



***In re Sanctuary Belize Litigation  
18-cv-3309 (D. Md.) (PJM)***

**Successor Receiver Report of Activities  
for the Period April 1, 2022 to June 30,  
2022**

Submitted: August 4, 2022



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## I. EXECUTIVE SUMMARY

In the second quarter of 2022, Marc-Philip Ferzan of Ankura Consulting Group, LLC (“Ankura”) and the Ankura Receivership Team (the “Ankura Team” or “Receivership Team”) continued to undertake foundational preparatory steps to enable redress plan administration, including anticipated marketing and sales activity, while identifying opportunities to create efficiencies in connection with the ongoing operations and maintenance mandates of the Belize development area properties. The Receivership Team also engaged in a variety of consumer engagement activities to ensure that lot purchasers remained apprised of material receivership developments, including the status of related court proceedings.

With certain challenges associated with the COVID-19 pandemic diminishing, the Receivership Team was able to travel to Belize at the end of April 2022 in order to conduct its first site visits of the Sanctuary Belize and Kanantik development areas. The site visits enabled a more granular assessment of the scope and condition of various receivership assets; further consideration of the marketability of the real estate; deeper evaluation of operations and maintenance resources and priorities; and direct engagement with lot purchasers, property management staff, and government officials in furtherance of carrying out Court-mandated responsibilities to, among other things, conserve, hold, manage, and prevent the loss of receivership assets.

The following sections of this quarterly report provide an overview of receivership activities during the period of April 1, 2022 through June 30, 2022 (the “Reporting Period,” “Quarter” or “Second Quarter”), unless otherwise indicated. As described in greater detail below, notable developments precipitated by Receivership Team efforts over the Quarter included:



- Further reducing full-time employee headcount through the elimination of dedicated positions at Kanantik, and consolidating management of the properties under a single, integrated team, resulting in increased efficiency as well as projected cost savings of more than \$225,000<sup>1</sup> on an annualized basis;
- Addressing a variety of operations and maintenance-related priorities, including storm damage repairs, roadway projects, and the evaluation of potential beach replenishment and marina maintenance projects;
- Taking additional steps to prepare for redress plan administration, including: (i) drafting user-friendly consumer notices, claim applications, and other redress program documents; (ii) further developing a single-source, electronic consumer database; (iii) refining processes, procedures, and workflows to facilitate consumer decision-making across plan redress plan options, as well as the Receivership Team’s review of claims; and (iv) commencing the foundational development steps to create a customized and automated, web-based consumer portal and claims processing platform;
- Continuing preparations for marketing and sales efforts by, among other things, gathering and analyzing historical land records to substantiate chain of title to the properties; and
- Ensuring timely communications with consumers and interested stakeholders through monthly Consumer Committee meetings, Receivership website updates, and other direct engagement.

Notably, during the reporting period, the Federal Trade Commission (“FTC”) and the Receivership Team jointly requested a status conference with the U.S. District Court in Maryland (the “Court” or “District Court”), which was scheduled for July 27, 2022.<sup>2</sup> At the virtual status conference, the Receivership Team had the opportunity to provide the Court with an overview of material receivership activities since being appointed successor Receiver on October 26, 2021, including those relating to ongoing operations and maintenance initiatives, management of related costs, and redress plan preparedness.

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<sup>1</sup> All currency references throughout the report are to U.S. dollars.

<sup>2</sup> The Receivership Team provided consumers advance notice of the status conference by email, and included in the communication public access information enabling those interested in listening to do so through a dial-in number provided by the Court.



At the conclusion of the status conference, upon a motion from the FTC, the Court directed: (i) the implementation of certain initial redress plan activities that are contemplated for completion within the first 150 days of its effective date; and (ii) that the Receiver report back to the Court for further direction upon completion of these initial steps. While, as of the date of this report, a final order of the Court had not yet been entered, the Judge indicated at the status conference that he would authorize the implementation of the initial consumer engagement activities to begin during the third quarter of the 2022 calendar year. These initial activities include providing notice to consumers of the redress plan, conducting consumer information sessions, distributing and collecting claim applications, and conveying whether claim applications have been approved. On August 3, 2022, the defendants filed an opposition to the FTC's motion with the Court, arguing that it should be denied and that no components of the redress plan should be implemented at this time. The Receivership Team will await further direction from the Court, and provide related updates to consumers as they become available.

## **II. BELIZE PROPERTY MANAGEMENT OVERSIGHT ACTIVITIES**

During the week of April 25, 2022, representatives from the Receivership Team conducted site visits of the Sanctuary Belize and Kanantik development areas with the following objectives: (i) evaluating property attributes (including, among other things, existing infrastructure, geographic highlights, and available natural resources);<sup>3</sup> (ii) assessing local real estate conditions; (iii) inspecting receivership assets (including buildings, dwellings, amenities, airstrips, open land areas, vehicles, equipment, and materials); (iv) considering operations and maintenance priorities

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<sup>3</sup> The Receivership Team's site visits included a tour of teak and mahogany tree farms located within the Plenty Tract area, where there are a number of acres of relatively young trees that were planted within the last several years. As these trees reach maturity over the course of the next 20 to 30 years, they have the potential to be of significant value.



(including staffing and security); and (v) meeting with residents, operations management and support staff, local government representatives, and real estate professionals.

By virtue of the site visits, the Receivership Team gained invaluable perspective on, among other things, the scope and condition of the receivership assets, the marketability of the real estate, current operations, maintenance and security needs, and key issues impacting lot purchasers. The following subsections summarize property management oversight activities over the Quarter, which were informed, in large part, by the Receivership Team's site visits.

#### **A. Operations and Maintenance Expense Management**

As described in the Successor Receiver Report of Activities for the Period January 1, 2022 to March 31, 2022 submitted on May 2, 2022 (the "Q1 2022 Report"), when Robb Evans & Associates LLC ("REA") assumed the role of Temporary Receiver in November 2018, there were fewer than \$800,000 in receivership-controlled bank accounts to sustain the operations and maintenance of the Belize real estate assets, despite available records reflecting that \$120 million had been solicited from lot purchasers during the multi-year period of the alleged fraud scheme giving rise to the FTC's complaint and the subsequent judgments entered by the Court. Despite the receivership entities having generated very little income for the estate since November 2018, the operations and maintenance costs associated with the properties have been significant -- historically averaging within the range of approximately \$200,000 per month. The resources to fund the operations and maintenance of the properties have almost exclusively been derived from recoveries associated with FTC litigation and receivership estate asset monetization activities.

In light of the significant carrying costs of the real estate and ongoing maintenance demands, the Receivership Team has continued efforts to realize operational efficiencies while maintaining the condition of the properties in accord with its responsibilities under the governing



Court orders. Following the April site visits -- and an initial round of staffing reduction in the first quarter of 2022<sup>4</sup> -- the Receivership Team took the additional step of consolidating management of the properties under the Sanctuary Belize organizational team and terminating all 16 Kanantik staff members in June 2022. These staffing changes, combined with those made in the first quarter of the year, have resulted in the reduction of full-time employee headcount by a total of 30 employees -- a 20% staff reduction -- since the Ankura Team's appointment as successor receiver, translating into projected cost savings of more than \$225,000 on an annualized basis.<sup>5</sup>

In addition to realizing cost savings, the elimination of the Kanantik staff has resulted in a single integrated management team with comprehensive oversight of both properties, which is anticipated to ensure coordinated engagement with prospective developers as sales and marketing efforts continue to build. The Receivership Team's oversight and engagement with Sanctuary Belize staff, as well as interactions with Consumer Committee members and residents, have to date validated that the consolidation has been seamlessly implemented, without reducing required maintenance and security capabilities.

## **B. Priority Operations and Management Activities**

The Receivership Team also continued to work closely with property management staff to identify current and future operations and maintenance needs, and evaluate cost-reasonable approaches to addressing them. In doing so, the Receiver has been guided by applicable Court

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<sup>4</sup> As set forth in the Q1 2022 Report, an initial review of the staffing at Sanctuary Belize and Kanantik by the respective property management teams -- in coordination with the Receivership Team -- determined it appropriate to reduce staffing by 12 full-time employees at Sanctuary Belize and two full-time employees at Kanantik (more than 10% of the total workforce at both properties). The staff reductions were primarily comprised of general services staff with property maintenance responsibilities that could be adequately addressed by other personnel.

<sup>5</sup> Due to the additional demands placed upon Sanctuary Belize personnel, the Receivership Team authorized five new hires to ensure the successful transition of responsibilities, including the ongoing security of the Kanantik development area.



mandates to, among other things, maintain the *status quo* at the properties, preserve the value of receivership assets, and prevent the material degradation of environmental conditions.

Roadway maintenance remains a priority at Sanctuary Belize. During the Reporting Period, the Receivership Team worked with local staff to update its analysis of roadway conditions and prioritize critical repair work. The Receivership Team also engaged with the Ministry of Public Works regarding All Pines Road -- which is a public road leading in and out of Sanctuary Belize -- regarding overdue repairs. The Ministry of Public Works confirmed that All Pines Road is on the Ministry's infrastructure maintenance schedule but, due to limited resources, the government expects the repair work to be delayed. Recognizing that the deteriorating road conditions may create health and safety concerns (particularly in emergency situations), the Ministry authorized the Receivership Team to undertake targeted emergency repairs as needed.<sup>6</sup> The Receivership Team will continue to utilize a phased approach to address repairs to All Pines Road and the surrounding private roads in a cost-effective and methodical manner. Additional roadway maintenance activity is expected to occur over the coming months.

In furtherance of the court-mandated obligations referenced above, the Receivership Team also worked in close coordination with the property management team to address a variety of other priority operations and maintenance items, including the following:

- *Storm Damage Repairs.* In June 2022, the Sanctuary Belize development area was impacted by a powerful storm that caused flooding and power surges, resulting in damage to electronic devices and loss of internet connectivity. Operations staff -- working with the Receivership Team -- responded by repairing and replacing the damaged equipment as necessary, and restoring internet service to residents on an expedited basis. Staff also is considering measures to reduce the risk of power surge impacts in the future.

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<sup>6</sup> In addition to ensuring ingress and egress for residents and first responders in an emergency situation, the Receivership Team also has endeavored to maintain a state of good repair for the roadways in anticipation of marketing the properties to prospective developers.





- *Security Booth Lighting.* To enhance the safety of residents, their guests, and security staff during the evening hours, operations staff, at the direction of the Receivership Team, installed solar lighting as an additional, cost-effective security measure.
- *Property Rentals.* The Receivership Team worked with management staff to implement a more expansive property rental process, which, among other things: (i) requires homeowners to timely provide the security team with information related to their rental agreement and prospective renters; and (ii) reminds homeowners of their responsibility to register with the Belize Tourism Board and comply with other Belize government requirements (including, but not limited to, COVID-19 protocols).
- *Care of Security Dogs.* Operations staff, with the Receivership Team's approval, completed construction of shelters for security dogs on the premises (repurposing available materials to limit associated costs) to ensure that the dogs are properly cared for and have a well-ventilated, shaded, and safe place to rest when off-duty. Operations staff will also ensure, among other things, that the dogs receive regular, on-site veterinary services.
- *Activation of Well Site.* To address water pressure issues at the property, operations staff recently completed a well that had previously been partially constructed. An electric meter is in the process of being activated to make the well fully functional.

In addition, the Receivership Team worked with the management team to consider the necessity, cost, and potential timing of certain other operations and maintenance activities, including the following:

- *Beach Replenishment.* There is significant erosion at the beachfront near the entrance of the Sanctuary Belize Beach Club. The Receivership Team is assessing options to address the erosion and has sought guidance from coastal engineers to develop a plan that would support beach replenishment and implement potential erosion mitigation strategies. The Receivership Team plans to leverage in-house staff, equipment, and materials (including on-site sand) to accomplish the work in a cost-effective manner.
- *Marina Slip Maintenance and/or Repairs.* The Sanctuary Belize marina docks have experienced significant wear and deterioration over the years. The Receivership Team is seeking additional guidance from a qualified, U.S.-based marine engineer to further evaluate the condition of the marina slips and consider whether repairs must be undertaken prior to the sale of the property to a qualified developer.
- *Ambulance and Emergency Services Delivery.* While operations personnel have access to an on-site ambulance, there are not any staff members with the necessary training and certifications to operate it (and there are not any current plans to provide 24-hour healthcare-related services). To facilitate access to emergency healthcare services for residents, the Receivership Team has identified a healthcare provider located within 10 minutes of Sanctuary Belize that has advised of its availability to provide emergency transport on an as-



needed basis. In light of this, the Receivership Team is also assessing whether the sale of the ambulance may be appropriate.

### **C. Receivership Estate Insurance Obligations**

To protect the assets of the receivership estate, the Court-appointed Receiver historically has secured general liability insurance<sup>7</sup> for the properties. The most recent general liability policies put into effect by REA for Kanantik and Sanctuary Belize had expiration dates of June 22, 2022 and September 11, 2022, respectively. To ensure continuity of coverage, the Receivership Team worked with international and local insurance brokers to timely secure a replacement policy for Kanantik, and will do the same for Sanctuary Belize in advance of the current policy's expiration. The Receivership Team is actively exploring with its insurance brokers whether -- in addition to the general liability policies currently in place -- there are cost-reasonable property insurance policies available to cover the building structures themselves.<sup>8</sup> The Receivership Team's brokers are in the process of soliciting proposals from reputable carriers, which the Receivership Team will review and consider in the context of the overall insurance needs of the receivership estate.

## **III. STATUS OF REDRESS PLAN**

### **A. Approval of Initial Redress Plan Activities**

During the Reporting Period, the FTC and successor Receivership Team jointly requested a status conference to update the Court concerning the ongoing receivership estate operations and maintenance activities and related costs of the two Belize development areas, as well as to discuss the status of the pending redress plan. In response to the request, a virtual status conference was

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<sup>7</sup> General liability insurance typically covers business risks that include, among other things, bodily injuries and property damage to third parties.

<sup>8</sup> While REA previously considered obtaining property insurance coverage, the Ankura Team has been advised that cost-effective coverage was not obtainable.



scheduled and held on July 27, 2022. The Receivership Team provided consumers with advance notice of the status conference by email, and included in the communication public access information enabling those interested in listening to do so through a dial-in number provided by the District Court.

Following the presentation of information by the FTC, Receiver, and Defendants, the Court requested a proposed written order approving the FTC's motion for it to authorize the implementation of the initial consumer engagement activities that are set forth in the redress plan, which are contemplated for completion within the first 150 days of its effective date. As provided in the redress plan submitted to the Court, this will include, among other things, issuing notice to consumers, distributing and collecting claim applications to validate eligibility, convening information sessions for consumers, and making application determinations.

Initiating these threshold redress plan consumer engagement and participation steps would enable progress, while litigation activity in the U.S. Court of Appeals for the Fourth Circuit ("Fourth Circuit") and District Court (as described in Section VII) continues. On July 28, 2022, the FTC filed a motion with a proposed form of order in response to the Court's request. On August 3, 2022, the defendants filed an opposition to the FTC's motion, arguing that the redress plan should not be implemented at this time. While a final order has not yet been entered, the proposed version pending before the Court contemplates that the initial redress plan activities described above will commence in the third quarter of this calendar year and that the Receiver will report back to the Court for further direction upon completion of these steps. The Receivership Team will provide related updates to consumers regarding the redress plan as they become available.



## **B. Preparations for Redress Plan Activities**

Over the Reporting Period, the Receivership Team made substantial additional progress preparing for redress plan implementation, including further developing the single-source electronic consumer database. As previously reported, the database contains detailed consumer information pertaining to more than 2,700 transactions.<sup>9</sup> This information will be utilized by the Receivership Team to administer consumer redress and ultimately facilitate eligible consumers' consideration and selection of available remedies under an approved redress plan.

As detailed in the Q1 2022 Report, the development of the consumer database has been an extensive undertaking requiring the careful review of a vast amount of documents and records. Due to, among other things, the manner in which the documents were maintained by the defendants<sup>10</sup> and the need to make certain contextual determinations regarding the veracity of the information (including in instances where lots were purportedly resold multiple times), the Receivership Team has been unable to utilize advanced data technology tools. Rather, the Receivership Team has been required to undertake a largely manual process, utilizing an array of quality assurance and quality control measures to validate the accuracy of the underlying information.

With the majority of the work to populate the database having been completed over the prior reporting period, the Receivership Team focused efforts in the Second Quarter on identifying situations in which information gaps, anomalies, and potential inconsistencies remained, and then undertaking a targeted approach to address those issues through the further review of available

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<sup>9</sup> The underlying transactions include instances in which there are multiples purchasers (including spouses and corporate entities) for a particular lot, as well as instances in which a single purchaser has an interest in multiple lots.

<sup>10</sup> The review process has been made more challenging by virtue of relevant documents often being stored in disparate electronic and physical files, and in differing contractual and transactional formats. Furthermore, the relevant records, in some cases, have been either unavailable or incomplete.



records and direct consumer outreach. Following transmission of correspondence in the first quarter of 2022 to more than 250 consumers seeking updated contact information, the Receivership Team identified more than 300 consumers for whom follow-up correspondence was also required (e.g., when available contact information was determined to either no longer be current or require further validation). Prior to mailing these communications, the Receivership Team routinely leverages the National Change of Address database and, as necessary, utilizes skip tracing (a process commonly employed to locate individuals) to increase the likelihood that the communications reach their intended recipients.

The Receivership Team also drafted consumer notices, claim applications, and other redress program documents, and continued to refine workflows, processes, and procedures in connection with redress plan preparation. The workflows, processes, and procedures are intended to, among other things, streamline the dissemination of consumer notices and facilitate the timely submission and review of claim applications, so that eligibility and award determinations can be rendered and communicated to consumers expeditiously. To facilitate decision-making for eligible consumers, the Receivership Team is in the process of crafting helpful orientation session materials (that will provide detailed information regarding redress options), as well as demonstrative tools, including user-friendly maps, reflecting material property attributes such as lot size and location.

On a parallel track, the Receivership Team also began the development of a customized, electronic claims processing platform with the capabilities to, among other things: (i) efficiently synthesize consumer claims information to generate claim applications with pre-populated



information;<sup>11</sup> (ii) process consumer claim information and seamlessly integrate it into the consumer database;<sup>12</sup> (iii) generate and track consumer notices, claim applications, offer letters, and related documents and communications; (iv) perform calculations required to determine redress payment amounts; and (v) enable the Receivership Team to identify “comparable lots” as required by the terms of the redress plan.<sup>13</sup>

The foregoing initiatives are foundational to streamlining consumer outreach, ensuring accurate tracking of consumer claim applications and communications, facilitating consumer decision making, and enabling the Receivership Team to most effectively and efficiently discharge its responsibilities consistent with the terms of the redress plan.<sup>14</sup>

#### **IV. MARKETING AND SALES PREPARATORY ACTIVITIES**

As part of its initial activities to prepare for the marketing and sale of the Belize development area properties, the Receivership Team has undertaken efforts to collect, review, and assess historical land records (including transfer documents, surveys, and land use approvals) in order to substantiate chain of title.<sup>15</sup> This information will be used to, among other things, populate

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<sup>11</sup> The redress plan requires that the Receiver include in all claim applications certain information relating to the underlying purchase, including the amount that the Receiver believes the consumer paid based on available records. Notably, the redress plan affords consumers the ability to either validate or dispute the accuracy of such information.

<sup>12</sup> Although electronic submission of claim applications will be strongly encouraged, consumers will also be able to submit their claim applications by mail.

<sup>13</sup> The redress plan requires the Receiver to offer consumers comparable lots in certain circumstances, including where consumers have an interest in a lot for which there are competing claims.

<sup>14</sup> In order to manage costs and avoid duplication of effort, the Receivership Team deferred certain remaining preparatory steps while Court review of the redress plan remained pending. Nevertheless, the Receivership Team took the necessary steps to be in a position to quickly operationalize the redress plan upon Court approval.

<sup>15</sup> As a general matter, the Belize government Lands Department maintains official land records in hard copy form with limited online capabilities. Therefore, it has been necessary for the Receivership Team to engage local title researchers to visit the Lands Department in order to review the physical records on file in furtherance of reconciling the status of specific parcels and lots.



an electronic data room that is expected to be made available to interested developers in connection with their anticipated due diligence efforts, confer with real estate experts on optimal marketing approaches and gauge market conditions, and help facilitate the issuance of title insurance in connection with any prospective sales transaction(s).<sup>16</sup>

The Receivership Team has also continued to engage with the Ministry of Natural Resources regarding the rendering of tax payments -- covering both current year tax obligations, as well as historical arrearages -- for parcels and lots held in the names of receivership entities. Interaction with the Ministry of Natural Resources is expected to continue in furtherance of the Receivership Team's efforts to identify and satisfy additional land tax assessments that may be due and owing.

Additionally, the Receivership Team had further interactions with experienced brokers for large-scale, luxury development projects; infrastructure advisors; title companies; and law firms with specialized real estate expertise. This engagement will, among other things, facilitate the implementation of a tailored marketing approach, the coordination of outreach to and from interested developers, as well as the vetting of proposals from developers to maximize the recovery for the receivership estate, while ensuring that credible plans are in place to adequately maintain the properties and further develop them in accord with redress plan requirements.

## V. CONSUMER ENGAGEMENT

During the Reporting Period, the Receivership Team continued to effectively engage with consumers, address consumer inquiries, and provide relevant updates through a variety of channels,

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<sup>16</sup> Electronic data rooms typically contain key underlying real estate documents (such as land records) for review by prospective purchasers in conducting due diligence of real estate assets. Given the proliferation of electronic data rooms over the past several years, particularly for large-scale real estate projects, they are generally considered by real estate professionals to be an essential component of the due diligence process.



including Receivership Team site visits (described in Section II above), Consumer Committee meetings, updates to the receivership website, and interaction through the Receiver's dedicated email address.

The Receivership Team convened three Consumer Committee meetings over the Quarter -- one of which took place on-site in the course of the Receivership Team's site visits -- to provide status updates regarding material receivership activities, including ongoing operations and maintenance efforts and Court proceedings, as well as to solicit feedback and address questions from Consumer Committee members.<sup>17</sup> The Receivership Team also continued to keep consumers apprised of current developments through its dedicated website (<https://www.sanctuarybelizereceivership.com>) and email address ([info@sanctuarybelizereceivership.com](mailto:info@sanctuarybelizereceivership.com)), as well as through periodic email updates. The website is regularly updated with relevant court filings, quarterly Receiver Reports, and Consumer Committee meeting minutes. The Receivership Team also disseminates Consumer Committee meeting minutes by email to all lot purchasers following each meeting to promote general awareness.

Since being appointed as successor Receiver on October 26, 2021 through the end of the Reporting Period, the Ankura Team had received more than 630 communications from consumers (comprised of emails to the dedicated email address, calls, and voicemails), including more than 215 communications received over the Quarter. Consumer outreach over the Reporting Period largely related to: (i) requests for status updates regarding the pending redress plan, and anticipated

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<sup>17</sup> At the start of the COVID-19 pandemic, REA instituted the practice of convening exclusively virtual Consumer Committee meetings to accommodate the health and safety interests of participants. This practice was continued by the Ankura Team when it assumed the role of successor Receiver. By order dated June 14, 2022 (Doc. 1348), the Court formally determined that all monthly and quarterly Consumer Committee meetings may be held by teleconference or videoconference going forward.





timing of redress payments;<sup>18</sup> (ii) inquiries pertaining to title transfers and land tax obligations; and (iii) follow-up inquiries emanating from the aforementioned site visits. The Receivership Team continued to respond to consumer emails on a timely basis, and ensure the dissemination of accurate information.

## VI. ACCOUNTING AND FINANCIAL STATEMENTS

The financial data reflected in the statements below show the current net assets in the receivership estate, as well as net recoveries, after expenses, through June 30, 2022. The operating expenses of Sanctuary Belize and Kanantik<sup>19</sup> are generally recorded on a cash basis as payments are approved and issued. The statements do not include data related to the value of certain receivership assets, including land, improvements, equipment, and other assets located in Belize. The Receivership Team will perform a valuation of the developments in advance of formally soliciting proposals from interested developers in accord with the redress plan.

The Receivership Team was able to further decrease projected expenses on an annualized basis -- in large part, through targeted staffing reductions at Kanantik -- despite the cost of goods,

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<sup>18</sup> Upon entry of an order memorializing the Court's approval of certain preliminary redress plan implementation activities during the July 27, 2022 status conference (as described in Section III.A. of the plan), the Receivership Team will send notifications to all consumers with information relating to, among other things, the claims process, timelines, and claim application requirements, in accord with redress plan provisions.

<sup>19</sup> As provided in the Final Order Concerning Kanantik (Doc. 1193), the District Court affirmed that the entities that comprise Kanantik -- Mango Springs Development Ltd., G&R Development Company of Belize, Ltd., Palmaya Development, Ltd., Kanantik International Limited, and Mango Springs Development, LLC (the "Kanantik Entities") -- are receivership assets. Accordingly, the Receiver has conserved, managed and preserved the Kanantik development area for the benefit of consumers. From the time that the Kanantik Entities became receivership assets, no meaningful liquid assets or income streams have been identified. As a result, operations and maintenance costs incurred in connection with the historical efforts of a limited staff have been satisfied using receivership estate funds recovered from FTC litigation and receivership estate asset monetization activities. As reflected in the below charts, the Receivership Team is accounting for Kanantik and Sanctuary Belize expenditures separately, so that reimbursement for Kanantik expenses can be readily effectuated upon sale of any of Kanantik assets, including real estate to a developer.



supplies, and materials (including gasoline) increasing in price as a consequence of significant inflationary pressures being experienced in Belize. The Receivership Team closely scrutinized expenses, including all requests for operations- and maintenance-related expenditures submitted by property management staff through the online procurement and payables system, to minimize receivership estate costs. The Receivership Team also continues to consider reasonable opportunities to increase revenue (despite there being limited opportunity to do so in the short-term).<sup>20</sup>

Below are the Statements of Net Assets and Statement of Net Recoveries for the Reporting Period.

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<sup>20</sup> The Ankura Team has reviewed records and solicited information from knowledgeable persons to determine whether there may be additional viable opportunities to recover assets on behalf of the receivership estate.



**In re Sanctuary Belize Receivership**  
**Statement of Net Assets**

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**As of June 30,  
2022**

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**Assets:**

Cash	\$ 29,247,152
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<b>Total assets</b>	<b>29,247,152</b>
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**Liabilities:**

Ankura professional fees and expenses	468,294
REA professional fees and expenses	4,006
Barnes & Thornburg professional fees and expenses	82,705
Arnold & Porter Kaye Scholer professional fees	19,898
Other accounts payable	70,958

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<b>Total liabilities</b>	<b>645,862</b>
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<b>Net assets available</b>	<b>\$ 28,601,290</b>
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**In re Sanctuary Belize Receivership  
Statement of Net Recoveries**

	<b>For the Period April 1, 2022 to June 30, 2022</b>	<b>From Inception to June 30, 2022</b>
<b>Recoveries:</b>		
Atlantic International Bank settlement	\$ -	\$ 23,000,000
Previously reported recoveries	-	20,786,502
Other collections	14,437	686,499
<b>Total recoveries</b>	<b>\$ 14,437</b>	<b>\$ 44,473,001</b>
<b>Expenses:</b>		
Sanctuary Belize operating expenses		
Payroll	\$ 219,300	\$ 3,367,958
Equipment, maintenance, and supplies	204,634	1,690,046
Employment taxes	40,488	566,912
Property taxes and other government payments	2,401	219,847
General, administrative, and other expenses	37,378	758,842
Legal fees and costs	57,391	361,857
Total Sanctuary Belize operating expenses	561,593	6,965,462
Kanantik operating expenses		
Payroll	46,069	277,185
Equipment, maintenance, and supplies	3,226	38,520
Employment taxes	2,756	43,778
Property taxes and other government payments	-	58,240
General, administrative, and other expenses	4,347	83,462
Legal fees and costs	-	30,139
Total Kanantik operating expenses	56,399	531,326
Real estate property expenses	2,344	1,806,963
Corporate entity expenses	-	79,718
Other expenses	3,317	39,581
Receiver fees and expenses		
Ankura fees and expenses	468,294	1,538,215
REA fees and expenses	4,006	2,840,765
Barnes & Thornburg fees and expenses	82,705	2,000,014
Arnold & Porter Kaye Scholer fees and expenses	19,898	69,666
Total receiver fees and expenses	574,904	6,448,660
<b>Total expenses</b>	<b>1,198,558</b>	<b>15,871,711</b>
<b>Net recoveries/ (expenses)</b>	<b>\$ (1,184,121)</b>	<b>\$ 28,601,290</b>



## VII. ONGOING COURT PROCEEDINGS

In addition to receiving approval from the U.S. District Court to undertake certain initial steps in connection with implementation of the redress plan (as discussed in Section III.A), the Receivership Team continued to engage with counsel at Barnes & Thornburg regarding ongoing court proceedings and litigation matters, including appeals filed in the Fourth Circuit by defendants Andris Pukke, Peter Baker, and Luke Chadwick challenging the District Court’s monetary judgments, as well as motion practice involving Newport Land Group, LLC investors. The most significant developments are described below.

### A. Chadwick Settlement and Fourth Circuit Appeals

As set forth in the Q1 2022 Report, the Court had entered a Stipulated Order between the FTC and Defendants/Appellants Luke Chadwick, Prodigy Management Group LLC, Belize Real Estate Affiliates LLC, Exotic Investor LLC, and Southern Belize Realty LLC (the “Settling Defendants”). Among other things, the Stipulated Order required the Settling Defendants to: (i) turn over all legal or equitable interests in any property or entity associated with Sanctuary Belize and Kanantik; and (ii) dismiss with prejudice the Settling Defendants’ appeal pending before the Fourth Circuit.<sup>21</sup>

In accordance with the terms of the Stipulated Order, on June 16, 2022, the Fourth Circuit granted the FTC’s motion to dismiss the appeal of the Settling Defendants. The Fourth Circuit also dismissed the appeal of four other corporate entities associated with Kanantik, as it determined that they lacked standing due to their failure to participate in the District Court proceedings despite having the opportunity to do so.

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<sup>21</sup> Under the terms of the Stipulated Order, upon dismissal of the appeals, Chadwick, among other things, obtained rights to certain real estate in California that had previously been turned over to the Receiver. As a result of the turnover, the cost of property insurance is no longer being incurred by the receivership estate.



By virtue of the Stipulated Order and the prior orders entered by the U.S. District Court, the Receiver was granted a controlling interest in the Kanantik development area. The Receivership Team is seeking an order in the Supreme Court of Belize recognizing the applicable U.S. Court orders to enable the Receivership Team to affirmatively market and sell the Kanantik development area parcels once permitted to do so by the U.S. District Court.

The remaining appeals, with the exception of the recently-filed appeal by the proposed intervenors/investors in Newport Land Group discussed below, are scheduled for oral argument on September 13, 2022.

#### **B. Newport Land Group Investors' Motion to Intervene Denied**

On June 23, 2022, the Court denied motions to intervene and for relief from judgment filed by fourteen individuals and one corporate entity that collectively invested \$1.95 million in Newport Land Group, an entity whose assets previously were placed into the receivership. The Court held that the Newport Land Group investors' motion to intervene was untimely and that the investors failed to establish a suitable interest in the litigation. The Court also found that, because the investors failed to establish their right to intervene, they could not challenge the judgments.

On July 8, 2022, the Newport Land Group investors filed a notice of appeal with the Fourth Circuit challenging the District Court's order. The Fourth Circuit issued a briefing order establishing that the appeal will be fully briefed by October 2022.

### **VIII. CONCLUSION**

During the Reporting Period, the Receivership Team focused efforts on preparing for redress plan administration, while effectively and efficiently meeting its operations and maintenance obligations under the governing District Court orders. To conserve receivership estate assets, the Receivership Team implemented additional staffing reductions and other cost



containment measures that are expected to save more than \$225,000 on an annualized basis. The Receivership Team also timely addressed property maintenance needs in a cost-effective manner, continued to build the necessary infrastructure to support implementation of the redress plan, undertook marketing and sales preparatory efforts, and ensured effective, ongoing communication with lot purchasers and interested stakeholders.

Further updates regarding receivership developments, including the status of initial redress plan implementation activities in accord with the anticipated order from the Court following the July 27, 2022 status conference, will continue to be disseminated to consumers and interested stakeholders through, among other channels, direct email communications, Consumer Committee meeting minutes, receivership website updates, and formal reporting.

By:   
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**Marc-Philip Ferzan**  
**Receiver**

Submitted: August 4, 2022