



Bill Stenger
President & CEO

March 15, 2016

Pat Moulton, Secretary
Agency of Commerce and Community Development
1 National Life Drive, Davis Building 6th floor
Montpelier, VT 05620-0501

Susan L. Donegan, Commissioner
State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

Dear Secretary Moulton and Commissioner Donegan,

The ski operations season at Burke Mountain is about to end and it had been about as difficult a season as one could imagine. Late start, sparse snow and early end. Very difficult to contend with and financially very damaging. As such the Burke Mountain operations will be limited this summer to weekend mountain biking, food services and special events such as weddings.

The Q Burke Resort Hotel and Conference Center is completed but on hold until the CO's are released to us from the contractor. These releases are predicated on two things, the authorization of the last Peak CM invoices of which there are *remaining to be authorized and funds owed by the developer* to the contractor that we are currently preparing for payment in the next 30 to 45 days. We expect by the end of April to have finished payment to the contractor.

An additional source of funds that are now required for operations and development of the Q Burke Hotel and Conference Center is the project developer proceeds, preopening marketing and preopening labor.

The offering documents for the QBRHCC outline our responsibilities, obligations and proceeds in detail. Investors expect the hotel to be opened once complete and done in the proper manner with trained staff and a market rollout that is professional and effective. Without the funds prescribed in the offering, this effort will not be possible. These three funding elements are:

Preopening Labor
Preopening Marketing
Developer Proceeds

1 VSA 317(c)(7) financial information

The developer proceeds that have been denied to the developer since July have caused other important work not to occur. Planning, and architecture for the Aquatic Center, Tennis Facility and mountain biking facilities are stalled and needed operational capital was also to come in part from developer proceeds. Our understanding is White & Burke's construction review is complete and Cohn Resnick have reviewed financial materials requested as well. With this finished, authorization of these items should be authorized.

The letter agreement of July 13th was agreed to by the QBH Developers to facilitate the continued construction of the hotel. We did so deferring access to developer proceeds to assure the contractors work could continue. We did so under duress, but agreed so construction could continue. It is now time to authorize the release of Developer proceeds as the need for these funds are urgent and they are appropriately due as part of the Private Placement Memorandum.

We are completing the subscription of many investors for Q Burke at this time to complete the funding of final contractor obligations and the amenities for the hotel. If there are reasons for preopening labor, marketing funds and developer proceeds not to be authorized I'd like to know what those reasons are.

1VSA 317(c)(7) Financial Information

Additionally ANC Bio VT has over _____ of investors' funds in escrow. This was agreed to with DFR but is not a requirement in the offering document. To proceed with construction this spring these investor's funds must be put to work. We can't proceed with the developmental job creation of ANC Bio VT without access to this capital. I believe we have provided Cohn & Resnick the documents needed for the financial review of ANC Bio VT.

The partners of ANC Bio are expecting facilities to open in fall 2017. To do so we must have substantive construction underway by this spring. We have some ANC Bio investors with I-829 submissions due this year. Construction, on site infrastructure and storm water control systems started last summer, and was finished in late fall 2015.

We plan to resume construction in the spring, but need the investor funds in escrow to be put to work this spring. I'm happy to discuss this with you if you have questions. Note the attachment of investor & proceeds in the escrow account.

We also have at this time _____ investors that have requested refunds of their ANC Bio investment as part of their rescission rights, granted them by Commissioner Donegan. The funds for these refunds are in the _____ We must have these funds released in order to refund these _____ investors. They are _____ I have attached the request for refund for these investors.

Pat and Susan, these issues are of great importance at this time and appreciate your help here. If you have questions I'm happy to respond immediately.

I can come to Montpelier or happy to welcome you for a visit here.

Best Personal Regards,



Bill Stenger
General Partner
Q Burke Mountain Resort Hotel and Conference Center LP

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Department of Financial Regulation
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[Banking] 888-568-4547

March 25, 2016

Bill Stenger
Jay Peak Vermont
830 Jay Peak Road
Jay, VT 05859

Dear Mr. Stenger,

Thank you for your letter of March 15, 2016. Although the Department of Financial Regulation was quite clear in its letter of February 16, 2016 that no further distributions from the Q Burke project's escrow account would be approved until you have provided specific information, you have not addressed the problems that the Department identified and have simply demanded further access to investor funds. As stated in the Department's February 16 letter to you:

First, while I appreciate your admission that your prior letter demanded approximately that had already been paid, you do not address how you arrived at this failure As I pointed out, the project sponsors have taken millions of dollars for construction management, and both as construction manager and as a general partner, you have a duty to certify the accuracy of your contractor's bills before paying them. Please explain how you fulfill these duties, and how you made this nearly

dollar error.

I noted also [in a February 12 letter] that the private placement memorandum indicates that the project sponsors are to contribute to the construction of the hotel and conference center, and a further to the utilities and common area infrastructure, and that to date, we have seen no indication of such contributions. You responded by stating "[a]ll developer proceeds were curtailed many months ago" (emphasis added). I do not know what this means. Are you stating that the developer unilaterally decided not to make the contributions promised in the private placement memorandum? Please explain your statement, and provide us with evidence of all contributions to the project that the developer has made to date.

The Department's February 16 letter put you on notice that it would not authorize the release of investor funds from the escrow account until you provided the information needed to address these concerns, stating:

Finally, your letter ignores the limitations on the escrow account, limitations to which you agreed when we agreed to allow you to raise new capital. Legal fees, interest, equipment and other costs are not valid uses of new investor funds. You have known since you began raising new capital in July 2015 that these items were not covered, and that you would have to fund them from other sources (perhaps the developer's



Your March 15 letter to the Department refers to "funds owed by the developer to the contractor that we are currently preparing for payment in the next 30 to 45 days." If this phrase was meant to address the sponsors' obligation to contribute the project, it is woefully inadequate. The Department needs a statement of the amount of developer funds contributed to date, documentation for those contributions, a payment schedule stating the dates and amounts of contributions yet to be made and a statement and documentation showing the use of all contributions. (If your reference to "funds owed by the developer" is unrelated to sponsor contributions, please explain what funds and financial transactions are contemplated.)

In your March 15 letter you propose to spend from the investor escrow account on pre-opening labor and on pre-opening marketing. According to your letter, the offering documents outline these obligations "in detail." The Department reads the offering documents to mean that labor is the responsibility of the hotel management company, not the investors. Please cite the page(s) in the offering documents where investors are told that of their investments will go to pre-opening labor and that of their funds will go to pre-opening marketing.¹

Your March 15 letter also proposes to withdraw from the escrow account for "developer proceeds." Please identify where in the offering documents "developer proceeds" are identified and how the sponsors calculated the they proposed to withdraw. As noted above, the offering documents obligate the sponsors to contribute funds to the project. Rather than addressing the Department's request for documentation of sponsor contributions, you seem to suggest that investor funds can be used to make payments to the sponsors. Please explain, with citation to page numbers in the offering documents, how you arrived at this conclusion and produce records to show that the sponsors made the contributions promised in the offering documents.

As you are aware, the Department has authorized over in payments for this project, including more than in investor funds for the November pay application. We have been told and have read in the news that the general and subcontractors have not yet been paid for November billings. The Department is concerned the sponsors have not met these obligations because they have not yet raised the funds needed to meet them. However, the VT Digger has reported that, when questioned on this specific point, you stated that "escrowed funds for payment was never an issue and all needed funds were in the bank waiting to be authorized for release by DFR." Please produce whatever documents you might have to support this statement or notify the VT Digger that the statement is not accurate.

Finally, you raise the issue of AnC Bio escrowed funds. That project has not passed a financial review, and the Department has many questions remaining about how AnC Bio funds have been spent to date. Until that project passes a financial review, the AnC Bio investor funds cannot be released.

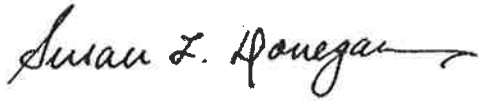
We agree that the AnC Bio investors who have withdrawn from the project are entitled to a refund of their money. However, these investors are not under the amended private placement memorandum and their money is *not* in the escrow account. Escrow funds cannot be used to make refunds. These investors' funds would have been part of the that were transferred to Jay Construction Management, Inc., Ariel Quiros' company. Because JCM has not spent all of that money on the equipment for which it

¹ Returning to the third point from the Department's February 16 letter, we agreed that no amount of new investor money would be used for marketing.

IVSA 317(C)(7)
Financial Information

IVSA 3A(c) (7) Financial Information was allocated, having suspended those payments after approximately the refunds to the AnC Bio investors should be made from the with JCM (according to the AnC Bio "flow of funds summary" you provided to us last year).

Sincerely,



Susan L. Donegan
Commissioner