

## **Summary of Settlement with Citibank**

As you may have seen from the posting on my website or read in the newspaper, I recently entered into a settlement agreement with Citibank. In short, prior to the receivership, Quiros borrowed \$15 million from Citibank. To secure the loan, Quiros caused Jay Construction Management, Inc. ("JCM") and Q Resorts, Inc. ("QRI") to pledge \$17 million to Citibank to secure the loan. I believe that the money contained in JCM's and QRI's bank accounts was wrongfully diverted by Quiros from various partnerships leaving them with insufficient money to pay their bills. I settled the matter on very favorable terms – almost 80% of the money is being returned to the receivership estate – rather than waste time and money litigating and risk not receiving any of the money back. The following is intended to answer some of the questions creditors and investors may have in connection with the settlement. Should you have additional questions, please email them to me through my website at [www.jaypeakreceivership.com](http://www.jaypeakreceivership.com)

### **1. What is the total amount of the settlement and when will the payments be made?**

The total amount of the settlement is \$13.3 million. \$1.8 million of this sum was paid in May; \$700,000 was paid this week; and the balance of \$10.8 million will be paid upon the court approving the agreement and entering the required bar order. In the event the Court does not approve the settlement, the receivership estate will get to keep the \$1.8 million and \$700,000 payments and the parties will be restored to their pre-settlement status.

### **2. What is a bar order?**

A bar order is essentially an injunction entered by the court preventing creditors, investors and other third parties (excluding governmental entities) from suing or otherwise making a claim against Citibank for matters arising out of or otherwise connected with Jay Peak. Thus, if this settlement is approved by the court and a bar order is entered, you will not be able to bring any claims against Citibank related to Jay Peak. Importantly, I do not think any creditor or investor has a direct claim against Citibank in the first place, but rather I believe all claims belong to me as receiver of the receivership entities whose money was pledged to Citibank.

### **3. How will the settlement proceeds be used?**

I will request authorization from the Court to use a portion of the settlement proceeds to do the following: (i) subsidize operations at the Jay Peak Resort and the newly opened Burke Hotel until such time as they can be sold; (ii) pay a portion of the claims owed to contractors who are owed money for work performed in connection with the Burke Hotel; the Stateside project and the AnC Bio project; (iii) pay a portion of the claims of trade vendors who are owed money in connection with goods or services supplied to the Jay Peak Resort and the Burke Hotel; (iv) pay my invoices and my professionals for work done during the course of the receivership; and (v) set aside a contingency reserve for the operations of Jay Peak Resort and the Burke Hotel. The amounts to be apportioned to each of the foregoing categories has not yet been determined and it is clear that I will not have sufficient money to immediately pay all claims in full, but that a significant portion will be paid. All contractors and creditors with allowed claims will be paid past due amounts on a pro-rata basis. Moreover, I will attempt to further satisfy contractor and creditor claims as additional money is received from future settlements and/or from the proceeds of the sale of the property.

#### **4. Will investors receive any of these proceeds?**

Investors will be the primary beneficiaries of the settlement proceeds. More specifically, the proceeds will be used to keep the Jay Peak Resort and the Burke Hotel fully operational. This directly benefits investors in Phases I thru VI and Phase VIII because if the Jay Peak Resort or the Burke Hotel go "dark," the potential value of these properties will be significantly reduced. Moreover, contractors and trade vendors have a higher priority of payment than investors. Therefore, satisfying some of the contractors' and vendors' claims now directly reduces the amount of funds owed to these people later. Thus, when the properties are sold, more of the sales proceeds will be distributed to investors because the contractors and trade vendors will be owed less. This also applies to investors in Phase VII (AnC Bio) because there are contractor claims against the partnership for work that was done but not yet paid for. Finally, numerous investors have not yet received their unconditional green card and making a distribution at this time may create significant problems with USCIS affecting the investors ability to meet the requirements of the federal EB-5 laws.

#### **5. Why should creditors support this settlement?**

As stated, subject to the court's approval, contractors and trade vendors will receive a portion of these settlement proceeds. Investors will benefit because the chances of the Jay Peak Resort or Burke Hotel shutting down for lack of liquidity is significantly diminished. Moreover, the funds are being used to satisfy partnership debts that take priority over investor distributions. Simply put, this is a very beneficial settlement for the receivership estate as it is recovering money that Quiros wrongfully diverted and used for his personal benefit to the detriment of contractors, trade vendors and investors. I firmly believe that all creditors should support this settlement.

#### **6. Will the Investors eventually have the ability to file claims with the Receiver for what they believe they are owed?**

Yes, later in this case, I will set up a formal claims process whereby all investors will be able to file a claim. Importantly, as most of you are aware, there are numerous pending lawsuits being prosecuted against Raymond James and others simultaneously with the administration of the receivership. The claims process will need to be coordinated with these lawsuits in order to achieve equality of distribution among investors and the highest possible recovery for investors. Thus, it is simply too early to set up a formal claims process at this point and I must wait until the pending lawsuits progress further.

Once again, should you have additional questions, please email them to me through my website and I will add them to this memo.