



ankura 

In re Sanctuary Belize Litigation

18-cv-3309 (D. Md.) (PJM)

**Successor Receiver Report of Activities
for the Period February 1, 2023 to June
30, 2023**

Submitted: August 17, 2023



TABLE OF CONTENTS

I. Executive Summary	1
II. Court Approval of the Receiver’s Recommendations Concerning the Next Phase of Consumer Redress	3
A. Distribution of Initial Redress Payments to Eligible Sanctuary Belize Consumers.....	4
B. Commencement of Belize Real Estate Marketing and Sales Efforts	5
C. Election of Certain Lot-Related Options Through an Online Survey	6
III. Receivership Activities Associated with Implementing the Next Phase of Consumer Redress...	7
A. Review and Adjudication of Dispute Notices	8
B. Filing of Motion to Address Unique Claims Scenarios Requiring Court Review	9
C. Preparation for Administering Redress Payments.....	11
D. Distribution of Initial Redress Payments.....	12
E. Initiation of Real Estate Marketing Activities.....	12
IV. Belize Property Management Oversight Activities.....	13
V. Accounting and Financial Statements	15
A. Financial Overview	15
B. Cash Flow & Liquidity Considerations Requiring Use of AIBL Funds	16
VI. Other Ongoing Court Proceedings	19
A. Proceedings Following the Fourth Circuit’s November 1, 2022 Opinion	20
B. Diaz-Cueto/Bella Mar Litigation.....	21
C. Federal Criminal Indictment of Andris Pukke	22
VII. Conclusion.....	22



I. EXECUTIVE SUMMARY

Marc-Philip Ferzan of Ankura Consulting Group, LLC (the “Receiver”) respectfully submits this report to the United States District Court for the District of Maryland (the “District Court” or “Court”) to provide an overview of relevant receivership administration and oversight activities that were undertaken over the five-month reporting period from February 1, 2023 through June 30, 2023 (the “Reporting Period”), unless otherwise indicated.

As referenced in the March 9, 2023 Redress Plan Progress Report & Receivership Update (the “March Receiver Report”), the Court established the receivership estate in this matter several years ago -- in November of 2018. Progress in connection with the marketing and sale of the Belize land assets and consumer redress was impeded largely as a result of legal challenges brought by the defendants, which ongoing challenges before the Fourth Circuit Court of Appeals and the U.S. Supreme Court persist to this day. Following the Court’s August 18, 2022 Order, the Receivership Team was able to timely complete all of the authorized components of the Redress Plan by the first quarter of 2023. Over a three-and-a-half month period between October 2022 and February 2023, an online Claim Application program was administered that culminated in the distribution of more than 2,840 eligibility notices following the submission of more than 1,700 Claim Applications. Approximately 97% of consumers who submitted Claim Applications were ultimately determined to be eligible to participate in the Redress Plan.

Based on the institutional knowledge developed through the administration of the Claim Application process and considering a range of other relevant factors, the Receivership Team presented recommendations in the March Receiver Report concerning the next phase of consumer redress, which included prioritizing the marketing of the various Belize land assets *before* undertaking substantial additional administration activities and incurring related expenses. The



objective of the recommendations was to generate process efficiencies, achieve cost savings, and better inform consumer choices. More specifically, the Receivership Team sought Court approval to proceed with:

- Issuing an initial round of redress payments to eligible Sanctuary Belize consumers;¹
- Undertaking an accelerated approach to the marketing of Belize land assets that is tailored to market feedback and conditions; and
- Enabling a streamlined, binding lot election process to empower available consumer choices and streamline administration corresponding to those choices.

Following an April 20, 2023 status conference to further consider the Receivership Team’s recommendations, on June 14, 2023, the Court entered an order (the “June 14th Order” or the “Order”) authorizing the foregoing activities as part of the next phase of consumer redress, including that the Receiver would make arrangements to distribute an initial \$10 million in redress payments to eligible Sanctuary Belize consumers within 90 days from the date of the Order.

In advance of distributing redress payment checks on August 16, 2023, necessary steps were undertaken to: (i) calculate the amount of redress to be distributed in connection with each eligible Sanctuary Belize claim utilizing the pro rata distribution formula set forth in the June 14th Order; (ii) coordinate notices with the Federal Trade Commission (the “FTC”) to provide consumers with relevant information regarding their redress payments; (iii) develop targeted customer support resources to address anticipated consumer inquiries; and (iv) address more unique claims scenarios requiring further analysis, additional consumer engagement, and/or Court approval

¹ There are currently no cash proceeds available to make redress payments to Kanantik and other covered development area lot purchasers, as the Redress Plan contemplates that such payments will come from liquid Kanantik assets (of which there are presently none). It is anticipated that future redress payments for those claims will come from the sale of Kanantik land and other assets.



of eligibility determinations. As part of the \$10 million allocation, the Receivership Team disbursed initial redress payments for 1,198 eligible Sanctuary Belize claims in the aggregate amount of \$9,927,189.73.²

In addition to distributing the first round of redress payments, the Receivership Team engaged in a number of other activities to address the requirements of the Court’s operative orders, including: (i) preparing for the marketing of the Belize real estate assets through the retention of a commercial real estate broker and initiation of a Request for Information (“RFI”) process aimed at potential purchasers, investors and developers; (ii) overseeing necessary operations and maintenance activities to preserve the condition and value of the Belize real estate assets; (iii) coordinating with counsel in connection with ongoing litigation activity; and (iv) keeping consumers apprised of key receivership activities and developments, as well as the status of ongoing court proceedings.

II. COURT APPROVAL OF THE RECEIVER’S RECOMMENDATIONS CONCERNING THE NEXT PHASE OF CONSUMER REDRESS

As stated above, the March Receiver Report presented recommendations to the Court concerning proposed consumer redress next steps. The recommendations, which were developed based on the Receivership Team’s institutional knowledge and following consultation with real estate industry professionals, legal counsel and the FTC, were designed with the goals of enabling

² The Receivership Team reserved sufficient funds to disburse potential future redress payments in connection with certain claims requiring Court approval (as described in Section III.B), as well as other unique claims necessitating supplemental documentation from consumers, including those involving deceased lot owners whose estates are undergoing probate.



significant process efficiencies, achieving substantial cost savings, and better informing consumer choices.³

On April 20, 2023, the Court convened a status conference to further consider the Receiver's recommendations and evaluate whether the Receivership Team could implement the following three primary initiatives to advance consumer redress and administer the receivership in the best interests of the interested stakeholders:

- Distribute an initial round of redress payments to Sanctuary Belize consumers;
- Commence marketing activities in connection with the Belize land and other assets; and
- Offer consumers certain lot-related options via a binding online survey.

After hearing from the Receiver and the parties, the Court directed the Receiver to submit a proposed form of order, which was ultimately entered on June 14, 2023, and authorized the activities described below.

A. Distribution of Initial Redress Payments to Eligible Sanctuary Belize Consumers

The June 14th Order provides that within 90 days, or as soon as practicable thereafter, the Receiver is to make an initial \$10 million distribution on a pro rata basis to eligible Sanctuary Belize consumers. The Order directs that the \$10 million allocation should be derived from the segregated funds held by the Receiver originating from the \$23 million settlement proceeds paid by Atlantic International Bank Limited (“AIBL”) pursuant to the September 25, 2019 Stipulated Order for Permanent Injunction and Monetary Judgment (the “AIBL Order”). As provided in the June

³ The recommendations also factored in the substantial passage of time and resources expended since the receivership was established and the Redress Plan was envisioned, as well as significant changes in market conditions (e.g., inflation, rising interest rates, supply chain disruptions, and other global and local real estate marketplace factors) that influence the underlying risk considerations reflected in Disclosure Nos. 1 – 4 contained in Section I of the Redress Plan.



14th Order, the calculation for pro rata distribution payments is based on the Amount Paid⁴ set forth in the eligible claim notification for each Sanctuary Belize lot, divided by the aggregate Amounts Paid set forth in all eligible claim notifications associated with Sanctuary Belize lots (i.e., \$135,987,984.47), multiplied by the \$10 million distribution authorized by the Court.⁵

B. Commencement of Belize Real Estate Marketing and Sales Efforts

The June 14th Order further provides that the Receiver is to commence efforts to market and attempt to sell the Sanctuary Belize and Kanantik assets. Pursuant to the Order, the Receiver is required to engage a reputable international real estate brokerage firm, at commercially reasonable rates and terms, and working with that firm, prepare marketing materials, address land validation issues as necessary, and initiate an RFI process directed to a representative group of potential purchasers, investors and developers over an approximately two-month period. The Order reflects that the RFI process will be used for the purposes of assessing interest in the Belize assets, better understanding current market conditions, determining investment priorities and needs of potential investors and developers, and facilitating the development of a formal bidding process.

Using the information gathered through the RFI process, the Receiver, together with the brokerage firm, is subsequently required to solicit bids from potential investors and developers pursuant to a Request for Proposals (“RFP”) process. The Order contemplates that the RFP process is to take up to nine months, or longer (upon notice to the Court that such extension may be necessary and appropriate to facilitate bidding). At the conclusion of the RFP process, if one or

⁴ All capitalized terms that are not otherwise defined herein shall have the meaning ascribed to them in the Redress Plan.

⁵ By way of example, a consumer credited with an Amount Paid of \$100,000 would receive an initial redress payment of \$7,353.59 calculated as follows: \$100,000 (Amount Paid), divided by \$135,987,984.47 (Aggregate Amount Paid for all eligible Sanctuary Belize claims), multiplied by \$10,000,000 (Court-ordered distribution amount available for Sanctuary Belize Claims).



more offers for the purchase of any or all of the Belize assets is obtained that in the Receiver's opinion and judgment should be accepted, the Receiver is required to seek Court approval for the sale of such assets.

C. Election of Certain Lot-Related Options Through an Online Survey

Pursuant to the June 14th Order, as soon as practicable after the conclusion of the RFI process, the Receiver is to prepare and distribute an online survey to all eligible consumers (to be completed within 90 days). The survey, which will contain certain risk disclosures in accordance with the terms of the Order, is required to provide each eligible consumer with the opportunity to select one of three options:

- Promptly acquire a lot prior to completion of the RFP process (“Option No. 1”);
- Defer the decision of whether to acquire a lot until after completion of the RFP process and Court approval of the potential sale of some or all of the Belize Assets (“Option No. 2”); or
- Decline to acquire a lot and waive all rights to acquire a lot at any time in the future as part of any Court-approved redress (“Option No. 3”).

Additional details regarding each of the three options are set forth below.

i. Option No. 1

In accordance with the Order, consumers electing Option No. 1 will be entitled to purchase the lot reflected in their approved Claim Application to the extent that: (i) it is located in a Belize government-approved subdivision; (ii) any competing claims have been resolved in the consumer's favor; and (iii) the transaction is otherwise determined to be permissible pursuant to Belize legal and regulatory requirements and factoring in other relevant considerations that may impact and/or preclude transferability (including, but not limited to, encumbrances).⁶ The Order further provides

⁶ The Order does not permit consumers to acquire lots other than the one(s) reflected in their approved Claim Application(s) under Option No. 1.



that, for those who select this option and have a lot that meets the foregoing conditions, the purchase price will be reduced from the original purchase price by up to approximately 35%.⁷ Under the terms of the Order, if the new purchase price is less than the Amount Paid, the new purchase price will be zero, but the consumer will not be entitled to any refund on account of such difference. The Order also requires that consumers who elect Option No. 1 -- and have a lot that can be transferred subject to the foregoing conditions -- enter into a reformed contract and pay all closing-related costs, administrative and tax expenses, legal fees and costs, along with any remaining balance of the purchase price, in cash at closing using their own funds or financing obtained from third parties.

ii. Option No. 2

In accordance with the Order, consumers electing Option No. 2 will be entitled to acquire a lot only to the extent that lots are ultimately offered for sale by the Court-approved purchaser and pursuant to terms and conditions offered by the purchaser and agreed to by such consumers.

iii. Option No. 3

Pursuant to the Order, consumers electing Option No. 3 will remain entitled to receive redress payments based on the availability of funds, notwithstanding their decision to forego acquiring a lot.

III. RECEIVERSHIP ACTIVITIES ASSOCIATED WITH IMPLEMENTING THE NEXT PHASE OF CONSUMER REDRESS

The Claim Application process, which was initiated on October 27, 2022 and concluded on February 9, 2023, yielded 1,710 Claim Applications, which were cumulatively affiliated with 2,845

⁷ The Order states that the new purchase price will be determined by taking the Seller Deceptive Price, multiplying it by a price multiplier of .65, dividing that figure by the Tax Adjustment Factor, and then reducing the sum by the Amount Paid for such lot.



individuals and entities.⁸ Of the 1,710 Claim Applications submitted, a total of 1,659 (97%) were determined to be eligible and 45 (2.6%) were determined to be ineligible.⁹ The eligibility of an additional six Claim Applications are pending court approval (as described below). Following dissemination of the Claim Application determination notices on February 9, 2023, the Receivership Team took the following steps to prepare for the next phase of consumer redress.

A. Review and Adjudication of Dispute Notices

Section VI of the Redress Plan provides, in relevant part, that if a consumer contends that the Receiver made “an unreasonable decision, or one inconsistent with the terms of th[e] Plan, the Final Orders, or applicable law,” the consumer is able to challenge the determination through a written Dispute Notice that, among other things, identifies the decision the consumer contends is unreasonable and explains with reasonable specificity the basis for that view (supported by a sworn declaration). The Redress Plan affords the Receiver ten days to respond to Dispute Notices and provides that, if the consumer disagrees with the Receiver’s response, the consumer has ten days to then file the dispute with the Court in accordance with applicable law and local rules.

⁸ There have been slight adjustments to the claim submission and eligibility determination figures due, in part, to claims review activity that occurred following submission of the March Receiver Report.

⁹ The Redress Plan required the Receivership Team to determine eligibility based upon a number of criteria including, but not limited to, whether a person submitting a Claim Application qualified as a “Consumer” by purchasing an “Eligible Lot” as part of the Sanctuary Belize and Kanantik “retail sales process.” Under the Redress Plan, a purchaser of a Sanctuary Belize or Kanantik lot could be deemed ineligible to participate for a variety of reasons, including as a result of: (i) having received a full refund; (ii) having earned compensation from the defendants for help in selling lots; and/or (iii) having made a representation the Court found to be unlawful (and knowing that the misrepresentation was false or misleading).



The eligibility determination notices issued by the Receivership Team advised consumers that, pursuant to Section VI of the Redress Plan, if they disagreed with any of the Receiver's determinations, including their eligibility status, Amount Paid, or lot purchase terms, they had the right to challenge those determinations by sending a Dispute Notice both to the Receiver and the FTC by April 11, 2023. The notices further advised consumers that they could obtain detailed information on how to file a Dispute Notice through the Receiver's website. On February 13, 2023, the Receiver filed a Statement Regarding Potential Disputes (Doc. 1406). As reflected therein, although Section VI of the Redress Plan has not been made an order of the Court, the dispute resolution procedures contained in the Section were appropriately commenced due to the Receiver's dissemination of eligibility determinations pursuant to the August 18, 2022 Order.

The Receivership Team received six Dispute Notices from consumers challenging their eligibility determinations by the April 11, 2023 deadline. The Receivership Team denied five on the basis that the eligibility determinations were consistent with the terms of the Redress Plan, and granted one on the basis that the consumer provided additional information that was not previously included as part of the Claim Application process, resulting in the consumer becoming eligible under the terms of the Redress Plan. None of the consumers whose Dispute Notices were denied by the Receivership Team filed their Dispute Notice with the Court for further review. Accordingly, all Dispute Notices were fully adjudicated over the Reporting Period.

B. Filing of Motion to Address Unique Claims Scenarios Requiring Court Review

The Receivership Team identified six claims requiring further review by the Court under the Redress Plan -- five of which were submitted by Post-Filing Transferors and Transferees, and one of which was submitted by an employee of Ankura Consulting Group, LLC ("Ankura").



Under the Redress Plan, a Post-Filing Transferee is defined as “someone who acquired rights, or claims to have acquired rights, to an Eligible Lot on or after November 7, 2018 from a person or entity other than Subject Sellers” (*see* Section I.49), and a Post-Filing Transferor is defined as “someone who Transferred rights, or claims to have Transferred rights, to an Eligible Lot on or after November 7, 2018” (*see* Section I.50).¹⁰ Section IV.M of the Redress Plan provides that Post-Filing Transferors and Post-Filing Transferees may or may not have rights and/or obligations under the Redress Plan, depending on what the Court decides. Although Section IV.M of the Redress Plan has not been made an order of the Court, the Receivership Team, in consultation with counsel, believed it was prudent to obtain a Court order determining the eligibility of the claims filed by the Post-Filing Transferors and Post-Filing Transferees to avoid any uncertainty. The claim involving the Ankura employee requires Court approval pursuant to a Supplemental Submission made by the FTC prior to the Ankura Team’s appointment as the Successor Receiver, which disclosed that the employee appeared to be a Kanantik lot purchaser. The Supplemental Submission advised that the Receiver would implement appropriate ethical walls and submit any claims determination with respect to the individual for review by the Court.

On July 6, 2023, the Receivership Team filed a Motion for Order Determining Certain Claims in which it sought a determination that the two Post-Filing Transferor claims are eligible for redress payments (on the basis that the original purchases were made prior to the defendants’ misconduct becoming public) and that the three Post-Filing Transferee claims are ineligible (because, among other reasons, there was ample information in the public domain concerning defendants’ fraudulent conduct at the time of their purchases). In addition, the Receivership Team

¹⁰ November 7, 2018 is the date on which the original Receiver took control of the Receivership Entities’ business premises pursuant to the Court’s November 5, 2018 Temporary Restraining Order.



recommended that the claim involving the Ankura employee be determined to be eligible on the basis that: (i) the individual and his co-applicant spouse timely submitted a Claim Application and supporting documents and information; (ii) the Claim Application was analyzed utilizing the same review process as that applied to all other consumers and was preliminarily determined to be eligible under the criteria set forth in the Redress Plan; and (iii) there was no favorable treatment, in any manner, provided in the evaluation of the claim. No responses were filed following the Receiver's motion. The motion remains pending.

C. Preparation for Administering Redress Payments

The Receivership Team also initiated preparations for the distribution of redress payment checks. As required by the June 14th Order, redress payments are to be disbursed to eligible Sanctuary Belize consumers on a pro rata claim basis. As stated above, each eligible consumer's pro rata share is based on the Amount Paid set forth in each eligible claim notification, divided by the aggregate Amounts Paid set forth in all eligible claim application associated with Sanctuary Belize lots, multiplied by the \$10 million authorized for distribution. Applying this formula, the Receivership Team determined the pro rata amounts for each eligible Sanctuary Belize claim.

In coordination with the FTC, the Receivership Team also developed tailored email communications and notices to accompany the physical check mailings. Among other things, information was provided concerning the calculation of the specific amount of redress for each eligible Sanctuary Belize claim, as well as coordination instructions for multiple payee checks and notice of the 120-day deadline to redeem the checks. Answers to frequently asked questions were also prepared to be posted to the Receiver's website. In addition, the Receivership Team engaged with consumers to validate updated email and mailing addresses, as well as to collect other information and documentation as necessary in order to facilitate redress payments.



D. Distribution of Initial Redress Payments

Redress payments were issued to eligible Sanctuary Belize consumers on August 16, 2023, and were sent by U.S. mail to the indicated addresses provided in eligible consumer Claim Applications. In instances involving multiple co-owners, the Receivership Team directed a single check (payable to all corresponding co-owners) to the mailing address provided by the lead claimant. Instruction was provided in email and paper notices accompanying the checks that joint checks require all listed parties (including co-owners, business entities, Trusts, Estates, and/or IRAs) to endorse the check. In addition, consumers were advised in their notices that they are responsible for adhering to any legal and regulatory requirements associated with their business entity, Trust, Estate, and/or IRA (as may be applicable) in connection with receiving and directing check proceeds. Customer support resources will remain available to address consumers inquiries associated with redress payments and other receivership matters through the “Contact Us” button on the Receiver’s website at www.SanctuaryBelizeReceivership.com, and by email at info@sanctuarybelizereceivership.com.¹¹

E. Initiation of Real Estate Marketing Activities

In accordance with the June 14th Order, the Receiver completed an evaluation process to identify a reputable international real estate brokerage firm, at commercially reasonable rates and terms, to facilitate the marketing of the Belize real estate assets. Following review of multiple

¹¹ The Receivership Team remained responsive to consumer inquiries over the Reporting Period. It addressed more than 500 email communications regarding topics that included Claim Application eligibility determinations, consumer redress activities, and court proceedings. The Receivership Team also kept consumers apprised of pertinent developments through the Receiver’s website, which has been regularly updated with relevant court filings and Consumer Committee Meeting minutes. Consistent with past practice, Consumer Committee meeting minutes were also disseminated to consumers on a monthly basis. Pursuant to the June 14th Order, Consumer Committee meetings are to generally occur on a quarterly basis going forward, unless the Receiver determines that convening a meeting in the interim would be beneficial based on developments in administering the next phase of consumer redress.



proposals and interviews of potential brokers, the Receivership Team selected CBRE, Inc. -- one of the largest commercial real estate services and investment firms in the world, with clients in more than 100 countries. It was determined that the firm has the necessary expertise, experience, market knowledge, resources, reputation, track record, client network and competitive fee structure and terms that made it the most advantageous choice to assist in the marketing and transfer of the Belize land assets. Pursuant to the listing agreement, CBRE will serve as the broker for the Belize real estate assets for an initial period of 18 months and help support any and all Court-approved sale(s).

In July 2023, the Receivership Team coordinated with CBRE to get the firm up to speed and collaborate to develop targeted overview materials and initiate an RFI process directed to a select group of representative investor and developer interests pursuant to the parameters of the June 14th Order. Using the information obtained through the RFI process, the Receivership Team and CBRE will develop and initiate a formal process to solicit bids from potential investors and developers pursuant to the contemplated RFP process. In preparation for the RFP process, the Receivership Team, in coordination with CBRE, will undertake additional land validation efforts as necessary and supplement the data room containing relevant land records, title analyses, surveys, maps, government permits and approvals, corporate records, court filings, photographs and other documentation that will facilitate the due diligence of interested parties.

IV. BELIZE PROPERTY MANAGEMENT OVERSIGHT ACTIVITIES

The Receivership Team continued to oversee operations and maintenance staff in Belize to maintain property interests and preserve the value of receivership assets pursuant to the requirements of the District Court's orders. Due, in part, to the relatively few significant weather events over the Reporting Period, operations and maintenance challenges were generally more limited. Notable activities undertaken by the Belize staff over the Reporting Period included: (i)



installing a culvert to mitigate flooding along All Pines Road, which is expected to have a positive impact on future road maintenance efforts and corresponding recurring costs, as well as emergency management; (ii) conducting spot road repairs on an as-needed basis; and (iii) monitoring, containing and ultimately extinguishing a brush fire in the Savannah area of the Sanctuary Belize development in coordination with Belize emergency personnel.

Notably, prior staffing reductions implemented by the Receivership Team -- which have resulted in cost savings of approximately \$335,000 on an annualized basis -- continue to have proven to be sustainable. The Receivership Team has consistently maintained an ongoing dialogue with Belize staff to pursue and implement cost-effective approaches to address maintenance needs, including by utilizing existing staff and materials when possible. During the Reporting Period, security staffing was maintained at consistent levels to enable necessary patrolling, and security incidents appear to have been timely investigated and appropriately addressed.

Despite diligent efforts to limit expenses, ongoing monthly and periodic costs for local operations and maintenance remain substantial. Over the Reporting Period, these costs averaged nearly \$143,000 per month, with payroll expenses exceeding \$70,000 per month.¹² Although the Receivership Team will seek to take advantage of additional opportunities for savings going forward, further substantive cuts are not contemplated by virtue of the current Court-ordered mandates, and factoring in health and safety responsibilities relative to full- and part-year Sanctuary Belize residents, as well as in consideration of anticipated marketing-related initiatives to feature the Belize land assets that are expected to be for sale in the near term.

¹² These figures reflect substantial cost savings from the period prior to the Receiver instituting staffing reductions. By way of comparison, in the fourth quarter of 2021 (which immediately preceded the Receivership Team's initial round of staffing reductions in early 2022), operations and maintenance expenses averaged \$165,000 per month and payroll expenses exceeded \$93,000 per month.



V. ACCOUNTING AND FINANCIAL STATEMENTS

A. Financial Overview

The financial data reflected in the statements below show the current net assets in the receivership estate, as well as net recoveries, after expenses, through June 30, 2023 – except where indicated. The operating expenses of Sanctuary Belize and Kanantik¹³ are generally recorded on a cash basis as payments are approved and issued. The statements for this Reporting Period include payment of land taxes in the amount of \$37,935 for parcels and lots that are held in the names of receivership entities.¹⁴ 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 anticipates performing additional evaluations of receivership assets in connection with real estate marketing and sales efforts.

During the Reporting Period, the Receivership Team also capitalized on opportunities to secure additional revenue by obtaining a \$350,000 settlement payment in connection with

¹³ As provided in the Final Order Concerning Kanantik, 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 the 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 the Kanantik assets, including Kanantik real estate to a successor developer.

¹⁴ Consistent with past practice, the Receivership Team provided written notice to lot owners (in connection with the distribution of the February Consumer Committee meeting minutes) that, as a general matter, the Receiver would seek to satisfy all land tax payments for parcels and lots held in the names of the receivership entities, and that lot purchasers would only be responsible for the tax obligations if title had been formally transferred to them pursuant to a duly executed legal document (e.g., Memorandum of Transfer on Sale). The notice also included the due date for land taxes (April 1st), as well as links to reference materials for those owners required to make such payments.



resolution of the Diaz-Cueto litigation matter (described in the following section), and by securing higher interest rates on the receivership estate’s cash holdings, which has translated into corresponding actual interest payments of nearly \$30,000 per month over the Reporting Period, as well as an additional \$37,000 per month in accrued interest in a timed deposit account that is expected to mature in or about January of 2024.

Below are the Statement of Net Assets and Statement of Net Recoveries for the five-month Reporting Period.

In re Sanctuary Belize Receivership	
Statement of Net Assets	
	As of June 30, 2023
Assets:	
Cash	\$ 24,512,034
Accrued interest on timed deposit	(1) 105,381
Total assets	24,617,415
Liabilities:	
Allocated redress payment distribution per June 14, 2023 Court Order	(2) 10,000,000
Ankura professional fees and expenses	274,615
Barnes & Thornburg professional fees	138,794
Arnold & Porter Kaye Scholer professional fees	554
Other accounts payable	70,958
Total liabilities	10,484,921
Net assets available	\$ 14,132,494

Footnotes:

(1) In April 2023, the Receiver transferred \$10 million to a Citibank Timed Deposit account with an interest rate of 4.4% and a maturity date of January 3, 2024. On the maturity date, the Receiver will be entitled to the \$10 million deposit plus expected interest of \$333,298.05. The amount reported in this schedule is the calculated interest accrued on this timed deposit as of June 30, 2023.

(2) On August 16, 2023, as part of the \$10 million allocation, the Receivership Team disbursed initial redress payments for 1,198 eligible Sanctuary Belize claims in the aggregate amount of \$9,927,189.73. The Receivership Team reserved sufficient funds to disburse potential future redress payments in connection with certain claims requiring Court approval (as described in Section III.B), as well as other unique claims necessitating supplemental documentation from consumers, including those involving deceased lot owners whose estates are undergoing probate.



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

	For the Period February 1, 2023 to June 30, 2023	From Inception to June 30, 2023
Recoveries:		
Atlantic International Bank settlement	\$ -	\$ 23,000,000
Previously reported recoveries	-	20,786,502
Other collections	369,301	1,074,200
Interest income	254,194	254,194
Total recoveries	\$ 623,495	\$ 45,114,896
Disbursements:		
Redress payment distributions	(1) \$ 10,000,000	\$ 10,000,000
Expenses:		
Sanctuary Belize operating expenses		
Payroll	\$ 339,466	\$ 4,260,530
Equipment, maintenance, and supplies	203,189	2,225,089
Employment taxes	61,578	705,847
Property taxes and other government payments	39,421	277,139
General, administrative, and other expenses	45,245	926,757
Legal fees and costs	31,875	493,532
Total Sanctuary Belize operating expenses	720,774	8,888,895
Kanantik operating expenses		
Payroll	21,241	328,869
Equipment, maintenance, and supplies	1,181	47,460
Employment taxes	140	44,422
Property taxes and other government payments	-	58,240
General, administrative, and other expenses	2,640	124,134
Legal fees and costs	7,601	42,467
Total Kanantik operating expenses	32,803	645,593
Real estate property expenses	334	1,809,504
Corporate entity expenses	-	80,859
Other expenses	40,055	143,834
Receiver fees and expenses		
Ankura fees and expenses	274,615	4,039,108
REA fees and expenses	-	2,847,275
Barnes & Thornburg fees and expenses	138,794	2,416,250
Arnold & Porter Kaye Scholer fees and expenses	554	111,084
Total receiver fees and expenses	413,963	9,413,717
Total distributions & expenses	11,207,929	30,982,402
Net recoveries/ (distributions & expenses)	\$ (10,584,434)	\$ 14,132,494

Footnote:

(1) On August 16, 2023, as part of the \$10 million allocation, the Receivership Team disbursed initial redress payments for 1,198 eligible Sanctuary Belize claims in the aggregate amount of \$9,927,189.73. The Receivership Team reserved sufficient funds to disburse potential future redress payments in connection with certain claims requiring Court approval (as described in Section III.B), as well as other unique claims necessitating supplemental documentation from consumers, including those involving deceased lot owners whose estates are undergoing probate.



B. Cash Flow & Liquidity Considerations Requiring Use of AIBL Funds

As reflected in the Statement of Net Recoveries, the receivership estate has historically included \$23 million in funds obtained in connection with the settlement of an FTC matter involving AIBL. Following entry of the AIBL Order, the AIBL settlement funds have been segregated from other receivership estate assets. At the close of the Reporting Period -- taking into account the adjustment in the Statement of Net Assets to reflect the \$10 million in AIBL settlement funds allocated for the first round of redress payments -- there are approximately \$14.13 million in liquid assets remaining to administer all of the ongoing responsibilities of the receivership estate, approximately \$981,000 of which are not attributable to the remaining AIBL settlement funds balance of approximately \$13.15 million (which includes accrued interest) following implementation of the June 14th Order.

As a result of projected receivership administration fixed and other costs associated with ongoing development area operations and maintenance activities in Belize -- which averaged nearly \$143,000 per month over the five-month Reporting Period -- as well as ongoing and anticipated consumer redress initiatives and marketing and sales efforts contemplated under the Court's June 14th Order, it is expected that the receivership will exhaust the remaining non-AIBL funds in or before the fourth quarter of 2023. Due, in large part, to defendants' persistent litigation challenges, the receivership has essentially been required to maintain the status quo for more than four-and-a-half years, and has only recently been able to begin marketing the Belize real estate assets following the entry of the June 14th Order. Indeed, since the inception in November 2018, through this Reporting Period, the identified Sanctuary Belize and Kanantik operating expenses alone have exceeded \$9.5 million. And because when the estate was established by the Court limited cash resources remained in receivership entity bank accounts, and factoring in that the estate has had no



material recurring sources of income, operations and maintenance responsibilities have been almost entirely funded by the assets previously recovered by the FTC and the original and successor Receivers.

In light of the foregoing, it is expected that the receivership will need to access additional funds in the near term to meet its Court-ordered duties and responsibilities. Under Section IV.A of the AIBL Order, the Court must approve any “future expenditures” from the AIBL settlement funds. Therefore, the Receiver is submitting a motion with its fee application seeking to access and employ those funds as may be necessary before the end of 2023, and into 2024, in furtherance of administering required receivership activities and responsibilities. While planned asset sales are intended to replenish these expended funds over time -- so that maximum proceeds may ultimately be available for additional consumer redress payments -- current cash flow projections indicate that access to the AIBL settlement fund resources will be required well before such sales may be consummated. Accordingly, the Receiver seeks the Court’s approval to access and use the remaining approximate \$13,150,000 million balance of the AIBL funds (including accrued interest) as needed to fund all receivership estate expenses after the approximately \$981,000 in non-AIBL funds is expended.

VI. OTHER ONGOING COURT PROCEEDINGS

The Receivership Team also coordinated with counsel in connection with a number of legal proceedings over the Reporting Period. An overview of the most significant developments are described below.



A. Proceedings Following the Fourth Circuit's November 1, 2022 Opinion

As previously reported, following appeals filed by defendants Andris Pukke, Peter Baker, John Usher and various entity defendants of the District Court's final orders, the Fourth Circuit issued a written opinion on November 1, 2022 in which it, among other things: (i) affirmed the District Court's rulings (in large part); (ii) determined that the receivership would remain intact; and (iii) remanded the matter to the District Court for further proceedings consistent with its ruling.

Following the Fourth Circuit's opinion, there has been ongoing litigation activity before the District Court and appellate courts. An overview of recent court filings is set forth below:

- On January 31, 2023, the FTC filed a Motion to Reform and Reaffirm the District Court's Final Orders. Among other things, the FTC's motion sought an order establishing that all monetary provisions of the prior orders entered against Pukke, Baker, Usher, the corporate defendants, and the Estate of John Pukke would remain in effect following the Fourth Circuit's ruling.
- On February 6, 2023, the defendants filed an opposition to the FTC's Motion to Reform and Reaffirm the District Court's Final Orders.
- On February 21, 2023, the FTC filed a reply in further support of its Motion to Reform and Reaffirm the District Court's Final Orders.
- On March 30, 2023, the defendants filed a Petition for a Writ of Certiorari to the Supreme Court seeking reversal of the Fourth Circuit's affirmance of the District Court's rulings with respect to, among other things, the underlying contempt findings against them.
- On May 5, 2023, the defendants filed a Motion for Return of Property based on the same arguments that they advanced in opposition to the FTC's Motion to Reform and Reaffirm the Final Orders.
- On May 31, 2023, the District Court issued an Order and Memorandum Order, which granted in substantial part the FTC's Motion to Reform and Reaffirm the Final Orders and denied the defendants' Motion for Return of Property.
- On June 2, 2023, the Solicitor General filed a brief in opposition to the defendants' Petition for a Writ of Certiorari arguing that further review by the Supreme Court is not warranted.
- On June 14, 2023, in addition to entering the June 14th Order, the Court entered its Order Reforming and Reaffirming the Final Orders.



- On June 15, 2023, the defendants file a reply in further support of their Petition for a Writ of Certiorari.
- On June 21, 2023, the parties' filings before the Supreme Court were distributed for a conference set to occur on September 26, 2023, at which time the Supreme Court is expected to determine whether or not to grant review of the case.
- On July 12, 2023, the defendants filed a Notice of Appeal of the Court's June 14th Order and Order Reforming and Reaffirming the Final Orders.¹⁵

Additionally, the Fourth Circuit adjudicated an appeal filed by fourteen individuals and one corporate entity that were investors in Newport Land Group -- an entity whose assets were placed into the receivership estate following a motion brought by the original receiver. The appeal sought reversal of the District Court's June 23, 2022 order denying appellants' motions to intervene and for relief from judgment in the underlying litigation. On April 18, 2023, the Fourth Circuit affirmed the District Court's order.

B. Diaz-Cueto/Bella Mar Litigation

As described in prior reports, 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. Following the Receivership Team's careful analysis of the matter with counsel -- which factored in, among other things, the benefits of resolving the case compared to the costs of taking the case to trial -- the parties entered into settlement negotiations resulting in the defendants agreeing to pay \$350,000 to resolve the matter. On April 7, 2023, the Receiver filed a motion seeking Court approval of the settlement on the basis that it is fair, reasonable and beneficial to the receivership estate. By order dated April 20, 2023, the Court approved the settlement. In

¹⁵ The Notice of Appeal does not automatically stay the June 14, 2023 Orders that are the subject of appeal, and the defendants have not filed a separate motion seeking a stay, so the underlying Orders remain in effect.



accordance with the terms of the parties' agreement, the defendants timely paid the full court-approved settlement amount of \$350,000 to the receivership estate.

C. Federal Criminal Indictment of Andris Pukke

On or about April 5, 2023, a two-count federal indictment charging Andris Pukke was unsealed in the United States District Court for the Southern District of New York. The indictment alleges that Mr. Pukke committed wire fraud (in violation of Title 18, United States Code, Sections 1343 and 2) and unlawful monetary transactions (in violation of Title 18, United States Sections 1957 and 2) in connection with Sanctuary Belize-related conduct that occurred between in or about 2011 to in or about 2018. On April 19, 2023, Mr. Pukke entered a plea of not guilty. The pending criminal matter is currently in the discovery phase with pre-trial motions due by September 29, 2023. The next pre-trial conference is scheduled for November 17, 2023 and trial is currently scheduled for March 18, 2024.

VII. CONCLUSION

As described above, the Receivership Team took a number of important steps in furtherance of the Court's June 14th Order, including allocating and disbursing initial redress payments to 1,198 eligible Sanctuary Belize consumers in the aggregate amount of \$9,927,189.73, and preparing for the marketing of the Belize real estate assets through the retention of a commercial real estate broker and initiation of an RFI process aimed at potential investors and developers.

In the fourth quarter of 2023, the Receivership Team anticipates taking further steps in accordance with the June 14th Order, including preparing to administer an online survey to all eligible consumers and providing them with the option of: (i) acquiring the lot(s) in their approved Claim Application(s) prior to completion of the RFP process (to the extent that certain enumerated requirements in the June 14th Order are met); (ii) deferring the decision of whether to acquire a lot



until after completion of the RFP process and Court approval of the potential sale of some or all of the Belize assets; or (iii) declining to acquire a lot and waiving all rights to do so in the future as part of any Court-approved redress. The distribution of the surveys will be initiated following the development of risk disclosures and customer support resources to facilitate informed decision-making by consumers as contemplated by the terms of the Order.

By: 

Marc-Philip Ferzan
Receiver

Submitted: August 17, 2023