

# CONSUMER COMMITTEE MEETING

January 28<sup>th</sup>, 2021

**Webex Meeting called to Order at 1:00pm EST**

## **In Attendance:**

### **Receiver:**

Brick Kane  
Val Miller  
Anita Jen  
Gary Caris  
Srinivasa Krishnan

### **FTC:**

Jonathan Cohen  
Christopher Erickson  
Caroline Dorsey  
Doug Smith

### **Committee Members:**

Shawna Arop  
Lisa Daniels  
Larry Grice  
Craig Hibbert  
Shryl Kirkbride  
Linda Ozminkowski  
Michele Weslander Quaid  
Jimbob Slocum  
Leslie Thomas  
Jodi Vance

## **Update on Kanantik**

- Shawna Arop and Michele Weslander Quaid are now official Consumer Committee Members representing Kanantik Lot Purchasers.
  1. On November 5<sup>th</sup>, 2020, the entities comprising the Kanantik Development in Belize became Court-ordered receivership assets under already existing court orders.
    - a. Kanantik *lots purchased by Consumers* are not receivership assets.
    - b. Kanantik funds, assets, and debts are being kept separate from those of SBE.
  2. On January 12, 2021, the Court entered an Order Expanding the Consumer Committee to include two lot purchasers who bought lots in Kanantik but not in Sanctuary Belize; the Receiver was instructed to select the new members.

- Defendant records regarding Kanantik Lot Purchasers are woefully incomplete, creating a nearly impracticable challenge for the Receiver to identify and contact all consumers. It is vitally important that all Kanantik Lot Purchasers receive consequential updates, information, and required forms regarding the Redress Plan and consumer claims.
- Help is needed to ensure that the Receiver has all pertinent and up-to-date information so that ALL consumers remain informed. At their earliest convenience, Kanantik Lot Purchasers are therefore asked to send an email to: [Kanantik@RobbEvans.com](mailto:Kanantik@RobbEvans.com)
  1. Please provide the following details:
    - a. Full name(s) of Lot Purchaser(s)
    - b. Kanantik Lot Number(s)
      - Date of purchase (for each lot, if more than one)
      - Purchase price (for each lot, if more than one)
    - c. Mailing Address(es)
    - d. Phone Numbers (home, cell, business)
    - e. Email Address(es)

## Case Overview and Updates

- On January 12, 2021, the Court entered the following Orders in the Ecological/SBE Case:
  1. **Final Order for Permanent Injunction and Monetary Judgment Against Defendants Andris Pukke, Peter Baker, and Luke Chadwick.**
    - a. Findings include that these Defendants “violated the FTC Act and Telemarketing Sales Rule through deceptive marketing of lots in a development known variously as Sanctuary Bay, Sanctuary Belize, and The Reserve (for ease, “Sanctuary Belize”).
    - b. Provisions included in the order:
      - i. Pukke is “permanently restrained and enjoined from advertising, marketing, promoting, or offering for sale any Real Estate Good or Service”.
      - ii. Baker and Chadwick “are permanently restrained and enjoined from any involvement with Sanctuary Belize or any future incarnation.”
      - iii. Baker is also “permanently restrained and enjoined from any involvement with the development known as Kanantik”.
      - iv. The Court deferred ruling on Chadwick’s involvement with the development known as “Kanantik”.
    - c. Section IV, Equitable Monetary Judgment, specifics include these Further Orders:
      - i. “Judgment in the amount of \$120,200,000 is entered in favor of the FTC against Pukke and Baker, jointly and severally...”
      - ii. “Judgment in the amount of \$91, 902,725.91 is entered in favor of the FTC against Chadwick, jointly and severally with Pukke, Baker, Usher and the Defaulting Corporate Defendants.”
      - iii. “Pukke, Baker and Chadwick shall forever relinquish and no longer have any rights to any and all Assets previously transferred in by fact or by operation of law to the Receiver....”

- iv. Pukke, Baker and Chadwick must turn over all assets exceeding \$2,500 in value within 30 days of the order.
- 2. **Final Order of Contempt Against Andris Pukke, Peter Baker, and John Usher, Entering Judgment Against Them as Compensatory Relief, Ordering That They Take Certain Actions or Be Subject to Coercive Relief Until They Do So.**
  - a. “Because Pukke did not cooperate with the FTC in connection with the Monetary Relief and turnover provisions of the Court’s prior order in *Ameridebt* ... Pukke is ordered to pay the FTC \$172 million within 30 days of the Entry of this Order.”
  - b. “Andris Pukke must, within (30) days, transfer to the FTC all amounts... paid to John Vipulis since May 31, 2007 in excess of \$4, 112,000.00...”
  - c. “Pukke, Baker and Usher must, within thirty (30) days, transfer to the FTC 120.2 million...”
    - i. “For Pukke, this \$120.2 million sum is in addition to the \$172 million he owes the FTC because of his non-cooperation with the FTC in the context of the Telemarketing Order’s Monetary Relief and turnover provisions.”
  - d. The failure of Pukke, Baker and Usher to comply with their obligations to make the payments and transfers identified, “in whole or in part, may subject them to additional coercive remedies until they shall have complied or taken appropriate steps to comply.”
- 3. **Memo Order re Newport Landing Group**, denying certain investors of Newport Land Group, LLC their requests for the return of their investments from the Receivership.
- 4. **Memorandum instructing the FTC to docket the Redress Plan by January 27, 2021.**
- On January 27<sup>th</sup>, 2021, the Court issued a Memorandum stating that it “has received the FTC’s renewed recommendation for a criminal referral as to certain Defendants in this case. The Court advises that it has previously discussed the matter with the United States Attorney for the District of Maryland, Robert K. Hur, and he has indicated he will look into it.”
  - 1. The FTC is aware that criminal referral is important to the consumers and has done everything possible in that regard; it must be noted that this matter is **not** up to the FTC now.

## FTC Topics

### Kazazi Update

- Litigation was previously ongoing between the FTC and Rod Kazazi, CFO and COO of SBE, due to Mr. Kazazi’s failure to make payment as obligated per the terms of an approved, agreed-to case Settlement.
- On January 12<sup>th</sup>, 2021, the Court signed an order denying Mr. Kazazi’s Motion to Stay Proceedings. This order also instructed Mr. Kazazi to submit the required payment within seven days.
- The total amount due of \$268,873.37 was paid as ordered. These funds will be included with those available for restitution.

## Proposed Redress Plan

- The FTC submitted a “Redress Plan and Executive Motion in Summary Thereof” to the Court on January 21, 2021. The FTC noted that “although there is no perfect solution, the FTC endorses the Redress Plan as a practical and equitable way to redress the consumers for Defendants’ malfeasance injured.”
- **Lot Owners are advised to carefully read the Executive Summary AND the Proposed Compensation Plan** that was emailed to all Sanctuary Belize and Kanantik Lot Owners *for whom the Receiver has current contact information*. If you haven’t received emails from Robb Evans & Associates, if you’re not sure, or if your contact information changed, email the Receiver at [SanctuaryBelize@Robbevans.com](mailto:SanctuaryBelize@Robbevans.com) (link sends email) or [Kanantik@Robbevans.com](mailto:Kanantik@Robbevans.com) (link sends e-mail).
- New Sanctuary is the name the proposed Compensation Plan uses for the reorganized Sanctuary Belize.
- The proposed Redress Plan includes specifics pertaining to both Sanctuary Belize and Kanantik Lot Purchasers.
  1. Kanantik assets will be sold and there is no plan to develop Kanantik; eligible Kanantik Lot Purchasers will have an option to keep their Kanantik lot, or to opt-out and have no lot, or, to return their Kanantik lot and get a lot in New Sanctuary (NS).
- The Plan was difficult to develop because the FTC has not recovered the amount of resources needed to give all Eligible Consumers what they deservedly would want; difficult decisions had to be made about how to spread an inadequate recovery among all.
- While there are a number of priorities, the Plan was developed with three main issues in mind: 1) prioritizing cooperation and acceptance from the Government of Belize (GOB), 2) attracting a qualified new developer by providing confidence in the legal status of the development and emphasizing its potential desirability and future revenue, and 3) distributing available funds to maximize return for several groups/types of consumers, and providing reasonable choices for consumers to opt-in with new, traditional purchase contracts at attractive prices while still maintaining a community enticing to potential developers.

## Questions/Answers on Specific Plan Points

- For more information, Owners are advised to carefully read the FTC “FAQs for Lot Owners: <https://www.ftc.gov/news-events/sanctuary-belize-f-a-q-2>

### 1. When will the distribution formula and amount available will be determined?

That is not yet known; all dates are keyed to that of the plan’s approval by the Court. The amount available will depend on the assets that are in the Receivership and not subject to appeal; only then are they eligible for distribution, assuming other criteria are met. It is important to note that the pro-rata distribution of 15% used in the Executive Summary example is only an example and NOT guaranteed; it could be more or less.

**2. Does the Receiver have enough staff to handle the large amount of administrative work required by the Redress Plan?**

There is a provision in the Plan allowing the Receiver to obtain help from consultants and/or third parties in order to meet all deadlines and move forward in a timely manner.

**3. What happens to the receivables from newly executed lot contracts?**

Payments made on new contracts will go to the Receivership; these funds can then be used for restitution after Receiver expenses have been paid.

**4. Who will administer newly executed lot contracts?**

The Receiver will administer the new contracts, but a new developer would need to accept the new contracts and their administration may be transferred to that new developer.

It should be noted that a very important feature of the Redress Plan is that it will normalize all new contracts per U.S. standards, to the extent possible.

**5. What is being done to find a new developer?**

The Receiver is currently working with a very experienced consultant who specializes in marrying owners and new developers to developments in the Caribbean; they have also been approached by different investors and developers who have expressed an interest in New Sanctuary (NS). However, the time for sale is not yet right-- the development costs for New Sanctuary need to be fine-tuned so that someone coming in would know what to expect. It is also important to first go through the redress program so that an appropriate sale price can be determined – the number of lots that a developer will have available for future sale is a crucial factor in assessing an accurate value and setting the final sale price.

**6. Who will make the decisions regarding a sale of New Sanctuary?**

Any agreement(s) with a potential new developer must be approved by the Court; it is hoped this will inspire confidence that the decision will be based on due diligence and made with careful thought and consideration.

**7. What will happen to the money received from a sale of the development?**

Funds paid for the sale of all or part(s) of New Sanctuary will go to the redress fund; funds will later be distributed to approved, Eligible Consumers on a pro-rata basis.

**8. Owners would like to know if a developer has purchased New Sanctuary and what the terms are. Likewise, a new developer would probably like to know the final count of Lot Owners who have opted in, which lots are still available for the developer to sell, etc. Is there any chance of that much information being available to all parties in these regards before decisions must be made?**

There is really no way to accomplish this in advance, either practically or lawfully. Issues like these could cause the development to sit in Receivership for a very long time, resulting in years of delay and the possible result that everyone would be worse off. It should be remembered that the Court will have to consent and approve of all final actions regarding redress and sale of the development, so all decisions will be made very carefully, based on the facts at hand and with the best interests of the consumers in mind.

**9. Is there a list of specific amenities and repairs to be completed by a new developer?**

Minimum development tasks have not been defined in great detail; care must be taken to avoid too many constraints that might make the development less attractive to a buyer. However, it is understood that certain specifics are important to all of the Lot Purchasers; consequently, some requirements may be considered for addition at a future time.

**10. Why is the building of a bridge over the Sittee River required by a new developer?**

**Where will the new bridge be located?**

Much has gone into building a good relationship with the Government of Belize and a bridge is important to that country for economic reasons. The bridge location has not yet been determined; the location will be chosen to maximize positive effects and minimize any negative effects for both the community and the surrounding areas.

**11. Why is the beginning price multiplier more favorable for Kanantik lot purchasers?**

The price multiplier for Kanantik Lot Purchasers is less than that for Sanctuary Belize Lot Purchasers because it is a more dramatic shift for Kanantik purchasers—Kanantik has very little and it will likely not be developed.

**12. Why the minimum amount of any distribution set at \$1,000?**

Because there is considerable expense involved in issuing a distribution, reducing the number of distributions by waiting until funds have accumulated to an amount that would result in a minimum \$1,000 payout will be more economical and reduce costs of the Receivership.

**13. Will I be able to get title to my lot if I opt-in?**

The FTC cannot guarantee issuance of any title – that is up to the Government of Belize. However, the Receiver noted that applications for title have increased tremendously and several successful title transfers have been accomplished in recent weeks; they are optimistic about continued success going forward.

**14. How are people already living in Sanctuary Belize included in the Redress Plan?**

There is no separate part of the plan for residents – they are considered regular property owners. Redress for Approved, Eligible Consumers with a home on their lot will be based upon their *original contract lot price*, including taxes; *however*, costs associated with additions, buildings and/or improvements will **not** be included in the basis for restitution.

**15. Please provide an example of Deceptive Price, and explain the difference between that and Purchase Price.**

“Seller Deceptive Price” means the total amount (including principal, interest, Belize General Sales Tax (“GST”), and any other consideration or charges (but not including HOA fees) that, in the Receiver’s reasonable estimation, the Lot Purchaser would have paid to Subject Sellers or Prior Lot Purchaser if the Lot Purchaser timely paid (but not in advance) all amounts due under the operative contract between the Lot Purchaser and Subject Sellers (or Prior Lot Purchaser) concerning an Eligible Lot.

“Purchase Price” means the purchase price of an Eligible Lot, or a New Sanctuary Lot, which is equal to the Seller Deceptive Price multiplied by the applicable Price Multiplier, divided by the Tax Adjustment Factor.

The FTC has prepared a Purchase Price Worksheet which pertains to Sanctuary Belize and to Kanantik. This thorough explanation includes specific examples and provides step by step instructions that will enable lot owners to calculate new lot prices. The Receiver will email this worksheet to all lot owners within the next few days.

**16. What is the Tax Adjustment Factor?**

“Tax Adjustment Factor” means the sum of one (1) plus the Belize General Sales Tax (“GST”) rate as of the Effective Date (by way of example, if the GST is 12.5% as of the Effective Date, the Tax Adjustment Factor is 1.125. Application of this will be included in the price examples that the FTC will soon provide as mentioned in #15 above.

Note: It is hoped that Belize taxes on the lots will go down, although that cannot be guaranteed. It is also hoped that the new assessed value may be the reduced purchase price after adjustment.

**17. Will Belize banks loan money to buyers if you sell your lot in New Sanctuary?**

It is thought that reasons for Belize banks being difficult to work with in the past will be alleviated by the Redress Plan; there is optimism regarding future relations, but no guarantees.

**18. Will the Receiver be able to determine which lots are available?**

The FTC is confident that the Receiver will be able to fairly determine which lots are available, as well as manage the criteria regarding eligibility of lot owners for exchange. The Receiver will not have discretion on purchase price as there are formulas and details included in the plan which must be adhered to.

**19. Do all approved, Eligible Consumers who participate in the Redress Plan have to sign a contract? Please explain.**

All approved, Eligible Consumers who agree to participate in the Redress Plan will be eligible to receive the pro-rata distributions given to Lot Purchasers from the restitution funds. *However*, in order to receive pro-rata distribution payments, Consumers **MUST** sign the appropriate disclosure form(s) **AND** the following conditions **must** also be met:

- a. For those who decide to opt-in, and have paid for their lot in full: YES, you must still sign a New Sanctuary Reformed Contract – this basically denotes acceptance and agreement to keeping your lot, and it is an agreement to adhere to the New Sanctuary HOA fees, rules, regulations and assessments. These owners who sign will receive the pro-rata distributions.
  - i. If you do NOT sign the contract agreeing to all terms required to opt-in, you will **not** receive any pro-rata distributions – even if your lot is paid in full.
  - ii. **Even if you have paid for your lot in full, you can of course agree to opt-out, meaning that you will give up your lot;** in that case, you **will** still receive pro-rata distributions. *However*, any decision to relinquish a fully paid-for lot may result in considerable loss and is not to be undertaken lightly.
- b. Those who still owe money on their lots and wish to opt-in will be required to sign a New Sanctuary Reformed Contract agreeing to the new lot purchase price and new loan payment terms, **and** also agreeing to adhere to the New Sanctuary HOA fees, rules, regulations, and assessments. These owners who sign **will** receive the pro-rata distributions.
- c. Those who decide to opt-out will still be eligible to receive their pro-rata distributions when they sign a Contract agreeing to give up their purchased lot with no further consideration and no further obligation.

You can decide to not participate in the redress plan at all; however, if you choose this option, you will NOT receive any pro-rata distributions and you will not have to agree to adhere to New Sanctuary HOA fees, rules, regulations, and assessments.

**20. Why won't New Sanctuary Rules, Fees, Regulations and Assessments be disclosed before Owners must decide whether to opt-in or opt out?**

It is understood that people want to know these details; however, a developer is usually involved in determining what those will be. While the FTC knows that the HOA will be important, an HOA should be worked out between the Receiver, the new developer, and the owners.

The FTC understands that some people may choose to opt-out without knowing this information; the risk of putting more money into the development is very significant for some purchasers. Everyone will need to read the Disclosures and weigh their options and risks carefully before making a final decision.

**21. Can Lot Purchasers bring claims against other parties e.g., Owner/Salespeople, HOA Directors, etc.?**

There could be Defendants against whom the FTC did not achieve full recovery; there is no reason they cannot be sued by injured consumers and it is expected that may happen. Everything is on the public record and would show liability.

### **Comments and Objections to the Proposed Compensation Plan**

- On January 26<sup>th</sup>, the Court entered an Order detailing a schedule for submissions concerning the Proposed Redress Plan:
  1. “The deadline for any person or entity to comment on, object to, or oppose the Proposed Redress Plan is February 19, 2021.”
    - a. The FTC, the Court-appointed Receiver, and possibly other parties are likely to respond to objections. THE COURT WILL DECIDE WHETHER THE PROPOSED PLAN SHOULD BE CHANGED.
    - b. If you wish to object to the Proposed Plan, or part of it:
      - i. PLEASE DON’T TRY TO CONTACT THE COURT OR THE JUDGE DIRECTLY. Most likely, the Court will establish a procedure, and the deadline is Feb. 19, 2021 for objecting.
      - ii. **If you want to file documents *without* an attorney, you may obtain instructions by contacting the Clerk’s Office for the United States District Court for the District of Maryland. (This case is Docket No. 18-cv-3309-PJM.)**
      - iii. **You may hire your own attorney to file objections per the Court requirements.**
    - c. It was noted that any objections could result in a meaningful delay in the approval and subsequent administration of the Proposed Redress Plan.
  2. Per the Court ordered schedule for submissions, “The FTC and, if appropriate, the Receiver, may reply to any comments, objections, or oppositions by March 12, 2021.”
  3. The Court must approve the final plan and final plan terms will not be effective until that date; approval cannot be granted until all objections and replies have been completed.

### **New Business**

- The Receiver is getting numerous requests from consumers wanting contact information for other consumers. There is a concern about the privacy rights of people and giving information without permission; there are statutory and regulatory interests at issue that need to be adhered to. The Receiver has determined that these requests cannot be easily accommodated and would be cost prohibitive.

**The meeting was adjourned at 3:57pm EST.**