

UNITED STATES DISTRICT COURT
DISTRICT OF MARYLAND
SOUTHERN DIVISION

In re SANCTUARY BELIZE LITIGATION

No: 18-cv-3309-PJM

**MOTION FOR ORDER APPROVING AND AUTHORIZING FOR PAYMENT OF
TEMPORARY RECEIVER’S AND PROFESSIONAL’S FEES AND COSTS FROM
INCEPTION OF THE RECEIVERSHIP ESTATE THROUGH JANUARY 31, 2019;
MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF
[SUPPORTING DECLARATIONS OF BRICK KANE AND GARY OWEN CARIS
FILED CONCURRENTLY HEREWITH]**

The temporary receiver Robb Evans & Associates LLC (“Receiver”), the temporary receiver appointed pursuant to the Ex Parte Temporary Restraining Order With Asset Freeze, Writs *Ne Exeat*, Appointment of a Temporary Receiver and Other Equitable Relief, and Order to Show Cause Why a Preliminary Injunction Should Not Issue (Doc. 13) (“TRO”), extended pursuant to the Extension of Temporary Restraining Order and Interim Preliminary Injunction (Doc. 34) (“Interim Preliminary Injunction”), hereby moves the Court for an order approving and authorizing payment of receivership fees and costs for the period from the inception of the receivership estate, on or about November 6, 2018, through January 31, 2019 (“Initial Expense Period”). The Receiver specifically moves the Court for an order: (1) approving and authorizing for payment the fees of the Receiver, the Receiver’s members, staff and professionals, and reimbursement of costs, comprised of (a) Receiver’s fees, including the Receiver’s members and staff, of \$609,337.20 and Receiver’s costs of \$15,484.15, for a total of \$624,821.35; and (b) Receiver’s counsel Barnes & Thornburg LLP’s (“Barnes & Thornburg”) fees of \$104,986.35 and costs of \$4,277.32, for a total of \$109,263.67.

As detailed in the memorandum of points and authorities and supporting declarations which accompany this Motion, the receivership estate does not presently have on hand unencumbered and undisputed funds sufficient to pay in full the fees and costs sought herein. Therefore, the Receiver additionally moves for an order: (1) permitting it to pay the fees and costs approved pursuant to this Motion only as funds become available and only to the extent the Receiver deems prudent and appropriate taking into consideration all cash needs of the receivership estate; and (2) providing that in the event funds become available to pay some but not all of the allowed fees and costs approved pursuant to this Motion, such payment shall be made on a pro rata basis to the Receiver and Barnes & Thornburg.

Dated: April 5, 2019

By: /s/ Gary Owen Caris

Gary Owen Caris, Calif. Bar No. 088918
Admitted Pro Hac Vice 11/30/18
BARNES & THORNBURG LLP
2029 Century Park East, Suite 300
Los Angeles, CA 90067
Telephone: (310) 284-3880
Facsimile: (310) 284-3894
Email: gcaris@btlaw.com

By: /s/ James E. Van Horn

James E. Van Horn (Bar No. 29210)
BARNES & THORNBURG LLP
1717 Pennsylvania Avenue, NW,
Suite 500
Washington, DC 20006
Telephone: (202) 289-1313
Facsimile: (202) 289-1330
Email: jvanhorn@btlaw.com

Attorneys for Temporary Receiver, Robb Evans
& Associates LLC

**UNITED STATES DISTRICT COURT
DISTRICT OF MARYLAND
SOUTHERN DIVISION**

In re SANCTUARY BELIZE LITIGATION

No: 18-cv-3309-PJM

**MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION
FOR ORDER APPROVING AND AUTHORIZING FOR PAYMENT OF TEMPORARY
RECEIVER'S AND PROFESSIONAL'S FEES AND COSTS FROM INCEPTION OF
THE RECEIVERSHIP THROUGH JANUARY 31, 2019**

I. INTRODUCTION

This lawsuit was commenced on October 31, 2018 by the Federal Trade Commission (“FTC”) on October 31, 2018 with its filing of a Complaint for Permanent Injunction and Other Equitable Relief (Doc. 1) (“Complaint”). The lawsuit named 17 entity defendants and seven individual defendants, in addition to five relief defendants. The TRO was issued by the Court on November 5, 2019. Under the TRO, the Receiver became temporary receiver over all entity defendants except for Atlantic International Bank, Ltd. (“AIBL”) and over the assets of Andris Pukke (“Pukke”) and Peter Baker (“Baker”) valued at \$1,000 or more. The Court extended the duration of the TRO pursuant to the Interim Preliminary Injunction on November 20, 2018. The FTC filed a motion to amend the Complaint and a proposed Amended Complaint for Permanent Injunction and Other Equitable Relief (“Amended Complaint”) on December 28, 2018 (Doc. 87) adding Michael Santos and Newport Land Group, LLC (“NLG”) as defendants. The Court granted the motion to amend on January 11, 2019 (Doc. 107). On February 13, 2019 the Court entered a the Stipulated Preliminary Injunction as to Defendants Rod Kazazi,

Foundation Partners, Brandi Greenfield, BG Marketing LLC, Frank Costanzo, Deborah Connelly, Ecological Fox LLC, Michael Santos, Angela Chittenden, and Beach Bunny Holdings LLC (Doc. 195) (“Stipulated Preliminary Injunction”). Under the Stipulated Preliminary Injunction, the Receiver remained as receiver over the stipulating Receivership Entities BG Marketing, LLC, Ecological Fox, LLC, and Foundation Partners, and NLG was expressly added as a named Receivership Entity.¹ The Receiver continues to serve as temporary receiver as to all other Receivership Entities and continues to serve as temporary receiver over Pukke’s and Baker’s assets.

Pursuant to Section XXIII of the TRO, the Receiver was directed to file and serve on the parties periodic requests for the payment of reasonable compensation for the performance of its duties and for the cost of its out-of-pocket expenses from the assets of the receivership estate, with the initial request for such compensation to be filed no more than 60 days from the date of entry of the TRO. Pursuant to the Receiver’s motion, the Court issued an order extending the deadline for the Receiver for an additional 60 days, through March 5, 2019 (Doc. 92).

Thereafter, at the verbal request of the Receiver through its counsel at the hearings held on March 1, 2019, the Court granted the Receiver another one-month extension of time to file its initial request for compensation, through April 5, 2019.

As evidenced by the detailed billing records which accompany the declaration of Brick Kane in support of this Motion and marked as Exhibits 2, 3 and 4 to the Kane Declaration, the initial period of this receivership was extraordinarily challenging and time consuming. The Initial Expense Period was marked by the need for the Receiver to render extensive services in

¹ The Receiver had already determined that NLG is a non-party Receivership Entity, in addition to previously determining that two other non-party entities, 2729 Bristol LLC and 3905 Marcus, LLC, are Receivership Entities, pursuant to Sections XVI.W and X of the TRO.

gaining possession and control of a myriad of Receivership Entities located both in the United States and in Belize; performing critical daily management and control functions for the real estate development project in Belize known as the Reserve in order to preserve the safety and security of the assets at the Reserve and those living at the Reserve; developing a thorough understanding of the Receivership Entities' business, operations and assets; undertaking a thorough review of an extremely complex set of accounting records that contained large discrepancies; analyzing the cash flow of large amounts of money transferred and diverted by Pukke; communicating extensively with numerous parties to the action and their counsel, in addition to communicating extensively with former members of the board of directors for Sanctuary Belize Property Owners' Association ("POA") and hundreds of Reserve lot owners with disparate viewpoints and demands; and preparing, in large part, its initial voluminous and detailed Report of Activities for the Period From November 6, 2018 to February 21, 2019 (Doc.219) ("Receiver's Report"), containing 74 single-spaced pages of text and 50 exhibits, which was filed shortly after the end of the Initial Expense Period on February 22, 2019. The services rendered by the Receiver and its counsel are summarized separately below, discussed in the accompanying declarations of Brick Kane and Gary Owen Caris, and described in the detailed billing records attached as exhibits to the Kane and Caris declarations.

II. SUMMARY OF THE RECEIVER'S SERVICES AND ACTIVITIES DURING THE INITIAL EXPENSE PERIOD

The Receiver seeks payment of the Receiver's fees and costs summarized in the Receivership Administrative Expenses and Fund Balance spreadsheet ("Financial Summary") attached as Exhibit 1 to the Declaration of Brick Kane in support of this Motion, together with the detailed billing records of the Receiver, attached to Kane's declaration as Exhibits 2, 3 and

4.² During the Initial Expense Period, the Receiver has incurred fees for the Receiver's members and staff of \$609,337.20. The Receiver's costs during the Initial Expense Period total \$15,484.15 and are detailed in the Financial Summary.

The Receiver commenced its work on November 6, 2019 as it began to review the TRO, prepare for entry onto the Receivership Entities' premises at 3333 Michaelson Drive, Suite 500, Irvine, California ("Receivership Premises") and take control of the business operations. Three members of the Receiver's office and Receiver's counsel met with representatives of the FTC that day to discuss background facts and to go through the terms of the TRO, particularly as they pertained to the Receiver's powers and duties. Pursuant to the TRO, the Receiver took possession and control of the Receivership Premises the next day, November 7, 2018. Based on the information which had been provided to the Receiver concerning the size of the Receivership Premises, the number of people believed to be operating there and the size and scope of the business operations, the Receiver dispatched nine members and staff to take possession and control of the Receivership Premises that day, each assigned different duties during the initial day's work in taking possession and control of the Receivership Premises and business operations in California. The initial day and subsequent early days of the receivership were spent in part accessing, taking control of, preserving and analyzing the paper and electronic records of the Receivership Entities, as more particularly described below and in the time records attached as Exhibit 2 to the Kane declaration. The Receiver re-routed the mail, changed the locks and served the TRO on a myriad of financial institutions and service providers. It imaged a number of computers and cloud-based records, including e-mail, and took possession of all paper

² As explained in the Caris declaration, the bills have been redacted where appropriate to preserve confidential, sensitive, tactical, strategic, attorney-client privileged and/or attorney work-product information. This is particularly critical at the preliminary stage of the receivership and the Receiver's investigation.

records.

From the very first days of the receivership, the Receiver's most critical job and one that was very time consuming pertained to addressing and supervising operations at the Reserve and ensuring that the Receiver could timely fund critical operations to maintain safety and security at the Reserve so as to protect residents there and to preserve estate assets. The Receiver promptly determined that business operations could not be maintained on a temporary basis profitably and legally, given among other things that numerous staff at the Reserve had been laid off without the Receiver's knowledge after the TRO became public. The Receiver was required to prepare budgets for scaled back operations in Belize and oversee all operational issues there. It had to analyze funding requests made by the lot owners and local management. The Receiver was in regular communication with Alfonso Bailey, on site manager of the Reserve. It had to take steps to ensure that funds would be transferred to accounts in Belize in time to make critical expense payments for ongoing operations. It retained local counsel in Belize for the purpose of, among other things, obtaining an order there recognizing the Receiver's authority and coordinating with someone who could facilitate payments in Belize dollars to employees of the Reserve now under the Receiver's management.

Commencing on the initial day's entry onto the Receivership Premises and during the Initial Expense Period, the Receiver met with various defendants, including Baker and Rod Kazazi ("Kazazi"), employees of the Receivership Entities and principals of Pandora Marketing LLC who shared office space at the Business Premises. The Receiver was in regular communication with hundreds of lot owners throughout the Initial Expense Period. These communications were both in writing and telephonic. The Receiver also communicated with numerous third party lenders, vendors, and persons involved in various investments Pukke made

with Receivership Entities' assets, including persons involved in Wedding Solutions, Remote.com, Attorney.com and Chivalry, Inc.

Accounting records for the domestic Receivership Entities were cloud-based and included QuickBooks accounting records, as well as data in two Lending Pro databases. Lending Pro is a software system used to manage the Receivership Entities' consumer loan portfolio. Accounting records for the Belize Receivership Entities were maintained locally and the Receiver obtained them from the Receivership Entities' accounting team in Belize. The Receiver also obtained Receivership Entities' banking records. During the Initial Expense Period, the Receiver spent substantial amounts of time reviewing, reconciling and analyzing the Receivership Entities' accounting records, banking records and data downloads. It performed accounting reconstructions based on banking records and performed extensive intercompany account reconciliations.

The Receiver's forensic accounting work was extremely complicated and time consuming because, as explained in the Receiver's Report, the Receivership Entities' accounting records were substandard and wholly deficient. The difficulty was compounded by the number of Receivership Entities and the scope of intercompany transactions. The accounting records contained large discrepancies between the Receivership Entities' QuickBooks accounting records and their Lending Pro records. There were also numerous problems with the misclassification of funds received and paid out by various Receivership Entities. The accounting treatment for lot sales and related loan activities included a myriad of accounting entries and temporary/suspense accounts, such as undeposited and cash accounts. The Receivership Entities routinely failed to timely reconcile accounts and recognize income, resulting in unreconciled balances of temporary accounts and numerous accounting

misstatements.

The Receiver's forensic accounting analysis was further complicated by the fact that Pukke diverted millions of dollars from the Receivership Entities to various relatives, business associates, and other persons and entities for purposes wholly unrelated to the Reserve. For example, the Receiver discovered payments made by Foundation Partners which were not located in its accounting records but which were located in other Receivership Entities' records. The Receiver learned, in conferences with Kazazi, that Foundation Partners had a bank account set up for Pukke to use, although Pukke did not sign on the account, but instead would instruct Kazazi to sign disbursements from this account on Pukke's behalf.

In addition to the critical forensic accounting work needed in order to prepare the Receiver's Report, the Receiver also had to analyze e-mail communications, scripts found at the Business Premises, and litigation files located there to complete the Receiver's Report.

The Receiver was faced with a host of other challenging, time sensitive and important issues during the Initial Expense Period. Commencing on the day it took possession and control of the Receivership Entities, it coordinated the freezing and/or turnover of a myriad of Receivership Entity bank accounts. It immediately requested banking records of the Receivership Entities in order to facilitate its forensic accounting. To reduce expenses, it took steps to promptly vacate the Receivership Premises which were being sub-leased and, with the assistance of counsel, took steps to obtain a stipulated order to auction the personal property there. The Receiver also addressed workers compensation, 401(k), payroll and insurance issues during the Initial Expense Period.

Because so much money was diverted from the Receivership Entities to a variety of investments and assets at Pukke's direction and because the Receiver is also receiver over the assets of Pukke, it was necessary for the Receiver to take possession and control of several real properties which the Receiver determined belong to the receivership estate, including residential property at 104 Kings Place, Newport Beach, California ("Kings Place Property"), 1833 Port Barmouth Place, Newport Beach, California ("Port Barmouth Property"), and 3905 Marcus Avenue, Newport Beach, California ("Marcus Property"), as well a commercial building at 2729 Bristol Street, Costa Mesa, California ("Bristol Property").

The Kings Place Property was expressly named in the TRO, even though it was held in the name of the AAC Family HYCET Trust Dated 10/7/15 ("AAC Trust"). The Port Barmouth Property, where Angela Chittenden ("Chittenden") and Pukke were residing at the outset of the case, was also held in the name of the AAC Trust.³ The Receiver and its counsel analyzed AAC Trust records, as well as an accounting provided by the AAC Trust. Through counsel, the Receiver demanded that the AAC Trust turn over all funds it held in connection with the Kings Place and Port Barmouth Properties and turn over possession and control of these two properties to the Receiver. This was complicated by the fact that the AAC Trust entered into a post-TRO lease/purchase option agreement on the Kings Place Property without the Receiver's knowledge or permission. The Receiver communicated with the lessee about the lease/purchase option and a potential accelerated acquisition of the Kings Place Property by the lessee. Eventually, the AAC Trust turned over \$177,772.23 to the Receiver after paying Chittenden \$150,000 and the AAC Trust's lawyer \$11,164.01 without the Receiver's knowledge or consent. Matters were further complicated by the fact that the Kings Place Property had suffered water damage shortly

³ Chittenden is the putative spouse of Pukke. Her initials are AAC.

after the inception of the receivership and the Receiver took control of the property with the new tenant in place and insurance claims pending.

The Receiver entered into a stipulation with the AAC Trust to permit the Receiver to market the Port Barmouth Property for sale. It is anticipated that a motion to approve a sale of the Port Barmouth Property will be filed shortly after this motion and that a sale will generate at least \$800,000 in net proceeds for the receivership estate.

As noted above at footnote 1, the Receiver determined that the limited liability companies which owned the Marcus Property and the Bristol Property were also non-party Receivership Entities, and took possession and control of those properties too. The Marcus Property was in the midst of unlawful detainer proceedings with a tenant who has since vacated. The Receiver is attempting to enter into a stipulation with Kazazi as manager of 3905 Marcus LLC to market and sell this property. The Bristol Property was purchased through a sale financed by the former owner, which closed only one month before the inception of the receivership. It appears that 2729 Bristol LLC may have overpaid for the Bristol Property. The Receiver, through counsel, has been negotiating for a potential sale of the Bristol Property back to the former owner. Negotiations are ongoing.

Throughout the Initial Expense Period, the Receiver communicated with various lenders and/or their representatives on each of these four properties and analyzed and developed potential strategies with respect to each of the properties.

The Receiver also analyzed other offshore real estate development projects affiliated with the named Receivership Entities, including NLG, which was originally deemed to be a non-party Receivership Entity but which has subsequently been named as a Receivership Entity in the Stipulated Preliminary Injunction. The Receiver, with counsel, has analyzed the claim made by

NLG's investors that funds held in an NLG bank account totaling over \$3.7 million should be segregated for the exclusive benefit of NLG's investors in connection with a project in Costa Rica that never commenced. The Receiver anticipates bringing a motion in the immediate future seeking a Court order determining that these funds should not be segregated and held only for the benefit of NLG's investors and Costa Rica lot depositors, but properly belong to the entire receivership estate and for the benefit of all consumers.

During the Initial Expense Period, the Receiver spent a large amount of time preparing the Receiver's Report, which was finalized after January 31, 2019 and filed three weeks after the conclusion of the Initial Expense Period. As noted above, it contained 74 pages, single spaced, with 50 exhibits. It set forth eleven key findings of the Receiver, including providing support for each of the findings; it had an exhaustive preliminary forensic analysis of the Receivership Entities located in the United States and in Belize; it analyzed and addressed the status of other offshore businesses being undertaken by the Receivership Entities and/or its principals; and it discussed the Receivership Entities' marketing methods, analyzed scripts found on the Business Premises, and analyzed the Receivership Entities' methods for dealing with dissatisfied consumers and defending litigation claims.

As can be seen from this summary, the attached Kane declaration and the billing records attached thereto, and the Receiver's Report, this receivership is an extraordinarily wide-ranging and complex proceeding, with a multitude of defendants, lot owners, creditors, and other parties in interest. The Receiver has been required to undertake a substantial amount of work during the Initial Expense Period to gain a thorough understanding of the Receivership Entities' business, operations and financial structure and to begin to take the steps necessary to recover assets transferred and diverted by Pukke to various entities, relatives and associates.

III. SUMMARY OF THE RECEIVER'S COUNSEL'S SERVICES AND ACTIVITIES DURING THE INITIAL EXPENSE PERIOD

The Receiver also seeks payment of its counsel's fees and expenses summarized in the Financial Summary, Exhibit 1 to the Kane declaration, and set forth in the detailed billing records of Barnes & Thornburg, attached as Exhibits 1, 2 and 3 to the Caris declaration. During the Initial Expense Period, the Receiver incurred fees to Barnes & Thornburg of \$104,986.35 and costs of \$4,277.32, for a total of \$109,263.67.

Throughout the Initial Expense Period, Barnes & Thornburg reviewed pleadings pertinent to the Receiver and consulted with and advised the Receiver on a host of various issues. At the outset of the case, Receiver's counsel analyzed the terms of the TRO. As the Receiver determined that real and personal property assets may exist in districts outside of the District of Maryland, the Receiver's counsel took steps to file the Complaint and TRO in district courts where receivership property was believed to potentially exist, pursuant to 28 U.S.C. §754. During the Initial Expense Period, these miscellaneous actions were filed in the Central District of California, the Western District of Texas and the Southern District of Texas. Promptly after identifying four properties that were determined to be a part of the receivership estate, the Kings Place Property, Port Barmouth Property, Marcus Property and Bristol Property, Barnes & Thornburg prepared and recorded in the Orange County, California Recorder's Office a Notice of Pending Action (Lis Pendens) against each of these properties pursuant to California law.

As the Receiver undertook its forensic accounting analysis, it identified the need for documents from several third parties. Barnes & Thornburg prepared and served ten document subpoenas during the Initial Expense Period to various financial institutions, escrow companies, a title company and other third parties which contracted with the Receivership Entities or which

were involved in Pukke's investments. In addition to the preparation and service of these subpoenas, counsel prepared explanatory letters that accompanied each subpoena, and communicated in writing and telephonically with many of these third parties with respect to the subpoenas. Counsel typically initially reviewed the documents which were produced, although the Receiver performed the in-depth review of the documents as part of its analysis.

Barnes & Thornburg addressed numerous issues pertaining to the four real properties during the Initial Expense Period. As to the Marcus Property and the Bristol Property, counsel prepared the requisite notices under the TRO asserting that the entities which owned these properties, 3905 Marcus, LLC and 2729 Bristol LLC, were determined to be non-party Receivership Entities. As to the Kings Lane Property and Port Barmouth Property, counsel had numerous written and telephonic communications with counsel for Chittenden and with counsel for the AAC Trust to discuss the purported interest which Chittenden and/or the ACC Trust had in those properties, and to discuss a potential interim resolution as to the possession and control of those properties. Among other things, those discussions led to the negotiation of a stipulation (approved by Court order) providing that the Receiver be allowed to market and sell the Port Barmouth Property, which was entered into shortly after the Initial Expense Period. As a result, the Receiver has obtained a buyer for the Port Barmouth Property and a motion approving procedures to sell that property will be presented to the Court in the immediate future. Counsel for the Receiver had communications with counsel for Chittenden concerning funds which derived from the Reserve project and funded the real properties. Barnes & Thornburg also had extensive communications with counsel for Chittenden, counsel for the AAC Trust, and the Trustee of the AAC Trust, regarding funds which were generated by the Kings Lane Property and Port Barmouth Property. All of these discussions led to the turnover by the AAC Trust to

the Receiver of \$177,772.23 during the Initial Expense Period.

As noted above, the Kings Lane Property had been improperly leased after the inception of the TRO and the Receiver's counsel addressed issues concerning this lease (with a purchase option) with the Receiver, counsel for Chittenden and the AAC Trust, and counsel for the lessee. Barnes & Thornburg addressed and consulted with the Receiver concerning issues pertaining to the Bristol Property, including property damage issues and demands made by the seller who financed the purchase of the property by 2729 Bristol LLC, which sale closed shortly before the inception of the receivership. Counsel also addressed and consulted with the Receiver concerning the status of and strategies concerning various mortgage payments on the four properties, and communicated with certain lenders and counsel for lenders.

Barnes & Thornburg also had numerous written and telephonic communications with counsel for Chittenden concerning a host of issues and facts unrelated to the two real properties. These included discussions concerning Chittenden's desire to resolve the litigation as it pertained to her as a Relief Defendant; the unfreezing of accounts held by Relief Defendant Beach Bunny Holdings, LLC ("Beach Bunny"), a company in which the majority interest is held by Chittenden or the AAC Trust; the unfreezing of an American Express card; and access to Beach Bunny mail.

The Receiver's counsel addressed various issues concerning NLG and prepared and served a letter advising that NLG was a non-party Receivership Entity under the TRO. Barnes & Thornburg addressed demands from Santos and other investors in the real estate project in Costa Rica who paid funds to NLG for an immediate return of their money. Numerous communications ensued with counsel for Santos and the other investors. A post-receivership lawsuit was improperly commenced by these individuals in California State Court. Barnes & Thornburg advised counsel for Santos and the other investors that the lawsuit was improperly

brought and could not proceed in the face of the litigation stay imposed by the TRO. Counsel also began to analyze the legal and factual issues surrounding the Costa Rica investors' demands for an immediate return of all of their investment money. As noted above, after a review of the applicable facts and law, the Receiver has concluded that all of these funds properly belong in the receivership estate and the Receiver intends on bringing a motion in the near future to allow it to access certain of these funds immediately to fund critical Reserve operations.

Throughout the Initial Expense Period, the Receiver's counsel had numerous communications with counsel for various parties, including the FTC and Baker. It communicated with counsel for Pukke concerning a subpoena for records sought by Pukke from the Receiver, and reviewed the subpoena and the documents retrieved by the Receiver in response to the subpoena. Barnes & Thornburg also had numerous communications with third parties, including counsel for aggrieved lot owners and at least one lot owner himself either threatening litigation or threatening to enforce demands against the Receivership Entities. Counsel also communicated with former POA board members.

During the Initial Expense Period, counsel prepared a stipulation and proposed order (entered by the Court) allowing the Receiver to liquidate personal property at the Receivership Premises. It also prepared a successful motion to extend the deadline for filing the initial fee motion. Barnes & Thornburg also attended two telephonic hearings, one concerning, among other matters, the FTC's request for an interim preliminary injunction, and the other concerning, among other matters, the FTC's motion to compel discovery and AIBL's motion to stay discovery.

In addition to all of the foregoing services, the Receiver's counsel consulted on a myriad of other issues, including assisting the Receiver in drafting two sets of informational materials

for Reserve lot owners, analyzing requests from lot owners to raise money for Reserve expenses, and advising the Receiver concerning payroll, employment and benefit plan issues.

IV. THE FEES AND COSTS OF THE RECEIVER AND ITS COUNSEL ARE REASONABLE AND SHOULD BE PAID AS REQUESTED

It is a fundamental tenet of receivership law that expenses of administration incurred by the receiver, including those of the receiver, his counsel and others employed by him, constitute priority expenses for which compensation should be paid from the assets of the receivership. As explained in the leading treatise *Clark on Receivers*:

The obligations and expenses which the court creates in its administration of the property are necessarily burdens on the property taken possession of, and this, irrespective of the question who may be the ultimate owner, or who may have the preferred lien, or who may invoke the receivership. The appointing court pledges its good faith that all duly authorized obligations incurred during the receivership shall be paid.

2 Clark, Ralph Ewing, *A Treatise on the Law and Practice of Receivers* § 637, p. 1052 (3rd ed. Rev. 1992).

The Receiver is an officer of the Court charged with a myriad of duties under the Court's TRO, many of which have no relationship to recovery of assets or increasing the funds available for distribution to creditors. Because of the nature of the administrative and other services required in receiverships, the benefit a receiver confers on receivership property cannot be determined based solely on the increase or decrease in the value of property in the receiver's possession. As the Court explained in *Securities and Exchange Commission v. Elliott*, 953 F. 2d

1560, 1577 (11th Cir. 1992):

[I]t is sometimes difficult to ascertain what type of benefits a receiver has bestowed on receivership property [A] benefit to a secured party may take more subtle forms than a bare increase in monetary value. Even though a receiver may not have increased, or prevented a decrease in, the value of the collateral, if a receiver reasonably and diligently discharges his duties, he is entitled to compensation. [Citations omitted.]

Securities and Exchange Commission v. Elliott, 953 F. 2d at 1577.

The Court has broad discretion in determining the reasonableness of fees to be awarded a receiver. *See In re San Vicente Medical Partners Ltd.*, 962 F. 2d 1402, 1409-1410 (9th Cir. 1992). The Court may evaluate the time and effort expended by the Receiver with respect to specific projects and aspects of the administration of the estate, and may look to a number of different factors under the case law in approving receiver's and counsel's fees. *In re San Vicente Medical Partners Ltd.*, 962 F. 2d at 1409-1410.

The Receiver and its professionals have performed extensive and wide-ranging tasks during the Initial Expense Period in this extremely complex receivership proceeding. This motion establishes that the Receiver, its members, staff and professionals rendered reasonable and critical services for the receivership estate during this Initial Expense Period that were highly beneficial to the estate. *See Federal Trade Commission v. Capital Acquisitions & Management Corp.*, 2005 U.S. Dist. LEXIS 18504 (N.D. Ill. August 26, 2005). The Receiver submits the fees are reasonable in light of the services rendered, and that the fees and expenses requested should be awarded in their entirety.

The Receiver does not have sufficient undisputed assets on hand in which to pay all of the fees and costs sought for approval in this Motion. The Receiver seeks an order permitting the fees and costs approved pursuant to this Motion to be paid only as funds become available and only to the extent the Receiver deems it prudent and appropriate, taking into consideration all of the cash needs of the receivership estate. In the event funds become available to pay some but not all of the fees and costs approved pursuant to this Motion, such payment will be made on a pro rata basis to the Receiver and its counsel. It is important to note that under no circumstances will the Receiver pay itself or its lawyers at any time if doing so would jeopardize the payment of other necessary expenses in the receivership, specifically including but not limited to all of the necessary ongoing expenses at the Reserve.

///

///

///

///

///

///

///

///

///

///

///

///

///

V. **CONCLUSION**

Based on the Motion, this Memorandum of Points and Authorities, the supporting declarations of Brick Kane and Gary Owen Caris, along with the exhibits attached thereto, it is respectfully requested that the Court grant the Motion in its entirety, and approve and authorize for payment the fees and expenses of the Receiver and its counsel as set forth herein.

Dated: April 5, 2019

By: /s/ Gary Owen Caris

Gary Owen Caris, Calif. Bar No. 088918
Admitted Pro Hac Vice 11/30/18
BARNES & THORNBURG LLP
2029 Century Park East, Suite 300
Los Angeles, CA 90067
Telephone: (310) 284-3880
Facsimile: (310) 284-3894
Email: gcaris@btlaw.com

By: /s/ James E. Van Horn

James E. Van Horn (Bar No. 29210)
BARNES & THORNBURG LLP
1717 Pennsylvania Avenue, NW,
Suite 500
Washington, DC 20006
Telephone: (310) 284-3880
Facsimile: (310) 284-3894
Email: jvanhorn@btlaw.com

Attorneys for Temporary Receiver, Robb
Evans & Associates LLC

**UNITED STATES DISTRICT COURT
DISTRICT OF MARYLAND
SOUTHERN DIVISION**

In re SANCTUARY BELIZE LITIGATION

No: 18-cv-3309-PJM

**DECLARATION OF BRICK KANE IN SUPPORT OF MOTION FOR ORDER
APPROVING AND AUTHORIZING PAYMENT OF TEMPORARY RECEIVER'S AND
PROFESSIONAL'S FEES AND COSTS FROM INCEPTION OF THE RECEIVERSHIP
ESTATE THROUGH JANUARY 31, 2019**

I, Brick Kane, declare:

1. I am the President of Robb Evans & Associates LLC (“Receiver”), the temporary receiver in this action. This lawsuit was commenced on October 31, 2018 by the Federal Trade Commission (“FTC”) on October 31, 2018 with its filing of a Complaint for Permanent Injunction and Other Equitable Relief (“Complaint”). The lawsuit named 17 entity defendants and seven individual defendants, in addition to five relief defendants. The Court issued the Ex Parte Temporary Restraining Order With Asset Freeze, Writs *Ne Exeat*, Appointment of a Temporary Restraining Order and Other Equitable Relief, and Order to Show Cause Why a Preliminary Injunction Should Not Issue (“TRO”) on November 5, 2019. Under the TRO, the Receiver became temporary receiver over all entity defendants except for Atlantic International Bank, Ltd. (“AIBL”) and over the assets of Andris Pukke (“Pukke”) and Peter Baker (“Baker”) valued at \$1,000 or more. The Court extended the duration of the TRO pursuant to an Extension of Temporary Restraining Order and Interim Preliminary Injunction on November 20, 2018. The FTC filed a motion to amend the Complaint and a proposed Amended Complaint for Permanent Injunction and Other Equitable Relief (“Amended Complaint”) on December 28, 2018 adding

Michael Santos and Newport Land Group, LLC (“NLG”) as defendants. The Court granted the motion to amend on January 11, 2019. On February 13, 2019 the Court entered a Stipulated Preliminary Injunction as to Defendants Rod Kazazi, Foundation Partners, Brandi Greenfield, BG Marketing LLC, Frank Costanzo, Deborah Connelly, Ecological Fox LLC, Michael Santos, Angela Chittenden, and Beach Bunny Holdings LLC (“Stipulated Preliminary Injunction”). Under the Stipulated Preliminary Injunction, the Receiver remained as receiver over the stipulating Receivership Entities BG Marketing, LLC, Ecological Fox, LLC, and Foundation Partners, and NLG was expressly added as a named Receivership Entity. The Receiver remains temporary receiver over the remaining Receivership Entities named in the TRO and over the assets of Pukke and Baker.

2. I have been one of the members of Robb Evans & Associates LLC primarily responsible for the supervision, management and administration of the receivership estate, the Receiver’s taking possession and control of the business and operations of the Receivership Entities, as defined in the TRO, the review and investigation of the business, operations and assets of the Receivership Entities and the individuals whose assets are under receivership, and the Receiver’s exercise of the other powers and duties set forth in the TRO and Stipulated Preliminary Injunction. I have been involved in the Receiver’s ongoing review and detailed analysis of the Receivership Entities’ financial records, banking records, and other business records and files. I was personally involved in the preparation and review of the Receiver’s Report of Activities for the Period From November 6, 2018 to February 21, 2019 (“Receiver’s Report”) filed on February 22, 2019. I have personal knowledge of the matters set forth in this declaration and if I were called upon to testify as to these matters I could and would competently testify thereto based on my personal knowledge.

3. The Receiver seeks payment of the Receiver's fees and costs summarized in the Receivership Administrative Expenses and Fund Balance spreadsheet ("Financial Summary") attached hereto as Exhibit 1. The fees are set forth in the detailed billing records of the Receiver, attached hereto as Exhibits 2, 3 and 4 for the months of November 2018, December 2018 and January 2019 respectively. During the period from the inception of the receivership estate, on or about November 6, 2018 through January 31, 2019 ("Initial Expense Period"), the Receiver has incurred fees for the Receiver, including the Receiver's members and staff, of \$609,337.20. The Receiver's costs during the Initial Expense Period total \$15,484.15 and are detailed in the Financial Summary.

4. As evidenced by the detailed billing records which accompany this declaration and the summary of services which follows in this declaration, the initial period of this receivership was extraordinarily challenging and time consuming. The Initial Expense Period was marked by the need for the Receiver to render extensive services in gaining possession and control of a myriad of Receivership Entities located both in the United States and in Belize; performing critical daily management and control functions for the real estate development project in Belize known as the Reserve in order to preserve the safety and security of the assets at the Reserve and those living at the Reserve; developing a thorough understanding of the Receivership Entities' business and operations; undertaking a thorough review of an extremely complex set of accounting records that contained large discrepancies; analyzing the cash flow of large amounts of money transferred and diverted by Pukke; communicating extensively with numerous parties to the action and their counsel, in addition to communicating extensively with former members of the board of directors for Sanctuary Belize Property Owners' Association ("POA") and hundreds of Reserve lot owners with disparate viewpoints and demands; and

preparing, in large part, its initial voluminous and detailed Receiver's Report, containing 74 single-spaced pages of text and 50 exhibits.

5. The Receiver commenced its work on November 6, 2019 as it began to review the TRO, prepare for entry onto the Receivership Entities' premises at 3333 Michaelson Drive, Suite 500, Irvine, California ("Receivership Premises") and take control of the business operations. Along with two other members of the Receiver's office and Receiver's counsel, I met with representatives of the FTC that day to discuss background facts and to go through the terms of the TRO, particularly as they pertained to the Receiver's powers and duties. Pursuant to the TRO, the Receiver took possession and control of the Receivership Premises the next day, November 7, 2018. Based on the information which had been provided to the Receiver concerning the size of the Receivership Premises, the number of people believed to be operating there and the size and scope of the business operations, nine members and staff of the Receiver's office took possession and control of the Receivership Premises that day, each assigned different duties during the initial day's work in taking possession and control of the Receivership Premises and business operations in California. The initial day and subsequent early days of the receivership were spent in part accessing, taking control of, preserving and analyzing the paper and electronic records of the Receivership Entities. The Receiver re-routed the mail, changed the locks and served the TRO on a myriad of financial institutions and service providers. It imaged a number of computers and cloud-based records, including e-mail, and took possession of all paper records.

6. From the very first days of the receivership, the Receiver's most critical job and one that was very time consuming pertained to addressing and supervising operations at the Reserve and ensuring that the Receiver could timely fund critical operations to maintain safety

and security at the Reserve so as to protect residents there and to preserve estate assets. The Receiver promptly determined that business operations could not be maintained on a temporary basis profitably and legally, given among other things that numerous staff at the Reserve had been laid off without the Receiver's knowledge after the TRO became public. The Receiver was required to prepare budgets for scaled back operations in Belize and oversee all operational issues there. It had to analyze funding requests made by lot owners and local management. We were in regular communication with Alfonso Bailey, on site manager of the Reserve. The Receiver had to take steps to ensure that funds would be transferred to accounts in Belize in time to make critical expense payments for ongoing operations. We retained local counsel in Belize for the purpose of, among other things, obtaining an order there recognizing the Receiver's authority and coordinating with someone who could facilitate payments in Belize dollars to employees of the Reserve now under the Receiver's management.

7. Commencing on the initial day's entry onto the Receivership Premises and during the Initial Expense Period, I and other members and staff of the Receiver met with various defendants, including Baker and Rod Kazazi ("Kazazi"), employees of the Receivership Entities and principals of Pandora Marketing LLC who shared office space at the Business Premises. We were in regular communication with hundreds of lot owners throughout the Initial Expense Period. These communications were both in writing and telephonic. The Receiver also communicated with numerous third party lenders, vendors, and persons involved in various investments Pukke made with Receivership Entities' assets, including persons involved in Wedding Solutions, Remote.com, Attorney.com and Chivalry, Inc.

8. Accounting records for the domestic Receivership Entities were cloud-based and included QuickBooks accounting records, as well as data in two Lending Pro databases. Lending

Pro is a software system used to manage the Receivership Entities' consumer loan portfolio. Accounting records for the Belize Receivership Entities were maintained locally and the Receiver obtained them from the Receivership Entities' accounting team in Belize. The Receiver also obtained Receivership Entities' banking records. During the Initial Expense Period, the Receiver spent substantial amounts of time reviewing, reconciling and analyzing the Receivership Entities' accounting records, banking records and data downloads. It performed accounting reconstructions based on banking records and performed extensive intercompany account reconciliations.

9. The Receiver's forensic accounting work was extremely complicated and time consuming because, as explained in the Receiver's Report, the Receivership Entities' accounting records were substandard and wholly deficient. The difficulty was compounded by the number of Receivership Entities and the scope of intercompany transactions. The accounting records contained large discrepancies between the Receivership Entities' QuickBooks accounting records and their Lending Pro records. There were also numerous problems with the misclassification of funds received and paid out by various Receivership Entities. The accounting treatment for lot sales and related loan activities included a myriad of accounting entries and temporary/suspense accounts, such as undeposited and cash accounts. The Receivership Entities routinely failed to timely reconcile accounts and recognize income, resulting in unreconciled balances of temporary accounts and numerous accounting misstatements.

10. The Receiver's forensic accounting analysis was further complicated by the fact that Pukke had diverted millions of dollars from the Receivership Entities to various relatives, business associates, and other persons and entities for purposes wholly unrelated to the Reserve.

For example, the Receiver discovered payments made by Foundation Partners which were not located in its accounting records but which were located in other Receivership Entities' records. The Receiver learned, in conferences with Kazazi, that Foundation Partners had a bank account set up for Pukke to use, although Pukke did not sign on the account, but instead would instruct Kazazi to sign disbursements from this account on Pukke's behalf.

11. In addition to the critical forensic accounting work needed in order to prepare the Receiver's Report, the Receiver also analyzed e-mail communications, scripts found at the Business Premises, and litigation files located there to complete the Receiver's Report.

12. The Receiver was faced with a host of other challenging, time sensitive and important issues during the Initial Expense Period. Commencing on the day it took possession and control of the Receivership Entities, we coordinated the freezing and/or turnover of a myriad of Receivership Entity bank accounts. The Receiver also immediately requested banking records of the Receivership Entities in order to facilitate its forensic accounting. To reduce expenses, the Receiver took steps to promptly vacate the Receivership Premises which were being sub-leased and, with the assistance of counsel, took steps to obtain a stipulated order to auction the personal property there. The Receiver also addressed workers compensation, 401(k), payroll and insurance issues during the Initial Expense Period.

13. Because so much money was diverted from the Receivership Entities to a variety of investments and assets at Pukke's direction and because the Receiver is also receiver over the assets of Pukke, it was necessary for the Receiver to take possession and control of several real properties which the Receiver determined belong to the receivership estate, including residential property at 104 Kings Place, Newport Beach, California ("Kings Place Property"), 1833 Port Barmouth Place, Newport Beach, California ("Port Barmouth Property"), and 3905 Marcus

Avenue, Newport Beach, California (“Marcus Property”), as well a commercial building at 2729 Bristol Street, Costa Mesa, California (“Bristol Property”).

14. The Kings Place Property was expressly named in the TRO, even though it was held in the name of the AAC Family HYCET Trust Dated 10/7/15 (“AAC Trust”). The Port Barmouth Property, where Angela Chittenden (“Chittenden”) and Pukke were residing at the outset of the case, was also held in the name of the AAC Trust. It is my understanding that Chittenden and Pukke have lived together for many years and have two children together. The Receiver and its counsel analyzed AAC Trust records, as well as an accounting provided by the AAC Trust. Through counsel, the Receiver demanded that the AAC Trust turn over all funds it held in connection with the Kings Place and Port Barmouth Properties and turn over possession and control of these two properties to the Receiver. This was complicated by the fact that the AAC Trust entered into a post-TRO lease/purchase option agreement on the Kings Place Property without the Receiver’s knowledge or permission. The Receiver communicated with the lessee about the lease/purchase option and a potential accelerated acquisition of the Kings Place Property by the lessee. Eventually, the AAC Trust turned over \$177,772.23 to the Receiver after paying Chittenden \$150,000 and the AAC Trust’s lawyer \$11,164.01 without the Receiver’s knowledge or consent. Matters were further complicated by the fact that the Kings Place Property had suffered water damage shortly after the inception of the receivership and the Receiver took control of the property with the new tenant in place and insurance claims pending.

15. The Receiver entered into a stipulation with the AAC Trust to permit the Receiver to market the Port Barmouth Property for sale. It is anticipated that a motion to approve a sale of the Port Barmouth Property will be filed shortly after this Motion and that a sale will generate at least \$800,000 in net proceeds for the receivership estate.

16. The Receiver determined that the limited liability companies which owned the Marcus Property and the Bristol Property were also non-party Receivership Entities, and took possession and control of those properties too. The Marcus Property was in the midst of unlawful detainer proceedings with a tenant who has since vacated. The Receiver is attempting to enter into a stipulation with Kazazi as manager of 3905 Marcus LLC to market and sell this property. The Bristol Property was purchased through a sale financed by the former owner, which closed only one month before the inception of the receivership. It appears that 2729 Bristol LLC may have overpaid for the Bristol Property. The Receiver, through counsel, has been negotiating for a potential sale of the Bristol Property back to the former owner. Negotiations are ongoing. Throughout the Initial Expense Period, the Receiver communicated with various lenders and/or their representatives on each of these four properties and analyzed and developed potential strategies with respect to each of the properties.

17. The Receiver also analyzed other offshore real estate development projects affiliated with the named Receivership Entities, including NLG, which was originally deemed to be a non-party Receivership Entity but which has subsequently been named as a Receivership Entity in the Stipulated Preliminary Injunction. The Receiver, with counsel, has analyzed the claim made by NLG's investors that funds held in an NLG bank account totaling over \$3.7 million should be segregated for the exclusive benefit of NLG's investors in connection with a project in Costa Rica that never commenced. The Receiver anticipates bringing a motion in the immediate future seeking a Court order determining that these funds should not be segregated and held only for the benefit of NLG's investors and Costa Rica lot depositors, but properly belong to the entire receivership estate and for the benefit of all consumers.

18. During the Initial Expense Period, the Receiver spent a large amount of time preparing the Receiver's Report, which was finalized after January 31, 2019 and filed three weeks after the conclusion of the Initial Expense Period. As noted above, it contained 74 pages, single spaced, with 50 exhibits. It set forth eleven key findings of the Receiver, including providing support for each of the findings; it had an exhaustive preliminary forensic analysis of the Receivership Entities located in the United States and in Belize; it analyzed and addressed the status of other offshore businesses being undertaken by the Receivership Entities and/or its principals; and it discussed the Receivership Entities' marketing methods, analyzed scripts found on the Business Premises, and analyzed the Receivership Entities' methods for dealing with dissatisfied consumers and defending litigation claims.

19. This receivership is an extraordinarily wide-ranging and complex proceeding, with a multitude of defendants, lot owners, creditors, and other parties in interest. The Receiver has been required to undertake a substantial amount of work during the Initial Expense Period to gain a thorough understanding of the Receivership Entities' business, operations and financial structure and to begin to take the steps necessary to recover assets transferred and diverted by Pukke to various entities, relatives and associates.

20. The billing rates charged by the Receiver in this case reflected in the billing records filed in support of the Motion are discounted by 10% from the rates charged by the Receiver's firm in private sector cases as of the time of the Receiver's appointment in 2018. The Receiver will not raise its rates on this matter from the discounted rates in place as of 2018.

21. As the president of Robb Evans & Associates LLC, I am familiar with the methods and procedures used by the Receiver and its members, staff and employees to record the time spent rendering services to receivership estates over which Robb Evans and/or Robb Evans

& Associates LLC have been appointed. The records attached hereto as Exhibits 2, 3 and 4 are regularly prepared by the members, staff and employees of the Receiver at or about the time of the services rendered and each of whom has a business duty to accurately record the information regarding their services set forth in these records. The records are reviewed by the Receiver's accounting staff or me and summarized in the Financial Summary, Exhibit 1 attached hereto. As explained in the accompanying declaration of Gary Owen Caris, the Receiver's time records and the records of its professionals have been redacted where appropriate to preserve descriptions containing confidential, tactical, strategic, attorney-client privileged and/or attorney work-product information. Based on my experience with Robb Evans & Associates LLC, I believe the Receiver's methods and procedures for recording and accounting for time and services for the receivership estates over which Robb Evans and/or Robb Evans & Associates LLC have been appointed are reliable and accurate.

22. I have worked for over 20 years with Robb Evans & Associates LLC and have been directly involved in the supervision, management and administration of over 90 federal equity receivership matters. Based on my experience, I believe the rates and amounts charged by the Receiver for the services rendered during the Initial Expense Period are reasonable and appropriate based on the nature of the services rendered, the quality and amount of services provided, the complexity of this receivership estate and issues involved and other factors under the circumstances.

23. As set forth in Exhibit 1, the Receiver does not have sufficient undisputed assets on hand in which to pay all of the fees and costs sought for approval in this Motion. While the Receiver obtained \$3,757,345.09 from NLG accounts previously frozen at Bank of America on April 4, 2019, as noted above these funds are subject to dispute at the present time. The

Receiver seeks an order permitting the fees and costs approved pursuant to this Motion to be paid only as funds become available and only to the extent the Receiver deems it prudent and appropriate, taking into consideration all of the cash needs of the receivership estate. In the event funds become available to pay some but not all of the fees and costs approved pursuant to this Motion, such payment will be made on a pro rata basis to the Receiver and its counsel. Under no circumstances will the Receiver pay itself or its lawyers at any time if doing so would jeopardize the payment of other necessary expenses in the receivership, specifically including but not limited to all of the necessary ongoing expenses at the Reserve.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on April 4, 2019 at Sun Valley, California.


BRICK KANE

EXHIBIT 1

Robb Evans & Associates LLC, Receiver of Ecological Fox LLC et al.

Receivership Administrative Expenses and Fund Balance

From Inception (November 6, 2018) to January 31, 2019

	<u>Nov 30, 18</u>	<u>Dec 31, 18</u>	<u>Jan 31, 19</u>	<u>TOTAL</u>
Corporate/Defendant Assets				
Funds Turned Over				
2729 Bristol LLC				
BofA *3809	0.00	3,729.22	0.00	3,729.22
Total 2729 Bristol LLC	<u>0.00</u>	<u>3,729.22</u>	<u>0.00</u>	<u>3,729.22</u>
Buy International Inc				
JPMorgan Chase 8196	0.00	3,666.43	0.00	3,666.43
BofA *9844	0.00	67,489.26	0.00	67,489.26
Total Buy International Inc	<u>0.00</u>	<u>71,155.69</u>	<u>0.00</u>	<u>71,155.69</u>
Eco Futures Development				
BofA *5655	0.00	26,020.08	0.00	26,020.08
BofA *9828	0.00	222,572.95	0.00	222,572.95
Total Eco Futures Development	<u>0.00</u>	<u>248,593.03</u>	<u>0.00</u>	<u>248,593.03</u>
Foundations Partners				
JPMorgan Chase 3589	0.00	20,089.73	0.00	20,089.73
WFB *6444	0.00	0.00	47,469.61	47,469.61
Total Foundations Partners	<u>0.00</u>	<u>20,089.73</u>	<u>47,469.61</u>	<u>67,559.34</u>
Global Property Alliance Inc.				
BofA *5098	0.00	10,262.72	0.00	10,262.72
Total Global Property Alliance Inc.	<u>0.00</u>	<u>10,262.72</u>	<u>0.00</u>	<u>10,262.72</u>
Power Haus Marketing				
Bank of America *5717	0.00	42,141.82	0.00	42,141.82
Total Power Haus Marketing	<u>0.00</u>	<u>42,141.82</u>	<u>0.00</u>	<u>42,141.82</u>
Sanctuary Belize POA	322,000.00	0.00	7,358.37	329,358.37
Office & Petty Cash	<u>1,527.38</u>	<u>0.00</u>	<u>0.00</u>	<u>1,527.38</u>
Total Funds Turned Over	<u>323,527.38</u>	<u>395,972.21</u>	<u>54,827.98</u>	<u>774,327.57</u>
Other Funds Collected				
AAC Family HYCET Trust	0.00	0.00	197,772.23	197,772.23
Biltong Brand, LLC	1,080.00	0.00	0.00	1,080.00
Foundation Partners	2,595.00	4,827.10	0.00	7,422.10
Total Other Funds Collected	<u>3,675.00</u>	<u>4,827.10</u>	<u>197,772.23</u>	<u>206,274.33</u>
Total Corporate/Defendant Assets	327,202.38	400,799.31	252,600.21	980,601.90
Interest Income	<u>1.75</u>	<u>371.05</u>	<u>1,676.35</u>	<u>2,049.15</u>
Total Funds Collected	327,204.13	401,170.36	254,276.56	982,651.05

Receivership Administrative Expenses and Fund Balance

From Inception (November 6, 2018) to January 31, 2019

	<u>Nov 30, 18</u>	<u>Dec 31, 18</u>	<u>Jan 31, 19</u>	<u>TOTAL</u>
Expenses				
Buy Belize International Inc.				
IRA Contributions	0.00	259.87	0.00	259.87
Total Buy Belize International Inc.	<u>0.00</u>	<u>259.87</u>	<u>0.00</u>	<u>259.87</u>
Property Expenses				
The Sanctuary Reserve				
Bank Fees	0.00	62.00	988.68	1,050.68
Conservation Mgmt Fees	0.00	3,185.00	(165.00)	3,020.00
Staff & Management Fees				
Admin Employees	0.00	14,407.57	25,324.74	39,732.31
General Employees	0.00	23,178.23	31,939.63	55,117.86
Security Staff	0.00	8,805.79	27,778.07	36,583.86
Laid Off Staff	0.00	68,667.13	0.00	68,667.13
Total Staff & Management Fees	<u>0.00</u>	<u>115,058.72</u>	<u>85,042.44</u>	<u>200,101.16</u>
Electricity	0.00	10,845.08	14,246.41	25,091.49
Firearm & Security License Fees	0.00	2,162.50	0.00	2,162.50
Gasoline and Diesel	0.00	0.00	1,489.96	1,489.96
Government of Belize Taxes	0.00	59,576.09	36,946.82	96,522.91
Internet & Phones	4,000.00	7,217.26	4,452.66	15,669.92
Post Office Box rental	0.00	0.00	60.00	60.00
Supplies	0.00	0.00	15.32	15.32
Legal Fees & Costs	21,875.00	0.00	0.00	21,875.00
Total The Sanctuary Reserve	<u>25,875.00</u>	<u>198,106.65</u>	<u>143,077.29</u>	<u>367,058.94</u>
104 Kings Place				
Appraisal Fees	0.00	400.00	0.00	400.00
Litigation Guarantee Costs	1,151.00	0.00	0.00	1,151.00
Mortgage Payments	0.00	0.00	35,707.63	35,707.63
Property Insurance Premiums	0.00	1,056.72	30.96	1,087.68
Repairs & Maintenance	0.00	0.00	12,076.12	12,076.12
Total 104 Kings Place	<u>1,151.00</u>	<u>1,456.72</u>	<u>47,814.71</u>	<u>50,422.43</u>
1833 Port Barmouth Place				
Appraisal Fees	0.00	400.00	0.00	400.00
Litigation Guarantee Costs	1,151.00	0.00	0.00	1,151.00
Mortgage Payments	0.00	0.00	16,116.37	16,116.37
Pool Maintenance	0.00	0.00	0.00	0.00
Property Insurance Premiums	0.00	1,056.72	30.96	1,087.68
Total 1833 Port Barmouth Place	<u>1,151.00</u>	<u>1,456.72</u>	<u>16,147.33</u>	<u>18,755.05</u>

Robb Evans & Associates LLC, Receiver of Ecological Fox LLC et al.

Receivership Administrative Expenses and Fund Balance

From Inception (November 6, 2018) to January 31, 2019

	<u>Nov 30, 18</u>	<u>Dec 31, 18</u>	<u>Jan 31, 19</u>	<u>TOTAL</u>
2729 Bristol St. Office				
Electricity	1,716.43	869.23	847.76	3,433.42
Litigation Guarantee Costs	1,151.00	0.00	0.00	1,151.00
Property Insurance	3,175.89	5,469.59	5,469.59	14,115.07
Repairs & Maintenance	0.00	0.00	2,656.24	2,656.24
Water	0.00	468.38	0.00	468.38
Total 2729 Bristol St. Office	<u>6,043.32</u>	<u>6,807.20</u>	<u>8,973.59</u>	<u>21,824.11</u>
3905 Marcus Ave.				
Litigation Guarantee Costs	1,151.00	0.00	0.00	1,151.00
Property Insurance Premiums	0.00	140.55	1,073.47	1,214.02
Water	121.50	249.12	0.00	370.62
Total 3905 Marcus Ave.	<u>1,272.50</u>	<u>389.67</u>	<u>1,073.47</u>	<u>2,735.64</u>
Total Property Expenses	35,492.82	208,216.96	217,086.39	460,796.17
Receiver Fees & Expenses				
Receiver Fees				
R. Evans	1,071.00	0.00	0.00	1,071.00
B. Kane	30,335.40	17,202.60	20,622.60	68,160.60
S. Krishnan	8,550.00	0.00	0.00	8,550.00
K. Johnson	18,331.20	11,628.00	7,284.60	37,243.80
V. Miller	39,124.80	33,139.80	32,319.00	104,583.60
A. Jen	24,931.80	16,279.20	18,160.20	59,371.20
C. Callahan	4,927.50	2,250.00	9,607.50	16,785.00
M. Lin	47,848.05	32,562.00	10,160.55	90,570.60
F. Jen	29,697.75	7,266.15	6,210.90	43,174.80
T. Chung	56,953.35	20,833.65	32,592.15	110,379.15
C. DeCius	6,779.70	6,062.85	5,977.80	18,820.35
H. Jen	20,466.00	14,728.50	7,965.00	43,159.50
J. Dadbin	2,089.80	0.00	2,251.80	4,341.60
Support Staff	726.00	1,887.00	513.00	3,126.00
Total Receiver Fees	<u>291,832.35</u>	<u>163,839.75</u>	<u>153,665.10</u>	<u>609,337.20</u>
Receiver Expenses				
Asset & Investigative Searches	0.00	65.31	0.00	65.31
External Storage Device	0.00	313.12	387.51	700.63
Locksmith Services	972.91	0.00	0.00	972.91
Office Moving Expenses	0.00	585.00	0.00	585.00
Office Supplies	0.00	749.91	0.00	749.91
Parking & Tolls	112.75	148.55	180.00	441.30
Postage & Delivery	128.46	485.75	350.29	964.50
Security Guard	0.00	1,900.80	0.00	1,900.80

Robb Evans & Associates LLC, Receiver of Ecological Fox LLC et al.

Receivership Administrative Expenses and Fund Balance

From Inception (November 6, 2018) to January 31, 2019

	<u>Nov 30, 18</u>	<u>Dec 31, 18</u>	<u>Jan 31, 19</u>	<u>TOTAL</u>
Storage Unit Rent	0.00	370.00	604.33	974.33
Travel Expenses	3,289.50	489.41	1,498.20	5,277.11
Website Support	616.60	2,067.18	168.57	2,852.35
Total Receiver Expenses	<u>5,120.22</u>	<u>7,175.03</u>	<u>3,188.90</u>	<u>15,484.15</u>
Legal Fees & Costs				
Barnes & Thornburg LLP				
Legal Fees	29,166.70	45,201.50	30,618.15	104,986.35
Legal Costs	129.10	1,713.24	2,434.98	4,277.32
Total Barnes & Thornburg LLP	<u>29,295.80</u>	<u>46,914.74</u>	<u>33,053.13</u>	<u>109,263.67</u>
Total Legal Fees & Costs	<u>29,295.80</u>	<u>46,914.74</u>	<u>33,053.13</u>	<u>109,263.67</u>
Total Receiver Fees & Expenses	<u>326,248.37</u>	<u>217,929.52</u>	<u>189,907.13</u>	<u>734,085.02</u>
Total Expenses	<u>361,741.19</u>	<u>426,406.35</u>	<u>406,993.52</u>	<u>1,195,141.06</u>
Fund Balance				<u><u>(212,490.01)</u></u>
Relief Defendants' Funds Held by the Receiver				
A. Chittenden	0.00	150,000.00	0.00	150,000.00
Beach Bunny Holdings LLC	115,000.00	0.00	0.00	115,000.00
John Vipulis	4,112,000.00	0.00	0.00	4,112,000.00
Total Relief Defendants' Funds Held by the Receiver	<u>4,227,000.00</u>	<u>150,000.00</u>	<u>0.00</u>	<u>4,377,000.00</u>

UNITED STATES DISTRICT COURT
DISTRICT OF MARYLAND
SOUTHERN DIVISION

In re SANCTUARY BELIZE LITIGATION

No: 18-cv-3309-PJM

**DECLARATION OF GARY OWEN CARIS IN SUPPORT OF MOTION FOR ORDER
APPROVING AND AUTHORIZING FOR PAYMENT OF TEMPORARY RECEIVER'S
AND PROFESSIONAL'S FEES AND COSTS FROM INCEPTION OF THE
RECEIVERSHIP ESTATE THROUGH JANUARY 31, 2019**

I, Gary Owen Caris, declare:

1. I am an attorney at law duly licensed to practice before all courts of the State of California and admitted *pro hac vice* before this Court in this matter. Since the inception of the receivership estate, I have been the attorney at Barnes & Thornburg LLP (“Barnes & Thornburg”) primarily responsible for representing the temporary receiver, Robb Evans & Associates LLC (“Receiver”) on this matter and its lead counsel. My partner, James E. Van Horn, resident in Barnes & Thornburg’s Washington D.C. office and admitted to practice in the courts of Maryland and the United States District Court for the District of Maryland, has been responsible for acting as the Receiver’s local counsel on this matter. I have personal knowledge of the matters set forth in this declaration and if I were called upon to testify as to these matters I could and would competently testify thereto.

2. Attached hereto as Exhibits 1, 2 and 3 are copies of the billing records for the attorneys and paralegals at Barnes & Thornburg who performed work on this matter during the period from the inception of the receivership estate through January 31, 2019 (“Initial Expense Period”). Exhibits 1, 2 and 3 cover services rendered for the periods of November 2018,

December 2018 and January 2019 respectively. However, the time billed by my associate Roya Rahmanpour for November 2018 was finalized in the time system the following month and her time shows up in the December 2018 bill, Exhibit 2, because Ms. Rahmanpour had maternity-related medical issues which prevented her from finalizing her computerized time records in time for them to be generated with the November billing.

3. During the Initial Expense Period, the Receiver has incurred attorneys' fees to Barnes & Thornburg of \$104,986.25 and costs of \$4,277.32, for a total of \$109,263.67. The billing records, Exhibits 1, 2 and 3, itemize and detail the hours spent and the work performed by those attorneys and paralegals rendering services on this matter. The time records attached hereto as Exhibits 1 through 3, as well as the time records for the Receiver which accompany Brick Kane's declaration, have been redacted by me where appropriate to preserve descriptions containing confidential, sensitive, tactical, strategic, attorney-client privileged and/or work-product information. It is particularly important at the outset of the Receiver's investigation not to disclose sensitive and strategic information concerning the Receiver's work.

4. Throughout the Initial Expense Period, Barnes & Thornburg reviewed pleadings pertinent to the Receiver and consulted with and advised the Receiver on a host of various issues. At the outset of the case, we analyzed the terms of the TRO. (Abbreviated terms in this declaration have the meanings ascribed to them in the Motion.) As the Receiver determined that real and personal property assets may exist in districts outside of the District of Maryland, Barnes & Thornburg took steps to file the Complaint and TRO in district courts where receivership property was believed to potentially exist, pursuant to 28 U.S.C. §754. During the Initial Expense Period, these miscellaneous actions were filed in the Central District of California, the Western District of Texas and the Southern District of Texas. Promptly after

identifying four properties that were determined to be a part of the receivership estate, the Kings Place Property, Port Barmouth Property, Marcus Property and Bristol Property, Barnes & Thornburg prepared and recorded in the Orange County, California Recorder's Office a Notice of Pending Action (Lis Pendens) against each of these properties pursuant to California law.

5. As the Receiver undertook its forensic accounting analysis, it identified the need for documents from several third parties. Barnes & Thornburg prepared and served ten document subpoenas during the Initial Expense Period to various financial institutions, escrow companies, a title company and other third parties which contracted with the Receivership Entities or which were involved in Pukke's investments. In addition to the preparation and service of these subpoenas, counsel prepared explanatory letters that accompanied each subpoena, and communicated in writing and telephonically with many of these third parties with respect to the subpoenas. Typically, I initially reviewed the documents which were produced, although the Receiver performed the in-depth review of the documents as part of its analysis.

6. Barnes & Thornburg addressed numerous issues pertaining to the four real properties set forth above during the Initial Expense Period. As to the Marcus Property and the Bristol Property, we prepared the requisite notices under the TRO asserting that the entities which owned these properties, 3905 Marcus, LLC and 2729 Bristol LLC, were determined to be non-party Receivership Entities. As to the Kings Lane Property and Port Barmouth Property, I had numerous written and telephonic communications with counsel for Chittenden and with counsel for the AAC Trust to discuss the purported interest which Chittenden and/or the ACC Trust had in those properties, and to discuss a potential interim resolution as to the possession and control of those properties. Among other things, those discussions led to the negotiation of a stipulation (approved by Court order) providing that the Receiver be allowed to market and sell

the Port Barmouth Property, which was entered into shortly after the Initial Expense Period. As a result, the Receiver has obtained a buyer for the Port Barmouth Property and a motion approving procedures to sell that property will be presented to the Court in the immediate future. I had communications with counsel for Chittenden concerning funds which derived from the Reserve project and funded the real properties. I also had extensive communications with counsel for Chittenden, counsel for the AAC Trust, and the Trustee of the AAC Trust, regarding funds which were generated by the Kings Lane Property and Port Barmouth Property. All of these discussions led to the turnover by the AAC Trust to the Receiver of \$177,772.23 during the Initial Expense Period.

7. The Kings Lane Property had been improperly leased after the inception of the TRO and Barnes & Thornburg addressed issues concerning this lease (with a purchase option) with the Receiver, counsel for Chittenden and the AAC Trust, and counsel for the lessee. Barnes & Thornburg addressed and consulted with the Receiver concerning issues pertaining to the Bristol Property, including property damage issues and demands made by the seller who financed the purchase of the property by 2729 Bristol LLC, which sale closed shortly before the inception of the receivership. My firm also addressed and consulted with the Receiver concerning the status of and strategies concerning various mortgage payments on the four properties, and communicated with certain lenders and counsel for lenders.

8. I also had numerous written and telephonic communications with counsel for Chittenden concerning a host of issues and facts unrelated to the two real properties. These included discussions concerning Chittenden's desire to resolve the litigation as it pertained to her as a Relief Defendant; the unfreezing of accounts held by Relief Defendant Beach Bunny

Holdings, LLC (“Beach Bunny”) a company in which the majority interest is held by Chittenden or the AAC Trust; the unfreezing of an American Express card; and access to Beach Bunny mail.

9. The Receiver’s counsel addressed various issues concerning Newport Land Group, LLC (“NLG”) and prepared and served a letter advising that NLG was a non-party Receivership Entity under the TRO. Barnes & Thornburg addressed demands from Santos and other investors in the real estate project in Costa Rica who paid funds to NLG for an immediate return of their money. Numerous communications ensued with counsel for Santos and the other investors. A post-receivership lawsuit was improperly commenced by these individuals in California State Court. Barnes & Thornburg advised counsel for Santos and the other investors that the lawsuit was improperly brought and could not proceed in the face of the litigation stay imposed by the TRO. Barnes & Thornburg began to analyze the legal and factual issues surrounding the Costa Rica investors’ demands for an immediate return of all of their investment money. The Receiver has concluded that all of these funds properly belong in the receivership estate and the Receiver intends on bringing a motion in the near future to allow it to access certain of these funds immediately to fund critical Reserve operations.

10. Throughout the Initial Expense Period, the Receiver’s counsel had numerous communications with counsel for various parties, including the FTC and Baker. I communicated with counsel for Pukke concerning a subpoena for records sought by Pukke from the Receiver, and reviewed the subpoena and the documents retrieved by the Receiver in response to the subpoena. Barnes & Thornburg also had numerous communications with third parties, including counsel for aggrieved lot owners and at least one lot owner himself either threatening litigation or threatening to enforce demands against the Receivership Entities. Counsel also communicated with former POA board members.

11. During the Initial Expense Period, we prepared a stipulation and proposed order (entered by the Court) allowing the Receiver to liquidate personal property at the Receivership Premises. Barnes & Thornburg also prepared a successful motion to extend the deadline for filing the initial fee motion. I also attended two telephonic hearings, one concerning, among other matters, the FTC's request for an interim preliminary injunction, and the other concerning, among other matters, the FTC's motion to compel discovery and AIBL's motion to stay discovery.

12. In addition to all of the foregoing services, the Receiver's counsel consulted on a myriad of other issues, including assisting the Receiver in drafting two sets of informational materials for Reserve lot owners, analyzing requests from lot owners to raise money for Reserve expenses, and advising the Receiver concerning payroll, employment and benefit plan issues.

13. As a partner at Barnes & Thornburg, I am familiar with the methods and procedures used to create, record and maintain billing records for clients of the firm. The billing records attached hereto as Exhibits 1, 2 and 3 are prepared from computerized time records prepared contemporaneously with the services rendered by each attorney and paralegal billing time to the matter. These computerized records are prepared in the ordinary course of business by the attorneys and paralegals employed by the firm who have a business duty to accurately record their time spent and services rendered on the matters on which they perform work. The time records are transferred into computerized billing programs that generate monthly invoices under the supervision of the accounting department of the firm. Based upon my experience at Barnes & Thornburg, I believe the methods and procedures used for recording and accounting for time and services for our clients are reliable and accurate.

14. The fees charged by Barnes & Thornburg on this matter reflect a 10% discount off of the standard hourly billing rates charged by the firm in 2018 for lawyers and paralegals who worked on this matter. The firm's rates will not be raised during this engagement from those discounted 2018 rates.

15. I have more than 39 years' experience as a business and commercial litigator and I also have extensive experience as a bankruptcy attorney representing creditors in Chapter 11 and Chapter 7 cases. For more than 19 years, I have also specialized in representing receivers in federal equity receiverships. I believe the rates and amounts incurred by the Receiver to Barnes & Thornburg for the services rendered during the period covered by the Motion are reasonable and appropriate based on the nature of the services rendered, the quality and amount of services provided, the complexity of the issues involved and other factors under the circumstances.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on April 4, 2019 at Los Angeles, California.


GARY OWEN CARIS