigo speak with Mr. Quiros about this?**

20 A That's correct.

21 MR. JAMES: Let me ask you a question,  
22 please. In reviewing your production, we've seen  
23 a number of LOAs in different versions. Some are  
24 in letters; some are more of a form. But it's not  
25 often that we see a cover letter sending back

1 identification.)

2 BY MS. SINDLER:

3 **Q Let me show you what's been marked as  
4 Exhibit Number 22, a one-page document. It  
5 appears to be a copy of an Email from Joel  
6 Burstein to Ariel Quiros, cc'ing Tracy Brinson  
7 regarding money to AnC Bio Korea, sent December  
8 10th, 2012. Just take a look at this document.**

9 A Yes.

10 **Q Do you recognize it?**

11 A I do.

12 **Q What is it?**

13 A It's an Email to Mr. Quiros.

14 **Q Okay.**

15 **Can you tell me more about it?**

16 A There was some issues with the bank --  
17 I think the bank -- I don't remember the  
18 specifics, but there was some issue with the bank  
19 crediting it properly. At least, you know, he  
20 needed confirmation that it was actually  
21 received. It went to Korea, and there was some  
22 complication from the bank side of it.

23 And so we -- we -- we, being my  
24 assistant, Tracy, at the time, reached out to the  
25 bank to help them understand where the wire was

Page 194

1 coming from and that it was sent or whatever  
 2 information that could've been useful for them  
 3 locating the -- the funds.  
 4 **Q Was there some particular urgency**  
 5 **because of -- with this Uda Cell transaction?**  
 6 A Not that I recall. I mean, the wire  
 7 went out on October. This is, you know, December  
 8 6th, so --  
 9 **Q Do you remember any other transactions**  
 10 **that were sent from Bioheart Florida, LLC?**  
 11 A Not that I recall.  
 12 **Q Do you recall any situation involving a**  
 13 **loan or infusion of cash that was supposed to**  
 14 **come from AnC Bio to Bioheart, the**  
 15 **publicly-traded company?**  
 16 A No.  
 17 **Q Or -- sorry. Not from AnC Bio. From**  
 18 **AnC Bio Korea to Bioheart, not Bioheart Florida,**  
 19 **LLC, but Bioheart the publicly-traded company?**  
 20 A So from AnC Bio Korea to Bioheart?  
 21 **Q Yes.**  
 22 A No, I didn't have an AnC Bio Korea  
 23 account for Bioheart. We just owned the  
 24 publicly-traded shares for him. So I don't know.  
 25 **Q When you say we --**

Page 195

1 A We, being Raymond James had held the  
 2 shares for him. That's all we had.  
 3 **Q So he -- Mr. Quiros had shares of**  
 4 **Bioheart in his trading account; is that --**  
 5 A Yes, he did.  
 6 **Q Okay.**  
 7 **So he never talked with you about**  
 8 **anything regarding AnC Korea and Bioheart?**  
 9 A No.  
 10 MR. JAMES: Mark this one.  
 11 (SEC Exhibit No. 23 was  
 12 marked for  
 13 identification.)  
 14 MR. JAMES: And a copy for --  
 15 You've just been handed what has been  
 16 marked as Exhibit Number 23, which appears to be  
 17 an Email from Janice Naymark to a number of  
 18 individuals, including yourself, Ariel Quiros,  
 19 Frank Burgess, Mark Scribner, Bill Stenger.  
 20 Do you recall receiving this Email?  
 21 THE WITNESS: Yes.  
 22 MR. JAMES: Okay.  
 23 What is being discussed in this Email?  
 24 THE WITNESS: Do you mind if I read it?  
 25 MR. JAMES: Oh, please.

Page 196

1 (Ms. Masica leaves the room.)  
 2 THE WITNESS: Okay.  
 3 MR. JAMES: So let me ask you again.  
 4 So what's being discussed in this Email of June  
 5 18th, 2008?  
 6 THE WITNESS: Well, I believe, there  
 7 was a -- I think there -- I think Janice Naymark  
 8 or Alwynn Gillett sent an Email regarding a list  
 9 of six or seven things that we could not comment  
 10 on one way or the other.  
 11 We wrote an -- a letter back to them  
 12 stating that -- that we just couldn't comment on  
 13 some of these things, and we were responsible to  
 14 the authorized party.  
 15 This was her reply to that Email saying  
 16 that her Email caused some confusion, and she  
 17 apologized for not being clear. She mentioned  
 18 that there are Phase I subscriptions, which would  
 19 be the Jay Peak I account. That there was an  
 20 escrow account. The escrow account was held at  
 21 Chittenden, which was not here. As soon as the  
 22 money would be approved through the escrow  
 23 process, which means it would be approved by CIS,  
 24 we would then retain the funds. We were not  
 25 doing any escrow business.

Page 197

1 The second bullet point, she says, is,  
 2 approximately, five point four million left in  
 3 Phase I escrow account, pending visa approval.  
 4 Again, that's where it's escrowed while CIS goes  
 5 through the process.  
 6 And, again, this is all my  
 7 understanding. We didn't do it, so this is how I  
 8 understood it.  
 9 They said Phase I was oversubscribed.  
 10 In case some of the visas weren't approved, I  
 11 guess, this was -- my assumption is that since it  
 12 was brand new at the time, they accommodated for  
 13 people being -- not -- not being approved by CIS.  
 14 But -- so those -- those people have been  
 15 oversubscribed left their money at Chittenden.  
 16 When they created Phase II, I suppose  
 17 they were given the option to move into the Phase  
 18 II project. It says it should happen shortly.  
 19 And she suggested speaking to Mark  
 20 Scribner and Bill Stenger, I guess, to clarify  
 21 the CIS processing in the escrow accounts and  
 22 what was being done in Chittenden.  
 23 MR. JAMES: So that seven point six  
 24 million that's referenced in paragraph three --  
 25 THE WITNESS: Yes.

1 MR. JAMES: -- it's an oversubscription  
2 amount, was that money transferred to Raymond  
3 James LP-2 account?

4 THE WITNESS: The way we did this  
5 process was that it had to have gone through  
6 escrow and cleared CIS. So our agreement was to  
7 only take money that had already cleared. We were  
8 not getting into the escrow part of it.

9 My very, very basic understanding of  
10 the process is that there were agreements that  
11 the people had to sign. They had to fill out  
12 their own paperwork and who they were, and do a  
13 background check with CIS.

14 Until CIS says, you're cleared of, I  
15 assume, basically, of being a terrorists, that  
16 you're clear, the money sits in escrow. You have  
17 to escrow the funds saying you're committed to  
18 it. They'll go through the background process, I  
19 assume -- go through the background process.

20 At that point, once they're cleared  
21 from the escrow, from CIS, the money then becomes  
22 corporate assets of which our job was to  
23 prudently manage for that short time frame.

24 MR. JAMES: Okay.

25 I guess I asked a different question.

1 Are you aware or did you have any discussions  
2 with Mr. Quiros or anyone else about monies that  
3 initially were invested for Phase I then being  
4 transferred to Phase II?

5 THE WITNESS: I did not. I did not.

6 MR. JAMES: Did you see that at any  
7 point where the -- through the different  
8 transfers that were authorized?

9 THE WITNESS: I don't recall. But the  
10 process was supposed to be set up where it came  
11 from like account to like account at Chittenden  
12 to Raymond James.

13 MR. JAMES: Okay.

14 What about discussions with anyone at  
15 Jay Peak, whether any of the former CFOs, any  
16 discussions about monies being used for --

17 THE WITNESS: Not that I recall.

18 MR. JAMES: -- one partnership that  
19 were earmarked for another?

20 THE WITNESS: Not that I recall.

21 BY MS. SINDLER:

22 **Q Did you ever have any conversations**  
23 **with Mr. Carpenter or Mr. Dupont from Jay Peak?**

24 A Not that I recall, no.

25 **Q Do you ever recall anyone, a former**

1 **controller or a CFO of Jay Peak trying to obtain**  
2 **copies of statements from any of the Jay Peak**  
3 **accounts?**

4 A Not that I recall.

5 **Q Have you discussed with anyone the fact**  
6 **that you would be coming in to testify today?**

7 A My firm.

8 **Q Other than your firm?**

9 A No. My wife. No.

10 **Q Not Mr. Quiros or --**

11 A No. I was specifically instructed from  
12 Mark to not saying anything, so I did not discuss  
13 this with him at all.

14 **Q Were you contacted by anyone at Jay**  
15 **Peak or their attorneys requesting documents from**  
16 **you?**

17 A No. No.

18 **Q Do you know of anyone else who's been**  
19 **subpocnaed in this matter?**

20 A I have no idea, no.

21 MS. SINDLER: Is there anything that  
22 you'd like to clarify or explain in connection  
23 with anything that we've discussed today?

24 THE WITNESS: No. No.

25 MS. SINDLER: Okay.

1 Counsel, we just want to give you an  
2 opportunity.

3 MR. BARRACCA: No. I think everything  
4 -- the questions you asked were clear, and the  
5 answers were accurate, to the best of my  
6 knowledge. So I don't have anything to clarify.

7 MS. SINDLER: Or anything you wanted to  
8 add or ask?

9 MR. BARRACCA: No.

10 MS. SINDLER: All right. Okay.

11 So at this time, we're going to end the  
12 testimony. In the future, if we need to speak  
13 with you again, we'll be in contact with your  
14 attorney.

15 We appreciate you coming in today.

16 And we're off the record at 4:35.

17 (Whereupon, at 4:35 p.m., the  
18 examination was concluded.)

19 \* \* \* \* \*

1 PROOFREADER'S CERTIFICATE

2

3 In The Matter of: JAY PEAK, INC.

4 Witness: Joel Burstein

5 File Number: FL-03815-A

6 Date: Thursday, March 27, 2014

7 Location: Miami, FL

8

9 This is to certify that I, Maria E.

10 Paulsen, (the undersigned), do hereby swear and  
11 affirm that the attached proceedings before the U.S.  
12 Securities and Exchange Commission were held  
13 according to the record and that this is the  
14 original, complete, true and accurate transcript  
15 that has been compared to the reporting or recording  
16 accomplished at the hearing.

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(Proofreader's Name) (Date)

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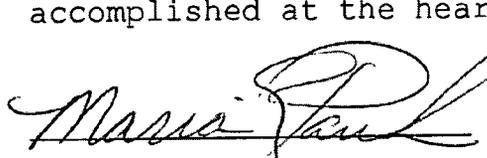
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PROOFREADER'S CERTIFICATE

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In The Matter of: JAY PEAK, INC.  
Witness: Joel Burstein  
File Number: FL-03815-A  
Date: Thursday, March 27, 2014  
Location: Miami, FL

This is to certify that I, Maria E. Paulsen, (the undersigned), do hereby swear and affirm that the attached proceedings before the U.S. Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

 4/2/14  
(Proofreader's Name) (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 203 pages (March 27th, 2014) is a complete, true and accurate transcript of the testimony indicated held on March 27th, 2014 at 10:27 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: March 31st, 2014  
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: M000163