



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

**Successor Receiver Report of Activities
for the Period October 26, 2021, to
December 31, 2021**

Submitted: February 7, 2022



TABLE OF CONTENTS

I. Introduction	1
II. Overview of Procedural History Relating to Appointment of Successor Receiver.....	2
III. Receiver Responsibilities	4
IV. Transition Activities Following Appointment of Successor Receiver	5
V. Belize Development Properties and Related Operations & Maintenance	7
VI. Accounting and Financial Statements	8
VII. Court Proceedings	12
VIII. Conclusion.....	13



I. INTRODUCTION

On October 26, 2021, Marc-Philip Ferzan of Ankura Consulting Group, LLC (“Ankura”) was appointed by the Court to serve in the role of successor receiver (the “successor Receiver”) in connection with this matter. Following the appointment, Mr. Ferzan and his team at Ankura (collectively, the “successor Receivership Team,” or “Ankura Team”) immediately undertook to familiarize itself with the extensive history of the matter, understand its duties under the governing Court orders, and coordinate the orderly transfer of significant volumes of records, data, and institutional knowledge in order to transition receivership responsibilities from the original receivership team at Robb Evans & Associates LLC (“REA”).

Collaboration between and among the Ankura Team, REA personnel,¹ and legal counsel, as well as management staff in Belize, has enabled the successor Receiver to make significant progress in taking over ongoing responsibilities of the receivership estate, and begin preparing for the implementation of a redress plan (once approved by the Court). While the pace of the Ankura Team will remain swift, it bears mention that the COVID-19 pandemic has presented some practical challenges in connection with ongoing operations and certain planned initiatives.² Regardless, in order to ensure that necessary activities proceeded without delay, the Ankura Team

¹ The professionals at REA have worked diligently to ensure timely access to historical receivership estate materials and work product. It is anticipated that REA staff will remain available in the near term to continue to assist with remaining transition efforts and share institutional knowledge on particular issues, as necessary.

² In November 2021, the successor Receivership Team was alerted to a number of incidents of COVID-19 infections among property staff. To mitigate the risk of further spread, property staff were directed to take appropriate measures to protect their own health and safety as well as the health and safety of residents at the property, including by restricting access of those who tested positive (or were in close proximity to those who tested positive), as well as promoting other proactive measures to help reduce the spread of COVID-19 (e.g., conducting testing, sanitizing facilities, and routinely washing hands) in accord with regulatory guidance.



will continue to leverage a variety of technology tools and resources to facilitate communications and decision-making.

This first successor Receiver Report of Activities provides an overview of the relevant procedural history of the matter, a description of the successor Receiver’s responsibilities, a summary of the Ankura Team’s transition activities, and an accounting of receivership assets and liabilities, as well as certain related Court proceedings, during the period of October 26, 2021, through December 31, 2021 (the “Reporting Period,” unless otherwise stated).³ Going forward, the successor Receivership Team anticipates submitting status reports to the Court on a quarterly basis.

II. OVERVIEW OF PROCEDURAL HISTORY RELATING TO APPOINTMENT OF SUCCESSOR RECEIVER

On October 31, 2018, the Federal Trade Commission (“FTC”) filed a complaint for permanent injunction and other equitable relief in the United States District Court for the District of Maryland (the “Court,” “District Court,” or “U.S. Court”) alleging that Andris Pukke, Peter Baker, Luke Chadwick, John Usher and numerous other co-defendants and responsible parties engaged in deceptive practices in connection with the sale of real property in Belize (the “Sanctuary Belize Complaint”).⁴ Along with the complaint, the FTC filed three contempt motions alleging, among other things, that Pukke, Baker and Usher violated the Court’s orders in connection with an earlier

³ This Report also supports the successor Receiver’s Motion for an Order Approving and Authorizing Payment of Fees and Costs Incurred over the period October 26, 2021, through December 31, 2021.

⁴ As set forth in more detail below, the receivership estate includes two large real estate development areas, commonly referred to as Sanctuary Belize and Kanantik. The complaint alleged the following six “core” false claims with respect to Sanctuary Belize: (1) the project carried no debt and was, therefore, a safe investment; (2) every dollar from lot sales would be reinvested in the project; (3) Sanctuary Belize would host a variety of luxury amenities comparable to a small American city; (4) the project would be complete within a specific time frame (usually two to five years); (5) lots would quickly appreciate in value; and (6) there was a robust market for the resale of Sanctuary Belize lots. Following trial, the Court determined that the FTC met its burden of proof with respect to all but the fifth “core” false claim.



case -- *FTC v. AmeriDebt, Inc.*⁵ -- by engaging in deceptive telemarketing practices with respect to Sanctuary Belize. In light of determinations of extensive factual overlap between the allegations in the Sanctuary Belize Complaint and the *AmeriDebt* contempt motions, the Court consolidated the matters.

On November 5, 2018, the Court entered a Temporary Restraining Order (“TRO”), which, among other things: (i) prohibited defendants from engaging in further deceptive acts; (ii) froze certain assets; and (iii) appointed REA as the temporary receiver. On October 2, 2019, the Court entered a preliminary injunction against the defendants extending the prohibitions and asset freeze in the TRO, as well as the appointment of REA as receiver.

Following a three-week bench trial in early 2020, the Court determined that Pukke, Baker and Chadwick had violated the FTC Act and the Telemarketing Sales Rule. Based on those findings, on January 12, 2021, the Court entered a permanent injunction and monetary judgment against Pukke and Baker in the amount of \$120.2 million, with Chadwick jointly responsible for approximately \$91.9 million of the monetary judgment. The Court also entered a default judgment against Usher and several corporate defendants in the amount of \$120.2 million. In addition, the Court held Pukke, Baker, and Usher in contempt for violating the *AmeriDebt* judgments’ prohibition on the use of deceptive claims in telemarketing. During the course of the litigation, several of the related parties settled similar allegations with the FTC, and millions of dollars of assets have been transferred into the receivership estate.

⁵ The *AmeriDebt* case was an enforcement action filed in 2003 by the FTC in which it alleged that Pukke and others deceptively sold financially-strapped consumers debt management plans while operating a purportedly “non-profit” credit counseling organization. Pukke agreed to enter into an order settling the FTC’s complaint in 2006.



With final judgments in place,⁶ on January 21, 2021, the FTC submitted a proposed redress plan to the Court with the stated purpose of maximizing consumer recovery. Consumers and other parties in interest were provided the opportunity to offer comments and objections to the proposed plan, and it remains under consideration by the Court.

In October 2021, Brick Kane, President of REA and the leader of the REA receivership team, passed away. His passing followed that of REA's founding member, Robb Evans, in August 2021. Due to these unfortunate events and other circumstances, REA determined that it could no longer serve in the role of receiver in this matter, and requested that the Court appoint a successor receiver. On October 26, 2021, Marc Ferzan was appointed by the Court as the successor Receiver.

III. RECEIVER RESPONSIBILITIES

As provided by relevant Court orders,⁷ the receiver's primary responsibilities include: (i) taking control, custody and possession of receivership assets; (ii) conserving, holding, managing and preventing the loss of receivership assets; (iii) performing acts necessary or advisable to preserve the value of receivership assets; (iv) liquidating (through fair market sales or similar transactions) receivership assets following a Court order approving the sale or liquidation; (v) making payments and disbursements from the receivership estate that are necessary or advisable for carrying out the direction of, or exercising the authority granted by, the Court's orders; and (vi) engaging in litigation to preserve or recover receivership assets. In accord with these mandates, the successor Receiver assembled a team to effectively and efficiently manage and oversee the

⁶ A number of defendants have filed appeals of the Court's orders, which currently remain pending before the United States Court of Appeals for the Fourth Circuit.

⁷ The relevant Court orders include, but are not limited to, the August 22, 2019 Order Governing Interim Receivership Management, the January 12, 2021 Final Order for Permanent Injunction and Monetary Judgment Against Defaulting Defendants, and the March 24, 2021 Amended Final Order for Permanent Injunction and Monetary Judgment against Pukke, Baker, and Chadwick.



receivership estate, while ensuring transparent and timely communication with lot owners and other interested stakeholders.

IV. TRANSITION ACTIVITIES FOLLOWING APPOINTMENT OF SUCCESSOR RECEIVER

Following the appointment of the successor Receiver on October 26, 2021, the Ankura Team immediately began coordinating with REA, management personnel in Belize, and counsel, to ensure the seamless transition of ongoing operations and the administration of the receivership estate. Among other things, steps were initiated to redirect reporting and approval processes for Belize personnel, transition accounting and financial reporting responsibilities, and establish new dedicated banking capabilities. Significant attention was also given to evaluating property assets and infrastructure, ongoing operations and maintenance needs, and opportunities for staffing and resource efficiencies.

Leveraging existing REA work product and other source records, the Ankura Team also began developing a comprehensive consumer database and envisioning processes and systems to implement the anticipated redress plan. Practically, it was necessary for the successor Receivership Team to convene in-person, virtual and telephonic meetings to facilitate the sharing of institutional knowledge, secure vast amounts of electronic records and data, and take custody of volumes of physical files. During the collaboration with REA, the Ankura Team was able to identify and leverage useful work product that was developed by the original receivership team. Recognizing the passage of time, the dynamic nature of ongoing operations, and the informational and structural needs to support the anticipated near-term administration of a redress plan, efforts were commenced to update and validate certain existing informational tools and develop new mechanisms to facilitate consumer engagement and decision-making, as well as to prepare for the marketing of the Belize properties to developers in accord with the mandates of the proposed redress plan.



Importantly, the successor Receivership Team established new dedicated infrastructure and processes to ensure that consumers and interested stakeholders remain apprised of material developments relating to, among other topics, transition activities, the proposed redress plan, ongoing litigation, and receivership administration. During the Reporting Period, progress in this regard included: (i) launching a new receivership website (<https://www.sanctuarybelizereceivership.com>) to replace the REA site; (ii) establishing a dedicated email address (info@sanctuarybelizereceivership.com) to ensure timely review and response to consumer inquiries;⁸ (iii) providing updates for consumers concerning significant developments and issues;⁹ and (iv) resuming monthly Consumer Committee meetings (as of December 16, 2021).¹⁰

⁸ During the Reporting Period, the Ankura Team responded to a variety of inquiries, which ranged from administrative questions pertaining to things like the transition of estate oversight from REA to Ankura, to legal questions concerning ongoing litigation. The most frequently asked questions over the Reporting Period generally concerned the status of the proposed redress plan. In response to those inquiries, the successor Receivership Team notified consumers that, once a redress plan is approved by the Court, the process for consumers to obtain relief, as well as next steps relative to receivership administration, will be communicated in accordance with the final form of the approved plan. The successor Receivership Team has strived to timely respond to consumer inquiries -- typically within 48 hours -- and directed consumers to a variety of useful resources, including the [FTC's Frequently Asked Questions for Lot Owners](#).

⁹ These notices have included November 9, 2021 and November 29, 2021 updates regarding receivership transition activities, as well as a November 22, 2021 communication regarding COVID-19 precautions and a November 30, 2021 communication regarding an incident occurring on the Kanantik airstrip involving suspected drug trafficking and coordination with local police.

¹⁰ The successor Receivership Team expects to continue conducting monthly Consumer Committee meetings in accordance with the Court's August 22, 2019 Order Governing Interim Receiver Management, and will solicit input on agenda items from Consumer Committee members in advance of each meeting. Following each Consumer Committee meeting, minutes will continue to be emailed to the entire consumer population and made available on the receivership website.



V. BELIZE DEVELOPMENT PROPERTIES AND RELATED OPERATIONS & MAINTENANCE

The receivership estate includes two large real estate development areas, commonly referred to as Sanctuary Belize and Kanantik, located near the southeastern coast of Belize. As described by the Court, Sanctuary Belize is comparable in size to Manhattan, whereas Kanantik is roughly half that size.

Sanctuary Belize is more developed than Kanantik, and consists of more than 1,800 lots, of which about 1,200 are authenticated.¹¹ It is the only development area in the receivership estate on which residential homes have been constructed and inhabited, and it includes certain amenities – most notably a marina, beach club, and equestrian center. Moreover, many of the Sanctuary Belize lots are fitted for water utilities and have electric power. Kanantik is located south of Sanctuary Belize on the Caribbean Sea. Largely consisting of vacant land, it has limited development with a few common area staff buildings, 24 guest residences that were constructed to promote historical sales efforts, and an airspace landing strip. While there are 392 Kanantik lots identified that were sold to consumers, none have been authenticated.

As referenced above, the successor Receivership Team has also spent significant time coordinating directly with Sanctuary Belize and Kanantik management staff to better understand the daily operations and maintenance needs of the various property assets. Priority responsibilities of the Sanctuary Belize staff -- which is comprised of approximately 119 employees -- primarily include grounds maintenance,¹² security services, administrative and human resources functions, as well as equine care. The Ankura Team is continuously evaluating opportunities for staffing and process efficiencies, and during the Reporting Period began implementing a new on-line

¹¹ Authentication refers to the process by which a subdivision is approved by the Belize Land Department.

¹² The grounds include, but are not limited to, the common areas, roads, beach club, and marina.



procurement and payables system to enhance accountability and streamline requests and payment processes.

Once approved by the Court, the proposed redress plan envisions that the receivership estate properties will be marketed by the successor Receiver to qualified real estate developers that would take over operation and maintenance responsibilities, provide security resources, and complete various infrastructure projects, among other things. Preliminary modeling and the compilation of relevant corresponding property details (including individual lot ownership and historical payment information) are underway to facilitate this process. Key development area data points will also be used to help quantify projected future operational expenses, staffing needs, capital expenditures and other development costs, and revenue potential in connection with property sales and loan repayments.

VI. ACCOUNTING AND FINANCIAL STATEMENTS

During the Reporting Period, the successor Receivership Team coordinated with REA staff to transition ongoing accounting responsibilities and enable periodic financial statement reporting as required by the relevant Court orders. Preliminary steps included validating the receivership's existing chart of accounts and migrating historical accounting data to an Ankura-hosted platform that will accommodate the necessary recording of material receivership transactions.

The accounting system established by the successor Receiver tracks the assets, liabilities, collections, and expenses of the receivership to ensure transactional integrity and effective decision-making in real-time, as well as to enable the seamless preparation of accurate periodic financial statements. Among other things, the established accounting platform captures information relating to the revenues and expenses of the receivership estate, and also provides necessary data that facilitates preparatory planning efforts by the Ankura Team in connection with anticipated redress



plan administration, as well as in supporting responsibilities to manage and preserve receivership resources.

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 December 31, 2021. The operating expenses of Sanctuary Belize and Kanantik are generally recorded on a cash basis as payments are approved and issued.¹³ It should be noted that the statements do not include data related to the value of certain additional land, equipment and other assets located in Belize that will undergo appraisal as the successor Receivership Team prepares to engage in marketing efforts to qualified developers in accord with the proposed redress plan.

¹³ The financial data includes a receivable for the 104 Kings Place property sale (further described in Section VII below), which was approved pursuant to Court order during the Reporting Period in 2021, and closed in 2022.



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

	As of December 31, 2021
Assets:	
Cash	\$ 25,076,622
Receivable from sale of 104 Kings Place property	7,613,808
Total assets	\$ 32,690,430
Liabilities:	
Ankura professional fees and expenses (10/27/21 to 12/31/21)	368,734
REA professional fees and expenses (4/1/21 to 10/26/21)	330,138
REA professional fees and expenses (10/27/21 to 12/31/21)	85,610
Barnes & Thornburg professional fees and expenses (4/1/21 to 10/26/21)	259,494
Barnes & Thornburg professional fees and expenses (10/27/21 to 12/31/21)	177,703
Other accounts payable	68,012
Total liabilities	\$ 1,289,690
Net assets available	\$ 31,400,740



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

	For the Period	
	October 27, 2021 to December 31, 2021	From Inception to December 31, 2021
Recoveries:		
Atlantic International Bank settlement*	\$ -	\$ 23,000,000
Previously reported recoveries	-	13,172,694
Current recoveries (104 Kings Place)	7,613,808	7,613,808
Other collections	4,066	649,051
Total recoveries	\$ 7,617,874	\$ 44,435,553
Expenses:		
Sanctuary Belize operating expenses		
Payroll	\$ 167,607	\$ 2,855,229
Equipment, maintenance, and supplies	61,579	1,341,971
Taxes and government payments	21,581	633,009
General, administrative, and other expenses	16,755	683,320
Professional services & legal expenses	7,875	289,566
Total Sanctuary Belize operating expenses	<u>275,397</u>	<u>5,803,096</u>
Kanantik operating expenses		
Payroll	25,335	182,614
Taxes and government payments	9,190	20,708
Equipment, maintenance, and supplies	3,500	28,461
General, administrative, and other expenses	1,688	75,300
Professional services & legal expenses	-	30,139
Total Kanantik operating expenses	<u>39,713</u>	<u>337,221</u>
Real estate property expenses	76,858	1,799,668
Corporate entity expenses	-	79,718
Other expenses	-	35,951
Receiver fees and expenses		
Ankura fees and expenses	368,734	368,734
REA fees and expenses	86,775	2,820,221
Barnes & Thornburg fees and expenses	177,703	1,790,204
Total receiver fees and expenses	<u>633,212</u>	<u>4,979,159</u>
Total expenses	1,025,179	13,034,813
Net recoveries	\$ 6,592,695	\$ 31,400,740

*Atlantic International Bank Limited (“AIBL”) funds are segregated from other receivership estate assets. By way of background, the FTC recovered \$23 million from AIBL pursuant to a stipulated judgment, and sought the assistance of the original Receiver to oversee those funds until they could be applied to support related equitable relief initiatives, including consumer redress. The monies were deposited into a dedicated bank account controlled by the original Receiver, and now the successor Receiver. Unless otherwise directed by the FTC and the Court, the funds may not be applied to cover administrative expenses of the receivership estate.



VII. COURT PROCEEDINGS

During the Reporting Period, there was ongoing activity at both the trial court and appellate court levels. The successor Receivership Team coordinated with counsel to address various litigation matters, including appeals of the District Court’s monetary judgment against Pukke, Baker, and Chadwick to the Court of Appeals for the Fourth Circuit, as well as motion practice involving Newport Land Group, LLC investors, and the pending lawsuit against Jorge Diaz-Cueto and Bella Mar Associates, Ltd.

Moreover, there were other court proceedings during the Reporting Period that showcase material developments concerning the administration of the receivership estate. On November 23, 2021, the Court approved the sale of real property located at 104 Kings Place in Newport Beach, California (the “Newport Beach Property”) at a purchase price of \$13,830,000. The Newport Beach Property was previously designated by the Court as an asset of the receivership estate. Pursuant to the Stipulated Order for Final Judgment against Angela Chittenden and Beach Bunny Holdings, the Court directed the liquidation of the Newport Beach Property through a fair market sale (or similar transaction). On January 7, 2022, the sale of the Newport Beach Property was consummated. Following payment of, among other things, existing liens and broker’s commissions, the amount transferred into the receivership estate was \$7,613,808.44.¹⁴

Additionally, in December 2021, the Ankura Team initiated efforts in coordination with counsel to file a motion in the Supreme Court of Belize seeking formal recognition of its appointment as the successor Receiver. The motion requests that the successor Receiver be provided full power and authority in Belize to carry out its duties as set forth in the prior orders

¹⁴ The Ankura Team is reviewing and analyzing historical records to determine whether there may be other viable opportunities to recover significant assets for the receivership estate.



entered by the U.S. Court. This motion follows prior applications to the Supreme Court of Belize in which that Court has recognized other related U.S. Court orders. The pending motion for a recognition order remains under review by the Supreme Court of Belize.

VIII. CONCLUSION

As set forth in this first successor Receiver Report of Activities for the period October 26, 2021 through December 31, 2021, the Ankura Team has worked diligently to coordinate the transition of ongoing operations and the administration of the receivership estate. Planning was also initiated to support the implementation of a redress plan, once approved by the Court. Over the course of the first quarter of 2022, the successor Receivership Team will continue to focus efforts on effectively and efficiently administering ongoing receivership estate responsibilities, facilitating consumer engagement, and coordinating preliminary efforts in anticipation of redress plan implementation.

Ankura Consulting Group, LLC

Marc-Philip Ferzan
Senior Managing Director

Submitted: February 7, 2022