

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
SOUTHERN DIVISION**

In re SANCTUARY BELIZE LITIGATION
(proposed)

FEDERAL TRADE COMMISSION

Plaintiff,

v.

ECOLOGICAL FOX, LLC *et al.*

Defendants.

No: _____

[UNDER SEAL]

**DO NOT DOCKET/
MOTION TO DELAY ECF PENDING**

No:

**PLAINTIFF FEDERAL TRADE COMMISSION'S MEMORANDUM IN SUPPORT OF
MOTION FOR *EX PARTE* TEMPORARY RESTRAINING ORDER, ASSET FREEZE,
WRITS *NE EXEAT*, APPOINTMENT OF A TEMPORARY RECEIVER, IMMEDIATE
ACCESS, OTHER EQUITABLE RELIEF, AND ORDER TO SHOW CAUSE WHY A
PRELIMINARY INJUNCTION SHOULD NOT ISSUE**

Jonathan Cohen (jcohen2@ftc.gov)
Benjamin Theisman (btheisman@ftc.gov)
Amanda B. Kostner (akostner@ftc.gov)
Khouryanna DiPrima (kdiprima@ftc.gov)
Federal Trade Commission
600 Pennsylvania Ave., N.W., CC-9528
Washington, DC 20580
202-326-2551 (Cohen); -2223 (Theisman); -2880
(Kostner); -2029 (DiPrima); -3197 (facsimile)

Counsel to Plaintiff Federal Trade Commission

TABLE OF CONTENTS

INTRODUCTION	1
PROCEDURAL HISTORY AND <i>AMERIDEBT</i> BACKGROUND.....	3
I. Pukke’s History With Law Enforcement.....	3
A. The Potomac Financial/Bancstar Capital Scam.....	3
B. The <i>AmeriDebt</i> Proceedings	3
1. The <i>AmeriDebt</i> Scam.....	3
2. The <i>AmeriDebt</i> Litigation and Final Order.....	4
3. The <i>AmeriDebt</i> Receivership.....	5
II. Pukke’s Contemptuous Struggle to Maintain Control Over the Parcel During <i>AmeriDebt</i>	5
A. Pukke’s Acquisition and Initial Development of the Parcel.....	5
B. Pukke’s Resistance to Recovery of the Parcel for His Victims	6
C. <i>AmeriDebt</i> Contempt Litigation Concerning the Parcel and Other Assets	8
D. Pukke’s Continued Defiance in the <i>AmeriDebt</i> Contempt Litigaton.....	9
E. Pukke, Baker and Usher Conspire to Maintain Pukke’s Control Over the Parcel.....	9
FACTS OF THE SBE DECEPTION.....	12
I. The Resort Community Sales and Payment Process	12
A. The Sales Process.....	13
B. SBE’s False and Material Six Core Claims	17
1. Contrary to SBE’s Claim, No Debt Means High Risk	17
2. Contrary to SBE’s Claim, SBE Spends Consumers’ Money to Repay Pukke’s Loan from Vipulis, to Pay Members of Pukke’s Family, and to Buy Personal Items for Baker and His Wife	21
3. Contrary to SBE’s Claim, the Development Was Not Finished Within Two to Five Years, and Will Not Be	23
a. SBE Did Not Finish the Development Within Two or Five Years.....	24

b.	SBE Is Approximately \$500 Million Short of the Amount Necessary to Finish the Development as Promised	24
4.	Contrary to SBE’s Claim, the Amenities Were Not Finished Within Five Years, and They Will Not Be	26
a.	Hospital and Emergency Medical Facility	28
b.	Hotel.....	29
c.	Entertainment (Golf Course and Casino).....	29
d.	International Airport and On-Site Airstrip.....	30
e.	Shopping, Dining and Commercial Center.....	31
f.	250-Slip World-Class Marina.....	32
5.	Contrary to SBE’s Claim, the Lots Do Not Appreciate 200%-300% in Two to Three Years	34
6.	Contrary to SBE’s Claim, There Is No Robust Resale Market.....	36
7.	Misrepresentations Regarding Pukke	38
C.	Lot Owners’ Continuing Payments.....	46
D.	Consumers Attempt Mitigation Through Foreclosures, Buybacks, and Lawsuits	47
1.	Owners Attempt to Reduce Their Losses	47
a.	Purported “Foreclosure”	48
b.	Buyback Agreements	49
c.	Lawsuits	50
2.	Lot Churning.....	51
II.	Abuse of the Judicial Process by Pukke and Associates.....	52
A.	Pukke Is Convicted of Obstruction of Justice in the FTC Proceeding	52
B.	Pukke’s Lies Regarding His Business and Travel During His Supervised Release	52
C.	Multiple Defendants Lied During the Supervised Release Hearing.....	54
III.	Multiple Parties Control SBE, Assist It, Make Misrepresentations Directly, and Benefit From SBE’s Misrepresentations.....	57
A.	Individuals Who Control SBE Entities.....	57

1.	Andris Pukke.....	57
2.	Brandi Greenfield.....	59
3.	Luke Chadwick.....	59
4.	Peter Baker.....	60
5.	John Usher.....	61
6.	Frank Costanzo.....	61
7.	Rod Kazazi.....	63
B.	Entities That Constitute SBE.....	63
1.	Corporate Formalities and Distinctions Are Not Maintained.....	63
2.	SBE Entity Subgroups.....	64
a.	Domestic Entities With Operations.....	65
b.	Domestic Pass-Through Entities.....	66
c.	Nevisian Entities Associated With Chadwick.....	67
i.	Southern Belize Realty.....	67
ii.	Belize Real Estate Affiliates.....	69
iii.	Exotic Investor.....	69
d.	Belizean Entities Associated With Usher.....	70
i.	Eco-Futures Belize Limited.....	70
ii.	Sittee River Wildlife Reserve.....	71
C.	AIB Assists and Faciliates SBE’s Deception, and Benefits From It.....	71
1.	Assistance AIB Provides to SBE.....	72
2.	Assistance SBE Provides to AIB.....	73
D.	Relief Defendants That Benefit From SBE’s Misrepresentations.....	75
1.	Angela Chittenden.....	75
2.	Beach Bunny.....	75
3.	The Estate of John Pukke (a/k/a Janis Pukke a/k/a John Andris Pukke).....	76

4.	John Vipulis	77
5.	Deborah Connelly	77
	LEGAL STANDARD.....	77
	ARGUMENT	78
I.	The FTC Has a “Fair and Tenable” Likelihood of Success on Its Section 5 Claims, and the Public Interest Favors Relief.....	78
A.	SBE Entity Defendants Constitute a Common Enterprise.....	78
1.	Domestic SBE Entities With Operations	79
2.	Domestic Pass-Through Entities.....	80
3.	Nevisian Entities Associated With Chadwick	81
4.	Belizean Entities Associated With Usher	82
B.	SBE Corporate Defendants Are Liable as a Common Enterprise Under Section 5.....	84
C.	SBE Corporate Defendants Are Liable for Monetary Relief Under Section 5.....	87
D.	SBE Individual Defendants Are Liable for Monetary Relief Under Section 5.....	88
II.	The FTC Has a “Fair and Tenable” Likelihood of Success on Its TSR Claims, and the Public Interest Favors Relief	91
A.	SBE Violates TSR Sections 310.3(a)(2)(iii) and (vi)	91
1.	The TSR Covers Lots in a Planned Community.....	91
a.	“Goods and Services” in the TSR Includes Real Property	91
b.	The TSR Covers SBE’s Transactions Because They Include “Goods and Services” Related to Real Property	93
2.	The Other Elements of SBE’s TSR Liability Are Easily Satisfied	94
B.	AIB Is Liable for Assisting and Facilitating SBE’s Scheme	95
1.	AIB Provides SBE Substantial Assistance	95
2.	AIB Knows SBE Deceives Consumers	96
III.	The FTC Has a “Fair and Tenable” Likelihood of Success Against the Relief Defendants, and the Public Interest Favors Relief.....	96

IV.	SBE’s Egregious Misconduct and the Substantial, Ongoing Consumer Injury Strongly Favor the Proposed TRO.....	98
A.	Writs <i>Ne Exeat</i> Are Necessary Because SBE Has a Well-Established Track Record of Disregard for the Judicial Process	99
B.	An Asset Freeze Is Necessary to Maximize the Ability to Redress Victims.....	100
C.	Proceeding <i>Ex Parte</i> Is Necessary Because Providing Notice Would Defeat the Court’s Ability to Provide Complete Relief.....	102
D.	The Appointment of a Temporary Receiver Is Necessary	103
E.	The Proposed TRO’s Other Provisions Are Necessary and Appropriate	104
	1. Immediate Access	104
	2. Smartphones and Cloud Storage.....	105
	3. Safety	105
	CONCLUSION.....	106

TABLE OF AUTHORITIES

Federal Cases

AMREP Corp. v. FTC, 768 F.2d 1171 (10th Cir. 1985)..... 92

Auer v. Robbins, 519 U.S. 452 (1977)..... 92

Bowles v. Seminole Rock Co., 325 U.S. 410 (1945)..... 92

CFTC v. v. IBS, Inc., 113 F. Supp. 2d 830 (W.D.N.C. 2000)..... 96

CFTC v. Kimberlynn Creek Ranch, Inc., 276 F.3d 187 (4th Cir. 2002)..... 96

CFTC v. Noble Wealth Data Information Services, Inc., 90 F. Supp. 2d 676 (D. Md. 2000)..... 78

Community Blood Bank of Kansas City Area, Inc. v. FTC, 405 F.2d 1011 (8th Cir. 1969)..... 71

Delaware Watch Co. v. FTC, 332 F.2d 745 (2nd Cir. 1964)..... 78

Diretto v. Country Inn & Suites, No. 1:16CV1037, 2016 WL 4400498
(E.D. Va. Aug. 18, 2016) 103

First Technology Safety Systems, Inc. v. Depinet, 11 F.3d 641 (6th Cir.1998)..... 103

FSLIC v. Sahni, 868 F.2d 1096 (9th Cir. 1989)..... 100

FTC v. Affiliate Strategies, Inc., 849 F. Supp. 2d 1085m(D. Kan. 2011)..... 92

FTC v. AmeriDebt, Inc., 373 F. Supp.2d 558 (D. Md. 2005) *passim*

FTC v. Alcoholism Cure Corp., No. 3:10-cv-266, 2011 WL 13137951
(M.D. Fla. Sept. 16, 2011)..... 84

FTC v. Amy Travel Service, Inc., 875 F.2d 564 (7th Cir. 1989)..... 88, 102

FTC v. BlueHippo Funding, LLC, 762 F.3d 238 (2d Cir. 2014) 87

FTC v. Chapman, 714 F.3d 1211 (10th Cir. 2013)..... 95

FTC v. Commerce Planet, Inc., 815 F.3d 593 (9th Cir. 2016) 87

FTC v. Consumer Health Benefits Association, No. 10 Civ. 3551, 2012 WL 1890242
(E.D.N.Y. May 23, 2012)..... 95

FTC v. Figgie Int’l, Inc., 994 F.2d 595 (9th Cir. 1993)..... 87

FTC v. Five–Star Auto Club, Inc., 97 F.Supp.2d 502 (S.D.N.Y. 2000) 84

FTC v. Freecom Communications, Inc., 401 F.3d 1192 (10th Cir. 2005)..... 87

FTC v. Gem Merchandise Corp., 87 F.3d 466 (11th Cir. 1996)..... 102

<i>FTC v. Gill</i> , 183 F. Supp.2d 1171 (C.D. Cal. 2001).....	71
<i>FTC v. Grant Connect, LLC</i> , 763 F.3d 1094 (9th Cir. 2014)	78
<i>FTC v. H. N. Singer, Inc.</i> , 668 F.2d 1108 (9th Cir. 1982)	101, 103
<i>FTC v. IAB Marketing Associates, LP</i> , No. 12-61830-Civ, 2013 WL 5278216 (S.D. Fla. 2013).....	100
<i>FTC v. Innovative Mktg., Inc.</i> , 654 F. Supp. 2d 378 (D. Md. 2009).....	<i>passim</i>
<i>FTC v. Int’l Computer Concepts, Inc.</i> , No. 5:94CV1678, 1995 WL 767810 (N.D. Ohio Oct. 24, 1995).....	84, 101
<i>FTC v. Krotzer</i> , No. 12-14039-AA, 2013 WL 7860383 (11th Cir. May 3, 2013)	84
<i>FTC v. Kutzner</i> , No. 8:16CV00999, 2016 WL 4491629 (C.D. Cal. Aug. 24, 2016)	105
<i>FTC v. Loma Int’l Bus. Grp. Inc.</i> , No. CIV.A. MJG-11-1483, 2013 WL 2455986 (D. Md. June 5, 2013)	84, 87
<i>FTC v. Medical Billers Network, Inc.</i> , 543 F. Supp. 2d 283 (S.D.N.Y. 2008).....	92
<i>FTC v. Micom Corp.</i> , No. CIV. 96-0472, 1997 WL 226232 (S.D.N.Y. Mar. 12, 1997).....	85
<i>FTC v. Partners in Health Care Ass’n, Inc.</i> , 189 F. Supp.3d 1356 (S.D. Fla. 2016)	95
<i>FTC v. PCCare247 Inc.</i> , No. 12-civ-7189, 2013 WL 841037 (S.D.N.Y. Mar. 7, 2013).	105
<i>FTC v. Ross</i> , 743 F.3d 886 (4th Cir. 2014).....	<i>passim</i>
<i>FTC v. Ross</i> , 897 F. Supp.2d 369 (D. Md. 2012)	<i>passim</i>
<i>FTC v. Sale Slash, LLC</i> , No. CV15-03107, 2015 WL 12762060 (C.D. Cal. Apr. 27, 2015).....	105
<i>FTC v. Solomon Trading Co.</i> , No. 91-cv-1184, 1994 WL 421478 (D. Ariz. June 28, 1994).....	86
<i>FTC v. U.S. Oil & Gas Corp.</i> , 748 F.2d 1431 (11th Cir. 1984).....	103
<i>FTC v. Wolf</i> , No. 94-5119, 1996 WL 812940 (S.D. Fla. Jan. 31, 1996)	79
<i>Garrison v. Caliber Home Loans, Inc.</i> , 233 F. Supp. 3d 1282 (M.D. Fla. 2017).....	91
<i>Granny Goose Foods, Inc. v. Brotherhood of Teamsters</i> , 415 U.S. 423 (1974)	102
<i>In re Telebrands Corp.</i> , 140 F.T.C. 278 (2005).....	85
<i>In re Thompson Medical Co., Inc.</i> , 104 F.T.C. 648 (1984)	84
<i>In re Vuitton et Fils S.A.</i> , 606 F.2d 1 (2nd Cir. 1979).....	102
<i>Johnson Products Co. v. FTC</i> , 549 F.2d 35 (7th Cir. 1977).....	92

<i>Kemp v. Peterson</i> , 940 F.2d 110 (4th Cir. 1991)	101
<i>Kraft, Inc. v. FTC</i> , 970 F.2d 311 (7th Cir. 1992).....	84
<i>Leone Industries v. Associated Packaging Inc.</i> , 795 F. Supp. 117 (D.N.J. 1992)	103
<i>Licci v. Lebanese Candian Bank, SAL</i> , 732 F.3d 161 (2nd Cir. 2013).....	72
<i>Little Tor Auto Center v. Exxon Co., USA</i> , 822 F. Supp. 141 (S.D.N.Y. 1993).....	102
<i>Lorillard v. Pons</i> , 434 U.S. 575 (1978)	92
<i>Porter v. Warner Holding Co.</i> , 328 U.S. 395 (1946).....	103
<i>Reno Air Racing Association, Inc. v. McCord</i> , 452 F.3d 1126 (9th Cir. 2006).....	103
<i>Rowe v. Brooks</i> , 329 F.2d 35 (4th Cir. 1964)	74
<i>SEC v. First Financial Group</i> , 645 F.2d 429 (5th Cir. 1981).....	104
<i>SEC v. Keller Corp.</i> , 323 F.2d 397 (7th Cir. 1963)	104
<i>SEC v. Manor Nursing Centers, Inc.</i> , 458 F.2d 1082 (2nd Cir. 1971)	101
<i>Southwest Sunsites, Inc. v. FTC</i> , 785 F.2d 1431 (9th Cir. 1986).....	86, 91
<i>TEMPO Networks LLC v. Government of NIA</i> , No. 2:14-6334, 2015 WL 4757911 (D.N.J. Aug. 12, 2015).....	105
<i>Udall v. Tallman</i> , 380 U.S. 1 (1965).....	92
<i>United States v. Mathewson</i> , No. 92-1054, 1993 WL 113434 (S.D. Fla. Feb. 25, 1993).....	99
<i>United States v. Shaheen</i> , 445 F.2d 6 (7th Cir. 1971).....	99
<i>United States v. Stitsky</i> , 536 F. App'x 98 (2d Cir. 2013).....	87
<u>State Cases</u>	
<i>Al Rushaid v. Pictet & Cie</i> , 68 N.E.3d 1 (N.Y. 2016)	72
<i>Attorney Grievance Commission of Maryland v. Costanzo</i> , 432 Md. 233 (2013).....	62
<i>Brown v. Liberty Clubs, Inc.</i> , 543 N.E.2d 783 (1989)	93
<i>Fogelson v. Wallace</i> , 405 P.3d 1012, 1031 (N.M. 2017)	93
<i>McKinney v. State</i> , 693 N.E.2d 65, 71 (Ind. 1998).....	94
<i>Polonetsky v. Better Homes Depot, Inc.</i> , 760 N.E.2d 1274 (N.Y. 2001).....	93

<i>The Florida Bar v. Costanzo</i> , 1 So. 3d 173 (Fla. 2008).....	62
<i>The Florida Bar v. Costanzo</i> , 13 So. 3d 1056 (Fla. 2009).....	62
<i>The Florida Bar v. Costanzo</i> , 60 So. 3d 750 (Fla. 2011).....	62
<i>State ex rel. Brady v. Wellington Homes, Inc.</i> , No. Civ. A. 99C-09-168, 2003 WL 22048231 (Del. Super. Ct. Aug. 20, 2003)	94
<u>Docketed Cases</u>	
<i>Fales v. Eco-Futures Development, Inc.</i> , No. 30-2017-958588 (Cal. Sup. Ct. Orange Cty. Nov. 30, 2017)	50
<i>FTC v. American Industrial Enterprises, LLC</i> , No. 1:16-cv-0281 (D. Md. Feb. 2, 2016).....	98
<i>FTC v. AmeriDebt, Inc.</i> , No. 3:05-mc-80253 (N.D. Cal. Oct. 6, 2006)	7
<i>FTC v. AmeriDebt, Inc.</i> , No. 9:2005-cv-1133 (C.D. Cal. Dec. 5, 2005)	7
<i>FTC v. Holiday Vacations Marketing Corp.</i> , No. 8:11-cv-01319 (D. Md. May 16, 2011).....	98
<i>FTC v. Residential Relief Foundation</i> , No. 10-cv-3214 (D.Md. Nov. 14, 2010)	98
<i>FTC v. Trudeau</i> , No. 03-3904 (N.D. Ill. June 25, 2013)	100
<i>FTC v. Wealth Educators, Inc.</i> , No. CV 15-02375 (C.D. Cal. Apr. 6, 2015).....	101, 105
<i>Mann v. Eco-Futures Development, Ltd.</i> , No. 30-2017-926591 (Cal. Sup. Ct. Orange Cty. June 16, 2017).....	50
<i>Matthis v. Chadwick</i> , No. 30-2017-39682 (Cal. Sup. Ct. Orange Cty. Aug. 10, 2017)	70
<i>Miller v. Eco-Futures Development, Inc.</i> , No. 30-2018-9781287 (Cal. Sup. Ct. Orange Cty. Feb. 5, 2018)	50
<i>Nelson v. Eco-Futures Development, Inc.</i> , No. 30-2017-937964 (Cal. Sup. Ct. Orange Cty. Aug. 16, 2017)	50
<i>Plomaritis v. Global Property Alliance, Inc.</i> , No. 30-2015-816793 (Cal. Sup. Ct. Orange Cty. Oct. 26, 2015)	50
<i>Pomroy v. Eco-Futures Development, Inc.</i> , No. 30-2018-973773 (Cal. Sup. Ct. Orange Cty. Feb. 15, 2018)	50
<i>Realogy Group LLC v. Belize Real Estate Affiliates LLC and Luke Chadwick</i> , No. MRS-L-1376-18 (N.J. Super. Ct. Law Div.).....	69
<i>SEC v. Borland</i> , No. 18-cv-4352 (S.D.N.Y. May 16, 2018)	31
<i>The Florida Bar v. Costanzo</i> , No. SC09-1573 (Fla. Dec. 23, 2009)	62

<i>United States v. Borland</i> , No. 1:18-cr-487 (S.D.N.Y. July 12, 2018)	31
<i>United States v. Pukke</i> , No. 10-cr-734 (D. Md. Nov. 13, 2015).....	52
<i>United States v. Pukke</i> , No. 2:96-cr-137 (W.D. Pa. June 21, 1996)	1
<i>United States v. Pukke</i> , No. 2:96-cv-1172 (W.D. Pa. June 24, 1996)	1
<i>Whited v. Global Property Alliance, Inc.</i> , No. 30-2017-937964 (filed Aug. 16, 2017)	50

Statutes, Regulations, Rules & Other Authorities

15 U.S.C. § 6101.....	91
15 U.S.C. § 6102.....	95
15 U.S.C. § 53.....	<i>passim</i>
15 U.S.C. § 57.....	95
Cal. Fam. Code § 760 (1994).....	75
16 C.F.R. § 310.....	<i>passim</i>
S. Rep. No. 130, 103rd CONG., 2D SESS. 15-16, 1994 U.S.C.C.A.N. 1776	102
S. Rep. No. 103-80, 103rd CONG., 1ST SESS.(June 29, 2003).....	91
68 Fed. Reg. 4580 (Jan. 29, 2003)	92
Fed. R. Civ. P. 65	105

INTRODUCTION

Convicted felon and serial contemnor Andris Pukke has operated a massive real estate scam over the past decade. Through a maze of interconnected companies and a cadre of henchmen already known to this Court (collectively, the Sanctuary Belize Enterprise (“SBE”)), Pukke has duped retirees and small businesspeople into spending more than \$100 million on empty lots in a Manhattan-sized plot in remote southern Belize (“Sanctuary Belize”) that the Court previously ordered Pukke to turn over to the Receiver to repay his victims in *FTC v. AmeriDebt* (D. Md.). Unbeknownst to the Court, the *AmeriDebt* Receiver, and the FTC, Pukke and co-conspirator Peter Baker surreptitiously maintained control of the Parcel. In the current scam, the lots’ supposed value derives from their presence in a resort community that Pukke and SBE claim they will develop, but Pukke is no more likely to build a small city in Belize than he was to honestly manage consumers’ financial obligations in *AmeriDebt*.

SBE makes six core misrepresentations about the Sanctuary Belize lots, each of which violates Section 5 of the FTC Act and Telemarketing Sales Rule (“TSR”): (1) the developer’s “no debt” business model makes Sanctuary Belize a less risky investment than one in which the developer has to make payments to creditors; (2) in part because of the “no debt” model, every dollar the developer collects from lot sales goes back into the development; (3) this funding stream means the developer will finish the development quickly—within two to five years; (4) the finished development will boast remarkable amenities ranging from a hotel to an American-caliber hospital; (5) the impressive amenities mean the lots will appreciate from 200% to 300% within two to three years; and (6) consumers will realize the rapid appreciation without difficulty because a robust resale market makes it easy to resell the lots.

As detailed below, the evidence that these six core claims are false is vast. First, the Commission obtained evidence from SBE’s internal systems (including email, documents, and accounting records). Second, sworn statements from two SBE telemarketers, an SBE in-house accountant, representatives from businesses that interacted with Pukke and SBE, and multiple consumer victims prove falsity. Third, the Commission obtained SBE’s banking records and

other documents from third parties. Fourth, the FTC obtained expert opinions on certain SBE misrepresentations from Harvard Professor Richard B. Peiser (arguably the country's foremost authority on large-scale real estate developments), and Erik C. Liroy—a leading forensic accountant and the head of Grant Thornton LLP's forensic accounting practice.

Notably, some prospective purchasers learn about Pukke and *AmeriDebt* through information online, and ask SBE principals about Pukke. Exactly as Pukke (and his associates) lied about his control of Sanctuary Belize under oath before this Court in Pukke's 2015 supervised release hearing, SBE principals misrepresent his involvement to consumers who would not purchase lots if they knew the truth.

Finally, Pukke and his co-conspirators are unlikely to comply with orders absent the Court's full coercive power. In *AmeriDebt*, it took coercive incarceration to obtain partial compliance with Court orders from Pukke and Baker (also a Defendant here). Pukke currently is in contempt of three court orders, and Baker and Usher are violating two each (all subjects of related contempt motions). Defendant Frank Costanzo is a disbarred attorney who wrongly took his clients' money and ignored a Florida Supreme Court order to appear at his disciplinary hearing. Defendants Brandi Greenfield and Rod Kazazi knowingly misled this Court during Pukke's 2015 supervised release hearing. Defendant Luke Chadwick ignored a New Jersey court's order to respond to allegations that he misappropriated the "Coldwell Banker" mark (which SBE used to deceive consumers).

In short, Pukke's galling subversion of federal consumer protection law, the Court's orders, and the *AmeriDebt* receivership has caused—and continues to cause—massive consumer injury that requires immediate and comprehensive *ex parte* relief.

PROCEDURAL HISTORY AND AMERIDEBT BACKGROUND

I. Pukke's History With Law Enforcement

A. The Potomac Financial/Bancstar Capital Scam

Beginning in 1994, Pukke operated a loan scam under the names "Potomac Financial" and "Bancstar Capital." PXC ¶ 32:44 at 1-5.¹ Specifically, he ran national advertising that promised loans or help obtaining loans. Despite collecting advance fees, Pukke never made any loans or helped consumers obtain loans. *Id.* at 3. After a government enforcement action, Pukke accepted a consent judgment banning him from collecting advance fees in connection with loan applications. *See* DE5, *United States v. Pukke*, No. 2:96-cv-1172 (filed W.D. Pa. June 24, 1996). The United States charged Pukke with mail fraud based on the same activity. *See* DE1, *United States v. Pukke*, No. 2:96-cr-137 (filed W.D. Pa. June 21, 1996). Pukke pleaded guilty, and received home detention and probation. PXC ¶ 32:44 at 57, 65; *id.* at DE11.

B. The AmeriDebt Proceedings

1. The AmeriDebt Scam

Three days after his Potomac/Bancstar sentencing hearing, Pukke formed a Maryland corporation, Consumer Counseling Services ("CCS"). PXQQ ¶ 53:56. He renamed CCS twice, eventually to AmeriDebt, Inc. PXQQ ¶ 54:57-58. Pukke's telemarketers persuaded consumers to obtain expensive debt management plans ("DMPs") through "non-profit" AmeriDebt. PXQQ ¶¶ 55:59, 56:60, 57:61. However, AmeriDebt took consumers' entire first payment as a "contribution" without authorization (*i.e.*, the entire first payment went to Pukke, and none to creditors) and also took portions of subsequent payments as "contribution." PXQQ ¶¶ 58:62, 59:63.

¹ For ease of reference, "PX1 ¶ X:1-5" refers to Plaintiff's Exhibit 1 at Paragraph X, which refers to Attachments 1 through 5 of Exhibit 1.

2. The *AmeriDebt* Litigation and Final Order

In 2003, the FTC sued Pukke, AmeriDebt and a related company Pukke controlled (DebtWorks) under Section 5 of the FTC Act. *See* DE1, *FTC v. AmeriDebt*, No. 8:03-cv-3317 (filed D. Md. Nov. 19, 2003). Significantly, Pukke took the Fifth Amendment rather than testify about the merits of the FTC’s case, and about evidence he was dissipating and hiding assets needed to compensate his victims through transfers to family and business associates. PXQQ ¶ 60:64. Among other things, Pukke transferred assets to Chittenden (then his girlfriend and a Relief Defendant here), PXQQ ¶ 61:65, Pamela Pukke (his ex-wife), PXQQ ¶ 62:66, and various trusts John Vipulis (Contempt and Relief Defendant here) and Pukke’s brother, Eriks Pukke, managed for the benefit of Pukke and his children.² Pukke also transferred more than half a million to an offshore company he partly owned (Triton Mariculture (“Triton”)), PXQQ ¶¶ 63:67, 64:68, an entity managed by Belizean shrimp farmer (and Defendant here) John Usher, PXQQ ¶ 66:70.

The Court issued a preliminary injunction to halt the scam. *FTC v. AmeriDebt, Inc.*, 373 F. Supp. 2d 558, 567 (D. Md. 2005) (“Pukke’s refusal to answer questions about his possible dissipation of assets, coupled with the exhaustive evidence marshaled by the FTC in support of its Motion for Summary Judgment, establish that the FTC has a fair and tenable chance of ultimate success on the merits.”) (quotation omitted); *see also* DE122 (Apr. 20, 2005) at 2. The day before trial, Pukke accepted a Stipulated Final Judgment and Permanent Injunction (“Final Order”).³

The Final Order banned Pukke from credit counseling work. DE473 at 8. As relevant here, with respect to the telemarketing of any good or service, the Court enjoined Pukke (and

² These transfers are discussed in detail in the FTC’s Memorandum in Support of Motion for Preliminary Injunction Including Asset Freeze (DE 103-1)(Mar. 29, 2006 at 6-8).

³ *See* DE411 (Jan. 6, 2006); DE408 (Dec. 30, 2005). The Court later entered the Final Order. DE 473 (May 17, 2006).

anyone in active concert or participation with him) from making misrepresentations of any kind or from otherwise violating the TSR. *Id.* at 8-9. The Court also entered a \$172 million judgment against Pukke, *id.* at 9, which represented “the approximate amount of consumer injury Pukke caused” through the AmeriDebt scam. The Court suspended the judgment above \$35 million—but only if Pukke “cooperate[s] fully with the Commission,” with respect to efforts to recover assets and “carry out the purposes of this Order,” *id.* at 11.⁴ Those purposes included a redress program pursuant to which the Commission would use assets Pukke controlled to compensate AmeriDebt victims. *See id.* at 17-23.

3. The AmeriDebt Receivership

The Court appointed a Receiver to marshal Pukke’s assets to enable the Commission to compensate his victims, DE122 (Apr. 20, 2005) at 9-11, and Final Order, DE473 at 18. Specifically, the Court defined the assets to include interests in real property. *See id.* at 4. The Court also ordered Pukke to “cooperate fully with the Receiver,” including its asset recovery efforts, *see id.* at 24, and to cooperate with the FTC to “carry out the purposes of this order.”

Pukke did not cooperate with anyone. Instead, “in conjunction with various friends and relatives, he continued to conceal and control assets subject to this receivership.” DE479-1 (June 29, 2006) at 14. As demonstrated below, the most important of these assets was a 19-square-mile parcel in remote southern Belize.

II. Pukke’s Contemptuous Struggle To Maintain Control Over the Parcel During AmeriDebt

A. Pukke’s Acquisition and Initial Development of the Parcel

In 2003, Pukke, Baker, Baker’s mother and stepfather, and other Pukke associates formed two Belizean entities: Dolphin Development LLC (“Dolphin”) and Sittie River Wildlife

⁴ As discussed below, Pukke came nowhere close to cooperating, *see infra* at 7-12, and he currently owes more than \$270 million including interest, *see* PXOO ¶7.

Reserve (“SRWR,” a Defendant here). PXQQ ¶¶ 67-68, 70. Through Puck Key Investments L-8, LLC (“Puck Key 8”), an entity Pukke wholly owned, he held a 60% interest in Dolphin (Baker, his mother, and his stepfather held 40%). PXQQ ¶ 67:71. While an SRWR director, Pukke loaned SRWR \$1.5 million to buy 11,755 acres in southern Belize, and he loaned Dolphin \$1.5 million to buy 350 adjacent acres (collectively, “the Parcel”). PXQQ ¶¶ 65:69, 69:73.

In 2005, Dolphin started telemarketing Parcel lots as part of a large scale residential and commercial development (“Sanctuary Bay Estates”). Dolphin promised potential buyers the community would have a hotel, marina, health club, and an equestrian center. PXQQ ¶ 71:75. In May 2005, SRWR also bought a five-acre island PXQQ ¶ 86:91 (now known as “Sanctuary Caye,” PXO ¶ 3:24 at 11). Dolphin sold its first lot in August, 2005. PXQQ ¶ 72:76. By 2006, Pukke marketed “Sanctuary Bay Estates” by claiming it would have infrastructure (roads, water, electric), a marina, yacht club, golf course, hotel, spa, and airstrip—by 2008 (*i.e.*, within about two years). PXY ¶ 67:22; *see also* PXQQ ¶ 71:75 (telemarketing script promising a “five star” hotel, a health club, and a “full service” marina).

Pukke directed efforts to develop “Sanctuary Bay Estates.” For example: he instructed Baker to pay a marketer who worked on the Sanctuary Bay logo and other marketing material, helped decide how to divide lots, aided the development of the Sanctuary Bay website,⁵ coordinated lead generation, helped design the development, and directed Baker to pay for trucks and roads. PXQQ ¶¶ 73, 74:79, 75:80, 76:81, 77:82. Pukke also continued to participate in Dolphin and SRWR board meetings. PXQQ ¶ 78:83.

B. Pukke’s Resistance To Recovery of the Parcel for His Victims

In late 2005, the preliminary asset freeze in *AmeriDebt* made it probable that the FTC would use Dolphin’s development rights to repay Pukke’s victims. Therefore, Pukke took steps

⁵ The Sanctuary Bay website bears notable similarities to the Sanctuary Belize website SBE used until last year, including the logo. PXQQ ¶ 73.

to keep control. First, he lied in a May 2005 *AmeriDebt* filing, denying he had any ownership stake in Dolphin (when, in reality, he owned 60%). PXQQ ¶ 79:84. In July 2005, Pukke admitted an ownership interest during a deposition, but lied that he held 30%, not 60%.⁶ PXQQ ¶ 70:74. He further misrepresented that Dolphin had “no assets” and “has never done business.” PXQQ ¶ 80:85. In July 2006, Pukke misrepresented to the Court that Dolphin “collapsed” and “went out of business.” DE493 (July 28, 2006) at 3.

Second, Pukke transferred Dolphin’s development rights and a portion of the Parcel to two new Nevis entities, Starfish Development Ltd. (“Starfish”),⁷ and Sanctuary Bay Ltd. (“Sanctuary Bay”). PXQQ ¶¶ 81:86, 82:87, 83:88, 84:89, 85:90. Specifically, Baker worked with Usher and Belizean law firm Barrow & Williams⁸ (“B&W”) to form Starfish to take over for Dolphin, with Baker owning 99% of each Nevis entity. PXQQ ¶ 81:86. In short, to help keep the Parcel from the FTC and the Receiver, Pukke transferred his interests to Baker.⁹

Third, and perhaps most importantly, by 2007, Pukke had removed himself as an SRWR board member and Baker refused to respond to the Receiver’s requests concerning SRWR.

⁶ Pukke filed a dubious bankruptcy shortly after the receivership began, *see In re Andris Pukke*, No. 8:05-bk-14811 (C.D. Cal. July 11, 2005), and he originally submitted schedules as part of the bankruptcy process. After the bankruptcy was transferred to Maryland, this Court withdrew the reference and stayed the bankruptcy, the Court administratively closed it without a discharge. DE816 (June 13, 2012).

⁷ Baker formed and owned Starfish. PXQQ ¶¶ 81:86, 316:340. Baker also registered “Starfish Development Limited” as an Orange County, California Fictitious Business Name (“FBN”). PXQQ ¶ 89:94.

⁸ Belizean attorney Rodwell Williams apparently performed the work. PXQQ ¶¶ 81:86, 83:88. His partner, Dean Barrow, became Prime Minister of Belize in early 2008 and remains Prime Minister. PXQQ ¶¶ 90:95, 91:96, 92:97.

⁹ Baker battled the Receiver’s efforts to locate evidence relevant to his role helping Pukke secure the Parcel. He unsuccessfully sought to block his deposition, *see FTC v. AmeriDebt*, No. 8:2005-cv-1133 (C.D. Cal. Dec. 5, 2005), and unsuccessfully moved to quash a subpoena seeking emails he sent from PeterBelize@gmail.com, *see FTC v. AmeriDebt*, No. 3:05-mc-80253 (N.D. Cal. Oct. 6, 2006).

PXQQ ¶ 87:92. Usher became SRWR’s chairman, PXQQ ¶ 88:93, which purported to insulate SRWR’s land holdings (which belonged to Pukke) from the FTC and the Receiver.

C. *AmeriDebt* Contempt Litigation Concerning the Parcel and Other Assets

After the Receiver and FTC sought relief,¹⁰ the Court found Pukke and Baker in contempt for their refusal to turn over receivership assets, including the Parcel. DE571 (Mar. 30, 2007). Specifically, the Court found that Pukke “frustrated this Court’s Order” by “bury[ing] assets” and trying to “move them beyond the reach of the Court.” PXQQ ¶ 93:98, Tr. (Mar. 14, 2007) at 8:4-29:20. The Court also found “lies” related to assets “that were made not once, but multiple times by Mr. Baker under oath, under penalties of perjury[.]”¹¹ PXQQ ¶ 93:98, Tr. (Mar. 14, 2007) at 25:13-20 (calling Baker’s claims “incredible” and “outlandish”). Concerning their efforts to hide Pukke’s wealth, the Court noted that “[t]here’s a casualness about Mr. Baker’s statements and, indeed, about Mr. Pukke’s as if the truth doesn’t really matter.” *Id.* at 25:22-24. Both acted with “real mendacity.” *Id.* at 26:5-6 (Pukke’s and Baker’s credibility “is zero.”). Ultimately, the attempts to transfer Pukke’s interest in the Parcel to other entities were a “sham transaction” that the Court considered “null and void.” PXQQ ¶ 93:98, Tr. (Mar. 14, 2007) at 20:14-24.

Following these findings, the Court ordered Pukke and Baker to turn over various assets including the Parcel. DE571 (Mar. 30, 2007) (“Turnover Order”). Additionally, to facilitate the Receiver’s ability to control the Parcel for consumers’ ultimate benefit, the Court issued a second order (the “Revesting Order”), *see* DE572 (Mar. 30, 2007), unwinding the alleged sales of

¹⁰ The FTC joined the Receiver’s motion, noting that Pukke “lied repeatedly to the Receiver, the FTC, and this Court.” DE321 (Nov. 6, 2006) at 3.

¹¹ The Court specifically noted that Baker claimed to own part of the Parcel, and to have worked at Dolphin for more than eight years. *See* PXQQ ¶ 93:98, Tr. (Mar. 14, 2007) at 25:13-19.

Pukke's interests in Dolphin (*i.e.*, his interests in the Parcel) and ordering them re-vested in Dolphin (which the Receiver controlled). *See id.*

D. Pukke's Continued Defiance in the *AmeriDebt* Contempt Litigation

Pukke and Baker defied the Turnover Order. On April 30, 2007, the FTC and Receiver moved the Court to incarcerate Pukke and Baker to coerce their compliance. *See* DE596; DE597. The Receiver explained that Baker refused to direct various third parties (including his Belizean counsel B&W) to turn over documents related to the Parcel and Pukke's interest. *See* DE596 (Apr. 30, 2007) at 4. At approximately the same time, the Pukke/Baker-connected members of SRWR's board met and terminated any rights Dolphin, Sanctuary Bay, Starfish, or Baker had in the Parcel. PXQQ ¶ 88:93. Usher also executed a letter directing lot owners to send payments to SRWR. PXQQ ¶ 88:93.

The Receiver explained that SRWR was being controlled "through the machination of Peter Baker manipulated by Andris Pukke." PXQQ ¶ 94:99, Tr. (May 2, 2007) at 20:2-5. The Court agreed, reiterated that Pukke and Baker had lied "dozens" of times, *id.* at 101:19, including "when [they] took the stand under oath," *id.* at 101:14-15, and granted the motions to incarcerate Pukke and Baker, DE604 (May 4, 2007). Two days later, the Court denied Pukke and Baker's motions to stay pending appeal, DE607 (May 4, 2007), emphasizing that their stories about Pukke's assets were "absurd" and "ludicrous." PXQQ ¶ 95:100, Tr. (May 4, 2007) at 26:3-8; 26:12-13. *See Id.* at 27:7-8; 27:9-10 ("The mendacity of these two men throughout the history of this receivership is something to behold.").

E. Pukke, Baker and Usher Conspire To Maintain Pukke's Control Over the Parcel

The FTC and Receiver later consented to Baker's conditional release pursuant to an order requiring that he cooperate in turning over Pukke's assets, including the Parcel. DE614 (May 15, 2007). Subsequently, the FTC and Receiver consented to Pukke's release pursuant to similar conditions and two payments totaling \$4.5 million made on Pukke's behalf by John Vipulis.

DE622 (May 30, 2007) at 3-4.¹² To secure Pukke's release, Vipulis paid \$1.25 million for Latvian property and \$3.25 million as a loan to Pukke, DE622 at 3-4. Notably, the Order required Vipulis "to subordinate repayment of [his] loan" until Pukke fully satisfied the FTC's judgment, and prohibited Pukke from "repay[ing] all or any portion of the Vipulis Loan" before satisfying the FTC judgment as "agreed to by the FTC" or found by the Court. *Id.* at 4.

The Receiver and the FTC believed they had separated Pukke and Baker from the Parcel, but a year later, the Receiver faced a new problem: SRWR claimed the development for itself, and the Receiver could not easily enforce its rights in Belize: "it became clear to the Receiver that the Receiver would face significant resistance to the Receiver controlling the Sanctuary Bay Estates project from SRWR **even after Baker's involvement in the project ceased.**" DE682 (Mar. 27, 2008) at 4 (emphasis added). Contrary to the Turnover and Revesting Orders, DE571-72, SRWR claimed that most of the Parcel always belonged to SRWR, not Pukke, *see* DE682 at 3-4. With Usher as SRWR's Chairman, SRWR engaged B&W (Dolphin's prior firm) to contest the Receiver's claims. *Id.* at 4 n.1 (one of the firm's "masthead partners was recently elected Prime Minister of Belize"). Even without Baker (or Pukke), the Receiver thus faced a costly and challenging battle to control the Parcel. Consequently, the Receiver agreed to sell the Parcel to SRWR for \$2 million. DE682. Atlantic International Bank ("AIB," Defendant here) held the \$2 million in escrow pending the Court's approval. *See* DE682-4 at 2. No party objected to the proposed sale, and the Court approved it without comment. DE684 (Apr. 14, 2008); DE686 (Apr. 16, 2008).

¹² Relief Defendant Vipulis is the godson of Janis Pukke (Andris Pukke's father), PXQQ ¶ 96:101, Tr. (Mar. 14, 2007) at 6:2, and Andris Pukke's "most intimate friend," since childhood, *id.* at 5:26-6:1. PXQQ ¶ 96:101. The Court noted how Pukke and Vipulis obscured Pukke's interest in a sports gambling venture (Sportingbet) because Pukke's transactions with Vipulis were "done with a wink and a nod, a wink and a handshake and nothing is written down, everything is done informally." *Id.* at 9 (expressing "no doubt" that a "quid pro quo" with Vipulis "existed in favor of Andris Pukke").

Unbeknownst to the Receiver, the FTC, or the Court, the Parcel immediately reverted to Pukke and Baker's control—if it ever left. As SBE explained in a 2016 document it distributed to owners to show that Pukke's role purportedly ended years earlier, Pukke's shares (held by the Receiver) "were conveyed to Peter Baker" after the sale because Baker raised the \$2 million SRWR used to buy Pukke's rights:

The development limped along while Rodwell [Williams of Barrow & Williams] tried to negotiate a settlement with the Receivers; however, he was unable to do so. Luckily, Peter Baker surfaced another investor who agreed to invest \$2 million into the project. With those funds, Rodwell was able to successfully negotiate a settlement with the Receivers on April 23, 2008. With the settlement payment made, Andris' [Pukke's] equity shares were conveyed to Peter Baker and the original core development investors (this should be noted to show he [Pukke] has no involvement)[.]¹³

PXO ¶ 3:24 at 12 (emphasis added). In a recorded conversation with an FTC professional posing as an attorney representing prospective purchasers, Defendant Frank Costanzo similarly explained that Baker bought the Parcel.¹⁴ Specifically:

At some point obviously, Mr. Pukke got into problems I think with the Securities and Exchange Commission, et cetera, on other issues and the receiver seized this property.

So Mr. Baker then, seeing that, you know, his family's dream [of the development] is about to collapse, went out, found some other real estate investors that raised the capital . . . and made the deal with the receiver to basically buy the—buy the development out of receivership. So at that point then it was Peter Baker was the executive and there were, I think, a handful of original investors that really were like—loaned the money to Peter.

PXQQ ¶ 48:41 at 15:23-16:10 (emphasis added). Thus, even if the Parcel formally moved from Pukke's control to Baker, Pukke and Baker never relinquished their collective control.

¹³ The document does not identify "the original core development investors," but they are Baker's stepfather and mother, Colin and Joan Medhurst, who owned the minority interest in Dolphin. *See supra* at 5-6. The Medhursts left the development, and SBE paid them approximately \$600,000 in 2012 and 2103, PXNN ¶ 8(a), presumably for their equity.

¹⁴ Costanzo sometimes uses his wife's surname, Connolly. PXQQ ¶ 97.

After Baker obtained Pukke’s legal interest, SBE created a new entity, Defendant Eco-Futures Belize Ltd. (“Eco-Futures (BZ”) that took over the precise role that Dolphin (and Sanctuary Bay) had: “[T]o accommodate the new investors/shareholders, Eco-Futures was formed and contracted with SRWR to become the new development company with **the same terms that were in the previous [Dolphin and Sanctuary Bay] development agreements.**” PXO ¶ 3:24 at 12 (emphasis added). Within weeks of the sale, marketing work resumed,¹⁵ and within months (if not sooner), the planning of property tours involving Baker and Usher resumed. PXQQ ¶ 98. Thus, Baker regained legal control over the Parcel immediately, the sales process continued almost exactly as it had before, and Pukke resumed *de facto* ownership of the project (to the extent he ever lost it).¹⁶

FACTS OF THE SBE DECEPTION

I. The Resort Community Sales and Payment Process

SBE targets small business owners and couples nearing retirement. As discussed above, SBE began marketing Parcel lots in 2005. SBE has made over 1,000 sales to date, PXPP ¶ 76, including lots sold more than once, PXQQ ¶ 181:185, 181:350-352. However, more than 90% of sales have not led to home construction yet, PXQQ ¶¶ 175-176, and only a small percentage of lot owners have completed homes, *id.*

Over at least the past decade, the scam’s core elements have remained consistent. The SBE scheme relies on six core false claims related to the value of lots in Sanctuary Belize:

(1) the developer uses a “no debt” business model, which makes Sanctuary Belize a less risky investment than one in which the developer has to make payments to creditors; (2) in part

¹⁵ Within weeks of the April 2008 sale, SBE created a new development timeline for consumers that was physically and substantively indistinguishable from pre-sale versions. PXQQ ¶ 99 (comparing SBE’s timeline “as of May 2008” with earlier pre-sale versions).

¹⁶ SBE later changed the development’s name from Sanctuary Bay to Sanctuary Belize to The Reserve (for clarity, this filing continues to refer to the project as “Sanctuary Belize”). *See* PXQQ ¶ 101 (discussing the name changes).

because of the “no debt” model, every dollar the developer collects from lot sales goes back into the development; (3) this funding stream means the developer will finish the development quickly—within two to five years; (4) the finished development will boast remarkable amenities ranging from a hotel to an American-caliber hospital; (5) the impressive amenities mean the lots will appreciate from 200% to 300% within two to three years; and (6) consumers will realize the rapid appreciation without difficulty because there is already a robust resale market, making it easy to resell the lots.

A. The Sales Process

Using commercials on Fox News and Bloomberg, infomercials, and other national advertising,¹⁷ SBE encourages consumers to visit one of its several websites.¹⁸ PXQQ ¶ 102; PXFF ¶¶ 18-19; PXBB ¶ 13. Consumers also locate SBE-connected websites through their own internet searches. PXQQ ¶ 323. The websites urge consumers to submit their contact information to learn more. PXQQ ¶ 103. Consumers who respond receive a call from California-based telemarketers. PXQQ ¶ 324. The telemarketers identify themselves as “property consultants” or “investment consultants.” PXQQ ¶ 104:113-114. In these initial calls, the telemarketers establish rapport with consumers, learn about their interests, and screen out anyone unable to make a substantial down payment. PXBB ¶ 16 (“Salespeople would tell customers whatever they wanted to hear to get them to visit Sanctuary Belize.”); PXZ ¶ 7 (“People at the [SBE] office frequently talked about how Sanctuary Belize was a scam.”).

¹⁷ There is some indication that SBE targets consumers interested in conservative media. *See, e.g.*, PXU ¶ 2 (referring to marketing on *The Glenn Beck Program*).

¹⁸ SBE also disseminates various YouTube or other internet-based promotional videos. Many of the videos SBE has circulated in 2018 feature Costanzo and Pukke’s fellow prisoner at Atwater Correctional Facility, Michael Santos. PXQQ ¶ 105. SBE hired Santos in 2014; as Santos himself states, “Andi offered to cover my housing expense for the first year and pay a \$100,000 salary.” PXPP ¶ 91:26, PXQQ ¶ 105. Santos works at 3333 Michelson for both Buy Belize and GPA. PXQQ ¶ 106:118. Since his release, and in addition to his work selling SBE lots, Santos has promoted himself as a criminal justice reform advocate. PXQQ ¶ 107:119-121. He frequently speaks at universities. *Id.* These associations help lend legitimacy to SBE.

After an initial call or series of calls in which SBE conveys the six Core Claims, SBE's telemarketers encourage consumers to participate in at least one longer webinar. PXQQ ¶ 108; PXW ¶¶ 8, 17; PXI ¶ 8; PXBB ¶ 14. During the webinar, a higher-level sales agent speaks over the telephone while showing development photos and graphics on the consumer's computer.¹⁹ The telemarketer repeats the six claims, makes additional claims, and answers questions. PXQQ ¶ 108. The webinar's hosts vary. PXQQ ¶ 109. Some feature Defendant Chadwick making the Core Claims identified above. PXI ¶ 9:3. Additionally, the webinars emphasize that SBE's integrity sets SBE apart from other developers; as Chadwick claims in one webinar: "We are not a fine print organization. **We don't say a bunch of things and then, after we disappoint you, say, 'Hey, read the fine print.'** We don't do that. You know, we say this is going to be what you expect it to be and if it's not, hey we'll give you your money back." PXI ¶ 9:3 (webinar recording) at 1:34:25-1:34:41 (emphasis added).²⁰

In addition to establishing SBE's credibility and reiterating the Core Claims, the webinars persuade consumers to tour the development in Belize. SBE offers an all-inclusive package (usually \$999 per couple) that covers lodging at a resort near Sanctuary Belize, transportation within Belize, and meals. The webinars also persuade consumers to sign a "non-binding lot reservation agreement." PXQQ ¶ 111; PXBB ¶ 14. Pursuant to these agreements, consumers agree to pay \$2,000 to \$10,000 to obtain a right of first refusal on a particular lot. PXQQ ¶ 111; PXD ¶ 8:3 (attaching lot reservation agreement); PXBB ¶ 18:17 (same); PXI ¶ 21; PXU ¶ 8. Once they view the development, SBE applies the payment to their purchase of the reserved lot, or another lot; or returns it if the consumer decides not to buy. PXQQ ¶ 112; PXBB ¶ 18:17.

¹⁹ PXQQ ¶ 108; PXI ¶ 9:3 (attaching webinar).

²⁰ Notably, the contracts victims ultimately sign do not, in fact, contain "fine print" disclaiming the myriad promises SBE makes to induce consumers to purchase. Among other noteworthy features, the contracts lack merger or integration clauses, or other language purporting to disavow representations made to consumers. *See, e.g.*, PXBB ¶ 18:20 (attaching typical contract); PXQQ ¶ 110:122 (attaching twenty sample contracts).

After the webinar, consumers receive communications providing tour logistics and additional marketing material including, in some cases, emailed videos that reiterate SBE's core claims. PXQQ ¶ 113; PXW ¶¶ 14-17; PXI ¶ 16:11-13. At this point, every consumer has paid approximately \$1,000 (nonrefundable), and most have sent SBE a lot deposit worth thousands more.

After collecting the fee for the property tour and a lot deposit,²¹ SBE coordinates travel logistics with prospective purchasers and continues to send marketing material to generate excitement about the tour. PXQQ ¶ 114. Tours proceed as follows: consumers arrive in Belize City. PXQQ ¶ 115. From there, they fly to an airstrip in remote southern Belize, where SBE employees greet them. PXQQ ¶ 115. Consumers generally stay in resorts about twenty miles from Sanctuary Belize, and tour groups typically include five to ten couples. PXQQ ¶ 116. On Friday and Saturday, they tour Sanctuary Belize, visit lots, and attend sales presentations in which SBE reiterates the six Core Claims. PXQQ ¶ 117. Consumers often meet Defendant Usher, PXQQ ¶ 118, and Defendants Chadwick and Costanzo have presented to consumers directly during tours, PXQQ ¶ 119. Sales presentations have also involved Coldwell Banker Southern Belize ("Coldwell Banker SB") and Defendant AIB. PXQQ ¶¶ 120-121. In addition to the Core Claims, SBE stresses the value of purchasing two lots, and that consumers can use the rapid appreciation of the first to construct their dream home on the second. PXQQ ¶ 122.

As SBE Defendant Kazazi admitted, the tours include SBE "plants" who express enthusiasm for the development. PXGG ¶ 18. Tour participants report that SBE salespeople attempt to quiet them if they say anything negative, PXD ¶ 35, and consumers who appear

²¹ Consumers purchase their own flights from the United States to Belize. PXQQ ¶ 123.

unlikely to purchase are separated and watched, PXW ¶ 38.²² SBE serves substantial amounts of alcohol throughout the tour. PXQQ ¶ 124.

Over the weekend, SBE salespeople show consumers the development. PXQQ ¶ 125. Notably, consumers are not always able to view the specific lot on which they have placed a deposit, sometimes because rain has left unpaved roads impassable, or because the lots are overgrown with jungle and not clearly marked. PXQQ ¶ 126. SBE also takes consumers on a forty minute boat ride to a small private island that is part of Sanctuary Belize. PXQQ ¶ 127. The SBE boat is the only way to leave the island. PXQQ ¶ 127. Various SBE representatives attend, sometimes with representatives of Defendant AIB. PXQQ ¶ 128. SBE invites couples one-by-one to wade offshore and climb a ladder into a small palapa suspended over the water. PXQQ ¶ 129. Images of the palapa and the island appear frequently in SBE marketing materials, PXQQ ¶ 130, and in advertising by Relief Defendant Beach Bunny featuring celebrity Kate Upton, PXQQ ¶ 131.

Once inside the palapa, consumers and SBE representatives negotiate over the lots. PXQQ ¶ 132. The negotiations vary, but SBE uses incentives to encourage buyers to pay as much as possible in cash—as Defendant Chadwick told one couple, “I love cash.” PXE ¶ 28; PXF ¶ 28; PXQQ ¶ 133. SBE typically offers very favorable interest rates to prospective purchasers, PXQQ ¶ 134, and traditional outside lenders are not involved. SBE persuades some reluctant consumers to purchase a lot, PXG ¶¶ 22-25, and persuades some consumers planning to purchase one lot to purchase two, PXD ¶ 28. Most consumers who attend a tour purchase at least one lot. PXQQ ¶ 135. After the one-on-one meetings, SBE returns the consumers to the hotel where there is a celebration for the “new owners.” PXQQ ¶ 137.

²² Some consumers suspect someone searched their hotel rooms during their visit, PXW ¶¶ 43-45, or that SBE listened to private conversations about the development to address concerns that the consumers had during the next day’s sales presentations, PXK ¶ 12.

SBE makes six Core Claims throughout the sales process. As shown below, each is false.

B. SBE’s False and Material Six Core Claims

1. Contrary to SBE’s Claim, No Debt Means High Risk.

SBE claims to use a “no debt” business model, which makes Sanctuary Belize a less risky investment than one in which the developer has to make payments to creditors. *See* PXPP ¶¶ 10-18 (identifying over thirty instances in which SBE made this claim to consumers through consumer declarations, telemarketer declarations, SBE scripts, webinars, emails, and other marketing communications). SBE conveys the “no debt” claim throughout its marketing in numerous ways; for instance, in one webinar slide with the heading “Mitigating Risk,” SBE characterizes Sanctuary Belize as a “low-risk” project because it has “zero debt.” PXPP ¶ 14:43 at 11. SBE telemarketers also made the “no debt” claim repeatedly. PXPP ¶¶ 12-14, 16. In one instance, SBE telemarketer Zarnie Anderson²³ claimed that “horror stories” consumers hear about unfinished developments don’t apply to Sanctuary Belize “because with our whole entire property, it’s debt free. There’s no possible way for it to go bankrupt.” PXQQ ¶ 24:13 at 25:23-26:1 (emphasis added); *see also* PXQQ ¶ 16:2 at 22:5-25 (“Our project has been debt-free since day one. . . . [Debt] creates a lot of risk for the buyer. You. If [the] developer is unable to pay [its] loans back on a monthly basis . . . the developer will go bankrupt . . . and stop development[.]”).

Declarations from SBE telemarketers confirm that SBE makes the “no debt” claim. PXBB ¶ 16 (“Because Sanctuary Belize didn’t owe anyone any money, it was a low-risk investment.”); PXZ ¶ 15 (“[W]e claimed that Sanctuary Belize was a ‘debt-free’ development because the developer had no creditors. We explained that the ‘debt-free’ development model meant much lower risk because owners did not have to worry about Sanctuary Belize defaulting

²³ Anderson used “Zarnie Morgan” during the calls the FTC recorded. PXC ¶ 77:161.

on loans.”).²⁴ In fact, one telemarketer took notes during an SBE coaching session, and in those notes, she wrote: “<WE HAVE ZERO DEBT>.” PXDD ¶ 5:3 at 84 (emphasis in telemarketer’s notes).

Significantly, SBE uses the “no debt” claim to convey that there is limited risk to consumers that SBE will not finish the development (and their situs in a finished development, in turn, is what makes these lots valuable). Defendant Kazazi explained “that Sanctuary Belize marketed the claimed advantages of the no-debt business model to potential lot buyers.”²⁵ PXGG ¶ 18. As one telemarketer put it, “[w]e said that even if sales slowed, Sanctuary Belize would not need debt or outside funding.” PXZ ¶ 15. Indeed, in one exchange between an FTC professional posing as a buyer (Howe) and an SBE telemarketer (Morgan), SBE explained that the “no debt” model:

MORGAN: Usually the developers are paying off the bank. And . . . buying into a development where money is owed to the bank because there’s where the, you know, problems like where they go bankrupt. They’re not making enough sales and they can’t proceed with paying off that or even getting the amenities finished. . . . All the money that comes in on those sales are going straight into the completion of everything they need at the marina and everything else that they’ve been doing.

HOWE: So—

MORGAN: **So there’s absolutely no way for you to lose your money.**

²⁴ Sometimes SBE claims the developer owns the land debt free, but more commonly, the claim is that the development itself is debt-free. When an FTC professional posing as a prospective buyer asked SBE to clarify this, she made clear that “debt free” means “completely debt free.” PXQQ ¶ 45:38 at 29:11-29:14 (“Q: “I know [the developer] bought the land debt-free, but does he still owe to other people or he’s completely debt-free? A: No, he’s completely debt-free.”).

²⁵ Kazazi made this statement to Eric Simonton, an executive at Island Global Yachting (“IGY”). Simonton responded to Kazazi by “point[ing] out,” on “several occasions,” that “having access to capital markets would allow Sanctuary Belize to complete the . . . development quicker.” PXGG ¶ 18; *see infra* at 42-43 (explaining SBE’s interaction with IGY).

HOWE: So like no matter what, there's no debt or anything that would stop like the marina from going forward or like—

MORGAN: Correct.

HOWE: —the grocery stores and the things like that [amenities] that we've talked about before. Like those will go forward no matter what.

MORGAN: Correct.

PXQQ ¶ 45:38 at 28:9-29:8 (emphasis added). Consumer declarations further establish SBE's claim that its “no debt” business model made their investments safer.²⁶ See PXPP ¶ 10.

In fact, the opposite is true—the absence of conventional financing creates substantially greater risk. Richard Peiser, a Professor at Harvard University and leading authority on large-scale real estate development, explains why a “no debt” real estate development model poses greater risk to consumers. PXA ¶¶ 12, 41. Peiser points to two factors. First, it is normally “hard or impossible” to have sufficient front-end and sustained cash flow to fund infrastructure, construction, and operation of large-scale amenities (such as those contemplated in the Sanctuary Belize development) until the amenities have attained a positive cash flow, without outside financing. PXA ¶ 20; *see also* PXA at 1 (“The ‘no debt’ model risks that funds will not be available for project development to unfold along a time path that will sustain project marketing and ultimately project survival.”). Peiser specifies multiple problems that make using lot sale revenue rather than outside financing an untenable model to complete a large-scale development successfully.²⁷ PXA at 1. Attempting a large-scale real estate development without a reasonable level of debt is “high-risk.” PXA at 1.

²⁶ As an aside, SBE does have debt. It borrowed \$1.5 million from Newport Beach yacht dealer Gordon Barienbrock, PXNN ¶ 8(u); PXPP ¶¶ 68-69, and \$2.5 million from Orange County real estate investors Cleo and Violet Mathis (through their entity, CVM Corporation), PXPP ¶¶ 70-71; *see also* PXNN ¶ 8(b).

²⁷ As Professor Peiser explains, “the failure to use an appropriate amount of debt exposes consumers to risks from: (a) unpredictable lot sales; (b) unpredictable cashflow; (c) loss or delay because early-stage elements typically require large up-front expenditures; (d) unpredictable

Second, the “no debt” model poses a greater risk for consumers because the lenders in traditionally financed real estate developments provide underwriting, due diligence, and monitoring functions that reduce consumers’ risk. PXA ¶ 28. Peiser explains that lenders reduce risk through their pre-loan underwriting process by ensuring the borrower has significant net worth, is reliable, and has real estate development experience. PXA ¶ 31. Significantly, a lender’s due diligence “includes extensive assessment of the feasibility of the project.” PXA ¶ 31. Furthermore, Peiser explains that a lender’s due diligence continues after the initial approval because money is ordinarily released as needed after monthly on-site inspections—providing a risk-reducing monitoring function to consumers who cannot easily review the project’s overall finances and progress. PXA ¶¶ 31-40. Legitimate developers rarely, if ever, employ a “no debt” real estate development model because it has such a high risk of failure.²⁸ PXA ¶ 42.

Unsurprisingly given its emphasis in SBE’s marketing, consumers often identify the “no debt” model as a reason they bought a Sanctuary Belize lot. *See* PXPP ¶ 11. One consumer stated, “[t]he fact that the no debt model made Sanctuary Belize less risky was important to our ultimate decision to purchase a lot there.” PXI ¶ 5. Another consumer indicated, “[t]he ‘no debt’ model was impressive and important to me.” PXS ¶ 5. A third consumer specified, “[k]nowing that the development was not risky and was on a firm financial footing was very important to us.” PXU ¶ 6.

pace of home construction; and (e) a ‘downward spiral’ in which slow or stalled development further depresses cashflow.” PXA at 1.

²⁸ Professor Peiser notes that, given the benefits of financing, “it is extremely unusual for a developer to decline an appropriate amount of financing it could otherwise obtain. The absence of financing suggests it was unavailable rather than undesired.” PXA ¶ 29.

2. Contrary to SBE’s Claim, SBE Spends Consumers’ Money to Repay Pukke’s Loan from Vipulis, to Pay Members of Pukke’s Family, and To Buy Personal Items for Baker and His Wife.

SBE also makes the closely-related claim that because of the “no debt” model, every dollar the developer collects from lot sales goes back into the development. *See* PXPP ¶¶ 20-24 (compiling evidence from seventeen sources showing that SBE made this claim including consumer declarations, telemarketer declarations, SBE scripts, webinars, emails, and other SBE marketing communications). The sales pitch an SBE telemarketer (Morgan) gave to an FTC professional posing as a buyer (Kaufman) was clear:

KAUFMAN: So every dollar that you—that you get from sales then you put back into the project?

MORGAN: Exactly. That’s exactly right. So—and that’s the perfect thing about it being debt-free. It’s very rare you’ll come across a debt-free development. Very, very rare.

PXQQ ¶ 24:13 at 27:22-28:3. As one telemarketer explained, “[w]e told consumers that because Sanctuary Belize had no debt, all of the money raised from lot sales would go back into the development. This also made it a less-risky investment.” PXBB ¶ 16; *see also* PXZ ¶ 15 (“We claimed that all the money lot owners paid would go directly into the Sanctuary Belize development.”). Consumer declarations confirm that SBE regularly makes the “every dollar” claim. *See* PXPP ¶ 20.

However, the claim is false. First, despite the Court’s order prohibiting Pukke from repaying Vipulis (Pukke’s father’s godson) for the loan he made to end Pukke’s coercive incarceration, SBE has transferred more than \$4 million to Vipulis. PXNN ¶8(r).

Second, SBE has transferred more than \$1 million to Chittenden, Beach Bunny, and the Estate of John Pukke.²⁹ PXNN ¶ 8(c)-(f). The Estate itself then transfers’ consumers’ money to

²⁹ There are various transfers back to SBE totaling approximately \$630,000. PXNN ¶ 8(c)-(d). Notably, SBE has also transferred nearly \$5 million to ABM Equity and ABM Development and Design LLC, PXNN ¶ 8(bb), which are also companies Mock controls, PXPP ¶ 73, ostensibly for marketing or construction services Mock provided. These entities returned approximately \$1.4 million. PXNN ¶ 8(bb).

Aimee Pukke Vacarelli, the ex-wife of Pukke’s brother (Eriks Pukke), and Lesley Cook, a later girlfriend of Eriks Pukke (some of which is apparently for Pukke’s niece (E. Pukke)).³⁰ PXNN ¶ 8(v)-(w); PXPP ¶ 99. Separately, SBE has funneled money to Pukke’s family through transfers to his ex-wife (Pamela Pukke), a company Pamela Pukke’s husband Anthony Mock controls (Wholesale Fashion Distributors LLC), and small payments directly to Pukke’s children. PXNN ¶ 8(m), 8(z); PXPP ¶ 72.

Third, SBE funded renovations to Pukke’s personal residence, including payments to a local contractor with a memo line referencing Pukke’s address. PXNN ¶ 8(dd); PXPP ¶ 74. In fact, Defendant Kazazi admitted to an SBE in-house accountant that tens of thousands “went to remodel Pukke’s house.” PXEE ¶ 8. (Pukke’s residence is now on the market for \$18.5 million, *see infra* at 74 n.117 (discussing its ownership by Relief Defendant Chittenden and an asset protection trust).

Fourth, SBE funds various expenses that have nothing to do with completing the Sanctuary Belize development: \$6,000 for Stanley Cup tickets, \$1,400 for Eagles (rock concert) tickets, and \$1,200 for “Triple Ho Show” (music festival) tickets. PXNN ¶ 9. Baker (or his wife, Paula Kudrjavceva) used SBE funds to order expensive beauty products including NuFACE Trinity Facial Trainer Kit with Wrinkle Reducer (\$429); Drunk Elephant face serum (\$170); and Revitalash Advanced Eyelash Conditioner (\$170).³¹ PXNN ¶ 10. Baker used an SBE account to have an [REDACTED] strap” sent to his house, *id.*, PXPP ¶ 100 and to pay an Orange County [REDACTED] professional who specializes in [REDACTED]—clearly not development

³⁰ Money SBE sends through the Estate is also used for car payments, expenses associated with a trip to Hawaii, and various other living expenses (movie tickets, restaurants, and so forth). PXNN ¶ 8(e).

³¹ There are hundreds of thousands in highly dubious expenses; we mention these because they are plainly not development-related.

expenses, PXNN ¶ 8(h); PXPP ¶ 101:36. SBE also paid thousands for cosmetic dentistry. PXNN ¶ 8(i); PXPP ¶ 102.

Moreover, Pukke, Baker, Greenfield, and Kazazi all have Sanctuary Belize debit cards they use for groceries, gas, restaurants, personal travel, and cash withdrawals. PXEE ¶ 8. SBE also paid Pukke’s friend Todd Cook’s rent. PXEE ¶ 8. Overall, a prior SBE accountant explains, “although millions of dollars flowed through Sanctuary Belize accounts—Kazazi used the accounting software like a check printer—**relatively little went to construction expenses in Belize.**” PXEE ¶ 8 (emphasis added).

Finally, SBE’s claim that it would spend lot sale revenue to further the development was important to consumers. *See, e.g.*, PXD ¶ 6 (explaining that SBE telemarketer “claimed that, without debt, every dollar Sanctuary Belize raised through lot sales would go back into the development. These promises were important to our decision to purchase.”); PXG ¶ 15 (“The fact that this was a safe investment and that all of the money from sales would go to construction (rather than to pay off debt) was important to my decision to purchase.”); PXI ¶ 6 (“The fact that Sanctuary Belize would put all the money it raised by selling lots directly back into the development was important to our ultimate decision to purchase a lot there.”).

3. Contrary to SBE’s Claim, the Development Was Not Finished Within Two to Five Years, and Will Not Be.

SBE claims the funding stream from lots means the developer will finish the development quickly—within two to five years. *See* PXPP ¶¶ 26-29 (identifying fifteen instances in which SBE made this claim through consumer declarations, telemarketer declarations, SBE scripts, webinars, emails, and other SBE marketing communications). In undercover recorded calls with FTC professionals, SBE claimed that “in the next year or two, it’s going to be all done and this will be the next like Cabo San Lucas.” PXQQ ¶ 29:18 at 43:9-11. As one telemarketer explains, “[w]e told Sanctuary Belize customers that the entire property would be complete including the world-class marina and yacht club within two to five years.”

PXBB ¶ 16. Another SBE telemarketer routinely claimed that it would take two years to finish the “Marina Village” (the community’s commercial center) and five years to finish the entire development. PXZ ¶ 9. Consumer declarations further underscore that SBE claims it will finish the development within five years (and the community’s commercial center in two years). *See* PXPP ¶ 26. The timeline claim is important to consumers and influences their decision to purchase. *See* PXPP ¶ 27. But the claim is false.

a. SBE Did Not Finish the Development Within Two or Five Years.

As discussed above, SBE typically distinguishes between completing the development’s commercial center (within two years) and the entire project (within five years). However, the first sale took place more than thirteen years ago, *see supra* at 6. By mid-2013 (more than five years ago), SBE had made hundreds of sales, and by mid-2016 (more than two years ago), SBE had made hundreds more. PXPP ¶ 75. However, the development is nowhere near finished, with few homes, PXMM ¶¶ 8-11, and most promised amenities unstarted or incomplete, *see infra* at 24-36.

b. SBE Is Approximately \$500 Million Short of the Amount Necessary To Finish the Development as Promised.

SBE did not finish Sanctuary Belize over the past thirteen years, and it will not finish it over the next five. Much of what SBE promises prospective purchasers is wildly unrealistic from the perspective of a sophisticated developer; for instance, building and operating an American-caliber hospital with American doctors and nurses in remote southern Belize (with a tiny population and almost no one who can afford American-quality care)³² would be financially reckless. *See* PXA ¶¶ 68-69, 71, 282-325 (near impossibility that such a facility could exist).³³

³² To provide some perspective, Greenbelt, Maryland has about 24,000 residents, and nearby Bowie has about 58,000. PXQQ ¶ 136:130. If every residence pictured or mentioned in Sanctuary Belize marketing materials is finished and occupied by five people, the population of Sanctuary Belize would be less than 300 people. PXPP ¶ 78. Sanctuary Belize sits in the Stann Creek District in Belize, which has only about 34,000 people. PXPP ¶ 77:23. The entire

Although SBE claims it “absolutely” has the resources to finish the development, PXQQ ¶ 24:13 at 26:18-27:3, it plainly does not. Professor Peiser explains that to complete the massive planned community as promised (including the promised hospital, hotel, and commercial core) would cost \$613 million. PXA ¶ 327. The FTC obtained both SBE bank records and certain internal SBE accounting information (including Quickbooks files), and provided them to Erik Lioy, the head of forensic accounting at Grant Thornton LLP. PXB at 1. Using this data, Grant Thornton calculates the amount SBE could afford to pay to complete the development over the next five years. *Id.* Out of abundance of caution, Grant Thornton made several large assumptions in SBE’s favor including two unrealistic ones: (1) it assumed that SBE can replicate the average lot sale revenue of its two best sales years (2013 and 2014) over the coming five years; and (2) it assumed that \$24.9 million SBE has transferred to accounts in Belize over the past seven years is undissipated and remains available to spend to finish the development. PXB at 1, 5. Even with these generous assumptions, the most SBE can afford to spend over the next five years to finish the development is approximately \$116 million—nearly \$500 million short of the \$613 million necessary to finish the development SBE promised.³⁴ PXB ¶ at 13; PXA ¶ 327.

Unsurprisingly, the development’s timeline is important to consumers, many of whom have already retired, or are nearing retirement. *See, e.g.*, PXY ¶ 16 (stating that the claim that

population of Belize is about 360,000 people, PXQQ ¶ 90:95, most of whom reside hours away (Prince George’s County has more than 900,000 residents). PXQQ ¶ 92:97. Belize is also a relatively poor country, with an average annual income per capita around \$8,000. PXQQ ¶ 90:95.

³³ Because much of what SBE proposes is essentially a fantasy, Peiser estimated a “below promised” version of Sanctuary Belize in that location that would still make SBE’s various material marketing claims false, but that might be practically achievable by a legitimate developer. The cost to complete such a “below promised” development is still \$248 million. PXA ¶ 327:1.

³⁴ It is also less than half the \$248 million necessary to finish a scaled-down, “below promised” version, *see supra* at 25 n.33.

“everything . . . would be finished in approximately two years” was “extremely critical” to our decision to purchase “because I was 71 years old and my wife and I planned to retire within the next few years and build in the development in late 2015”); PXS ¶ 40:21 at 10 (explaining that an SBE sales representative, Richard Otto, claimed in 2011 that the “Marina Village” would be complete within a year, and this was important, so she made a handwritten note in her Sanctuary Belize “welcome packet”); PXI ¶ 9 (“Chadwick . . . understood how important the development timeline was to me and my wife.”); PXE ¶ 18 (“Chadwick stated [in 2013] that Sanctuary Belize would be completed within two years. . . . We would not have bought if we thought the development would take much longer.”); PXD ¶ 17 (explaining that Sanctuary Belize stated multiple times (in 2013) “that everything—the entire development—would be finished within two years. . . . We would not have purchased without these assurances.”)

4. Contrary to SBE’s Claim, the Amenities Were Not Finished Within Five Years, and They Will Not Be.

SBE claims that the completed development will boast remarkable amenities comparable to a small American city. PXPP ¶¶ 30-54. These amenities are crucial because they make living in remote southern Belize palatable to sophisticated American consumers looking for retirement or second homes. Moreover, the amenities are central to SBE’s claim that lots’ value will skyrocket. P XK ¶ 21; PXZ ¶ 12; PXQQ ¶ 23:10 at 59:12-60:7. For example, one telemarketer stated:

We explained [to prospective purchasers] that the property would include world-class dining with restaurants, bars, bistros, cafes, bakeries, a fresh fish market, a farmer’s market, a citrus farm, and bars. It would also include an American-size grocery store. . . . a post office, medical clinic, art galleries, an on-side rental office to rent their unoccupied properties, an international school for children, an outdoor activity center, a spa and fitness center . . . a church . . . a boat dealership, a water taxi service . . . a fuel station at the world-class marina. . . . [and] and international airport and hospital that would be completed within two years near Sanctuary Belize.

PXBB ¶ 17; *see also* PXZ ¶ 10 (In addition to a high-end marina, SBE telemarketers “told prospective buyers that the Marina Village would have high-end shopping and dining, a hotel, a

spa, [and] and American-sized grocery store[.]”). The details of specific promised amenities vary slightly, but the important elements have remained constant (*e.g.*, the size and location of promised hospital and emergency medical center vary, but the claim that lot owners will have easy access to American-caliber healthcare does not).

These claims are false. After thirteen years, most of the promised amenities do not exist. PXPP ¶ 79 (collecting information from consumers who visited regarding the status of advertised amenities). The hospital, hotel, airports, entertainment, and “Marina Village” (the commercial core) are unfinished and, in most cases, unstarted. SBE has completed only a few bungalows, a bodega, a two-pump gas station, an open-air bar, a pool, an outdoor restaurant near the poolhouse, and a marina less than a third of the size that it promised. PXPP ¶ 82. Nor is there any chance the promised amenities will somehow appear on their own. Professor Peiser explains that the development’s small population, rural location, competition within the development (for instance, two competing coffee shops) and competition from other resort communities makes most of the promised amenities economically unviable. PXA ¶ 44-64. As Professor Peiser opines, “[t]here is essentially a **zero probability** that this development ever would provide a large enough and/or wealthy enough base of customers to support several of the most essential amenities” that SBE promotes. PXA ¶ 68 (emphasis added).

Although the impressive slate of marketed amenities will not exist within five years (if ever), the promised amenities are important to prospective buyers, partly because owners want access to the amenities themselves, and partly because proximity to the promised amenities would increase the lots’ value. *See, e.g.*, PXI ¶ 9 (explaining that the fact that Sanctuary Belize would finish the promised amenities “by 2014 or sooner” was important to his decision to purchase); PXE ¶ 14 (“[H]aving specific, short-term timelines for the amenities at Sanctuary Belize was important to our decision to purchase there.”); PXN ¶ 1 (“[W]e purchased based on claims . . . that the promised amenities would be completed in short order”); *id.* ¶ 48 (noting that

“our property would have no value” without the promised amenities). In general, the promised amenities fall into several general categories.³⁵

a. Hospital and Emergency Medical Facility

SBE promises consumers a hospital staffed with American doctors and nurses³⁶ and located within or adjacent to Sanctuary Belize. PXPP ¶¶ 31-34. SBE describes the hospital as 30,000 square feet (and often more), *id.* ¶ 84, and “state-of-the-art,” PXQQ ¶ 20:6 at 58:13-59:5, with vast capabilities including everything from “oncology” to “organ transplantation” to “cardiac surgery.” PXI ¶49:50 at 3. Reflecting the development’s size, SBE also claims the downtown “Marina Village” area will have a smaller emergency medical facility. PXPP ¶ 84. Despite SBE’s claims,³⁷ there is no American-caliber hospital in or near Sanctuary Belize, *see* PXPP ¶ 81, and there is no emergency medical facility in Sanctuary Belize’s commercial core,

³⁵ In addition to the amenities listed below, SBE claims Sanctuary Belize will have infrastructure roughly equivalent to what consumers expect in the United States. PXPP ¶ 83. This includes paved or improved roads, fresh drinking water (from the tap), wastewater management (including septic or equivalent systems that function in high-water table areas), electric, garbage disposal, a stable canal system (giving additional lots have waterfront access), and security. PXPP ¶ 83. Some consumers are interested in building eco-friendly residences with features like solar power and rainwater catchment systems. PXQQ ¶ 23:10 at 26:23-25. Notably, substantial features like commercial facilities, a hotel, and a hospital will require greater infrastructure support; for instance, a modern hospital needs sophisticated wastewater treatment of some sort; it cannot rely on something equivalent to a residential septic system. PXA ¶ 121.

³⁶ As one consumer explained, SBE promised that both the hospital and the Marina Village clinic “would have American physicians and nurses who would provide western-caliber medical care to Sanctuary Belize residents. [SBE] also emphasized that the hospital [would be] a teaching hospital where American doctors and nurses would teach their Belizean counterparts.” PXD ¶ 24.

³⁷ Importantly, none of the amenity claims SBE makes are qualified or aspirational; SBE does **not** claim, for instance, that it desires to include a hospital near the development, or that a hospital will be built if SBE can locate funding, or that a hospital will be built if the government or some other third party decides to build one. *See supra* at 28; PXPP ¶ 85; *see also* PXD ¶ 22 (“Sanctuary Belize reiterated that an international airport would be completed soon, with direct flights to the United States and Europe. There was no doubt it would be finished.”). SBE provides no caveats suggesting that any of the amazing amenities might not be built, or will be built if SBE finds money it doesn’t currently have, or if the government or some third party builds and operates the amenity. PXPP ¶ 85.

see PXPP ¶ 81. As Peiser explains, building American-quality medical facilities in remote southern Belize is not economically feasible. PXA ¶¶ 71, 282-325. Few Belizeans can afford American-quality medical care, and Medicare and private insurers generally do not reimburse procedures for Americans residing overseas. PXA ¶¶ 284, 290. Additionally, staffing the hospital with American physicians and nurses would be extraordinarily expensive. PXA ¶¶ 133-136, 303-306.³⁸

b. Hotel

SBE claims Sanctuary Belize will have a “full-service, high-class” hotel. PXD ¶ 23; PXPP ¶¶ 35-38. SBE often describes it as having ninety rooms, but sometimes thirty or forty rooms. PXPP ¶ 87. SBE also promises smaller “lodges,” or “eco-experience hotels” that SBE describes as boutique rentals in the jungle, riverine, or other areas of the Parcel. PXPP ¶ 87. Despite SBE’s claims, there is no hotel at Sanctuary Belize, PXPP ¶ 81.³⁹ In fact, Defendant Kazazi admitted to a marina company (IGY) executive that he “wasn’t sure how Sanctuary Belize could build or fund the proposed hotel [.]” PXGG ¶ 18.

c. Entertainment (Golf Course and Casino)

SBE promises Sanctuary Belize will have a championship-caliber golf course, and a “casual elegant” casino. PXU ¶ 7; PXPP ¶¶ 39-42. SBE told FTC professionals posing as consumers that the golf course was “under construction . . . about 15 minutes away,” and will be “Belize’s first 18-hole championship golf course.” PXQQ ¶ 23:10 at 34:17-21. Despite SBE’s claims, there is no “casually elegant” casino or championship-caliber golf course at Sanctuary

³⁸ High-quality medical care is very important to many owners who have retired, or are nearing retirement. *See, e.g.*, PXE ¶ 14.

³⁹ The hotel is important to consumers (in theory, it could bring tourists to Sanctuary Belize and spur development). *See, e.g.*, PXE ¶ 14; *see also* PXD ¶ 23 (“Sanctuary Belize promised to build a full-service, high-class hotel that would entice yacht owners to stay for longer periods—which, in turn, would help raise property values.”).

Belize, PXPP ¶ 81. Notably, early SBE marketing materials claimed Sanctuary Belize (then “Sanctuary Bay”) would have a golf course by 2008. After years of promising a golf course to prospective buyers, Defendant Kazazi in a private email to an IGY executive said SBE had “gone back and forth” over SBE’s decision “to place a golf course in the development,” and Kazazi asked for IGY’s advice. PXGG ¶ 7:4.

d. International Airport and On-Site Airstrip

A supposed “international airport” that will open soon near Sanctuary Belize figures prominently in SBE marketing materials. PXPP ¶ 86; *id.* ¶¶ 43-45. It (purportedly) will offer direct flights to major U.S. cities and will boost economic activity in southern Belize generally. PXPP ¶ 86. Sanctuary Belize also will have an airstrip where owners can land private planes. PXPP ¶¶ 43-45. Despite SBE’s claims, there is no international airport near Sanctuary Belize, PXPP ¶ 81, and there is also no airstrip for private aviation within the development, PXPP ¶ 81. Although the allegedly imminent opening of a nearby international airport with direct flights to the United States is central to SBE’s marketing, *see, e.g.*, PXG ¶ 12, PXP ¶ 27, PXD ¶ 22, one SBE telemarketer understood that “the proposed nearby Placencia International Airport we touted to potential buyers as almost complete would never get finished[.]” PXZ ¶ 7. In 2014, two IGY executives (Eric Simonton and Bert Fowles) saw the “unfinished” airport and noted that “it appeared construction had stopped.” PXGG ¶ 14; PXHH ¶ 8. As one consumer who visited the partly-built airport around the same time observed, “it looked like the construction had stopped years earlier” (although the SBE representative reassured them that “it would be built within the next few years”). PXX ¶ 12.

More recently, in May 2018, the SEC sued some of the parties involved with the proposed international airport, alleging that they misrepresented that forty-four investors’ money would provide bridge financing “to fund the construction and development of an international airport in Placencia, Belize.” *See* Complaint, *SEC v. Borland*, No. 18-cv-4352 (filed S.D.N.Y.

May 16, 2018), DE1 at 2. Much of the money was stolen, *see id.*, the court issued an injunction, and one of the parties marketing the bridge financing was indicted. *United States v. Borland*, No. 1:18-cr-487 (S.D.N.Y. July 12, 2018), DE11.

e. Shopping, Dining & Commercial Center

SBE promotes the Sanctuary Belize “Marina Village” as the development’s “nucleus” or commercial center. PXPP ¶ 88; *id.* ¶¶ 50-53. An artist’s rendering of the Marina Village appears in glossy brochures SBE gives to prospective purchasers. PXU ¶ 7:3 at 55. As the downtown heart of the community, SBE claims the Marina Village will have high-end boutiques, restaurants, cafes, and American-style grocery store. PXK ¶¶ 23-24; PXPP ¶¶ 46-49. It will also have other features important to consumers looking to live in small resort community, including a church, a school, and a post office. PXBB ¶ 17; PXU ¶ 7:3 at 55. Despite SBE’s claims, there is no “Marina Village” or downtown commercial core with 12,000 square feet of commercial space housing cafes, bistros, upscale restaurants, boutiques, and other high-end shopping, a gym, and spa.⁴⁰ PXPP ¶ 81. One consumer visited Sanctuary Belize last year, and SBE “served us lunch at the bar/restaurant area by the poolhouse,” but “there was no kitchen equipment there,” so “lunch was brought in rather than prepared at the bar/restaurant.” PXW ¶ 33. Although more recent information suggests the outdoor poolhouse restaurant and open-air bar are now open at least part time, SBE has not completed the promised upscale 12,000 square feet of commercial space. PXPP ¶ 89.

⁴⁰ The downtown Marina Village is important not only because the amenities (if built) would improve property values, but because it currently takes about an hour for someone residing in Sanctuary Belize to reach the nearest significant commercial area. *See, e.g.*, PXE ¶ 19 (“According to Chadwick, Sanctuary Belize also would complete the shopping and commercial areas within a year, which was important because it can take an hour to drive from Sanctuary Belize to the nearest significant commercial activity. The fact that Sanctuary Belize would be an entire city was part of what made the development attractive to us.”).

f. 250-Slip World-Class Marina

SBE marketing prominently features a 250-slip world-class marina. PXPP ¶ 88. As an SBE telemarketer told SBE professionals posing as consumers, “[e]verything is centered around our 250-ship marina.”⁴¹ PXQQ ¶ 23:10 at 13:5-6. Notably, the slip count is significant because more slips mean the marina can handle more traffic, and greater corresponding commercial activity will enhance lot owners’ property values.⁴² Furthermore, SBE often describes the marina as “world class.” PXPP ¶ 88. Marinas offer different amenities, and those with the best amenities are more attractive to boaters. As one consumer recalled, SBE told her “that Sanctuary Belize was going to have the finest marina on this side of the Atlantic.” PXS ¶ 14. Thus, SBE is promising not only a marina, but a 250-slip, high-end marina.

Despite SBE’s claims,⁴³ the marina at Sanctuary Belize has fewer than a third of the promised slips, and it offers none of the services that make a marina “world class.” When IGY executives visited the marina last year, “the marina’s basic elements . . . remained unchanged between 2014 and 2017,” although SBE had added some structures near the marina by 2017. PXGG ¶ 39; *see also* PCHH ¶ 24; PXM ¶ 4. It had 81 slips, “however, many of these slips were still not functional in 2017.” PXGG ¶ 40. Importantly, one IGY Vice-President noted that “[t]o get the marina to 250 slips you would need to triple the size of the existing marina,” which could cost millions. PXGG ¶ 40.

⁴¹ The number of slips promised varies occasionally; for instance, sometimes SBE claims the marina will have 225 or 200 slips. PXPP ¶ 88.

⁴² Additionally, larger slips can accommodate bigger boats with more passengers, enhancing this effect. In one telemarketing script, for instance, SBE emphasizes both the slip count and the slip’s asserted size: “We will have 250 slips that can hold yachts up to 150’ in length.” PXBB ¶ 17:14 at 6.

⁴³ Consumers, who are often boaters themselves, are interested in the marina’s quality. *See, e.g.*, PXG ¶ 6. Additionally, as discussed below, the marina’s quality and size impact the boat traffic Sanctuary Belize will receive, which affects the value of lot owners’ investments.

Furthermore, as Fowles explained, when he visited last year, “[i]t was not a ‘world class’ marina. Rather, it was an expeditionary, outpost destination.” PGHH ¶ 39. Among other things, the marina did not have: “a boat yard or other repair or maintenance facility; a boat dealership, a fitness/workout facility; physical security (other than a guard at the main entrance to the development), or luxurious or high-end marina-related buildings.” PXHH ¶ 25; *see also* PXGG ¶ 40. A “world class” marina is one that qualifies for the prestigious Five Gold Anchor certification that The Yacht Harbor Association issues to the world’s top marinas. PXGG ¶ 26; PXHH ¶ 41. Simonton and Fowles were clear: “The Sanctuary Belize marina would not qualify for Five Gold Anchor certification.” PXGG ¶ 26.

The marina’s quality is significant because if boaters stop and stay, that would encourage development and the lots’ value. However, both Simonton and Fowles stated that “[g]enerally, it takes years for a marina to grow from an expeditionary, outpost destination to one that draws boaters in significant numbers.” PXGG ¶ 41; *see also* PXHH ¶ 26. As Simonton reported to IGY’s CEO in 2013, the developers “don’t have much idea what they’re doing,” and he predicted that the Sanctuary Belize marina “won’t be a huge financial success.” PXGG ¶ 40:5. After visiting the marina in 2017, Simonton predicted that “[t]he Sanctuary Belize marina likely would host more than 25 boats at one time and fewer than 100 unique vessels for the next few years.” PXGG ¶ 40. Additionally, “[b]ased on the slip mix [the size of different slips], the majority of the boats hosted would be sailboats,” rather than megayachts or superyachts. *Id.* Thus, “even the adventurous boaters that may come to Sanctuary Belize over the next five years would not provide much revenue to support upland activities.” *Id.* In short, Sanctuary Belize has 81 slips at a expeditionary, outpost dock, not a 250-slip, world-class marina.

As noted above, SBE’s claims to finish the entire development (including various specific amenities) within two to five years are already false as to many consumers who bought more than two or five years ago. Additionally, because SBE is half a billion short of the money

necessary to finish all of the amenities it promised, necessarily, it will not complete many promised amenities over the next five years as well.

5. Contrary to SBE's Claim, the Lots Do Not Appreciate 200%-300% in 2-3 Years.

SBE further claims that the impressive amenities detailed above mean the lots will appreciate from 200% to 300% within two to three years. *See* PXPP ¶¶ 56-60 (identifying fourteen instances in which SBE made this claim. For instance, an SBE telemarketer told FTC professionals posing as purchasers that, due to the airport, marina, and other amenities, they could expect “around a 300 to 500 percent increase, in three years.” PXQQ ¶ 23:10 at 59:12-18. Another SBE telemarketer told FTC undercover professionals “they’re [projecting] 250 to 300 percent [appreciation] in the next few years.” PXQQ ¶ 20:6 at 54:21-55:1. In June 2018, SBE posted marketing material online claiming 400% returns. PXC ¶¶ 67-68:152 at 1. One prior SBE telemarketer explains that SBE claims to potential customers “the investment they make in their lot [will] increase 200%-500%.” PXBB ¶ 16. Defendant Chadwick told one set of consumers “that our property’s value would ‘double or triple’ within a few years.” PXE ¶ 22; PXF ¶ 22. SBE told another consumer that he “could expect [the] lot to appreciate by 200% in the next few years,” PXN ¶ 22, and another that he “could expect lots to double or triple in value within only a few years,” PXI ¶ 23.

SBE’s claim that consumers can realize significant, short-term investment value is central to its pitch. Restated simply, SBE claims that its “no debt” business model is low-risk because, without debt, every dollar from lot sales goes back into the development, which ensures the rapid completion of remarkable amenities. Those amenities, in turn, drive the lots’ appreciation—200% (or more) within three years (or less). In reality, numerous consumers have sought buybacks (usually at a loss), spent additional money pursuing litigation domestically, and joined litigation in Belize, PXQQ ¶ 178:180 (most buybacks do not even provide full refunds), which would not occur if their lots had appreciated.

To underscore the point, the FTC located four lots purchased in 2012 for which the FTC obtained original sale price information, and that are now listed for resale on public websites apparently unaffiliated with Sanctuary Belize. After six years, three of the four owners are asking for less than what they paid (and, presumably they are willing to accept less than their asking price). PXMM ¶¶ 13-16, 27-32. The fourth lot is listed online for a 28% premium—again, after six years. *See id.* This is consistent with the experience of one set of consumers who purchased lot S029 for \$119,900 nearly a decade ago (and then paid various taxes and HOA fees). After an extensive search, they agreed to an offer from a buyer willing to pay \$124,000 on unfavorable terms they accepted “because it was the only way we could sell our lot [i]n Sanctuary Belize.”⁴⁴ PXQ ¶ 61.

In fact, SBE knows its claim that purported amenities will drive rapid appreciation are false. In one telling text message to an SBE telemarketer, SBE employee Charmaine Voss (the manager of Coldwell Banker SB) admitted that “the claim that the property value will increase by 400% after the airport is built” is “a bunch of horse shit.” PXAA ¶ 4:4 at 27. Simply put, if the lots’ value appreciated as advertised, dissatisfied consumers would resell their lots for a profit rather than fighting expensive legal battles, trying to force SBE to buy back the lots, or listing them for amounts equal to or lower than what they paid years ago.

Finally, particularly because SBE markets the lots as an investment, the appreciation claim is important to consumers. *See* PXPP ¶ 57; PXE ¶ 22 (“Chadwick also stated that our property’s value would ‘double or triple’ within a few years, and that it would be easy to resell our lot if we wanted to. These points were extremely important to our decision to purchase property there.”); PXP ¶ 22 (stating that the claim that “we could expect [our] lot to appreciate by 200% in the next few years” was important to the decision to purchase); PXI ¶ 20 (stating that

⁴⁴ The terms are \$24,000 down, then approximately \$323 a month borrowed from the consumers at 2% interest, followed by \$60,000 payment in ten years. PXQ ¶ 61.

Sanctuary Belize claimed “[w]e could expect lots to double or triple in value within only a few years,” which was “important to our decision to buy a lot”).

6. Contrary to SBE’s Claim, There Is No Robust Resale Market.

SBE also claims consumers will realize the promised rapid appreciation without difficulty because there is already a robust resale market, making it easy to resell the lots.⁴⁵ When FTC representatives posing as prospective buyers asked: “let’s say something comes up and we need an emergency flow of cash . . . what’s the . . . market like for reselling” lots, the SBE telemarketer assured them that lots were “selling like hot cakes,” and “you’re not going to have a problem whatsoever” reselling the lot. PXQQ ¶ 24:13 at 17:17-18:2; *see also* PXQQ ¶ 20:6 at 14:14-16 (explaining that a current owner is “all set” because his lot is “going to be worth so much money, what he could do is turn around and just sell it”). A prior SBE telemarketer likewise confirmed that SBE “claimed that Sanctuary Belize lots were in high demand, including a current robust resale market for Sanctuary Belize property[.]” PXZ ¶ 14. Owners also report hearing this claim; for instance, one stated SBE promised that “[i]f we needed or wanted to resell, it would be easy to do so, as there was already a healthy resale market.” PXI ¶ 23. The resale market claim is important to consumers and influences their decision to purchase, *see* PXPP ¶ 63—they cannot realize purported appreciation if they cannot resell their lots.

However, the fact that consumers pursue unfavorable buyback agreements or expensive litigation over traditional resale demonstrates the absence of any meaningful resale market, let alone one consistent with SBE’s claim of easy resale. *See supra* at 49-51. Furthermore, SBE actively interferes with resale efforts (likely because such efforts lower prices for lots in SBE’s inventory). For instance, SBE pushes consumers looking to resell to Coldwell Banker SB, which

⁴⁵ *See* PXPP ¶¶ 62-67 (summarizing evidence that SBE made this claim including consumer declarations, telemarketer declarations, and many instances in which the claim appears in SBE scripts, webinars, emails, or other marketing communications).

does not sincerely attempt to resell lots. PXI ¶ 68; PXQQ ¶ 139:133. SBE tears “for sale” signs from lots and prevents or severely limits prospective purchasers from entering the property to view lots owners want to resell independently. PXT ¶ 27; PXQ ¶ 58; PXY ¶ 71:29. Some Belizean realtors (other than Coldwell Banker SB) refuse to sell Sanctuary Belize lots. PXW ¶¶ 19, 42; PXQ ¶ 68. Consumers report being entirely unable to resell lots, PXI ¶¶ 63-71, or able to do so only after two years of effort (and without any meaningful profit), *see* PXQ ¶ 57-61. Additionally, competition against the developer, which has a large inventory of unsold lots, further impairs whatever resale market might otherwise exist.

Finally, because consumers’ investments are worthless without a healthy resale market, SBE’s claims are important to consumers. *See, e.g.*, PXD ¶ 5 (“There was also a robust resale market for lots; Moore claimed that if we needed to sell one, it would be ‘a piece of cake to get rid of it.’ The appreciation and ability to resell easily was very important to my decision to purchase in Sanctuary Belize.”); PXP ¶ 22 (“We were told that there would be a significant resale market in which we would be able to realize the appreciation on the property,” which was “important to us because we saw this purchase as an investment”); PXE ¶ 22 (stating that the claim that “it would be easy to resell our lot if we wanted to” was important to his decision); PXI ¶ 23 (explaining that “a healthy resale market” was “important to our decision to buy a lot”).

Notably, the six Core Claims all relate to the essence of SBE’s pitch: that consumers will quickly realize value from their investment. First, the “no debt” model reduces the risk associated with large-scale developments and helps ensure the developer will finish. Second, because the developer does not service debt, it can use every dollar from lot sales to complete the development. Third, the ability to put its cashflow solely toward the development means the developer will finish the various amenities quickly and, fourth, the impressive array of finished amenities will drive up the lots’ value. Fifth, with the amenities driving up the lots’ value,

consumers can expect rapid and significant appreciation which, sixth, they can realize whenever they like because there is a healthy resale market.

7. Misrepresentations Regarding Pukke

In addition to the six Core Claims, consumers sometimes ask about Pukke during the sales process, and when they do, SBE lies about his involvement.⁴⁶ Specifically, because the telemarketing process often extends for weeks of lengthy calls and webinars, consumers sometimes perform internet research and locate information about Pukke’s history with *AmeriDebt* and the development. PXI ¶ 20. One consumer explained that this information “was an enormous red flag for me,” and had he “known Pukke had or would have anything to do with Sanctuary Belize, my wife and I never would have purchased a lot.” *Id.* When the consumer raised his concerns, SBE telemarketer Robert Schafnitz “was completely clear that Pukke was no longer involved with Sanctuary Belize in any way whatsoever.” *Id.* at ¶ 21. This representation “was critically important” to the consumer, who then made a \$10,000 deposit on a lot he later purchased. *See id.*

Consumers who have researched the development’s history online sometimes ask about Pukke’s role during property tours. As this consumer explained:

On the third day of [my] tour, April 22, 2012, in the afternoon, my wife and I met personally with Luke Chadwick at the Tutifrutti ice cream shop in Placencia, Belize.⁴⁷ There was another couple present as well: Jeff Watson and Traci Thompson. I remember the meeting vividly. I had questions about the Sanctuary Belize “no debt” business model, and Chadwick addressed them. . . .

Over ice cream, I also raised Pukke’s involvement with Chadwick. When I asked point blank whether Pukke was involved in any way, Chadwick looked me in the eyes and replied: “Absolutely not! He is long gone. Anything you see on the

⁴⁶ SBE has denied or falsely minimized Pukke’s involvement in a Facebook post directed to consumers, PXQQ ¶ 140, and in Belizean litigation against a group of consumers, *id.*, *see also infra* at 50-51 (discussing this litigation).

⁴⁷ Placencia, Belize is a village about thirty miles south of Sanctuary Belize. PXQQ ¶ 141. Tour participants sometimes stay in hotels near Placencia, or visit Placencia. *See supra* at 15.

internet or hear from people that says otherwise is old news and not true.”
Chadwick’s insistence that Pukke’s involvement was over helped to reassure me.

PXI ¶ 28; *see also* PXJ ¶ 5. Thus, Defendant Chadwick denied Pukke’s ongoing role.⁴⁸

When an FTC professional posing as an attorney asked Defendant Costanzo about Pukke’s involvement, Costanzo claimed that, after the receivership sale, Pukke’s only involvement “is that he runs a marketing company” associated with the development. PXQQ ¶ 48:41 at 8:22-9:7. Citing the results of litigation in Belize, *see infra* at 50-51, Costanzo claimed **“Pukke has no relationship or ownership or control of this development or this property.”** *Id.* at 8:8-12 (emphasis added). Costanzo even denied having seen Pukke since December 2016. PXQQ ¶ 48:41 at 24:11-22. However, a photo apparently taken without Pukke or Costanzo’s knowledge shows Defendants Pukke and Costanzo together in May 2017, and for a purpose unrelated to marketing—a tour in Belize with IGY executives related to the marina, PXQQ ¶ 142 (discussing the photograph).

Despite SBE’s statements to the contrary, substantial information, including detailed sworn statements from former SBE employees and third-parties who dealt with SBE, show that Pukke has been and is still in control or, at the very least directing substantial activities of SBE. For instance, accountant Tricia Kaelin worked at SBE from May 2013 through August 2015. PXEE ¶¶ 3, 16. After interviewing with Defendant Kazazi, *id.* ¶ 2, SBE hired Kaelin to keep accounting records for multiple SBE entities, *id.* ¶ 2. Among other things, Kaelin states: Kazazi characterized Pukke as “the person who ran everything.”⁴⁹ *Id.* at ¶ 5. Pukke set commission schedules and told her SBE’s commission policies were unwritten because they “didn’t write

⁴⁸ In addition to SBE’s denial of Pukke’s involvement, when Pukke participates in tours, he apparently does not use his own name. One consumer met someone on a tour she identified as “Marc Romeo,” who gave a sales pitch that Relief Defendant Chittenden and Defendant Usher also attended. *See* PXQQ ¶ 143.

⁴⁹ Emails from Kaelin during her SBE employment confirm Kaelin’s view. PXQQ ¶ 145 (characterizing Pukke as **“one of the owners”**) (emphasis added); PXQQ ¶ 146 (stating that Pukke is **“the owner”**) (emphasis added).

anything down around here.” *Id.* at ¶ 5. Pukke also decided what payment methods lot owners could use, and that SBE would only accept automatic debits for certain payments. *Id.* ¶¶ 5- 6.⁵⁰

Jimmy Moore started selling Sanctuary Belize lots in 2013 after Voss, “a realtor working for Sanctuary Belize” told him about the job. PXZ ¶ 2. Moore reported to Castos, who reported to Pukke. *Id.* Moore states that he saw Pukke in SBE’s offices repeatedly, “Pukke directed several employees who managed Sanctuary Belize, including Brandi Greenfield, Rod Kazazi, Castos, and Peter Baker. . . . Pukke ran Buy Belize, Eco-Futures, and Global Property Alliance, and he used each to sell the same Sanctuary Belize property.” *Id.* ¶¶ 3, 6. For questions from a potential purchaser “about future development at Sanctuary Belize, different Sanctuary Belize managers told [Moore] to ask Pukke.” PXAA ¶ 7:7. To work from home, Castos told Moore “that he had to get approval from Pukke.” PXZ ¶ 4. Pukke also “hires and fires anyone he wants[.]” *Id.* ¶ 3. Pukke also approved discounts. *Id.* ¶ 5. Significantly, Moore worked with Pukke’s mother, *id.* ¶ 7, who performed nominal telemarketing functions, PXAA ¶ 8.⁵¹ She identified herself to Moore as the “**owner’s mom**,” and complained about how Pukke treats her “like shit.” PXZ ¶ 7 (emphasis added).⁵²

⁵⁰ Significantly, Pukke takes money from SBE in multiple ways. Greenfield and subordinate Jim Castos received additional compensation that they relayed to Pukke. PXEE ¶ 7. Pukke also used a debit card “linked to Sanctuary Belize accounts for groceries, gas, restaurants, personal travel, and cash withdrawals.” *Id.* ¶ 8. SBE money funded tickets to sporting events, “a Tesla for Pukke,” and “his monthly CrossFit membership.” *Id.* Pukke also used “tens of thousands of dollars from Sanctuary Belize to remodel the house he shared with Chittenden [in Newport Beach].” *Id.* ¶ 8. After Kaelin inquired “about the remodeling expenses . . . Defendant Kazazi admitted that the money went to remodel Pukke’s house.” *Id.*

⁵¹ Pukke’s mother uses several names including Alicia Long, Stella Storm, and Stella Pukke. PXQQ ¶ 147 (discussing Pukke’s mother’s aliases).

⁵² Pukke also made decisions regarding tours. In one instance, a paraplegic buyer (Nasser Abuhamda) making \$7,000 per month in payments on three lots he bought for \$1.3 million wanted to visit Sanctuary Belize. PXZ ¶ 16. In an email from a Sanctuary Belize employee (Mark Rademaker) to Pukke, Chadwick and Kazazi, Rademaker said it would not “be a good idea” to send Abuhamda on a tour because Sanctuary Belize lacked facilities for the disabled. *Id.* Pukke overruled Rademaker: given the amount Abuhamda was paying, “we definitely need to figure out a way to handle him. If need be, put him on [an employee’s] back all weekend!” After Pukke spoke up, Rademaker reversed his view.” PXZ ¶ 16:2.

During Moore’s tenure, SBE hosted a three-day meeting at its main office at the time (1401 Dove Street in Newport Beach).⁵³ “Pukke ran the meeting, and most important people who worked at the Sanctuary Belize property in Belize attended: Johnny Usher, Chadwick, Baker, and Frank Connolly [Defendant Frank Costanzo].” PXZ ¶ 8. The meeting concerned a dispute over where consumers would send their payments—to California or Belize. *See id.* Consumers originally sent payments to California, but “[f]or a brief period, Sanctuary Belize told owners to send payments directly to Belize.” During the meeting, however, Pukke “took back the checkbook” from Usher and required that all payments go through California. *Id.* Usher threatened to block development, “but Pukke did not care. **Sanctuary Belize continued to direct payments as Pukke wanted.**” *Id.* (emphasis added).

Paige Reneau has known Pukke since the early 2000s, and Pukke offered her a sales job at Sanctuary Belize in 2012. PXBB ¶ 2. Reneau testifies that Pukke, “who goes by ‘Andi,’ controls Sanctuary Belize.” *Id.* ¶ 3. “[I]f Pukke wanted a person fired, they’d be gone; if they wanted someone hired, they would have a job.” *Id.* Pukke also “controlled all of the money coming in and out of Sanctuary Belize.” *Id.* ¶ 5. Greenfield “went to Pukke for approval on everything from sales and marketing questions, to questions about tours, to contract negotiation questions.” *Id.* ¶ 9. Similar to Kaelin’s declaration, Reneau also states that that SBE employees (including Greenfield and Catsos) gave portions of their salaries to Pukke.⁵⁴ *Id.*

Curtis Pickering is a California developer who reached out to Pukke to establish a relationship to help market property in Mexico for Pickering’s firm. PXFF ¶¶ 3-4. Pickering met Greenfield at SBE’s 3333 Michelson Drive location, and she recommended that Pickering

⁵³ During Pukke’s supervised release hearing, *see infra* at 54-57, lot owner Jon Berndsen testified about arriving at SBE’s Orange County offices in March 2014 and seeing many of these people present. PXQQ ¶ 148, Tr. 165:1-166:2 (Nov. 13, 2015).

⁵⁴ Pukke has a relationship with Mike Simonian, PXBB ¶ 22, a figure in the southern California marijuana business. Reneau watched “people who worked for Simonian bring cash to the ‘Buy Belize’ office that was used to pay employees selling lots.” PXBB ¶ 22.

return to meet Pukke. *Id.* ¶ 6. Pickering subsequently had lunch with Pukke and Greenfield near 3333 Michelson; “[t]he purpose of the lunch was to introduce me to Pukke.” *Id.* ¶ 7. “Pukke characterized himself as the ‘CEO’ and ‘owner’ of Sanctuary Belize,” and emphasized “that he not only owned the marketing operation, but that he raised the money to purchase Sanctuary Belize (the 14,000 acres in Belize he was selling). **Pukke was clear that he was the owner of Sanctuary Belize.**” *Id.* ¶ 9 (emphasis added).

After lunch, Pukke took Pickering back to his office at 3333 Michelson. *Id.* ¶ 10. Overall, Pickering met with Pukke at 3333 Michelson “approximately ten times.” *Id.* ¶ 5. In addition to Pukke’s office with “a nice view,” the suite “also contained what Pukke characterized as a ‘call center,’” where employees were “‘dialing for dollars’ related to Sanctuary Belize.” *Id.* ¶ 15-17. While Pickering met with Pukke, employees would enter with questions for Pukke. *Id.* ¶ 22. As Pickering put it, “there is no question that he was in charge of the entire operation in the [3333 Michelson] suite.”⁵⁵

Island Global Yachting Ltd. (“IGY”) is a large, well-regarded marina manager. Two IGY executives (Eric Simonton and Bert Fowles) interacted with Pukke as he sought to establish a relationship between IGY and SBE. That process began in 2012, Pukke used the alias “Andy Storm” when dealing with an IGY affiliate, *see* PXGG ¶ 1:1, *see also* PXQQ ¶ 149 (discussing Pukke’s use of “Andy Storm”). Following communications with Pukke,⁵⁶ the IGY affiliate understood “Andy Storm” to be “[t]he CEO of the Sanctuary Bay project in Belize.”⁵⁷ PXGG ¶ 1:1 at 3.

⁵⁵ Notably, the relationship between Pickering and Pukke ended after they discussed the sewer system Pukke proposed for Sanctuary Belize. Pickering had concerns Pukke’s system could “make people sick,” and after Pickering asked to see evidence of its safety, Pukke refused to deal with him further. PXFF ¶¶ 26-29.

⁵⁶ Following the initial exchange, Pukke directed Defendant Kazazi to coordinate with IGY and its affiliate. PXGG ¶ 4:1 at 2.

⁵⁷ IGY and its parent, Island Capital Group LLC, cooperated with the FTC’s investigation. Notably, although Pukke used the name Andy Storm with IGY, PXGG ¶ 1:1, both

Last year—five years after Pukke contacted IGY initially—Simonton and Fowles visited Sanctuary Belize to tour the partly-completed marina. Pukke participated, and as Simonton explained, although he did not give his last name or title, “it was clear he was important” and people associated with Sanctuary Belize deferred to him:

During the visit, Andi did not give his last name or title, but it was clear he was important and intimately involved with the development. His statements suggested that he had an equity interest. It was clear he was in charge because everyone was deferential to him. People associated with Sanctuary Belize looked to Andi to endorse their questions and comments. The group appeared to interpret Andi’s suggestions as directions.

PXGG ¶ 32; *see also* PXHH ¶ 19 (“[I]t was clear [Andi] was important. I understood Andi to have some financial interest in the development.”).⁵⁸

While touring the property, Pukke explained to Simonton that he got involved with Sanctuary Belize when, “after he came into some money,” he invested with Defendant Usher in a shrimp farm. PXGG ¶ 33. Pukke claimed that he ran the sales and marketing aspects, “but his interest was growing relative to Usher’s as Usher and his family relinquished control.” *Id.* It was apparent “that **Pukke was a primary decision-maker.**” *Id.* (emphasis added).

Significantly, internal emails establish Pukke remained in control even during his criminal incarceration, when he appointed Chadwick to manage SBE. In fact, two days after Pukke’s incarceration began, Chadwick directed SBE employees to set up their email accounts to receive inmate emails because Pukke “is keen to start communicating with you all.” PXQQ ¶

Simonton and Fowles identified Pukke in a photograph taken of a meal they had with him in Belize. *See* PXQQ ¶ 142; PXGG ¶ 35:29; PXHH ¶ 22:15. Both Simonton and Fowles also state that “Andy” was pronounced “Ahn-di,” which is how Pukke’s associates pronounce “Andi” (short for Andris). PXGG ¶ 24; PXHH ¶ 18; PXQQ ¶ 149 (discussing Pukke’s aliases).

⁵⁸ IGY subsequently agreed to accept \$150,000 a year to manage the marina, but IGY cancelled its agreement for several reasons including “Sanctuary Belize’s inappropriate use of IGY’s intellectual property as part of its marketing efforts.” PXGG ¶ 43:34. SBE used IGY’s brand—including the images of IGY executives—in SBE marketing material without IGY’s consent. PXGG ¶¶ 34-36; *see also* PXHH ¶¶ 20-22.

157:156-157. Chadwick later told Greenfield that Pukke directed what would happen while he served his prison sentence:

I am very clear on what Andi told me and what his expectations are of me—if he [Pukke] has told you something different then I’d like to hear about it. I asked him to confirm my understanding of what was to happen here in his absence and he did—now again if he has told you something different then you need to share that with me.

PXQQ ¶ 326:349. Two days later, Chadwick reiterated his point: “I have asked Andi to write to you confirming his wishes. He [Pukke] asked me to lead[.]” *Id.*

Internal SBE emails also show Pukke’s authority over SBE’s entire operation before, during, and after his incarceration. For instance, Pukke has authority over communications with lot owners about corporate structure,⁵⁹ legal affairs,⁶⁰ lot ownership structure,⁶¹ settlement payments,⁶² dissolution of SBE-related entities,⁶³ payments for equipment shipped to Belize,⁶⁴

⁵⁹ In 2010, owners understandably complained about SBE’s request that they make monthly payments payable to “Eco-Futures, Inc.” rather than SRWR (which many lot sale contracts listed as the seller), and in-house SBE accountant Kathleen Whitlow solicited Greenfield’s input: “Brandi, I thought you might like to see the letter I am sending out to everyone that writes checks. **Andi** really wanted this done tonight so they would not hold back payments to us.” PXQQ ¶ 150:142 (emphasis added).

⁶⁰ Pukke directed Greenfield to wire \$20,000 to Belizean attorney Fred Lumor. PXQQ ¶ 151:143-144.

⁶¹ While incarcerated, Pukke directed Greenfield or a subordinate to research “fractional ownership,” which would, in theory, enable more than one party to own a lot. PXQQ ¶ 152:145-146.

⁶² Pukke directed Greenfield to send a \$10,000 check to a dissatisfied third party who both purchased lots and apparently committed to help sell more. PXQQ ¶ 153:147. SBE sent the check, with a re: line that read: “Principal Only repayment of RP Taylor’s Lots.” PXNN at ¶ 8(x).

⁶³ In a 2014 email, Kaelin explains to Diane Allen, an SBE-paid HOA representative, *see* PXQQ ¶ 154, that “in discussion with Andi [Pukke] and Luke [Chadwick], it was determined that the SBHOA [Sanctuary Belize HOA] would be terminated,” PXQQ ¶ 154.

⁶⁴ When a shipper that delivers to a southern Belize port (Big Creek) asked for SBE’s payment, an SBE subordinate told Greenfield to “look into” the issue, writing “I think Andi was suppose[d] to . . . wire [payment] to them.” PXQQ ¶ 155:152-154.

reviewing lot sale contracts,⁶⁵ authorizing commissions for telemarketers,⁶⁶ dealing with consumers who want to sell their lots,⁶⁷ dealing with SBE entities' taxes,⁶⁸ and addressing HOA fee disputes.⁶⁹ Other areas of Pukke's involvement include: making design decisions, PXQQ ¶ 163:165, choosing office space, PXQQ ¶ 164:166, rent payments, PXQQ ¶ 165:167, deciding raises for SBE employees, PXQQ ¶ 166:168, and architectural review, PXQQ ¶ 164:166. Still other internal documents show Pukke's controlling role as well. For instance, SBE's internal phone directory lists everyone alphabetically except two people appear separately on top—Pukke and Baker (with Pukke first). PXQQ ¶ 167:169.

⁶⁵ With respect to a lot sale contract, Greenfield told a subordinate to “get a copy for Andi to review.” PXQQ ¶ 156:155.

⁶⁶ In an email from one of Greenfield's personal accounts, with a subject line reading “check approval,” Greenfield asks Pukke's permission to pay Anthony Mock (the stepfather of Pukke's children who owns a construction company SBE recommends to buyers) and Robert Schafnitz (the “Director of Investor Relations” at Sanctuary Belize). PXQQ ¶ 157:156-157. Pukke responds: “That's fine for Anthony. Tell Cyara [a subordinate] I have to discuss it with Robert before she pays him.” *Id.* Notably, Pukke frequently receives SBE emails directed to “Andi” at ekkup@msn.com. “Ekkup” is P-U-K-K-E backwards.

⁶⁷ Pukke directed a subordinate “to verbally follow up with all emails or requests” about owners who want to sell, including requests sent to Greenfield or Chadwick. PXQQ ¶ 158:159.

⁶⁸ In 2011, Pukke and Greenfield arranged to meet with an outside accountant to discuss Eco-Futures' taxes, PXQQ ¶ 159:160 (Baker owns Eco-Futures (BZ), PXQQ ¶ 328:354, and Kazazi is the CEO of Eco-Futures (US), PXQQ ¶ 226:245). The accountant, Andy Dixon, was then affiliated with an Orange County-based accounting firm, DBBMcKennon LLC. A suspicious prospective purchaser contacted the firm because Sanctuary Belize's website “lists DBBMcKennon as a partner,” and the consumer asked the firm to “confirm you are on the development team.” PXQQ ¶ 160. Dixon wrote to Pukke and Greenfield hours later, complaining to “Andi” that “[o]ur firm name is listed on your development team” and asking Pukke to remove it. PXQQ ¶ 160. Greenfield responded that SBE would “tak[e] it down,” but she asked DBBMcKennon to “please contact the [prospective purchaser] and confirm that you are our accountant for Eco-Futures. He is a client getting ready to close a sale and we don't want this to hinder the sale at all.” PXQQ ¶ 160. Pukke later directed Chadwick to take down the reference. PXQQ ¶ 160.

⁶⁹ When a consumer refused to pay his HOA dues “until there is a legitimate HOA that is transparent and keeps the members abreast of all HOA activity,” and because SBE required owners to pay Belizean General Sales Tax (“GST”) on their dues contrary to its contracts with owners, SBE forwarded the complaint to Pukke. PXQQ ¶ 161:163.

C. Lot Owners' Continuing Payments

From the beginning of the sales process, SBE represents to consumers that if they purchase a lot, they will own that lot. PXBB ¶ 16 (“We said that once a customer purchased a lot, they would own it. We also called everyone who purchased ‘owners.’”); PXZ ¶ 13 (SBE told prospects “they would own their lot”). After consumers sign a “Memorandum of Sale” with SBE (negotiated in the palapa during the tour, PXQQ ¶ 132),⁷⁰ SBE throws a celebration for new owners, PXD ¶ 29. Indeed, while making payments to SBE in subsequent years, purchasers receive updates, bulletins, and other marketing that refers to them as “owners.” PXQQ ¶ 168. Unsurprisingly, lot purchasers consider themselves “owners.” PXE ¶ 32; PXF ¶ 32; PXD ¶ 32; PXY ¶ 29.

Many (if not most) consumers finance at least some portion of their lot through SBE, PXQQ ¶ 110:122-123, and their monthly payment includes both a principal and an interest component, PXQQ ¶ 134. All lot purchasers pay monthly homeowner’s association dues of \$100 per lot to SBE Defendant Sanctuary Belize Property Owners Association (“SBPOA”).⁷¹ PXQQ ¶ 169. Additionally, beginning in approximately 2011 and continuing through at least 2016, SBE charged consumers a 12.5% Belizean General Sales Tax (“GST”) on the principal portion of consumers’ monthly payments, PXQQ ¶ 171 (sample invoices and contract provisions), and consumers’ homeowner’s association dues (for instance, SBE sends owners itemized homeowner’s association invoices for \$100 in dues and \$12.50 in GST), PXQQ ¶ 169 (sample invoices). SBE explains to owners that GST is “charged on [the sale of] goods and

⁷⁰ Sometimes consumers sign in the palapa. PXU ¶¶ 25-27. As one consumer explained, “[t]o leave the tour at this point, I would have needed to wade back to the beach, wait for Sanctuary Belize to return me to the mainland by boat, and wait for Sanctuary Belize to provide me with transportation back to the hotel.” PXG ¶ 21.

⁷¹ As discussed *supra* at 12 n.16, SBE changed the development’s name from “Sanctuary Belize” to “the Reserve” in 2017. At approximately the same time, SBPOA registered the trade name “Reserve Property Owners Association (“RPOA”), PXQQ ¶ 172:175, and began doing business under that name, PXQQ ¶ 173.

services.” PXQQ ¶ 170:179; *see also* PXQQ ¶ 170:171 (representing in marketing materials that GST is “charged on [the sale of] goods and services”); PXQQ ¶ 170:172 (same); PXQQ ¶ 170:172 (stating, in a “Sanctuary Bulletin” marketing email, that GST “is a consumer tax (12.5%), applied to most goods and services”). In one detailed document SBE prepared called *The GST Guide: GST and the SB [Sanctuary Belize] Homeowner*, SBE emphasized that the tax applies to “products and services” and, “[f]or the SB [Sanctuary Belize] homeowner, [GST] means that from the purchase of their lot to the final construction of their home, the 12.5% tax will need to be added to their costs and paid by the homeowner.” PXQQ ¶ 170:174. Because GST is substantial (12.5%), and SBE has more than \$100 million in gross lot sale revenue, PXB:18, SBE has collected millions from consumers in GST.⁷² Overall, because monthly payments including principal, interest, homeowner’s association dues, and GST constitute a significant portion of what consumers pay, SBE has collected (and continues to collect) tens of millions in post-sale payments.

D. Consumers Attempt Mitigation Through Foreclosures, Buybacks, and Lawsuits

1. Owners Attempt To Reduce Their Losses

Although SBE has sold more than 1,000 lots, PXPP ¶ 76, less than 5% of these sales have led to completed home construction.⁷³ Instead, many consumers become concerned about the

⁷² SBE also collects GST on lot owners’ down payments. PXQQ ¶ 170(f).

⁷³ SBE marketing material frequently includes photos of construction to demonstrate progress. A review of this material discloses images of 26 unique homes apparently under construction. PXMM ¶ 8. The number of finished and occupied homes is more difficult to assess, but there are completed homes including Defendant Usher’s residence, multiple homes SBE employees or associates occupy, model homes SBE shows consumers, and homes built but left unoccupied by dissatisfied owners. There are also a small number of genuine consumers who have completed homes and occupy them. PXQQ ¶ 175. In total, approximately 3-5% of the 1,000 or more lot sales appear to have led to completed homebuilding. PXQQ ¶ 176. Additionally, SBE marketing depicts some of the same homes at different construction stages, which creates an impression of more activity. Furthermore, the status of the pictured homes is uncertain. As one consumer who visited last year explained, “[s]ome of the homes had concrete footers or foundations. But some of the concrete was crumbling. Other sides and corners of

development's slow pace, broken promises, and other suspicious activity and attempt to reduce their losses in one of several ways: (1) they stop making payments and face purported "foreclosure"; (2) they ask SBE to buy back their lot; or (3) they sue.

a. Purported "Foreclosure"

Some owners simply stop making payments, and SBE threatens them with "foreclosure." PXQQ ¶ 174. What follows, however, does not resemble anything Americans understand as foreclosure. SBE "foreclosure" consists of several emails demanding payment, and sometimes a demand letter from a Belizean lawyer forwarded to the lot owner from SBE's California offices. After that, there are no proceedings of any sort, and unless the consumer resumes monthly payments, SBE simply takes the lot back. PXQQ ¶ 174. A prior SBE in-house accountant described SBE's purported "foreclosures" this way: "There was no foreclosure process; instead, customers would receive a letter saying if they did not pay the unpaid balance of their loan payments their property was 'foreclosed.'" PXEE ¶ 12. Another insider explained what "foreclosure" entailed:

"Foreclosure" meant the owner received email or letters from Sanctuary Belize demanding payment. There was no hearing or foreclosure process during which the owner could object to the foreclosure. Sanctuary Belize would then keep both the lot and all the payments the owner had made already.

PXZ ¶ 18. Significantly, SBE does not refund the amount paid or refund the difference between the value of the lot SBE retakes and the amount SBE claims the consumer owes. This means consumers often pay tens of thousands (or more) to SBE and receive nothing in return. To provide one example, a Maine couple purchased a Sanctuary Belize lot "SR81" in 2013 for

concrete were weathered. In some cases, rebar was exposed and in disrepair. The concrete appeared as though it was poured years ago and forgotten." PXW ¶ 27. Other homes the consumer viewed "did not look lived in. Rather, they looked staged. For instance, there was dust on the bedrooms and in the bathrooms. There were also no pictures or personal items. . . . **We saw no signs that anyone other than Sanctuary Belize employees lived at Sanctuary Belize.**" *Id.* ¶ 25 (emphasis added).

\$315,000. PXE ¶ 29; PXF ¶ 29. Including their down payment, principal, interest, homeowner's association fees, and GST, they paid \$233,000 before stopping payments in 2016 due to suspicions about the development. SBE asserted they were in "default" and took back their lot without legal proceedings, or any refund or compensation for equity. PXE ¶¶ 50-51; PXF ¶¶ 50-51.⁷⁴

b. Buyback Agreements

Many dissatisfied owners continue paying to avoid "foreclosure," and SBE sometimes agrees to retake their lots through negotiated "Buyback Agreements." PXQQ ¶ 178:180 (sample Buyback Agreements). As a prior SBE in-house accountant explained, "[t]ypically, the lot buyback agreements involved [SBE] repaying a portion of the lot's purchase price in installments over time." PXEE ¶ 11. The Buyback Agreement price and terms are never better than the original Lot Sale Agreement (despite the lots' theoretical appreciation), and terms are often worse; for instance, Buyback Agreements sometimes do not cover the lot's full price, PXQQ ¶ 178:180, GST (sales tax), *id.*, or homeowner's association dues, *id.* The Buyback Agreements typically contain years of installment payments, and, as the in-house accountant explained "most of the time, Sanctuary Belize did not make all of the payments they had agreed to," PXEE ¶ 11, at least without the consumers taking further steps to enforce their rights. For

⁷⁴ Lot churning is particularly problematic because SBE's purported "foreclosure" procedure does not extinguish the owner's interest in the lot. SBE sent the Maine couple who had stopped payments a form letter (addressed "dear sir or madam") and declaring that if the couple did not resume payments, they would "lose all rights to the property [SR81]." PXE ¶ 50:34. As these purchasers explained, "we do not believe Sanctuary Belize has the right to take our lot back and resell it, at least without refunding our payments." PXE ¶ 34. SBE subsequently presented SR81 as available for purchase to FTC professionals undercover, PXQQ ¶ 177 along with other lots with prior owners, *id.* In fact, the FTC paid to reserve a lot (SR97) that at least one person had previously purchased, PXQQ ¶ 177. SBE did not disclose these lots' history or indicate that some lots might not be theirs to sell, PXQQ ¶ 177. At best, when SBE presented these lots to the FTC as available, SBE had a clouded title or some other form of incomplete or disputed interest in the lot, which means that when SBE resells a lot like SR81, two sets of consumers have a claim to own the same property.

instance, one consumer “bought their lot in cash.” PXZ ¶ 19:3. A year later, after the consumers threatened litigation, SBE “agreed to buy back their lot in thirty-six month[ly] installments. [SBE] stopped making the installment payments, and [the consumers] again had to threaten to sue.” *Id.* Notably, according to an in-house accountant, buyback “agreements were so common that most [SBE] payees were lot owners receiving payments in buyback agreements.” PXEE ¶ 11.

c. Lawsuits

Finally, some owners sue.⁷⁵ Owners have filed at least seven actions in California courts, and these actions generally allege that various SBE entities defrauded plaintiffs into purchasing lots. However, SBE’s Lot Sale Agreements contain forum selection clauses requiring litigation in Belize. To date, some California courts have dismissed the consumer actions without prejudice at the pleading stage based on forum selection,⁷⁶ some cases apparently settled with such motions likely forthcoming or pending,⁷⁷ and identical motions are pending in two remaining actions;⁷⁸ thus far, no California case has advanced beyond the pleading stage.

In Belize, dissatisfied consumers formed a 200-member Independent Owners of Sanctuary Belize (“IOSB”). American attorney Thomas Herskowitz served as its President. PXQ ¶¶ 45-46. Despite previously working as a paid SBE marketer and living in a model home

⁷⁵ As one sales representative explained, “Pukke never worried about consumer complaints. Even if someone threatened to sue Sanctuary Belize, Pukke didn’t care.” PXBB ¶ 19.

⁷⁶ See *Nelson v. Eco-Futures Development, Inc.*, No. 30-2017-937964 (filed Cal. Sup. Ct. Orange Cty. Aug. 16, 2017); *Fales v. Eco-Futures Development, Inc.*, No. 30-2017-958588 (filed Cal. Sup. Ct. Orange Cty. Nov. 30, 2017).

⁷⁷ See *Miller v. Eco-Futures Development, Inc.*, No. 30-2018-9781287 (filed Cal. Sup. Ct. Orange Cty. Feb. 5, 2018); *Mann v. Eco-Futures Development, Ltd.*, No. 30-2017-926591 (filed Cal. Sup. Ct. Orange Cty. June 16, 2017); *Plomaritis v. Global Property Alliance, Inc.*, No. 30-2015-816793 (filed Cal. Sup. Ct. Orange Cty. Oct. 26, 2015).

⁷⁸ See *Whited v. Global Property Alliance, Inc.*, No. 30-2017-937964 (filed Cal. Sup. Ct. Orange Cty. Aug. 16, 2017); *Pomroy v. Eco-Futures Development, Inc.*, No. 30-2018-973773 (filed Cal. Sup. Ct. Orange Cty. Feb. 15, 2018).

that SBE financed, PXNN ¶ 8(k); PXY ¶ 40, Herskowitz assumed IOSB's leadership after he purportedly became disillusioned with Sanctuary Belize. PXY ¶¶ 40-41. Under his leadership, IOSB members sued SBE in Belize. PXY ¶ 46. In response, SBE later sued various IOSB members for defamation (in a separate Belizean action).⁷⁹ PXY ¶ 47. Although IOSB filed its action first, Belizean courts tried the defamation suit first. PXY ¶ 49; PKX ¶ 62.

During the defamation trial,⁸⁰ Herskowitz gave testimony that observers found unexpectedly favorable to SBE. PKX ¶ 63; PXY ¶ 51. Based in part on this testimony, a Belizean judge found American lot owners had defamed SBE by claiming, among other things, that Pukke remained involved with Sanctuary Belize, PXQQ ¶ 179:181 at 31-34, 42-43. Subsequently, Herskowitz settled both actions himself, PKX ¶ 65, PXY ¶ 53, collected more than \$400,000 from SBE in payments spanning roughly a year, PXNN ¶ 8(k), returned the Sanctuary Belize model home to SBE, and publicly urged consumers to keep making payments to SBE, PXY ¶54:17 at 2. In short, dissatisfaction with Sanctuary Belize has fueled multiple lawsuits, but actions filed domestically are sent to Belize, and Belizean actions related to SBE were resolved under questionable circumstances.

2. Lot Churning

Because buybacks and purported "foreclosures" are common, SBE sometimes resells the same lot multiple times. PXQQ ¶ 181:185, 350-352 (identifying examples of lots that appear on internal SBE lists with different owners at different times). In fact, SBE insiders confirm that lots are sold multiple times. PXEE ¶ 11 ("I kept seeing the same lots resold to different people.

⁷⁹ Rodwell Williams of Belizean firm B&W represented SBE in these actions. PXQQ ¶ 179:181-182. IOSB engaged prominent Belizean attorney Michael Young. PXQQ ¶ 180:183-184. Young was fatally shot in his home during the pretrial proceedings, although local authorities claimed it was a suicide. PXQQ ¶ 180:183-184; *see also infra* at 104-05 (discussing safety issues).

⁸⁰ Additionally, the consumers' lead counsel was shot fatally in his home during the proceedings.

About twenty percent of the lots were double or triple sold.”); PXBB ¶ 21 (“Sometimes Sanctuary Belize even sold the same lot more than once.”).⁸¹ Thus, in some cases, SBE simply “churns” a lot, recovering it through a buyback agreement or purported foreclosure, and then selling it again.

II. Abuse of the Judicial Process by Pukke and Associates

A. Pukke Is Convicted of Obstruction of Justice in the FTC Proceeding

In 2011, well after SBE resumed the Sanctuary Belize scam but before the Court closed the Receivership in 2014, Pukke pled guilty to obstruction of justice related to his effort to hide the Parcel. *United States v. Pukke*, No. 10-cr-734 (Jan. 20, 2011), DE7. In his plea, Pukke admitted that between July 2005 and 2007, he “corruptly influenced, obstructed, and impeded . . . the due administration of justice, namely, the FTC case . . . by concealing or making false statements concerning multiple assets.” *Pukke*, DE7-1 at 2. These assets included the Parcel. *See id.* at 4. Pukke admitted that he formed Dolphin and SRWR, and that he funded these entities’ acquisition of the land at issue (some of which became Sanctuary Bay Estates). *See id.* This Court sentenced Pukke to eighteen months, and three years of supervised release. *Id.*, DE15 (May 20, 2011). However, at the end of his sentence, with the assistance and false testimony of various Defendants named in this action, Pukke began his secretive efforts to control the SBE operation and ramp up its deceptive sales.

⁸¹ SBE has also accepted two deposits on the same lot. In one email, using red text for emphasis, Greenfield warns Baker, Usher and others that they took deposits on Lot 74 from different consumers: “**Please note** Babcock and Shebuski both have deposits on Lot 74. Bill [Bannon] is planning on switching Babcock to Lot 107. . . . I would not show Babcock the pricelist with Shebuski on 74 and her on 107.” (emphasized text red in original). PXQQ ¶ 182:186.

B. Pukke's Lies Regarding His Business and Travel During His Supervised Release

Pukke began his supervised release on September 21, 2012, but shortly before, he moved for permission to travel to Belize. *See id.*, DE18 (Sept. 7, 2012). Pukke sought such permission twice (in October and December) “as part of his work with a company called Buy Belize” to meet with “principals” of the Belizean real estate projects Buy Belize marketed. *See id.* at 2. This Court denied both motions. *See id.*, DE21 (Oct. 15, 2012).

Several more times, Pukke made it appear to the Court that he would be “fired” by those principals if he were not permitted to travel to Belize. In early December, Pukke moved a third time for permission to travel. *See id.*, DE22 (Dec. 4, 2012). Pukke claimed potential Buy Belize clients “specifically requested an in-person meeting with Mr. Pukke.” *Id.* at 2. Pukke further claimed his “inability to attend these meetings will seriously jeopardize his employment with Buy Belize.” *Id.* at 2-3. Pukke’s motion attached a “letter to the Court” from purported “company President William Bannon.” *Id.* at 2. (“Mr. Pukke is doing a terrific job for us,” but if he “is unable to travel to Belize . . . we’d ultimately replace Mr. Pukke[.]”). But Bannon reports to Pukke, not the other way around. *See supra* at 45 (2012 SBE phone directory); PXQQ ¶ 153:147 (Pukke ordered Greenfield to send a \$10,000 check, and if she didn’t have the address, Pukke told her to “have Bannon get it.”); PXG ¶ 5:1 (in a subordinate sales role, Bannon responded to directly to consumer inquiries).

On April 1, 2013, the Court approved a request that Pukke travel to Belize. DE27. On May 28, 2013, Pukke moved to travel to Belize again, and to eliminate the work-related travel restrictions on his supervised release. DE29. As he had previously, Pukke again asserted that Bannon was President of Buy Belize who supposedly threatened to fire Pukke if he could not travel. *Id.*

The Court denied this motion, explaining that “[t]he offense Pukke was convicted of was a serious one, going directly to his candor and honesty. His subsequent legerdemain with respect

to internationally placed assets cannot go unnoticed.” DE32 (Oct. 15, 2013) at 1. The Court also noted concerns that Pukke’s job responsibilities “are inconsistent with his extremely modest salary.” *Id.* On November 21, 2013, Pukke moved to reconsider. DE33. As his counsel explained, “with respect to his modest salary, Mr. Pukke surmises that his criminal record had an effect on the starting salary he was offered,” and given the travel restrictions, Pukke “is wary to request any additional compensation.” *Id.* at 5. Pukke attached a purported “Notice of Termination” from “President” Bill Bannon, who purportedly gave Pukke two weeks’ notice because he could not travel to Belize. DE33-3. The Court denied Pukke’s motion to reconsider anyway, DE34 (Nov. 26, 2013)—and, as the Court likely understood, Bannon did not (and could not) fire Pukke.

C. Multiple Defendants Lied During the Supervised Release Hearing

Following another unsuccessful request to travel overseas, DE36 (June 4, 2015), the U.S. Probation Office moved to find Pukke had violated the terms of his Supervised Release, DE38 (July 31, 2015). The Probation Office alleged that Pukke held numerous positions related to the Sanctuary Belize development (including some using an alias, “Marc Romeo”), but failed to disclose them on a probation form. In his opposition, Pukke denied being “ultimately responsible for the planning, design, or financing of Sanctuary Belize,” DE45 (Nov. 7, 2015) at 5-9. Indeed, Pukke devoted an entire section of his filing to arguing the he is not a “developer” of Sanctuary Belize, *id.* at 18-20. Pukke also falsely denied any “ownership interest in the development,” *id.* at 9, and falsely asserted that his “work on behalf of the Sanctuary Belize development was fully disclosed to the Probation Office,” *id.* at 20.

To support his defense, Pukke submitted a declaration, and declarations from three other Defendants here: Chadwick, Kazazi, and Greenfield. Pukke again swore that Bannon was his “direct supervisor” and denied any ownership interest in or authority over Sanctuary Belize:

I do not have, and during the term of my supervised release did not have, authority over the design, planning, construction, entitlement, financial, and

environmental or other development aspects of Sanctuary Belize. I also did not have, and during my term of supervised release did not have, any direct or indirect ownership in the Sanctuary Belize development.

DE45-2 (Nov. 7, 2015) at 2. Among other things, Chadwick misleadingly claimed to have “ceased operating” as part of “the Sanctuary Belize development team” in 2014. *See* DE46 (Nov. 12, 2015); PXQQ ¶ 183:187 (2015 email from Chadwick using his SanctuaryBelize.com email address, with a “Sanctuary Belize” signature block, in communications regarding the SBE Coldwell Banker franchise); *see also supra* at 67-69 (discussing SBE’s operation of a Coldwell Banker franchise in 2015 and later through entities Chadwick legally owns). Chadwick also bolstered Pukke’s denial that he pays Marc Romeo to use his name and challenged witnesses who reported Pukke’s extensive involvement with SBE. DE46 at 2. Greenfield falsely asserted that Pukke “worked solely in the capacity of a marketer for the Sanctuary Belize development” and “never worked or otherwise acted as the developer of Sanctuary Belize at any time during [her involvement beginning in 2007],” and “all of my interactions regarding developer matters, including matters related to construction, financing, and property owner relations have been with John Usher and Frank Connolly.” DE45-3 (Nov. 7, 2015) at 2. Kazazi’s declaration made the same misrepresentations. DE45-5 (Nov. 7, 2015) at 2 (denying “Mr. Pukke exercising authority” over matters a developer would control; “for example, all financial, construction, entitlement, planning, permitting, and environmental aspects of the Sanctuary Belize development are within the exclusive control of John Usher, not Andris Pukke.”).⁸² *Id.*

⁸² Kazazi also misled the Court when he claimed Defendant Eco-Futures Development “had no assets and had ceased all operations by the time I was hired in the first quarter of 2012.” *Pukke*, DE45-5 (Nov. 7, 2015) at 1. In reality, approximately \$150 million moved through GPA accounts from September 2011 through May 2017, PXNN ¶ 8(1), and GPA does business as “Eco-Futures Development” through a registered FBN, PXC ¶ 36:53. Millions moved through those accounts after the first quarter of 2012 and before November 4, 2015 (when Kazazi signed his sworn declaration). PXNN ¶ (8)(1); *Pukke*, DE45-5 at 1.

Crucially, following an evidentiary hearing, the Court expressed reservations about the Sanctuary Belize development's web of entities and Pukke's relationship to them.⁸³ Hearing evidence concerning entities connected to Sanctuary Belize, including five Defendants here.⁸⁴ The Court stressed concerns about "whether Mr. Pukke told the whole truth," or committed "perjury" at the hearing regarding his connections to these SBE entities. PXQQ ¶ 148:141, *United States v. Pukke* ("Pukke"), No. 10-cr-734 (D. Md. Nov. 13, 2015), Tr. at 301:16-19. The Court noted the confusing nature of the relationships between SBE entities, and explained that the muddled relationships are "very misleading to the public." *Id.* at 294:18-20. Accordingly, to resolve the issue, the Court ordered Pukke to produce "something in writing that sets out all these relationships [between SBE entities]," and states "what Mr. Pukke does . . . not what he calls himself[.]" He should also confirm "that he has no financial interest or ownership interest in these [SBE] entities." *Id.* at 294:24-295:3; *see also id.* at 297:10-15 (requiring "something in writing").

Through counsel, Pukke submitted a letter, DE48 (Nov. 25, 2015), but the Court found it inadequate: "The letter . . . does not indicate the extent to which Mr. Pukke directly or indirectly (e.g. through corporations or nominees) actually owns or controls any of these [SBE] entities," DE49 (Dec. 2, 2015) at 1. Accordingly, the Court ordered Pukke to file a supplemental letter containing "explicit information" regarding his "direct or indirect ownership and/or control," of the entities at issue "either as himself or through a corporation or nominee, including but not limited to his fiancée, Angela Chittenden."⁸⁵ *Id.*

⁸³ Prior SBE employee David Hadlum testified he understood Pukke "was the owner" of Sanctuary Belize, and "the guy in charge," PXQQ ¶ 148:141, *Pukke*, Tr. 130:1-10 (Nov. 13, 2015). Hadlum had this understanding because Chadwick told him Pukke was the "owner of Sanctuary Belize." *Id.* at 130:11-13 (emphasis added).

⁸⁴ Some evidence also addressed long-defunct entities the FTC has not sued.

⁸⁵ Chittenden is a Relief Defendant; hundreds of thousands flow between SBE and Beach Bunny Holdings, LLC ("Beach Bunny"), a swimwear company that Chittenden operates. *Supra* at 75-76, PXNN ¶ 8(d). Additional money flows from SBE to Wholesale Fashion Distributors

Again through counsel,⁸⁶ Pukke made the “explicit” representations that the Court requested regarding seven entities (including five Defendants here, *see supra* at 63 n.97). The letter explains that, “[a]s stated in his testimony and in his affidavit attached to the Motion to Dismiss,” **Pukke “had no direct or indirect ownership interest in, or formal or informal control over any of these entities, either during or immediately prior to his term of supervised release, in his own name or through any corporation or nominee.”** DE50 at 1 (emphasis added). When dismissing the petition and terminating Pukke’s supervised release, the Court quoted the entire underlined sentence. The Court declined to “credit[] everything that Mr. Pukke or his witnesses testified to,” DE51 (Dec. 9, 2015), but relied significantly on the absence of sufficient evidence that Pukke operated Sanctuary Belize through nominees.

Subsequent to the termination of Pukke’s supervised release, the FTC discovered that Pukke was actually leading SBE and the sales of lots on the Parcel and had been doing so all along.

III. Multiple Parties Control SBE, Assist It, Make Misrepresentations Directly, and Benefit From SBE’s Misrepresentations

A. Individuals Who Control SBE Entities

1. Andris Pukke

Defendant Andris Pukke (a/k/a Marc Romeo⁸⁷ a/k/a Andy Storm⁸⁸) resides in Newport Beach, California. Pukke hides his role⁸⁹ and does not legally own any SBE entity.⁹⁰ The

LLC, owned by Anthony Mock, the stepfather of Pukke’s children with Pamela Pukke. *Supra* at 22; PXNN ¶ 8(m).

⁸⁶ Three SBE entities (Eco-Futures (BZ), GPA, and FDM) paid legal fees to Pukke’s counsel with memo lines reading “6/17/15-12/9/15,” PXNN ¶ 8(aa), which encompasses the period of the supervised release proceedings.

⁸⁷ As the Court will recall, in Pukke’s 2015 supervised release hearing, Pukke denied using the “Marc Romeo” alias except during “one or two” property tours in 2010. PXQQ ¶ 148; *United States v. Pukke*, No. 10-cr-734 (D. Md. Nov. 13, 2015), DE51, Tr. 273:18-274:5. Notwithstanding Pukke’s denials, the Court “found credible” testimony that Pukke used the alias at least once during supervised release. *Id.*, DE51 (Dec. 9, 2015) at 2. In fact, the Court emphasized that it “does not necessarily accept counsel’s representation that Mr. Pukke never

manner in which he exercises control over SBE is detailed above. Notably, Pukke directs the other principals; for instance, Greenfield looks to Pukke for approval, *supra* at 45 n.66, Chadwick referenced Pukke's instructions during his incarceration, *supra* at 43-44, Pukke countermanded Usher's attempt to change SBE payment processes, *supra* at 41, and Pukke directed Kazazi to coordinate with IGY, PXGG ¶ 4:1. Pukke uses personal email accounts⁹¹ and his cellphone to conduct SBE business. PXQQ ¶ 185; PXAA ¶ 7:7.

used the name Marc Romeo during his supervised release.” *Id.* In fact, a former SBE employee, Paige Reneau, witnessed Pukke execute a contract by signing the name “Marc Romeo.” PXDD ¶ 6:4. This is consistent with supervised release hearing testimony from consumer Jon Berndsen. PXQQ ¶ 148:141, *Pukke*, Tr. 158:16-159:10 (Nov. 13, 2015); PXQQ ¶ 148 (Berndsen contract Pukke signed as “Romeo”). Notably, Pukke started using “Marc Romeo” before his supervised release began, and on multiple occasions. In fact, one consumer heard a sales pitch at Usher's house in Belize from someone who identified himself as “Marc Romeo” and said he was “one of the principals of the development,” but who looked like Pukke. PXS ¶ 22. Greenfield also forwarded to Pukke email third parties sent to “Marc.” PXQQ ¶ 184:188-190. Finally, a third party who settled with SBE in 2011 demanded a copy of Romeo's passport and driver's license at “[his] attorneys' urging . . . to put to rest concerns that Marc is not who I've been told he is.” PXQQ ¶ 144:136.

⁸⁸ See PXQQ ¶ 149 (summarizing evidence that Pukke uses Andy Storm).

⁸⁹ Pukke also misrepresents his role to consumers directly. After a consumer inquired about Pukke's role, he prepared an email to a telemarketer, which she forwarded to the consumer. PXQQ ¶ 192:199. In the email, Pukke offers to “try to find some time this week to swing by the GPA offices” to give the telemarketer “all the facts,” including that he “pulled [himself] away from [Sanctuary Belize] long ago.” *Id.* The telemarketer is in on the deception; she received correspondence about the development and copied to Pukke or concerning Pukke both before and after she forwarded Pukke's false denial. PXQQ ¶ 193:200-201.

⁹⁰ He briefly was a bank signatory on one SBE account, PXQQ ¶ 194:202 but SBE removed him a few months later, PXQQ ¶ 194.

⁹¹ Pukke apparently used the “SRWRBelize” email address along with other principals. PXC ¶ 34:46-47 (summarizing evidence). For instance, an internal SBE document lists SRWRBelize with ekcup@msn.com, which Pukke uses, *supra* at 45 n.66, and Andy.Storm@yahoo.com, and Andy Storm is one of Pukke's aliases, PXQQ ¶ 149. Additionally, on some emails, the initials “AP” are associated with the SRWRBelize email. PXC ¶ 34:46. (citing examples). To provide another example, in 2010, someone using the @SRWRBelize email account forwarded development plans to four people including Pukke's mother's personal email (Pukke's mother herself uses the alias “Alicia Long,” see PXQQ ¶ 147). PXQQ ¶ 195:203.

2. Brandi Greenfield

Greenfield serves as Pukke’s “right hand,” working as “Director of Sales” for the Sanctuary Belize development since 2007. PXQQ ¶ 186:179 at 1. Pukke hired her at Sanctuary Belize “because she was friends with Chittenden—Pukke’s partner.” PXBB ¶ 9. Greenfield is a GPA officer and bank signatory. PXQQ ¶¶ 187-188:193-194. She signs contracts on behalf of Eco-Futures (US) (using a Belizean address), PXQQ ¶ 189:122, makes misrepresentations to consumers directly, PXQQ ¶ 190, and responds to consumers’ concerns in online forums, PXQQ ¶ 190:195.⁹² At the location SBE used from 2011 to 2015 (1401 Dove Street), PXQQ ¶ 191, Greenfield’s “office was right across the hall from Pukke’s and she helped him with everything.” PXBB ¶ 9. Greenfield’s office is a few feet from Pukke’s at 3333 Michelson, PXFF ¶ 14:1, and the emails above demonstrate that she works closely with Pukke on development matters, *see supra* at 45. However, during the supervised release proceeding, Greenfield submitted a sworn declaration representing denying that she interacted with Pukke on “matters relating to construction, financing, and property owner relations.” PXQQ ¶ 186:179, *Pukke*, DE45-3 (Nov. 7, 2015) at 2.

3. Luke Chadwick

Pukke brought in Chadwick to run SBE during his incarceration, *supra* at 43-44, and to help hide Pukke’s involvement, PXZ ¶ 7. Chadwick is SBE’s public face in many marketing materials, including infomercials. PXQQ ¶ 198:288. On numerous occasions, Chadwick has represented himself to be a “principal” or “owner” of the development. PXQQ ¶ 198:209-210; PXI ¶ 9:3, PXR ¶ 26:16, PXG ¶ 12. Likewise, Defendant Kazazi described Chadwick as a “director[] of the entity that owns the development,” PXGG ¶ 9:6, and SBE employee Michael

⁹² Greenfield has sent and received SBE-related communications using her cellphone, one personal email account, and multiple SBE accounts including @SanctuaryBelize account and @GPADevelopers.com account. PXQQ ¶¶ 196-197:204-206.

Santos⁹³ described Chadwick as “the principal owner of Sanctuary Belize,” [286] PXQQ ¶ 199. Chadwick negotiates contract terms on SBE’s behalf, PXE ¶¶ 28-29, signs contracts on behalf of at least one Defendant, Belizean entity Eco-Futures Belize Ltd. (“Eco-Futures (BZ)”,” PXQQ ¶ 200:212. Chadwick served as an SRWR Director in 2010. PXQQ ¶ 294:317. Chadwick also legally owns Defendants doing business as Coldwell Banker Southern Belize (Nevis entity Belize Real Estate Affiliates LLC (“BREA (NV)”)) and Belizean entity Southern Belize Realty LLC. (“SBR (BZ)”)). PXQQ ¶ 283:267. SBE compensates Chadwick through Prodigy Management Group, LLC, PXNN ¶ 8(n),⁹⁴ which Chadwick owns or manages, PXQQ ¶ 284:305-306. Chadwick sends and receives SBE-related communications from his cellphone, along with at least one personal email and several SBE accounts including @SanctuaryBelize.com and @ColdwellBankerBelize.com. PXQQ ¶¶ 246-247.

4. Peter Baker

Baker is Pukke’s childhood friend, PXQQ ¶ 96:101, *AmeriDebt*, Tr. (Mar. 14, 2007) at 5:14-15, whom the Court held in contempt for his effort to hide Pukke’s assets, including the Parcel, *see supra* at 9-10. Prior to and during the *AmeriDebt* receivership, Baker owned interests in the entities that controlled the Parcel. Baker owns named Defendants GPA and Eco-Futures (BZ). PXQQ ¶ 327. The Orange County FBN “Eco-Futures” is registered to Baker individually, PXC ¶ 36:51, and GPA (which Baker owns) registered three additional SBE-related FBNs: “Eco-Futures Belize,” “Eco-Futures Development,” and “Sittee River Wildlife Reserve HOA.” *Id.* ¶ 36:52-55. Baker is a bank signatory for GPA and named Defendant SRWR, and he holds board positions for both named Defendants Foundation Development Management, Inc. (“FDM”) and Buy International, Inc. (“Buy International”). PXQQ ¶ 233. In a recorded

⁹³ *See supra* at 13 n.18 (discussing Santos’ role).

⁹⁴ SBE transferred more than \$1.1 million to Prodigy. PXNN ¶ 8(n).

undercover call, SBE Defendant Costanzo confirmed that “Peter Baker owns [the] development and he is the developer.” PXQQ ¶ 48:41 at 12:8-12.

5. John Usher

Belizean national John Usher became SRWR’s Director before it contested the Receiver’s right to the Parcel, *see supra* at 9-12, and he continued as an SRWR board member until at least 2010. PXQQ ¶ 294:317. Usher testified during the 2007 contempt trial and generally minimized what he knew about Pukke’s involvement with SBE entities and their predecessors. *See, e.g.*, PXQQ ¶ 322:346 at 72:22-25. Usher is a Director of the Sanctuary Belize Property Owner’s Association (“SBPOA”), PXQQ ¶ 201:213, which is an entity organized under Texas law, PXQQ ¶¶ 201, 295, and that collects money from consumers at a Texas address, PXQQ ¶ 202:214-215. He is a bank signatory on Eco-Futures (BZ)’s U.S. bank account. PXQQ ¶ 204. Numerous marketing communications directed to U.S. residents identify Usher as the “chairman,” “developer,” or “principal” of the development, PXQQ ¶¶ 205, 254:219-222, 278, and SBE Defendant Kazazi described Usher as a “director of the entity that owns the development,” PXGG ¶ 9:6. In addition to Usher’s Maryland contempt trial testimony, Usher visits the United States to conduct SBE business, including a meeting in California with Pukke and others, PXZ ¶ 8; *see also* PXBB ¶ 20, and he met with IGY executives about the development’s marina in Florida, PXGG ¶ 24:20-21.⁹⁵

6. Frank Costanzo

Frank Costanzo (a/k/a Frank Connelly, Frank Costanzo-Connelly, and Frank Peerless Green) is a disbarred Maryland attorney and officer of three SBE entities: FDM, Buy International, and Eco-Futures (US). PXC ¶ 19:7, *id.* ¶ 21:9; PXQQ ¶¶ 279-280; PXQQ ¶¶ 226:245. SBE describes him as “deeply involved” with Sanctuary Belize, PXO ¶ 4:25 at 2, and

⁹⁵ Usher uses his personal email for SBE-related communications. PXQQ ¶ 207:224-225.

he presents himself as an environmental expert in sales presentations, PXQQ ¶¶ 38, 119:27. Costanzo also handles consumer complaints. PXGG ¶ 29:27 (“We also discussed with Sanctuary Belize how to handle continuing buyer inquiries. Kazazi told IGY that we should direct consumers to Frank Connelly at Sanctuary Belize[.]”). Costanzo is married to Maryland attorney and Relief Defendant Deborah Connelly.⁹⁶ PXQQ ¶ 97:102.

Notably, Costanzo originally practiced law from a Baltimore office as a member of both the Maryland and Florida bars. PXC ¶¶ 19:7; 20:8. In 2008, the Florida bar alleged that Costanzo misappropriated funds from five clients. PXC ¶ 19:7. The Florida Supreme Court ordered Costanzo suspended on an emergency basis, *The Fla. Bar v. Costanzo*, 1 So. 3d 173 (Fla. 2008), and it later ordered him suspended for ten years, *The Fla. Bar v. Costanzo*, 13 So. 3d 1056 (Fla. 2009). Costanzo continued to practice law anyway, *see* PXC:7 (Florida bar counsel allegations), and the Florida Supreme Court ordered him to show cause why he should not be held in contempt and disbarred, PXC:7, *The Fla. Bar v. Costanzo*, No. SC09-1573 (Fla. Dec. 23, 2009). The court’s referee found “clear and convincing” evidence established that Costanzo was in contempt. PXC:7 at 2. The Florida Supreme Court accepted the referee’s conclusions, held Costanzo in contempt, and permanently disbarred him. *The Fla. Bar v. Costanzo*, 63 So. 3d 750 (Fla. 2011).

After the Florida’s Supreme Court’s 2009 suspension, the Maryland bar began investigating complaints against Costanzo. *See Attorney Grievance Comm’n of Maryland v. Costanzo*, 432 Md. 233, 237 (2013). Costanzo did not respond, and, indeed, “Costanzo failed to appear for oral argument” before the Maryland Court of Appeals. *Id.* at 238. The Court of

⁹⁶ Costanzo uses his personal cellphone for SBE-related communications, PXQQ ¶¶ 208-209:226, and he uses both a personal account (ecologicalfox@gmail.com) and various other SBE entity accounts to conduct SBE business, PXQQ ¶ 209:105, 226-227; PXAA ¶ 5:5; PXGG ¶ 29:27.

Appeals disbarred Costanzo, finding that “there is no question that Costanzo engaged in egregious misconduct under MLRPC 8.4(c) by misusing his clients’ funds.” *Id.* at 256.

7. Rod Kazazi

SBE Defendant Rod Kazazi is Defendant FP’s owner, the CEO of Eco-Futures (US), PXQQ ¶ 226:245, and Defendant GPA’s CFO, PXQQ ¶ 187 (and at times, he identified himself as GPA’s COO, PXQQ ¶ 210:228-230). Kazazi is a bank signatory for SBE entity accounts including GPA, SRWR, Eco-Futures (BZ), Eco-Futures (US), and FDM. PXQQ ¶ 211. Kazazi also represented to SBE’s current payroll provider that he is the “owner” of Buy Belize and GPA. PXQQ ¶ 212:231. He conveyed to third parties that he had a “senior executive role.” PXGG ¶ 4 (“I understood Kazazi had a senior executive role at Sanctuary Belize.”). Among other things, Kazazi has incorporated SBE entities, PXQQ ¶¶ 225, 281:244, 302, directed financial transfers, PXQQ ¶ 213:232, and negotiated lot buyback agreements, PXQQ ¶ 214:233. Kazazi also handled consumer complaints, PXZ ¶ 9, PXGG ¶¶ 10-11, 26-28, and coordinated SBE’s response to negative press, PXGG ¶¶ 10-11, 26-28.

B. Entities That Constitute SBE

1. Corporate Formalities and Distinctions Are Not Maintained

SBE does not maintain corporate formalities or practical distinctions between the sixteen entities that constitute the Sanctuary Belize Enterprise (“SBE”).⁹⁷ Among other things:

- **Location.** All sixteen SBE entities are operated or managed to at least a significant extent from 3333 Michelson. PXQQ ¶ 215. Seven SBE entities are legally registered at 3333 Michelson. PXQQ ¶ 216.

⁹⁷ The SBE entity defendants are Power Haus Marketing, Ecological Fox, LLC, Foundation Development Management Inc., Global Property Alliance, Inc., Buy International, Inc., Eco-Futures Development Inc., Eco-Futures Belize Limited, Buy Belize, LLC, Sittie River Wildlife Reserve, Belize Real Estate Affiliates LLC, Southern Belize Realty LLC, Exotic Investor LLC, Foundation Partners, BG Marketing, Prodigy Management Group, and the Sanctuary Belize Property Owners Association.

- **Common Management.** Fourteen SBE entities share at least one owner, officer or director with at least one other SBE entity. PXQQ ¶ 217. The only exceptions are Power Haus (for which Pukke’s partner, Relief Defendant Chittenden, is the CEO, Secretary, CFO, and Director), PXQQ ¶ 221:235-237, and Ecological Fox, which is organized by Costanzo’s wife (Relief Defendant Connolly), PXQQ ¶¶ 97, 218, 278:234. GPA shares at least one owner, officer or director with seven other SBE entity Defendants, PXQQ ¶ 219, which helps illustrate their common control. SRWR has or had at least one overlapping owner, officer, or director with nine other SBE entity defendants. PXQQ ¶ 220.
- **Commingling.** At least nine SBE entities exchange funds with each other. PXQQ ¶ 330. Four SBE entities collect money from consumers on behalf of another SBE entity. PXQQ ¶ 339. For instance, SBE employees using GPA email addresses send invoices from SRWR for HOA dues owed to SBPOA and direct consumers to remit payments to Eco-Futures at 3333 Michelson. PXI ¶ 39:39-40; PXQQ ¶¶ 276, 297:299.
- **Joint Communications and Marketing.** Nine SBE entities communicate jointly with another SBE entity (for instance, an email from @GPADevelopers forwarding an SRWR invoice), PXQQ ¶¶ 228, 337:247, or market jointly with another SBE entity (for instance, advertising by one entity directing consumers to contact another), PXQQ ¶ 338. Eight entities use “@SanctuaryBelize” email addresses, and at least four send emails with signature blocks referring to Sanctuary Belize. PXQQ ¶ 332:357-360.
- **Common Employees.** All SBE entities with employees share those employees at least one other SBE entity. PXQQ ¶ 336.

Unsurprisingly, prior SBE employees do not understand the formal distinctions between various SBE entities. PXBB ¶ 3 (“While I was working there, I saw no distinction between Sanctuary Belize, Buy Belize, Global Property Alliance, Sittee River Wildlife Reserve and Eco-Futures Development.”); PXZ ¶ 5 (“I wasn’t sure what company I worked for.”).

2. SBE Entity Subgroups

The SBE entity Defendants can be roughly separated into four highly interrelated subgroups: (1) domestic entities with substantial operations; (2) domestic pass-through entities that exist solely to obscure payments; (3); offshore entities associated with Chadwick; and (4) offshore entities associated with Usher. Each entity within each subgroup works to further the SBE land-sale scam that Pukke and his associates operate.

a. Domestic Entities With Operations

SBE runs much of its lot sale scam through multiple largely indistinguishable entities all based at 3333 Michelson:

- **Eco-Futures Development, Inc. (“Eco-Futures (US)”)**. Numerous marketing communications to U.S. consumers come from the domain @eco-futures.com, PXQQ ¶ 222:238-240, and emails with signature blocks referring to “Eco-Futures” use the 3333 Michelson address, PXQQ ¶¶ 223, 297:241 and consumers make payments to Belizean entities Eco-Futures (BZ) and SRWR by sending those payments to Eco-Futures (US), PXQQ ¶ 224:242-243. SBE Defendant Kazazi incorporated Eco-Futures (US), PXQQ ¶ 225, and is the CEO alongside Costanzo, who is the Secretary, PXQQ ¶ 226:245.
- **Global Property Alliance, Inc. (“GPA”)**. Baker is GPA’s CEO. SBE Defendants Greenfield and Kazazi are officers. Emails to consumers related to Sanctuary Belize come from an @GPADevelopers domain, PXQQ ¶ 227:246, and emails from this domain often involve both domestic and foreign SBE entities including Sittee River Wildlife Reserve (“SRWR”) and Eco-Futures (BZ), PXQQ ¶ 228:247-248. GPA uses various registered FBNs including “Eco-Futures Development,” “Eco-Futures Belize,” and “Sittee River Wildlife Reserve HOA.” PXQQ ¶ 297. Buy Belize is another SBE entity Defendant, and GPA posted an online job listing seeking telemarketers to pursue leads through “our website at BuyBelize.com.” PXQQ ¶ 229:249-250.
- **Buy Belize, LLC (“Buy Belize”)**. Baker is managing member and CEO. PXQQ ¶ 230. SBE Defendant Greenfield is Buy Belize’s registered agent. PXQQ ¶¶ 216(d), 219(e), 220(a), 231. Buy Belize performs marketing functions for SBE. PXQQ ¶ 290.
- **Buy International, Inc. (“Buy International”)**. Baker holds two Buy International board positions, and SBE Defendant Costanzo holds the third. PXQQ ¶ 233:255. Buy International performs marketing functions for SBE. PXQQ ¶ 232:253-254. SBE Defendant Kazazi submitted Buy International’s incorporation paperwork. PXQQ ¶ 234:256.
- **Power Haus Marketing, Inc. (“Power Haus”)**. Pukke’s partner (Relief Defendant Chittenden) is the CEO, Secretary, CFO, and Director. PXQQ ¶¶ 216, 221:235-237. It is registered at 3333 Michelson and apparently performs marketing functions. PXQQ ¶ 329:355. SBE has transferred approximately \$1.4 million to Power Haus. PXNN ¶ 8(t).
- **Foundation Development Management Inc. (“FDM”)**. Baker is the CEO, CFO, and sole director. Costanzo is the Secretary. SBE money flows to and from FDM, PXNN ¶ 8(o), and Pukke used an FDM account to pay a telemarketer, PXBB ¶ 24. Angie Garcia, an accountant on Buy International’s payroll, PXQQ ¶ 233:258, 296, submitted FDM’s Statement of Information, PXQQ ¶ 236:258, and SBE Defendant Kazazi submitted FDM’s incorporation paperwork, PXQQ ¶ 235:257.

- **Foundation Partners (f/k/a Red Crane Advisors, Inc.) (“FP”)**. SBE Defendant Kazazi owns FP, which has a picture of Costanzo on its website, PXC ¶42:67 at 2. Its website also lists various development projects including Sanctuary Belize and another (Kanantik) to which SBE has transferred nearly two million. PXC ¶42:67 at 5; PXNN ¶ 8(y).⁹⁸
- **Sanctuary Belize Property Owners Association (“SBPOA”) (d/b/a “The Reserve Property Owners Association”)**.⁹⁹ Usher is its Director, PXQQ ¶¶ 201, 295:213, and when SBE changed the development’s name from “Sanctuary Belize” to “the Reserve,” SBPOA registered the trade name “The Reserve Property Owners Association” (“RPOA”). PXQQ ¶ 172:175. SBE uses SBPOA to collect monthly homeowners’ association dues. PXQQ ¶ 202:214-215. Although SBPOA is nominally a nonprofit, SBE operates it as part of the overall for-profit SBE organization; in fact, SBE has deposited homeowners’ association dues into a GPA account. PXNN ¶ 15. SBPOA invoices initially directed consumers to make checks payable to SRWR, and instruct consumers to mail checks to “SRWR c/o Eco-Futures” at 3333 Michelson. PXQQ ¶ 228:247-248. More recently, SBE correspondence from 3333 Michelson directed consumers to make homeowner’s association payments to a Texas location, PXQQ ¶ 203:216-218, where it is deposited into an account from which Eco-Futures (US) has received more than \$100,000 in transfers, PXNN ¶ 15.

b. Domestic Pass-Through Entities

SBE also includes several “pass-through” entities that apparently have no operations other than receiving certain individual SBE Defendants’ compensation from SBE. Because these entities’ only known employees are Costanzo, Greenfield, and Chadwick, the entities effectively function through 3333 Michelson:

- **Ecological Fox, LLC (“EF”)**. EF is a Maryland entity organized by SBE Defendant Costanzo’s wife, Maryland attorney and Relief Defendant Deborah Connelly. PXQQ ¶¶ 97:102, 218:234, 87:54. Costanzo uses an email with an EcologicalFox@gmail.com email address, PXQQ ¶ 237:259, and he appears as EF’s “President” on a website marketing real estate, PXQQ ¶ 238:104.¹⁰⁰ SBE has transferred tens of thousands to EF through its payroll, PXNN ¶ 11.

⁹⁸ Notably, although Kazazi is currently FP’s President, attorney Ashish Dudheker, a lawyer at the Orange County firm that represents Pukke in litigation with Sanctuary Belize owners, served as FP’s President until 2017. PXQQ ¶ 239:260.

⁹⁹ SBPOA is registered in Texas but does business from 3333 Michelson; among other things, money consumers send to Texas is returned to Eco-Futures (US) at 3333 Michelson. PXQQ ¶ 203; PXNN ¶ 15.

¹⁰⁰ The website also associates EF and Frank Costanzo with “Peerless Green Initiatives,” PXQQ ¶ 238:104, and Costanzo has used the alias “Frank Peerless Green,” PXQQ ¶ 97. The

- **BG Marketing LLC (“BGM”)**. SBE Defendant Greenfield formed BG Marketing LLC (“BGM”) in 2012.¹⁰¹ Greenfield used an online incorporation service to which she provided an SBE email (brandi@sanctuarybelize.com), an SBE phone number, and SBE’s office address at the time (Dove Street). PXQQ ¶ 240:261. The following month, Greenfield used her SBE email to direct Bank of America to provide her with online access to BGM’s account. PXQQ ¶ 241:261. SBE has transferred \$350,000 to BGM. PXNN ¶ 8(p). One internal SBE accounting email states that “Brandi Greenfield = BG Marketing.” PXQQ ¶ 282:405.
- **Prodigy Management Group, LLC (“Prodigy”)**. SBE transferred more than \$1 million to Prodigy. PXNN ¶ 8(n). Internal SBE documents treat Prodigy as the means through which SBE compensates Chadwick. PXQQ ¶ 282. One such document states simply that “Luke Chadwick = Prodigy Management.” PXQQ ¶ 282:305. Chadwick also executed a joint venture agreement with a third party stating that Prodigy is “an entity controlled by Luke Chadwick.” PXQQ ¶ 331:356.

c. Nevisian Entities Associated With Chadwick

i. Southern Belize Realty

Southern Belize Realty (“SBR (NV)”) is a Nevis entity “owned 100% by Luke Chadwick,” PXQQ ¶ 244:267, which does business as a Coldwell Banker affiliate.¹⁰² As discussed further below, SBE directs the many Sanctuary Belize owners who want to resell their lots to Coldwell Banker SB, which then scuttles the transactions (secondary sales compete with SBE’s “new” lots). *See supra* at 36-37. Specifically, beginning in 2014, SBR (NV) operated a Coldwell Banker franchise. Coldwell Banker determined that “[w]ith a group of investors [Chadwick] has been developing Sanctuary Belize,” and Chadwick operated SBR (NV) in part “to assign the secondary market derived from SB [Sanctuary Belize] (land and/or homes) to the

website further claims EF has a “focus on U.S.-India development programs and joint ventures,” and Costanzo has elsewhere claimed expertise in joint U.S.-India development projects. PXQQ ¶ 238:27.

¹⁰¹ BGM is an Oklahoma entity with a reported place of business at Greenfield’s residence. PXQQ ¶ 240:262.

¹⁰² Consumers have noted the association between Sanctuary Belize and the Coldwell Banker brand, PXQQ ¶ 242:264, 265 (consumer complaints to Coldwell Banker about Sanctuary Belize).

Coldwell Banker office.” PXQQ ¶ 244:267. SBR (NV) does business as “Coldwell Banker Southern Belize,” PXQQ ¶ 285:307, and its trade name registration uses an address in Belize City that Defendant Atlantic International Bank (“AIB”) also uses, PXQQ ¶ 285:309. Notably, in SBR’s franchise agreement with Coldwell Banker, SBR accepts that New Jersey law would govern the agreement and that New Jersey courts would have jurisdiction over any related disputes.¹⁰³ PXQQ ¶ 244; PXC ¶ 29:41 at 48.

Significantly, funds for Coldwell Banker SB come from another SBE entity through Defendant AIB, including money for its building and corporate registration in Belize, PXNN ¶8(q), and they share employees (including Chadwick and Voss).¹⁰⁴ In fact, Voss claimed that Coldwell Banker SB and other SBE entities were “ONE TEAM,” PXQQ ¶ 287:311. To promote Sanctuary Belize, Voss also appeared on a staged HGTV “reality” real estate shopping program called *Caribbean Life*. Specifically, in one episode, Voss shows consumers Sanctuary Belize lots in her capacity as a Coldwell Banker realtor and claims the Sanctuary Belize development will only be under construction for “a few years.” PXQQ ¶ 243:266 at 16:10-16:14. The consumers choose the Sanctuary Belize lot on the show, although HGTV does not disclose that the realtor (Voss) was a paid SBE employee.¹⁰⁵ PXQQ ¶ 243. Voss did a video casting interview with the show’s producers from SBE’s offices at 3333 Michelson, PXC ¶ 78-82, which further underscores the integration between Coldwell Banker SB and the other entities operating from 3333 Michelson.

¹⁰³ Chadwick uses his personal cellphone and multiple email addresses (including his personal email address) for business related to Coldwell Banker Southern Belize. PXQQ ¶ 247:267, 269.

¹⁰⁴ Chadwick and Voss use both “@ColdwellBankerBelize” and “@SanctuaryBelize.com” email addresses. PXQQ ¶ 248:271, 267 at 37.

¹⁰⁵ Voss did not steer the consumers toward the Sanctuary Belize lot because she didn’t have to; the consumers who appeared on the program bought their lot before they agreed to appear on the program. PXQQ ¶ 249.

ii. Belize Real Estate Affiliates

Defendant Chadwick owns Belize Real Estate Affiliates LLC (NV) (“BREA (NV)”). BREA (NV) is a Nevis entity that uses multiple Orange County, California addresses. PXQQ ¶¶ 244, 283:267 at 56-58. In 2015, Chadwick and Coldwell Banker restructured their relationship, and BREA (NV) became the consumer-facing franchise. PXQQ ¶ 244:267 at 76-136. BREA (NV)’s Nevis incorporation paperwork provides that its manager is “Luke Thomas Chadwick of 3333 Michelson Drive.” PXQQ ¶ 244:267 at 58. Notably, BREA (NV) used both 3333 Michelson and another Orange County address in communications with Coldwell Banker.¹⁰⁶

Significantly, Coldwell Banker recently terminated BREA (NV)’s franchise agreement. PXQQ ¶ 245:268. After BREA (NV) refused to remove the “Coldwell Banker” mark from various websites and its office in Placencia, Belize (near Sanctuary Belize), Coldwell Banker sent Chadwick a cease-and-desist letter. *Id.* Chadwick ignored that letter, and Coldwell Banker sued BREA (NV) in New Jersey seeking an injunction. Chadwick ignored a court order that he appear in the proceeding.¹⁰⁷

iii. Exotic Investor

Exotic Investor LLC (“EI (NV)”) is a Nevis entity that Chadwick owns: internal SBE documents give Chadwick’s personal cellphone as one of its numbers, PXQQ ¶¶ 250-251:272, a

¹⁰⁶ BREA (NV) also uses an Orange County address for its domestic bank account. PXQQ ¶ 335:363. BREA (NV)’s franchise agreement with Coldwell Banker is governed by U.S. law, and it consents to U.S. jurisdiction for any disputes related to the agreement. PXQQ ¶ 244.

¹⁰⁷ *See Order, Realty Group LLC v. Belize Real Estate Affiliates LLC*, No. 1376-18 (N.J. Sup. Ct. Morris Cty. July 31, 2018) at 2. Realty (which owns Coldwell Banker) served Chadwick in the United States as BREA (NV)’s president and owner. PXQQ ¶ 206:223. Chadwick did not appear. The court subsequently entered the injunction and issued a default against Chadwick. *Order, Realty Group, LLC v. Belize Real Estate Affiliates LLC*, No. 1376-18 (N.J. Super. Ct. Morris Cty. Sept. 7, 2018) (noting defendants did not respond). Coldwell Banker and its parent, Realty Holdings Corporation, cooperated with the FTC’s investigation.

California residence where Chadwick resided as its address, PXQQ ¶ 251:273, and Luke@SanctuaryBelize.com as its email address, PXQQ ¶ 250:272. With respect to an expense, Chadwick directed GPA accounting staff to “bill Exotic Investor LLC at this address [3333 Michelson] and give it to me.” PXQQ ¶ 291:314. EI (NV) prepared infomercials promoting Sanctuary Belize to an American audience; in fact, an SBE telemarketing sales script mentions that “Luke Chadwick just finished shooting the first 3 episodes of his new TV program called the Exotic Investor which highlights Sanctuary Belize.” PXQQ ¶ 293:316. Robert Schafnitz, the “Director of Investor Relations” at “Sanctuary Belize, An Eco-Futures Development,” emailed Chadwick, others at the SanctuaryBelize.com domain, and “AP” at SRWRBelize@yahoo.com about the impact the “Exotic Investor” infomercial would have. PXQQ ¶ 252:274. Cyara Pott, a Sanctuary Belize employee on the Buy Belize payroll with an “Eco-Futures Development” signature block, PXQQ ¶ 253:275-277, created a Vimeo profile (a video-sharing platform) for Exotic Investor, PXQQ ¶ 253:277.¹⁰⁸

d. Belizean Entities Associated With Usher

i. Eco-Futures Belize Limited

Eco-Futures Belize Limited (“Eco-Futures (BZ)”) is a Belizean company Baker owns. PXQQ ¶ 328:354. Usher appears as the “principal” of “Eco-Futures” in numerous marketing communications related to Sanctuary Belize and emailed to consumers in the United States. PXQQ ¶ 254. Eco-Futures (BZ) collects payments from consumers in the United States by

¹⁰⁸ Notably, two Orange County real estate investors loaned money both to SBE and to parties (including Chadwick) purportedly developing an adjacent property (“Kanantik”) by funding a joint venture. PXQQ ¶ 331:356. These lenders sued Defendants Chadwick and EI and other entity connected to Chadwick (Mango Springs) last year, alleging Chadwick mismanaged the parties purporting to develop Kanantik (including various improper transactions involving Chadwick, Pukke, and Usher). *See Mathis v. Chadwick*, No. 30-2017-93682 (filed Ca. Sup. Ct. Orange Cty. Aug. 10, 2017). Chadwick successfully moved to dismiss the claims against EI and Mango Springs, and successfully moved to the California court to compel arbitration of the claims against him personally. Order, *Mathis v. Chadwick*, No. 30-2017-39682 (filed Ca. Sup. Ct. Orange Cty. June 26, 2018).

directing them to pay Eco-Futures (US) in the United States at 3333 Michelson or a nearby address. PXQQ ¶ 255:279; PXE ¶ 46:30. Some lot sales contracts require payments to Eco-Futures (BZ) at 3333 Michelson. PXQQ ¶ 256:280. Eco-Futures (BZ) also maintains a domestic bank account with the address SBE used before Michelson. PXQQ ¶ 257:281. Eco-Futures (BZ) issued one owner a check from this account; the Fedex arrived from “Sanctuary Bay,” and it was sent by a GPA accountant. PXS ¶ 37:39.

ii. Sittee River Wildlife Reserve

Sittee River Wildlife Reserve (“SRWR”) is a Belizean nonprofit Pukke organized and controls. *See supra* at 39-45, 52. It has legal title to the Parcel. *See id.* at 10-12. SRWR board members have included Pukke, Baker, Baker’s mother, Usher, Usher’s sons, Chadwick, Costanzo, and other Pukke associates. PXQQ ¶ 294:317. SRWR has used a California address since at least 2008. PXQQ ¶ 259:283. SRWR has a *de facto* office at 3333 Michelson, where current and prior officers work, and where its communications are sent and received.¹⁰⁹ PXQQ ¶ 260.

C. AIB Assists and Facilitates SBE’s Deception, and Benefits From It

AIB is based in Belize City in a physical address that SBR used to register the “Coldwell Banker” name with local authorities.¹¹⁰ PXQQ ¶ 285:307-309. AIB has a symbiotic relationship with SBE in which AIB helps SBE market lots and provides SBE with financial services related

¹⁰⁹ Although SRWR is legally a non-profit, SBE operates it for profit. “Courts have consistently recognized that the [FTC] Act applies to ‘corporations’ organized for profit regardless of the form of their charter or statutory source.” *AmeriDebt*, 343 F. Supp. 2d at 460; *see also FTC v. Gill*, 183 F. Supp. 2d 1171, 1184 (C.D. Cal. 2001) (citing *Community Blood Bank of Kansas City Area, Inc. v. FTC*, 405 F.2d 1011, 1022 (8th Cir. 1969)). SRWR commingles its funds and blends its operations with multiple for-profit entities as part of a for-profit common enterprise. *See supra* at 71.

¹¹⁰ No American financial authority regulates AIB, PXQQ ¶ 263, and it has no domestic branches, PXQQ ¶ 263:287.

to that marketing. In return, SBE uses its domestic sales operation to promote AIB to U.S.-based lot purchasers.

1. Assistance AIB Provides to SBE

AIB provides two types of assistance to SBE: financial services and marketing. First, AIB uses American correspondent banks¹¹¹ to facilitate numerous transfers that assist SBE and facilitate its scheme. AIB previously used Bank of America as its “main” American correspondent bank,¹¹² PXQQ ¶ 262:285, but switched to Puerto Rican-headquartered Bancredito as its correspondent bank after Bank of America terminated its relationship with AIB, PXQQ ¶ 262:286. Wire records confirm transfers from SBE to AIB, PXNN ¶ 12. For instance, SBE directed Bank of America (where SBE maintains domestic accounts, PXNN ¶ 5) to transfer money to AIB with Baker as the beneficiary, PXNN ¶ 12. To provide another example, SBE used Bank of America move tens of thousands from Defendant GPA’s domestic account to an AIB account with wire references that refer to “Coldwell,” PXNN ¶ 8(q). Accordingly, AIB helps SBE move money related to its scheme.

Second, AIB interacts with prospective purchasers directly to help sell lots. Specifically, AIB offers prospective purchasers lower interest rates and relaxed underwriting on loans needed to build on their Sanctuary Belize lots,¹¹³ PXQQ ¶ 134, which makes the lots more attractive. Its

¹¹¹ “A correspondent bank account is a domestic account held by a foreign bank, similar to a personal checking account used for deposits, payments and transfers of funds. Correspondent accounts facilitate the flow of money worldwide[.]” *Licci v. Lebanese Canadian Bank*, SAL, 732 F.3d 161, 165 n.3 (2d Cir. 2013) (internal citations and quotation marks omitted). Significantly, a defendant’s “repeated use of the correspondent account . . . as an instrument to achieve the wrong complained of . . . in [a] suit satisfies the minimum contacts component of the due process inquiry.” *Id.* at 173; *Al Rushaid v. Pictet & Cie*, 68 N.E.3d 1, 11-13 (N.Y. 2016) (finding minimum contacts based on “maintenance and repeated use” of a domestic bank account).

¹¹² For part of the relevant period, AIB also used Texas-based Whitney National Bank. PXQQ ¶ 261:284.

¹¹³ In at least one case, AIB foreclosed on a Sanctuary Belize home and attempted to market the property on its website. PXQQ ¶ 341:364.

representatives also present to consumers during property tours, PXP ¶ 25; PXF ¶ 16; PXR ¶ 20, and they even join consumers on the island where contract negotiations occur, PXU ¶ 29; PXD ¶ 27, *see also supra* at 72. For instance, while present on Sanctuary Caye, AIB told prospective purchasers “that Sanctuary Belize has a special relationship” with AIB. PXU ¶ 29 (AIB stated on Sanctuary Caye “that Sanctuary Belize has a special relationship with Atlantic International Bank.”). The involvement of a financial institution lends legitimacy to the project and makes consumers more comfortable investing in Belize.¹¹⁴

2. Assistance SBE Provides to AIB

AIB helps SBE because SBE uses its U.S-based sales operation to help sell AIB’s services to American residents. For instance, a recording establishes AIB’s CEO Ricardo Pelayo and other AIB representatives met with SBE telemarketers in California and coached them on how to pitch AIB’s services to SBE’s customers. PXBB:22-23 (recording and transcript); PXQQ ¶ 264 (information about Pelayo). AIB made clear when coaching California telemarketers that it sought to establish banking relationships with American consumers who buy Sanctuary Belize lots but would continue residing in the United States for years.¹¹⁵ PXBB ¶ 20:22, 23 at 5:22-6:4. At the bank’s request, SBE’s telemarketers help AIB achieve that goal.¹¹⁶

¹¹⁴ Both consumers and SBE insiders sometimes confuse Defendant AIB with Atlantic Bank Ltd., a similarly-named Belizean bank that SBE also uses. AIB specializes in offshore banking (with non-Belizean accountholders and non-Belizean currency). PXQQ ¶ 121. Atlantic Bank Ltd. is a Belizean domestic bank that deals primarily in Belizean dollar transactions. *Id.* The similarity of their names causes understandable confusion, and some references to “Atlantic Bank” are actually to AIB. For instance, Delaware consumers who opened an account after a joint SBE-AIB sales call referred to the bank as “Atlantic Bank,” PXQ ¶ 21, but have their account with AIB, PXQ:14. And an SBE telemarketer refers to a presentation in California as a presentation from “Atlantic Bank” although a recording clarifies that AIB’s CEO (and another official) presented to SBE telemarketers. *See infra* at 73 (discussing AIB’s coaching of SBE telemarketers); PXBB ¶ 20; (“We also had someone from Atlantic Bank come [to 1401 Dove Street] and present about the bank’s services.”).

¹¹⁵ The CEO explained that the bank joins SBE’s property tours because they involve a “very captive market” of American consumers, “so we’re there every weekend and we’re trying to capture these people.” PXBB ¶ 20:23 at 5:19-21. The CEO further explained to SBE’s telemarketers that establishing banking relationships with Americans on tour is difficult because

In another important example, Defendant Chadwick (SBE’s primary spokesperson) endorses the bank in a three-minute video in which he states that he is “sharing [his] experiences” with AIB at the bank’s request. PXQQ ¶ 264:288. During the endorsement video, Chadwick wears a “Sanctuary Belize” golf shirt, and the “Sanctuary Belize” logo appears in the corner. *Id.* Chadwick’s remarks clearly intend to encourage Sanctuary Belize purchasers (who are overwhelmingly American and U.S.-based) to bank with AIB and, as he explicitly states during the video, he is endorsing the bank at its request.

Additionally, AIB’s logo appears as one of SBE’s “partners” on SBE marketing materials mailed to American consumers. PXQQ ¶ 266. SBE also refers prospective purchasers to the bank when they ask about banking in Belize, PXQQ ¶ 267:290-293, and sets up conference calls with bank representatives, PXCC ¶ 3. In fact, SBE arranged for an Alabama consumer to meet with AIB’s CEO in Belize. *Id.* ¶ 267:292. Establishing these connections both helps the bank sell its services while enhancing the development’s legitimacy.

“some people who invest in properties at Sanctuary haven’t decided as yet to live in [Belize],” so they maintain their relationships with American banks while they continue to reside in the U.S. *Id.* at 5:23-6:1. This purported problem—how to establish relationships with potential consumers would continue residing in the U.S.—was “the reason for [AIB’s] presentation [in Orange County].” *Id.* at 6:3-4. In fact, Chadwick interrupted AIB’s CEO to emphasize the same point: SBE’s telemarketers have a “great opportunity . . . to set the expectation that,” after buying an SBE lot, consumers will “need a banking relationship” in Belize. *Id.* at 6:19-7:7.

¹¹⁶ Because AIB has no domestic presence, *supra* at 71 n.110, much of the bank’s potential business with U.S. residents (American consumers sending money from the United States to fund accounts, or sending money from the United States to repay loans) would happen through its website. PXBB:22-23 at 49:13-50:4 (AIB discussing its web banking capabilities in California presentation to SBE telemarketers). The bank’s website offers consumers a full suite of interactive online banking tools including transfers, a bill payment feature, and the like. PXQQ ¶ 267:291. *See generally Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1126 (W.D. Pa. 1997) (a websites allowing consumers within the forum to interact with a foreign defendant can establish personal jurisdiction).

D. Relief Defendants That Benefit From SBE’s Misrepresentations

1. Angela Chittenden

Pukke characterizes Relief Defendant Angela Chittenden as his wife, PXFF ¶ 23, and she characterizes him as her husband, PXBB ¶ 7. They have lived together since 2003, PXQQ ¶ 268:116, and they have two children together, *id.* Chittenden resides with Pukke “in a Newport Beach home on a hillside overlooking the ocean.” PXFF ¶ 23. Pukke claims to have spent \$10 million on the home, tearing it down and rebuilding it completely. PXFF ¶ 24. The home is currently on the market for \$18.5 million.¹¹⁷ PXQQ ¶ 269:294. Chittenden is the CEO of one Defendant (Power Haus), *supra* at 65, and Greenfield (Pukke’s right-hand) is her close friend, PXBB ¶ 9. SBE transferred at least \$150,000 to her personally, PXNN ¶ 8(c), although she is not on SBE’s payroll, PXQQ ¶ 271:295-296, and does not sell lots or perform consulting work for SBE, PXEE ¶ 13.

2. Beach Bunny

Relief Defendant Angela Chittenden is the CEO of Relief Defendant Beach Bunny Holdings, LLC (“Beach Bunny”), and Beach Bunny Swimwear, Inc. PXQQ ¶ 272:297. Chittenden is a swimwear model who regularly appeared on *The Price is Right*. PXQQ ¶ 143:353. Pukke gave Chittenden the money to start Beach Bunny, PXBB ¶ 7, and Beach Bunny

¹¹⁷ Despite their apparent marriage, property and mortgage records for the home where both Pukke and Chittenden reside list her as “an unmarried woman.” PXPP ¶ 93:28. California is a community property state. Cal. Fam. Code § 760 (1994). Most likely, Pukke obscures his relationship with Chittenden to help shield the house and other assets from law enforcement and conventional creditors. Significantly, AAC Family HYCET Trust legally owns Pukke’s residence (through trustee James Chittenden, Angela’s father), PXPP ¶ 94:29, and Pukke is listed as a trustee on a trust bank account in 2017, PXPP ¶ 96:30. “AAC” likely stands for Angela Ann Chittenden. PXPP ¶ 95. A “HYCET” trust is an asset protection vehicle attorney Jeffrey Verdon markets. PXPP ¶ 97:31. His office is two floors above SBE’s old office at 1201 Dove Street, Suite 210. PXPP ¶ 98:33. “HYCET” stands for Have Your Cake and Eat it Too,” PXPP ¶ 97:32—*i.e.*, a HYCET trust is an asset protection vehicle that purportedly allows its beneficiaries to enjoy the benefits of controlling an asset, like the residence, without the exposure to creditors.

uses the 3333 Michelson address in corporation filings, PXQQ ¶ 272:297.¹¹⁸ Tens of thousands of dollars flow back and forth between SBE and Beach Bunny with Beach Bunny receiving \$595,000 and returning \$480,000. PXNN ¶ 8(d); *see also* PXEE ¶ 14 (statement from prior SBE accountant; “Sanctuary Belize laundered money through several other businesses . . . including Beach Bunny”). Beach Bunny and SBE are closely connected in other significant ways; for instance, model Kate Upton shot a video jointly promoting Sanctuary Belize and Beach Bunny swimwear, PXQQ ¶ 131:127-128 (Upton introduces herself as “here at Sanctuary Island in Belize”¹¹⁹ and encourages viewers to “take a look around” at various beachfront images, including the palapa where SBE’s victims sign lot agreements).

3. The Estate of John Pukke (a/k/a Janis Pukke a/k/a John Andris Pukke)

The Estate of John Pukke is the estate of Andris’ late father who died in 2010. PXQQ ¶ 274. Andris Pukke is one of its personal representatives. *Id.* In that capacity, in 2014 (years after his father’s death), Pukke opened a bank account for the Estate. *Id.* SBE transferred more than \$700,000 to the account from three SBE entities (Eco-Futures (US), FDM and GPA), and with transfers continuing through 2018. PXNN ¶ 8(e)-(f). Pukke then distributes SBE money from the Estate of John Pukke account to his brother Eriks Pukke’s ex-wife (apparently for his niece E. Pukke), and a girlfriend of Eriks Pukke. *Supra* at 21-22.¹²⁰ SBE money funneled through the Estate also funds various personal expenses. PXNN ¶ (8)(e).

¹¹⁸ Its affiliate, Beach Bunny Swimwear Inc., is also based at 3333 Michelson. PXQQ ¶ 273:298.

¹¹⁹ Sanctuary Island is part of Sanctuary Belize. *See supra* at 6 (discussing Sanctuary Caye).

¹²⁰ Some of the recipients are estate beneficiaries; however, the Estate has no legitimate claim to the SBE funds it received.

4. John Vipulis

Relief Defendant and Contempt Defendant John Vipulis is Janis Pukke's godson. As discussed *supra* at 21, and in a contemporaneously-filed contempt action, SBE repaid Vipulis more than \$4 million from three SBE accounts (Eco-Futures (US), FDM, and GPA), PXNN ¶ 8(r), in violation of an order prohibiting such repayment before the Commission's judgment against Pukke is paid.

5. Deborah Connelly

Relief Defendant Deborah Connelly is a Maryland attorney married to Defendant Costanzo. PXQQ ¶ 97:102. As noted *supra* at 66, Connelly organized Defendant EF, which receives portions of Costanzo's compensation. Costanzo apparently receives little money from SBE directly; however, in addition to money SBE pays to Ecological Fox, SBE transferred more than \$475,000 to Connelly. PXNN ¶ 8(s). Despite an extensive search of SBE internal documents, there is no evidence that Costanzo's wife ever performed any services for SBE. PXQQ ¶ 97; *see also* PXCC ¶ 7.

LEGAL STANDARD

To enter a preliminary injunction under § 13(b) of the FTC Act, 15 U.S.C. § 53(b), the Court “must (i) consider the FTC's likelihood of success on the merits and (ii) weigh the equities.”¹²¹ *FTC v. AmeriDebt*, 373 F. Supp.2d 558, 563 (D. Md. 2005) (citing *FTC v. Food Town Stores, Inc.*, 539 F.2d 1339, 1349 (4th Cir. 1976)); *see also* *FTC v. Atlantic Richfield Co.*, 549 F.2d 289, 292 (4th Cir. 1977). Significantly, “[t]his test is different from that used for private litigants, who must also prove irreparable injury, because in an FTC action harm to the public interest is presumed.” *AmeriDebt*, 373 F. Supp. 2d at 563.

¹²¹ A TRO is evaluated “under the same rubric” as a request for a PI. *See, e.g., Schwartz v. Wellin*, No. 2:13-cv-3595, 2014 WL 51212, *2 (D.S.C. Jan. 7, 2014) (citing *Virginia v. Kelly*, 29 F.3d 145, 147 (4th Cir. 1994)).

Regarding the first factor, “[t]he burden for prevailing on a motion for a preliminary injunction under Section 13(b) is far more lenient” than the summary judgment standard. *AmeriDebt*, 373 F.Supp.2d at 563 (citation omitted). The FTC prevails “if it shows preliminarily, by affidavits or other proof, that it has a fair and tenable chance of ultimate success on the merits.” *Id.* (quoting *FTC v. Beatrice Foods Co.*, 587 F.2d 1225, 1229 (D.C. Cir. 1979)). Regarding the second factor, “the public interest should receive greater weight in [13(b)] proceedings,” and “[t]he Fourth Circuit has gone so far as to say that private injuries [to the defendants from the injunction] ‘are not proper considerations for granting or withholding injunctive relief under Section 13(b).’” *Id.* at 564 (quoting *Food Town*, 539 F.2d at 1346).

ARGUMENT

I. The FTC Has a “Fair and Tenable” Likelihood of Success on its Section 5 Claims, and the Public Interest Favors Relief

A. SBE Entity Defendants Constitute a Common Enterprise

The SBE entity Defendants form a common enterprise that is collectively liable for its misrepresentations. Specifically, “[w]here corporate entities operate together as a common enterprise, each may be held liable for the deceptive acts and practices of the others.” *FTC v. Grant Connect, LLC*, 763 F.3d 1094, 1105 (9th Cir. 2014); *see also Rowe v. Brooks*, 329 F.2d 35, 39-40 (4th Cir. 1964) (noting that joint ventures operate like a partnership, wherein partners have joint and several liability for losses incurred in furtherance of common enterprise). To determine whether a common enterprise exists, “the pattern and frame-work of the whole enterprise must be taken into consideration.” *Delaware Watch Co. v. FTC*, 332 F.2d 745, 746 (2nd Cir. 1964) (internal quotation omitted). Specifically, courts “look to a variety of factors, including: common control, the sharing of office space and officers, whether business is transacted through a maze of interrelated companies, the commingling of corporate funds and failure to maintain separation of companies, unified advertising, and evidence which reveals that no real distinction existed between the Corporate Defendants.” *CFTC v. Noble Wealth Data*

Info. Servs. Inc., 90 F. Supp. 2d 676, 691 (D. Md. 2000) (quoting *FTC v. Wolf*, No. 94-5119, 1996 WL 812940, *7 (S.D. Fla. Jan. 31, 1996)) (citations omitted).

Here, each SBE entity Defendant forms part of the common enterprise: they share locations (3333 Michelson or its two predecessor locations on Dove Street), they have common control, they commingle funds, they engage in joint communications and marketing, and they share employees. *See supra* at 63-64.

1. Domestic SBE Entities With Operations

The SBE entity Defendants include seven entities with operations beyond simply obscuring payments to individual Defendants: GPA, Buy Belize, Buy International, Eco-Futures (US), Power Haus, FP, and SBPOA. Each shares office space (with six registered at 3333 Michelson and the seventh, SBPOA, bills consumers from 3333 Michelson). PXQQ ¶¶ 215, 217. All seven commingle funds with other SBE entities, or send or receive money from other SBE entities. PXNN ¶¶ 13, 15. Six of the seven share a proposed SBE individual Defendant as an owner, officer or manager with another entity in this category (the exception is Power Haus, whose sole officer is Relief Defendant Chittenden (Pukke’s partner)). PXQQ ¶¶ 217, 221. All seven share employees with at least one (and often many) other SBE entities. Finally, four communicated with consumers using an identical domain and with email signatures that refer to Sanctuary Belize. PXQQ ¶ 340. The other two, FP and Power Haus, are also connected to Sanctuary Belize. FP’s website shows an image of Defendant Costanzo and promotes the same dubious development awards that other Defendants claim to have won for Sanctuary Belize.¹²² PXQQ ¶ 275. FP’s projects include Sanctuary Belize as well as another development (Kantantik) that has received significant funds from SBE. *Supra* at 65-66. Power Haus received

¹²² SBE claims to have won various “International Property Awards” purportedly given to developers. Although the awards impress consumers, developers can purchase them online and buy the right to attend a London awards ceremony. SBE apparently bought the ones it advertises to consumers. PXZ ¶ 7.

approximately \$1.4 million ostensibly for marketing work related to Sanctuary Belize.¹²³ PXNN ¶ 8(t). Finally, SBE’s communications with consumers often use these entities interchangeably. For instance, SBE employees using GPA email addresses send invoices from SRWR for HOA dues owed to SBPOA and direct consumers to remit payments to Eco-Futures at 3333 Michelson. PXI ¶ 39:39-40; PXQQ ¶ 297.

2. Domestic Pass-Through Entities

SBE uses shell companies (FDM, BGM, Prodigy, and EF) to hide payments to its principals. All four have no known employees apart from their owners, officers, or managers. PXQQ ¶ 277. Three (FDM, BGM, and Prodigy) are owned or controlled by an owner, officer, or manager of at least one other SBE entity Defendant (the fourth, EF, is owned by Costanzo’s wife (Relief Defendant Deborah Connolly), PXQQ ¶¶ 219, 278, and Costanzo is an owner or officer of three other SBE entity Defendants), PXQQ ¶ 280. All four operate through SBE’s headquarters at 3333 Michelson. *See supra* at 59-62 (discussing the involvement of FDM’s officers (Baker and Costanzo), BGM’s officer (Greenfield), Prodigy’s officer (Chadwick), and EF’s officer (Costanzo)) in marketing Sanctuary Belize lots).

The 3333 Michelson location is central to the scam; for instance, it is FDM’s registered address. PXQQ ¶ 281:302. Although Baker is FDM’s CEO, Pukke used FDM’s account to pay a Sanctuary Belize telemarketer, PBB ¶ 24:24; PXCC ¶ 2, and a GPA employee based at 3333 Michelson submitted FDM’s incorporation paperwork, PXQQ ¶¶ 236:258, 281. BG Marketing (“BGM”) presumably stands for its owner’s initials (Brandi Greenfield), and she has an office at 3333 Michelson next to Pukke. PXFF:1. Internal SBE accounting documents refer to Prodigy and its owner, Chadwick, interchangeably (*i.e.*, money SBE means to convey to Chadwick goes to Prodigy). PXQQ ¶¶ 277-78, 282, 284. Chadwick is self-described “principal” of the

¹²³ It is likely these funds represent part of Pukke’s compensation rather than actual services related to Sanctuary Belize.

Sanctuary Belize development, PXQQ ¶ 198, and 3333 Michelson serves as development’s nerve-center, PXQQ ¶¶ 215-16. Similarly, payments meant for Costanzo go to EF, a Maryland entity his wife owns. Costanzo markets Sanctuary Belize lots directly, PXQQ ¶ 119, and SBE describes him as “deeply involved” with Sanctuary Belize, PXO ¶ 4:25 at 2, and filmed marketing videos with Michael Santos, who uses 3333 Michelson as his business address (and the videos appear to be filmed on-site at 3333 Michelson), PXC ¶¶ 52, 55-56:118-125. SBE diverts funds to all four entities, PXNN ¶¶ 8(n)-(p), 11. Because FDM, BGM, Prodigy, and EF are shells that receive compensation for Baker, Greenfield, Chadwick, and Costanzo, they are indistinguishable from the common enterprise that Baker, Chadwick, Greenfield and Costanzo help manage.

3. Nevisian Entities Associated with Chadwick

Three SBE entities—BREA (NV), SBR (NV), and EI (NV)—have a common owner (Chadwick, PXQQ ¶¶ 283, 285), are connected to 3333 Michelson, share at least one employee with another SBE entity, have overlapping operations with another SBE entity, and help market Sanctuary Belize. Specifically, BREA (NV) and SBR (NV) both do business as “Coldwell Banker Southern Belize.” PXQQ ¶ 285. Chadwick formed the Coldwell Banker franchise to control “the secondary market derived from SB [Sanctuary Belize].”¹²⁴ PXQQ ¶ 244:267 at 39. Both Chadwick and Coldwell Banker Southern Belize’s manager, Charmaine Voss, used @SanctuaryBelize email addresses for work related to the Coldwell Banker franchise (SBR (BZ)). PXQQ ¶ 286:310, 332:357. In fact, while using an @SanctuaryBelize email address, Voss referred to Coldwell Banker Belize and Sanctuary Belize as “ONE TEAM.” PXQQ ¶ 287:311. SBE sent funds related to the Coldwell Banker franchise to Belize, PXNN ¶ 8(q). Notably, Voss appeared as a Coldwell Banker representative on an HGTV program promoting

¹²⁴ On Belizean corporate documentation, SBE uses the same address as Defendant AIB. PXQQ ¶ 285.

Sanctuary Belize, PXC ¶ 22:10, and she auditioned from 3333 Michelson, PXC ¶¶ 78-82.¹²⁵ In short, a self-described Sanctuary Belize “principal” and the development’s spokesperson (Chadwick) owns BREA (NV) and SBR (NV), PXQQ ¶¶ 283-88, both of which operate as Coldwell Banker SB, which is itself indistinguishable from the rest of SBE. In this context, SBR (NV) and BREA (NV) are legally indistinguishable from SBE as well.

Regarding EI (NV), SBE used EI (NV) to film a deceptive infomercial promoting Sanctuary Belize, PXQQ ¶ 289, and a GPA employee (who herself uses an Eco-Futures Development email signature) used a SanctuaryBelize.com email address to create a Vimeo account associated with Exotic Investor infomercials, PXQQ ¶ 253:277. Chadwick directed GPA accounting staff to “bill Exotic Investor LLC at this address [3333 Michelson] and give it to me.” PXQQ ¶ 291:314. SBE discussed EI (NV)’s operations in emails copied to Chadwick at Luke@SanctuaryBelize.com, PXQQ ¶¶ 292:274, 292:315, and SBE mentioned EI (NV)’s infomercial in a telemarketing sales script, PXQQ ¶ 293:316. Another SBE employee, the “Director of Investor Relations” at “Sanctuary Belize, an Eco-Futures Development,” emailed Chadwick and others including “AP” at “SRWRBelize.com” about the EI (NV) infomercial, PXQQ ¶ 252:274 (SRWR is another Defendant, *see supra* at 71). Simply put, EI (NV) is another of the “maze of interrelated companies” through which SBE transacts Sanctuary Belize business. *See Noble Wealth*, 90 F. Supp. 2d at 691.

4. Belizean Entities Associated with Usher

Two Belizean entities associated with Defendant Usher form part of the SBE common enterprise: SRWR and Eco-Futures (BZ). As discussed above, Pukke helped create SRWR and initially served as a director with Baker. *See supra* at 5-6. In approximately 2006, Pukke and Baker installed Usher as SRWR’s nominal head. *See supra* at 7-8. Chadwick became a director

¹²⁵ Like other SBE entities, Coldwell Banker SB has won an “International Property Award.” PXQQ ¶ 287:311.

by 2010, PXQQ ¶ 294:317; more recently, Baker formally rejoined (replacing Usher). PXO ¶ 3:24. Accordingly, SRWR shares, and has shared, management with other SBE entities. Furthermore, SRWR is run through 3333 Michelson; for instance, SBE frequently directs consumers to make checks payable to “SRWR c/o Eco-Futures” at 3333 Michelson. PXQQ ¶ 228. Eco-Futures (US) forwards foreclosure-related correspondence from a Belizean attorney who claims to represent SRWR and Eco-Futures (BZ). PXI ¶ 74:92. Moreover, GPA cashes the checks consumers send payable to SRWR. PXNN ¶ 15. Finally, SRWR and numerous other entities (Eco-Futures (BZ), Eco-Futures (US), GPA, and SBPOA, among others) work together seamlessly to market Sanctuary Belize. *See supra* at 63-64.

Eco-Futures (BZ) is equally indistinguishable from other SBE entities. Baker owns Eco-Futures (BZ) and serves as the owner or officer of several other SBE entities. *See supra* at 60-61. Usher served as the manager or chairman of Eco-Futures (BZ) for several years, PXQQ ¶¶ 204-205, 254, 328:354, and he remains SBPOA’s director, PXPP ¶ 201:213, 295. Eco-Futures (BZ) uses the 3333 Michelson address on contracts and invoices. PXQQ ¶¶ 224, 228, 256-57. In fact, in correspondence to consumers, SBE often fails to distinguish between Eco-Futures (BZ) and Eco-Futures (US), PXQQ ¶ 297; indeed, Baker-owned GPA has registered FBNs for both entities, PXQQ ¶ 297. Emails to consumers about Sanctuary Belize have a signature block referring to Sanctuary Belize as an “Eco-Futures Development” without specifying whether the message is from the domestic or offshore “Eco-Futures” entity. PXQQ ¶ 298:321. Finally, funds are commingled between Eco-Futures (BZ) and other SBE entities including SRWR, GPA, and Eco-Futures (US) through numerous intercompany transfers. PXNN ¶ 13.

Accordingly, each of the SBE entity defendants form part of a common enterprise including domestic operating entities, domestic pass-through entities, Nevisian entities associated with Chadwick, and Belizean entities associated with Usher.

B. SBE Corporate Defendants Are Liable as a Common Enterprise Under Section 5.

To establish that a corporation (or a common enterprise) is liable for deception under Section 5, the FTC must prove: (1) there was a representation; (2) “that was likely to mislead consumers acting reasonably under the circumstances”; and (3) the representation was material. *FTC v. Loma Int’l Bus. Grp. Inc.*, No. 11-cv-1483, 2013 WL 2455986, at *3-*4 (D. Md. June 5, 2013); *see also FTC v. Innovative Mktg., Inc.*, 654 F. Supp. 2d 378, 385 (D. Md. 2009).¹²⁶ “[C]onsumer reliance on express misrepresentations” is “presumptively reasonable.” *FTC v. Five-Star Auto Club, Inc.*, 97 F.Supp.2d 502, 528 (S.D.N.Y. 2000) (quoting *FTC v. Int’l Computer Concepts, Inc.*, No. 5:94CV1678, 1995 WL 767810, *3 (N.D. Ohio Oct. 24, 1995)); *see also FTC v. Crescent Pub. Group, Inc.*, 129 F. Supp.2d 311, 321 (S.D.N.Y. 2001); *FTC v. Alcoholism Cure Corp.*, No. 3:10-cv-266, 2011 WL 13137951, *27 (M.D. Fla. Sept. 16, 2011) (“Reliance may be presumed when it is in response to an express claim[.]”), *aff’d sub nom. FTC v. Krotzer*, No. 12-14039-AA, 2013 WL 7860383 (11th Cir. May 3, 2013).

Additionally, express representations are presumed material. *Loma*, 2013 WL 2455986, at *6 (citations omitted); *see also In re Thompson Medical Co., Inc.*, 104 F.T.C. 648, 816 (1984) (“Express claims, or deliberately-made implied claims, used to induce the purchase of a particular product or service are presumed to be material.”), *aff’d*, 791 F.2d 189 (D.C. Cir. 1986). Misrepresentations regarding a “central characteristic” are also presumptively material. *See, e.g., Kraft, Inc. v. FTC*, 970 F.2d 311, 322 (7th Cir. 1992) (claims are material when they address

¹²⁶ There is vast evidence that Defendants intentionally misled consumers; among other things, SBE lied repeatedly regarding Pukke’s role, *see supra* at 38-39, SBE claimed for more than a decade that it would finish the development in five years, *see supra* at 23-24, SBE asserted that “every dollar” from lot sales would go into the development while funneling money to Vipulis, Pukke’s relatives, and personal expenses, *see supra* at 21-23, and one SBE employee (Voss) even referred SBE’s claim about the supposed international airport as “horse shit,” *see supra* at 35. However, intent to deceive is not an element of deception. *See, e.g., FTC v. Five-Star Auto Club, Inc.*, 97 F. Supp. 2d 502, 526 (S.D.N.Y. 2000) (“It is not necessary to prove Defendants’ misrepresentations were made with an intent to defraud or deceive, or were made in bad faith to establish a Section 5 violation.”) (collecting cases).

areas “with which reasonable consumers would be concerned”); *In re Telebrands Corp.*, 140 F.T.C. 278, 292 (2005) (quotation omitted) (claims are material when they relate to a product’s “central characteristics”), *aff’d*, 457 F.3d 354 (4th Cir. 2006).

Each Core Claim is “likely to mislead” because it is false: (1) the “no debt” model increases risk to consumers substantially; (2) SBE does not spend “every dollar” of lot sale revenue to further the development (or even close); (3) SBE has not finished the development to date (despite promising, for a decade, to finish within 2-5 years), and it will not finish within the next five years; (4) because SBE has not finished, and will not finish, it necessarily has not and will not finish some of the promised amenities; (5) property values have not increased by the 200% (or more) in three years (or less) as SBE claims; and (6) to the extent it is possible for consumers to resell their lots at all, the healthy resale market that SBE claims (and that consumers need to realize any purported appreciation) does not exist. *See supra* at 17-38. Because each Core Claim is express, consumers’ reliance on these claims is presumptively reasonable. *See, e.g., Five-Star*, 97 F.Supp.2d at 528; *Int’l Computer*, 1995 WL 767810, at *3.¹²⁷

All Core Claims are presumptively material because SBE makes them expressly,¹²⁸ *see supra* at 17-38, *see also Thompson Med.*, 104 F.T.C. at 816 (express claims presumptively material). Additionally, they all relate to the lots’ central characteristics, including whether they are a good investment. *See, e.g., FTC v. Micom Corp.*, No. CIV. 96-0472, 1997 WL 226232, *1

¹²⁷ Even without this presumption, the consumers SBE misled acted reasonably. As this Court explained, “[i]n evaluating a tendency or capacity to deceive, it is appropriate to look not at the most sophisticated, but the least sophisticated consumer.” *Loma*, 2013 WL 2455986, at *5 (D. Md. June 5, 2013) (quoting *Five-Star*, 97 F. Supp.2d at 532). Consumers are not real estate development experts. Even sophisticated, savvy consumers have no ability to assess development models, SBE’s internal financial information, the feasibility of SBE’s development-related promises, or real estate appreciation and resale prospects in a remote overseas location. Likewise, consumers have no practical way to investigate Pukke’s involvement.

¹²⁸ Even without this presumption, declarations establish that each Core Claim was important to consumers’ decisions. PXPP ¶¶ 9, 21, 23, 27, 57, 63 (collecting references from declarations establishing that each of the six core claims influenced the declarant’s decision to purchase).

(Sotomayor, J.) (S.D.N.Y. Mar. 12, 1997) (holding claim that investment was a “relatively low risk, excellent investment likely to generate substantial profits” was material); *FTC v. Solomon Trading Co.*, No. 91-cv-1184, 1994 WL 421478, *2 (D. Ariz. June 28, 1994)

(“Misrepresentations regarding profit potential and the risks associated with a given investment have repeatedly been held to constitute such a material misrepresentation in violation of Section 5(a).”) (citations omitted).¹²⁹ Notably, the Core Claims also concern central characteristics other than the lots’ investment value; for instance, whether the development is financially sound (the “no debt” and “every dollar” claims), what amenities it will have and when (the timeline and amenity claims), and whether consumers can resell their lots easily (the resale market claim). Because each of the Core Claims is a material misrepresentation, SBE is liable under Section 5. *See, e.g., Southwest Sunsites, Inc. v. FTC*, 785 F.2d 1431, 1437 (9th Cir. 1986) (affirming finding of liability based on misrepresentation that parcels were a “low risk investment”).

Finally, SBE is also liable under Section 5 for its misrepresentations regarding Pukke’s role in SBE. As discussed *supra* at 38-39, when consumers asked about Pukke, SBE either denied Pukke’s continued involvement or suggested he had only a limited marketing role. SBE also denied Pukke’s involvement in a Facebook post directed to owners, PXQQ ¶ 190, and in Belizean litigation against owners, *supra* at 50-51. In reality, Pukke has, and had, control over the enterprise’s entire operation ranging from the terms of lot sales, PXAA ¶ 5, PXBB ¶ 18, to SBE’s relationship with marina operators, PXGG ¶ 32, PXHH ¶ 19. The claims about Pukke are presumptively material because SBE made them expressly, *Thompson Med.* 104 F.T.C. at 816, and consumers would not have purchased had they understood a felon had substantial control

¹²⁹ Especially for consumers entering retirement, the time when the development will be finished (and, thus, the time when owners can begin enjoying a completed development with the promised amenities) is a central characteristic of the lots that SBE markets. SBE’s timeline claim is presumptively material for this reason as well, *see, e.g., Thompson Med.* 104 F.T.C. at 816, and because the development is incomplete, the timeline claim is indisputably false at least as to hundreds of consumers who bought more than five years ago. *See supra* at 24.

over the development, PXI ¶ 20, PXN ¶ 41. A principal’s criminal conviction for obstructing justice (involving the land consumers are buying) is plainly material.¹³⁰

C. SBE Corporate Defendants Are Liable For Monetary Relief Under Section 5.

Once Section 5 liability for misrepresentations is established, SBE is liable for restitution if the FTC shows consumer reliance—but “[t]he FTC is not required, however, to show any particular purchaser actually relied on or was injured by the unlawful misrepresentations.” *FTC v. Freecom Commc’ns, Inc.*, 401 F.3d 1192, 1205 (10th Cir. 2005) (citing *FTC v. Figgie Int’l, Inc.*, 994 F.2d 595, 605-06 (9th Cir. 1993)); *see also* *FTC v. BlueHippo Funding, LLC*, 762 F.3d 238, 244 (2d Cir. 2014) (declining to require individual reliance; “Noting the inherent difficulty of demonstrating individual harm in FTC cases, the Eighth, Ninth, Tenth, and Eleventh circuits have applied a presumption of consumer reliance that attaches to potential consumers at the instant of the initial misrepresentation.”) (collecting cases). As this Court explained previously, reliance is presumed if “(1) the business entity made material misrepresentations likely to deceive consumers, (2) those misrepresentations were widely disseminated, and (3) consumers purchased the entity’s products.” *FTC v. Loma Int’l Bus. Grp. Inc.*, No. 11-cv-1483, 2013 WL 2455986, at *7 (D. Md. June 5, 2013) (quotation omitted); *see also* *BlueHippo*, 762 F.3d at 244; *FTC v. Commerce Planet, Inc.*, 815 F.3d 593, 604 (9th Cir. 2016) (applying preemption of reliance when “[t]he FTC proved that [the defendant] made material misrepresentations . . . and that the misrepresentations were widely disseminated”), *cert. denied sub nom. Gugliuzza v. FTC*, 137 S. Ct. 624, 196 L. Ed. 2d 515 (2017); *FTC v. Ross*, 897 F. Supp.2d 369, 387 (D. Md. 2012), *aff’d*, 743 F.3d 886 (4th Cir. 2014).

The first element (a material misrepresentation likely to deceive) is established above. Regarding the second element, SBE widely disseminated the six Core Claims: most appear in

¹³⁰ *See, e.g., United States v. Stitskv.* 536 F. App’x 98, 106 (2d Cir. 2013) (convictions are facts investors “would have considered material” in making investment decisions).

multiple telemarketing scripts and webinars, telemarketers confirm they made these claims, PXAA ¶¶ 12-15, PXBB ¶¶ 16-17, SBE make all six in recorded undercover calls, and consumer declarations further establish that SBE routinely makes all six, *see* PXPP ¶¶ 9-11, 16-17, 20-21, 24, 26-27, 29, 31, 34, 35, 39, 41, 43, 45-46, 49-50, 53 (identifying where the Core Claims appear in attached declarations and in undercover calls). With respect to SBE’s misrepresentation concerning Pukke’s role, four consumer declarations show that SBE makes the claim when consumers ask about Pukke, PXI ¶¶ 20-21, PXX ¶ 50, PXQ ¶ 9, PXQQ ¶ 36, and Defendant Costanzo made the misrepresentation to an FTC professional posing as an attorney, *see supra* at 39. Additionally, SBE reiterated the claim on a Facebook page SBE owners use, PXQQ ¶ 190, and made it again (repeatedly) in Belizean litigation against hundreds of consumers, *see supra* at 50-51.¹³¹ Thus, SBE widely disseminated this claim as well. Regarding the third element, there is no doubt that SBE sold many lots. PXQQ ¶ 176. Accordingly, SBE entity Defendants are liable for monetary relief. *See Loma Int’l*, 2013 WL 245986 at *7.

D. SBE Individual Defendants Are Liable for Monetary Relief Under Section 5.

If a corporation is liable under Section 5—as the SBE entities are—individual defendants are liable for monetary relief if they: “(1) participated directly in the deceptive practices or had authority to control those practices, and (2) had or should have had knowledge of the deceptive practices.” *FTC v. Ross*, 743 F.3d 886, 892 (4th Cir. 2014) (Fourth Circuit’s emphasis). The facts establish the individual defendant’s authority to control in many ways, including “‘active involvement in business affairs and the making of corporate policy, including assuming the duties of a corporate officer.’” *Innovative Mktg.*, 654 F. Supp.2d at 385-86 (quoting *FTC v. Amy Travel Serv., Inc.*, 875 F.2d 564, 573 (7th Cir. 1989)). Every SBE individual Defendant other than Pukke is a corporate officer or legal owner of at least two SBE entities. *See supra* at 57-63.

¹³¹ Individual SBE Defendants also falsely denied Pukke’s significant role during the supervised release hearing before this Court. *See supra* at 54-55.

Although Pukke is not a formal officer or legal owner, he runs the entire enterprise. Pukke admits to working as the “Director of Marketing” at Defendant Buy Belize, and subordinates take instructions from Pukke or look to him for approval on every aspect of SBE’s operations ranging from its taxes, *supra* at 45 n.68, payments to an attorney, *supra* at 44 n.60, whether to terminate an SBE entity, *supra* at 44 n.63, and the development’s design, *supra* at 45. Pukke also gives directions to other SBE principals including Greenfield, *supra* at 44 n.61, and Kazazi, PXGG ¶ 4:1. Chadwick referenced Pukke’s instructions when arguing with Greenfield over their respective roles during Pukke’s incarceration, *supra* at 43-44, and Usher yielded to Pukke when they met in California, *supra* at 41. Thus, not only is Pukke “active[ly] involve[d] in business affairs and the making of corporate policy,” *Innovative Marketing*, 654 F. Supp.2d at 385-86, he is SBE’s primary controlperson.¹³²

The law also requires proof that the individual “had actual knowledge of the deceptive conduct, was recklessly indifferent to its deceptiveness, or had an awareness of a high probability of deceptiveness and intentionally avoided learning the truth.” *Ross*, 743 F.3d at 892 (“Every other federal appellate court to resolve the issue has adopted the test we embrace today.”) (citing appellate decisions from five circuits). Each individual Defendant has actual knowledge that SBE’s timeline and amenity claims are false. In particular, they all became heavily involved with SBE five years ago or more: Pukke and Baker started in 2005, Greenfield in 2007, Usher no later than 2008, Chadwick no later than 2010, Kazazi no later than 2012, and Costanzo no later than early 2013. *See supra* at 57-63. Accordingly, each knows SBE did not finish the

¹³² Furthermore, although authority to control is sufficient to establish the first element, *Ross*, 743 F.3d at 892, Pukke also “participates directly” in the deception as the admitted “Director of Marketing” for Defendant Buy Belize. PXQQ ¶ 300:323. Defendant Greenfield is the “Director of Sales,” PXQQ ¶ 301:324, and she has sent emails containing misrepresentations to consumers directly, *id.* Chadwick is the development’s public face in infomercials, and its voice in several webinars. PXQQ ¶ 198. Costanzo has a substantial role pitching to consumers during the property tours in Belize, PXE ¶15; PXU ¶21, and he lied directly to an FTC professional posing as an attorney representing prospective purchasers, *see supra* at 39.

entire development much less any substantial part of it (or the promised amenities that constitute development) within two or five years. Moreover, they have continued making timeline and amenity claims knowing SBE fails to meet them; at best, this is reckless disregard for the truth or intentional avoidance of it, either of which supports monetary liability. *Ross*, 743 F.3d at 892.

To provide only a few additional examples of actual knowledge, Pukke knows the “every dollar” claim is false because millions from lot sales go to repay Vipulis, to Pukke’s relatives, and to remodel his house. *Supra* at 21-24. Chadwick—in 2011—called Sanctuary Belize a “shady, second rate development . . . full of empty promises” (although he kept making those empty promises). PXQQ ¶ 299:322. Chadwick also lied about Pukke’s involvement despite taking instructions directly from Pukke. PXI ¶ 28; *supra* at 38-39. Baker characterized SBE’s marketing as “a bit misleading” in 2006, PXQQ ¶ 302:325, but the marketing remained the same. Baker also knows the “every dollar” claim is false because he uses an SBE bank card to ship personal items to his residence. PXQQ ¶ 303. Usher led SBE’s litigation against American owners in Belize during which SBE falsely denied Pukke’s involvement, *supra* at 50-51, (despite Usher meeting with Pukke at his California headquarters, *supra* at 41, and helping ensure Pukke’s control over the Parcel continued, *supra* at 9-12). Costanzo lied about Pukke’s involvement on a call the FTC recorded, *supra* at 39 (he was unaware the FTC had contrary photographic evidence, *id.*). Greenfield falsely denied Pukke’s involvement on Facebook, PXQQ ¶ 190 (although her SBE office is near Pukke’s, PXFF ¶¶ 13-14:1). Greenfield also falsely denied Pukke’s involvement under oath to this Court, *supra* at 55, as did Kazazi, *id.*. Kazazi negotiates buyback agreements with consumers, *supra* at 63, so he knows the lots do not appreciate and the resale market is weak, if it exists at all. In short, the FTC has vastly more than

a “fair and tenable” chance of establishing that each individual Defendant is liable to repay the consumers he or she victimized.¹³³ *AmeriDebt*, 373 F. Supp.2d at 563 (citation omitted).

II. The FTC Has a “Fair and Tenable” Likelihood of Success on Its TSR Claims, and the Public Interest Favors Relief.

A. SBE Violates TSR Sections 310.3(a)(2)(iii) and (vi).

The Commission promulgated the TSR pursuant to authority granted under the Telemarketing Consumer Prevention Act, 15 U.S.C. 6101 *et seq.* (“TCPA”). “Because it is a consumer protection statute, the TCPA is “[l]iberally construed in favor of consumer protection[.]” *Garrison v. Caliber Home Loans, Inc.*, 233 F. Supp. 3d 1282, 1286 (M.D. Fla. 2017). As discussed below, the TSR covers the telemarketing of lots in planned community. Additionally, the TSR prohibits telemarketers from making misrepresentations about goods or services, including misrepresentations about their central characteristics, 16 C.F.R. § 310.3(a)(2)(iii), or material aspects of investment opportunities, *id.* at § 310.3(a)(2)(vi). SBE violates both provisions.

1. The TSR Covers Lots in a Planned Community.

a. “Goods and Services” in the TSR Includes Real Property.

SBE’s sales are “goods and services” under the TSR. First, the TCPA Senate Report provides that it intended “the phrase ‘goods or services’ . . . to be broadly construed **so as not to exclude activities currently addressed by the FTC.**” S.R. NO. 103-80, 103RD CONG., 1ST SESS. (June 29, 2003) at 8 (emphasis added). Before Congress enacted the TCPA, the FTC had long addressed real estate sales. *See, e.g., Southwest Sunsites, Inc. v. FTC*, 785 F.2d 1431, 1437-39 (9th Cir. 1986) (affirming an administrative order enjoining a seller of lots in West Texas from misrepresenting land purportedly usable for “homesites” and other purposes as a “low risk

¹³³ This subsection does not exhaustively identify the evidence that all individual Defendants have actual knowledge that each of SBE’s core claims and its claims about Pukke are false.

investment” and that consumers “could expect to double or triple their money”); *AMREP Corp. v. FTC*, 768 F.2d 1171, 1175 (10th Cir. 1985) (affirming the FTC’s “jurisdiction to regulate interstate land sales”); *cf. Lorillard v. Pons*, 434 U.S. 575, 581 (1978) (noting that Congress is “presumed to have had knowledge” about case law when it enacts a statute).¹³⁴

Second, SBE itself characterizes its lot sales as the sale of “goods and services.” As noted above, SBE collects a 12.5% Belizean sales tax on lot sale payments. Overall, SBE collected millions of dollars of these taxes. When consumers questioned the tax, SBE informed them that the tax applied to their lot purchases because those purchases were for “goods and services.”¹³⁵ *See supra* at 67-69.

Third, “a reasonable interpretation by the Commission of its own regulations is entitled to great deference by this court[.]” *Johnson Prod. Co. v. FTC*, 549 F.2d 35, 38 (7th Cir. 1977) (citing *Udall v. Tallman*, 380 U.S.1, 16-17 (1965)); *see also FTC v. Medical Billers Network, Inc.*, 543 F. Supp. 2d 283, 317 (S.D.N.Y. 2008) (“An agency’s interpretation of its own regulations is entitled to great deference.”). In fact, the FTC’s “interpretation receives ‘controlling weight unless it is plainly erroneous or inconsistent’ with the TSR. *Udall*, 380 U.S. at 16-17 (quoting *Bowles v. Seminole Rock Co.*, 325 U.S. 410, 413-14 (1945)). Here, not only is the Commission’s view that lots are “goods and services” consistent with the TCPA’s legislative history and consumer protection purpose, it is consistent with SBE’s own view. Therefore, the FTC’s interpretation receives deference because it “reflect[s] the agency’s fair and considered judgment.” *Auer v. Robbins*, 519 U.S. 452, 462 (1977); *see also FTC v. Affiliate Strategies, Inc.*,

¹³⁴ Notably, in 2003, the FTC refused exempt transactions governed by the Real Estate Settlement Procedures Act (“RESPA”) from the TSR, 68 Fed. Reg. 4580, 4606 n.306 (Jan. 29, 2003). The FTC stated that “if a real estate agent routinely places outbound calls to solicit potential customers in other states, those calls . . . would be subject to the Rule,” *id.* at 4655. This reinforces that the FTC understood the TSR applies to some real estate telemarketing.

¹³⁵ We express no view on whether the lots qualify as “goods and services” within the meaning of Belizean tax law. What is important, however, is that SBE took this position, and used it to collect millions from consumers.

849 F. Supp. 2d 1085, 1115 n. 66 (D. Kan. 2011) (“The FTC’s interpretation of the TSR is entitled to deference.”) (citation omitted) (emphasis added).

b. The TSR Covers SBE’s Transactions Because They Include “Goods and Services” Related to Real Property.

Even if land itself did not qualify as a good or service (and it does due to the TCPA’s legislative history, SBE’s own view, and appropriate deference), SBE’s transactions would still qualify as a good or service because SBE sells lots along with—and because of—express claims that the lots will be part of an extensive planned community. *Polonetsky v. Better Homes Depot, Inc.*, 760 N.E.2d 1274 (N.Y. 2001) is instructive. In that case, the defendant marketing property attempted to take refuge from consumer protection law by claiming it was not selling goods and services. *Id.* at 1277-78. The court, addressing this argument, explained that “defendants have not only sold property, but allegedly orchestrated a system of providing goods and services under which prospective buyers were defrauded or misled every step of the way.” *Id.* at 1278. The court emphasized deceptive promises about repairs (SBE makes deceptive promises about amenities) and the defendants “steer[ed] buyers to mortgage bankers and attorneys,” *id.* (SBE steers buyers to Defendant AIB, a Coldwell Banker franchise, and in-house lending), PXK ¶ 13, 30; PXI ¶ 65:82; PXU ¶ 48; PXP ¶ 41:10; PXBB ¶ 3:1. Accordingly, the court refused to exempt the transaction from New York’s “goods and services” consumer protection law because doing so “would effectively insulate fraudulent conduct from the reach of [consumer protection law] whenever the conduct occurs in connection with the sale or attempted sale of a house.” *Id.* Other decisions apply a similar rationale.¹³⁶

¹³⁶ See, e.g., *See, e.g., Fogelson v. Wallace*, 405 P.3d 1012, 1031 (N.M. 2017) (holding that, although a lot is not a “good or service” under New Mexico’s consumer protection law, selling a lot plus a promise to build a home on the lot brings the transaction within the statute); *Brown v. Liberty Clubs, Inc.*, 543 N.E.2d 783, 786-87 (1989) (offering steak knives to consumers who visited development to consider purchasing lots rendered the lot sales subject to Ohio consumer protection law that covers “goods and services” but not real estate because steak knives are consumer goods; “[A] contrary finding would manifestly lead to undesirable results. . . . [It] would encourage real estate developers to use unfair, misleading and deceptive

SBE’s pitch is not only about the lot itself, but what SBE promises to build or do nearby to give the purchaser access to remarkable services (for instance, an American-caliber hospital, use of world-class marina) as well as access to additional features like an equestrian facility, a fitness center, and a yacht club. *See supra* at 26-34. Furthermore, SBE promises infrastructure development including improved roads, water service, and electrical lines. PXI:50; PXW:6 (summarizing infrastructure claims). In other words, SBE markets both land and other “goods and services” to which the land purportedly provides access. Thus, even if—despite the legislative history, SBE’s view, and appropriate deference—a lot alone is not a “good or service,” under *Better Homes* and related cases, the attendant promised access to goods and services brings the transactions at issue under the TSR.

2. The Other Elements of SBE’s TSR Liability Are Easily Satisfied.

The other elements of TSR liability under 16 C.F.R. §§ 310.3(a)(2)(iii) and (vi) are easily satisfied.¹³⁷ Both provisions cover “telemarketers” and “sellers,” *see* 16 C.F.R. § 310.3(a), and SBE is both. SBE is a “telemarketer” because it initiates or receives interstate telephone calls from consumers as part of a program to sell services to those consumers. *Id.* § 310.2(ff). SBE is a “seller” because it offers to provide goods and services through telemarketing. *Id.* § 310.2(dd). SBE also misrepresents numerous central characteristics of the development, *supra* at 17-37,

solicitation methods to entice potential purchasers to the developers’ properties and to then cloak themselves with complete immunity from the Consumer Act.”); *see also McKinney v. State*, 693 N.E.2d 65, 71 (Ind. 1998) (distinguishing between the “sale of an existing structure” from a promise to build something for consumer protection purposes; “the promise to build a structure forces consumers to rely on a variety of representations that the builder is far more capable of evaluating”); *State ex rel. Brady v. Wellington Homes, Inc.*, No. Civ. A. 99C-09-168, 2003 WL 22048231, *4 (Del. Super. Ct. Aug. 20, 2003) (holding that a transaction promising to build a house on a lot is potentially a “good or service” because it involves “attendant labor and expertise,” including “plans as approved by the county [and] building code compliance”).

¹³⁷ The TSR’s inbound calling exception does not apply because the exception does not cover “[t]elephone calls initiated by a customer . . . in response to an advertisement relating to investment opportunities.” *See id.* § 310.6(b)(5)(i). An “investment opportunity” includes “anything . . . that is offered for sale . . . based wholly or in part on representations, either express or implied, about past, present or future . . . appreciation.” *Id.* at § 310.2(s).

although 16 C.F.R. § 310.3(a)(2)(iii) prohibits such misrepresentations. Likewise, SBE misrepresents material aspects of the development's purported investment value, *supra* at 34-36, although 16 § 310.3(a)(2)(vi) makes such misrepresentations unlawful.¹³⁸

B. AIB Is Liable for Assisting and Facilitating SBE's Scheme.

The TSR's "assisting and facilitating" provision applies when a defendant: (1) provides "substantial assistance or support" (2) and "knows or consciously avoids knowing" about the violations. 16 C.F.R. § 310.3(b). As discussed below, AIB is liable for assisting and facilitating SBE's scam under this standard.

1. AIB Provides SBE Substantial Assistance

"The threshold for what constitutes substantial assistance is low." *FTC v. Consumer Health Benefits Ass'n*, No. 10 Civ. 3551, 2012 WL 1890242, at *6 (E.D.N.Y. May 23, 2012). Assistance qualifies as "substantial" if it is more than "casual or incidental," and the assistance need not be "related to the commission or furtherance" of the deception. *See, e.g., FTC v. Chapman*, 714 F.3d 1211, 1216 (10th Cir. 2013). Although the benefits AIB derives from its joint marketing relationship with SBE are discussed *supra* at 72-74, the arrangement is symbiotic and AIB provides many benefits to SBE. For instance, AIB provides financial services (like offshore banking) that help advance the scheme. *Supra* at 71-72. Equally important, SBE marketing materials and AIB's presentation to SBE telemarketers show that it helps SBE sell the scam to consumers by offering lower interest rates and relaxed underwriting for Sanctuary Belize home construction loans. *Supra* at 72. AIB representatives interact with consumers during tours and present to them directly during formal sales presentations. *Id.* This joint messaging lends

¹³⁸ Notably, a TSR violation is also a violation of Section 5 of the FTC Act. *See, e.g., FTC v. Partners in Health Care Ass'n, Inc.*, 189 F. Supp.3d 1356, 1368 (S.D. Fla. 2016) (citing 15 U.S.C. §§ 57a(d)(3), 6102(c)). Accordingly, because individual Defendants have individual monetary liability for SBE's Section 5 violations, they have individual monetary liability for SBE's TSR violations as well.

legitimacy to the project and makes consumers more comfortable investing in Belize. Thus, AIB provides substantial assistance to the scheme.

2. AIB Knows SBE Deceives Consumers.

AIB knows SBE makes misrepresentations to consumers because it participates in sales presentations and tours. *Id.* This means AIB has heard SBE promise completion dates that have long since passed for amenities that are not there. *Supra* at 23-26. Additionally, as a sophisticated lender, AIB knows or should know that the “no debt” model does not mean less risk for purchasers as SBE promises. *Supra* at 17-20. Thus, AIB substantially assists SBE, and knows or reasonably should know that at least some of its claims are false.

III. The FTC Has a “Fair and Tenable” Likelihood of Success Against the Relief Defendants, and the Public Interest Favors Relief.

The Relief Defendants are liable for restitution because they “(1) “received ill-gotten funds;” and (2) “do [] not have a legitimate claim to those funds.”¹³⁹ *CFTC v. Kimberlynn Creek Ranch, Inc.*, 276 F.3d 187, 192 (4th Cir. 2002) (quotation omitted). SBE transferred substantial sums from all five Relief Defendants (Vipulis, the Estate of John Pukke, Chittenden, Beach Bunny, and Connolly). *See supra* at 74-76. As noted above, SBE transferred more than \$4 million to Vipulis to repay the loan he made to help end Pukke’s 2007 civil incarceration. *See supra* at 21, 76. Although Vipulis has a claim to these funds (Pukke owes him the money), he has no *legitimate* claim yet because the Conditional Release Order prohibits Pukke from repaying the Vipulis loan (and Vipulis from being repaid) until Pukke satisfies the *AmeriDebt* judgment, *supra* at 10, and he still owes more than \$270 million, PXOO ¶ 7.

¹³⁹ Asset freezes against relief defendants are appropriate where, as here, the freeze is necessary to preserve funds needed to redress victims. *See, e.g., CFTC v. IBS, Inc.*, 113 F. Supp. 2d 830, 855 (W.D.N.C. 2000) (“[T]o the extent that Relief Defendants each hold funds belonging to IMC/IBS customers and obtained by Defendants through illegal activity, any further dissipation of those funds would cause irreparable injury to the innocent customers and the Commission’s attempts to recover those funds.”), *aff’d sub nom. on other grounds, CFTC v. Kimberlynn Creek Ranch, Inc.*, 276 F.3d 187 (4th Cir. 2002).

Furthermore, through direct payments to Chittenden, transfers to Beach Bunny, and transfers to the Estate of John Pukke (which then makes additional payments to Pukke's relatives), Pukke's relatives have received more than \$1 million. Estate of John Pukke is a legal entity created as a result of Pukke's father's death, PXQQ ¶ 274; obviously, it does not perform work for SBE otherwise have any claim to SBE funds.

Similarly, there is no indication that Chittenden or Beach Bunny performs work for SBE that would create a legitimate claim to SBE funds. Chittenden is Pukke's *de facto* wife, a swimwear model who appeared on *The Price Is Right*, and the nominal CEO of Relief Defendant Beach Bunny. *Supra* at 74-75. Although the FTC has access to more than 100,000 internal SBE documents, there is no evidence that either Chittenden or Beach Bunny performs services for SBE such that they have a legitimate claim to the funds they received. PXQQ ¶ 271. In fact, Chittenden does not appear on internal SBE telephone directories, PXQQ ¶¶ 167:169, she does not have card access to parking at 3333 Michelson (Pukke does), PXQQ ¶ 306:326, and an internal SBE accountant confirms that Chittenden does not work for the money she receives, PXEE ¶ 13.

Finally, Connolly is Frank Costanzo's wife. *Supra* at 62. She received more than \$475,000 directly.¹⁴⁰ PXNN ¶8(s). Connolly does not appear on SBE's internal phone directories, PXQQ ¶ 167:169, and lacks card access to parking at 3333 Michelson (which Costanzo has), PXQQ ¶ 306:326. Furthermore, although the FTC obtained more than 100,000 internal SBE documents, there is no evidence that Connolly is performing any function for SBE that would give her a legitimate claim to the SBE funds she received. PXQQ ¶ 97:102; *see also* PXCC ¶ 7. Accordingly, there is more than a "fair and tenable" likelihood the FTC will prevail against Relief Defendants.

¹⁴⁰ These payments are separate from the amounts SBE transfers to Defendant EF, PXNN ¶ 11, which Connolly formed, *supra* at 66 (Costanzo himself apparently receives little money directly, PXNN ¶ 8(s)).

IV. SBE's Egregious Misconduct and the Substantial, Ongoing Consumer Injury Strongly Favor the Proposed TRO.

As this Court explained, “[t]o insure that any final relief is complete and meaningful, the court may also order any necessary temporary or preliminary relief[.]” *AmeriDebt*, 373 F. Supp.2d at 562 (emphasis added). First, as the Court is aware based on its experience with Pukke and his associates—the proposed TRO’s consumer protections and other remedial provisions are meaningless if Defendants ignore them and no enforcement mechanism exists. Accordingly, writs *ne exeat* against Pukke, Chadwick, Baker and Costanzo are necessary to prevent them from leaving the country so that, if necessary, the Court will have the ability to coerce their compliance with its orders notwithstanding their contumacious history. Second, to preserve assets for SBE’s victims, the proposed TRO freezes all Defendants’ assets (and requires their immediate repatriation). Third, the FTC seeks *ex parte* relief because providing notice would defeat the purpose of many critical order provisions designed to preserve the *status quo*, including the writs *ne exeat* and asset freeze. Fourth, the proposed TRO appoints a Temporary Receiver to help preserve evidence relevant to this case and assets needed to redress victims. Finally, the proposed *ex parte* TRO provides other strong means to address this serious situation,¹⁴¹ including immediate access to business premises,¹⁴² additional measures to preserve

¹⁴¹ This is also an urgent situation. Although the consumer injury over the past thirteen years is massive—lot sales apparently exceed \$144 million, PXB ¶36 (Chart 1)—most of it since 2012. Using Grant Thornton’s estimates, *id.*, SBE collected more than \$10 million during the first half of 2018, or more than \$50,000 in consumer injury per day.

¹⁴² Courts in this Circuit, and this District, routinely issue similar orders in FTC matters. *See, e.g., FTC v. American Industrial Enter., LLC*, No. 1:16-cv-0281 (D. Md. Feb. 2, 2016) (ordering *ex parte* TRO with asset freeze, appointment of a temporary receiver, immediate access to premises, expedited discovery, and asset repatriation); *FTC v. Loma Int’l Bus. Group, Inc.*, No. 1:11-cv-01483 (D. Md. June 2, 2011) (ordering *ex parte* TRO with asset freeze, appointment of a temporary monitor, immediate access to premises, expedited discovery, and asset repatriation); *FTC v. Holiday Vacations Mktg. Corp.*, No. 8:11-cv-01319 (D. Md. May 16, 2011) (ordering TRO with asset freeze, expedited discovery, and asset repatriation); *FTC v. Residential Relief Found.*, No. 10-CV-3214 (D. Md. Nov. 15, 2010) (ordering *ex parte* TRO with asset freeze, immediate access to premises, appointment of a temporary receiver, expedited discovery, and asset repatriation).

physical evidence, and anti-tampering provisions to prevent improper contact between SBE parties (or their non-attorney representatives) and witnesses.

A. Writs *Ne Exeat* Are Necessary Because SBE Has a Well-Established Track Record of Disregard for the Judicial Process.

“A Writ of *Ne Exeat Republica* is a form of injunctive relief that restrains a defendant from leaving the jurisdiction in order to compel feascance to the sovereign.” *United States v. Mathewson*, No. 92-1054, 1993 WL 113434, *1 (S.D. Fla. Feb. 25, 1993). The writ may issue to “enable the Government to have effective discovery” both on liability and defendants’ assets. *See, e.g., United States v. Shaheen*, 445 F.2d 6, 9-10 (7th Cir. 1971) (Stevens, J.). Courts use the preliminary injunction standard to determine whether a writ *ne exeat* should issue. *Mathewson*, 1993 WL 113434, *1. Thus, the Court considers whether the FTC has a “fair and tenable chance of ultimate success,” and then the Court “weigh[s] the equities.” *AmeriDebt*, 373 F. Supp.2d at 563. As shown above, the FTC has a very strong likelihood of success. Regarding the equities, the Fourth Circuit makes clear that “private injuries”—injuries to the defendants from being temporarily unable to leave the United States—are not proper considerations for granting or withholding injunctive relief under Section 13(b).” *Id.* at 564 (quotation omitted).

The public interest, however, in obtaining discovery and ultimately redress for victims is extremely strong. Likewise, the need to restrict travel of four Defendants (Pukke, Chadwick, Baker, and Costanzo) is substantial because each has shown that he will not comply with court orders. The Court is familiar with Pukke and Baker, both whom the Court held in contempt and coercively incarcerated, *supra* at 9-10, both of whom the Court found acted with “real mendacity,” PXQQ ¶ 96:101 at 26:5-6, and both of whom the Court found have “zero” credibility, *id.* As detailed above, the Florida Supreme Court ordered Costanzo to stop practicing law after finding he stole money from his clients, and then held him in contempt of its order when he continued to practice anyway. *Supra* at 62. Most recently, after ignoring a demand that he cease misappropriating the “Coldwell Banker” mark, Chadwick ignored a New Jersey court’s

order that he appear and respond to Coldwell Banker’s suit against him.¹⁴³ Thus, the record is clear that—at minimum—the risk that Pukke, Chadwick, Baker, and Costanzo will not comply with this Court’s orders is substantial. Accordingly, the balance of equities favors issuing writs *ne exeat* because the Court cannot vindicate the Congressionally-mandated consumer protection policy that the FTC Act embodies if the Court does not have coercive remedies available should Defendants refuse to comply voluntarily (and the record suggests this is a substantial risk).¹⁴⁴ See Order, *FTC v. Trudeau*, No. 03-3904 (June 25, 2013), DE699 at 2 (issuing a temporary writ *ne exeat* in part because “[a]llowing [the defendant] to leave the court’s jurisdiction” likely would leave the court with “no means to compel defendant to comply with its order[s]”).¹⁴⁵

B. An Asset Freeze Is Necessary To Maximize the Ability To Redress Victims.

“The FTC’s burden of proof in the asset-freeze context is relatively light.” *FTC v. IAB Mktg. Assocs., LP*, No. 12-61830-Civ, 2013 WL 5278216 (S.D. Fla. 2013), *aff’d*, No. 12-16265, 2014 WL 1245263, at *4 (11th Cir. Mar. 27, 2014). “There does not need to be evidence that assets will likely be dissipated in order to impose an asset freeze.” *Id.* Rather, where—as in an FTC enforcement action—the law presumes irreparable harm, *AmeriDebt*, 373 F. Supp. 2d at 563, the FTC need only establish “a possibility of dissipation of assets” (as opposed to a

¹⁴³ PXQQ ¶ 307:327, Order to Show Cause, *Realogy Group LLC v. Belize Real Estate Affiliates LLC and Luke Chadwick*, No. MRS-L-1376-18 (N.J. Super. Ct. Law Div. July 31, 2018). In light of Chadwick’s failure to respond, the court ordered Chadwick to cease using Coldwell Banker’s marks. PXQQ ¶ 307:328, Order, *Realogy Group*, No. MRS-L-1376-18 (N.J. Super. Ct. Law Div. Sept. 6, 2018). Although Chadwick did not respond as the Court ordered him to, he did email Coldwell Banker and blame the misappropriation on his inability to reach Charmaine Voss, PXQQ ¶ 307:329, the SBE employee and Coldwell Banker Southern Belize realtor who appeared on HGTV promoting Sanctuary Belize, *see supra* at 68. Notably, in the *Mango Springs* litigation, Chadwick threatened to move to Australia. PXQQ ¶ 308:331.

¹⁴⁴ Notably, the extensive involvement that Pukke, Baker, Chadwick, and Costanzo have with this scam shows they have deep connections overseas. And SBE has sent more than \$25 million offshore. PXB ¶ 31 (Table 1). Accordingly, these defendants have the ability to flee.

¹⁴⁵ The Proposed TRO requires Defendants to attend hearings unless the Court directs otherwise. See Proposed TRO § XXIX.

“likelihood” of dissipation). *FSLIC v. Sahni*, 868 F.2d 1096, 1097 (9th Cir. 1989); *id.* (“The district court’s substitution of a ‘likelihood’ of dissipation—as opposed to its ‘possibility’—[was error] as the standard placed an unnecessarily heavy burden on FSLIC.”); *FTC v. Wealth Educators, Inc.*, No. CV 15-02375 (C.D. Cal. Apr. 6, 2015) at 9 (“[W]hen a government agency is a movant, the mere ‘possibility’ (as opposed to likelihood) of dissipation of assets is sufficient to justify a freeze.”) (citing *Sahni*, 868 F.2d at 1097).¹⁴⁶

In this instance, it is far more than merely “possible” that SBE will dissipate assets badly needed to compensate victims. In *AmeriDebt*, Pukke and Baker engaged in elaborate efforts to secret assets that caused the Court to coercively incarcerate them. SBE has already moved approximately \$25 million offshore, PXB ¶ 23 (the Proposed TRO would order offshore assets repatriated, *see* Proposed TRO § VI).¹⁴⁷ SBE has dissipated millions of consumers’ lot payments through transfers that benefit Pukke and have nothing to do with finishing the development. *See supra* at 21-23. SBE’s controlpersons have disobeyed court orders, perjured themselves, and lied repeatedly to consumers. AIB has supported this activity—with knowledge, *see supra* at 95—and the Relief Defendants took millions to which they have no legal entitlement, *see supra* at 74-77. In fact, fraud permeates the entire undertaking. Fraudulent activities “lead to the conclusion that, absent a freeze, [defendants] would either dispose of, or conceal, or send abroad, all of the moneys that they have obtained[.]”¹⁴⁸ *FTC v. H. N. Singer, Inc.*, 668 F.2d 1107, 1113 (9th Cir.

¹⁴⁶ Assets frozen need not be traceable to unlawful activities. *See, e.g., Kemp v. Peterson*, 940 F.2d 110, 113-14 (4th Cir. 1991) (noting that assets may be frozen in HUD enforcement action “without respect to whether th[e] monies are traceable to proceeds or profits and income from the [wrongdoing]”).

¹⁴⁷ The Proposed TRO’s repatriation provision exempts Usher (who resides in Belize) and AIB (which is based in Belize) from the repatriation requirement. *See* Proposed TRO § VI. Similarly, the Proposed TRO’s injunctive provisions do not cover funds AIB holds for others (*i.e.*, accountholder deposits). *See id.* § III(D).

¹⁴⁸ *See also SEC v. Manor Nursing*, 458 F.2d 1082, 1106 (2nd Cir. 1971) (“Because of the fraudulent nature of appellants’ violations, the court could not be assured that appellants would not waste their assets prior to refunding public investors’ money.”); *FTC v. Int’l Computer Concepts, Inc.*, No. 5:94CV1678, 1994 WL 730144, *16 -17 (N.D. Ohio Oct. 24,

1982). There is essentially no chance that any defendant involved with the SBE scam will voluntarily preserve its assets so that they will remain available to compensate victims.

Accordingly, an asset freeze is necessary.

C. Proceeding *Ex Parte* Is Necessary Because Providing Notice Would Defeat the Court’s Ability To Provide Complete Relief.

As the Supreme Court has explained, “[*e*]x parte temporary restraining orders are no doubt necessary in some circumstances,” and are appropriate when tailored to “preserving the *status quo* and preventing irreparable harm.” *Granny Goose Foods, Inc. v. Brotherhood of Teamsters*, 415 U.S. 423, 439 (1974); *see also In re Vuitton et Fils S.A.*, 606 F.2d 1, 4 (2nd Cir. 1979) (noting that *ex parte* relief is particularly appropriate “when it is the sole method of preserving a state of affairs in which the court can provide effective final relief”). In this instance, *ex parte* relief is necessary because an asset freeze will not work if any Defendants learn that this action has commenced. *See, e.g., Little Tor Auto Ctr. v. Exxon Co., USA*, 822 F. Supp. 141, 143 (S.D.N.Y. 1993) (explaining that *ex parte* relief is appropriate “where advance contact with the adversary would itself be likely to trigger irreparable injury”); S. Rep. No. 130, 103rd CONG., 2D SESS. 15-16, 1994 U.S.C.C.A.N. 1776, 1790-91 (explaining that, under § 13(b), the FTC can proceed “*ex parte* to obtain an order freezing assets”). For the same reason, providing notice to any Defendant likely will render the writs *ne exeat* ineffective.

Notably, the Court’s has broad equitable authority to issue preliminary relief “that may be needed to make permanent relief possible.” *FTC v. Gem Merch. Corp.*, 87 F.3d 466, 469 (11th Cir. 1996); *see also FTC v. Amy Travel Service, Inc.*, 875 F.2d 564, 571-72 (7th Cir. 1989) (under section 13(b), court has the “power to order any ancillary equitable relief necessary to

1994) (“Where, as in this case, business operations are permeated by fraud, there is a strong likelihood that assets may be dissipated during the pendency of the legal proceedings. Mindful of this, courts have ordered the freezing of assets solely on the basis of pervasive fraudulent activities[.]”) (citations omitted).

effectuate” its grant of authority); *Singer, Inc.*, 668 F.2d at 1112-13 (power to grant permanent injunctive relief carries with it authority for ancillary equitable relief). In fact, when the public interest is implicated, the Court’s equitable powers “assume an even broader and more flexible character than when only a private controversy is at stake.” *Porter v. Warner Holding Co.*, 328 U.S. 395, 398 (1946). Because notice to Defendants would almost certainly mean the destruction of evidence and the dissipation of assets needed to compensate victims, it is necessary to proceed *ex parte*.¹⁴⁹

D. The Appointment of a Temporary Receiver Is Necessary.

Under Section 13(b) of the FTC Act, the Court has wide latitude to fashion temporary relief that furthers the statutory purpose. *Singer*, 668 F.2d at 1112-13. This power includes appointing a temporary receiver. *See, e.g., FTC v. U.S. Oil & Gas Corp.*, 748 F.2d 1431, 1432 (11th Cir. 1984) (holding the court has inherent power “to grant ancillary relief, including freezing assets and appointing a Receiver, as an incident to its express statutory authority to issue a permanent injunction under Section 13”) (per curiam). Appointing a receiver is appropriate where, as here, there is “fraud, or the imminent danger of property being lost, injured, diminished in value or squandered, and where legal remedies are inadequate.” *Leone Indus. v. Associated Packaging Inc.*, 795 F. Supp. 117, 120 (D.N.J. 1992). In fact, when a corporate defendant

¹⁴⁹ Additionally, *ex parte* relief is also necessary where defendants would “disregard[] a direct court order . . . within the time it would take for a hearing.” *Reno Air Racing Ass’n, Inc. v. McCord*, 452 F.3d 1126, 1131 (9th Cir. 2006); *see also First Tech. Safety Sys., Inc. v. Depinet*, 11 F.3d 641, 651 (6th Cir.1998) (explaining that *ex parte* relief is appropriate if “the adverse party has a history of disposing of evidence or violating court orders or that persons similar to the adverse party have such a history”); *Diretto v. Country Inn & Suites*, No. 1:16CV1037, 2016 WL 4400498, *3 (E.D. Va. Aug. 18, 2016) (stating that “evidence concerning “the defendant’s past willingness to disregard court orders” supports *ex parte* relief) (citation omitted). In addition to the evidence above concerning Pukke, Chadwick, Baker and Costanzo, Greenfield and Kazazi both lied to this Court regarding Pukke’s role. *Supra* at 54-55. Usher helped SBE violate two Court orders, and Relief Defendant Vipulis helped Pukke violate a third (all of which are the subject of contemporaneously-filed contempt motions). Accordingly, Defendants track record of lawlessness further supports granting the requested relief *ex parte*.

deceives consumers to enrich itself, “it is likely that, in the absence of the appointment of a receiver to maintain the *status quo*,” “the corporate assets will be subject to diversion and waste,” to victims’ detriment. *SEC v. First Fin. Group*, 645 F.2d 429, 438 (5th Cir. 1981); *see also SEC v. Keller Corp.*, 323 F.2d 397, 403 (7th Cir. 1963) (“It is hardly conceivable that the trial court should have permitted those who were enjoined from fraudulent misconduct to continue in control of [the company’s] affairs for the benefit of those shown to have been defrauded.”). Accordingly, the proposed TRO appoints Robb Evans & Associates (“Robb Evans”)—the *AmeriDebt* receiver—to serve as a Temporary Receiver.

Notably, as the Court is aware, because Robb Evans has extensive familiarity with this matter, appointing Robb Evans will conserve resources.

E. The Proposed TRO’s Other Provisions Are Necessary and Appropriate.¹⁵⁰

1. Immediate Access

The Proposed TRO grants the FTC and Temporary Receiver immediate access to 3333 Michelson to collect evidence.¹⁵¹ *See* Proposed TRO § XXIV. As noted above, *see supra* at 98

¹⁵⁰ This matter presents complex remedies issues caused by SBE’s extraordinarily deceptive and contemptuous behavior. Two Proposed TRO provisions unique to situation SBE created are noteworthy. First, Section XIII(K) underscores that lots (or ownership interests in lots) are not part of the receivership. Second, to the extent the Temporary Receiver must make judgments about who has what ownership interest in which lot, it is prohibited from considering actions to change or alter interests after this filing becomes public (an “interest freeze” provision). *See* Proposed TRO § XXVI(Y). Some consumers may learn that another victim has an interest in a lot they thought was theirs, that they have an interest SBE had told them they had lost (for instance, following a purported “foreclosure,” *see supra* at 48), or that they had been deceived about the nature of their interest in other ways. Accordingly, the “interest freeze” provision will discourage short-term actions that will exacerbate the situation including litigation between owners, efforts to influence Belizean authorities, or speculative behavior (consumers or third parties may believe, with some basis, that the lots’ value will now rise due to the possibility that a real developer will replace SBE, that lot owners will receive redress payments, or both). At the appropriate time, the FTC is likely to take the position that—consistent with decades of consumer protection jurisprudence—victims both (1) keep interests without additional payments (to the maximum extent this is possible), and (2) receive redress from Defendants’ assets proportional to the amounts they paid before this filing became public (so consumers who paid more will receive more) (again, to the maximum extent possible).

n.142, courts routinely grant the Commission immediate access when there is a risk—as there is here—that Defendants will destroy evidence.¹⁵²

2. Smartphones and Cloud Storage

There is substantial evidence that individual Defendants regularly use personal email accounts and cellphones to conduct SBE business.¹⁵³ Accordingly, the Proposed TRO allows the FTC and Receiver to image smartphones, tablets and other similar devices found at 3333 Michelson.¹⁵⁴ Proposed TRO § XVIII(E). Additionally, the Proposed TRO grants the Receiver immediate access to email and other SBE maintains in cloud storage (for instance, Gmail or Dropbox), and directs the Temporary Receiver to produce that information to the FTC.¹⁵⁵ See Proposed TRO § XXIV(D).

3. Safety

Belize is one of the world’s most dangerous countries, PXQQ ¶ 309, and various parties have alleged that SBE is associated with drug trafficking and related violence, PXQQ ¶ 310;

¹⁵¹ To facilitate control over assets and information, the Proposed TRO permits email service. See Proposed TRO § XXVII. Such provisions are typical in this context, *see supra* at 98 n.142 (all orders cited therein allow for email service), and FRCP 65(d)(2) requires only “actual notice,” not formal Rule 4 service. Additionally, serving the TRO by email does not raise issues under international law because Nevis is not a party to the Hague Convention at all, *see, e.g., TEMPO Networks LLC v. Gov’t of NIA*, No. 2:14-6334,, 2015 WL 4757911, *5 (D.N.J. Aug. 12, 2015), and the Hague convention does not prohibit “service by means of email,” *FTC v. PCCare247 Inc.*, No. 12-civ-7189, 2013 WL 841037, *4 (S.D.N.Y. Mar. 7, 2013).

¹⁵² *See, e.g., FTC v. Sale Slash, LLC*, No. CV15-03107, 2015 WL 12762060, at *1 (C.D. Cal. Apr. 27, 2015) (“Good cause exists for . . . permitting the FTC immediate access to Defendants’ business premises”); *FTC v. Wealth Educators, Inc.*, No. CV1502357, 2015 WL 11439063, at *4 (C.D. Cal. Apr. 6, 2015) (“Section 13(b) also permits the Court to grant whatever . . . relief is necessary to preserve the possibility of effective final relief,” including “an order . . . permitting expedited discovery and immediate access”) (citations omitted).

¹⁵³ *See supra* at 58 n. 91 (Pukke); *id.* at 69 n.62 (Chadwick); *id.* at 62 n.96 (Costanzo).

¹⁵⁴ The Proposed TRO also requires Pukke and Baker to produce to the FTC devices not found onsite. Proposed TRO § XVIII(F).

¹⁵⁵ *See, e.g., FTC v. Kutzner*, No. 8:16CV00999, 2016 WL 4491629, at *7 (C.D. Cal. Aug. 24, 2016) (providing “the Receiver immediate access to electronically stored information stored, hosted, or otherwise maintained on behalf of Defendant Foti for forensic imaging”).

PXBB ¶ 22; PXEE ¶16.¹⁵⁶ Therefore, out of an abundance of caution, the Proposed TRO allows the FTC to require that all depositions occur behind a U.S. government security perimeter (such as at government offices). Proposed TRO § XXVI(A). Additionally, also as a precautionary measure, the Proposed TRO makes all Personally Identifiable Information (“PII”) “Attorney’s Eyes Only.” Proposed TRO § XVIII(proviso). The Proposed TRO also contains anti-tampering language that prevents Defendants and their non-attorney agents from contacting witnesses who have submitted declarations attached hereto, or from unlawfully attempting to influence the testimony of any witness.¹⁵⁷ *Id.* § XIV. Finally, Proposed TRO § XVI(Z) requires the Temporary Receiver to attempt to contact any prospective purchasers touring the development (or scheduled to tour it), and other consumers who may be present at the development, as soon as possible.¹⁵⁸

¹⁵⁶ The FTC can provide more information if necessary.

¹⁵⁷ As discussed above, attorney Tom Herskowitz led the IOSB, which litigated against SBE in Belize. *See supra* at 50-51. Herskowitz received hundreds of thousands in undisclosed payments after he gave testimony surprisingly favorable to SBE. *See id.* SBE has also taken other measures to intimidate owners including a baseless Belizean defamation action. *See id.* at 51. Additionally, the FTC has received reports of threats and direct physical intimidation of consumers who speak out about SBE’s practices. PXQQ ¶ 310.

¹⁵⁸ If the Court enters the Proposed TRO, the FTC will attempt to conduct the immediate access and commence service mid-week to minimize the chance that any prospective purchasers are touring Sanctuary Belize when Defendants learn about this filing. Prospective purchasers typically tour over the weekend, *supra* at 15-16, often beginning on Thursdays and concluding on Mondays.

CONCLUSION

For all the aforementioned reasons, the Court should enter the proposed *ex parte* TRO.

Dated: 10/31/18



JONATHAN COHEN, D. Md. Bar No. 16776

jcohen2@ftc.gov

BENJAMIN J. THEISMAN

btheisman@ftc.gov

AMANDA B. KOSTNER

akostner@ftc.gov

KHOURYANNA DiPRIMA

kdiprima@ftc.gov

600 Pennsylvania Ave. NW, CC-9528

Washington, DC 20580

(202) 326-2551 (Cohen); -2223 (Theisman); -2029

(DiPrima); -3197 (facsimile)

Attorneys for Plaintiff Federal Trade Commission