Welcome to America!

By Susan Berfield
Photographs by
Andrew Moore

Here's How You

Foreign investors were promised green cards if they put $500,000 into Vermont's poorest region. Where did their money go?

ur Investment Is Doing

Pedro Brito, a manager at a waste-disposal business in Caracas, was riding his motorcycle home from work in November 2014 when six men on three motorbikes surrounded him. One pressed a gun to his stomach and threatened to kill him if he looked up. They wanted his motorcycle. Brito got off the bike and ran. Later, after reporting the theft to police, he received a threatening phone call. A month after that, his home was robbed. Then his 19-year-old daughter and her boyfriend were carjacked. Brito and his wife decided it was time for the family to leave Venezuela.

Some friends recommended that he consult an immigration attorney in Fort Lauderdale, who put him in touch with two men offering an intriguing opportunity for people eager to live in the U.S. and willing to pay for a legitimate chance. One was Bill Stenger, the chief executive of Jay Peak Resort, a family destination perched on a mountain in Vermont's Northeast Kingdom region. The other was Ariel Quiros, the Miami businessman who owned the property. A decade earlier, Jay Peak had consisted only of a ski area and a roach-ridden lodge. Now it had three hotels, six restaurants, some 200 cottages, an indoor water park, an ice rink, a spa, and a convention center, all tended to by 600 employees. The $280 million transformation had been made possible by a U.S. government program known as EB-5, which allows prospective immigrants to invest $500,000 in hard-up areas in exchange for temporary residency for themselves and their families. Anyone whose investment creates 10 jobs can then become a permanent resident. The only faster way to become an American is to marry one.

The EB-5 program has opened up all sorts of possibilities since it was started in 1990—mischief, abuse, and fraud among them. Initially it required investors to put in $1 million and show direct evidence that the money had led to those 10 new jobs. But after two years, Congress modified the program to encourage investment in rural and underdeveloped areas, permitting prospective immigrants to invest less money in projects and count "indirect" jobs estimated by economic models.

These projects get sponsored by federally approved regional centers, which serve as economic-development organizations drawing on EB-5 money. There are now 861 such centers, all of which—except for Vermont's—are privately run. They work with hundreds of brokers, who raise funds for projects such as wind farms and military-base redevelopments while collecting fees for themselves. These initiatives don't always create the required jobs, return investors' capital, or help distressed communities. Developers have found ways, for example, of using funding intended for rural areas to build in well-off neighborhoods.

About 10,000 EB-5 visas are available each year; in 2014, 85 percent went to immigrants from China. For many, the investments represent a fraction of their fortunes. Others must cash in most of what they own.

At the time Brito was looking to immigrate, Stenger was promoting a new initiative, a biotechnology center in Newport, a city of 4,500 people about 20 miles east of Jay Peak. The project, which involved a partnership with a South Korean company called AnC Bio, was even more ambitious than the resort expansion had been. Stenger and Quiros said it would spark a $600 million revitalization of Newport, which hadn't seen prosperity since its heyday as a logging town at the turn of the 20th century.

Brito was aware that the EB-5 program could be risky, but he believed that Stenger's project was a safe investment. How could a massive biotech complex fail to create the necessary 10 jobs? Because Vermont ran its own regional center, it was regarded as a model for the EB-5 program. Stenger was the program's best-known promoter—the Democratic governor, Peter Shumlin, had called him "the Michelangelo" of EB-5 projects. Jay Peak seemed to be a success, and more important, the state would oversee the biotech initiative. "Stenger said this was their best project ever, and the government was supporting it," Brito said.

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On the advice of his lawyer, he decided to invest. He and his wife sold their home and emptied their retirement accounts to raise the half-million dollars, plus a $50,000 administrative fee. In September 2015 they put their money into the AnC Bio project, joining about 160 investors from around the world. In Miami on tourist visas, they waited for their temporary green cards to be issued.

They'd invested their money without knowing that the Securities and Exchange Commission had been investigating Stenger and Quiros for almost two years, and that the state of Vermont had been doing so for nine months. In April 2016 federal government lawyers seized the resort and halted work on the biotech project, calling it "rampant with fraud." The SEC and Vermont also announced that they were opening civil court proceedings. The tangled financing they'd uncovered left more than half of the 731 foreigners who had placed their money with Stenger and Quiros vulnerable to deportation, and threw $83 million that had been invested in the biotech project into limbo. (Stenger has settled the federal case, without admitting or denying culpability, and is cooperating with the SEC. Quiros has denied the government's allegations.)

The trouble comes as Congress prepares to reauthorize the EB-5 regional center arrangement, which expires on Sept. 30. Vermont Senator Patrick Leahy, a Democrat who once championed Stenger's projects, wants the program fixed or killed. Congress will most likely extend it at least until December. The EB-5 program isn't easy to give up—demand among prospective immigrants is high and, for developers and politicians, the money is practically free. Vermont's budget for economic development is less than $7 million; Quiros and Stenger raised six times that much every year they were in business.

Jay Peak lies four miles from the Canadian border and a slow 230 from Boston. The mountain rises to 3,968 feet, and in the best winters receives 375 inches of snow, more than any other on the East Coast. Seventy-eight ski trails run down and across its 370 acres, along terrain so rugged that only 20 percent of it is suitable for novices. For decades powder chasers stayed at a hotel known mainly for its constant state of disrepair, but they were there for the mountain and at night needed only shelter and beer.

Around 2007 the property's Canadian owners started trying to sell the hotel and ski area, but they didn't get many suitable offers. Skiing seemed to be on the decline, as Baby Boomers aged out and the climate became less predictable. Stenger, who is now 66, had been general manager at Jay Peak since 1984. He had come up with a plan to "weatherproof" the resort by adding a water park and other year-round amenities using EB-5 money, which he'd just begun raising. But before he could break ground, he needed someone to buy the place.

He soon identified Quiros as a possible owner. Quiros, who is 58, had grown up in Harlem and had been visiting northern Vermont since he was a child. He'd served in the U.S. Army in South Korea and guarded Rudolf Hess, the Nazi war criminal,

The Jay Hotel water park was built with $25 million of foreign investors' money

at Berlin's Spandau Prison. Quiros and his South Korean wife had raised their two children in her country, and Quiros had started a wire and copper trading company there. By the mid-2000s he was living in Miami and owned property in Vermont. He seemed like a successful businessman.

To pitch Quiros on Jay Peak, Stenger drew on his many political connections in the state. "The governor … the senator, everybody asked me to acquire Jay Peak," Quiros later recounted to the SEC. "Please Quiros, please Quiros, please Quiros, buy Jay Peak, buy Jay Peak, buy Jay Peak. It was every day, every day."

The Great Recession was already starting to affect Vermont, and Quiros was unsure about acquiring the resort. He expressed doubts that it could attract the EB-5 money Stenger was promising. Stenger explained that he had already raised about $20 million, most of it intended to build a 57-room boutique hotel called the Tram Haus Lodge, and was beginning to attract funds for the second phase, a $75 million project to build a new hotel, the Jay, which would have 120 rooms, a water park, and an ice rink. He told Quiros that Vermont's support for the EB-5 program gave his projects a marketing advantage over others that were competing for immigrants' dollars—it was mentioned in every brochure and at every conference, and every broker emphasized it to potential investors. Stenger also promised Quiros a 20 percent cut of each investment, more than double the typical management fee.

According to the SEC, the fraud began within hours of the $25.7 million purchase of the ski resort

Convinced, Quiros agreed to buy Jay Peak in June 2008 for $25.7 million. According to the SEC, the fraud began within hours of the deal. Instead of paying with his own money, officials allege, Quiros transferred the $20 million in seed money that Stenger had raised to Raymond James, a financial-advisory firm where Quiros's son-in-law was a manager, then had Raymond James put it toward the resort. (He later told SEC lawyers that the accusation was "hellacious false." Both he and Stenger declined to comment for this story.)

Investigators say this quickly became a pattern for the Jay Peak projects. To disguise the initial misuse of the $20 million, Quiros took money meant for the second phase of the expansion, the Jay Hotel, and used it for the first phase, Tram Haus Lodge. He and Stenger then raised $32.5 million for a third project, building penthouse suites atop the Jay Hotel, and put some of it toward the hotel itself. And so on. Quiros was operating a Ponzi scheme of sorts, the SEC alleges, which encompassed seven projects over eight years, and some 100 bank accounts.

"There has been so much co-mingling of the funds via transfers, which has been compounded by the accounting entries, that this has become quite a mess," Jay Peak's then-controller, John Carpenter, wrote in an Aug. 13, 2010, e-mail to Stenger and Douglas Hulme, the owner of an EB-5 consulting firm in Florida that was helping Stenger raise money. Carpenter soon resigned, believing, according to a deposition, that Stenger had failed to address his concerns. He was the second financial executive to leave Jay Peak in three years—an early sign of trouble. (Neither executive could be reached for comment.)

The renovations dragged on longer and cost more than Stenger had promised investors, but by the end of 2011 the water park was open and a slide called La Chute, an almost vertical 65-foot drop with a 360-degree twist, was drawing visitors. Stenger reported that Jay Peak's two new hotels had created 1,850 jobs and that all 185 investors were eligible for permanent residency. Impressed, Leahy invited him to testify in Congress about the benefits of the EB-5 program.

But in February 2012, another warning sign emerged. Hulme wrote a letter to 100 immigration attorneys across the U.S., saying that he "no longer has confidence in the accuracy of representations made by Jay Peak." James Candido, then the director of Vermont's EB-5 regional center, told a local paper that he spent a day at the resort after seeing the letter. "There was absolutely nothing that was out of the ordinary," he said.

Stenger told Vermont officials that he, Quiros, and Hulme were having a simple dispute over strategy, but later depositions revealed the argument to have been tumultuous. In them, Quiros accused Hulme of having tried to steal—or ruin—his company while Stenger stood by. "When this SEC gets over with, I'm going to go over after that man, I promise you," Quiros said of Hulme. "I will kill that man for what he did." (Hulme didn't respond to requests for comment.)

Despite the tensions, Quiros and Stenger pushed forward with a new, more elaborate project drawing on EB-5 money. According to government investigators, Quiros needed funds to keep his scheme going. Stenger, for his part, seemed to be sincerely interested in helping the Northeast Kingdom, which had long been Vermont's poorest region and had its highest jobless rate. In Newport, where he lived, few factories remained; a state prison was among the city's biggest employers.


The abandoned site where Stenger and Quiros promised to create a biotech center

In September 2012, Stenger announced a $600 million plan to create 10,000 jobs by transforming Newport into a biotechnology hub. He was going to do so, he said, by partnering with AnC Bio, a South Korean company that wanted to produce revolutionary technology in rural Vermont. He'd already raised $50 million from EB-5 investors for the project, which would be anchored by a renovated 90,000-square-foot facility just outside Newport, in the hills overlooking Lake Memphremagog. A plant there had once produced high-end skiwear, before being abandoned in 2005. Soon, Stenger said, it would manufacture artificial organs and offer stem-cell therapy, with 50 sterile rooms for research. He would build a hotel and conference center by the lake and a four-story commercial and residential complex downtown. However far-fetched the plan may have sounded, some 500 people attended the press conference, and Vermont's top elected officials stood beside Stenger as he spoke.

By 2014, the final Jay Peak expansion, a group of townhouses, was progressing slowly, and the biotech hub had fallen behind schedule. A local investigative news site, *VT Digger*, was starting to ask questions about the projects, and Michael Gibson, a prominent EB-5 investment adviser, had begun making noise in industry circles about Stenger's lack of transparency. Sometime during this period, if not earlier, the SEC quietly opened an investigation.

"We were doing the happy dance. Finally something good was happening in the Kingdom"

Then, in January, the 35 people who had invested in Tram Haus through the EB-5 program received a letter from Stenger, which said that Quiros had bought them out, and that instead of equity in the hotel they now had an unsecured IOU that Quiros pledged to repay within 10 years. Their immigration status was unaffected, but this wasn't the exit strategy they'd expected. Moreover, though Quiros had made the transaction months earlier, Stenger hadn't informed them—or Vermont regulators—at the time. He called it an oversight.

One of the investors, a British car dealer named Tony Sutton, began reading through the hundreds of financial records from Jay Peak that he'd had to file with his petition for permanent residency. He came across entries showing that investors' money had been used as collateral for loans and that the funds had been swapped among projects. To Sutton, the documents, which had been given to him by mistake, exposed a shell game Quiros had been playing. He laid out the details in a letter to the SEC and Vermont regulators. "It was so clear to us investors that there was something very wrong with the controls," he told me.

Soon the biotech hub came under suspicion, too. In May the Vermont Agency of Commerce and Community Development, which oversaw the EB-5 regional center, assigned a few Korean-speaking interns to research AnC Bio. They discovered that the company had been losing money for years and that its Seoul headquarters had been foreclosed on and auctioned off in 2013. The agency barred Stenger and Quiros from seeking new investors until they had explained the situation and updated their disclosure forms.

It was the first time that regulators had reprimanded Stenger. Partly this was because they had limited resources and no subpoena power, but more to the point, for years the agency had been responsible for both regulating and promoting EB-5 projects, a glaring conflict of interest. Now, with concerns about the program's biggest projects growing, Shumlin, the governor, turned over compliance duties to Vermont's Department of Financial Regulation.

That's when Sutton's letter arrived. The department opened an investigation into Jay Peak and the biotech center, but the state was still hoping that the projects were aboveboard, and partway into the investigation regulators granted Stenger permission to resume fundraising for the biotech center, as long as the funds were held in escrow.

It was hard not to believe in him. Thanks to Jay Peak's expansion, the Northeast Kingdom was leading Vermont in job creation for the first time. "We were doing the happy dance," Patricia Moulton, the former head of the state's commerce and community-development agency, told me. "Finally, something good was happening in the Kingdom, thanks to EB-5. Stenger was the hero."

Over the next 11 months, state investigators joined the trail the SEC was following. Regulators scrutinized 130,000 pages of financial documents and testimony, gradually uncovering the system that they later alleged Quiros had implemented down in Key Biscayne with the help of his (now former) son-in-law at Raymond James. For each $500,000 investment he received from an EB-5 source, officials said, he would convert the sum into Treasury bills, then borrow up to 90 percent of their value. He then used the borrowed money for EB-5 projects and for himself. Over the years, he'd allegedly paid off back taxes; bought two apartments in Manhattan, including a condo at Trump Place; and purchased a second Vermont ski resort, Burke Mountain, which he renamed Q Burke Mountain. He'd also taken out the 20 percent management fee he was due as soon as the money came in, rather than when he'd actually built something—which he sometimes never did. In all, investigators traced more than 100,000 transactions among Quiros's accounts from 2008 to 2015.

"It's a shell game, done purposefully to evade detection by those at Jay Peak and by those investors who were asking questions," Michael Pieciak, who led Vermont's investigation and now heads the Department of Financial Regulation, told me. Because the money was moved so frequently, he said, if the investors' immigration status were to be challenged, they could have a hard time proving that their contribution had created the necessary 10 jobs.

In his depositions, Stenger told government lawyers that he traveled often and had left the finances to Quiros. "I have great faith in him," Stenger said. Across eight years, during which he and Quiros raised some $280 million for Jay Peak, they'd never hired an independent auditor. Nor had anyone in Montpelier insisted they do so. Quiros, for his part, said there was "a beautiful story" to be told and boasted about his purchase, telling investigators, "If you think about what I did and how I did it, you guys are going to say, 'Quiros is a genius.' "

They didn't. Instead, on April 13 of this year, more than a dozen men and women showed up at Jay Peak Resort asking for Stenger. The group included attorneys, forensic accountants from the SEC, and representatives of Leisure Hotels & Resorts, which had been appointed by the government to run Jay Peak. The next day, the SEC and the state attorney general announced civil lawsuits against Quiros and Stenger, claiming they had misused $200 million of the $350 million in EB-5 money they had raised over the years from 731 investors in 74 countries. The agencies also said that Quiros had taken $50 million of that money for himself. On Vermont Public Radio, Senator Leahy said, "I feel terribly betrayed."

One Tuesday in late July, I met with Laura Dolgin, Newport's city manager. As we talked in her office, I saw that she had ripped April 13 from her calendar and pinned it to a wall. We left to take a walk through town. Just outside the municipal building, across from the Newport CiderHouse Bar & Grill and the Memphremagog Arts Collaborative, we arrived at a giant hole in the ground. In anticipation of the biotech hub, developers had demolished a row of buildings to make way for a retail and residential complex called Renaissance Block. The site had been untouched ever since; locals had taken to calling it Little Beirut.

The biotech center outside town, Dolgin said, was also desolate. "We were all wondering what's going on," she said of the period after the announcement. "Stenger said it was the flagship, and if he said it, it must be true. But what was taking so long?"

She was working to find new developers for the empty block, and in the meantime had encouraged artists to decorate the fences. Colorful ribbons were woven into the chain links, fashioning a sunrise over water and a "tree of hope." The material was left over from the skiwear factory. "They made really high-quality clothes, so we know it will last a while," she said wryly. Some residents were arguing that Newport should sue Stenger and Quiros, but the city hadn't spent any taxpayer money; it had all come from the investors. "How would you even articulate what you lost?" Dolgin said she'd asked her constituents.

Stenger was still living in the city, in a lakefront home. As part of his settlement with the SEC, he has been banned for life from having anything to do with the EB-5 program. He'll likely be fined, too, with the amount contingent on his continued cooperation with the agency's investigation of Quiros. For a time, he advised Michael Goldberg, a receiver appointed by a court to oversee the fate of Jay Peak. "Our preliminary forensics don't show that Stenger lined his pockets. His house is mortgaged up to the hilt," said Goldberg. "It doesn't mean that Stenger wasn't reckless and negligent. It doesn't mean he didn't do anything criminal. But we haven't traced any money to him." Stenger remains a defendant in the state case.

Raymond James, the firm that Quiros used to move money around, reached a nearly $6 million settlement with Vermont over allegations that it had failed to comply with state securities law, without admitting or denying wrongdoing. Four and a half million dollars of that money will go toward reimbursing investors. Quiros, publicly silent and surrounded by lawyers, was allowed to mortgage one of his New York City condos in hopes of paying his legal costs with the money. His other assets have been frozen: The SEC argues that he is liable for some $200 million in "ill-gotten gains" and penalties. David Gordon, one of his lawyers, told me, "Mr. Quiros did absolutely nothing wrong, and we are very confident that at the end of the day he will be shown to have done nothing wrong."

Goldberg, who also handled the aftermath of the Bernie Madoff scandal, said he expects to sell Jay Peak by next summer—the SEC has appraised the resort at about $42 million (with $60 million in debt), though he's aiming for a higher price. Meanwhile, he's working with the government to ensure that no one from the EB-5 program loses their green card, and that the last arrivals to the failed AnC Bio project can recoup their money and invest elsewhere. "They'll be devastated otherwise," he said. He had heard from investors unable to provide for their kids, to pay their medical bills, to sleep.

By those measures, Pedro Brito has been faring well enough. He is living in the Miami area with his wife and daughter, able to remain in the country because his wife now has a student visa. When we spoke, he expressed hope that he'd reclaim his $500,000, which was supposed to be held in an escrow account. He'd had enough money left to open an ice cream shop near his house, but he was still upset that so many people had been scammed while no one was watching. "I just want the system to work," he said. Ⓑ

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