



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

**Successor Receiver Report of Activities
for the Period July 1, 2022 to
September 30, 2022**

Submitted: November 10, 2022



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I. EXECUTIVE SUMMARY

During this quarterly reporting period, following a July 27, 2022 status conference, Marc-Philip Ferzan of Ankura Consulting Group, LLC (“Ankura”) and the Ankura Receivership Team (the “Ankura Team” or “Receivership Team”) received formal approval from the United States District Court for the District of Maryland (the “District Court” or “Court”) to begin administering the initial stages of the Redress Plan (also referred to as the “Compensation Plan” by the consumer population). The activities authorized by the Court in an August 18, 2022 Order include providing notice to consumers of the approved components of the Redress Plan, as well as the Claim Application process and timelines; conducting related information sessions; distributing and collecting Claim Applications; and rendering eligibility determinations and informing participants accordingly. The Court established a September 12, 2022 effective date for the approved Redress Plan components, resulting in the following timeline for the Claim Application process:

Claim Applications distributed:	October 27, 2022
Deadline to submit completed Claim Application:	December 12, 2022
Deadline to resolve Claim Application deficiencies:	January 10, 2023
Eligibility notifications:	February 9, 2023

In order to meet the Court’s directives, the Receivership Team focused significant additional efforts on preparing for Claim Application administration and developing the necessary processes, procedures, and resources to facilitate broad consumer participation in compliance with the required Redress Plan timetables. In furtherance of these objectives, the Receivership Team, among other things, developed consumer notices and informational materials, a user-friendly online Claim Application portal and application form (with tailored, pre-populated information where available),



detailed workflows to enable the timely review of claims and documentation in connection with eligibility determinations, and other live and automated resources for program participants.

Simultaneously, the Receivership Team continued to carry out its responsibilities under the Court orders requiring oversight and maintenance of the Belize development area properties and the preservation of receivership assets. In addition, the Receivership Team worked closely with legal counsel in connection with ongoing court proceedings, as well as in connection with the anticipated marketing and sales efforts upon approval of the remaining portions of the Redress Plan. The Receivership Team also ensured that consumers remained apprised of all material receivership developments through, among other things, updates to the Receiver's website, dissemination of Consumer Committee meeting minutes, and the issuance of focused correspondence related to the implementation of the Redress Plan.

The following sections of this quarterly report provide an overview of receivership activities during the period of July 1, 2022 through September 30, 2022 (the "Reporting Period," or "Quarter"), unless otherwise indicated.

II. PARTIAL APPROVAL OF THE REDRESS PLAN BY THE COURT

As previously reported, following a joint request from the Federal Trade Commission (the "FTC") and the Receiver, the Court held a status conference on July 27, 2022, during which the Receiver had the opportunity to provide an overview of material activities since the Ankura Team was appointed to take over receivership responsibilities on October 26, 2021. In response to a motion from the FTC, at the conclusion of the status conference, the Court directed the implementation of certain initial Redress Plan activities scheduled for completion within the first 150 days of a determined effective date. The Court also instructed that the Receiver should plan to report back on progress following completion of these activities, after which the Receiver should



anticipate further direction from the Court on next steps. The initial activities that the Court authorized the Receivership Team to undertake generally include:

- Providing notice to consumers of the partial approval of the Redress Plan and the related Claim Application processes and timetables;
- Conducting information sessions on the Court-ordered developments;
- Distributing and collecting Claim Applications; and
- Making Redress Plan eligibility determinations and informing consumers.

On August 3, 2022, the defendants filed an opposition to the FTC’s motion arguing that it should be denied, and that no components of the Redress Plan should be implemented while the appeals before the United States Court of Appeals for the Fourth Circuit (the “Fourth Circuit”) remain pending. On August 17, 2022, the FTC filed a reply in further support of its motion for the entry of an order partially implementing the Redress Plan. On August 18, 2022, the Court entered an order granting the FTC’s motion and formally authorizing implementation of the first 150 days of the Redress Plan (as described in Section II - Section III.A therein). The Order also: (i) established September 12, 2022 as the effective date of the authorized Redress Plan steps; (ii) specified that the Receiver shall not take any further steps to implement the Redress Plan without further order of the Court; and (iii) directed that, within 180 days of the September 12th effective date (i.e., March 13, 2023), the Receiver must submit a report to the Court concerning the status of implementation of the Redress Plan (the “Redress Plan Implementation Report”). Practically, the Receiver is not yet permitted to approve consumer payments, make payment distributions to eligible consumers, provide consumers with their lot ownership options, or sell the Belize development area properties to qualified developer(s).



III. REDRESS PLAN PREPARATIONS AND IMPLEMENTATION

Following the July 27th status conference and pursuant to the Court's August 18th Order, the Receivership Team focused efforts over the Reporting Period on preparing for Redress Plan implementation by, among other things: (i) taking additional steps to validate consumer contact information; (ii) drafting consumer notices; (iii) outlining content for information sessions; (iv) further developing the Claim Application and online Claim Portal; (v) refining workflows to review and process Claim Applications; and (vi) building a myriad of helpful customer support resources and tools to facilitate the timely submission of consumer claims. As contemplated by the Redress Plan, the Receivership Team coordinated with the FTC on a number of these initiatives, including the development of the Claim Application and related consumer communications. As required by the Court's August 18, 2022 Order, each of the foregoing workstreams will be described in more detail in the Receivership Team's Redress Plan Implementation Report, which is due to be filed by March 13, 2023. For purposes of this quarterly report, the relevant activities are summarized below.

- *Consumer Contact Information Validation Efforts.* Building upon its prior analysis and outreach efforts, the Receivership Team, in accordance with the requirements of the Redress Plan, took additional steps to validate consumer contact information. These steps included leveraging the National Change of Address database and conducting targeted reviews of defendants' files in an attempt to identify relevant information,¹ and subsequently sending communications by email and mail to encourage engagement. In addition, the Receivership

¹ Many of the defendants' corporate and transactional records were prepared or collected several years ago, with some dating back more than a decade. Factoring in changes in circumstances over the period, and practices used in perpetrating the fraud scheme, underlying consumer information reflected in the documents was in many instances determined to be outdated, invalid, or otherwise incomplete or missing. Through a range of targeted initiatives, the Receivership Team undertook to identify necessary consumer- and lot-related information to facilitate the Claim Application Process and satisfy Redress Plan requirements. This included efforts to seek to determine administrative details relating to physical mailing addresses, email addresses, and telephone numbers; as well as more substantive information concerning individual, joint, and corporate lot ownership interests, including related payments and/or transfers.



Team initiated an outbound phone call campaign aimed at consumers for whom no address detail was identified in available records.²

- *Initial Notice.* On September 16, 2022, the Receivership Team distributed an Initial Notice in accord with Redress Plan requirements to provide news of the August 18, 2022 Court Order, as well as an overview of the Claim Application process, including: (i) a timeline of critical dates, such as the October 27, 2022 Claim Application distribution date and December 12, 2022 deadline to submit a complete Claim Application; (ii) the potential benefits of participating in the Redress Plan and risks of not participating; (iii) recommended steps to take in preparation for Claim Application processing; (iv) how eligibility will generally be determined; and (v) available resources to obtain additional information (including upcoming live information sessions). The Initial Notice was sent to consumers by email and mail (depending on available contact information), and was also posted on the Receiver's website and on social media groups established by lot buyers and owners.
- *Information Sessions.* As required by the terms of the Redress Plan, the Receivership Team prepared to host two live information sessions describing the Claim Application process. The information sessions were scheduled for October 11, 2022 at 2:00 p.m. ET and October 13, 2022 at 7:00 p.m. ET. Details of the information sessions -- including instructions on how to participate by Zoom and/or telephone -- were provided through the Initial Notice and the Receiver's website, among other channels. The Receivership Team began development of a detailed presentation covering an array of relevant topics, including: (i) the Redress Plan timeline and important Claim Application dates; (ii) the process for completing and submitting a Claim Application; and (iii) available customer support resources. Following each of the live information session presentations, the Receivership Team also allotted time for question and answer segments in order to address consumer inquiries. Moreover, the Receivership Team advised consumers that the information session recordings, along with the session presentation materials in the form of PowerPoint slides, would be made available on the Receivership website for future reference.
- *Claim Application.* The Receivership Team worked collaboratively with the FTC to design a Claim Application that would enable consumers to confirm and/or provide the information required by the terms of the Redress Plan. To streamline the Claim Application process for participants, the Receivership Team further developed the data in its consumer database so that Claim Application fields could be pre-populated with underlying information related to, among other things, the identity of the consumer, the lot in which the consumer has an interest, the amount the consumer paid, as well as the lot purchase terms (to the extent this information was available based on a review of the defendants' records). The Claim Application allows consumers to quickly verify the pre-populated information to the extent they determine it to be accurate, and correct the pre-populated information (with supporting documentation) to the extent that they determine it to be inaccurate.

² Supplemental efforts to verify contact information for these consumers continued leading up to the distribution of Claim Application notices on October 27, 2022.



- *Claim Application Portal.* The Receivership Team continued to develop an online Claim Application Portal to help facilitate the filing of Claim Applications by the December 12, 2022 deadline. In addition to providing consumers the ability to quickly answer Claim Application questions, attach relevant documents (to the extent required), and sign off on their submission through a user-friendly interface, the Claim Application Portal allows consumers to check their application status and determine whether any additional documents or information may be required to complete the process.³
- *Claim Application Notice.* The Receivership Team drafted a Claim Application Notice to advise consumers of the availability of Claim Applications on the Portal. Among other things, the Notice includes a unique ID to track each consumer's Claim Application associated with a specified lot, and also provides detailed instructions on how to access the Claim Application through the Portal.
- *Claim Application Review Protocols.* The Receivership Team further developed workflows and procedures to facilitate the timely review of Claim Applications. The workflows and procedures cover the entire lifecycle of a Claim Application submission -- from the initial review to determine whether the application can be considered complete, to the identification of potential deficiencies (and/or need for supporting documentation), through the rendering of eligibility determinations in accord with the requirements of the Redress Plan.
- *Customer Support Resources.* To facilitate consumer participation in the Redress Plan, the Receivership Team continued development of a range of customer support resources designed to provide practical and easy-to-understand reference materials, and also to ensure that consumers have a variety of communication channels through which they can ask questions and seek guidance from the Receivership Team.

IV. BELIZE PROPERTY MANAGEMENT OVERSIGHT ACTIVITIES

In accordance with the Court's orders requiring that the Receiver, among other things, maintain the status quo at the properties, preserve the value of receivership assets, and prevent the material degradation of environmental conditions, the Ankura Team continued to work closely with management and operations staff in Belize to timely address maintenance needs and advance required initiatives while managing costs. Progress on some related activities was impeded by a

³ While the Receivership Team believes that utilizing the Claim Application Portal will be the most simple and efficient way for consumers to file their Claim Application without delay, the Claim Application Notices provide information on how to contact the Receivership Team to request a paper Claim Application, should it be necessary for certain consumers.



series of significant weather events, which produced heavy rains, flooding, and power outages that made conditions unsuitable for maintenance staff to implement planned work.

Despite persistent weather-related challenges over the Quarter, local staff, in coordination with the Receivership Team, was able to: (i) identify road conditions requiring more immediate attention and conduct spot repairs when feasible; (ii) address damage caused by flooding to Cabbage Haul Creek Bridge through emergency repair work that was completed in coordination with the Ministry of Infrastructure Development and Housing (formerly the Ministry of Works); and (iii) facilitate the installation of additional grounding apparatuses by Belize Electric Limited, which are expected to reduce the likelihood of future electrical system challenges. Furthermore, in light of the aforementioned weather conditions experienced over the Reporting Period, the Receivership Team coordinated with the local management staff to prioritize preparedness for weather and other emergency events, and evaluate certain related protocols. Among other things, local staff continues to be available to provide assistance to Sanctuary Belize residents with entering and exiting the property as may be necessary following significant rainfall events.

As the rainy season in Belize concludes, the Receivership Team expects to make further progress on priority operations and maintenance initiatives related to roadway maintenance, electrical upgrades, and beach replenishment.

V. PREPARING FOR ANTICIPATED MARKETING AND SALES ACTIVITIES

During the Reporting Period, additional preparatory efforts were undertaken in consideration of anticipated marketing and sales activities relative to real estate assets. The Receivership Team continued to coordinate with a range of industry professionals to, among other things: (i) substantiate chain of title relative to the Sanctuary Belize and Kanantik development area land assets; (ii) gather and organize pertinent documents (including maps, surveys, title documents,



land use documents, and other historical records) for inclusion in a data room to facilitate the due diligence requirements of prospective developers, as well as to support potential future title insurance opportunities; and (iii) evaluate marketing approaches aimed at maximizing the valuation of the real estate assets, while ensuring that successor development team(s) have credible plans in place to comply with the ongoing maintenance and development obligations required by Redress Plan mandates.

VI. CONSUMER COMMUNICATIONS

During the Reporting Period, the Receivership Team maintained open lines of communication with consumers through various channels. Three Consumer Committee meetings were convened, during which topics were addressed ranging from the implementation of the initial stages of the Redress Plan, to operations and maintenance issues. As previously mentioned, the Receivership Team also scheduled two live videoconference sessions to provide information regarding the Claim Application process and timetables. In addition, the Receiver's website was regularly updated with a variety of reference documents and information, including the Initial Notice, Consumer Committee meeting minutes, Redress Plan deadline reminders, as well as filings in connection with ongoing Court proceedings.⁴

In anticipation of the expected increase in consumer inquiries associated with the distribution of Claim Applications, the Receivership Team began developing the infrastructure for an IVR system (with relevant pre-recorded information),⁵ as well as a telephone Helpline with live agent support aimed at providing Claim Application assistance for consumers as may be necessary.

⁴ As previously reported, Consumer Committee meeting minutes are also circulated by email to the entire consumer population.

⁵ IVR systems allow callers to access pre-recorded information by making selections from tailored menus.



The IVR system will be available 24 hours a day, seven days a week, and the Claim Application Helpline will be staffed with live customer support agents Monday through Friday from 8:00 a.m. ET to 6:00 p.m. ET, excluding major holidays. While consumers have been encouraged to submit their inquiries through the “Contact Us” button on the Receiver’s website or the dedicated receivership email address, the Claim Application Helpline will remain available during the claim submission period as an option for those consumers who may require additional help.

Since being appointed as successor Receiver on October 26, 2022, the Ankura Team has responded to more than 1,000 consumer communications via the dedicated Receivership email address and by phone, including more than 300 consumer communications over the Reporting Period. The most common consumer inquiry topics over the Quarter included: (i) verification of contact information; (ii) the partial approval of the Redress Plan; (iii) the Claim Application process; (iv) anticipated timing of redress payments; and (v) title transfers and land tax obligations.

VII. ACCOUNTING AND FINANCIAL STATEMENTS

The financial data reflected in the statements below show the current net assets in the receivership estate, as well as net recoveries, after expenses, through September 30, 2022. The operating expenses of Sanctuary Belize and Kanantik⁶ are generally recorded on a cash basis as

⁶ As provided in the Final Order Concerning Kanantik (Doc. 1193), the District Court ruled that the entities that comprise Kanantik -- Mango Springs Development Ltd., G&R Development Company of Belize, Ltd., Palmaya Development, Ltd., Kanantik International Limited, and Mango Springs Development, LLC (the “Kanantik Entities”) -- are receivership assets. Accordingly, the Receiver has conserved, managed and preserved the Kanantik development area for the benefit of consumers. From the time that the Kanantik Entities became receivership assets, no meaningful liquid assets or income streams have been identified. Consequently, operations and maintenance costs incurred in connection with the historical efforts of a limited staff have been satisfied using receivership estate funds recovered from FTC litigation and receivership estate asset monetization activities. As reflected in the charts in this Section of the Report, the Receivership Team is accounting for Kanantik and Sanctuary Belize expenditures separately, so that reimbursement for Kanantik expenses can be readily effectuated upon sale of any of Kanantik assets, including real estate to a successor developer.



payments are approved and issued. The statements do not include data related to the value of certain receivership assets, including land, improvements, equipment, and other assets located in Belize. The Receivership Team will perform additional evaluations of the development area properties in advance of initiating a process to formally solicit proposals from interested developers in accord with the Redress Plan. Over the Reporting Period, the Receivership Team continued to: (i) closely scrutinize expenses, including all requests for operations- and maintenance-related expenditures submitted by operations staff through the online procurement and payables system, to minimize receivership estate costs; and (ii) consider reasonable opportunities to increase revenue (despite there being limited opportunity to do so in the short-term). Below are the Statements of Net Assets and Statement of Net Recoveries for the Reporting Period.

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

	As of September 30, 2022
Assets:	
Cash	\$ 28,050,230
Total assets	28,050,230
Liabilities:	
Ankura professional fees and expenses	767,462
REA professional fees and expenses	5,267
Barnes & Thornburg professional fees	149,690
Arnold & Porter Kaye Scholer professional fees	14,943
Other accounts payable	70,958
Total liabilities	1,008,321
Net assets available	\$ 27,041,909



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

	For the Period July 1, 2022 to September 30, 2022	From Inception to September 30, 2022
Recoveries:		
Atlantic International Bank settlement*	\$ -	\$ 23,000,000
Previously reported recoveries	-	20,786,502
Other collections	5,386	691,885
Total recoveries	\$ 5,386	\$ 44,478,387
Expenses:		
Sanctuary Belize operating expenses		
Payroll	\$ 242,994	\$ 3,610,952
Equipment, maintenance, and supplies	153,680	1,843,726
Employment taxes	31,884	598,796
Property taxes and other government payments	13,429	233,276
General, administrative, and other expenses	92,705	851,547
Legal fees and costs	18,519	380,376
Total Sanctuary Belize operating expenses	553,212	7,518,674
Kanantik operating expenses		
Payroll	12,523	289,709
Equipment, maintenance, and supplies	6,854	45,375
Employment taxes	504	44,282
Property taxes and other government payments	-	58,240
General, administrative, and other expenses	36,219	119,681
Legal fees and costs	4,727	34,866
Total Kanantik operating expenses	60,827	592,153
Real estate property expenses	2,207	1,809,171
Corporate entity expenses	-	79,718
Other expenses	11,158	50,739
Receiver fees and expenses		
Ankura fees and expenses	767,462	2,305,677
REA fees and expenses	5,267	2,846,032
Barnes & Thornburg fees and expenses	149,690	2,149,705
Arnold & Porter Kaye Scholer fees and expenses	14,943	84,609
Total receiver fees and expenses	937,363	7,386,023
Total expenses	1,564,767	17,436,478
Net recoveries/ (expenses)	\$ (1,559,381)	\$ 27,041,909

*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.



VIII. ONGOING COURT PROCEEDINGS

Over the Reporting Period, the Receivership Team continued to engage with counsel regarding ongoing court proceedings and litigation matters. The most significant developments are described below.

A. Fourth Circuit Appeals

On September 13, 2022, the Fourth Circuit heard oral argument in connection with the appeals filed by defendants Andris Pukke, Peter Baker, John Usher and various entity defendants of the District Court's final orders. On November 1, 2022, the Fourth Circuit issued a written opinion in which it, in large part, affirmed the District Court's determinations. Notably, the Fourth Circuit expressly rejected the defendants' arguments challenging the District Court's appointment of the Receiver. The Receivership Team is evaluating the opinion and next steps with counsel.

There is also a second matter pending before the Fourth Circuit, which involves an appeal filed by fourteen individuals and one corporate entity that were investors in Newport Land Group -- a receivership entity whose assets also were expressly placed into the receivership pursuant to a motion brought by the original Receiver. The appeal relates to the District Court's June 23, 2022 order denying appellants' motions to intervene and for relief from judgment in the underlying litigation. Briefing on the appeal continued over the Reporting Period.

B. Bella Mar/Diaz-Cueto Litigation

On August 12, 2021, the original Receiver filed a Complaint against Jorge Diaz-Cueto and Bella Mar Associates ("Bella Mar") to recover \$1,065,000 paid by the receivership entities towards the purchase of a large tract of land in The Bahamas purportedly owned by Bella Mar. On November 23, 2021, the defendants filed a motion to dismiss the complaint asserting, among other things, that the District Court lacks jurisdiction over the defendants, venue is inappropriate, and the



complaint fails to state valid claims. On August 9, 2022, the District Court denied defendants' motion to dismiss in its entirety. The Court has issued a Scheduling Order for the litigation, and discovery is to be completed before the end of February 2023.

C. Kanantik Recognition Order Application

As previously reported, by virtue of the Stipulated Order and the prior orders entered by the District Court, the Receiver was granted a controlling interest in the Kanantik development area. The Receivership Team, with the assistance of legal counsel at Barnes & Thornburg and local counsel in Belize, filed an application in the Supreme Court of Belize in July 2022 seeking recognition of the applicable US Court orders to enable the Receivership Team to affirmatively market and sell the Kanantik development area parcels once permitted to do so by the District Court. Due, in part, to the Supreme Court of Belize being in recess for a significant portion of the Reporting Period and the need to obtain approval from that court to serve certain parties outside of Belize, the Receiver is awaiting a hearing date on the pending application.

IX. CONCLUSION

During the Reporting Period, the Court formally approved the initial stages of the Redress Plan, authorizing the Receiver to, among other things, provide notice to consumers of the Redress Plan, distribute and collect Claim Applications, and render eligibility determinations. Building upon prior preparatory work undertaken over the past year, the Receivership Team made progress on a number of fronts in advance of distributing Claim Applications on October 27, 2022. The Ankura Team, in coordination with FTC staff, drafted consumer notices, prepared content for information sessions, further developed the Claim Application and Claim Application Portal, and built a myriad of helpful customer support resources and tools to facilitate the timely submission of consumer claims.



On a parallel track, the Receivership Team also: (i) continued to meet its Court-mandated operations and maintenance obligations by addressing priority initiatives in a cost-reasonable manner (including road and bridge repairs, as well as electrical system enhancements); (ii) took further preparatory steps to undertake real estate marketing and sales efforts upon approval of the remaining portions of the Redress Plan by the Court; and (iii) kept consumers informed of material receivership developments, including those relating to the partial implementation of the Redress Plan.

Over the next Reporting Period, the Receivership Team will continue to focus efforts on administering the initial stages of the Redress Plan, and ensuring that the necessary processes, workflows, and resources are available to facilitate consumer participation in accord with Plan requirements.

By: 

Marc-Philip Ferzan
Receiver

Submitted: November 10, 2022